Annual Report of Energoprojekt Holding Plc. for the year 2016

Belgrade, April 2017

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 2016

C O N T E N T S

1. FINANCIAL STATEMENTS OF ENERGOPROJEKT HOLDING Plc. FOR THE YEAR 2016 (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 31.12.2016.

RSD thousand

Account class, account	DESCRIPTION	EDP	Note No.	Total: Current year	Total: Previous year: Closing balance on 31.12. 2015.
1	2	3	4	5	6
	ASSETS				
00	**A. SUBSCRIBED CAPITAL UNPAID**	0001		-	-
	B. NON-CURRENT ASSETS (0003+0010+0019+0024+0034)	0002		7.676.924	7.486.396
01	I. INTANGIBLES (0004+0005+0006+0007+0008+0009)	0003		9.210	11.883
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	23.	9.203	11.883
013 & part 019	3. Goodwill	0006	-	-	-
014 & part 019	4. Other intangible assets	0007	-	-	-
015 & part 019	5. Intangible assets in progress	0008	23.	7	-
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		1.995.000	2.027.691
020, 021 & part 029	1. Land	0011	-	-	-
022 & part 029	2. Buildings	0012	24.1.	1.325.585	1.380.671
023 & part 029	3. Plant and equipment	0013	24.1.	32.185	11.994
024 & part 029	4. Investment property	0014	24.2.	590.198	588.890
025 & part 029	5. Other property, plant and equipment	0015	24.1.	283	283
026 & part 029	6. Property, plant and equipment in progress	0016	-	-	-
027 & part 029	7. Investments in property, plant and equipment, not owned	0017	-	-	-
028 & part 029	8. Advances paid on property, plant and equipment	0018	24.1.	46.749	45.853
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		5.672.714	5.446.822
040 & part 049	1. Shares in subsidiaries	0025	25.1.	5.049.398	5.047.931
041 & part 049	2. Shares in affiliated companies and joint ventures	0026	25.1.	29.550	29.550
042 & part 049	3. Shares in other companies and other available for sale securities	0027	25.1.	18.686	25.467
part 043, part 044 & part 049	4. Long term investments in parent companies and subsidiaries	0028	25.2.	573.708	342.438
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	25.2.	1.372	1.436
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		1.869.124	2.030.932
Class 1	I. INVENTORIES (0045+0046+0047+0048+0049+0050)	0044		2.614	1.826
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	26.	2.614	1.826
20	II. RECEIVABLES FROM SALES (0052+0053+0054+0055+0056+0057+0058)	0051		523.437	488.928
200 & part 209	1. Local buyers - parent company and subsidiaries	0052	27.	522.680	488.186
201 & part 209	2. Foreign buyers - parent company and subsidiaries	0053	-	-	-
202 & part 209	3. Local buyers - other affiliated companies	0054	27.	705	705
203 & part 209	4. Foreign buyers - other affiliated companies	0055	-	-	-
204 & part 209	5. Local buyers	0056	27.	52	37
205 & part 209	6. Foreign buyers	0057	-	-	-
206 & part 209	7. Other receivables from sales	0058	-	-	-
21	III. RECEIVABLES FROM SPECIAL TRANSACTIONS	0059	28.	357.037	105.617
22	IV. OTHER RECEIVABLES	0060	29.	67.845	58.383
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		394.411	522.951
230 & part 239	1. Short term loans and investments - parent company and subsidiaries	0063	30.	229.448	360.454
231 & part 239	2. Short term loans and investments - other affiliated companies	0064	30.	164.884	162.419
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	30.	79	78
24	VII. CASH AND CASH EQUIVALENTS	0068	31.	128.791	463.343
27	VIII. VALUE ADDED TAX	0069	-	-	-
28 excl. 288	IX. PREPAYMENTS AND ACCRUED INCOME	0070	32.	394.989	389.884
	E. TOTAL ASSETS = OPERATING ASSETS (0001+0002+0042+0043)	0071		9.546.048	9.517.328
88	F. OFF-BALANCE SHEET ASSETS	0072	41.	25.008.084	22.596.458

Account class, account	DESCRIPTION	EDP	Note No.	Total	
				Current year	Previous year Closing balance on 31.12.2015.
1	2	3	4	5	6
	CAPITAL AND LIABILITIES				
	A. CAPITAL (0402+0411-0412+0413+0414+0415-0416+0417+0420-0421) ≥ 0 = (0071-0424-0441-0442)	0401		8.421.896	8.450.766
30	I. EQUITY CAPITAL (0403+0404+0405+0406+0407+0408+0409+0410)	0402		7.202.622	7.202.622
300	1. Share capital	0403	33.1.	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	33.1.	1.600.485	1.600.485
309	8. Other share capital	0410	33.1.	27.178	27.178
31	II. SUBSCRIBED CAPITAL UNPAID	0411	-	-	-
047 & 237	III. TREASURY SHARES REPURCHASED	0412	-	-	-
32	IV. RESERVES	0413	33.2.	134.881	134.881
330	V. REVALUATION RESERVES FROM REVALUATION OF INTANGIBLES, PROPERTY, PLANT AND EQUIPMENT	0414	33.3.	782.098	817.591
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	33.4.	28.869	28.433
34	VIII. RETAINED EARNINGS (0418+0419)	0417		331.164	324.105
340	1. Retained earnings from previous years	0418	33.5.	99.050	87.132
341	2. Retained earnings from current year	0419	33.5.	232.114	236.973
	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		2.347	262.210
40	I. LONG TERM PROVISIONS (0426+0427+0428+0429+0430+0431)	0425		2.347	262.210
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	34.1.	2.347	2.210
405	5. Provisions for legal expenses	0430	-	-	-
402 & 409	6. Other long term provisions	0431	34.2.	-	260.000
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	40.	152.252	156.365
42 to 49 (excl. 498)	**D. SHORT TERM LIABILITIES** (0443+0450+0451+0459+0460+0461+0462)	0442		969.553	647.987
42	I. SHORT TERM FINANCIAL LIABILITIES (0444+0445+0446+0447+0448+0449)	0443		638.498	565.607
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	35.1.	638.307	565.561
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	35.2.	191	46
430	II. RECEIVED ADVANCES, DEPOSITS AND BONDS	0450	36.	14.153	-
43 excl. 430	III. OPERATING LIABILITIES (0452+0453+0454+0455+0456+0457+0458)	0451		12.562	26.351
431	1. Suppliers - parent company and subsidiaries, local	0452	37.	1.020	1.677
432	2. Suppliers - parent company and subsidiaries, foreign countries	0453	37.	3.087	11.503
433	3. Suppliers - other affiliated companies, local	0454	-	-	-
434	4. Suppliers - other affiliated companies, foreign countries	0455	-	-	-
435	5. Suppliers, local	0456	37.	6.227	5.667
436	6. Suppliers, foreign countries	0457	37.	2.228	7.504
439	7. Other operating liabilities	0458	-	-	-
44, 45 & 46	IV. OTHER SHORT TERM LIABILITIES	0459	38.	272.319	23.561
47	V. VALUE ADDED TAX	0460	39.1.	4.366	4.559
48	VI. OTHER TAXES, CONTRIBUTIONS AND FEES PAYABLE	0461	39.2.	735	734
49 excl. 498	VII. ACCRUED EXPENSES AND DEFERRED INCOME	0462	39.3.	26.920	27.175
	D. LOSSES EXCEEDING CAPITAL (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402)≥0 = (0441+0424+0442-0071) ≥0	0463		-	-
	E. TOTAL CAPITAL AND LIABILITIES (0424+0442+0441+0401-0463) ≥ 0	0464		9.546.048	9.517.328
89	F. OFF-BALANCE SHEET LIABILITIES	0465	41.	25.008.084	22.596.458

Belgrade,
Date: 20.02.2017.

Energoprojekt Holding a.d. Beograd

Legal Representative of the Company

Name ENERGOPROJEKT HOLDING PLC

INCOME STATEMENT
from 01.01. until 31.12.2016.

RSD thousand

Account class, account	DESCRIPTION	EDP	Note No.	Total - Current year	Total - 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		428,649	504,040
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		405,342	482,184
610	1. Income from sale of finished products and services to parent company and subsidiaries on local market	1010	9.1.	405,284	422,673
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	108
615	6. Income from sale of finished products and services on foreign markets	1015	-	-	59,403
64	III. INCOME FROM PREMIUMS, SUBSIDIES, GRANTS, DONATIONS, ETC.	1016	-	-	-
65	IV. OTHER OPERATING INCOME	1017	9.2.	23,307	21,856
	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		403,463	455,939
50	I. COST PRICE OF GOODS SOLD	1019	-	-	-
62	II. INCOME FROM USE OF OWN PRODUCTS AND MERCHANDISE	1020	10.	336	368
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	11.	8,695	7,986
513	VI. FUEL AND ENERGY COSTS	1024	11.	19,060	22,623
52	VII. EMPLOYEE EXPENSES AND BENEFITS	1025	12.	200,480	193,160
53	VIII. PRODUCTION SERVICE COSTS	1026	13.	79,785	135,418
540	IX. DEPRECIATION EXPENSES	1027	14.	20,416	20,655
541 to 549	X. PROVISION EXPENSES	1028	14.	764	782
55	XI. INTANGIBLE EXPENSES	1029	15.	74,599	75,683
	C. OPERATING INCOME (1001-1018) ≥ 0	1030		25,186	48,101
	D. OPERATING LOSSES (1018-1001) ≥ 0	1031		-	-
66	**E. FINANCIAL REVENUES** (1033+1038+1039)	1032		497,143	475,673
66, excl. 662, 663 & 664	I. FINANCIAL INCOME FROM AFFILIATED COMPANIES AND OTHER FINANCIAL REVENUES (1034+1035+1036+1037)	1033		485,640	465,006
660	1. Financial income from parent company and subsidiaries	1034	16.1.	469,642	448,473
661	2. Financial income from other affiliated companies	1035	16.1.	13,470	11,629
665	3. Share of profits in associated companies and joint ventures	1036	-	-	-
669	4. Other financial revenues	1037	16.1.	2,528	4,904
662	II. INTEREST INCOME (THIRD PARTY)	1038	16.1.	1,951	2,617
663 & 664	III. EXCHANGE RATE GAINS AND POSITIVE CURRENCY CLAUSE EFFECTS (THIRD PARTY)	1039	16.1.	9,552	8,050
56	**F. FINANCIAL EXPENSES** (1041+1046+1047)	1040		30,454	22,318
56, excl. 562, 563 & 564	I. FINANCIAL EXPENSES FROM TRANSACTIONS WITH AFFILIATED COMPANIES AND OTHER FINANCIAL EXPENDITURE (1042+1043+1044+1045)	1041		839	795
560	1. Financial expenses from transactions with parent company and subsidiaries	1042	16.2.	839	795
561	2. Financial expenses from transactions with other affiliated companies	1043	-	-	-
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	16.2.	22,085	17,352
563 & 564	III. EXCHANGE RATE LOSSES AND NEGATIVE CURRENCY CLAUSE EFFECTS (THIRD PARTY)	1047	16.2.	7,530	4,171
	G. FINANCIAL GAINS (1032-1040)	1048		466,689	453,355
	H. FINANCIAL LOSSES (1040-1032)	1049		-	-
683 & 685	**I. INCOME FROM VALUE ADJUSTMENT OF OTHER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT**	1050	-	-	730
583 & 585	**J. EXPENSES FROM VALUE ADJUSTMENT OF OTHER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT**	1051	17.	10	9,163
67 & 68, excl. 683 & 685	**K. OTHER INCOME**	1052	18.1.	263,677	13,746
57 & 58, excl. 583 & 585	**L. OTHER EXPENSES**	1053	18.2.	509,795	251,678
	M. INCOME FROM NORMAL OPERATIONS BEFORE TAX (1030-1031+1048-1049+1050-1051+1052-1053)	1054		245,747	255,091
	N. LOSSES FROM NORMAL OPERATIONS BEFORE TAX (1031-1030+1049-1048+1051-1050+1053-1052)	1055		-	-

Account class, account	DESCRIPTION	EDP	Note No.	Total	
				Current year	Previous year
1	2	3	4	5	6
69-59	**O. NET PROFIT FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT OF ERRORS FROM PREVIOUS YEARS**	1056	-	-	-
59-69	**P. NET LOSSES FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT OF ERRORS FROM PREVIOUS YEARS**	1057	19.	66	3,066
	Q. PROFIT BEFORE TAX (1054-1055+1056-1057)	1058	20.	245,681	252,025
	R. LOSSES BEFORE TAX (1055-1054+1057-1056)	1059	0	-	-
	S. INCOME TAX				
721	I. TAXABLE EXPENSES FOR THE PERIOD	1060	21.	11,416	12,676
part 722	II. DEFERRED TAX EXPENSES FOR THE PERIOD	1061	21.	2,151	2,376
part 722	III. DEFERRED TAX INCOME FOR THE PERIOD	1062	-	-	-
723	**T. MANAGEMENT EARNINGS**	1063	-	-	-
	U. NET PROFIT (1058-1059-1060-1061+1062-1063)	1064	-	**232,114**	**236,973**
	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,

Legal Representative of the Company

Date: 20.02.2017.

Energoprojekt Holding a.d. * Beograd *

Name ENERGOPROJEKT HOLDING PLC

STATEMENT OF OTHER RESULTS
from 01.01. until 31.12.2016.

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	232,114	236,973
	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		
	b) decrease in revaluation reserves	2004	35,493	
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	311	12,356
	b) losses	2018	747	3
	I. OTHER COMPREHENSIVE GROSS PROFIT (2003+2005+2007+2009+2011+2013+2015+2017) - (2004+2006+2008+2010+2012+2014+2016+2018) ≥ 0	2019		12,353
	II. OTHER COMPREHENSIVE GROSS LOSSES (2004+2006+2008+2010+2012+2014+2016+2018) - (2003+2005+2007+2009+2011+2013+2015+2017) ≥ 0	2020	35,929	
	III. TAX ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2021		
	IV. NET OTHER COMPREHENSIVE PROFIT (2019-2020-2021) ≥ 0	2022		12,353
	V. NET OTHER COMPREHENSIVE LOSSES (2020-2019+2021) ≥ 0	2023	35,929	
	C. TOTAL COMPREHENSIVE NET RESULTS FOR THE PERIOD			
	I. TOTAL COMPREHENSIVE NET PROFIT (2001-2002+2022-2023) ≥ 0	2024	196,185	249,326
	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	196,185	149,326
	1. Payable to majority shareholders	2027		
	2. Payable to non-controlling shareholders	2028		

Belgrade,

Legal Representative of the Company

Date: 20.02.2017.

Name ENERGOPROJEKT HOLDING PLC

CASH FLOW STATEMENT
from 01.01. until 31.12.2016.

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	**445,696**	**496,409**
1. Sales and prepayments	3002	438,677	488,268
2. Interests from operating activities	3003	-	-
3. Other inflow from normal operations	3004	7,019	8,141
II. Cash outflow from operating activities (I to 5)	3005	**593,257**	**607,759**
1. Payments to suppliers and prepayments	3006	264,648	297,558
2. Employee expenses and benefits	3007	199,837	188,384
3. Interests paid	3008	21,054	17,012
4. Income tax	3009	12,996	9,329
5. Payments based on other public revenues	3010	94,722	95,476
III. Net cash inflow from operating activities (I-II)	3011	-	-
IV. Net cash outflow from operating activities (II-I)	3012	**147,561**	**111,350**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
I. Cash inflow from investing activities (1 to 5)	3013	**435,090**	**430,191**
1. Sale of shares and stocks (net inflow)	3014	5,114	-
2. Sale of intangible investments, property, plant, equipment and natural assets	3015	-	-
3. Other financial investments (net inflow)	3016	-	-
4. Interest received from investment activities	3017	10,306	18,791
5. Dividends received	3018	419,670	411,400
II. Cash outflow from investing activities (1 to 3)	3019	**471,461**	**134,029**
1. Purchase of shares and stocks (net outflow)	3020	-	94,181
2. Purchase of intangible investments, property, plant, equipment and natural assets	3021	25,076	4,063
3. Other financial investments (net outflow)	3022	446,385	35,785
III. Net cash inflow from investing activities (I-II)	3023	-	**296,162**
IV. Net cash outflow from investing activities (II-I)	3024	**36,371**	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
I. Cash inflow from financing activities (1 to 5)	3025	**65,335**	**392,627**
1. Equity increase	3026	-	-
2. Long term loans (net inflow)	3027	-	-
3. Short term loans (net inflow)	3028	65,335	392,627
4. Other long term liabilities	3029	-	-
5. Other short term liabilities	3030	-	-
II. Cash outflow from financing activities (1 to 6)	3031	**218,928**	**235,287**
1. Repurchase of own shares and stocks	3032	-	-
2. Long term loans (net outflow)	3033	-	16,667
3. Short term loans (net outflow)	3034	-	-
4. Other liabilities	3035	-	-
5. Financial leasing	3036	-	-
6. Dividends paid	3037	218,928	218,620
III. Net cash inflow from financing activities (I -II)	3038	-	**157,340**
D. Net cash outflow from financing activities (II-I)	3039	**153,593**	-
E. TOTAL CASH INFLOW (3001+3013+3025)	3040	**946,121**	**1,319,227**
F. TOTAL CASH OUTFLOW (3005+3019+3031)	3041	**1,283,646**	**977,075**
G. NET CASH INFLOW (3040-3041)	3042	-	**342,152**
H. NET CASH OUTFLOW (3041-3040)	3043	**337,525**	-
I. CASH BALANCE AT BEGINNING OF REPORTING PERIOD	3044	463,343	116,713
J. EXCHANGE RATE GAINS FROM CASH TRANSLATION	3045	2,973	4,478
K. EXCHANGE RATE LOSSES FROM CASH TRANSLATION	3046	-	-
L. CASH BALANCE AT END OF REPORTING PERIOD (3042-3043+3044+3045-3046)	3047	**128,791**	**463,343**

Belgrade,

Legal Representative of the Company

Date: 20.02.2017.

Energoprojekt Holding a.d. Beograd

Name ENERGOPROJEKT HOLDING PLC

STATEMENT OF CHANGES IN EQUITY
as at 31.12.2016.

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 01.01.2015.**																
	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	304,386	4110	817,591	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 01.01.2015.**																
	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	304,386	4114	817,591	4132	-
4	**Changes in previous 2014. year**																
	a) debit balance activity	4007	-	4025	-	4043	-	4061	-	4079	-	4097	218,626	4115	-	4133	-
	b) credit balance activity	4008	-	4026	-	4044	-	4062	-	4080	-	4098	238,345	4116	-	4134	-
5	**Closing balance previous year at 31.12.2015.**																
	a) debit balance (3a+4a-4b) ≥ 0	4009	-	4027	-	4045	-	4063	-	4081	-	4099	-	4117	-	4135	-
	b) credit balance (3b-4a+4b) ≥ 0	4010	7,202,622	4028	-	4046	134,881	4064	-	4082	-	4100	324,105	4118	817,591	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 01.01.2016.**																
	a) adjustment of debit balance (5a+6a-6b) ≥ 0	4013	-	4031	-	4049	-	4067	-	4085	-	4103	-	4121	-	4139	-
	b) adjustment of credit balance (5b-6a+6b) ≥ 0	4014	7,202,622	4032	-	4050	134,881	4068	-	4086	-	4104	324,105	4122	817,591	4140	-
8	**Changes in current 2016. year**																
	a) debit balance activity	4015	-	4033	-	4051	-	4069	-	4087	-	4105	218,626	4123	41,756	4141	-
	b) credit balance activity	4016	-	4034	-	4052	-	4070	-	4088	-	4106	225,685	4124	6,263	4142	-
9	**Closing balance at 30.06.2016.**																
	a) debit balance (7a+8a-8b) ≥ 0	4017	-	4035	-	4053	-	4071	-	4089	-	4107	-	4125	-	4143	-
	b) credit balance (7b-8a+8b) ≥ 0	4018	7,202,622	4036	-	4054	134,881	4072	-	4090	-	4108	331,164	4126	782,098	4144	-

Belgrade,

Date: 20.02.2017.

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 01.01.2015.**														
	a) debit balance	4145	-	4163	-	4181	-	4199	-	4217	40,786	4235	8,418,694	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 01.01.2015.**														
	a) adjustment of debit balance (1a+2a-2b) ≥ 0	4149	-	4167	-	4185	-	4203	-	4221	40,786	4237	8,418,694	4246	-
	b) adjustment of credit balance (1b-2a+2b) ≥ 0	4150	-	4168	-	4186	-	4204	-	4222	-				
4	**Changes in previous 2014. year**														
	a) debit balance activity	4151	-	4169	-	4187	-	4205	-	4223	3	4238		4247	-
	b) credit balance activity	4152	-	4170	-	4188	-	4206	-	4224	12,356				
5	**Closing balance previous year at 31.12.2015.**														
	a) debit balance (3a+4a-4b) ≥ 0	4153	-	4171	-	4189	-	4207	-	4225	28,433	4239	8,450,766	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 01.01.2016.**														
	a) adjustment of debit balance (5a+6a-6b) ≥ 0	4157	-	4175	-	4193	-	4211	-	4229	28,433	4241	8,450,766	4250	-
	b) adjustment of credit balance (5b-6a+6b) ≥ 0	4158	-	4176	-	4194	-	4212	-	4230	-				
8	**Changes in current 2016. year**														
	a) debit balance activity	4159	-	4177	-	4195	-	4213	-	4231	747	4242		4251	28,870
	b) credit balance activity	4160	-	4178	-	4196	-	4214	-	4232	311				
9	**Closing balance at 30.06.2016.**														
	a) debit balance (7a+8a-8b) ≥ 0	4161	-	4179	-	4197	-	4215	-	4233	28,869	4243	8,421,896	4252	-
	b) credit balance (7b-8a+8b) ≥ 0	4162	-	4180	-	4198	-	4216	-	4234	-				

Belgrade,

Date: 20.02.2017.

Legal Representative of the Company

Energoprojekt Holding a.d. * Beograd *

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016

Belgrade, 2017

Contents

1. COMPANY BACKGROUND

Energoprojekt Holding Plc. Belgrade (hereinafter: the Company) is an open joint stock company for 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) by passing the Decision on Harmonization of Company's Articles of Association with the Companies Law adopted on the General Assembly meeting on March 16, 2012 and by passing the Articles of Association on the General Assembly meeting on January 12, 2012.

During the process of harmonization with the Companies Law, Energoprojekt Holding Plc. data has been changed and registered with the Serbian Business Registers Agency by registering the Memorandum of Association and the Articles of Association based on the Decision of the Serbian Business Registers Agency BD 49189/2012 of April 18, 2012, including registration of new bodies of the Company, members of the Executive Board and the chairman and members of the Supervisory Board.

By adopting and registering the Decision on Harmonization of the Memorandum and Articles of Association of Energoprojekt Holding Plc. adopted in compliance with provisions of the new Companies Law, the Decision on Harmonization with the Companies Law and Company Articles of Association from 2006 ceased to apply.

Pursuant to the Decision BD 8020/2005 of May 20. 2005, the Company was re-registered and transferred to the Company Register of the Serbian Business Registers Agency from the Court Register of the Commercial Court of Belgrade with the previous registration on the registry inserts number 1- 2511-00.

Based on the Decision No. VIII Fi 8390/99 of June 30. 2000 passed by the Commercial Court of Belgrade, the Company harmonized its operations with the Companies Law (FRY Official Gazette No. 29/96), the Law on Business Classification (FRY Official Gazette No. 31/96) in respect of the company name, registered business, equity and management, and changed its name from "Energoprojekt Holding share based company in mixed ownership for incorporating, financing and managing other companies", at the time registered by Decision No. FI 5843/91 of June 13, 1991 of the same Court, to "Energoprojekt Holding joint stock company for holding operations".

The legal predecessor of Energoprojekt Holding share based company in mixed ownership is Energoprojekt Holding Corporation, registered with the District Court of Belgrade by Decision No. Fi 423 of January 12, 1990, a company that was organized under the previous Companies Law (SFRY Official Gazette No. 77/88, 40/89, 46/90 and 60/91) through adoption of the Self-Management Agreement on Organizational Changes in the Former Composite Organization of Associated Labour "Energoprojekt" and the Associated Workers' Organizations, at a referendum held on December 8, 1989.

General Company Data

Head Office	Beograd, Bulevar Mihajla 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:

1. Energoprojekt Visokogradnja Plc.;
2. Energoprojekt Niskogradnja Plc.;
3. Energoprojekt Oprema Plc.;
4. Energoprojekt Hidroinzenjering Plc.;
5. Energoprojekt Urbanizam i arhitektura Plc.;
6. Energoprojekt Energodata Plc.;
7. Energoprojekt Industrija Plc.;
8. Energoprojekt Entel Plc.;
9. Energoprojekt Garant Plc.;
10. Energoprojekt Promet Ltd. and
11. Energoprojekt Sunnyville Ltd.

Subsidiary companies abroad - international companies are as follows:

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

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

19. Enjub Ltd.

The affiliated company in the country is:

20. Fima SEE Activist Plc.

The share percentage of Energoprojekt Holding in the capital of the FIMA SEE Activist Plc. at the end of 2015 crossed 20%, whereby the said investment fund became an associate of Energoprojekt Holding.

The following table contains data on the ownership share in subsidiaries.

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 Hidroinzenjering 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 Garant Plc.	92.94
Energoprojekt Promet Ltd.	100.00
Energoprojekt Sunnyville Ltd.	100.00
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*
Fima SEE Activist Ltd.	30.16

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 69 (as at December 31, 2015: 70).

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 January 1 till December 31, 2016** that were approved by the Supervisory Board of the Company on the 27th of February, 2017, at the 8th 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.

2. MANAGEMENT STRUCTURE

Key management of the Company for the period January 1 to June 30, 2016 included the following persons:

- Vladimir Milovanović - General Manager;
- Dr Dimitraki Zipovski - Executive Manager for finances, accounting and plan;
- Mr Zoran Jovanović - Executive Manager for legal affairs; and
- Dragan Tadić - Executive Manager for "Real Estate" projects.

Key management of the Company for the period July 1 to December 31, 2016 included the following persons:

- Vladimir Milovanović - General Manager;
- Dr Dimitraki Zipovski - Executive Manager for finances, accounting and plan;
- Dr Jovan Nikčević - Executive Manager for legal affairs;
- Filip Filipović - Executive Manager for administrative operations and
- Vesna Prodanović - Executive manager for operational projects.

3. OWNERSHIP STRUCTURE

According to records of the Central Securities Depository, the registered ownership structure of the Company as at December 31, 2016 is presented in the Note 33.1.

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 - 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 and 112/2015);
- Law on Added Value Tax (RS Official Gazette, No. 84/2004, 6/2014 – adjusted RSD amounts, 86/2004 - corrigendum, 61/2005, 61/2007, 93/2012, 108/2013, 68/2014 - other law, 142/2014, 83/2015 and 5/2016 – adjusted RSD amounts and 108/2016);
- Rules on the Contents of Tax Balance and Other Issues of Relevance for Calculation of Corporate Income Tax (RS Official Gazette, No. 99/2010, 8/2011, 13/2012, 8/2013 and 20/2014 - other Rules);
- Rules on the Contents of Tax Return for Calculation of Corporate Income Tax (RS Official Gazette, No. 24/2014, 30/2015, 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 Prices and Methods Applied in compliance with the "at arm's length" principle in determining the price of transactions among related parties (RS Official Gazette, No. 61/2013 and 8/2014).

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 November 27, 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) , 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.

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

By the date of adoption of the financial statements attached hereto, the following version of IAS, IFRS and the Interpretations that are integral parts of the Standards, as well as the amendments thereto, as issued by the International Accounting Standards Board, or by the International Financial Reporting Standards' Interpretations Committee and that are as such applicable to the financial statements for the reporting period, have not yet been officially translated or published by the Ministry, and thus cannot be applied by the Company:

- Amendments to IAS 32 “Financial Instruments: Presentation” - Offsetting Financial Assets and Financial Liabilities (effective for the annual periods beginning on or after January 1, 2014);
- Amendments to IFRS 10, IFRS 12 and IAS 27 - “Investment Entities” (effective for the annual periods beginning on or after January 1, 2014);
- Amendments to IAS 36 “Impairment of Assets” - Recoverable Amount Disclosures for Non-Financial Assets (effective for the annual periods beginning on or after January 1, 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 January 1, 2014);
- IFRIC 21 “Levies” (effective for the annual periods beginning on or after January 1, 2014);
- Amendments to IAS 19, Employee Benefits - Defined benefit plans (effective for annual periods beginning on or after July 1, 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 July 1, 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 July 1, 2014);
- Amendments to IFRS 11 "Joint Arrangements" - Accounting for acquisition of participation in joint businesses (effective for annual periods beginning on or after January 1, 2016;
- IFRS 14 "Accounts regulatory prepayments" - effective for annual periods beginning on or after January 1, 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 January 1, 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Industrial plants (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 27 "Separate Financial Statements" - Equity method in separate financial statements (effective for annual periods beginning on or after January 1, 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 January 1, 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 January 1, 2016);
- Amendments to IAS 1 "Presentation of Financial Statements" - Initiative for disclosure (effective for annual periods beginning on or after January 1, 2016); and
- 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 January 1, 2016).

The new Standards, Interpretations and Amendments to the existing Standards that have not yet come into force

Until the date of preparation of the accompanying financial statements, the following IAS, IFRS and interpretations which are their integral parts, as well as their amendments, issued by International Accounting Standards Board and International Financial Reporting Interpretations Committee, have not became effective and have not been adopted:

- IAS 1 (when it adopted IFRS);
- Amendment to IAS 7 - Cash Flow Statement (effective from January 1, 2017);
- Amendment to IAS 12 - Income taxes (effective from January 1, 2017);
- Amendments to IFRS 12 - Disclosures in the participation in other entities (effective from January 1, 2017);
- Amendments to various standards (IAS 28, IAS 40 and IFRS 2) shall take effect from January 1, 2018;
- IFRS 9 "Financial Instruments" and subsequent amendments, which replaces 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 January 1, 2018, earlier application is permitted;
  According to IFRS 9, financial assets will be classified into one of two categories at the initial recognition: at amortized cost or fair value. Financial asset will be recognized at amortized cost if the following two criteria are met: assets relate to business model based on the business model for managing the financial assets and their contractual cash flow characteristics. All other assets will be measured at fair value. Gains and losses arising from measurement of financial assets at fair value will be recognized in the income statement, except investments in equity instruments hot held for trading, where IFRS 9 permits, at initial recognition, subsequent unchangeable choice that all changes in fair value are recognized within other gains and losses in the statement of other comprehensive income. The amount that will be recognized in the statement of comprehensive income will not be able to be recognized in the income statement subsequently. Change in IFRS 9 will lead to changes in IFRS 7 and IFRS 4;
- IFRS 15 "Revenue from contracts with customers", which defines the framework for the recognition of revenue. IFRS 15 supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts", IFRIC 13 "Customer Loyalty Programs", IFRIC 15 "Agreements for the Construction of Real Estate" and IFRIC18 "Transfers of assets from customers" and SIC - 31 "Revenue - exchange transactions involving advertising services ". IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted;
- IFRIC 22 This interpretation applies to foreign exchange transactions where the entity recognizes non-monetary asset or non-financial liability for the payment or receipt of advance payment, before the entity recognizes asset, expense or income, after which the non-monetary asset or liability is recognized again. The interpretation is effective on or after January 1, 2018, but early application is permitted; and
- IFRS 16 "Lease" - published in January 2016, the application is for business periods beginning on or after January 1, 2019. The standards will replace current IAS 17.

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, professional and internal regulations in force.

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	*December 31, 2016*	*December 31, 2015*
	Amount in RSD	
1 EUR	123.4723	121.6261
1 USD	117.1353	111.2468
1 GBP	143.8065	164.9391

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 an at 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 balance sheet.

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 realis ability 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 for which no decrease in value has been performed	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Trade receivables:		
a) Buyers domestic - subsidiaries and other related legal entities		
Energoprojekt Visokogradnja Plc.	380,426	322,647
Energoprojekt Niskogradnja Plc.	20,359	8,980
Energoprojekt Hidroinzenjering Plc.	23,032	22,115
Energoprojekt Entel Plc.	20,193	9,013
Energoprojekt Energodata Plc.	21,809	26,632
Energoprojekt Industrija Plc.	29,424	75,149
Energoprojekt Urbanizam i Arhitektura Plc.	16,406	15,348
Energoprojekt Oprema Plc.		8,119
Energoprojekt Garant Plc.	456	183
Energoprojekt Sunnyville Ltd.	10,575	
Enjub Ltd.	705	705
Total	*523,385*	*488,891*
b) Buyers domestic (externally)	52	37
Total	***523,437***	***488,928***
Receivables from specific operations:		
a) Receivables from specific operations - subsidiaries and other related legal entities		
Energoprojekt Visokogradnja Plc.	352,444	102,017
Energoprojekt Niskogradnja Plc.	36	35
Energoprojekt Hidroinzenjering Plc.	912	383
Energoprojekt Entel Plc.	16	62
Energoprojekt Energodata Plc.	2	73
Energoprojekt Industrija Plc.	18	98
Energoprojekt Urbanizam i arhitektura Plc.	275	560
Energoprojekt Oprema plc.	150	87
Energoprojekt Garant Plc.	457	454
Energoprojekt Sunnyville Ltd.	752	
Enjub Ltd.	1,902	1,775
Total	*356,964*	*105,544*
b) Receivables from specific operations - other legal entities		
Napred razvoj Plc.		
Others	73	73
Total	***357,037***	***105,617***
Other receivables:		
a) Other receivables - subsidiaries and other related legal entities		
Energoprojekt Visokogradnja Plc.		
Energoprojekt Niskogradnja Plc.	***2,307***	
Enjub Ltd.	57,377	46,372
Total	*59,684*	*46,372*
b) Other receivables – other	8,161	12,011
Total	***67,845***	***58,383***
TOTAL	***948,319***	***652,928***

Domestic trade receivables - subsidiaries pertain to receivables based on service agreements concluded to regulate services rendered to subsidiaries, based on which the Company was presented with blank bills of exchange with authorization as collaterals.

Structure of short-term receivables with impairment	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Receivables from specific transactions:		
Zekstra Group - Zekstra Ltd. (Notes 28)	868	855
Napred razvoj Plc.		2,881
Impairment	(868)	(3,736)
TOTAL		

	in RSD thousand	
Related parties:	*31.12.2016*	*31.12.2015*
a) Current	312,688	51,024
b) Up to 30 days	14,008	12,488
c) 30 - 60 days	15,436	9,850
d) 60 - 90 days	13,106	13,181
e) 90 - 365 days	98,865	105,148
f) 365 days +	485,930	449,116
Total	***940,033***	***640,807***
Buyers - domestic:		
a) Current	94	37
b) Up to 30 days		
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) 365 days +	31	
Total	***125***	***37***
Other:		
a) Current	6,035	11,306
b) Up to 30 days	260	188
c) 30 - 60 days	32	233
d) 60 - 90 days	491	78
e) 90 - 365 days	1,240	202
f) 365 days +	103	77
Total	***8,161***	***12,084***
TOTAL	***948,319***	***652,928***

Non-due current receivables in the total amount of RSD 318,817 thousand include receivables from buyers amounting to RSD 307,183 thousand and are mostly due within 15 days after invoicing date or in accordance with agreed payment terms and conditions.

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*	
31.12.2016	*31.12.2015*	*31.12.2016*	*31.12.2015*
17,682,240	**16,457,561**	**5,286,346**	**4,965,632**

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 thousand*	
	2016	*2015*
NET EFFECT ON THE RESULTS IN THE CURRENT PERIOD	**153,055**	**139,772**

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 thousand*	
	31.12.2016	*31.12.2015*
Interest-bearing financial assets with fluctuating interest rate:		
Short-term loans granted to related parties	164,884	162,419
TOTAL	**164,884**	**162,419**
Interest-bearing financial liabilities with fluctuating interest rate:		
Short-term credits	638,307	565,561
TOTAL	**638,307**	**565,561**
DIFFERENCE	**(473,423)**	**(403,142)**

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 thousand*	
	2016	*2015*
NET EFFECT ON THE CURRENT PERIOD RESULTS	**(4,734)**	**(4,031)**

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 thousand*	
	31.12.2016	*31.12.2015*
Suppliers in the country and abroad - subsidiaries and other related parties:		
Encom GmbH Consulting, Engineering&Trading, Germany	3,087	11,463
Energoprojekt Energodata Plc.	787	1,656
Energoprojekt Garant Plc.	233	18
Others		43
Total	***4,107***	***13,180***
Suppliers in the country (externally):		
PE Elektroprivreda Srbije Beograd	932	
PUC Beogradske elektrane	846	954
Algotech Ltd,	352	346
Dom zdravlja Clinicanova	285	
Politika novine i magazini društvo za izdavanje novina i magazina Ltd., Beograd	283	
Compacc Ltd.	265	237
Preduzeće za proizvodnju, promet i inžinjering rashladne i klima tehnike Soko inžinjering Ltd., Beograd	261	51
Others	3,003	4,079
Total	***6,227***	***5,667***
Suppliers abroad (externally):		
IATA	2,228	6,931
Others		573
Total	***2,228***	***7,504***
TOTAL	***12,562***	***26,351***

The Company provided four blank promissory notes as payment securities, in compliance with the provisions of the Agreement, to it supplier EPS Snabdevanje Ltd.

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

Aging structure of trade payables	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Related parties:		
a) Current	1,020	1,714
b) Up to 30 days		3
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) 365 days +	3,087	11,463
Total	***4,107***	***13,180***
Domestic suppliers:		
a) Current	4,814	3,507
b) Up to 30 days	1,367	1,979
c) 30 - 60 days	46	181
d) 60 - 90 days		
e) 90 - 365 days		
f) 365 days +		
Total	***6,227***	***5,667***
International suppliers:		
a) Current		
b) Up to 30 days		
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) 365 days +		
Total	***2,228***	***7,504***
TOTAL	***12,562***	***26,351***

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	*2016*	*2015*
General liquidity ratio	2:1	1.93:1	3.13:1
Rigorous ratio	1:1	1.93:1	3.13:1
Operating cash flow ratio		0.13:1	0.72:1
Net working capital (in RSD thousand)	Positive value	899,571	1,382,945

The results of the ration analysis indicate that the Company was liquid during 2016, 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 thousand*	
	2016	*2015*
Net profit/loss	232,114	236,973
Average capital:		
a) Capital at the beginning of the year	8,450,766	8,418,694
b) Capital at the end of the year	8,421,896	8,450,766
Total	*8,436,331*	*8,434,730*
Average return rate on own capital at the end of the year	***2.75%***	***2.81%***

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 Indicators	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Liabilities	969,553	647,987
Total assets	9,546,048	9,517,328
Ratio of borrowed funds to total assets	**0.10 : 1**	**0.07 : 1**
Long-term assets:		
a) Capital	8,421,896	8,450,766
b) Long-term provisions and long-term liabilities	152,252	418,575
Total	*8,574,148*	*8,869,341*
Total assets	9,546,048	9,517,328
Ration of long-term to total assets	**0.90 : 1**	**0.93 : 1**

The net debt ratio indicates the capital coverage against 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*	
	31.12.2016	*31.12.2015*
Net debt:		
a) Liabilities	969,553	647,987
b) Cash and cash equivalents	128,791	463,343
Total	*840,762*	*184,644*
Capital	8,421,896	8,450,766
Net debt to capital ratio	**1 : 10.02**	**1 : 45.77**

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 thousand*	
	01.01. – 31.12. 2016	*01.01.- 31.12.2015*
Income from sale of finished products and services to parent company and subsidiaries on local market	405,284	422,673
Income from sale of finished products and services on local market	58	108
Income from sale of finished products and services on foreign markets		59,403
TOTAL	***405,342***	***482,184***

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 405,284 thousand (last year comparative period: RSD 422,673 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 thousand*	
	01.01. – 31.12.2016	*01.01. – 31.12.2015*
Energoprojekt Garant Plc.	2,800	1,811
Energoprojekt Visokogradnja Plc.	102,851	74,631
Energoprojekt Niskogradnja Plc.	140,760	92,880
Energoprojekt Hidroinzenjering Plc.	16,245	33,567
Energoprojekt Entel Plc.	71,679	89,652
Energoprojekt Energodata Plc.	6,797	8,976
Energoprojekt Industrija Plc.	6,253	20,143
Energoprojekt Urbanizam i arhitektura Plc.	3,649	5,954
Energoprojekt Oprema Plc.	45,326	95,059
Energoprojekt Sunnyville Ltd.	8,924	
TOTAL	***405,284***	***422,673***

Income from sale of finished products and services on local market in the amount of RSD 58 thousand (same period previous year's RSD 108 thousand) generated by the sale of airline tickets.

9.2 Other Operating Income

Structure of other operating income	*in RSD thousand*	
	01.01. – 31.12.2016	*01.01. – 31.12.2015*
Incomes from the rent collected from parent, subsidiary and other affiliated companies	21,147	19,506
Incomes from the rent collected from other legal entities on local market	295	290
Other operating income (externally)	1,865	2,060
TOTAL	***23,307***	***21,856***

Incomes from the rent collected from parent, subsidiary and other affiliated companies amounting to RSD 21,147 thousand (last year comparative period: RSD 19,506 thousand), were generated based on renting of the “Samački Hotel” complex in 24 Batajnički Drum, which has been rented since 2011 to the Energoprojekt Visokogradnja Company for RSD 15,440 thousand (last year comparative period: RSD 15,135 thousand), from the rent of a portion of the Energoprojekt building, which has been rented since 2013 to the Energoprojekt Garant Company for RSD 4,459 thousand (last year comparative period: RSD 4,371 thousand) and from the rent of a portion of the Energoprojekt building, which has been rented since 2016 to the Energoprojekt Sunnyville Company for RSD 1,248 thousand.

Incomes from the rent collected from other legal entities on local market amounting to RSD 295 thousand (last year comparative period: RSD 290 thousand), were generated primarily from renting of the ground floor space of the Energoprojekt building to Telekom Srbija Company in the amount of RSD 148 thousand.

Other operating income amounting to RSD 1,865 thousand (last year comparative period: RSD 2,060 thousand) from the award bonus of airline companies for the turnover from the sales of air tickets (last year comparative period: RSD 480 thousand).

10. INCOME FROM USE OF OWN PRODUCTS AND MERCHANDISE

Structure of income from use of own products and merchandise	*in RSD thousand*	
	01.01.- 31.12. 2016	*01.01. - 31.12. 2015*
Income from use of own products and merchandise	336	368
TOTAL	***336***	***368***

11. MATERIAL COSTS AND FUEL AND ENERGY COSTS

Structure of material cost and fuel and energy costs	*in RSD thousand*	
	01.01. – 31.12.2016	*01.01. – 31.12.2015*
Material costs:		
a) Costs of other materials (overheads)	7,948	7,690
b) Costs of one-off write-off of tools and inventory	747	296
Total	*8,695*	*7,986*
Fuels and energy costs:		
a) Costs of fuel	2,172	2,346
b) Costs of electrical energy and heating	16,888	20,277
Total	*19,060*	*22,623*
TOTAL	***27,755***	***30,609***

Costs of other material (overheads) amounting to RSD 7,948 thousand (last year comparison period: RSD 7,690 thousand) refer to the costs of office supplies amounting to RSD 2,193 thousand (last year comparison period: RSD 2,146 thousand), professional and expert literature, magazines, etc., amounting to RSD 1,173 thousand (last year comparison period: RSD 1,426 thousand) and other material costs amounting to RSD 4,582 thousand (last year comparison period: RSD 4,118 thousand).

12. EMPLOYEE EXPENSES AND BENEFITS

Structure of employee expenses and benefits	*in RSD thousand*	
	01.01. – 31.12.2016	*01.01. – 31.12. 2015*
Expenses of wages and fringe benefits (gross)	152,559	143,725
Taxes and contributions on wages and contributions on wages payable by employer	20,549	20,383
Service agreements contributions	4,709	6,815
Copyright agreements contributions	974	734
Costs of contributions for contract fees for temporary and periodical engagement	1,364	1,410
Considerations to General Manager and/or Management and Supervisory Board members	12,069	9,849
Other personnel expenses and fringe benefits	8,256	10,244
TOTAL	***200,480***	***193,160***
Average number of employees	69	70

Other personnel expenses and fringe benefits amounting to RSD 8,256 thousand (last year comparison period: RSD 10,244 thousand) refer to the business trips' expenses amounting to RSD 4,659 thousand (last year comparison period: RSD 7,308 thousand), Company expenses for employee commuting reimbursements amounting to RSD 2,281 thousand (last year comparison period: RSD 2,463 thousand), solidarity fund allowances and other employee compensations amounting to RSD 1,316 thousand (last year comparison period: RSD 473 thousand).

13. PRODUCTION SERVICE COSTS

Structure of production service cost	*in RSD thousand*	
	01.01. – 31.12. 2016	*01.01. – 31.12. 2015*
Service of outputs		59,403
Transportation services cost	3,462	3,125
Repairs and maintenance services' costs	46,735	47,080
Rental costs	240	148
Trade fairs' costs	104	53
Advertising costs	13,392	11,013
Costs of other services	15,852	14,596
TOTAL	***79,785***	***135,418***

Transportation services' costs in the amount of RSD 3,462 thousand (last year comparison period: RSD 3,125 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 46,735 thousand (last year comparison period: RSD 47,080 thousand) pertain primarily to investment maintenance of the Energoprojekt building amounting to RSD 44,227 thousand (last year comparison period: RSD 44,621 thousand) and to the ongoing maintenance of equipment amounting to RSD 2,451 thousand (last year comparison period: RSD 2,389 thousand).

Advertising costs amounting to RSD 13,392 thousand (last year comparison period: RSD 11,013 thousand) pertain to the sponsorship expenses (mostly Vaterpolo Savez Srbije), media presentation, costs of advertising on billboards and other costs.

Costs of other services amounting to RSD 15,852 thousand (last year comparison period: RSD 14,596 thousand) refer to the photocopying costs and costs of technical and operational support: RSD 7,732 thousand (last year comparison period: RSD 6,946 thousand) mostly provided by the Energoprojekt Energodata Company in amount of RSD 7,394 thousand, in multimedia presentations, updating and preparation of advertising and promo materials, graphic design services and other; licenses' costs: RSD 5,274 thousand (last year comparison period: RSD 4,623 thousand); utility services: RSD 2,371 thousand (last year comparison period: RSD 2,612 thousand), occupational safety and car registration expenses: RSD 475 thousand (last year comparison period: RSD 415 thousand).

14. DEPRECIATION EXPENSES AND PROVISION EXPENSES

Structure of depreciation expenses and provision expenses	*in RSD thousand*	
	01.01. – 31.12. 2016	*01.01. – 31.12. 2015*
Depreciation expenses:		
a) Depreciation of intangible assets (Note 23)	3,025	2,785
b) Depreciation of property, plant and equipment (Note 24.1)	17,391	17,870
Total	*20,416*	*20,655*
Provisions expenses		
Provisions for employee expenses and benefits	764	782
Total	*764*	*782*
TOTAL	***21,180***	***21,437***

As of 31.12.2016, 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 2016, and consequently carrying amount as of 31.12.2016.

Due to the changed estimates of residual value and useful life, depreciation costs of property and equipment in 2016 were increased by RSD 1,027 thousand whereby depreciation costs of property by RSD 800 thousand and depreciation cost of equipment by RSD 227 thousand.

Provisions for employee expenses and benefits amount to 764 thousand (Notes 34.1).

15. INTANGIBLE EXPENSES

Structure of intangible expenses	*in RSD thousand*	
	01.01. – 31.12. 2016	*01.01. – 31.12. 2015*
Intangible expenses	19,557	27,445
Expense account	18,046	8,118
Insurance premiums expenses	936	1,057
Payment operations' expenses	2,220	3,518
Membership fee expenses	1,225	1,458
Tax duties	26,262	26,343
Other non-operating expenses	6,353	7,744
TOTAL	***74,599***	***75,683***

Intangible expenses amounting to RSD 19,557 thousand (last year comparison period: RSD 27,445 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 18,046 thousand (last year comparison period: RSD 8,118 thousand), include primarily the catering services. Increase in expense accounts in the reporting period primarily was caused by preparation the celebration of 65 years of the Energoprojekt establishment.

Insurance premium expenses amounting to RSD 936 thousand (last year comparison period: RSD 1,057 thousand), refer to the insurance of property and persons.

Payment operations expenses amounting to RSD 2,220 thousand pertain to the local payment operations costs (last year comparison period: RSD 3,518 thousand, dominantly in the country).

Membership fee expenses amounting to RSD 1,225 thousand (last year comparison period: RSD 1,458 thousand) include membership fees to Chambers (Serbian Chamber of Commerce) representing a salary expense liability of RSD 228 thousand (last year comparison period: RSD 215 thousand) and other Chambers' membership fees and Associations' fees in the amount of RSD 997 thousand (last year comparison period: RSD 1,243 thousand).

Tax duties in the amount of RSD 26,262 thousand (last year comparison period: RSD 26,343 thousand) refer predominantly to the property tax amounting to RSD 25,575 thousand (last year comparison period: RSD 25,645 thousand).

Other intangible expenses amounting to RSD 6,353 thousand (last year comparison period: RSD 7,744 thousand) predominantly refer to duties and lawsuit expenses in the amount of RSD 2,438 thousand, cost of printing, addressing and mailing newsletter Energoprojekt of RSD 1,678 thousand and costs of participation in financing salaries of persons with disabilities of RSD 759 thousand.

16. FINANCIAL INCOME AND FINANCIAL EXPENSE

16.1 Financial Income

Structure of financial income	*in RSD thousand*	
	01.01. – 31.12.2016	*01.01. – 31.12.2015*
Financial income from transactions with parent companies and subsidiaries	469,642	448,473
Financial income from other affiliated companies	13,470	11,629
Income from dividends	2,528	4,904
Total financial income from the related parties and other financial income	*485,640*	*465,006*
Interest income (third party)	1,951	2,617
Exchange rate gains and positive currency clause effects (third party)	9,552	8,050
TOTAL	***497,143***	***475,673***

Financial income from transactions with parent companies and subsidiaries amounting to RSD 469,642 thousand (last year comparison period: RSD 448,473 thousand), refer to interest income from subsidiaries amounting to RSD 42,653 thousand (last year comparison period: RSD 34,192 thousand), income from the effects of foreign exchange clauses and foreign exchange gains from subsidiaries amounting to RSD 20,480 thousand (last year comparison period: RSD 7,772 thousand) and to the income from the profit share (dividends) in the amount of RSD 406,509 thousand (last year comparison period: RSD 406,509 thousand) from the following subsidiaries:

- Energoprojekt Garant Plc. in the amount of RSD 45,747 thousand (last year comparison period: RSD 45,747 thousand);
- Energoprojekt Entel Plc. in the amount of RSD 265,322 thousand (last year comparison period: RSD 265,322 thousand); and
- Energoprojekt Oprema Plc. in the amount of RSD 95,440 thousand (last year comparison period: RSD 95,440 thousand).

Financial income from other related parties in the amount of RSD 13,470 thousand (last year comparison period: RSD 11,629 thousand) relates to the interest income: RSD 10,282 thousand (last year comparison period: RSD 10,447 thousand and to the effects of the foreign exchange clauses: RSD 3,188 thousand (last year comparison period: RSD 1,182 thousand) from the joint venture Enjub Ltd.).

Income from dividends in the amount of RSD 2,528 thousand relates to the Energo Broker Ltd in the amount of RSD 2,506 thousand (last year comparison period: RSD 4,904 thousand) and Dunav Osiguranje ado in the amount of RSD 22 thousand.

Interest income (third party) in the amount of RSD 1,951 thousand refers to the interest calculated on the term deposits (last year comparison period: RSD 2,617 thousand).

Positive differences in exchange rates and income from the effects of foreign currency clause in the amount of RSD 9,552 thousand (last year comparison period: RSD 8,050 thousand), pertain to the positive differences in exchange rates in the amount of RSD 2,972 thousand (last year comparison period: RSD 4,873 thousand) and income from the effects of foreign currency clause in the amount of RSD 6,580 thousand (last year comparison period: RSD 3,177 thousand), the largest portion of which pertains to the effects of foreign currency clause based on the receivables for income from the construction of Embassy building in Abuja that was not invoiced in the amount of RSD 5,857 thousand.

16.2 Financial Expense

Structure of financial expense	*in RSD thousand*	
	01.01. – 31.12. 2016	*01.01. – 31.12. 2015*
Financial expenses from transactions with parent company and subsidiaries	839	795
Total financial expense incurred from related parties and other financial expense	*839*	*795*
Interest expenses (third party)	22,085	17,352
Exchange rate losses and negative currency clause effects (third party)	7,530	4,171
TOTAL	***30,454***	***22,318***

Financial expenses from transactions with parent companies and subsidiaries in the amount of RSD 839 thousand (last year comparison period: RSD 795 thousand) pertain to the expenses incurred from the effects of foreign currency clauses and negative effects of foreign exchange rates from transactions with subsidiaries.

Interest expense (third party) in the amount of RSD 22,085 thousand relate primarily to the interest expense from domestic current liquidity loans in amount of RSD 21,557 thousand granted by the Erste bank, Eurobank, Alpha Bank, Addiko Bank and Jubmes Bank (last year comparison period: RSD 17,352 thousand, based primarily on the domestic loans granted by the Komercijalna bank, Erste bank and Alpha Bank).

Exchange rate losses and negative currency clause effect in the amount of RSD 7,530 thousand (last year comparison period: RSD 4,171 thousand) refer to foreign exchange losses in the amount of RSD 95 thousand (last year comparison period: RSD 741 thousand) and costs from effects of foreign currency clause in the amount of RSD 7,435 thousand (last year comparison period: RSD 3,430 thousand).

17. INCOME FROM VALUE ADJUSTMENT OF OTHER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT

Structure of income from value adjustment of other assets disclosed at fair through income statement	*in RSD thousand*	
	01.01. – 31.12. 2016	*01.01. - 31.12.2015*
Income from value adjustment of long-term financial investments and securities available for sale	10	6,282
Expenses from value adjustment of long-term financial investments and securities available for sale		2,881
TOTAL	***10***	***9,163***

Expenses from value adjustment of long-term financial investments and securities available for sale in the amount of RSD 10 relate to impairment of equity shares in the companies in bankruptcy which are obtained from liquidation mass of Energobroker a.d. (Note 25.1) as of the physical count 31.12.2016., namely: Agricultural bank Agrobanka ad Belgrade, Belgrade industry of beer, malt and soft drinks plc Belgrade and Imtel computers plc Belgrade (last year comparison period: RSD 6,282 thousand) and impairment of equity shares with Pik Bečej - Hotel Bela Ladja plc of RSD 5,987 thousand and subsidiary Energoprojekt Promet Ltd of RSD 295 thousand.

18. OTHER INCOME AND OTHER EXPENSES

18.1 Other Income

Structure of other income	*in RSD thousand*	
	01.01.-31.12. 2016	*01.01. –31.12. 2015*
Income from effects of agreed risk protection, which cannot be disclosed under other comprehensive result	13	5
Income from decrease in liabilities	78	7,913
Income from release of long-term and short-term provisions	260,000	
Other not mentioned income	250	1,378
Income from adjustment of value of property, plant and equipment	3,336	4,450
TOTAL	***263,677***	***13,746***

Income from release of long-term and short-term provisions in the amount of RSD 260,000 thousand relate to the elimination of long-term provisions formed in 2006 in respect of possible expenses arose from realization of the Agreement on Joint Construction - Block 26, Novi Beograd, made between consortium "Energoprojekt - Napred" and Trinity Capital Ltd pursuant to the decision of the Executive Board (Note 34.2).

Other not mentioned income in the amount of RSD 250 thousand pertain primarily to the income from damage compensation from Energoprojekt Garant Plc, in the amount of RSD 72 thousand (last year comparison period: RSD 1,276 thousand) and to the income from the sale of used paper and plastic bottle caps in the amount of RSD 149 thousand (previous year comparison period: RSD 93 thousand).

Income from the adjustment of value of property, plant and equipment in the amount of RSD 3,336 thousand (in the previous year comparison period, expenses were recorded on this basis in the amount of RSD 4,450 thousand) pertain to the adjustment of fair value of investment property, and specifically of the Samački hotel complex (Note 24.2.).

18.2 Other Expenses

Structure of other expenses	*in RSD thousand*	
	01.01. – 31.12. 2016	*01.01. – 31.12. 2015*
Losses incurred from shelving and sale of intangible assets, property, plant and equipment	3	555
Expense from direct write-off of receivables	490,821	243,416
Other not mentioned expense	16,943	7,707
Impairment of property, plant and equipment	2,028	
TOTAL	***509,795***	***251,678***

Expenses based on direct write-off of receivables in the amount of RSD 490,821 thousand pertain primarily to:

- Energoprojekt Visokogradnja company in the amount of RSD 395,111 thousand (based on the direct write-off of receivables based on the Loans' Agreements, interest on loans and invoiced services provided in prior periods);
- Energoprojekt Industrija in the amount of RSD 50,624 thousand (based on direct write-off of receivables based on the invoices for services rendered in prior period); and
- Energoprojekt Energodata company in the amount of RSD 45,067 thousand (based on the direct write-off of receivables from the Loan Agreement and interest on loan).

and recorded in accordance with the decision of the Executive Board, due to difficulties in operation of these companies. In the previous year the amount of RSD 243,416 thousand primarily arose from direct write-off of receivables from Energoprojekt Visokogradnja: RSD 218,927 thousand, Energoprojekt Hidroinženjering: RSD 24,325 thousand and Energoprojekt Promet: RSD 120 thousand.

Other not mentioned expenses in the amount of RSD 16,943 thousand pertain to the donations granted in the amount of RSD 16,387 thousand, expenses for sports purposes in the amount of RSD 397 thousand, fines and penalties in the amount of RSD 159 thousand (previous year comparison period: RSD 7,707 thousand pertained primarily to the donations granted in amount of RSD 6.958 thousand).

Impairment of property, plant and equipment in the amount of RSD 2,028 thousand relates to the adjustment of the fear value of the business facilities "Stari Merkator" (Note 24.2).

19. 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 thousand*	
	01.01.-31.12. 2016	*01.01. - 31.12. 2015*
Net profit from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year		
Net loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year	66	3,066
TOTAL	***(66)***	***(3,066)***

Net loss from discontinued operations, effects of change in accounting policy and corrections of errors from previous years in the amount of RSD 66 thousand relate to the subsequently determined expenses, and revenue 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 (last year comparison period: RSD 3,066 thousand mainly relates to losses incurred during the realization of the Construction Agreement for the Embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria).

20. PROFIT / LOSS BEFORE TAX

	in RSD thousand	
Structure of gross result	*01.01.-31.12. 2016*	*01.01. - 31.12. 2015*
Operating income	428,649	504,040
Operating expenses	403,463	455,939
Operating result	**25,186**	**48,101**
Financial income	497,143	475,673
Financial expenses	30,454	22,318
Financial result	**466,689**	**453,355**
Income from value adjustment of other assets disclosed at fair value through income statement		730
Other revenues	263,677	13,746
Expenses from value adjustment of other assets disclosed at fair value through income statement	10	9,163
Other expenses	509,795	251,678
Result of other revenues and expenses	**(246,128)**	**(246,365)**
Net profit from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year		
Net loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year	66	3,066
TOTAL INCOME	**1,189,469**	**994,189**
TOTAL EXPENSE	**943,788**	**742,164**
PROFIT/LOSS BEFORE TAX	***245,681***	***252,025***

21. PROFIT TAX AND NET PROFIT

Breakdown of calculation of profit tax and net profit	*in RSD thousand*	
	01.01.-31.12.2016	*01.01. - 31.12.2015*
Profit before tax	245,681	252,025
Capital gains/(losses) in Profit or Loss		
Adjustment and net correction of revenues/(expenses) in tax balance	(169,574)	(167,518)
Taxable profit	**76,107**	**84,507**
Amount of loss in tax balance from previous years up to the amount of taxable profit		
Other taxable profit	**76,107**	**84,507**
Capital gains/(losses) calculated in compliance with the law		
Capital losses carried from previous years up the amount of capital profit calculated in compliance with the law		
Other capital gains		
Tax basis	**76,107**	**84,507**
Calculated tax (15% of tax base)	11,416	12,676
Total deductions from the calculated tax		
Calculated tax after deductions	**11,416**	**12,676**
Profit/(loss) before tax	245,681	252,025
Tax loss of the period	11,416	12,676
Deferred tax loss of the period	2,151	2,376
Net profit	***232,114***	***236,973***

22. EARNINGS PER SHARE

Indicator	*in RSD thousand*	
	01.01.-31.12. 2016	*01.01. - 31.12.2015*
Net profit	232,114	236,972
Average number of shares during the year	10,931,292	10,931,292
Earnings per share (in RSD)	***21,23***	***21,68***

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.

23. INTANGIBLES ASSETS

In RSD thousand

Structure of intangible assets	Software and other rights	Intangible assets in preparation	Advances paid for intangible assets	Total
Purchase price				
Balance as at 01.01.2015	12,375	1,783	411	**14,569**
Correction of opening balance				
New purchases	1,944			**1,944**
Increase by transfer from investments in progress	2,194	(1,783)	(411)	
Disposal and decommissioning	(688)			**(688)**
Balance as at 31.12.2015	**15,825**			**15,825**
Correction of opening balance				
New purchases	345	7		**352**
Increase by transfer from investments in progress				
Disposal and decommissioning				
Balance as at 31.12.2016	**16,170**	**7**		**16,177**
Impairment of value				
Balance as at 01.01.2015	1,386			**1,386**
Correction of opening balance				
Depreciation	2,785			**2,785**
Disposal and decommissioning	(229)			**(229)**
Impairments				
Balance as at 31.12.2015	**3,942**			**3,942**
Correction of opening balance				
Amortisation	3,025			**3,025**
Disposal and decommissioning				
Impairments				
Balance as at 31.12.2016	**6,967**			**6,967**
Net book value				
31.12.2015.	***11,883***			***11,883***
31.12.2016	***9,203***	***7***		***9,210***

24. PROPERTY, PLANT AND EQUIPMENT

24.1 Property, plant and equipment without investment property

In RSD thousand

Structure of property, plant and equipment	Buildings	Plant and equipment	Other property, plant and equipment	Advances paid for property, plant and equipment	Total
Purcha.se price					
Balance as at 01.01.2015	**1,393,710**	**93,858**	**283**	**45,601**	**1,533,452**
Correction of opening balance					
New purchases during the year		1,533			**1,533**
Disposal and decommissioning		(3,782)			**(3,782)**
FX gains and losses				252	**252**
Other increases / (decreases)					
Balance as at 31.12.2015	**1,393,710**	**91,609**	**283**	**45,853**	**1,531,455**
Correction of opening balance					
New purchases during the year		24,257		200	**24,457**
Disposal and decommissioning		(1,651)			**(1,651)**
Profit/(loss) included in Report on Other Result (account group 330)	(41,757)				**(41,757)**
FX gains and losses				696	**696**
Other increases / (decreases)	(26,368)				**(26,368)**
Balance as at 31.12.2016	**1,325,585**	**114,215**	**283**	**46,749**	**1,486,832**
Impairment					
Balance as at 01.01.2015		**78.469**			**78,469**
Correction of opening balance					
Amortization	13,039	4,831			**17,870**
Disposal and decommissioning		(3,685)			**(3,685)**
Balance as at 31.12.2015	**13,039**	**79,615**			**92,654**
Correction of opening balance					
Amortization	13,329	4,062			**17,391**
Disposal and decommissioning		(1,647)			**(1,647)**
Other increases /decreases	(26,368)				**(26,368)**
Balance as at 31.12.2016		**82,030**			**82,030**
Net book value					
Balance as at 31.12.2015	***1,380,671***	***11,994***	***283***	***45,853***	***1,438,801***
Balance as at 31.12.2016	***1,325,585***	***32,185***	***283***	***46, 749***	***1,404,802***

On December 31, 2016 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 2016., and that, consequently carrying value of assets as of 31.12.2016 (Note 14).

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 December 31, 2016 in the amount of RSD 1,325,585 thousand was performed by an external independent qualified valuator by using the comparative method. The was performed by completely eliminating the correction of its value in the amount of RSD 26,368 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 41,757 thousand.

Starting from the revalued amount as at December 31, 2015, as well as based on the assessment of the determined residual value as at December 31, 2016 and determined useful lifetime of the building in question (100 years; the remaining useful life as at December 31, 2016: 65 years), the amortization costs for the building in question over the reporting period (bearing in mind the residual value that is lower than the revalorized value thereof), is RSD 13,329 thousand.

Adjustment of the opening and closing balance of the value of buildings is presented in the following 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	1,380,67 1	503,743	65	13,329	(41,757)	1,325,585
	TOTAL	***1,380,67***	***503,743***	***65***	***13,32***	***(41,757)***	***1,325,585***

If the revaluated items had been presented by using the acquisition price method, their current value would amount to RSD 529,803 thousand. As at 31.12.2016, the Company has no property or equipment mortgaged or taken as lien to be used as collateral for financial obligations.

Advances for property, plant and equipment in the amount of RSD 46,749 thousand refer to the advance paid to the Republic of Serbia for the purchase of properties in Uganda, Peru and Nigeria in the amount of RSD 46,549 thousand.

24.2 Investment Property

Investment property	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Balance as at January 1	588,890	584,440
Profit/(losses) included in Income Statement	1,308	4,450
Closing balance	***590,198***	***588,890***

In relation to the investment property, the following amounts were recognized in Income Statement:

Profit and loss related to investment property included in Profit and Loss	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Rental income (Note 9.2)	15,440	15,135
Direct operating expenses incurred from investment property that generated rental income during the year	(2,556)	(9,035)
Direct operating expenses incurred from investment property that did not generate rental income during the year	(2,414)	(409)
TOTAL	***10,470***	***5,691***

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	Profit / (losses) included in Profit and Loss	Closing balance
1	Samački hotel complex	502,901	3,336	506,237
2	Stari Merkator office	85,989	(2,028)	83,961
	TOTAL	***588,890***	***1,308***	***590,198***

In its books, the Company posted the fair value of its investment property according to its value determined by means of its fair value assessment as at December 31, 2016.

Valuation of the fair value of investment property as at December 31, 2016 was performed by independent valuators holding recognized and relevant professional qualifications and recent relevant work experience with relevant locations and categories of investment property appraised. Due to the current situation on the property market at the time when the assessment was performed and the reduced number of sales transactions compared with previous years due to the economic crisis, the valuators mostly relied on their knowledge of the market and professional judgment and less on the results of comparable transactions in the past.

In valuation of the fair value of the Company's investment property, the external independent qualified valuator relied on the following valuation techniques:

- For the "Samacki Hotel" complex: the cost approach, 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;
- For the "Stari Merkator" office space: the comparative approach, due to the characteristics of the facility subject to appraisal and due to the fact that there is an offer of similar facilities for sale/rent in the market, on a similar location.

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

Investment property in the amount of RSD 590,198 thousand refers to the following facilities:

- The "Samacki Hotel" complex, with the total area of 8,034.00 m^2, with the municipal construction land use rights for the total area of 18,598.00 m^2, in 24 Batajnicki Put Street in Zemun in the amount of RSD 506,237 thousand. Income amounting to RSD 15,440 thousand was generated from the rent of the property in question to Energoprojekt Visokogradnja Company in the reporting period (Note 9.2).
- The "Stari Merkator" office space with the total area of 643 m^2, in 5 Palmira Toljatija Street in Novi Beograd in the amount of RSD 83,961 thousand. In the reporting period, this property was not rented. Due to the present inauspicious situation for the rent of property in the Republic of Serbia, it has been quite difficult to find adequate tenant for this property

25. LONG-TERM FINANCIAL INVESTMENTS

Structure of long-term financial investments	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Shares in subsidiaries	5,764,462	5,762,996
Shares in affiliated companies and joint ventures	30,613	30,613
Shares in other companies and other available for sale securities	126,099	132,435
Long-term investments in parent companies and subsidiaries	573,708	342,437
Other long-term financial investments	1,372	1,436
Total	***6,496,254***	***6,269,917***
Impairment	*(823,540)*	*(823,095)*
TOTAL	***5,672,714***	***5,446,822***

25.1 Equity investments

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

Structure of share investments	**% share**	*in RSD thousand*	
		31.12.2016	*31.12.2015*
Share in subsidiaries			
Energoprojekt Visokogradnja Plc.	100.00%	1,826,137	1,826,137
Energoprojekt Niskogradnja Plc.	100.00%	1,103,760	1,102,293
Energoprojekt Oprema Plc.	67.87%	121,316	121,316
Energoprojekt Hidroinzenjering 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.	92.94%	597,545	597,545
Energoprojekt Sunnyville Ltd.	100.00%	2,500	2,500
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.	100.00%	101	101
Zambia Engineering and Contracting Company Limited,	100.00%	587	587
Energoprojekt Holding Guinee S.A., Guinea	100.00%	1,628	1,628
Energoprojekt (Malesia) Sdn. Bhd., Kuala Lumpur	100.00%	19,574	19,574
Impairment		*(715,064)*	*(715,064)*
Total		*5,049,398*	*5,047,931*
Share in affiliated companies and joint ventures			
Necco Nigerian Engenering and Construction CO LTD, Kano,	40.00%	1,063	1,063
Fima see Activist Plc.Beograd	30.16%	*16,000*	*16,000*
Enjub Ltd.	50.00%	13,550	13,550
Impairment		*(1,063)*	*(1,063)*
Total		***29,550***	***29,550***
Share in other companies and other available for sale			
Dunav Osiguranje Plc.	0.01%	*5,814*	*5,814*
Jubmes banka Plc.	1.41%	*120,176*	*120,176*
Energo broker Plc. in liquidation			*6,445*
Beogradska berza Plc.	0.12%	*100*	
Imtel computers Plc. Belgrade – in bankruptcy	0.04%	*1*	
Poljoprivredna banka Agrobanka Plc. Belgrade - in bankruptcy	0.36%	*7*	
Beogradska industrija piva,slada i bezalkoholnih pića Plc.	0.00%	*1*	
Impairment		*(107,413)*	*(106,968)*
Total		***18,686***	***25,467***
TOTAL		***5,097,634***	***5,102,948***

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

Share investments - impairment	*in RSD thousand*		
	Gross investment amount	*Impairment*	*Net investment amount*
Share in subsidiaries:			
Energoprojekt Visokogradnja Plc.	1,826,137	(641,632)	1,184,505
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 (Malaysia) Sdn. Bhd., Kuala Lumpur	19,574	(19,574)	
Total	***2,110,292***	***(715,064)***	***1,395,228***
Share 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 and financial organizations			
Dunav osiguranje Plc.	5,814	(5,066)	***748***
Jubmes banka Plc.	120,176	(102,338)	***17,838***
Imtel Computers Plc. Belgrade – in bankruptcy	1	(1)	-
Agrobanka Plc. Belgrade - – in bankruptcy	7	(7)	-
Beogradska industrija piva,slada i bezalkoholnih pića Plc. Belgrade - in bankruptcy	1	(1)	-
Total	***125,999***	***(107,413)***	***18,586***
TOTAL	***2,237,354***	***(823,540)***	***(1,413,814)***

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 Niskogradnja Plc. in 2016 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 1,466 thousand as the difference in share price, with accrued interest. Namely, based on the shareholder's decision passed on the General Meeting of the Energoprojekt Niskogradnja Plc. on December 6, 2013, the Company, as the majority shareholder of the Energoprojekt Niskogradnja Plc. conducted the compulsory redemption of shares of this Issuer, in compliance with the procedure laid down in the Law on Companies. The minority shareholders were paid the price of RSD 1,563.08 per share, in compliance with the valuation performed by a certified appraiser. A number of minority shareholders of the Energoprojekt Niskogradnja Plc. contested the price per share paid and asked the Court to determine the value of shares in an out-of-court procedure. The Commercial Court in Belgrade, before which the out-of-court procedure was conducted, ordered expert valuation and determined that the price per individual share of the Energoprojekt Niskogradnja Plc. is to amount to RSD 2,769.55. Upon appeal submitted by the Company, the Commercial Court of Appeal confirmed the Decision of the Commercial Court in Belgrade on March 20, 2015. Based on the said Court Decision, the Company is obliged to pay to the shareholders who require the difference in the prices of shares to be paid to them the differences in share price, together with the legally prescribed default interest.

Impairment of share investment in Energoprojekt Visokogradnja in the amount of RSD 641,632 thousand was performed on December 31, 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 December 31, 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.

Energo Broker Plc. - in bankruptcy, pursuant to the decision of shareholders assembly on distribution of liquidation mass was made for reimbursement of the share in the amount of RSD 6,445 thousand, and consequently Company's share was eliminated. In addition, in accordance with the aforementioned decision, the Company recorded during the reporting period, income from dividends in the amount of RSD 2,506 thousand (Note 16.1.) and equity investments in the following entities:

- Belgrade Stock Exchange Plc. : 5 shares at RSD 20,000.00 - total of RSD 100,000.00
- Imtel computers Plc. Belgrade - in bankruptcy: 25 shares at RSD 30.00 - total of RSD 750.00 - impaired according to the physical count as of 31.12.2016,
- Poljoprivredna banka Agrobanka Plc. Belgrade – in bankruptcy: 15 shares at RSD 500.00 - total of RSD 7,500.00 - impaired according to the physical count as of 31.12.2016,
- Beogradska industrija piva,slada i bezalkoholnih pića Plc. Belgrade - in bankruptcy - in bankruptcy: 47 shares at RSD 29.78 – total of RSD 1,400.00 - impaired according to the physical count as of 31.12.2016,
- Pinki - Zemun Plc. : 3 shares at RSD 52.00 (estimated value) - total of RSD 156.00,
- Credy banka ad Kragujevac: 32 shares at RSD 2,169.00 - total of RSD 69,408.00 - sold in the June 2016.

The change in the position Equity investments in other legal entities and other securities available for sale came primarily, as the result of the adjustment of the value of shares in Company's portfolio of shares (Jubmes banka Plc. and Dunav Osiguranje Plc.) with their fair value in the secondary securities' market as at the financial statements date (which are presented in the account for impairment of equity investments and profit and loss from 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 December 31, 2016:

- Dunav osiguranje Plc.: 527 shares, with the market value as at the balance sheet day of RSD 1,420.00 per share; and
- Jubmes Banka Plc: 4,056 shares, with the market value of RSD 4,398.00 per share.

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.

25.2 Long-Term Financial Investments

Structure of long-term financial investments	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Long-term investments in parent companies and subsidiaries	573,708	342,438
Impairment provision		
Total	*573,708*	*342,438*
Other long-term financial investments:		
Housing loans granted to employees	1,372	1,436
Impairment provision		
Total	*1,372*	*1,436*
TOTAL	***575,080***	***343,874***

Long-term financial investments in parent companies and subsidiaries in the amount of RSD 573,708 thousand refer to the long-term loans granted to subsidiary Energoprojekt Sunnyville Ltd. under the contract on loan rescheduling no. 375/184 with an interest rate of 2.6% per annum and with maturity period on 12.31.2018.

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.

In compliance with the Decision of the Company Executive Board, on December 31, 2016, due to insolvency and poor standing of the company Energoprojekt Visokogradnja for receivables on the basis of long-term loan in the amount of RSD 43,215 thousand and added interest of RSD 489 thousand was directly written off.

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 June 10, 1992 for the repayment period of 38.5 years, and the remaining two loans were granted on November 28, 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. 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 79 thousand (Note 30).

26. INVENTORIES

Structure of inventories	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Advances paid for inventories and services:		
a) Advances paid for inventories and services to parent companies and subsidiaries		483
b) Advances paid for material, spare parts and inventory	556	288
c) Advances paid for services	2,058	1,055
Total	*2,614*	*1,826*
Impairment provision		
TOTAL	***2,614***	***1,826***

Advances paid for materials, spare parts and inventory in the amount of RSD 556 thousand relate to advance payments to suppliers for purchase of materials (fuel, etc.).

Advances paid for services in the amount of RSD 2,058 thousand mainly refer to advance payments to the following companies: BSE ad in the amount of RSD 681 thousand (annual fee for trading in shares in 2017), Golin Ltd. Beograd in the amount of RSD 494 thousand (sponsorship for the event Belgrade Winter Magic), Moore Stephens Auditing and Accounting Ltd. in the amount of RSD 370 thousand (fee for audit of financial statements for 2016), Tanjug News Agency in the amount of RSD 250 thousand (banners on the website Tanjug) and broker-dealer company M & V Investments ad in the amount of RSD 224 thousand (Company's obligation to pay the difference in price compulsorily purchased shares of Energoprojekt Niskogradnja, with associated default interest).

27. RECEIVABLES FROM SALES

Structure of receivables from sales	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Local buyers - parent company and subsidiaries	522,680	488,186
Local buyers - other affiliated companies	705	705
Local buyers	52	37
Impairment provision		
TOTAL	***523,437***	***488,928***

Local buyers - parent companies and subsidiaries refer to the receivables based on Service Agreements concluded with subsidiary companies, based on which the Company 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 local buyers - parent company and subsidiaries	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Trade receivables domestic – subsidiaries		
Energoprojekt Visokogradnja Plc.	380,426	322,647
Energoprojekt Niskogradnja Plc.	20,359	8,980
Energoprojekt Hidroinzenjering Plc.	23,032	22,115
Energoprojekt Entel Plc.	20,193	9,013
Energoprojekt Energodata Plc.	21,809	26,632
Energoprojekt Industrija Plc.	29,424	75,149
Energoprojekt Urbanizam i Arhitektura Plc.	16,406	15,348
Energoprojekt Oprema Plc.	0	8,119
Energoprojekt Garant Ltd.	456	183
Energoprojekt Sunnyville Ltd.	10,575	
Total	***522,680***	***488,186***
Trade receivables domestic - other related parties		
Enjub Ltd.	705	705
Total	***705***	***705***
Trade receivables domestic (externally)	52	37
Total	***52***	***37***
TOTAL	***523,437***	***488,928***

In compliance with the decision of the Company Executive Board, on December 31, 2016, due to insolvency and poor standing of the companies, receivables from the Energoprojekt Industrija in the amount of RSD 50,624 thousand and Energoprojekt Visokogradnja in the amount of RSD 49,649 thousand based on the Services Agreements from prior periods were written off (Note 18.2.).

The Company has not been presented with any collection collaterals for local buyers - other affiliated companies and local buyers (external).

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.

28. RECEIVABLES FROM SPECIAL TRANSACTIONS

Structure of receivables from special transactions	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Receivables from special transactions from parent companies	355,062	103,769
Receivables from special transactions from other affiliated	1,902	1,775
Receivables from special transactions from other companies	941	3,809
Impairment provision	(868)	(3,736)
TOTAL	***357,037***	***105,617***

Receivable from specific operations from parent companies and subsidiaries in the amount of RSD 355,062 thousand predominantly relate to receivables from Energoprojekt Visokogradnja in the amount of RSD 352,444 thousand primarily recorded on receivables owed in accordance with Protocol no. 40/64 made between Energoprojekt Visokogradnja and Energoprojekt Holding in the amount of RSD 238,432 thousand (Note 38), receivables from leasing the building complex "Samački hotel" in the amount of RSD 90,586 thousand and receivables for airline tickets in the amount of RSD 23,354 thousand.

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 thousand*	
	31.12.2016	*31.12.2015*
Balance as at January 1	3,736	851
Additional impairment provision		2,881
Direct write-off of the previously impaired receivables	(2,881)	
FX gains and losses	13	4
TOTAL	***868***	***3,736***

Impairment provision for receivables from special transactions in the amount of RSD 868 thousand pertain to the impairment provision for receivables as per inventory count as at December 31, 2014 from Zekstra group - Zekstra Ltd. Beograd company in the amount of RSD 868 thousand (EUR 7 thousand).

As per inventory count on December 31, 2016, the Company conducted an direct write-off of previously impaired (in 2015) receivables from the company Napred Razvoj Plc. in the amount of RSD 2,881 thousand, considering that in the final completion of the court proceedings is not recognized any additional costs in relation with that, except of the external costs of extraordinary audit.

29. OTHER RECEIVABLES

Structure of other receivables	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Interest and dividend receivable:		
a) Interest and dividend receivable from parent companies and subsidiaries	2,307	
b) Interest and dividend receivable from affiliated companies	57,377	46,372
Total	*59,684*	*46,372*
Receivables from employees		
Receivables for overpaid profit tax	5,773	11,150
Receivables for fringe benefits' returns	2,388	861
Impairment provisions		
TOTAL	***67,845***	***58,383***

Structure of interest and dividend receivables in the amount of RSD 59,684 thousand is presented in the following table.

Structure of interest and dividend receivables	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Interest receivables from parent company and subsidiaries:		
Energoprojekt Niskogradnja Plc.	2,307	
Total	*2,307*	*0*
Interest receivables from other related parties:		
Enjub Ltd.	57,377	46,372
Total	*57,377*	*46,372*
TOTAL	***59,684***	***46,372***

Interest receivable from parent companies and subsidiaries in the amount of RSD 2,307 thousand relate to receivables from Energoprojekt Nikogradnje collected in January 2017.

In compliance with the decision of the Company’s Executive Board, as at December 31, 2016, write-off was made on the basis of interest on short-term loan to the Energoprojekt Visokogradnja in the amount of RSD 11,606 thousand and Energoprojekt Energodata in the amount of RSD 1,799 thousand due to insolvency and poor standing of the companies.

Receivables for fringe benefits’ returns in the amount of RSD 2,388 thousand pertain to the receivables for sick leave longer than 30 days and maternity leaves (Note 18.1).

30. SHORT-TERM FINANCIAL INVESTMENTS

Structure of short-term financial investments	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Short-term loans and investments - parent companies and subsidiaries	229,448	360,454
Short-term loans and investments - other affiliated companies	164,884	162,419
Portion of other long-term financial investments with maturity date up to one year (Note 25.2)	79	78
Impairment provision		
TOTAL	***394,411***	***522,951***

Short-term loans and investments - subsidiaries and other affiliated companies pertain to the loans approved with maturity dates up to 12 months and with interest rate ranging from 2.6% annually (hereinafter: p.a.) to 3M Euribor + 6.5 % p.a., as presented in the following table below.

No.	Borrower and Agreement No.	Loan amount in 000 EUR	Receivables' balance based on loan in 000 EUR	Receivables' balance based on loan in 000 RSD	Maturity date	Loan conditions
1	**EP Energodata Plc**					
	Debt Rescheduling Agreement No. 21	364	14	1,696	31.12.2017.	2.6 % annually
2	**EP Urbanizam i arhitektura Plc**					
	Debt Rescheduling Agreement No. 374/783	259	259	32,040	31.12.2017.	2.6 % annually
3	**EP Niskogradnja Plc**					
	Annex and Debt Rescheduling Agreement No 20/151	1,585	1,585	195,712	31.12.2017.	2.6% annually
Total subsidiaries		***623***	***273***	***229,448***		
4	**Enjub Ltd**					
	Annex no. 9 Loan Agreement no. 367	137	137	16,977	31.12.2017.	3M Euribor + 6.5% annually
	Annex no. 5 Debt Rescheduling Agreement no. 115	1,198	1,198	147,907	31.12.2017.	3M Euribor + 6.5% annually
Total other related parties		***1.335***	***1,335***	***164,884***		
TOTAL		***1.958***	***1,608***	***394,332***		

In compliance with the decision of Company's Executive Board, on December 31, 2016, receivables from Energoprojekt Visokogradnja for short term loan in the amount of RSD 290,153 thousand and part of short-term loan to Energoprojekt Energodata in the amount of RSD 43,269 thousand (the repayment of the remaining portion of receivables was rescheduled based on the Loan Agreement) were directly written off due to insolvency and poor standing of the companies.

In cases of individual subsidiary companies and according to the decision of the Executive Board, the reprogram of loan agreement was made in a manner that at Energoprojekt Urbanizam i arhitektura for the amount of accrued and unpaid interest on a loan plus equity loans interest rates was reduced and maturity date extended; at Energoprojekt Niskogradnja and Energodata interest rates were reduced and maturity date extended and at Enjub maturity date was extended. In respect of this, the interest rate is reduced from 4% to 2.6% according to the changed market conditions.

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 and the joint venture.

As collaterals for loan repayment pursuant to:

- Annex No. 9 of the Loan Agreement No. 367 concluded with Enjub Ltd. in the amount of RSD 16,977 thousand (EUR 137 thousand), the Company (in addition to bills of exchange) has an extrajudicial mortgage for the entire loan amount for apartments in 91A Jurija Gagarina Street in Novi Beograd, as collateral for loan repayment;
- Annex No. 5 of the Loan Rescheduling Agreement No. 115 concluded with Enjub Ltd. in the amount of RSD 147,907 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 (Note 41).

Portion of other long-term financial investments with maturity of up to one year in the amount of RSD 79 thousand relate to the long-term housing loans granted to employees with maturity of up to one year (Note 25.2).

31. CASH AND CASH EQUIVALENTS

Structure of cash and cash equivalents	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Current (business) account	26,867	30,349
Foreign currency account	248	238
Foreign currency petty cash		4
Other cash:		
a) Short-term term deposits	101,390	432,329
b) Other cash	286	423
Total	*101,676*	*432,752*
TOTAL	***128,791***	***463,343***

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, Alpha Bank, Vojvodjanska Bank, Societe Generale Bank, Credit Agricole Bank, Raiffeisen Bank, Erste Bank, Komercijalna Bank, Piraeus Bank, Eurobank Srbija, Sberbank and the Trade Bank of Iraq).

Short term deposits in the amount of RSD 101,390 thousand refer to the short term deposits held with business banks in the country (Unicredit Bank, Eurobank and Sberbank) with 1 to 3 months' terms, with interest rate ranging from 0.80% to 1.15% annually and with the option to terminate the term deposit contract at any given moment. The term deposits are in EUR and USD specifically: EUR 485 thousand, and USD 354 thousand.

Other cash in the amount of RSD 286 thousand refer to the overnight deposits with Alpha Bank.

32. VALUE ADDED TAX AND PREPAYMENTS AND DEFERRED EXPENSES

Structure of prepayments and deferred expenses	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Prepayments:		
a) Prepaid expenses - parent company and subsidiaries	1,908	2,403
b) Prepaid subscriptions for expert and professional publications	480	779
c) Prepaid insurance premiums	80	26
Total	*2,468*	*3,208*
Receivables for accrued non-invoiced income:		
Receivables for accrued non-invoiced income - other legal entities	391,685	385,828
Total	*391,685*	*385,828*
Other prepayments and deferred expenses:		
a) Prepaid value added tax	367	139
b) Other prepayments and deferred expenses	469	709
Total	*836*	*848*
TOTAL	***394,989***	***389,884***

Prepaid expenses - parent companies and subsidiaries in the amount of RSD 1,908 thousand refer to prepayments for licensing costs (Energoprojekt Energodata Company) and to the costs of property and personal insurance (Energoprojekt Garant Company).

Receivables for accrued non-invoiced income in the amount of RSD 391,685 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.

Prepaid value added tax includes added value tax from prepared invoices for the reporting period; the right to deduction of the previous tax can be exercised in the following calculation period, since the invoices arrived after the tax return for December 2016 was filed.

Other prepayments and deferred income in the amount of RSD 469 thousand relate primarily to the pre-paid membership fees, antivirus licenses, etc.

33. CAPITAL

DESCRIPTION	Share capital	Other share capital	Issuing premium	Reserves	Revaluation reserves	Unrealized gains/losses on securities	Retained earnings	Total
Balance as at January 1, 2015	5,574,959	27,178	1,600,485	134,881	817,591	(40,786)	304,386	8,418,694
Net profit for the year							236,973	236,973
Other comprehensive result:								
a) Changes in fair value of financial assets available for sale						12,353		12,353
b) Revaluation								
c) Other - levelling of present value, IAS 12 et al.								
Total - other comprehensive result						12,353		12,353
Total comprehensive result for 2015						12,353	236,973	249,326
Corrections							1,372	1,372
Increase in share capital								
Profit distribution							(218,626)	(218,626)
Balance as at December 31,2015	5,574,959	27,178	1,600,485	134,881	817,591	(28,433)	324,105	8,450,766
Net profit for the year							232,114	232,114
Other comprehensive result:								
a) Changes in fair value of financial assets available for sale						(436)		(436)
b) Revaluation					(41,757)			(41,757)
c) Other - levelling of present value, IAS 12 et al.					6,264			6,264
Total - other comprehensive result					(35,493)	(436)		(35,929)
Total comprehensive result as at December 31,2016					(35,493)	(436)	232,114	196,185
Corrections							(6,429)	(6,429)
Increase in share capital								
Profit distribution							(218,626)	(218,626)
Balance as at December 31,2016	**5,574,959**	**27,178**	**1,600,485**	**134,881**	**782,098**	**(28,869)**	**331,164**	**8,421,896**

33.1 Equity Capital

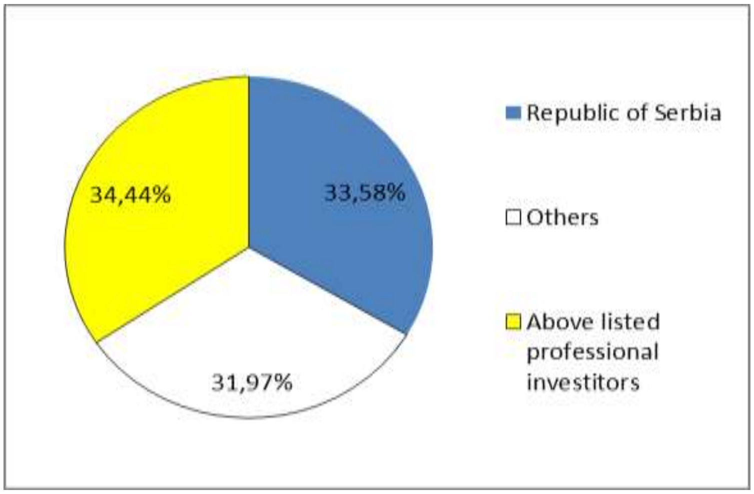
According to the Central Securities, Depository and Clearing House Register, the Company's present ownership structure as at December 31, 2016 is as follows:

	No. of shares	% of total issue
Shares owned by physical persons	**2,770,801**	**25.35%**
Shares owned by legal persons	**6,914,384**	**63.25%**
- Republic of Serbia	3,671,205	33.58%
- Other legal entities	3,243,179	29.67%
Aggregate (custody) account	**1,246,107**	**11.40%**
Total no. of shares	**10,931,292**	**100%**

No. of shareholders with equity	**No of**			**No. of shares**			**% of total issue**		
	domesti	**foreign**	**total**	**domest**	**foreig**	**total**	**domest**	**foreign**	**total**
Up to 5%	6,805	205	7,010	4,278,6	521,87	4.800.551	39.14%	4.77%	43.92%
5% to 10%	0	0	0	0	0	0	0.00%	0.00%	0.00%
More than 10% to 25%	1	0	1	2,459,5	0	2.459.536	22.50%	0%	22.50%
More than 25% to 33%	0	0	0	0	0	0	0.00%	0.00%	0.00%
More than 33% to 50%	1	0	1	3.671.2	0	3.671.205	33.58%	0.00%	33.58%
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.	6,807	205	7,012	10,409,	521,878		95.23%	4.77%	100.00%

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

Name	No. of shares	% of total issue
Republika Srbija	3,671,205	33.58%
Napred Razvoj Plc Novi Beograd	2,459,536	22.50%
Societe generale banka Srbija - custody fund	371,476	3.40%
East Capital (Lux) - Balkan Fund	250,593	2.29%
Erste bank Plc Novi Sad – sum account	190,531	1.74%
Vojvodanska bank Plc Novi Sad – sum account	177,715	1.63%
Societe generale bank Srbija - custody fund	97,582	0.89%
Raiffeisen bank Plc- custody fund	85,000	0.78%
Gustavia Fonder Aktiebolag	70,000	0.64%
Global Macro Capital Opportuni	62,500	0.57%



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

Structure of equity capital	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Share capital:		
a) Share capital in parent companies, subsidiaries and other affiliated		
b) Share capital (externally)	5,574,959	5,574,959
Total	*5,574,959*	*5,574,959*
Issuing premiums	1,600,485	1,600,485
Other share capital	27,178	27,178
TOTAL	***7,202,622***	***7,202,622***

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 770.44.

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 1,600,485 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 Group 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 at a value above the nominal value in the period from 2006 to 2011 in the amount of RSD 237,014 thousand.

Other share capital was created by the reposting of non-business assets sources in 2005 and it amounts to

RSD 27,178 thousand.

33.2 Reserves

Structure of reserves	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Legal reserves	23,185	23,185
Statutory and other reserves	111,696	111,696
TOTAL	***134,881***	***134,881***

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.

33.3 Revaluation Reserves from Revaluation of Intangibles, Property, Plant and Equipment

Structure of revaluation reserves from revaluation of intangibles, property, plant and equipment	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Revaluation reserves based on revaluation of property - Energoprojekt building	782,098	817,591
TOTAL	***782,098***	***817,591***

The following was disclosed in the Revaluation reserves from revaluation of property - Energoprojekt building position, in the amount of RSD 782,098 thousand:

- Effects of posting of the fair value of the Energoprojekt building as at December 31, 2016 in the amount of RSD 821,572 thousand;
- Levelling of the present value per m^2 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 138,017 thousand.

The following was disclosed in the Revaluation reserves from revaluation of property - Energoprojekt building position recorded as decrease by RSD 35,493 thousand compared to previous year such as:

- effect of recording fair value of buildings Energoprojekt on 31.12.2016 by RSD 41,757 thousand (Note 24.1.) and
- increase due to recording of 15% reduction income tax by the amount of deferred tax liabilities from decreasing revaluation reserves as at 31.12.2016 pursuant to IAS 12 - Income taxes in the amount of RSD 6,264 thousand (Note 40).

33.4 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 thousand*	
	31.12.2016	*31.12.2015*
Unrealized losses on securities available for sale	28,869	28,433
TOTAL	**28,869**	**28,433**

Changes in the position of **Unrealized losses on securities available for sale** in the amount of RSD 436 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 25.1.).

33.5 Retained Earnings

Structure of retained earnings	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Retained earnings from previous years:		
a) Balance as at January 1 of the reporting period	324,105	304,386
b) Correction of profit based on income tax	(6,429)	1,372
c) Profit distribution	(218,626)	(218,626)
Total	99,050	87,132
Retained earnings from current years	232,114	236,973
TOTAL	***331,164***	***324,105***

In 44th repeat General Meeting of the Company held on June 23, 2016, within the item 3 of the meeting agenda, decision was passed pertaining to distribution of undistributed profit as at December 31, 2015, in the amount of RSD 324,105 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 218,626 thousand;
- The remaining portion of the profit in the amount of RSD 105,479 thousand, to be allocated in undistributed profit.

Dividend was paid to the Company shareholders on November 30, 2016.

Within Correction of profit based on income tax in the amount of RSD 6,430 thousand the biggest part in the amount of RSD 6,433 thousand relates to the correction of net income from previous years on the basis of tax solutions.

Undistributed profit from the current year in the amount of RSD 232,114 thousand relates to Company's net income generated in the reporting period.

34. 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 provisions	TOTAL
Balance as at January 1, 2015	2,288	260,000	**262,288**
Additional provisions	782		**782**
Used during the year	(860)		**(860)**
Cancelling of unused amounts			
Balance as at December 31, 2015	2,210	260,000	**262,210**
Additional provisions	764		**764**
Used during the year	(627)		**(627)**
Cancelling of unused amounts		(260,000)	**(260,000)**
Balance as at December 31, 2016	**2,347**		**2,347**

34.1 Provisions for Wages and Other Employee Benefits

Provisions for wages and other employee benefits (provisions for non-due retirement bonuses) are disclosed based on actuarial calculation of the Energoprojekt Group expert team.

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.

An increase of the provision amount based on current retirement bonus values (by 0.43%) in the balance sheet as at December 31, 2016 in comparison to the retirement bonus values in the balance sheet as at December 31, 2015, 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 3.53% and an increase in the number of employee by 0.13%); and
- On the other hand, changes of some factors affect the decrease of the provision amount (a decrease in the average number of service with the Company by 2.71%).

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 government bonds issued on October 19, 2016 by the Public Debt Administration of the Ministry of Finance of the Republic of Serbia. These bonds were issued with an annual interest rate of 4.20%. Since it is an EURO security, by taking into account the estimated inflation in the Euro zone (Source: the Government of the Republic of Serbia "Fiscal Strategy for 2017 with Projections for 2018 and 2019), by extrapolating the yield curve for a longer period (since the maturity of the reference securities is shorter (15 years) 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 2018, considering amendments adopted on the 14th meeting of the National Bank of Serbia Executive Board on November 10, 2016 in addition to other things, determines the target inflation rate for 2017 of 3%, with permissible deviation (positive and negative) of 1.5 percentage points. According to the above stated, and taking into account the significant decrease in inflation rate in 2015 and 2016, it would be most realistic to plan the inflation rate for the following year on the level of the target inflation rate as stipulated in the Memorandum.

The provision will thus be estimated according to the planned annual inflation rate of 3%. From the above stated, it can be concluded that the planned long-term annual growth in real salaries in the Republic of Serbia is 1%, which is, bearing in mind the planned growth in domestic product in the following period (Source: the Government of the Republic of Serbia "Fiscal Strategy for 2017 with Projections for 2018 and 2019), realistically achievable.

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

34.2 Other Long-Term Provisions

Other long-term provisions in the amount of RSD 260,000 thousand are recorded in the balance sheet as at December 31, 2006, pursuant to the Decision of the competent body of the Company, as potential contract expenses related to the Joint Construction Agreement - Block 26, Novi Beograd, No. 507, concluded between the consortium Energoprojekt - Napred and Trinity Capital Ltd.Abolition of the provisions is made in accordance with the Decision of the Executive Board, considering that conditions required for recognition of provision are no longer fulfilled as required by IAS 37 - Provisions, Contingent Liabilities and Contingent Assets (Note 7.20 and 18.1).

35. SHORT-TERM FINANCIAL LIABILITIES

Structure of short-term financial liabilities	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Short-term credits and loans domestic	638,307	565,561
Other short-term financial liabilities:		
a) Portion of long-term liabilities with maturity date up to one year		
b) Other short-term financial liabilities	191	46
Total	191	46
TOTAL	***638,498***	***565,607***

35.1. Short-Term Credits and Loans Domestic

Structure of short-term credits and loans domestic	Interest rate	*in RSD thousand*	
		31.12.2016	*31.12.2015*
Short-term loans granted by banks domestically:			
a) RSD loans	*1M Belibor + 1.10% p.a.*	30,000	
b) Loans with foreign currency clause	*3m Euribor + 3.25% pa, 3m Euribor + 3.70% pa, 3m Euribor + 3.75% pa*	608,307	565,561
TOTAL		***638,307***	***565,561***

Short-term loans granted by domestic banks in the amount of RSD 30,000 thousand pertain to the loans with currency clause (EUR) granted by Alpha Bank Plc. with the interest rate of 1M Belibor + 1.10% per annum. Company's bills of exchange and sureties of the Energoprojekt Oprema, Energoprojekt Visokogradnja and Energoprojekt Niskogradnja companies were provided as collaterals for loan repayment.

Short-term loans from banks in the country with a currency clause (EUR) in the amount of RSD 608,307 thousand relate to loans granted by:

- Erste Bank ad in the amount of RSD 519,818 thousand with the interest rate of 3M Euribor + 3.75% per annum. 6 blank promissory notes of the Company were provided as collateral for loan repayment,
- Addiko Bank ad in the amount of RSD 67,910 thousand with interest rate of 3M Euribor + 3.25% per annum. 10 blank promissory notes of the Company and guarantees of Energoprojekt Visokogradnja, Energoprojekt Niskogradnja and Energoprojekt Oprema were provided as collateral for loan repayment and
- Eurobank ad in the amount of RSD 20,579 thousand with interest rate of 3M Euribor + 3.70% per annum. Promissory notes of the Company and guarantees of Energoprojekt Niskogradnja and Energoprojekt Oprema were provided as collateral for loan repayment.

35.2 Other Short-Term Financial Liabilities

Structure of long-term liabilities with maturity dates up to one year	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Current portion		
Other short-term financial liabilities	191	46
TOTAL	***191***	***46***

Other short-term financial liabilities amounting to RSD 191 thousand pertain to the liabilities incurred based on the expenses paid by using the company Visa cards.

36. RECEIVED ADVANCES, DEPOSED MONEY AND CAUTIONS

Structure of received advances, deposed and cautions	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Received advances from parent company and subsidiaries	14,153	
TOTAL	***14,153***	***0***

Received advance payments from parent companies and subsidiaries in the amount of RSD 14,153 thousand relate to received advance from Energoprojekt Oprema in the amount of RSD 14,109 thousand and Energoprojekt Hidroinženjering in the amount of RSD 44 thousand, according to Annex 1 of the Service Contract from 2016.

37. OPERATING LIABILITIES

Structure of operating liabilities	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Suppliers - parent company and subsidiaries, local	1,020	1,677
Suppliers - parent company and subsidiaries, foreign countries	3,087	11,503
Suppliers, local	6,227	5,667
Suppliers, foreign countries	2,228	7,504
TOTAL	***12,562***	***26,351***

Structure of operating liabilities per suppliers (legal entities) is presented in Note 8.2.

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

Structure of operating liabilities per currencies	*in RSD thousand*	
	31.12.2016	*31.12.2015*
RSD	9,157	13,993
EUR	3,405	12,319
GBP		39
TOTAL	**12,562**	**26,351**

Geographic distribution of suppliers is as follows:

Geographic distribution of suppliers	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Domestic suppliers (subsidiaries and other legal entities)	7,247	7,344
Foreign suppliers (subsidiaries):		
Europe	3,087	11,503
Total	3,087	11,503
Foreign suppliers (other legal entities):		
Europe	2,228	7,504
Total	2,228	7,504
Adjustment		
TOTAL	***12,562***	***26,351***

38. OTHER SHORT-TERM LIABILITIES

Structure of other short-term liabilities	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Liabilities from specific operations		
a) other legal entities	238,432	
Total	*238,432*	*-*
Liabilities for wages, fringe benefits and compensations	13,556	13,864
Other liabilities:		
a) Liabilities for interest and financing costs		
b) Liabilities for dividends	18,192	7,544
c) Liabilities to employees	334	195
d) Liabilities to General Manager, or to management and Supervisory Board members	684	566
e) Liabilities to physical persons on contractual obligations	349	558
f) Other various liabilities	772	834
Total	*20,331*	*9,697*
TOTAL	***272,319***	***23,561***

Liabilities from specific operations - other legal entities in the amount of RSD 238,432 thousand relate to the liability toward Belim ad, according to court ruling issued by the Commercial Court of Appeal on 29.12.2016. Given that the obligation is substantially liability of the Energoprojekt Visokogradnja, a Protocol no. 40/64 between the Company and Energoprojekt Visokogradnja was made according to which the Company, in the same amount, recorded receivable from Energoprojekt Visokogradnja (Note 28).

Liabilities for wages, fringe benefits and compensations in the amount of RSD 13,556 thousand pertain to the liabilities (net, taxes and contributions) for December salary that the Company paid in January 2017.

Liabilities for dividends in the amount of RSD 18,192 thousand pertain primarily to the liabilities based on the decision of the Assembly of Shareholders from 2016 on profit distribution in the amount of RSD 12 thousand and for dividends' payment from previous years in the amount of RSD 18,180 thousand, which have not yet been paid to date (probate proceedings, etc.).

Other various liabilities in the amount of RSD 772 thousand pertain predominantly to withholding from employees' net wages (based mostly on loans granted to employees, union fees, etc.).

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

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

39.1 Liabilities for Value Added Tax

Liabilities for value added tax	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Liabilities for value added tax	4,366	4,559
TOTAL	***4,366***	***4,559***

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 2017.

39.2. Liabilities for Other Taxes, Contributions and Fees Payable

Liabilities for other taxes, contributions and fees payable	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Liabilities for other taxes, contributions and fees payable	735	734
TOTAL	***735***	***734***

Liabilities for other taxes, contributions and fees payable in the amount of RSD 735 thousand pertain to the contributions for considerations to Supervisory Board members: RSD 399 thousand, contributions for remunerations based on authorship contracts and service contracts: RSD 157 thousand, liabilities for income tax on dividends: RSD 97 thousand and others.

Of the total amount of liabilities for taxes, contributions and fees payable in the amount of RSD 735 thousand, the amount of RSD 638 was settled in January 2017 (only the liabilities for income tax on dividends in the amount of RSD 97 thousand remained unpaid, which pertain to unpaid dividends - Note 38).

39.3 Accrued Expenses and Deferred Income

Accrued expenses and deferred income	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Precalculated expenses:		
a) Precalculated expenses - parent company, subsidiaries and other affiliated companies	25,523	25,142
b) Precalculated expenses - other legal	8	1,146
Total	*25,531*	*26,288*
Other accruals	1,389	887
TOTAL	***26,920***	***27,175***

Precalculated expenses - parent company, subsidiaries and other affiliated companies in the amount of RSD 25,523 thousand refer to the liability owed to Energoprojekt Oprema company for calculated expenses for the period till June 30, 2015, 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 1,389 thousand pertain to the calculated interest on term deposits with domestic banks.

40. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Deferred tax assets	3,036	3,374
Deferred tax liabilities	155,288	159,739
Net effect of deferred tax assets (liabilities)	**(152,252)**	**(156,365)**

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 December 31 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 December 31 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:

Deferred tax assets	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
Balance as at January 1, 2015	2,175	1,374	343	1		**3,893**
Debit/credit to Income Statement	(212)	(303)	(11)	7		**(519)**
Direct debit to capital						
Balance as at December 31, 2015	1,963	1,071	332	8		**3,374**
Debit/credit to Income Statement	(389)	2	20		29	**(338)**
Direct debit to capital						
Balance as at December 31, 2016	**1,574**	**1,073**	**352**	**8**	**29**	**3,036**

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
Balance as at January 1, 2015	154,728	3,154	**157,882**
Debit/(credit) to Income Statement	(123)	1,980	1,857
Direct debit to capital			
Balance as at December 31, 2015	154,605	5,134	**159,739**
Debit/(credit) to Income Statement	(167)	1,980	1,813
Direct debit to capital	(6,264)		(6,264)
Balance as at December 31, 2016	**148,174**	**7,114**	**155,288**

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 thousand	
	31.12.2016	*31.12.2015*
Balance of deferred tax liabilities at the end of the previous year	156,365	153,989
Balance of deferred tax liabilities at the end of the current year	152,252	156,365
Changes in balance of deferred tax liabilities	**(4,113)**	**2,376**

Changes in balance of deferred tax liabilities	in RSD thousand	
	31.12.2016	*31.12.2015*
Deferred tax expenses of the period	2,151	2,376
Revaluation reserves	(6,264)	
Undistributed profit of the previous year		
TOTAL	**(4,113)**	**2,376**

Based on the change in the balance of deferred tax liabilities and deferred tax liabilities in 2016, it can be concluded that in net effect there was a decrease in the balance of deferred tax liabilities compared with the previous year amounting to RSD 4,113 thousand:

- which was debited against net result for 2016 in the amount of RSD 2,151 thousand (deferred tax expenses of the period)
- in favor of the Company's share capital (revaluation reserve) in the amount of RSD 6,264 thousand, based on the recording of reducing the value of office buildings Energoprojekt in the amount of RSD 41,757 thousand (Note 24.1. and 33.3.).

41. 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 thousand*	
	31.12.2016	*31.12.2015*
Provided sureties and guarantees	20,659,444	18,125,158
Provided mortgages and other rights	2,500	
Received mortgages and other rights	16,977	16,723
Other off-balance sheet asset/liabilities	4,329,163	4,454,577
TOTAL	***25,008,084***	***22,596,458***

Provided sureties and guarantees amounting to RSD 25,008,084 thousand refer to the following:

- Guarantees issued for credits and guarantees for subsidiaries amounting to RSD 17,845,110 thousand;
- Corporate guarantees issued to Energoprojekt Niskogradnja amounting to RSD 2,811,247 thousand (BBVA - PERU amounting to RSD 1,639,894 thousand and BANCO FINANCIERO - PERU amounting to RSD 1,171,353 thousand) for the project in Peru; and
- Guarantee provided by Alpha Bank in favour of IATA (International Air Transport Association) for the proper settlement of liabilities for airline tickets in the amount of RSD 3,087 thousand, which expires on 20.01.2017 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 42).

Received mortgages and other rights amounting to RSD 16,977 thousand pertain to the mortgage on Enjub Ltd. apartments, arising from the Loan Agreement regulating the loan approved to Enjub Ltd. (Note 42).

Other off-balance sheet assets/liabilities amounting to RSD 4,329,163 thousand include the following:

- The right to use the municipal construction land - in Block 25 and Block 26 in Novi Beograd, amounting to RSD 4,298,721 thousand;
- Dividends receivables from Enjub Ltd., which were directly written-off in the previous accounting period in the amount of RSD 30,442 thousand; and
- Unused construction facilities in Budva that were directly written-off in the inventory count as at December 31, 2014 and presented in the off-balance records without any value.

42. 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. 9 of the Loan Agreement No. 367, in the amount of RSD 16,977 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. 5 of the Agreement on Rescheduling of Approved Loan pursuant to the Loan Agreement No. 115, approved to Enjub Ltd. in the amount of RSD 147,907 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.

43. RECONCILIATION OF CLAIMS AND LIABILITIES

The Company reconciled its domestic and international trade receivables as at December 31, 2016.

Of the total of twenty-five *domestic buyers*, as at December 31, 2016, with trade receivables amounting to RSD 880,474 thousand, all is reconciled.

The Company reconciled its trade receivables as at:

- March 31, 2016,
- June 30, 2016,
- September 30, 2016, and
- December 31, 2016.

As of December 31, 2016 the Company reconciled all account balances received from *domestic suppliers and banks*.

44. 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 within it) in the balance sheet are presented in the following two tables:

Income and expenses from related parties	*in RSD thousand*	
	2016	*2015*
Income:		
a) EP Garant Plc	53,078	53,205
b) EP Visokogradnja Plc	140,999	107,736
c) EP Niskogradnja Plc	155,526	111,680
d) EP Hidroinženjermg Plc	16,535	33,802
e) EP Entel Plc	337,009	354,983
f) EP Energodata Plc	9,660	11,092
g) EP Industrija Plc	7,399	20,609
h) EP Promet Ltd		
i) EP Urbanizam i arhitektura Plc	5,578	7,512
j) EP Oprema Plc	140,789	190,514
k) EP Sunnyville Ltd	29,572	782
l) I.N.E.C. Engineering Company Limited, Great Britain		
m) Encom GmbH Consulting, Engineering & Trading		11
n) Dom 12 S.A.L.		
o) Enjub Ltd	13,470	11,629
Total	*909,615*	*903,555*
Expenses:		
a) EP Garant Plc	811	951
b) EP Visokogradnja Plc	417,746	231,362
c) EP Niskogradnja Plc	4,734	4,399
d) EP Hidroinženjering Plc	20	24,741
e) EP Entel Plc	296	160
f) EP Energodata Plc	69,964	22,034
g) EP Industrija Plc	50,624	20
h) EP Promet Ltd		415
i) EP Urbanizam i arhitektura Plc	5	4,261
j) EP Oprema Plc	14,983	74,392
k) EP Sunnyville Ltd	2	
l) I.N.E.C. Engineering Company Limited, Great Britain		40
m) Encom GmbH Consulting,Engineering&Trading, Germany	169	66
n) Dom 12 S.A.L.		43
o) Enjub Ltd		
Total	*559,354*	*362,884*
TOTAL	***1,468,969***	***1,266,439***

Receivables and liabilities from related parties	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Receivables:		
a) EP Garant Plc	1,708	636
b) EP Visokogradnja Plc	732,869	710,478
c) EP Niskogradnja Plc	218,414	315,859
d) EP Hidroinženjermg Plc	23,945	22,497
e) EP Entel Plc	20,209	9,075
f) EP Energodata Plc	24,620	70,997
g) EP Industrija Plc	29,442	75,247
h) EP Promet Ltd		
i) EP Urbanizam i arhitektura Plc	48,721	46,256
j) EP Oprema Plc	150	8,206
k) EP Sunnyville Ltd	573,708	36,077
l) I.N.E.C. Engineering Company Limited, Great Britain		
m) Encom GmbH Consulting,Engineering&Trading, Germany		
n) Dom 12 S.A.L.		
o) Enjub Ltd	224,868	211,271
Total	*1,898,654*	*1,506,599*
Liabilities:		
a) EP Garant Plc	234	18
b) EP Visokogradnja Plc		3
c) EP Niskogradnja Plc		
d) EP Hidroinženjering Plc	45	
e) EP Entel Plc		
f) EP Energodata Plc	787	1,656
g) EP Industrija Plc		
h) EP Promet Ltd		
i) EP Urbanizam i arhitektura Plc		
j) EP Oprema Plc	39,632	25,142
k) EP Sunnyville Ltd	11,327	
l) I.N.E.C. Engineering Company Limited, Great Britain		40
m) Encom GmbH Consulting,Engineering&Trading, Germany	3,087	11,463
n) Dom 12 S.A.L.		
o) Enjub Ltd		
Total	*55,112*	*38,322*
TOTAL	***1,953,766***	***1,544,921***

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.

45. 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 December 31, 2016 include only the principal amount per case.

Plaintiff	First instance procedure	Second instance procedure	Total
No. of lawsuits			
Physical person	4	3	7
Legal entity	1	-	1
TOTAL	**5**	**3**	**8**
In RSD thousand			
Physical person		444	444
Legal entity			
TOTAL		**444**	**444**

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
Raonić Milan	Damage compensation for copyright infringement	Uncertain
Land development public agency	Debt and compensation for land (Hotel Hyatt Regency Beograd)	Uncertain
Sreta Ivanišević	Compensation for expropriated property (Bezanija)	Uncertain
Vladan and Tomislav Krdžić	Damage compensation (for the value of free shares that they did not acquire)	444
Goran Rakić	Establishment of ownership right on the land under building for legalization purposes	Ungrounded
Pavle, Radmila and Milan Kovacević	Compensation for expropriated land (Block 26)	Amount not determined
Rajko Ljubojević	Expropriation of land from 1957	Uncertain
Aleksandar, Nenad Radovanac	Moving out from barracks	Ungrounded
TOTAL		**444**

In addition of the above listed court cases in which the Company is the defendant, there is a lawsuit with the New Company Ltd. branch IN Hotel, in which the plaintiff requests the GP Napred Razvoj Plc. to determine the ownership right over the hotel building constructed on a lot for which the Company was registered as a holder of rights in addition to the GP Napred Razvoj Plc. In this lawsuit, the Company is a passive co-litigant, and thus there are no potential commitments for the Company, but it had to be included in the action due to the formal reasons.

In addition to that, the first instance procedure is also in progress in which a small number of minority shareholders of the Energoprojekt Visokogradnja Company called into question the price paid to them in the procedure initiated at their request for compulsory sale of shares.

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	3	4
TOTAL	**1**	**3**	**4**
In RSD thousand			
Physical person			
Legal entity		868	868
TOTAL		**868**	**868**

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
Beogradsko mesovito preduzeće Plc. (BMP)	Determining of BMP shares' value	Uncertain
Zekstra group Ltd.	Damage compensation (roof repair works in 38 Goce Delceva Street)	868
Republic of Serbia, EPS Serbia, Epsturs Ltd and Republic of Montenegro	Determining of the ideal ownership share in the Park hotel in Budva	Acquiring of 13% of the total hotel surface area is legally founded, but the value thereof has not been determined
Trinity Capital GP Napred Plc	Annul the contract for Block 26	
TOTAL		**868**

In addition to the presented legal actions in which the Company in involved as the plaintiff, there is a court actions as follows:

- legal proceedings against the City of Belgrade, Republic of Serbia, Belgrade Land Development Public Agency 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 and the Directorate for Building Land and Construction of Belgrade refused. The Company has declared against this decision Audit;

- initiated against Music Ivan, for compensation of damage (roof repair in 38 Goce Delceva Street), on the basis of which a receivable amounting to RSD 31 thousand was presented in the accounting books of the Company.

Please note that in 2014 was conducted an indirect write-off for the receivables from Zekstra Group Ltd. in the amount of RSD 868 (7 thousand EUR).

46. POST BALANCE SHEET EVENTS

On February 7, 2017 the Company made Agreement with the Directorate for Property of the Republic of Serbia on alienation of construction land in public ownership of the Republic of Serbia, area of 59a 91m2, located on the cadastral lot 1005/28 registered in the register list 6400 KO Novi Beograd in the amount of RSD 274,609 thousand, which was paid on February 14, 2017.

Pursuant to the Decision on acquisition of own shares on the regulated market made by the Supervisory Board of the Company on February 13, 2017, in the period from issuing the decision until the day of adopting the financial statements, the Company acquired on the BSE 97.700 shares (equivalent to 0.89376% of the total number of shares with voting rights) in the amount of RSD 124,148 thousand.

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.

In Belgrade,
On February 20, 2017

Legal representative

Vladimir Milovanović dipl. ing.

Energoprojekt Holding a.d. * Beograd *

ENERGOPROJEKT
HOLDING p.l.c.

2. INDEPENDENT AUDITOR'S REPORT (complete report)

ENERGOPROJEKT HOLDING PLC, BELGRADE

Financial Statements for the
Year Ended 31 December 2016
and
Independent Auditor's Report

MOORE STEPHENS
REVIZIJA I RAČUNOVODSTVO

TABLE OF CONTENTS

MOORE STEPHENS
REVIZIJA I RAČUNOVODSTVO

Privredno društvo za reviziju računovodstvo i konsalting
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E-mail: office@revizija.co.rs, www.revizija.co.rs
Matični broj/ID: 06974848; PIB/VAT: 100300288

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 2016, 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.

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 – *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 2016, 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.

Other Matter

The financial statements of the Company for the year ended 31 December 2015 were audited by another auditor, who expressed an unmodified opinion on those financial statements on 07 April 2016.

Belgrade, 06 March 2017

„MOORE STEPHENS
Revizija i Računovodstvo" Ltd., Belgrade

Bogoljub Aleksić
Managing Partner

BALANCE SHEET
as at 31.12.2016

Account class, account	DESCRIPTION	EDP	Note No.	Total in RSD thousand		
				Current year	Previous year	
					Closing balance On 31.12.2015	Opening balance on 01.01.2015
1	2	3	4	5	6	7
	ASSETS					
00	A. SUBSCRIBED CAPITAL UNPAID	0001		-	-	
	B. NON-CURRENT ASSETS (0003+0010+0019+0024+0034)	0002		7,676,924	7,486,396	
01	1. INTANGIBLES (0004+0005*0006*0007+0008+0009)	0003		9,210	11,883	
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	23.	9,203	11,883	
013 & part 019	3. Goodwill	0006		-	-	
014 & part 019	4. Other intangible assets	0007		-	-	
015 & part 019	5. Intangible assets in progress	0008	23.	7	-	
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		1,995,000	2,027,691	
020. 021 & part 029	1. Land	0011		-	-	
022 & part 029	2. Buildings	0012	24.1.	1,325,585	1,380,671	
023 & part 029	3. Plant and equipment	0013	24.1.	32,185	11,994	
024 & part 029	4. Investment property	0014	24.2.	590,198	588,890	
025 & part 029	5. Other property, plant and equipment	0015	24.1.	283	283	
026 & part 029	6. Property, plant and equipment In progress	0016		-	-	
027 & part 029	7. Investments in property, plant and equipment, not owned	0017		-	-	
028 & part 029	8. Advances paid on property, plant and equipment	0018	24.1.	46,749	45,853	
03	III. NATURAL ASSETS (0020+0021+0022+0023)	0019		-	-	
030, 031 & part 039	I. 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		5,672,714	5,446,822	
040 & part 049	1. Shares In subsidiaries	0025	25.1.	5,049,398	5,047,931	
041 & part 049	2. Shares in affiliated companies and joint ventures	0026	25.1	29,550	29,550	
042 & part 049	3. Shares in other companies and other available for sale securities	0027	25.1.	18,686	25,467	
part 043, part 044 & part 049	4. Long term investments in parent companies and subsidiaries	0028	25.2.	573,708	342,438	
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	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	25.2.	1,372	1,436	
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 0S9	3. Receivables from credit sales	0037		-	-	
053 & part 059	4. Receivables from financial leasing contracts	0038		-	-	
054 & part 059	S. 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+6060+0061+0062+0068+0069+6070)	0043		1,869,124	2,030,932	
Class 1	1. INVENTORIES (004S+0046+0047+0048+0049+0050)	0044		2,614	1,826	
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	26.	2,614	1,826	
20	II. RECEIVABLES FROM SALES (0052+0053+0054+0055+0056+0057+0058)	0051		523,437	488,928	
200 & part 209	1. Local buyer - parent company and subsidiaries	0052	27.	522,680	488,186	
201 & part 209	2. Foreign buyer - parent company and subsidiaries	0053		-	-	
202 & part 209	3. Local buyer - other associated companies	0054	27.	705	705	
203 & part 209	4. Foreign buyer - other associated companies	0055		-	-	
204 & part 209	5. Local buyers	0056	27.	52	37	
205 & part 209	6. Foreign buyers	0057		-	-	
206 & part 209	7. Other receivables from sales	0058		-	-	
21	III. RECEIVABLES FROM SPECIAL TRANSACTIONS	0059	28.	357,037	105,617	
22	IV. OTHER RECEIVABLES	0060	29.	67,845	58,383	
236	V. FINANCIAL ASSETS ASSESSED AT FAIR VALUE THROUGH BALANCE SHEET	0061		-	-	
23 excl. 236 & 237	VI. SHORT TERM FINANCIAL NVESTMENTS(0063+0064+0065+0066+0067)	0062		394,411	522,951	
230 & part 239	1. Short term loans and Investments - parent company and subsidiaries	0063	30.	229,448	360,454	
231 & part 239	2. Short term loans and investments - other affiliated companies	0064	30.	164,884	162,419	
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 235	5. Other short term financial investments	0067	30.	79	78	
24	VII. CASH AND CASH EQUIVALENTS	0068	31.	128,791	463,343	
27	VIII. VALUE ADDED TAX	0069		-	-	
28 excl. 288	IX. PREPAYMENTS AND ACCRUED INCOME	0070	32.	394,989	389,884	
	E. TOTAL ASSETS = OPERATING ASSETS	0071		9,546,048	9,517,328	
88	F. OFF-BALANCE SHEET ASSETS	0072	41.	25,008,084	22,596,458	

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Account class, account	DESCRIPTION	EDP	Note No.	Total in RSD thousand		
				Current year	Previous year	
					Closing balance On 31.12. 2015	Opening balance on 01.01.2015
1	2	3	4	5	6	7
	CAPITAL AND LIABILITIES					
	A. CAPITAL (0402+0411+0412+0413+0414+0415+0416+0417+0420+0421) > 0 = (0071-0424-0441-0442)	0401		8,421,896	8,450,766	
30	I. EQUITY CAPITAL (0403*0404+0405+0406+0407+0408+0409+0410)	0402		7,202,622	7,202,622	
300	1. Share capital	0403	33.1.	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	33.1.	1,600,485	1,600,485	
309	8. Other share capital	0410	33.1.	27,178	27,178	
31	II. SUBSCRIBED CAPITAL UNPAID	0411		-	-	
047 & 237	III. TREASURY SHARES REPURCHASED	0412		-	-	
32	IV. RESERVES	0413	33.2.	134,881	134,881	
330	V. REVALUATION RESERVES FROM REVALUATION OF INTANGIBLES, PROPERTY, PLANT AND EQUIPMENT	0414	33.3.	782,098	817,591	
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. UNGREASED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT (debit balance under account class 33 excl. 330)	0416	33.4.	28,869	28,433	
34	VIII. RETAINED EARNINGS (0418+0419)	0417		331,164	324,105	
340	1. Retained earnings from previous years	0418	33.5.	99,050	87,132	
341	2. Retained earnings from current year	0419	33.5.	232,114	236,973	
	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		2,347	262,210	
40	1. LONG TERM PROVISIONS (0426+0427+0428+0429+0430+0431)	0425		2,347	262,210	
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	34.1.	2,347	2,210	
405	5. Provisions for legal expenses	0430		-	-	
402 & 409	6. Other long term provisions	0431	34.2.	-	260,000	
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	S. Long term credits and loans, domestic	0437		-	-	
415	6. Long term credits and loans, foreign countries	0438		-	-	
416	7. Long term liabilities from finance leasing	0439		-	-	
419	8. Other long term liabilities	0440		-	-	
498	C. DEFERRED TAX LIABILITIES	0441	40.	152,252	156,365	
42 to 49 (excl. 498)	D. SHORT TERM LIABILITIES (0443+U450+045I+9459+0460+0461+0462)	0442		969,553	647,987	
42	1. SHORT TERM FINANCIAL LIABILITIES (0444+0445+9446+0447+0448+0449)	0443		638,498	565,607	
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	35.1.	638,307	565,561	
423	4. Short term credits and loans, abroad	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	35.2.	191	46	
430	II. RECEIVED ADVANCES. DEPOSITS AND BONDS	0450	36.	14,153	-	
43 excl. 430	III. OPERATING LIABILITIES (0452+0453+0454+0455+0456+0457+0458)	0451		12,562	26,351	
431	1. Suppliers - parent company and subsidiaries, local	0452	37.	1,020	1,677	
432	2. Suppliers - parent company and subsidiaries. foreign countries	0453	37.	3,087	11,503	
433	3. Suppliers - other affiliates, local	04S4		-	-	
434	4. Suppliers - other affiliated companies, foreign countries	0455		-	-	
435	5. Suppliers. local	0456	37.	6,227	5,667	
436	6. Suppliers. forcign countries	04S7	37.	2,228	7,504	
439	7. Other operating liabilities	0458		-	-	
44. 45 & 46	IV. OTHER SHORT TERM LIABILITIES	0459	38.	272,319	23,561	
47	V. VALUE ADDED TAX	0460	39.1.	4,366	4,559	
48	VI. OTHER TAXES, CONTRIBUTIONS AND FEES PAYABLE	0461	39.2.	735	734	
49 excl. 498	VII. ACCRUED EXPENSES AND DEFERRED INCOME	0462	39.3.	26,920	27,175	
	D. LOSSES EXCEEDING CAPITAL (0412+0416+0421-0420-0417-0415-0414- 0413-0411-0402) > =0 = (0441+0424+0442-0071)>=0	0463		-	-	
	E. TOTAL CAPITAL AND LIABILITIES (0424+0442+0441+0401-0463) >= 0	0464		9,546,048	9,517,328	
89	F. OFF-BALANCE SHEET LIABILITIES	0465	41.	25,008,084	22,596,458	

INCOME STATEMENT
from 01.01. until 31.12.2016

Account clnss, account	DESCRIPTION	EDP	Note No.	Total in RSD thousand	
				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		428,649	504,040
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		405,342	482,184
610	1. Income from sale of finished products and services to parent company and subsidiaries on local market	1010	9.1.	405,284	422,673
611	2. Income from sale of finished products and services to parent company and subsidiaries on forcicn 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	108
615	6. Income from sale of finished products and services on forcing markets	1015		-	59,403
64	III. INCOME FROM PREMIUMS, SUBSIDIES, GRANTS, DONATIONS, ETC.	1016		-	-
65	IV. OTHER OPERATING INCOME	1017	9.2.	23,307	21,856
	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		403,463	455,939
50	I. COST PRICE OF GOODS SOLD	1019		-	-
62	II. INCOME FROM USE OF OWN PRODUCTS AND MERCHANDISE	1020	10.	336	368
630	III. INCREASE IN INVENTORIES OF INTERMEDIATE AND FINISHED GOODS AND SERVICES OR PROGRESS	1021		-	-
631	IV. DECREASE IN INVENTORIES OF INTERMEDIATE AND FINISHED GOODS AND SERVICES IN PROGRESS	1022		-	--
51 excl. 513	V. MATERIAL COSTS	1023	11.	8,695	7,986
513	VI. FUEL AND ENERGY COSTS	1024	11.	19,060	22,623
52	VII. EMPLOYEE EXPENSES AND BENEFITS	1025	12.	200,480	193,160
53	VIII. PRODUCTION SERVICE COSTS	1026	13.	79,785	135,418
540	IX. DEPRECIATION EXPENSES	1027	14.	20,416	20,655
541 to 549	X. PROVISION EXPENSES	1028	14.	764	782
55	XI. INTANGIBLE EXPENSES	1029	15.	74,599	75,683
	C. OPERATING INCOME (1001-1018) > 0	1030		**25,186**	**48,101**
	D. OPERATING LOSSES (1018-1001) > 0	1031		-	-
66	E. FINANCE\L REVENUES (1033+1038+1039)	1032		**497,143**	**475,673**
66, excl. 662, 663 & 664	I. FINANCIAL INCOME FROM AFFILIATED COMPANIES AND OTHER FINANCIAL REVENUES (1034+1035+1036+1037)	1033		485,640	465,006
660	1. Financial income from parent company and subsidiaries	1034	16.1.	469,642	448,473
661	2. Financial income from other affiliated companies	1035	16.1.	13,470	11,629
665	3. Share of profits in associated companies and joint ventures	1036		-	-
669	4. Other financial revenues	1037	16.1.	2,528	4,904
662	II. INTEREST INCOME (THIRD PARTY)	1038	16.1.	1,951	2,617
663 & 664	III. EXCHANGE RATE GAINS AND POSITIVE CURRENCY CLAUSE EFFECTS (THIRD PARTY)	1039	16.1.	9,552	8,050
56	F. FINANCIAL EXPENSES (1041+1046+1047)	1040		**30,454**	**22,318**
56. excl. 562, 563 & 564	I. FINANCIAL EXI'ENSES FROM TRANSACTIONS WITH AFFILIATED COMPANIES AND OTHER FINANCIAL EXPENDITURE (1042+1043+1044+1045)	1041		839	795
560	1. Financial expenses from transactions with parent company and subsidiaries	1042	16.2.	839	795
561	2. Financial expenses from transactions with other affiliated companies	1043		-	-
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	16.2	22,085	17,352
563 & 564	III. EXCHANGE RATE LOSSES AND NEGATIVE CURRENCY CLAUSE EFFECTS (THIRD PARTY)	1047	16.2.	7,530	4,171
	G. FINANCIAL GAINS (1032-1040)	1048		**466,689**	**453,355**
	II. FINANCIAL LOSSES (1040-1032)	1049		-	-
683 & 685	I. INCOME FROM VALUE ADJUSTMENT OF OTHER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT	1050		-	730
583 & 585	J. EXPENSES FROM VALUE ADJUSTMENT OF OTIIER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT	1051	17.	10	9,163
67 & 68, excl. 683 & 685	K. OTHER INCOME	1052	18.1.	263,677	13,746
57 & 58. excl. 583 & 585	L. OTHER EXPENSES	1053	18.2.	509,795	251,678
	M. INCOME FROM NORMAL OPERATIONS BEFORE TAX (1030-1031+1048-1049+1050-1051+1052-1053)	1054		**245,747**	**255,091**
	N. LOSSES FROM NORMAL OPERATIONS BEFORE TAX (1031-1030+1049-1048+1051-1050+1053-1052)	1055		-	-

Account class, account	DESCRIPTION	EDP	Note No.	Total in RSD thousand	
				Current year	Previous year
1	2	3	4	5	6
69-59	0. NET PROFIT FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT OF ERRORS FROM PREVIOUS YEARS	1056		-	-
59-69	P. NET LOSSES FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT OF ERRORS FROM PREVIOUS YEARS	1057	19.	66	3,066
	Q. PROFIT BEFORE TAX (1054-1055+1056-1057)	1058	20.	**245,681**	**252,025**
	R. LOSSES BEFORE TAX (1055-1054+1057-1056)	1059		-	-
	S. INCOME TAX			-	-
721	I. TAXABLE EXPENSES FOR THE PERIOD	1060	21.	11,416	12,676
part 722	II. DEFERRED TAX EXPENSES FOR THE PERIOD	1061	21.	2,151	2,376
part 722	III. DEFERRED TAX INCOME FOR THE PERIOD	1062		-	-
723	T. MANAGEMENT EARNINGS	1063		-	-
	U. NET PROFIT (1058-1059-1060-1061+1062-1063)	1064		**232,114**	**236,973**
	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		-	-

STATEMENT OF OTHER COMPREHENSIVE RESULTS
from 01.01. until 31.12.2016

Account class, account	DESCRIPTION	EDP	Note No.	Total in RSD thousand	
				Current year	Previous year
1	2	3	4	5	6
	A. NET OPERATING RESULTS				
	1. NET PROFIT (EDP 1064)	2001	21.	232,114	236,973
	II. NET LOSSES (EDP 1065)	2002			
	B. OTHER COMPREHENSIVE RESULTS OR LOSSES				
	a) Items not re-classifiable in the balance sheet in future periods				
330	1. Change of revaluation of intangibles, property, plant and equipment				
	a) increase in revaluation reserves	2003			
	b) decrease in revaluation reserves	2004	33.3.	35,493	
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	33.4.	311	12,356
	b) losses	2018	33.4.	747	3
	I. OTHER COMPREHENSIVE GROSS PROFIT (2003+2005+2007+2009+2011+2013+2015+2017) - (2004+2006+2008+2010+2012+2014+2016+20181 > 0	2019			12,353
	II. OTHER COMPREHENSIVE GROSS LOSSES (2004+2006+2008+2010+2012+2014+2016+2018)- (2003+2005+2007+2009+2011+2013+2015+2017) > 0	2020		35,929	
	III. TAX ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2021			
	IV. NET OTHER COMPREHENSIVE PROFIT (2019-2020-2021) > 0	2022			12,353
	V. NET OTHER COMPREHENSIVE LOSSES (2020-2019+2021) >0	2023		35,929	
	C. TOTAL COMPREHENSIVE NET RESULTS FOR THE PERIOD				
	I. TOTAL COMPREHENSIVE NET PROFIT (2001-2002+2022-2023) > 0	2024		196,185	249,326
	11. 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			

CASH FLOW STATEMENT
from 01.01. until 31.12.2016

Description	EDP	Total in RSD thousand	
		Current year	Previous year
1	2	3	4
A. CASH FLOWS FROM OPERATING ACTIVITIES			
I. Cash inflow from operating activities (1 to 3)	3001	**445,696**	**496,409**
1. Sales and prepayments	3002	438,677	488,268
2. Interests from operating activities	3003		
3. Other inflow from normal operations	3004	7,019	8,141
II. Cash outflow from operating activities (1 to 5)	3005	**593,257**	**607,759**
1. Payments to suppliers and prepayments	3006	264,648	297,558
2. Employee expenses and benefits	3007	199,837	188,384
3. Interests paid	3008	21,054	17,012
4. Income tax	3009	12,996	9,329
5. Payments based on other public revenues	3010	94,722	95,476
III. Net cash inflow from operating activities (I-II)	3011		
IV. Net cash outflow from operating activities (II-I)	3012	**147,561**	**111,350**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
I. Cash inflow from investing activities (1 to 5)	3013	**435,090**	**430,191**
1. Sale of shares and stocks (net inflow)	3014	5,114	
2. Sale of intangible investments, property, plant, equipment and natural assets	3015		
3. Other financial investments (net inflow)	3016		
4. Interest received from investment activities	3017	10,306	18,791
5. Dividends received	3018	419,670	411,400
II. Cash outflow from investment activities (1 to 3)	3019	**471,461**	**134,029**
1. Purchase of shares and stocks (net outflow)	3020		94,181
2. Purchase of intangible investments, property, plant, equipment and natural assets	3021	25,076	4,063
3. Other financial investments (net outflow)	3022	446,385	35,785
III. Net cash inflow from investing activities (I-II)	3023		**296,162**
IV. Net cash outflow from investing nativities (II-I)	3024	**36,371**	
C. CASH FLOWS FROM FINANCING ACTIVITIES			
I. Cash inflow from financing activities (1 to 5)	3025	**65,335**	**392,627**
t. Equity increase	3026		
2. Long term loans (net inflow)	3027		
3. Short term loans (net inflow)	3028	65,335	392,627
4. Other long term liabilities	3029		
5. Other short term liabilities	3030		
II. Cash outflow from financing activities (1 to 6)	3031	**218,928**	**235,287**
I. Repurchase of own shares and stocks	3032		
2. Long term loans (net outflow)	3033		16,667
3. Short term loans (net outflow)	3034		
4. Other liabilities	3035		
5. Financial leasing	3036		
6. Dividends paid	3037	218,928	218,620
III. Net cash inflow from financing activities (I -II)	3038		**157,340**
D. Net cash outflow from financing activities (II-I)	3039	**153,593**	
E. TOTAL CASH INFLOW (3001+3013+3025)	3040	**946,121**	**1,319,227**
F. TOTAL CASH OUTFLOW (3005+3019+3031)	3041	**1,283,646**	**977,075**
G. NET CASH INFLOW (3040-3041)	3042		**342,152**
II. NET CASH OUTFLOW (3041-3040)	3043	**337,525**	
I. CASH BALANCE AT BEGINNING OF REPORTING PERIOD	3044	436,343	116,713
J. EXCHANGE RATE GAINS FROM CASH TRANSLATION	3045	2,973	4,478
K. EXCHANGE RATE LOSSES FROM CASH TRANSLATION	3046		
L. CASH BALANCE AT END OF REPORTING PERIOD (3042-3043+3044+3045-3046)	3047	**128,791**	**463,343**

STATEMENT OF CHANGES IN EQUITY
as at 31.12.2016

Total in RSD thousand

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 01.01.2015																
	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	304,386	4110	817,591	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 01.01.2015																
	a) adjustment of debit balance (1a+2a-2b) > 0	400S	-	4023	-	4041		4059	-	4077		409S		4113		4131	
	b) adjustment of credit balance (1b-2a+2b) > 0	4006	7,202,622	4024		4042	134,881	4060	-	4078		4096	304,386	4114	817,591	4132	
4	Adjustment in previous 2015 year																
	a) debit balance activity	4007	-	4025	-	4043		4061	-	4079		4097	218,626	4115		4133	
	b) credit balance activity	4008	-	4026	-	4044		4062	-	4080		4098	238,345	4116		4134	
5	Closing balance at 31.12.2015																
	a) debit balance (3a+4a-4b) > 0	4009	-	4027	-	4045		4063	-	4081		4099		4117		4135	
	b) credit balance (3b-4a+4b) > 0	4010	7,202,622	4028	-	4046	134,881	4064	-	4082		4100	324,105	4118	817,591	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 01.01.2016																
	a) adjustment of debit balance (5a-6a-6b) > 0	4013	-	4031		4049		4067	-	4085		4103		4121		4139	
	b) adjustment of credit balance (5b-6a+6b) ž 0	4014	7,202,622	4032		4050	134,881	4068	-	4086		4104	324,105	4122	817,591	4140	
8	Changes in current 2016 year																
	a) debit balance activity	4015	-	4033		4051		4069	-	4087		4105	218,626	4123	41,756	4141	
	b) credit balance activity	4016	-	4034		4052		4070	-	4088		4106	225,685	4124	6,263	4142	
9	Closing balance at 31.12.2016																
	a) debit balance (7a+8a-8b) > 0	4017	-	4035		4053		4071	-	4089		4107		4125		4143	
	b) credit balance (7b-8a+8b) > 0	4018	7,202,622	4036		4054	134,881	4072	-	4090		4108	331,164	4126	782,098	4144	

Total in RSD thousand

No.	DESCRIPTION	Other results component										EDP	Total capital	EDP	Losses exceeding capital
		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 01.01.2015														
	a) debit balance	4145	-	4163	-	4181	-	4199	-	4217	40,786	4235	8,418,694	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 01.01.2015														
	a) adjustment of debit balance (1a+2a-2b) > 0	4149	-	4167		4185		4203	-	4221	40,786	4237	8,418,694	4246	
	b) adjustment of credit balance (1b-2a+2b) > 0	4150	-	4168		4186		4204	-	4222					
4	Changes in previous 2015 year														
	a) debit balance activity	4151	-	4169		4187		4205	-	4223	3	4238		4247	
	b) credit balance activity	4152	-	4170		4188		4206	-	4224	12,356				
5	Closing balance previous year at 31.12.2015														
	a) debit balance (3a+4a-4b) > 0	4153	-	4171		4189		4207	-	4225	28,433	4239	8,450,766	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 01.01.2016.														
	a) adjustment of debit balance (5a+6a-6b) > 0	4157	-	4175		4193	-	4211	-	4229	28,433	4241	8,450,766	4250	
	b) adjustment of credit balance (5b-6a+6b) > 0	4158	-	4176		4194	-	4212	-	4230					
8	Changes in current 2016 year														
	a) debit balance activity	4159	-	4177		4195	-	4213	-	4231	747	4242		4251	
	b) credit balance activity	4160	-	4178		4196	-	4214	-	4232	311				
9	Closing balance at 31.12.2016														
	a) debit balance (7a+8a-8b) > 0	4161	-	4179		4197	-	4215	-	4233	28,869	4243	8,421,896	4252	
	b) credit balance (7b-8a+8b) > 0	4162	-	4180		4198	-	4216	-	4234					

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016

Belgrade, 2017

Contents

1. COMPANY BACKGROUND

Energoprojekt Holding Plc. Belgrade (hereinafter: the Company) is an open joint stock company for 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) by passing the Decision on Harmonization of Company's Articles of Association with the Companies Law adopted on the General Assembly meeting on March 16, 2012 and by passing the Articles of Association on the General Assembly meeting on January 12, 2012.

During the process of harmonization with the Companies Law, Energoprojekt Holding Plc. data has been changed and registered with the Serbian Business Registers Agency by registering the Memorandum of Association and the Articles of Association based on the Decision of the Serbian Business Registers Agency BD 49189/2012 of April 18, 2012, including registration of new bodies of the Company, members of the Executive Board and the chairman and members of the Supervisory Board.

By adopting and registering the Decision on Harmonization of the Memorandum and Articles of Association of Energoprojekt Holding Plc. adopted in compliance with provisions of the new Companies Law, the Decision on Harmonization with the Companies Law and Company Articles of Association from 2006 ceased to apply.

Pursuant to the Decision BD 8020/2005 of May 20. 2005, the Company was re-registered and transferred to the Company Register of the Serbian Business Registers Agency from the Court Register of the Commercial Court of Belgrade with the previous registration on the registry inserts number 1- 2511-00.

Based on the Decision No. VIII Fi 8390/99 of June 30. 2000 passed by the Commercial Court of Belgrade, the Company harmonized its operations with the Companies Law (FRY Official Gazette No. 29/96), the Law on Business Classification (FRY Official Gazette No. 31/96) in respect of the company name, registered business, equity and management, and changed its name from "Energoprojekt Holding share based company in mixed ownership for incorporating, financing and managing other companies", at the time registered by Decision No. FI 5843/91 of June 13, 1991 of the same Court, to "Energoprojekt Holding joint stock company for holding operations".

The legal predecessor of Energoprojekt Holding share based company in mixed ownership is Energoprojekt Holding Corporation, registered with the District Court of Belgrade by Decision No. Fi 423 of January 12, 1990, a company that was organized under the previous Companies Law (SFRY Official Gazette No. 77/88, 40/89, 46/90 and 60/91) through adoption of the Self-Management Agreement on Organizational Changes in the Former Composite Organization of Associated Labour "Energoprojekt" and the Associated Workers' Organizations, at a referendum held on December 8, 1989.

General Company Data

Head Office	Beograd, Bulevar Mihajla 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:

1. Energoprojekt Visokogradnja Plc.;
2. Energoprojekt Niskogradnja Plc.;
3. Energoprojekt Oprema Plc.;
4. Energoprojekt Hidroinzenjering Plc.;
5. Energoprojekt Urbanizam i arhitektura Plc.;
6. Energoprojekt Energodata Plc.;
7. Energoprojekt Industrija Plc.;
8. Energoprojekt Entel Plc.;
9. Energoprojekt Garant Plc.;
10. Energoprojekt Promet Ltd. and
11. Energoprojekt Sunnyville Ltd.

Subsidiary companies abroad - international companies are as follows:

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

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

19. Enjub Ltd.

The affiliated company in the country is:

20. Fima SEE Activist Plc.

The share percentage of Energoprojekt Holding in the capital of the FIMA SEE Activist Plc. at the end of 2015 crossed 20%, whereby the said investment fund became an associate of Energoprojekt Holding.

The following table contains data on the ownership share in subsidiaries.

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 Hidroinzenjering 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 Garant Plc.	92.94
Energoprojekt Promet Ltd.	100.00
Energoprojekt Sunnyville Ltd.	100.00
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*
Fima SEE Activist Ltd.	30.16

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 69 (as at December 31, 2015: 70).

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 January 1 till December 31, 2016** that were approved by the Supervisory Board of the Company on the 27th of February, 2017, at the 8th 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.

2. MANAGEMENT STRUCTURE

Key management of the Company for the period January 1 to June 30, 2016 included the following persons:

- Vladimir Milovanović - General Manager;
- Dr Dimitraki Zipovski - Executive Manager for finances, accounting and plan;
- Mr Zoran Jovanović - Executive Manager for legal affairs; and
- Dragan Tadić - Executive Manager for "Real Estate" projects.

Key management of the Company for the period July 1 to December 31, 2016 included the following persons:

- Vladimir Milovanović - General Manager;
- Dr Dimitraki Zipovski - Executive Manager for finances, accounting and plan;
- Dr Jovan Nikčević - Executive Manager for legal affairs;
- Filip Filipović - Executive Manager for administrative operations; and
- Vesna Prodanović - Executive manager for operational projects.

3. OWNERSHIP STRUCTURE

According to records of the Central Securities Depository, the registered ownership structure of the Company as at December 31, 2016 is presented in the Note 33.1.

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 - 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 and 112/2015);
- Law on Added Value Tax (RS Official Gazette, No. 84/2004, 6/2014 – adjusted RSD amounts, 86/2004 - corrigendum, 61/2005, 61/2007, 93/2012, 108/2013, 68/2014 - other law, 142/2014, 83/2015 and 5/2016 – adjusted RSD amounts and 108/2016);
- Rules on the Contents of Tax Balance and Other Issues of Relevance for Calculation of Corporate Income Tax (RS Official Gazette, No. 99/2010, 8/2011, 13/2012, 8/2013 and 20/2014 - other Rules);
- Rules on the Contents of Tax Return for Calculation of Corporate Income Tax (RS Official Gazette, No. 24/2014, 30/2015, 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 Prices and Methods Applied in compliance with the "at arm's length" principle in determining the price of transactions among related parties (RS Official Gazette, No. 61/2013 and 8/2014).

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 November 27, 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) , 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.

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

By the date of adoption of the financial statements attached hereto, the following version of IAS, IFRS and the Interpretations that are integral parts of the Standards, as well as the amendments thereto, as issued by the International Accounting Standards Board, or by the International Financial Reporting Standards’ Interpretations Committee and that are as such applicable to the financial statements for the reporting period, have not yet been officially translated or published by the Ministry, and thus cannot be applied by the Company:

- Amendments to IAS 32 “Financial Instruments: Presentation” - Offsetting Financial Assets and Financial Liabilities (effective for the annual periods beginning on or after January 1, 2014);
- Amendments to IFRS 10, IFRS 12 and IAS 27 - “Investment Entities” (effective for the annual periods beginning on or after January 1, 2014);
- Amendments to IAS 36 “Impairment of Assets” - Recoverable Amount Disclosures for Non-Financial Assets (effective for the annual periods beginning on or after January 1, 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 January 1, 2014);
- IFRIC 21 “Levies” (effective for the annual periods beginning on or after January 1, 2014);
- Amendments to IAS 19, Employee Benefits - Defined benefit plans (effective for annual periods beginning on or after July 1, 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 July 1, 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 July 1, 2014);
- Amendments to IFRS 11 "Joint Arrangements" - Accounting for acquisition of participation in joint businesses (effective for annual periods beginning on or after January 1, 2016;
- IFRS 14 "Accounts regulatory prepayments" - effective for annual periods beginning on or after January 1, 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 January 1, 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Industrial plants (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 27 "Separate Financial Statements" - Equity method in separate financial statements (effective for annual periods beginning on or after January 1, 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 January 1, 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 January 1, 2016);
- Amendments to IAS 1 "Presentation of Financial Statements" - Initiative for disclosure (effective for annual periods beginning on or after January 1, 2016); and
- 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 January 1, 2016).

The new Standards, Interpretations and Amendments to the existing Standards that have not yet come into force

Until the date of preparation of the accompanying financial statements, the following IAS, IFRS and interpretations which are their integral parts, as well as their amendments, issued by International Accounting Standards Board and International Financial Reporting Interpretations Committee, have not became effective and have not been adopted:

- IAS 1 (when it adopted IFRS);
- Amendment to IAS 7 - Cash Flow Statement (effective from January 1, 2017);
- Amendment to IAS 12 - Income taxes (effective from January 1, 2017);
- Amendments to IFRS 12 - Disclosures in the participation in other entities (effective from January 1, 2017);
- Amendments to various standards (IAS 28, IAS 40 and IFRS 2) shall take effect from January 1, 2018;
- IFRS 9 "Financial Instruments" and subsequent amendments, which replaces 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 January 1, 2018, earlier application is permitted;
  According to IFRS 9, financial assets will be classified into one of two categories at the initial recognition: at amortized cost or fair value. Financial asset will be recognized at amortized cost if the following two criteria are met: assets relate to business model based on the business model for managing the financial assets and their contractual cash flow characteristics. All other assets will be measured at fair value. Gains and losses arising from measurement of financial assets at fair value will be recognized in the income statement, except investments in equity instruments hot held for trading, where IFRS 9 permits, at initial recognition, subsequent unchangeable choice that all changes in fair value are recognized within other gains and losses in the statement of other comprehensive income. The amount that will be recognized in the statement of comprehensive income will not be able to be recognized in the income statement subsequently. Change in IFRS 9 will lead to changes in IFRS 7 and IFRS 4;
- IFRS 15 "Revenue from contracts with customers", which defines the framework for the recognition of revenue. IFRS 15 supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts", IFRIC 13 "Customer Loyalty Programs", IFRIC 15 "Agreements for the Construction of Real Estate" and IFRIC18 "Transfers of assets from customers" and SIC - 31 "Revenue - exchange transactions involving advertising services ". IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted;
- IFRIC 22 This interpretation applies to foreign exchange transactions where the entity recognizes non-monetary asset or non-financial liability for the payment or receipt of advance payment, before the entity recognizes asset, expense or income, after which the non-monetary asset or liability is recognized again. The interpretation is effective on or after January 1, 2018, but early application is permitted; and
- IFRS 16 "Lease" - published in January 2016, the application is for business periods beginning on or after January 1, 2019. The standards will replace current IAS 17.

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, professional and internal regulations in force.

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	*December 31, 2016*	*December 31, 2015*
	Amount in RSD	
1 EUR	123.4723	121.6261
1 USD	117.1353	111.2468
1 GBP	143.8065	164.9391

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 an at 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 balance sheet.

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 realis ability 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 for which no decrease in value has been performed	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Trade receivables:		
a) Buyers domestic - subsidiaries and other related legal entities		
Energoprojekt Visokogradnja Plc.	380,426	322,647
Energoprojekt Niskogradnja Plc.	20,359	8,980
Energoprojekt Hidroinzenjering Plc.	23,032	22,115
Energoprojekt Entel Plc.	20,193	9,013
Energoprojekt Energodata Plc.	21,809	26,632
Energoprojekt Industrija Plc.	29,424	75,149
Energoprojekt Urbanizam i Arhitektura Plc.	16,406	15,348
Energoprojekt Oprema Plc.		8,119
Energoprojekt Garant Plc.	456	183
Energoprojekt Sunnyville Ltd.	10,575	
Enjub Ltd.	705	705
Total	*523,385*	*488,891*
b) Buyers domestic (externally)	52	37
Total	***523,437***	***488,928***
Receivables from specific operations:		
a) Receivables from specific operations - subsidiaries and other related legal entities		
Energoprojekt Visokogradnja Plc.	352,444	102,017
Energoprojekt Niskogradnja Plc.	36	35
Energoprojekt Hidroinzenjering Plc.	912	383
Energoprojekt Entel Plc.	16	62
Energoprojekt Energodata Plc.	2	73
Energoprojekt Industrija Plc.	18	98
Energoprojekt Urbanizam i arhitektura Plc.	275	560
Energoprojekt Oprema plc.	150	87
Energoprojekt Garant Plc.	457	454
Energoprojekt Sunnyville Ltd.	752	
Enjub Ltd.	1,902	1,775
Total	*356,964*	*105,544*
b) Receivables from specific operations - other legal entities		
Napred razvoj Plc.		
Others	73	73
Total	***357,037***	***105,617***
Other receivables:		
a) Other receivables - subsidiaries and other related legal entities		
Energoprojekt Visokogradnja Plc.		
Energoprojekt Niskogradnja Plc.	***2,307***	
Enjub Ltd.	57,377	46,372
Total	*59,684*	*46,372*
b) Other receivables – other	8,161	12,011
Total	***67,845***	***58,383***
TOTAL	***948,319***	***652,928***

Domestic trade receivables - subsidiaries pertain to receivables based on service agreements concluded to regulate services rendered to subsidiaries, based on which the Company was presented with blank bills of exchange with authorization as collaterals.

Structure of short-term receivables with impairment	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Receivables from specific transactions:		
Zekstra Group - Zekstra Ltd. (Notes 28)	868	855
Napred razvoj Plc.		2,881
Impairment	(868)	(3,736)
TOTAL		

	in RSD thousand	
Related parties:	*31.12.2016*	*31.12.2015*
a) Current	312,688	51,024
b) Up to 30 days	14,008	12,488
c) 30 - 60 days	15,436	9,850
d) 60 - 90 days	13,106	13,181
e) 90 - 365 days	98,865	105,148
f) 365 days +	485,930	449,116
Total	***940,033***	***640,807***
Buyers - domestic:		
a) Current	94	37
b) Up to 30 days		
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) 365 days +	31	
Total	***125***	***37***
Other:		
a) Current	6,035	11,306
b) Up to 30 days	260	188
c) 30 - 60 days	32	233
d) 60 - 90 days	491	78
e) 90 - 365 days	1,240	202
f) 365 days +	103	77
Total	***8,161***	***12,084***
TOTAL	***948,319***	***652,928***

Non-due current receivables in the total amount of RSD 318,817 thousand include receivables from buyers amounting to RSD 307,183 thousand and are mostly due within 15 days after invoicing date or in accordance with agreed payment terms and conditions.

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*	
31.12.2016	*31.12.2015*	*31.12.2016*	*31.12.2015*
17,682,240	**16,457,561**	**5,286,346**	**4,965,632**

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 thousand*	
	2016	*2015*
NET EFFECT ON THE RESULTS IN THE CURRENT PERIOD	**153,055**	**139,772**

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 thousand*	
	31.12.2016	*31.12.2015*
Interest-bearing financial assets with fluctuating interest rate:		
Short-term loans granted to related parties	164,884	162,419
TOTAL	**164,884**	**162,419**
Interest-bearing financial liabilities with fluctuating interest rate:		
Short-term credits	638,307	565,561
TOTAL	**638,307**	**565,561**
DIFFERENCE	**(473,423)**	**(403,142)**

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 thousand*	
	2016	*2015*
NET EFFECT ON THE CURRENT PERIOD RESULTS	**(4,734)**	**(4,031)**

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 thousand*	
	31.12.2016	*31.12.2015*
Suppliers in the country and abroad - subsidiaries and other related parties:		
Encom GmbH Consulting, Engineering&Trading, Germany	3,087	11,463
Energoprojekt Energodata Plc.	787	1,656
Energoprojekt Garant Plc.	233	18
Others		43
Total	***4,107***	***13,180***
Suppliers in the country (externally):		
PE Elektroprivreda Srbije Beograd	932	
PUC Beogradske elektrane	846	954
Algotech Ltd,	352	346
Dom zdravlja Clinicanova	285	
Politika novine i magazini društvo za izdavanje novina i magazina Ltd., Beograd	283	
Compacc Ltd.	265	237
Preduzeće za proizvodnju, promet i inžinjering rashladne i klima tehnike Soko inžinjering Ltd., Beograd	261	51
Others	3,003	4,079
Total	***6,227***	***5,667***
Suppliers abroad (externally):		
IATA	2,228	6,931
Others		573
Total	***2,228***	***7,504***
TOTAL	***12,562***	***26,351***

The Company provided four blank promissory notes as payment securities, in compliance with the provisions of the Agreement, to it supplier EPS Snabdevanje Ltd.

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

Aging structure of trade payables	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Related parties:		
a) Current	1,020	1,714
b) Up to 30 days		3
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) 365 days +	3,087	11,463
Total	***4,107***	***13,180***
Domestic suppliers:		
a) Current	4,814	3,507
b) Up to 30 days	1,367	1,979
c) 30 - 60 days	46	181
d) 60 - 90 days		
e) 90 - 365 days		
f) 365 days +		
Total	***6,227***	***5,667***
International suppliers:		
a) Current		
b) Up to 30 days		
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) 365 days +		
Total	***2,228***	***7,504***
TOTAL	***12,562***	***26,351***

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	*2016*	*2015*
General liquidity ratio	2:1	1.93:1	3.13:1
Rigorous ratio	1:1	1.93:1	3.13:1
Operating cash flow ratio		0.13:1	0.72:1
Net working capital (in RSD thousand)	Positive value	899,571	1,382,945

The results of the ration analysis indicate that the Company was liquid during 2016, 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 thousand*	
	2016	*2015*
Net profit/loss	232,114	236,973
Average capital:		
a) Capital at the beginning of the year	8,450,766	8,418,694
b) Capital at the end of the year	8,421,896	8,450,766
Total	*8,436,331*	*8,434,730*
Average return rate on own capital at the end of the year	***2.75%***	***2.81%***

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 Indicators	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Liabilities	969,553	647,987
Total assets	9,546,048	9,517,328
Ratio of borrowed funds to total assets	**0.10 : 1**	**0.07 : 1**
Long-term assets:		
a) Capital	8,421,896	8,450,766
b) Long-term provisions and long-term liabilities	152,252	418,575
Total	*8,574,148*	*8,869,341*
Total assets	9,546,048	9,517,328
Ration of long-term to total assets	**0.90 : 1**	**0.93 : 1**

The net debt ratio indicates the capital coverage against 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*	
	31.12.2016	*31.12.2015*
Net debt:		
a) Liabilities	969,553	647,987
b) Cash and cash equivalents	128,791	463,343
Total	*840,762*	*184,644*
Capital	8,421,896	8,450,766
Net debt to capital ratio	**1 : 10.02**	**1 : 45.77**

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 thousand*	
	01.01. – 31.12. 2016	*01.01.- 31.12.2015*
Income from sale of finished products and services to parent company and subsidiaries on local market	405,284	422,673
Income from sale of finished products and services on local market	58	108
Income from sale of finished products and services on foreign markets		59,403
TOTAL	***405,342***	***482,184***

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 405,284 thousand (last year comparative period: RSD 422,673 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 thousand*	
	01.01. – 31.12.2016	*01.01. – 31.12.2015*
Energoprojekt Garant Plc.	2,800	1,811
Energoprojekt Visokogradnja Plc.	102,851	74,631
Energoprojekt Niskogradnja Plc.	140,760	92,880
Energoprojekt Hidroinzenjering Plc.	16,245	33,567
Energoprojekt Entel Plc.	71,679	89,652
Energoprojekt Energodata Plc.	6,797	8,976
Energoprojekt Industrija Plc.	6,253	20,143
Energoprojekt Urbanizam i arhitektura Plc.	3,649	5,954
Energoprojekt Oprema Plc.	45,326	95,059
Energoprojekt Sunnyville Ltd.	8,924	
TOTAL	***405,284***	***422,673***

Income from sale of finished products and services on local market in the amount of RSD 58 thousand (same period previous year's RSD 108 thousand) generated by the sale of airline tickets.

9.2 Other Operating Income

Structure of other operating income	*in RSD thousand*	
	01.01. – 31.12.2016	*01.01. – 31.12.2015*
Incomes from the rent collected from parent, subsidiary and other affiliated companies	21,147	19,506
Incomes from the rent collected from other legal entities on local market	295	290
Other operating income (externally)	1,865	2,060
TOTAL	***23,307***	***21,856***

Incomes from the rent collected from parent, subsidiary and other affiliated companies amounting to RSD 21,147 thousand (last year comparative period: RSD 19,506 thousand), were generated based on renting of the "Samački Hotel" complex in 24 Batajnički Drum, which has been rented since 2011 to the Energoprojekt Visokogradnja Company for RSD 15,440 thousand (last year comparative period: RSD 15,135 thousand), from the rent of a portion of the Energoprojekt building, which has been rented since 2013 to the Energoprojekt Garant Company for RSD 4,459 thousand (last year comparative period: RSD 4,371 thousand) and from the rent of a portion of the Energoprojekt building, which has been rented since 2016 to the Energoprojekt Sunnyville Company for RSD 1,248 thousand.

Incomes from the rent collected from other legal entities on local market amounting to RSD 295 thousand (last year comparative period: RSD 290 thousand), were generated primarily from renting of the ground floor space of the Energoprojekt building to Telekom Srbija Company in the amount of RSD 148 thousand.

Other operating income amounting to RSD 1,865 thousand (last year comparative period: RSD 2,060 thousand) from the award bonus of airline companies for the turnover from the sales of air tickets (last year comparative period: RSD 480 thousand).

10. INCOME FROM USE OF OWN PRODUCTS AND MERCHANDISE

Structure of income from use of own products and merchandise	*in RSD thousand*	
	01.01.- 31.12. 2016	*01.01. - 31.12. 2015*
Income from use of own products and merchandise	336	368
TOTAL	***336***	***368***

11. MATERIAL COSTS AND FUEL AND ENERGY COSTS

Structure of material cost and fuel and energy costs	*in RSD thousand*	
	01.01. – 31.12.2016	*01.01. – 31.12.2015*
Material costs:		
a) Costs of other materials (overheads)	7,948	7,690
b) Costs of one-off write-off of tools and inventory	747	296
Total	*8,695*	*7,986*
Fuels and energy costs:		
a) Costs of fuel	2,172	2,346
b) Costs of electrical energy and heating	16,888	20,277
Total	*19,060*	*22,623*
TOTAL	***27,755***	***30,609***

Costs of other material (overheads) amounting to RSD 7,948 thousand (last year comparison period: RSD 7,690 thousand) refer to the costs of office supplies amounting to RSD 2,193 thousand (last year comparison period: RSD 2,146 thousand), professional and expert literature, magazines, etc., amounting to RSD 1,173 thousand (last year comparison period: RSD 1,426 thousand) and other material costs amounting to RSD 4,582 thousand (last year comparison period: RSD 4,118 thousand).

12. EMPLOYEE EXPENSES AND BENEFITS

Structure of employee expenses and benefits	*in RSD thousand*	
	01.01. – 31.12.2016	*01.01. – 31.12. 2015*
Expenses of wages and fringe benefits (gross)	152,559	143,725
Taxes and contributions on wages and contributions on wages payable by employer	20,549	20,383
Service agreements contributions	4,709	6,815
Copyright agreements contributions	974	734
Costs of contributions for contract fees for temporary and periodical engagement	1,364	1,410
Considerations to General Manager and/or Management and Supervisory Board members	12,069	9,849
Other personnel expenses and fringe benefits	8,256	10,244
TOTAL	***200,480***	***193,160***
Average number of employees	69	70

Other personnel expenses and fringe benefits amounting to RSD 8,256 thousand (last year comparison period: RSD 10,244 thousand) refer to the business trips' expenses amounting to RSD 4,659 thousand (last year comparison period: RSD 7,308 thousand), Company expenses for employee commuting reimbursements amounting to RSD 2,281 thousand (last year comparison period: RSD 2,463 thousand), solidarity fund allowances and other employee compensations amounting to RSD 1,316 thousand (last year comparison period: RSD 473 thousand).

13. PRODUCTION SERVICE COSTS

Structure of production service cost	*in RSD thousand*	
	01.01. – 31.12. 2016	*01.01. – 31.12. 2015*
Service of outputs		59,403
Transportation services cost	3,462	3,125
Repairs and maintenance services' costs	46,735	47,080
Rental costs	240	148
Trade fairs' costs	104	53
Advertising costs	13,392	11,013
Costs of other services	15,852	14,596
TOTAL	***79,785***	***135,418***

Transportation services' costs in the amount of RSD 3,462 thousand (last year comparison period: RSD 3,125 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 46,735 thousand (last year comparison period: RSD 47,080 thousand) pertain primarily to investment maintenance of the Energoprojekt building amounting to RSD 44,227 thousand (last year comparison period: RSD 44,621 thousand) and to the ongoing maintenance of equipment amounting to RSD 2,451 thousand (last year comparison period: RSD 2,389 thousand).

Advertising costs amounting to RSD 13,392 thousand (last year comparison period: RSD 11,013 thousand) pertain to the sponsorship expenses (mostly Vaterpolo Savez Srbije), media presentation, costs of advertising on billboards and other costs.

Costs of other services amounting to RSD 15,852 thousand (last year comparison period: RSD 14,596 thousand) refer to the photocopying costs and costs of technical and operational support: RSD 7,732 thousand (last year comparison period: RSD 6,946 thousand) mostly provided by the Energoprojekt Energodata Company in amount of RSD 7,394 thousand, in multimedia presentations, updating and preparation of advertising and promo materials, graphic design services and other; licenses' costs: RSD 5,274 thousand (last year comparison period: RSD 4,623 thousand); utility services: RSD 2,371 thousand (last year comparison period: RSD 2,612 thousand), occupational safety and car registration expenses: RSD 475 thousand (last year comparison period: RSD 415 thousand).

14. DEPRECIATION EXPENSES AND PROVISION EXPENSES

Structure of depreciation expenses and provision expenses	*in RSD thousand*	
	01.01. – 31.12. 2016	*01.01. – 31.12. 2015*
Depreciation expenses:		
a) Depreciation of intangible assets (Note 23)	3,025	2,785
b) Depreciation of property, plant and equipment (Note 24.1)	17,391	17,870
Total	*20,416*	*20,655*
Provisions expenses		
Provisions for employee expenses and benefits	764	782
Total	*764*	*782*
TOTAL	***21,180***	***21,437***

As of 31.12.2016, 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 2016, and consequently carrying amount as of 31.12.2016.

Due to the changed estimates of residual value and useful life, depreciation costs of property and equipment in 2016 were increased by RSD 1,027 thousand whereby depreciation costs of property by RSD 800 thousand and depreciation cost of equipment by RSD 227 thousand.

Provisions for employee expenses and benefits amount to 764 thousand (Notes 34.1).

15. INTANGIBLE EXPENSES

Structure of intangible expenses	*in RSD thousand*	
	01.01. – 31.12. 2016	*01.01. – 31.12. 2015*
Intangible expenses	19,557	27,445
Expense account	18,046	8,118
Insurance premiums expenses	936	1,057
Payment operations' expenses	2,220	3,518
Membership fee expenses	1,225	1,458
Tax duties	26,262	26,343
Other non-operating expenses	6,353	7,744
TOTAL	***74,599***	***75,683***

Intangible expenses amounting to RSD 19,557 thousand (last year comparison period: RSD 27,445 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 18,046 thousand (last year comparison period: RSD 8,118 thousand), include primarily the catering services. Increase in expense accounts in the reporting period primarily was caused by preparation the celebration of 65 years of the Energoprojekt establishment.

Insurance premium expenses amounting to RSD 936 thousand (last year comparison period: RSD 1,057 thousand), refer to the insurance of property and persons.

Payment operations expenses amounting to RSD 2,220 thousand pertain to the local payment operations costs (last year comparison period: RSD 3,518 thousand, dominantly in the country).

Membership fee expenses amounting to RSD 1,225 thousand (last year comparison period: RSD 1,458 thousand) include membership fees to Chambers (Serbian Chamber of Commerce) representing a salary expense liability of RSD 228 thousand (last year comparison period: RSD 215 thousand) and other Chambers' membership fees and Associations' fees in the amount of RSD 997 thousand (last year comparison period: RSD 1,243 thousand).

Tax duties in the amount of RSD 26,262 thousand (last year comparison period: RSD 26,343 thousand) refer predominantly to the property tax amounting to RSD 25,575 thousand (last year comparison period: RSD 25,645 thousand).

Other intangible expenses amounting to RSD 6,353 thousand (last year comparison period: RSD 7,744 thousand) predominantly refer to duties and lawsuit expenses in the amount of RSD 2,438 thousand, cost of printing, addressing and mailing newsletter Energoprojekt of RSD 1,678 thousand and costs of participation in financing salaries of persons with disabilities of RSD 759 thousand.

16. FINANCIAL INCOME AND FINANCIAL EXPENSE

16.1 Financial Income

Structure of financial income	*in RSD thousand*	
	01.01. – 31.12.2016	*01.01. – 31.12.2015*
Financial income from transactions with parent companies and subsidiaries	469,642	448,473
Financial income from other affiliated companies	13,470	11,629
Income from dividends	2,528	4,904
Total financial income from the related parties and other financial income	*485,640*	*465,006*
Interest income (third party)	1,951	2,617
Exchange rate gains and positive currency clause effects (third party)	9,552	8,050
TOTAL	***497,143***	***475,673***

Financial income from transactions with parent companies and subsidiaries amounting to RSD 469,642 thousand (last year comparison period: RSD 448,473 thousand), refer to interest income from subsidiaries amounting to RSD 42,653 thousand (last year comparison period: RSD 34,192 thousand), income from the effects of foreign exchange clauses and foreign exchange gains from subsidiaries amounting to RSD 20,480 thousand (last year comparison period: RSD 7,772 thousand) and to the income from the profit share (dividends) in the amount of RSD 406,509 thousand (last year comparison period: RSD 406,509 thousand) from the following subsidiaries:

- Energoprojekt Garant Plc. in the amount of RSD 45,747 thousand (last year comparison period: RSD 45,747 thousand);
- Energoprojekt Entel Plc. in the amount of RSD 265,322 thousand (last year comparison period: RSD 265,322 thousand); and
- Energoprojekt Oprema Plc. in the amount of RSD 95,440 thousand (last year comparison period: RSD 95,440 thousand).

Financial income from other related parties in the amount of RSD 13,470 thousand (last year comparison period: RSD 11,629 thousand) relates to the interest income: RSD 10,282 thousand (last year comparison period: RSD 10,447 thousand and to the effects of the foreign exchange clauses: RSD 3,188 thousand (last year comparison period: RSD 1,182 thousand) from the joint venture Enjub Ltd.).

Income from dividends in the amount of RSD 2,528 thousand relates to the Energo Broker Ltd in the amount of RSD 2,506 thousand (last year comparison period: RSD 4,904 thousand) and Dunav Osiguranje ado in the amount of RSD 22 thousand.

Interest income (third party) in the amount of RSD 1,951 thousand refers to the interest calculated on the term deposits (last year comparison period: RSD 2,617 thousand).

Positive differences in exchange rates and income from the effects of foreign currency clause in the amount of RSD 9,552 thousand (last year comparison period: RSD 8,050 thousand), pertain to the positive differences in exchange rates in the amount of RSD 2,972 thousand (last year comparison period: RSD 4,873 thousand) and income from the effects of foreign currency clause in the amount of RSD 6,580 thousand (last year comparison period: RSD 3,177 thousand), the largest portion of which pertains to the effects of foreign currency clause based on the receivables for income from the construction of Embassy building in Abuja that was not invoiced in the amount of RSD 5,857 thousand.

16.2 Financial Expense

Structure of financial expense	*in RSD thousand*	
	01.01. – 31.12. 2016	*01.01. – 31.12. 2015*
Financial expenses from transactions with parent company and subsidiaries	839	795
Total financial expense incurred from related parties and other financial expense	*839*	*795*
Interest expenses (third party)	22,085	17,352
Exchange rate losses and negative currency clause effects (third party)	7,530	4,171
TOTAL	***30,454***	***22,318***

Financial expenses from transactions with parent companies and subsidiaries in the amount of RSD 839 thousand (last year comparison period: RSD 795 thousand) pertain to the expenses incurred from the effects of foreign currency clauses and negative effects of foreign exchange rates from transactions with subsidiaries.

Interest expense (third party) in the amount of RSD 22,085 thousand relate primarily to the interest expense from domestic current liquidity loans in amount of RSD 21,557 thousand granted by the Erste bank, Eurobank, Alpha Bank, Addiko Bank and Jubmes Bank (last year comparison period: RSD 17,352 thousand, based primarily on the domestic loans granted by the Komercijalna bank, Erste bank and Alpha Bank).

Exchange rate losses and negative currency clause effect in the amount of RSD 7,530 thousand (last year comparison period: RSD 4,171 thousand) refer to foreign exchange losses in the amount of RSD 95 thousand (last year comparison period: RSD 741 thousand) and costs from effects of foreign currency clause in the amount of RSD 7,435 thousand (last year comparison period: RSD 3,430 thousand).

17. INCOME FROM VALUE ADJUSTMENT OF OTHER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT

Structure of income from value adjustment of other assets disclosed at fair through income statement	*in RSD thousand*	
	01.01. – 31.12. 2016	*01.01. - 31.12.2015*
Income from value adjustment of long-term financial investments and securities available for sale	10	6,282
Expenses from value adjustment of long-term financial investments and securities available for sale		2,881
TOTAL	***10***	***9,163***

Expenses from value adjustment of long-term financial investments and securities available for sale in the amount of RSD 10 relate to impairment of equity shares in the companies in bankruptcy which are obtained from liquidation mass of Energobroker a.d. (Note 25.1) as of the physical count 31.12.2016., namely: Agricultural bank Agrobanka ad Belgrade, Belgrade industry of beer, malt and soft drinks plc Belgrade and Imtel computers plc Belgrade (last year comparison period: RSD 6,282 thousand) and impairment of equity shares with Pik Bečej - Hotel Bela Ladja plc of RSD 5,987 thousand and subsidiary Energoprojekt Promet Ltd of RSD 295 thousand.

18. OTHER INCOME AND OTHER EXPENSES

18.1 Other Income

Structure of other income	*in RSD thousand*	
	01.01.-31.12. 2016	*01.01. –31.12. 2015*
Income from effects of agreed risk protection, which cannot be disclosed under other comprehensive result	13	5
Income from decrease in liabilities	78	7,913
Income from release of long-term and short-term provisions	260,000	
Other not mentioned income	250	1,378
Income from adjustment of value of property, plant and equipment	3,336	4,450
TOTAL	***263,677***	***13,746***

Income from release of long-term and short-term provisions in the amount of RSD 260,000 thousand relate to the elimination of long-term provisions formed in 2006 in respect of possible expenses arose from realization of the Agreement on Joint Construction - Block 26, Novi Beograd, made between consortium "Energoprojekt - Napred" and Trinity Capital Ltd pursuant to the decision of the Executive Board (Note 34.2).

Other not mentioned income in the amount of RSD 250 thousand pertain primarily to the income from damage compensation from Energoprojekt Garant Plc, in the amount of RSD 72 thousand (last year comparison period: RSD 1,276 thousand) and to the income from the sale of used paper and plastic bottle caps in the amount of RSD 149 thousand (previous year comparison period: RSD 93 thousand).

Income from the adjustment of value of property, plant and equipment in the amount of RSD 3,336 thousand (in the previous year comparison period, expenses were recorded on this basis in the amount of RSD 4,450 thousand) pertain to the adjustment of fair value of investment property, and specifically of the Samački hotel complex (Note 24.2.).

18.2 Other Expenses

Structure of other expenses	*in RSD thousand*	
	01.01. – 31.12. 2016	*01.01. – 31.12. 2015*
Losses incurred from shelving and sale of intangible assets, property, plant and equipment	3	555
Expense from direct write-off of receivables	490,821	243,416
Other not mentioned expense	16,943	7,707
Impairment of property, plant and equipment	2,028	
TOTAL	***509,795***	***251,678***

Expenses based on direct write-off of receivables in the amount of RSD 490,821 thousand pertain primarily to:

- Energoprojekt Visokogradnja company in the amount of RSD 395,111 thousand (based on the direct write-off of receivables based on the Loans' Agreements, interest on loans and invoiced services provided in prior periods);
- Energoprojekt Industrija in the amount of RSD 50,624 thousand (based on direct write-off of receivables based on the invoices for services rendered in prior period); and
- Energoprojekt Energodata company in the amount of RSD 45,067 thousand (based on the direct write-off of receivables from the Loan Agreement and interest on loan).

and recorded in accordance with the decision of the Executive Board, due to difficulties in operation of these companies. In the previous year the amount of RSD 243,416 thousand primarily arose from direct write-off of receivables from Energoprojekt Visokogradnja: RSD 218,927 thousand, Energoprojekt Hidroinženjering: RSD 24,325 thousand and Energoprojekt Promet: RSD 120 thousand.

Other not mentioned expenses in the amount of RSD 16,943 thousand pertain to the donations granted in the amount of RSD 16,387 thousand, expenses for sports purposes in the amount of RSD 397 thousand, fines and penalties in the amount of RSD 159 thousand (previous year comparison period: RSD 7,707 thousand pertained primarily to the donations granted in amount of RSD 6.958 thousand).

Impairment of property, plant and equipment in the amount of RSD 2,028 thousand relates to the adjustment of the fear value of the business facilities "Stari Merkator" (Note 24.2).

19. 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 thousand*	
	01.01.-31.12. 2016	*01.01. - 31.12. 2015*
Net profit from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year		
Net loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year	66	3,066
TOTAL	***(66)***	***(3,066)***

Net loss from discontinued operations, effects of change in accounting policy and corrections of errors from previous years in the amount of RSD 66 thousand relate to the subsequently determined expenses, and revenue 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 (last year comparison period: RSD 3,066 thousand mainly relates to losses incurred during the realization of the Construction Agreement for the Embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria).

20. PROFIT / LOSS BEFORE TAX

	in RSD thousand	
Structure of gross result	*01.01.-31.12. 2016*	*01.01. - 31.12. 2015*
Operating income	428,649	504,040
Operating expenses	403,463	455,939
Operating result	**25,186**	**48,101**
Financial income	497,143	475,673
Financial expenses	30,454	22,318
Financial result	**466,689**	**453,355**
Income from value adjustment of other assets disclosed at fair value through income statement		730
Other revenues	263,677	13,746
Expenses from value adjustment of other assets disclosed at fair value through income statement	10	9,163
Other expenses	509,795	251,678
Result of other revenues and expenses	**(246,128)**	**(246,365)**
Net profit from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year		
Net loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year	66	3,066
TOTAL INCOME	**1,189,469**	**994,189**
TOTAL EXPENSE	**943,788**	**742,164**
PROFIT/LOSS BEFORE TAX	***245,681***	***252,025***

21. PROFIT TAX AND NET PROFIT

Breakdown of calculation of profit tax and net profit	*in RSD thousand*	
	01.01.-31.12.2016	*01.01. - 31.12.2015*
Profit before tax	245,681	252,025
Capital gains/(losses) in Profit or Loss		
Adjustment and net correction of revenues/(expenses) in tax balance	(169,574)	(167,518)
Taxable profit	**76,107**	**84,507**
Amount of loss in tax balance from previous years up to the amount of taxable profit		
Other taxable profit	**76,107**	**84,507**
Capital gains/(losses) calculated in compliance with the law		
Capital losses carried from previous years up the amount of capital profit calculated in compliance with the law		
Other capital gains		
Tax basis	**76,107**	**84,507**
Calculated tax (15% of tax base)	11,416	12,676
Total deductions from the calculated tax		
Calculated tax after deductions	**11,416**	**12,676**
Profit/(loss) before tax	245,681	252,025
Tax loss of the period	11,416	12,676
Deferred tax loss of the period	2,151	2,376
Net profit	***232,114***	***236,973***

22. EARNINGS PER SHARE

Indicator	*in RSD thousand*	
	01.01.-31.12. 2016	*01.01. - 31.12. 2015*
Net profit	232,114	236,972
Average number of shares during the year	10,931,292	10,931,292
Earnings per share (in RSD)	***21,23***	***21,68***

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.

23. INTANGIBLES ASSETS

In RSD thousand

Structure of intangible assets	Software and other rights	Intangible assets in preparation	Advances paid for intangible assets	Total
Purchase price				
Balance as at 01.01.2015	12,375	1,783	411	**14,569**
Correction of opening balance				
New purchases	1,944			**1,944**
Increase by transfer from investments in progress	2,194	(1,783)	(411)	
Disposal and decommissioning	(688)			**(688)**
Balance as at 31.12.2015	**15,825**			**15,825**
Correction of opening balance				
New purchases	345	7		**352**
Increase by transfer from investments in progress				
Disposal and decommissioning				
Balance as at 31.12.2016	**16,170**	**7**		**16,177**
Impairment of value				
Balance as at 01.01.2015	1,386			**1,386**
Correction of opening balance				
Depreciation	2,785			**2,785**
Disposal and decommissioning	(229)			**(229)**
Impairments				
Balance as at 31.12.2015	**3,942**			**3,942**
Correction of opening balance				
Amortisation	3,025			**3,025**
Disposal and decommissioning				
Impairments				
Balance as at 31.12.2016	**6,967**			**6,967**
Net book value				
31.12.2015.	***11,883***			***11,883***
31.12.2016	***9,203***	*7*		***9,210***

24. PROPERTY, PLANT AND EQUIPMENT

24.1 Property, plant and equipment without investment property

In RSD thousand

Structure of property, plant and equipment	Buildings	Plant and equipment	Other property, plant and equipment	Advances paid for property, plant and equipment	Total
Purcha.se price					
Balance as at 01.01.2015	**1,393,710**	**93,858**	**283**	**45,601**	**1,533,452**
Correction of opening balance					
New purchases during the year		1,533			**1,533**
Disposal and decommissioning		(3,782)			**(3,782)**
FX gains and losses				252	**252**
Other increases / (decreases)					
Balance as at 31.12.2015	**1,393,710**	**91,609**	**283**	**45,853**	**1,531,455**
Correction of opening balance					
New purchases during the year		24,257		200	**24,457**
Disposal and decommissioning		(1,651)			**(1,651)**
Profit/(loss) included in Report on Other Result (account group 330)	(41,757)				**(41,757)**
FX gains and losses				696	**696**
Other increases / (decreases)	(26,368)				**(26,368)**
Balance as at 31.12.2016	**1,325,585**	**114,215**	**283**	**46,749**	**1,486,832**
Impairment					
Balance as at 01.01.2015		**78.469**			**78,469**
Correction of opening balance					
Amortization	13,039	4,831			**17,870**
Disposal and decommissioning		(3,685)			**(3,685)**
Balance as at 31.12.2015	**13,039**	**79,615**			**92,654**
Correction of opening balance					
Amortization	13,329	4,062			**17,391**
Disposal and decommissioning		(1,647)			**(1,647)**
Other increases /decreases	(26,368)				**(26,368)**
Balance as at 31.12.2016		**82,030**			**82,030**
Net book value					
Balance as at 31.12.2015	***1,380,671***	***11,994***	***283***	***45,853***	***1,438,801***
Balance as at 31.12.2016	***1,325,585***	***32,185***	***283***	***46, 749***	***1,404,802***

On December 31, 2016 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 2016., and that, consequently carrying value of assets as of 31.12.2016 (Note 14).

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 December 31, 2016 in the amount of RSD 1,325,585 thousand was performed by an external independent qualified valuator by using the comparative method. The was performed by completely eliminating the correction of its value in the amount of RSD 26,368 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 41,757 thousand.

Starting from the revalued amount as at December 31, 2015, as well as based on the assessment of the determined residual value as at December 31, 2016 and determined useful lifetime of the building in question (100 years; the remaining useful life as at December 31, 2016: 65 years), the amortization costs for the building in question over the reporting period (bearing in mind the residual value that is lower than the revalorized value thereof), is RSD 13,329 thousand.

Adjustment of the opening and closing balance of the value of buildings is presented in the following 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	1,380,67 1	503,743	65	13,329	(41,757)	1,325,585
	TOTAL	***1,380,67***	***503,743***	***65***	***13,32***	***(41,757)***	***1,325,585***

If the revaluated items had been presented by using the acquisition price method, their current value would amount to RSD 529,803 thousand. As at 31.12.2016, the Company has no property or equipment mortgaged or taken as lien to be used as collateral for financial obligations.

Advances for property, plant and equipment in the amount of RSD 46,749 thousand refer to the advance paid to the Republic of Serbia for the purchase of properties in Uganda, Peru and Nigeria in the amount of RSD 46,549 thousand.

24.2 Investment Property

Investment property	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Balance as at January 1	588,890	584,440
Profit/(losses) included in Income Statement	1,308	4,450
Closing balance	***590,198***	***588,890***

In relation to the investment property, the following amounts were recognized in Income Statement:

Profit and loss related to investment property included in Profit and Loss	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Rental income (Note 9.2)	15,440	15,135
Direct operating expenses incurred from investment property that generated rental income during the year	(2,556)	(9,035)
Direct operating expenses incurred from investment property that did not generate rental income during the year	(2,414)	(409)
TOTAL	***10,470***	***5,691***

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	Profit / (losses) included in Profit and Loss	Closing balance
1	Samački hotel complex	502,901	3,336	506,237
2	Stari Merkator office	85,989	(2,028)	83,961
	TOTAL	***588,890***	***1,308***	***590,198***

In its books, the Company posted the fair value of its investment property according to its value determined by means of its fair value assessment as at December 31, 2016.

Valuation of the fair value of investment property as at December 31, 2016 was performed by independent valuators holding recognized and relevant professional qualifications and recent relevant work experience with relevant locations and categories of investment property appraised. Due to the current situation on the property market at the time when the assessment was performed and the reduced number of sales transactions compared with previous years due to the economic crisis, the valuators mostly relied on their knowledge of the market and professional judgment and less on the results of comparable transactions in the past.

In valuation of the fair value of the Company's investment property, the external independent qualified valuator relied on the following valuation techniques:

- For the "Samacki Hotel" complex: the cost approach, 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;
- For the "Stari Merkator" office space: the comparative approach, due to the characteristics of the facility subject to appraisal and due to the fact that there is an offer of similar facilities for sale/rent in the market, on a similar location.

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

Investment property in the amount of RSD 590,198 thousand refers to the following facilities:

- The "Samacki Hotel" complex, with the total area of 8,034.00 m^2, with the municipal construction land use rights for the total area of 18,598.00 m^2, in 24 Batajnicki Put Street in Zemun in the amount of RSD 506,237 thousand. Income amounting to RSD 15,440 thousand was generated from the rent of the property in question to Energoprojekt Visokogradnja Company in the reporting period (Note 9.2).
- The "Stari Merkator" office space with the total area of 643 m^2, in 5 Palmira Toljatija Street in Novi Beograd in the amount of RSD 83,961 thousand. In the reporting period, this property was not rented. Due to the present inauspicious situation for the rent of property in the Republic of Serbia, it has been quite difficult to find adequate tenant for this property

25. LONG-TERM FINANCIAL INVESTMENTS

Structure of long-term financial investments	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Shares in subsidiaries	5,764,462	5,762,996
Shares in affiliated companies and joint ventures	30,613	30,613
Shares in other companies and other available for sale securities	126,099	132,435
Long-term investments in parent companies and subsidiaries	573,708	342,437
Other long-term financial investments	1,372	1,436
Total	***6,496,254***	***6,269,917***
Impairment	*(823,540)*	*(823,095)*
TOTAL	***5,672,714***	***5,446,822***

25.1 Equity investments

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

Structure of share investments	% share	*in RSD thousand*	
		31.12.2016	*31.12.2015*
Share in subsidiaries			
Energoprojekt Visokogradnja Plc.	100.00%	1,826,137	1,826,137
Energoprojekt Niskogradnja Plc.	100.00%	1,103,760	1,102,293
Energoprojekt Oprema Plc.	67.87%	121,316	121,316
Energoprojekt Hidroinzenjering 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.	92.94%	597,545	597,545
Energoprojekt Sunnyville Ltd.	100.00%	2,500	2,500
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.	100.00%	101	101
Zambia Engineering and Contracting Company Limited,	100.00%	587	587
Energoprojekt Holding Guinee S.A., Guinea	100.00%	1,628	1,628
Energoprojekt (Malesia) Sdn. Bhd., Kuala Lumpur	100.00%	19,574	19,574
Impairment		*(715,064)*	*(715,064)*
Total		*5,049,398*	*5,047,931*
Share in affiliated companies and joint ventures			
Necco Nigerian Engenering and Construction CO LTD, Kano,	40.00%	1,063	1,063
Fima see Activist Plc.Beograd	30.16%	*16,000*	*16,000*
Enjub Ltd.	50.00%	13,550	13,550
Impairment		*(1,063)*	*(1,063)*
Total		***29,550***	***29,550***
Share in other companies and other available for sale			
Dunav Osiguranje Plc.	0.01%	*5,814*	*5,814*
Jubmes banka Plc.	1.41%	*120,176*	*120,176*
Energo broker Plc. in liquidation			*6,445*
Beogradska berza Plc.	0.12%	*100*	
Imtel computers Plc. Belgrade – in bankruptcy	0.04%	*1*	
Poljoprivredna banka Agrobanka Plc. Belgrade - in bankruptcy	0.36%	*7*	
Beogradska industrija piva,slada i bezalkoholnih pića Plc.	0.00%	*1*	
Impairment		*(107,413)*	*(106,968)*
Total		***18,686***	***25,467***
TOTAL		***5,097,634***	***5,102,948***

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

Share investments - impairment	*in RSD thousand*		
	Gross investment amount	*Impairment*	*Net investment amount*
Share in subsidiaries:			
Energoprojekt Visokogradnja Plc.	1,826,137	(641,632)	1,184,505
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 (Malaysia) Sdn. Bhd., Kuala Lumpur	19,574	(19,574)	
Total	***2,110,292***	***(715,064)***	***1,395,228***
Share 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 and financial organizations			
Dunav osiguranje Plc.	5,814	(5,066)	***748***
Jubmes banka Plc.	120,176	(102,338)	***17,838***
Imtel Computers Plc. Belgrade – in bankruptcy	1	(1)	-
Agrobanka Plc. Belgrade - – in bankruptcy	7	(7)	-
Beogradska industrija piva,slada i bezalkoholnih pića Plc. Belgrade - in bankruptcy	1	(1)	-
Total	***125,999***	***(107,413)***	***18,586***
TOTAL	***2,237,354***	***(823,540)***	***(1,413,814)***

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 Niskogradnja Plc. in 2016 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 1,466 thousand as the difference in share price, with accrued interest. Namely, based on the shareholder's decision passed on the General Meeting of the Energoprojekt Niskogradnja Plc. on December 6, 2013, the Company, as the majority shareholder of the Energoprojekt Niskogradnja Plc. conducted the compulsory redemption of shares of this Issuer, in compliance with the procedure laid down in the Law on Companies. The minority shareholders were paid the price of RSD 1,563.08 per share, in compliance with the valuation performed by a certified appraiser. A number of minority shareholders of the Energoprojekt Niskogradnja Plc. contested the price per share paid and asked the Court to determine the value of shares in an out-of-court procedure. The Commercial Court in Belgrade, before which the out-of-court procedure was conducted, ordered expert valuation and determined that the price per individual share of the Energoprojekt Niskogradnja Plc. is to amount to RSD 2,769.55. Upon appeal submitted by the Company, the Commercial Court of Appeal confirmed the Decision of the Commercial Court in Belgrade on March 20, 2015. Based on the said Court Decision, the Company is obliged to pay to the shareholders who require the difference in the prices of shares to be paid to them the differences in share price, together with the legally prescribed default interest.

Impairment of share investment in Energoprojekt Visokogradnja in the amount of RSD 641,632 thousand was performed on December 31, 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 December 31, 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.

Energo Broker Plc. - in bankruptcy, pursuant to the decision of shareholders assembly on distribution of liquidation mass was made for reimbursement of the share in the amount of RSD 6,445 thousand, and consequently Company's share was eliminated. In addition, in accordance with the aforementioned decision, the Company recorded during the reporting period, income from dividends in the amount of RSD 2,506 thousand (Note 16.1.) and equity investments in the following entities:

- Belgrade Stock Exchange Plc. : 5 shares at RSD 20,000.00 - total of RSD 100,000.00
- Imtel computers Plc. Belgrade - in bankruptcy: 25 shares at RSD 30.00 - total of RSD 750.00 - impaired according to the physical count as of 31.12.2016,
- Poljoprivredna banka Agrobanka Plc. Belgrade – in bankruptcy: 15 shares at RSD 500.00 - total of RSD 7,500.00 - impaired according to the physical count as of 31.12.2016,
- Beogradska industrija piva,slada i bezalkoholnih pića Plc. Belgrade - in bankruptcy - in bankruptcy: 47 shares at RSD 29.78 – total of RSD 1,400.00 - impaired according to the physical count as of 31.12.2016,
- Pinki - Zemun Plc. : 3 shares at RSD 52.00 (estimated value) - total of RSD 156.00,
- Credy banka ad Kragujevac: 32 shares at RSD 2,169.00 - total of RSD 69,408.00 - sold in the June 2016.

The change in the position Equity investments in other legal entities and other securities available for sale came primarily, as the result of the adjustment of the value of shares in Company's portfolio of shares (Jubmes banka Plc. and Dunav Osiguranje Plc.) with their fair value in the secondary securities' market as at the financial statements date (which are presented in the account for impairment of equity investments and profit and loss from 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 December 31, 2016:

- Dunav osiguranje Plc.: 527 shares, with the market value as at the balance sheet day of RSD 1,420.00 per share; and
- Jubmes Banka Plc: 4,056 shares, with the market value of RSD 4,398.00 per share.

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.

25.2 Long-Term Financial Investments

Structure of long-term financial investments	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Long-term investments in parent companies and subsidiaries	573,708	342,438
Impairment provision		
Total	*573,708*	*342,438*
Other long-term financial investments:		
Housing loans granted to employees	1,372	1,436
Impairment provision		
Total	*1,372*	*1,436*
TOTAL	***575,080***	***343,874***

Long-term financial investments in parent companies and subsidiaries in the amount of RSD 573,708 thousand refer to the long-term loans granted to subsidiary Energoprojekt Sunnyville Ltd. under the contract on loan rescheduling no. 375/184 with an interest rate of 2.6% per annum and with maturity period on 12.31.2018.

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.

In compliance with the Decision of the Company Executive Board, on December 31, 2016, due to insolvency and poor standing of the company Energoprojekt Visokogradnja for receivables on the basis of long-term loan in the amount of RSD 43,215 thousand and added interest of RSD 489 thousand was directly written off.

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 June 10, 1992 for the repayment period of 38.5 years, and the remaining two loans were granted on November 28, 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. 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 79 thousand (Note 30).

26. INVENTORIES

Structure of inventories	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Advances paid for inventories and services:		
a) Advances paid for inventories and services to parent companies and subsidiaries		483
b) Advances paid for material, spare parts and inventory	556	288
c) Advances paid for services	2,058	1,055
Total	*2,614*	*1,826*
Impairment provision		
TOTAL	***2,614***	***1,826***

Advances paid for materials, spare parts and inventory in the amount of RSD 556 thousand relate to advance payments to suppliers for purchase of materials (fuel, etc.).

Advances paid for services in the amount of RSD 2,058 thousand mainly refer to advance payments to the following companies: BSE ad in the amount of RSD 681 thousand (annual fee for trading in shares in 2017), Golin Ltd. Beograd in the amount of RSD 494 thousand (sponsorship for the event Belgrade Winter Magic), Moore Stephens Auditing and Accounting Ltd. in the amount of RSD 370 thousand (fee for audit of financial statements for 2016), Tanjug News Agency in the amount of RSD 250 thousand (banners on the website Tanjug) and broker-dealer company M & V Investments ad in the amount of RSD 224 thousand (Company's obligation to pay the difference in price compulsorily purchased shares of Energoprojekt Niskogradnja, with associated default interest).

27. RECEIVABLES FROM SALES

Structure of receivables from sales	in RSD thousand	
	31.12.2016	31.12.2015
Local buyers - parent company and subsidiaries	522,680	488,186
Local buyers - other affiliated companies	705	705
Local buyers	52	37
Impairment provision		
TOTAL	***523,437***	***488,928***

Local buyers - parent companies and subsidiaries refer to the receivables based on Service Agreements concluded with subsidiary companies, based on which the Company 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 local buyers - parent company and subsidiaries	in RSD thousand	
	31.12.2016	31.12.2015
Trade receivables domestic – subsidiaries		
Energoprojekt Visokogradnja Plc.	380,426	322,647
Energoprojekt Niskogradnja Plc.	20,359	8,980
Energoprojekt Hidroinzenjering Plc.	23,032	22,115
Energoprojekt Entel Plc.	20,193	9,013
Energoprojekt Energodata Plc.	21,809	26,632
Energoprojekt Industrija Plc.	29,424	75,149
Energoprojekt Urbanizam i Arhitektura Plc.	16,406	15,348
Energoprojekt Oprema Plc.	0	8,119
Energoprojekt Garant Ltd.	456	183
Energoprojekt Sunnyville Ltd.	10,575	
Total	***522,680***	***488,186***
Trade receivables domestic - other related parties		
Enjub Ltd.	705	705
Total	***705***	***705***
Trade receivables domestic (externally)	52	37
Total	***52***	***37***
TOTAL	***523,437***	***488,928***

In compliance with the decision of the Company Executive Board, on December 31, 2016, due to insolvency and poor standing of the companies, receivables from the Energoprojekt Industrija in the amount of RSD 50,624 thousand and Energoprojekt Visokogradnja in the amount of RSD 49,649 thousand based on the Services Agreements from prior periods were written off (Note 18.2.).

The Company has not been presented with any collection collaterals for local buyers - other affiliated companies and local buyers (external).

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.

28. RECEIVABLES FROM SPECIAL TRANSACTIONS

Structure of receivables from special transactions	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Receivables from special transactions from parent companies	355,062	103,769
Receivables from special transactions from other affiliated	1,902	1,775
Receivables from special transactions from other companies	941	3,809
Impairment provision	(868)	(3,736)
TOTAL	***357,037***	***105,617***

Receivable from specific operations from parent companies and subsidiaries in the amount of RSD 355,062 thousand predominantly relate to receivables from Energoprojekt Visokogradnja in the amount of RSD 352,444 thousand primarily recorded on receivables owed in accordance with Protocol no. 40/64 made between Energoprojekt Visokogradnja and Energoprojekt Holding in the amount of RSD 238,432 thousand (Note 38), receivables from leasing the building complex "Samački hotel" in the amount of RSD 90,586 thousand and receivables for airline tickets in the amount of RSD 23,354 thousand.

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 thousand*	
	31.12.2016	*31.12.2015*
Balance as at January 1	3,736	851
Additional impairment provision		2,881
Direct write-off of the previously impaired receivables	(2,881)	
FX gains and losses	13	4
TOTAL	***868***	***3,736***

Impairment provision for receivables from special transactions in the amount of RSD 868 thousand pertain to the impairment provision for receivables as per inventory count as at December 31, 2014 from Zekstra group - Zekstra Ltd. Beograd company in the amount of RSD 868 thousand (EUR 7 thousand).

As per inventory count on December 31, 2016, the Company conducted an direct write-off of previously impaired (in 2015) receivables from the company Napred Razvoj Plc. in the amount of RSD 2,881 thousand, considering that in the final completion of the court proceedings is not recognized any additional costs in relation with that, except of the external costs of extraordinary audit.

29. OTHER RECEIVABLES

Structure of other receivables	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Interest and dividend receivable:		
a) Interest and dividend receivable from parent companies and subsidiaries	2,307	
b) Interest and dividend receivable from affiliated companies	57,377	46,372
Total	*59,684*	*46,372*
Receivables from employees		
Receivables for overpaid profit tax	5,773	11,150
Receivables for fringe benefits' returns	2,388	861
Impairment provisions		
TOTAL	***67,845***	***58,383***

Structure of interest and dividend receivables in the amount of RSD 59,684 thousand is presented in the following table.

Structure of interest and dividend receivables	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Interest receivables from parent company and subsidiaries:		
Energoprojekt Niskogradnja Plc.	2,307	
Total	*2,307*	*0*
Interest receivables from other related parties:		
Enjub Ltd.	57,377	46,372
Total	*57,377*	*46,372*
TOTAL	***59,684***	***46,372***

Interest receivable from parent companies and subsidiaries in the amount of RSD 2,307 thousand relate to receivables from Energoprojekt Nikogradnje collected in January 2017.

In compliance with the decision of the Company’s Executive Board, as at December 31, 2016, write-off was made on the basis of interest on short-term loan to the Energoprojekt Visokogradnja in the amount of RSD 11,606 thousand and Energoprojekt Energodata in the amount of RSD 1,799 thousand due to insolvency and poor standing of the companies.

Receivables for fringe benefits’ returns in the amount of RSD 2,388 thousand pertain to the receivables for sick leave longer than 30 days and maternity leaves (Note 18.1).

30. SHORT-TERM FINANCIAL INVESTMENTS

Structure of short-term financial investments	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Short-term loans and investments - parent companies and subsidiaries	229,448	360,454
Short-term loans and investments - other affiliated companies	164,884	162,419
Portion of other long-term financial investments with maturity date up to one year (Note 25.2)	79	78
Impairment provision		
TOTAL	***394,411***	***522,951***

Short-term loans and investments - subsidiaries and other affiliated companies pertain to the loans approved with maturity dates up to 12 months and with interest rate ranging from 2.6% annually (hereinafter: p.a.) to 3M Euribor + 6.5 % p.a., as presented in the following table below.

No.	**Borrower and Agreement No.**	**Loan amount in 000 EUR**	**Receivables' balance based on loan in 000 EUR**	**Receivables' balance based on loan in 000 RSD**	**Maturity date**	**Loan conditions**
1	**EP Energodata Plc**					
	Debt Rescheduling Agreement No. 21	364	14	1,696	31.12.2017.	2.6 % annually
2	**EP Urbanizam i arhitektura Plc**					
	Debt Rescheduling Agreement No. 374/783	259	259	32,040	31.12.2017.	2.6 % annually
3	**EP Niskogradnja Plc**					
	Annex and Debt Rescheduling Agreement No 20/151	1,585	1,585	195,712	31.12.2017.	2.6% annually
Total subsidiaries		***623***	***273***	***229,448***		
4	**Enjub Ltd**					
	Annex no. 9 Loan Agreement no. 367	137	137	16,977	31.12.2017.	3M Euribor + 6.5% annually
	Annex no. 5 Debt Rescheduling Agreement no. 115	1,198	1,198	147,907	31.12.2017.	3M Euribor + 6.5% annually
Total other related parties		***1.335***	***1,335***	***164,884***		
TOTAL		***1.958***	***1,608***	***394,332***		

In compliance with the decision of Company's Executive Board, on December 31, 2016, receivables from Energoprojekt Visokogradnja for short term loan in the amount of RSD 290,153 thousand and part of short-term loan to Energoprojekt Energodata in the amount of RSD 43,269 thousand (the repayment of the remaining portion of receivables was rescheduled based on the Loan Agreement) were directly written off due to insolvency and poor standing of the companies.

In cases of individual subsidiary companies and according to the decision of the Executive Board, the reprogram of loan agreement was made in a manner that at Energoprojekt Urbanizam i arhitektura for the amount of accrued and unpaid interest on a loan plus equity loans interest rates was reduced and maturity date extended; at Energoprojekt Niskogradnja and Energodata interest rates were reduced and maturity date extended and at Enjub maturity date was extended. In respect of this, the interest rate is reduced from 4% to 2.6% according to the changed market conditions.

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 and the joint venture.

As collaterals for loan repayment pursuant to:

- Annex No. 9 of the Loan Agreement No. 367 concluded with Enjub Ltd. in the amount of RSD 16,977 thousand (EUR 137 thousand), the Company (in addition to bills of exchange) has an extrajudicial mortgage for the entire loan amount for apartments in 91A Jurija Gagarina Street in Novi Beograd, as collateral for loan repayment;
- Annex No. 5 of the Loan Rescheduling Agreement No. 115 concluded with Enjub Ltd. in the amount of RSD 147,907 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 (Note 41).

Portion of other long-term financial investments with maturity of up to one year in the amount of RSD 79 thousand relate to the long-term housing loans granted to employees with maturity of up to one year (Note 25.2).

31. CASH AND CASH EQUIVALENTS

Structure of cash and cash equivalents	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Current (business) account	26,867	30,349
Foreign currency account	248	238
Foreign currency petty cash		4
Other cash:		
a) Short-term term deposits	101,390	432,329
b) Other cash	286	423
Total	*101,676*	*432,752*
TOTAL	***128,791***	***463,343***

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, Alpha Bank, Vojvodjanska Bank, Societe Generale Bank, Credit Agricole Bank, Raiffeisen Bank, Erste Bank, Komercijalna Bank, Piraeus Bank, Eurobank Srbija, Sberbank and the Trade Bank of Iraq).

Short term deposits in the amount of RSD 101,390 thousand refer to the short term deposits held with business banks in the country (Unicredit Bank, Eurobank and Sberbank) with 1 to 3 months' terms, with interest rate ranging from 0.80% to 1.15% annually and with the option to terminate the term deposit contract at any given moment. The term deposits are in EUR and USD specifically: EUR 485 thousand, and USD 354 thousand.

Other cash in the amount of RSD 286 thousand refer to the overnight deposits with Alpha Bank.

32. VALUE ADDED TAX AND PREPAYMENTS AND DEFERRED EXPENSES

Structure of prepayments and deferred expenses	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Prepayments:		
a) Prepaid expenses - parent company and subsidiaries	1,908	2,403
b) Prepaid subscriptions for expert and professional publications	480	779
c) Prepaid insurance premiums	80	26
Total	*2,468*	*3,208*
Receivables for accrued non-invoiced income:		
Receivables for accrued non-invoiced income - other legal entities	391,685	385,828
Total	*391,685*	*385,828*
Other prepayments and deferred expenses:		
a) Prepaid value added tax	367	139
b) Other prepayments and deferred expenses	469	709
Total	*836*	*848*
TOTAL	***394,989***	***389,884***

Prepaid expenses - parent companies and subsidiaries in the amount of RSD 1,908 thousand refer to prepayments for licensing costs (Energoprojekt Energodata Company) and to the costs of property and personal insurance (Energoprojekt Garant Company).

Receivables for accrued non-invoiced income in the amount of RSD 391,685 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.

Prepaid value added tax includes added value tax from prepared invoices for the reporting period; the right to deduction of the previous tax can be exercised in the following calculation period, since the invoices arrived after the tax return for December 2016 was filed.

Other prepayments and deferred income in the amount of RSD 469 thousand relate primarily to the pre-paid membership fees, antivirus licenses, etc.

33. CAPITAL

DESCRIPTION	Share capital	Other share capital	Issuing premium	Reserves	Revaluation reserves	Unrealized gains/losses on securities	Retained earnings	Total
Balance as at January 1, 2015	5,574,959	27,178	1,600,485	134,881	817,591	(40,786)	304,386	8,418,694
Net profit for the year							236,973	236,973
Other comprehensive result:								
a) Changes in fair value of financial assets available for sale						12,353		12,353
b) Revaluation								
c) Other - levelling of present value, IAS 12 et al.								
Total - other comprehensive result						12,353		12,353
Total comprehensive result for 2015						12,353	236,973	249,326
Corrections							1,372	1,372
Increase in share capital								
Profit distribution							(218,626)	(218,626)
Balance as at December 31,2015	5,574,959	27,178	1,600,485	134,881	817,591	(28,433)	324,105	8,450,766
Net profit for the year							232,114	232,114
Other comprehensive result:								
a) Changes in fair value of financial assets available for sale						(436)		(436)
b) Revaluation					(41,757)			(41,757)
c) Other - levelling of present value, IAS 12 et al.					6,264			6,264
Total - other comprehensive result					(35,493)	(436)		(35,929)
Total comprehensive result as at December 31,2016					(35,493)	(436)	232,114	196,185
Corrections							(6,429)	(6,429)
Increase in share capital								
Profit distribution							(218,626)	(218,626)
Balance as at December 31,2016	**5,574,959**	**27,178**	**1,600,485**	**134,881**	**782,098**	**(28,869)**	**331,164**	**8,421,896**

33.1 Equity Capital

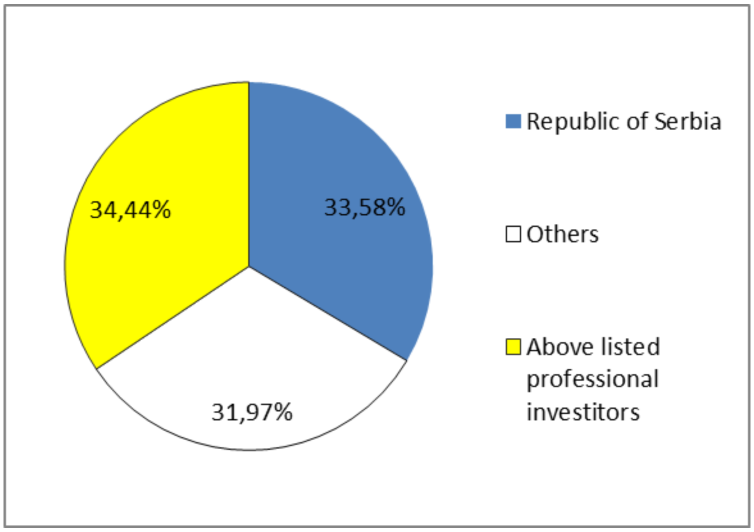
According to the Central Securities, Depository and Clearing House Register, the Company's present ownership structure as at December 31, 2016 is as follows:

	No. of shares	% of total issue
Shares owned by physical persons	**2,770,801**	**25.35%**
Shares owned by legal persons	**6,914,384**	**63.25%**
- Republic of Serbia	3,671,205	33.58%
- Other legal entities	3,243,179	29.67%
Aggregate (custody) account	**1,246,107**	**11.40%**
Total no. of shares	**10,931,292**	**100%**

No. of shareholders with equity	**No of**			**No. of shares**			**% of total issue**		
	domesti	**foreign**	**total**	**domest**	**foreig**	**total**	**domest**	**foreign**	**total**
Up to 5%	6,805	205	7,010	4,278,6	521,87	4.800.551	39.14%	4.77%	43.92%
5% to 10%	0	0	0	0	0	0	0.00%	0.00%	0.00%
More than 10% to 25%	1	0	1	2,459,5	0	2.459.536	22.50%	0%	22.50%
More than 25% to 33%	0	0	0	0	0	0	0.00%	0.00%	0.00%
More than 33% to 50%	1	0	1	3.671.2	0	3.671.205	33.58%	0.00%	33.58%
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.	6,807	205	7,012	10,409,	521,878		95.23%	4.77%	100.00%

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

Name	No. of shares	% of total issue
Republika Srbija	3,671,205	33.58%
Napred Razvoj Plc Novi Beograd	2,459,536	22.50%
Societe generale banka Srbija - custody fund	371,476	3.40%
East Capital (Lux) - Balkan Fund	250,593	2.29%
Erste bank Plc Novi Sad – sum account	190,531	1.74%
Vojvodanska bank Plc Novi Sad – sum account	177,715	1.63%
Societe generale bank Srbija - custody fund	97,582	0.89%
Raiffeisen bank Plc- custody fund	85,000	0.78%
Gustavia Fonder Aktiebolag	70,000	0.64%
Global Macro Capital Opportuni	62,500	0.57%



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

Structure of equity capital	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Share capital:		
a) Share capital in parent companies, subsidiaries and other affiliated		
b) Share capital (externally)	5,574,959	5,574,959
Total	*5,574,959*	*5,574,959*
Issuing premiums	1,600,485	1,600,485
Other share capital	27,178	27,178
TOTAL	***7,202,622***	***7,202,622***

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 770.44.

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 1,600,485 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 Group 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 at a value above the nominal value in the period from 2006 to 2011 in the amount of RSD 237,014 thousand.

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

33.2 Reserves

Structure of reserves	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Legal reserves	23,185	23,185
Statutory and other reserves	111,696	111,696
TOTAL	***134,881***	***134,881***

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.

33.3 Revaluation Reserves from Revaluation of Intangibles, Property, Plant and Equipment

Structure of revaluation reserves from revaluation of intangibles, property, plant and equipment	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Revaluation reserves based on revaluation of property - Energoprojekt building	782,098	817,591
TOTAL	***782,098***	***817,591***

The following was disclosed in the Revaluation reserves from revaluation of property - Energoprojekt building position, in the amount of RSD 782,098 thousand:

- Effects of posting of the fair value of the Energoprojekt building as at December 31, 2016 in the amount of RSD 821,572 thousand;
- Levelling of the present value per m^2 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 138,017 thousand.

The following was disclosed in the Revaluation reserves from revaluation of property - Energoprojekt building position recorded as decrease by RSD 35,493 thousand compared to previous year such as:

- effect of recording fair value of buildings Energoprojekt on 31.12.2016 by RSD 41,757 thousand (Note 24.1.) and
- increase due to recording of 15% reduction income tax by the amount of deferred tax liabilities from decreasing revaluation reserves as at 31.12.2016 pursuant to IAS 12 - Income taxes in the amount of RSD 6,264 thousand (Note 40).

33.4 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 thousand*	
	31.12.2016	*31.12.2015*
Unrealized losses on securities available for sale	28,869	28,433
TOTAL	**28,869**	**28,433**

Changes in the position of **Unrealized losses on securities available for sale** in the amount of RSD 436 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 25.1.).

33.5 Retained Earnings

Structure of retained earnings	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Retained earnings from previous years:		
a) Balance as at January 1 of the reporting period	324,105	304,386
b) Correction of profit based on income tax	(6,429)	1,372
c) Profit distribution	(218,626)	(218,626)
Total	99,050	87,132
Retained earnings from current years	232,114	236,973
TOTAL	***331,164***	***324,105***

In 44th repeat General Meeting of the Company held on June 23, 2016, within the item 3 of the meeting agenda, decision was passed pertaining to distribution of undistributed profit as at December 31, 2015, in the amount of RSD 324,105 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 218,626 thousand;
- The remaining portion of the profit in the amount of RSD 105,479 thousand, to be allocated in undistributed profit.

Dividend was paid to the Company shareholders on November 30, 2016.

Within Correction of profit based on income tax in the amount of RSD 6,430 thousand the biggest part in the amount of RSD 6,433 thousand relates to the correction of net income from previous years on the basis of tax solutions.

Undistributed profit from the current year in the amount of RSD 232,114 thousand relates to Company's net income generated in the reporting period.

34. 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 provisions	TOTAL
Balance as at January 1, 2015	2,288	260,000	**262,288**
Additional provisions	782		**782**
Used during the year	(860)		**(860)**
Cancelling of unused amounts			
Balance as at December 31, 2015	2,210	260,000	**262,210**
Additional provisions	764		**764**
Used during the year	(627)		**(627)**
Cancelling of unused amounts		(260,000)	**(260,000)**
Balance as at December 31, 2016	**2,347**		**2,347**

34.1 Provisions for Wages and Other Employee Benefits

Provisions for wages and other employee benefits (provisions for non-due retirement bonuses) are disclosed based on actuarial calculation of the Energoprojekt Group expert team.

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.

An increase of the provision amount based on current retirement bonus values (by 0.43%) in the balance sheet as at December 31, 2016 in comparison to the retirement bonus values in the balance sheet as at December 31, 2015, 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 3.53% and an increase in the number of employee by 0.13%); and
- On the other hand, changes of some factors affect the decrease of the provision amount (a decrease in the average number of service with the Company by 2.71%).

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 government bonds issued on October 19, 2016 by the Public Debt Administration of the Ministry of Finance of the Republic of Serbia. These bonds were issued with an annual interest rate of 4.20%. Since it is an EURO security, by taking into account the estimated inflation in the Euro zone (Source: the Government of the Republic of Serbia "Fiscal Strategy for 2017 with Projections for 2018 and 2019), by extrapolating the yield curve for a longer period (since the maturity of the reference securities is shorter (15 years) 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 2018, considering amendments adopted on the 14th meeting of the National Bank of Serbia Executive Board on November 10, 2016 in addition to other things, determines the target inflation rate for 2017 of 3%, with permissible deviation (positive and negative) of 1.5 percentage points. According to the above stated, and taking into account the significant decrease in inflation rate in 2015 and 2016, it would be most realistic to plan the inflation rate for the following year on the level of the target inflation rate as stipulated in the Memorandum.

The provision will thus be estimated according to the planned annual inflation rate of 3%. From the above stated, it can be concluded that the planned long-term annual growth in real salaries in the Republic of Serbia is 1%, which is, bearing in mind the planned growth in domestic product in the following period (Source: the Government of the Republic of Serbia "Fiscal Strategy for 2017 with Projections for 2018 and 2019), realistically achievable.

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

34.2 Other Long-Term Provisions

Other long-term provisions in the amount of RSD 260,000 thousand are recorded in the balance sheet as at December 31, 2006, pursuant to the Decision of the competent body of the Company, as potential contract expenses related to the Joint Construction Agreement - Block 26, Novi Beograd, No. 507, concluded between the consortium Energoprojekt - Napred and Trinity Capital Ltd.Abolition of the provisions is made in accordance with the Decision of the Executive Board, considering that conditions required for recognition of provision are no longer fulfilled as required by IAS 37 - Provisions, Contingent Liabilities and Contingent Assets (Note 7.20 and 18.1).

35. SHORT-TERM FINANCIAL LIABILITIES

Structure of short-term financial liabilities	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Short-term credits and loans domestic	638,307	565,561
Other short-term financial liabilities:		
a) Portion of long-term liabilities with maturity date up to one year		
b) Other short-term financial liabilities	191	46
Total	191	46
TOTAL	***638,498***	***565,607***

35.1. Short-Term Credits and Loans Domestic

Structure of short-term credits and loans domestic	Interest rate	*in RSD thousand*	
		31.12.2016	*31.12.2015*
Short-term loans granted by banks domestically:			
a) RSD loans	*1M Belibor + 1.10% p.a.*	30,000	
b) Loans with foreign currency clause	*3m Euribor + 3.25% pa, 3m Euribor + 3.70% pa, 3m Euribor + 3.75% pa*	608,307	565,561
TOTAL		***638,307***	***565,561***

Short-term loans granted by domestic banks in the amount of RSD 30,000 thousand pertain to the loans with currency clause (EUR) granted by Alpha Bank Plc. with the interest rate of 1M Belibor + 1.10% per annum. Company’s bills of exchange and sureties of the Energoprojekt Oprema, Energoprojekt Visokogradnja and Energoprojekt Niskogradnja companies were provided as collaterals for loan repayment.

Short-term loans from banks in the country with a currency clause (EUR) in the amount of RSD 608,307 thousand relate to loans granted by:

- Erste Bank ad in the amount of RSD 519,818 thousand with the interest rate of 3M Euribor + 3.75% per annum. 6 blank promissory notes of the Company were provided as collateral for loan repayment,
- Addiko Bank ad in the amount of RSD 67,910 thousand with interest rate of 3M Euribor + 3.25% per annum. 10 blank promissory notes of the Company and guarantees of Energoprojekt Visokogradnja, Energoprojekt Niskogradnja and Energoprojekt Oprema were provided as collateral for loan repayment and
- Eurobank ad in the amount of RSD 20,579 thousand with interest rate of 3M Euribor + 3.70% per annum. Promissory notes of the Company and guarantees of Energoprojekt Niskogradnja and Energoprojekt Oprema were provided as collateral for loan repayment.

35.2 Other Short-Term Financial Liabilities

Structure of long-term liabilities with maturity dates up to one year	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Current portion		
Other short-term financial liabilities	191	46
TOTAL	***191***	***46***

Other short-term financial liabilities amounting to RSD 191 thousand pertain to the liabilities incurred based on the expenses paid by using the company Visa cards.

36. RECEIVED ADVANCES, DEPOSED MONEY AND CAUTIONS

Structure of received advances, deposed and cautions	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Received advances from parent company and subsidiaries	14,153	
TOTAL	***14,153***	***0***

Received advance payments from parent companies and subsidiaries in the amount of RSD 14,153 thousand relate to received advance from Energoprojekt Oprema in the amount of RSD 14,109 thousand and Energoprojekt Hidroinženjering in the amount of RSD 44 thousand, according to Annex 1 of the Service Contract from 2016.

37. OPERATING LIABILITIES

Structure of operating liabilities	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Suppliers - parent company and subsidiaries, local	1,020	1,677
Suppliers - parent company and subsidiaries, foreign countries	3,087	11,503
Suppliers, local	6,227	5,667
Suppliers, foreign countries	2,228	7,504
TOTAL	***12,562***	***26,351***

Structure of operating liabilities per suppliers (legal entities) is presented in Note 8.2.

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

Structure of operating liabilities per currencies	*in RSD thousand*	
	31.12.2016	*31.12.2015*
RSD	9,157	13,993
EUR	3,405	12,319
GBP		39
TOTAL	**12,562**	**26,351**

Geographic distribution of suppliers is as follows:

Geographic distribution of suppliers	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Domestic suppliers (subsidiaries and other legal entities)	7,247	7,344
Foreign suppliers (subsidiaries):		
Europe	3,087	11,503
Total	3,087	11,503
Foreign suppliers (other legal entities):		
Europe	2,228	7,504
Total	2,228	7,504
Adjustment		
TOTAL	***12,562***	***26,351***

38. OTHER SHORT-TERM LIABILITIES

Structure of other short-term liabilities	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Liabilities from specific operations		
a) other legal entities	238,432	
Total	*238,432*	*-*
Liabilities for wages, fringe benefits and compensations	13,556	13,864
Other liabilities:		
a) Liabilities for interest and financing costs		
b) Liabilities for dividends	18,192	7,544
c) Liabilities to employees	334	195
d) Liabilities to General Manager, or to management and Supervisory Board members	684	566
e) Liabilities to physical persons on contractual obligations	349	558
f) Other various liabilities	772	834
Total	*20,331*	*9,697*
TOTAL	***272,319***	***23,561***

Liabilities from specific operations - other legal entities in the amount of RSD 238,432 thousand relate to the liability toward Belim ad, according to court ruling issued by the Commercial Court of Appeal on 29.12.2016. Given that the obligation is substantially liability of the Energoprojekt Visokogradnja, a Protocol no. 40/64 between the Company and Energoprojekt Visokogradnja was made according to which the Company, in the same amount, recorded receivable from Energoprojekt Visokogradnja (Note 28).

Liabilities for wages, fringe benefits and compensations in the amount of RSD 13,556 thousand pertain to the liabilities (net, taxes and contributions) for December salary that the Company paid in January 2017.

Liabilities for dividends in the amount of RSD 18,192 thousand pertain primarily to the liabilities based on the decision of the Assembly of Shareholders from 2016 on profit distribution in the amount of RSD 12 thousand and for dividends' payment from previous years in the amount of RSD 18,180 thousand, which have not yet been paid to date (probate proceedings, etc.).

Other various liabilities in the amount of RSD 772 thousand pertain predominantly to withholding from employees' net wages (based mostly on loans granted to employees, union fees, etc.).

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

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

39.1 Liabilities for Value Added Tax

Liabilities for value added tax	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Liabilities for value added tax	4,366	4,559
TOTAL	***4,366***	***4,559***

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 2017.

39.2. Liabilities for Other Taxes, Contributions and Fees Payable

Liabilities for other taxes, contributions and fees payable	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Liabilities for other taxes, contributions and fees payable	735	734
TOTAL	***735***	***734***

Liabilities for other taxes, contributions and fees payable in the amount of RSD 735 thousand pertain to the contributions for considerations to Supervisory Board members: RSD 399 thousand, contributions for remunerations based on authorship contracts and service contracts: RSD 157 thousand, liabilities for income tax on dividends: RSD 97 thousand and others.

Of the total amount of liabilities for taxes, contributions and fees payable in the amount of RSD 735 thousand, the amount of RSD 638 was settled in January 2017 (only the liabilities for income tax on dividends in the amount of RSD 97 thousand remained unpaid, which pertain to unpaid dividends - Note 38).

39.3 Accrued Expenses and Deferred Income

Accrued expenses and deferred income	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Precalculated expenses:		
a) Precalculated expenses - parent company, subsidiaries and other affiliated companies	25,523	25,142
b) Precalculated expenses - other legal	8	1,146
Total	*25,531*	*26,288*
Other accruals	1,389	887
TOTAL	***26,920***	***27,175***

Precalculated expenses - parent company, subsidiaries and other affiliated companies in the amount of RSD 25,523 thousand refer to the liability owed to Energoprojekt Oprema company for calculated expenses for the period till June 30, 2015, 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 1,389 thousand pertain to the calculated interest on term deposits with domestic banks.

40. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Deferred tax assets	3,036	3,374
Deferred tax liabilities	155,288	159,739
Net effect of deferred tax assets (liabilities)	**(152,252)**	**(156,365)**

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 December 31 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 December 31 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:

Deferred tax assets	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
Balance as at January 1, 2015	2,175	1,374	343	1		**3,893**
Debit/credit to Income Statement	(212)	(303)	(11)	7		**(519)**
Direct debit to capital						
Balance as at December 31, 2015	1,963	1,071	332	8		**3,374**
Debit/credit to Income Statement	(389)	2	20		29	**(338)**
Direct debit to capital						
Balance as at December 31, 2016	**1,574**	**1,073**	**352**	**8**	**29**	**3,036**

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
Balance as at January 1, 2015	154,728	3,154	**157,882**
Debit/(credit) to Income Statement	(123)	1,980	1,857
Direct debit to capital			
Balance as at December 31, 2015	154,605	5,134	**159,739**
Debit/(credit) to Income Statement	(167)	1,980	1,813
Direct debit to capital	(6,264)		(6,264)
Balance as at December 31, 2016	**148,174**	**7,114**	**155,288**

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 thousand	
	31.12.2016	*31.12.2015*
Balance of deferred tax liabilities at the end of the previous year	156,365	153,989
Balance of deferred tax liabilities at the end of the current year	152,252	156,365
Changes in balance of deferred tax liabilities	**(4,113)**	**2,376**

Changes in balance of deferred tax liabilities	in RSD thousand	
	31.12.2016	*31.12.2015*
Deferred tax expenses of the period	2,151	2,376
Revaluation reserves	(6,264)	
Undistributed profit of the previous year		
TOTAL	**(4,113)**	**2,376**

Based on the change in the balance of deferred tax liabilities and deferred tax liabilities in 2016, it can be concluded that in net effect there was a decrease in the balance of deferred tax liabilities compared with the previous year amounting to RSD 4,113 thousand:

- which was debited against net result for 2016 in the amount of RSD 2,151 thousand (deferred tax expenses of the period)
- in favor of the Company's share capital (revaluation reserve) in the amount of RSD 6,264 thousand, based on the recording of reducing the value of office buildings Energoprojekt in the amount of RSD 41,757 thousand (Note 24.1. and 33.3.).

41. 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 thousand*	
	31.12.2016	*31.12.2015*
Provided sureties and guarantees	20,659,444	18,125,158
Provided mortgages and other rights	2,500	
Received mortgages and other rights	16,977	16,723
Other off-balance sheet asset/liabilities	4,329,163	4,454,577
TOTAL	***25,008,084***	***22,596,458***

Provided sureties and guarantees amounting to RSD 25,008,084 thousand refer to the following:

- Guarantees issued for credits and guarantees for subsidiaries amounting to RSD 17,845,110 thousand;
- Corporate guarantees issued to Energoprojekt Niskogradnja amounting to RSD 2,811,247 thousand (BBVA - PERU amounting to RSD 1,639,894 thousand and BANCO FINANCIERO - PERU amounting to RSD 1,171,353 thousand) for the project in Peru; and
- Guarantee provided by Alpha Bank in favour of IATA (International Air Transport Association) for the proper settlement of liabilities for airline tickets in the amount of RSD 3,087 thousand, which expires on 20.01.2017 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 42).

Received mortgages and other rights amounting to RSD 16,977 thousand pertain to the mortgage on Enjub Ltd. apartments, arising from the Loan Agreement regulating the loan approved to Enjub Ltd. (Note 42).

Other off-balance sheet assets/liabilities amounting to RSD 4,329,163 thousand include the following:

- The right to use the municipal construction land - in Block 25 and Block 26 in Novi Beograd, amounting to RSD 4,298,721 thousand;
- Dividends receivables from Enjub Ltd., which were directly written-off in the previous accounting period in the amount of RSD 30,442 thousand; and
- Unused construction facilities in Budva that were directly written-off in the inventory count as at December 31, 2014 and presented in the off-balance records without any value.

42. 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. 9 of the Loan Agreement No. 367, in the amount of RSD 16,977 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. 5 of the Agreement on Rescheduling of Approved Loan pursuant to the Loan Agreement No. 115, approved to Enjub Ltd. in the amount of RSD 147,907 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.

43. RECONCILIATION OF CLAIMS AND LIABILITIES

The Company reconciled its domestic and international trade receivables as at December 31, 2016.

Of the total of twenty-five *domestic buyers*, as at December 31, 2016, with trade receivables amounting to RSD 880,474 thousand, all is reconciled.

The Company reconciled its trade receivables as at:

- March 31, 2016,
- June 30, 2016,
- September 30, 2016, and
- December 31, 2016.

As of December 31, 2016 the Company reconciled all account balances received from *domestic suppliers and banks*.

44. 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 within it) in the balance sheet are presented in the following two tables:

Income and expenses from related parties	*in RSD thousand*	
	2016	*2015*
Income:		
a) EP Garant Plc	53,078	53,205
b) EP Visokogradnja Plc	140,999	107,736
c) EP Niskogradnja Plc	155,526	111,680
d) EP Hidroinženjermg Plc	16,535	33,802
e) EP Entel Plc	337,009	354,983
f) EP Energodata Plc	9,660	11,092
g) EP Industrija Plc	7,399	20,609
h) EP Promet Ltd		
i) EP Urbanizam i arhitektura Plc	5,578	7,512
j) EP Oprema Plc	140,789	190,514
k) EP Sunnyville Ltd	29,572	782
l) I.N.E.C. Engineering Company Limited, Great Britain		
m) Encom GmbH Consulting, Engineering & Trading		11
n) Dom 12 S.A.L.		
o) Enjub Ltd	13,470	11,629
Total	*909,615*	*903,555*
Expenses:		
a) EP Garant Plc	811	951
b) EP Visokogradnja Plc	417,746	231,362
c) EP Niskogradnja Plc	4,734	4,399
d) EP Hidroinženjering Plc	20	24,741
e) EP Entel Plc	296	160
f) EP Energodata Plc	69,964	22,034
g) EP Industrija Plc	50,624	20
h) EP Promet Ltd		415
i) EP Urbanizam i arhitektura Plc	5	4,261
j) EP Oprema Plc	14,983	74,392
k) EP Sunnyville Ltd	2	
l) I.N.E.C. Engineering Company Limited, Great Britain		40
m) Encom GmbH Consulting,Engineering&Trading, Germany	169	66
n) Dom 12 S.A.L.		43
o) Enjub Ltd		
Total	*559,354*	*362,884*
TOTAL	***1,468,969***	***1,266,439***

Receivables and liabilities from related parties	*in RSD thousand*	
	31.12.2016	*31.12.2015*
Receivables:		
a) EP Garant Plc	1,708	636
b) EP Visokogradnja Plc	732,869	710,478
c) EP Niskogradnja Plc	218,414	315,859
d) EP Hidroinženjermg Plc	23,945	22,497
e) EP Entel Plc	20,209	9,075
f) EP Energodata Plc	24,620	70,997
g) EP Industrija Plc	29,442	75,247
h) EP Promet Ltd		
i) EP Urbanizam i arhitektura Plc	48,721	46,256
j) EP Oprema Plc	150	8,206
k) EP Sunnyville Ltd	573,708	36,077
l) I.N.E.C. Engineering Company Limited, Great Britain		
m) Encom GmbH Consulting,Engineering&Trading, Germany		
n) Dom 12 S.A.L.		
o) Enjub Ltd	224,868	211,271
Total	*1,898,654*	*1,506,599*
Liabilities:		
a) EP Garant Plc	234	18
b) EP Visokogradnja Plc		3
c) EP Niskogradnja Plc		
d) EP Hidroinženjering Plc	45	
e) EP Entel Plc		
f) EP Energodata Plc	787	1,656
g) EP Industrija Plc		
h) EP Promet Ltd		
i) EP Urbanizam i arhitektura Plc		
j) EP Oprema Plc	39,632	25,142
k) EP Sunnyville Ltd	11,327	
l) I.N.E.C. Engineering Company Limited, Great Britain		40
m) Encom GmbH Consulting,Engineering&Trading, Germany	3,087	11,463
n) Dom 12 S.A.L.		
o) Enjub Ltd		
Total	*55,112*	*38,322*
TOTAL	***1,953,766***	***1,544,921***

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.

45. 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 December 31, 2016 include only the principal amount per case.

Plaintiff	First instance procedure	Second instance procedure	Total
No. of lawsuits			
Physical person	4	3	7
Legal entity	1	-	1
TOTAL	**5**	**3**	**8**
In RSD thousand			
Physical person		444	444
Legal entity			
TOTAL		**444**	**444**

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
Raonić Milan	Damage compensation for copyright infringement	Uncertain
Land development public agency	Debt and compensation for land (Hotel Hyatt Regency Beograd)	Uncertain
Sreta Ivanišević	Compensation for expropriated property (Bezanija)	Uncertain
Vladan and Tomislav Krdžić	Damage compensation (for the value of free shares that they did not acquire)	444
Goran Rakić	Establishment of ownership right on the land under building for legalization purposes	Ungrounded
Pavle, Radmila and Milan Kovacević	Compensation for expropriated land (Block 26)	Amount not determined
Rajko Ljubojević	Expropriation of land from 1957	Uncertain
Aleksandar, Nenad Radovanac	Moving out from barracks	Ungrounded
TOTAL		**444**

In addition of the above listed court cases in which the Company is the defendant, there is a lawsuit with the New Company Ltd. branch IN Hotel, in which the plaintiff requests the GP Napred Razvoj Plc. to determine the ownership right over the hotel building constructed on a lot for which the Company was registered as a holder of rights in addition to the GP Napred Razvoj Plc. In this lawsuit, the Company is a passive co-litigant, and thus there are no potential commitments for the Company, but it had to be included in the action due to the formal reasons.

In addition to that, the first instance procedure is also in progress in which a small number of minority shareholders of the Energoprojekt Visokogradnja Company called into question the price paid to them in the procedure initiated at their request for compulsory sale of shares.

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	3	4
TOTAL	**1**	**3**	**4**
In RSD thousand			
Physical person			
Legal entity		868	868
TOTAL		**868**	**868**

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
Beogradsko mesovito preduzeće Plc. (BMP)	Determining of BMP shares' value	Uncertain
Zekstra group Ltd.	Damage compensation (roof repair works in 38 Goce Delceva Street)	868
Republic of Serbia, EPS Serbia, Epsturs Ltd and Republic of Montenegro	Determining of the ideal ownership share in the Park hotel in Budva	Acquiring of 13% of the total hotel surface area is legally founded, but the value thereof has not been determined
Trinity Capital GP Napred Plc	Annul the contract for Block 26	
TOTAL		**868**

In addition to the presented legal actions in which the Company in involved as the plaintiff, there is a court actions as follows:

- legal proceedings against the City of Belgrade, Republic of Serbia, Belgrade Land Development Public Agency 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 and the Directorate for Building Land and Construction of Belgrade refused. The Company has declared against this decision Audit;

- initiated against Music Ivan, for compensation of damage (roof repair in 38 Goce Delceva Street), on the basis of which a receivable amounting to RSD 31 thousand was presented in the accounting books of the Company.

Please note that in 2014 was conducted an indirect write-off for the receivables from Zekstra Group Ltd. in the amount of RSD 868 (7 thousand EUR).

46. POST BALANCE SHEET EVENTS

On February 7, 2017 the Company made Agreement with the Directorate for Property of the Republic of Serbia on alienation of construction land in public ownership of the Republic of Serbia, area of 59a 91m2, located on the cadastral lot 1005/28 registered in the register list 6400 KO Novi Beograd in the amount of RSD 274,609 thousand, which was paid on February 14, 2017.

Pursuant to the Decision on acquisition of own shares on the regulated market made by the Supervisory Board of the Company on February 13, 2017, in the period from issuing the decision until the day of adopting the financial statements, the Company acquired on the BSE 97.700 shares (equivalent to 0.89376% of the total number of shares with voting rights) in the amount of RSD 124,148 thousand.

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.

In Belgrade,
On February 20, 2017

3. ANNUAL BUSINESS REPORT OF ENERGOPROJEKT HOLDING PLC. FOR 2016.

- 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 2016 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 2016): 69

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, 2016): 7,012

Ten principal Company's shareholders (as at December 31, 2016):

No.	Name and family name (business name)	No. of shares	% of share capital
1.	Republic of Serbia	3,671,205	33.58%
2.	Napred Razvoj Plc. New Belgrade	2,459,536	22.50%
3.	Societe Generale Bank Srbija - custody	371,476	3.40%
4.	East Capital (Lux) - Balkan Fund	250,593	2.29%
5.	Erste Bank Plc. Novi Sad – summ. acc.	190,531	1.74%
6.	Vojvođanska banka Plc. Novi Sad-summ.acc.	177,715	1.63%
7.	Societe Generale Bank Srbija - custody	97,582	0.89%
8.	Raiffeisen Bank Plc. – custody	85,000	0.78%
9.	Gustavia Fonder Aktiebolag	70,000	0.64%
10.	Global Macro Capital Opportuni	62,500	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, 2016): RSD 1,431 RSD/share
- Highest price (as at December 15, 2016) : RSD 1,450/share
- Lowest price (as at January 22, 2016): RSD 880/share

Market capitalization (as at December 31, 2016): RSD 15,642,678,852

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 (share of the Energoprojekt Oprema Plc. and Energoprojekt Garant Ltd. Companies).

Overview of Company’s Business Activities and Organizational Structure

Energoprojekt Group comprises of the Energoprojekt Holding Plc. as the parent company and its subsidiaries in the country and abroad. Based on equity investments, Companies of the Energoprojekt Group are related companies, since the Energoprojekt Holding Plc. directly or indirectly (through its subsidiaries) holds the majority ownership share in all these companies.

Energoprojekt Holding Plc. is the controlling – parent company pursuing holding operations, or 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 (Nigeria, Uganda, Rwanda, Ghana, Algeria, Zambia), Kazakhstan, Russia, Belarus, Near East (Qatar, UAE, Oman, Jordan) and South America (Peru).

Information about subsidiaries (principal subjects of consolidation procedure):

No.	Business Name	Business Seat and Address
1.	Energoprojekt Visokogradnja Plc.	Bulevar Mihaila Pupina 12, Beograd
2.	Energoprojekt Niskogradnja Plc.	Bulevar Mihaila Pupina 12, Beograd
3.	Energoprojekt Oprema Plc.	Bulevar Mihaila Pupina 12, Beograd
4.	Energoprojekt Entel Plc.	Bulevar Mihaila Pupina 12, Beograd
5.	Energoprojekt Hidroinzenjering Plc.	Bulevar Mihaila Pupina 12, Beograd
6.	Energoprojekt Industrija Plc.	Bulevar Mihaila Pupina 12, Beograd
7.	Energoprojekt Energodata Plc.	Bulevar Mihaila Pupina 12, Beograd
8.	Energoprojekt Urbanizam i Arhitektura Plc.	Bulevar Mihaila Pupina 12, Beograd
9.	Energoprojekt Garant Ltd.	Bulevar Mihaila Pupina 12, Beograd
10.	Energoprojekt Sunnyville Ltd.	Bulevar Mihaila Pupina 12, Beograd

Information about Company management:

Supervisory Board members (as at December 31, 2016):

Name, family name and place of residence	Educational background	No. of ENHL shares
1. Anđelko Kovačević, President	VII-1 degree, B.Sc.CE	0
2. Tamara Kaznovac Popović, member	VII-1 degree, B.Sc. Ecc.	0
3. Dragan Aleksić, member	VII-2 degree, B.Sc. Ecc.	1,172
4. Nebojša Peruničić, member	VII-1 degree, M.Sc. Law	1,000
5. Slobodan Jovanović, member	VII-1 degree, B.Sc. EE	1,299
6. Aleksandar Glišić, member	VII-2 degree, B.Sc. Ecc.	1,197

Executive Board members (as at December 31, 2016):

Name, family name and place of residence	Educational background	No. of ENHL shares
1. Vladimir Milovanović, Generalan Manager	VII-1 degree, B.Sc. EE	15,323
2. Dimitraki Zipovski, Executive Manager for Finances, Accounting and Planning	VIII degree, B.Sc. Ecc.	11,378
3. Jovan Nikčević, Executive Manager for Legal Affairs	VIII degree, M.Sc. Law	0
4. Vesna Prodanović, Executive Manager for Operational Affairs	VII-1 degree B.Sc. EE	5,267
5. Filip Filipović, Executive Manager for Administration Affairs	VII-1 degree, M.Sc. Law	1,268

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:

- 12 subsidiary companies in the country, out of which 11 are directly subsidiaries (9 as Plc. and 2 as Ltd.) 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 (99 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.

In 2016, organizational structure of Energoprojekt Group included the following units:

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	4	29	6
Construction and Equipping	5	70	12
Holding	1		
Other	6		4
Total	**16**	**99**	**22**

The average number of employees in the Energoprojekt Group in 2016, as of the end of each month, not including local workers abroad, is 2,345 (2,316 in 2015).

Group for consolidation 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
	Design and Research	
5.	Energoprojekt Urbanizam i arhitektura Plc.	100.00
6.	Energoprojekt Industrija Plc.	62.77
7.	Energoprojekt Entel Plc.	86.26
8.	Energoprojekt Hidroinzenjering Plc.	100.00
	Other	
9.	Energoprojekt Energodata Plc.	100.00
10.	Energoprojekt Promet Ltd.	100.00
11.	Energoprojekt Garant Ltd.	92.94
12.	Energoplast Ltd.	60.00
	(Energoprojekt Industrija Plc. 40.00% and Energoprojekt Entel Plc. 20.00%)	
Joint Ventures		
	Construction and Equipping	
13.	Enjub Ltd.	50.00
Affiliated companies		
	Other	

14.	Fima See Activist Ltd.	30.16

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.

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.

By equity method, closed-end investment fund Fima See Activist Ltd. is included in consolidated financial statements of Energoprojekt Group for 2015, in compliance with IFRS 11 – Joint Arrangements, since the percentage of Energoprojekt Holding shares in equity of subject company as at December 31, 2015 was over 20.00%.

Subsidiary companies abroad – international companies:

No.	N a m e	% ownership share
1.	Zambia Engineering and Contracting Company Limited, Zambia	100.00
2.	Energoprojekt Holding Guinee S.A, Guinea	100.00
3.	I.N.E.C. Engineering Company Limited, United Kingdom	100.00
4.	Encom GmbH Consulting, Engineering & Trading, Germany	100.00
5.	Dom 12 S.A.L, Lebanon	100.00
6.	Energo (Private) Limited, Zimbabwe	100.00
7.	Energo Kaz d.o.o., Kazakhstan	100.00

A number of above listed overseas companies (Energoprojekt Holding Guinee S.A., Guinea, Zambia Engineering and Contracting Company Limited, Zambia, 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
Foreign countries		
Subsidiary companies abroad - international companies		
	Construction and Equipping	
1.	Energoprojekt Ghana Ltd., Akra, Ghana	EP Visokogradnja Plc.
2.	Energoprojekt Montenegro Ltd., Montenegro	EP Visokogradnja Plc.
3.	Energoprojekt Rus Ltd., 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 Ltd., Podgorica, Montenegro	EP Oprema Plc.
7.	Energoprojekt Zambia Limited, Zambia	Zambia Engineering and Contracting Company Limited, Zambia
	Design and Research	
8.	Energoprojekt Entel L.L.C., Muscat, Sultanate Oman	EP Entel Plc.
9.	Energoprojekt Entel LTD, Doha, Qatar	EP Entel Plc.
10.	Energoconsult L.L.C., Abu Dhabi, UAE	EP Entel Plc.
11.	Energoprojekt Entel Company, Bahrein	EP Entel Plc.
12.	Zahinos Ltd., Cyprus	EP Industrija Plc.
13.	Enhisa S.A., Lima, Peru	EP Hidroinzenjering Plc.
	Other	
14.	Energoprojekt Energodata Montenegro Ltd., Montenegro	EP Energodata Plc.

Affiliated Companies abroad

Construction and Equipping

15. Energo Nigeria Ltd., Lagos, Nigeria (40.00%) EP Oprema Plc.

In the Country

Affiliated Companies in the Country

Other

16. Energopet Ltd. (33.33 %) EP Industrija Plc.

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 2016".

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 2016

Structure of gross result	*In RSD thousand*	
	01/01 - 31/12/2016	*01/01 - 31/12 2015*
Operating income	428,649	504,040
Operating expenses	403,463	455,939
Operating result	**25,186**	**48,101**
Financial revenues	497,143	475,673
Financial expenses	30,454	22,318
Financial result	**466,689**	**453,355**
Revenues from valuation adjustment of other assets disclosed at fair value through Profit or Loss		730
Other revenues	263,677	13,746
Expenses from valuation adjustment of other assets disclosed at fair value through Profit or Loss	10	9,163
Other expenses	509,795	251,678
Result of other revenues and expenses	**(246,128)**	**(246,365)**
Net income from discontinuing operations, changes in accounting policy and correction of errors from previous period		
Net expense from discontinuing operations, changes in accounting policy and correction of errors from previous period	66	3,066
TOTAL INCOME	**1,189,469**	**994,189**
TOTAL EXPENSE	**943,788**	**742,164**
PROFIT/LOSS BEFORE TAX	**245,681**	**252,025**

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 - 31/12/2016	*01/01 - 31/12 2015*
Net profit	232,114	236,972
Average number of shares per year	10,931,292	10,931,292
Earnings per share (in RSD)	***21.23***	***21.68***

The most important liquidity indicators for the Company’s business in 2016 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**	*2016*	*2015*
Current liquidity ratio	2:1	1,93:1	3,13:1
Quick ratio	1:1	1,93:1	3,13:1
Operating cash flow ratio		0,13:1	0,72:1
Net working capital (in RSD thousand)	Positive Value	899,571	1,382,945

The results of the ratio analysis indicate that the Company was **liquid** during 2016, 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*	
	2016	*2015*
Net profit	232,114	236,973
Average capital:		
a) Capital at the beginning of the year	8,450,766	8,418,694
b) Capital at the end of the year	8,421,896	8,450,766
Total	*8,436,331*	*8,434,730*
Average return rate on own capital at the end of the year	***2.75%***	***2.81%***

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*	
	31/12/2016	*31/12/2015*
Liabilities	969,553	647,987
Total assets	9,546,048	9,517,328
Ratio of borrowed funds to total assets	**0.10 : 1**	**0.07 : 1**
Long-term assets:		
a) Capital	8,421,896	8,450,766
b) Long-term provisions and long-term liabilites	152,252	418,575
Total	*8,574,148*	*8,869,341*
Total assets	9,546,048	9,517,328
Ratio of long-term to total assets	**0.90 : 1**	**0.93 : 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	
	31/12/2016	31/12/2015
Net debt:		
a) Liabilities	969,553	647,987
b) Cash and cash equivalents	128,791	463,343
Total	*840,762*	*184,644*
Capital	8,421,896	8,450,766
Net debt to capital ratio	**1 : 10.02**	**1 : 45.77**

Energoprojekt Group operating income structure for 2016

Structure of gross operating income	In RSD thousand	
	01/01 - 31/12/16	01/01 - 31/12/15
Operating income	32,256,527	35,258,170
Operating expense	31,556,698	33,419,193
Operating income	*699,829*	*1,838,977*
Financial income	1,688,958	1,845,349
Financial expenses	1,647,261	2,077,322
Financial income	*41,697*	*(231,973)*
Revenues from valuation adjustment of other assets disclosed at fair value through Profit or Loss	40,734	18,431
Other income	1,168,041	437,908
Expenses from valuation adjustment of other assets disclosed at fair value through Profit or Loss	77,964	302,084
Other expense	497,660	599,865
Result of other revenues and expenses	633,151	(445,610)
Result from regular operations before tax	*1,374,677*	*1,161,394*
Net income from disposal of discontinuing operations, effects of change in accounting policy and corrections of errors from previous periods		42,818
Net loss from disposal of discontinuing operations, effects of change in accounting policy and corrections of effors from previous periods	85,922	
TOTAL INCOME	***35,154,260***	***37,602,676***
TOTAL EXPENSE	***33,865,505***	***36,398,464***
PROFIT/LOSS BEFORE TAX	***1,288,755***	***1,204,212***

The achieved **profit before tax (total profit**) of the Energoprojekt Group in reported period, in the amount of RSD 1,288,755 thousand, came as result of:

● operating income, in the amount of RSD 699,829 thousand, mainly in Energoprojekt Niskogradnja and Energoprojekt Entel;

● other business acitivites income, in the amount of RSD 547,229 thousand, mainly based on suspension of long-term liabilities based, predominantly, in Energoprojekt Holding and Energoprojekt Entel, and income on liabilities reduction, mainly in Energoprojekt Visokogradnja (based on write-off liabilities for VAT in Energoprojekt Ghana Ltd., Akra, Ghana and suspension of liabilities based on pre-calculated taxes for salaries abroad) on one hand, and other non-mentioned expenses, mainly in Energoprojekt Visokogradnja (predominantly based on lost lawsuit against Belim Plc.) on the other;

and

● financial income in the amount of RSD 41,697 thousand.

The main reason for reduced business result of Energoprojekt Group in 2016, comparing to reporting period of the last year, is within Energoprojekt Visokogradnja (despite the growing business realization in the country), having in mind significant amount of paid claims in 2015, Energoprojekt Oprema, based on reduced realization in the country and Energopojekt Niskogradnja, based on reduced realization on projects abroad.

Earnings per share

Indicator	*In RSD thousand*	
	01/01 - 31/12/16	*01/01 - 31/12/15*
Net profit belonging to parent company shareholders	960,716	856,443
Average weighted number of ordinary shares per period	10,931,292	10,931,292
Earnings per share (in RSD)	***87.89***	***78.35***

Earnings per share as at December 31, 2016 amounts RSD 87.89 and is calculated by dividing net profit of the parent company's shareholders (RSD 960,716. thousand) with the average weighted number of ordinary shares in circulation for the period (10,931,292 shares).

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 2017:

Priority tasks:

- Activities aimed at implementation of a new strategic document – "Basic Elements of the Medium-Term Business Plan for 2016–2020";

- Further development of the business and information system that is matched to the needs of the Energoprojekt Holding Plc. Company;

- Continued financial and business consolidation of individual subsidiaries of the Energoprojekt Group, which have, due to various reasons, presented poorer business results over the previous period (from the aspect of their revenues, profit, human resources' competencies, secured projects and borrowing debts).

Other business-related tasks:

- Achieving mission and vision of Energoprojekt Group;
- Providing conditions for realization of medium-term business planed income and profit, with financial solvency preserved, as well as constant supervising, cost optimization and structure assets, all in function of income and profit growth;
- Making developing and market projects more intensive using own assets, as well as assets of other financial institutions, public and private partners in energy, ecology and real estate market, and public service and traffic infrastructures;
- Improving marketing and new business contracting on local, but dominantly on foreign markets, with persistant analysis of new market-opening possibilities;
- Maintaining and developing of the existing human resources, making conditions for the new and young employees, with their significant role in realization of business plans and adopting new technologies to be applied in everyday business activities. Directing the employees to achieve the supreme results level, with the pre-arranged scheeme for experts and managers at all levels, as well as team-building activities, with planned and analysed further steps;
- Developing corporative culture and managing code of behaviour in Energoprojekt Group;

- Implementing „Balance Score Card“ methodology and „Key performance Index“, together with developing and applying the software based upon „Business Inteligence“;
- Further developing of risk management methodology and Integrated Management System, introducing and strict applying of Code of Ethics, corporative integrity standards and socially responsible business activities;
- Developing company shares concept, providing share value growth and increased dividend distribution policy to shareholders;
- 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, and this system needs to be integrated with all the executive functions. 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 2017.

Significant events after the end of the year for which the reports are prepared

The contract with Republic of Serbia, Directorate for Property, was signed on February 7, 2017 on purchasing of construction land owned by Republic of Serbia, with area of 59a 91m², located on cadastral parcel No. 1005/28 registered in Cadastral Register 6400 KO New Belgrade, in the amount of RSD 274,609 thousand, paid on February 14, 2017.

Pursuant to the Resolution on Acquiring 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.

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 require disclosure or 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 the related parties	*In RSD thousand*	
	2016	*2015*
Receivables:	.	
a) EP Garant Ltd.	53,078	53,205
b) EP Visokogradnja Plc.	140,999	107,736
c) EP Niskogradnja Plc.	155,526	111,680
d) EP Hidroinzenjering Plc.	16,535	33,802
e) EP Entel Plc.	337,009	354,983
f) EP Energodata Plc.	9,660	11,092
g) EP Industrija Plc.	7,399	20,609
h) EP Promet Ltd.		
i) EP Urbanizam i arhitektura Plc.	5,578	7,512
j) EP Oprema Plc.	140,789	190,514
k) EP Sunnyville Ltd.	29,572	782
l) I.N.E.C. Engineering Company Limited, United Kingdom		
m) Encom GmbH Consulting, Engineering & Trading		11
n) Dom 12 S.A.L.		
o) Enjub Ltd.	13,470	11,629
Total	*909,615*	*903,555*
Expenses:		
a) EP Garant Ltd.	811	951
b) EP Visokogradnja Plc.	417,746	231,362
c) EP Niskogradnja Plc.	4,734	4,399
d) EP Hidroinzenjering Plc.	20	24,741
e) EP Entel Plc.	296	160
f) EP Energodata Plc.	69,964	22,034
g) EP Industrija Plc.	50,624	20
h) EP Promet Ltd.		415
i) EP Urbanizam i arhitektura Plc.	5	4,261
j) EP Oprema Plc.	14,983	74,392
k) EP Sunnyville Ltd.	2	
l) I.N.E.C. Engineering Company Limited, United Kingdom		40
m) Encom GmbH Consulting,Engineering&Trading, Germany	169	66
n) Dom 12 S.A.L.		43
o) Enjub Ltd.		
Total	*559,354*	*362,884*
TOTAL	***1,468,969***	***1,266,439***

Receivables and liabilities from the related parties	*In RSD thousand*	
	31/12/2016	*31/12/2015*
Receivables:		
a) EP Garant Ltd.	1,708	636
b) EP Visokogradnja Plc.	732,869	710,478
c) EP Niskogradnja Plc.	218,414	315,859
d) EP Hidroinzenjering Plc.	23,945	22,497
e) EP Entel Plc.	20,209	9,075
f) EP Energodata Plc.	24,620	70,997
g) EP Industrija Plc.	29,442	75,247
h) EP Promet Ltd.		
i) EP Urbanizam i arhitektura Plc.	48,721	46,256
j) EP Oprema Plc.	150	8,206
k) EP Sunnyville Ltd.	573,708	36,077
l) I.N.E.C. Engineering Company Limited, United Kingdom		
m) Encom GmbH Consulting,Engineering&Trading, Germany		
n) Dom 12 S.A.L.		
o) Enjub Ltd.	224,868	211,271
Total	*1,898,654*	*1,506,599*
Liabilities:		
a) EP Garant Ltd.	234	18
b) EP Visokogradnja Plc.		3
c) EP Niskogradnja Plc.		
d) EP Hidroinzenjering Plc.	45	
e) EP Entel Plc.		
f) EP Energodata Plc.	787	1,656
g) EP Industrija Plc.		
h) EP Promet Ltd.		
i) EP Urbanizam i arhitektura Plc.		
j) EP Oprema Plc.	39,632	25,142
k) EP Sunnyville Ltd.	11,327	
l) I.N.E.C. Engineering Company Limited, United Kingdom		40
m) Encom GmbH Consulting,Engineering&Trading, Germany	3,087	11,463
n) Dom 12 S.A.L.		
o) Enjub Ltd.		
Total	*55,112*	*38,322*
TOTAL	***1,953,766***	***1,544,921***

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.

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.

A new strategic document, "Basic Elements of the Company's Medium-Term Business Plan for 2016-2020" will be prepared in the following period, which will, among other things, include information about new Company's projects in the field of research and development.

Information on investments aimed at environmental protection

Energoprojekt Holding Plc. establishes and improves its own integrated management system (IMS) that includes quality management (harmonized with the ISO 9001:2008 standard), environmental protection management (harmonized with the ISO 14001:2004 standard) and occupational health and safety management (harmonized with OHSAS 18001:2007 standard).

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

Company does not hold its own shares. Company has not acquired its own shares since the previous annual report, as at December 31, 2016.

After the reported period, based on Resolution on Acquiring of Own Shares at the organized market, made by Supervisory Board on February 13, 2017, in the period between this Resolution date and date of accepting financial statements, 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.

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 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. Nevertheless, having in mind that those are buyers known for years, there is no fear of receivables not to be paid.

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 (Belibor).

- **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 2016, 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

Dimitraki Zipovski, D.Sc. Ecc.

Energoprojekt Holding Plc.

Chief Executive Officer

Vladimir Milovanovic, B.Sc. Mech. Eng.

4. STATEMENT BY PERSONS RESPONSIBLE FOR REPORT PREPARATION

To the best of our knowledge, Annual Financial Statements for the year of 2016 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:
Energoprojekt Holding Plc.	Energoprojekt Holding Plc.
Executive Director for Finance, Accounting and Planning	Chief Executive Officer
Dimitraki Zipovski, D.Sc. Ecc.	Vladimir Milovanović, B.Sc. Mech. Eng.

5. DECISION OF COMPETENT COMPANY BODY ON THE ADOPTION OF ANNUAL FINANCIAL STATEMENTS *

Note *:

- Financial Statements of Energoprojekt Holding Plc. for the year 2016 were approved on February 27, 2017, in the 8th 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 2016 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 2017

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.
Dimitraki Zipovski, D.Sc. Ecc.	Vladimir Milovanović, B.Sc. Mech. Eng.