Prospectus for public offering of the shares and their admission to a regulated market

(segment Prime listing)

of the issuer

FINTEL ENERGIJA A.D. Beograd

ID number 20305266

("Prospectus")

25 July 2018

Contents

INTRODUCTION

FINTEL ENERGIJA a.d. Beograd, ID number 20305266, with its registered seat in Belgrade, Bulevar Mihaila Pupina 115e ("**Issuer**" or "**Company**") is a non-public joint stock company whose share capital is divided into 25,000,000 non-par shares, CFI code: ESVUFR, ISIN number: RSFINEE60549, with the individual accounting value of RSD 0.153.

Based on the decision of the Shareholders' meeting of the Company, dated 19 April 2018, the Company issues 6,500,000 of new ordinary non-par shares with the total accounting value of RSD 994,500.00, CFI code: ESVUFR, ISIN number: RSFINEE60549, with the individual accounting value of RSD 0.153.

The Capital Market Act („*Official Gazette of the RoS*" nos. 31/2011, 112/2015 and 108/2016) in Article 11 defines the obligation of an issuer to obtain the prior approval of the Securities Commission of the Republic of Serbia ("**SEC**") prior to publishing of a prospectus.

The prospectus was approved by the SEC on 20 July 2018 and shall be published in the electronic form at the website of the Company (www.fintelenergija.rs), website of the Agent and Underwriter M&V Investments AD Beograd, Novi Beograd, Bulevar Mihaila Pupina 115e (www.mvi.rs) and at the website of the regulated market of the Republic of Serbia, i.e. at Beogradska berza a.d. Beograd ("**Belex**") (www.belex.rs).

The Issuer shall, upon a written request, deliver to the investor, free of charge, a written version of the Prospectus, by mail or directly in its business premises, within a reasonable period of time necessary for printing or copying, or mailing.

The Company, the members of the Board of Directors and the Executive Directors accepts the responsibility for the accuracy and the completeness of this Prospectus and the information contained herein and confirm that the Prospectus does not omit anything likely to affect the import of such information.

The Company confirms that, to the best of its knowledge, this Prospectus includes accurate and complete overview of the assets and liability, financial position and the business results of the Company as well as the rights and obligations arising out of the Company's shares, in order to enable prospective investors to perform a reasonable assessment of the investment. The information included in this Prospectus should be taken in consideration only during the assessment performed by the investors. The Company has not authorized any third person to share any information with respect to this Prospectus and the issuance of the Company's shares.

I SUMMARY PROSPECTUS (shortened prospectus)

In accordance with Article 16 of the Capital Markets Act, this summary prospectus (contained in this Chapter I), presents an integral part of the Prospectus and contains briefly the most important characteristics and risks that are in connection with the Company and the securities, i.e. the Company's shares ("**Summary prospectus**").

With respect to the contents of the Summary prospectus, the investors are warned about the following facts:

- The Summary prospectus should be read as an introduction to the Prospectus;
- Any decision to invest in the shares by an investor should be based on consideration of the Prospectus as a whole;
- The Company as the issuer and the persons who have prepared the Summary prospectus shall be severally liable for damages that occurs, but only if the Summary prospectus is misleading, and when it is inaccurate or inconsistent in relation to the other parts of the Prospectus.

1. Data about the Company

1.1. The basic data and the development of the Company

Full business name: "Privredno društvo za proizvodnju električne energije FINTEL ENERGIJA" A.D. Beograd
Abbreviated business name: FINTEL ENERGIJA A.D. Beograd
Registered seat: Bulevar Mihaila Pupina 115e
ID number: 20305266
Date of incorporation: 27 June 2007
Date of registration with the Commercial Registry: 27 June 2007
Legal form of the Company: joint stock company
Core business activity: Production of electrical energy (code 3511)
Telephone number and e-mail address for obtaining the information related to the Prospectus: +381113539579, sanja.ristovic@fintel.bz

Development of the Company

The Company was incorporated as a closed joint stock company on 27 June 2007, under the business name *PRIVREDNO DRUŠTVO ZA PROIZVODNJU ELEKTRIČNE ENERGIJE FINTEL ENERGIJA AD BEOGRAD*, by the company FINTEL ENERGIA GROUP S.P.A, registration number 02658620402, as the sole shareholder ("**Principal Shareholder**").

On 29 May 2014, the Company changed its legal form into a limited liability company.

On 27 November 2017, the Company changed its legal form into a (non-public) joint stock company.

The valid version of the amended Memorandum of Association is dated 12 April 2018.

The Company has a majority stake in the following companies:

- MK-Fintel Wind Holding d.o.o. za holding poslove Beograd, ID number 21280275, whereby the Company holds 53.99737% of the capital ("**MK Fintel d.o.o.**"), while the remaining 46.00263% is held by the company *MK Holding d.o.o. za holding poslove Beograd*,

- MK-Fintel Wind a.d. Beograd, ID number 20392126, whereby the Company holds 53.99737% of the share capital ("**MK Fintel a.d**"), while the remaining 46.00263% is held by the company *MK Holding d.o.o. za holding poslove Beograd* ("**MK Holding**").

MK-Fintel Wind Holding d.o.o. za holding poslove Beograd holds 100% in the following subsidiaries, SPVs for other projects:

- Vetropark Kula d.o.o. Beograd, ID number 20901659 – SPV established for the project wind farm Kula ("**Kula**");
- Energobalkan d.o.o. Beograd, ID number 20833122 – SPV established for the project wind farm La Piccolina ("**Energobalkan**");
- Vetropark Torak d.o.o. Beograd, ID number 21040339 ("**Torak**");
- Vetropark Košava 2 d.o.o. Beograd, ID number 21064742 ("**Košava 2**");
- Vetropark Ram d.o.o. Beograd, ID number 20927119 ("**Ram**");
- Vetropark Dunav 1 d.o.o. Beograd, ID number 20926392 ("**Dunav 1**");
- Vetropark Dunav 3 d.o.o. Beograd, ID number 20927089 ("**Dunav 3**");

(jointly as the "**Subsidiaries**"), and the Company and the Subsidiaries jointly as the "**Group**".

Each of the Subsidiaries is established as a special purpose vehicle for the particular project.

1.2. Description of business activities of the Company

The Company and the Group are, as of the date of this Prospectus, the leading independent renewable energy producer in Serbia and the country's second largest renewable energy producer, behind the state-owned market incumbent EPS (i.e. a public company JP Elektroprivreda Srbije) ("**EPS**").

The Company and the Group were pioneers in the Serbian wind business being the first company ever to install and operate wind farms in the country. The Company sells its power output through offtake arrangements (Power Purchase Agreement or the "**PPA**") to EPS and does not supply electrical energy directly to the retail customers.

As of the date of this Prospectus, the Company and the Group are active only in the Serbian market and generates the power that is sold only to EPS trough wind power generation technology.

The Group operates through two main business directories: the Wind power generation business and the Wind development pipeline business. The Company owns and operates 2 wind power plants generating electrical energy distributed across the Republic of Serbia with a total installed capacity of 16,5 MW. An additional wind farm consisting of 69 MW of installed power is currently under construction and it is due to enter into production by 2019. Besides existing wind farms, the Company is simultaneously working on development of other wind farms of approximately 352MW of total installed power, of which 127 MW is already authorized, while 69 MW is under construction.

The Group operates an integrated business model, managing in-house the majority of the renewable energy production business chain (i.e. from obtaining building permits and connection rights to construction and operation and maintenance).

The registered core business activity of the Company and MK Fintel a.d. is the production of electrical energy, while the core business activity of MK Fintel Wind Holding d.o.o. is the holding company activity.

1.3. Company’s share capital

The share capital of the Company registered at the Business Registers Agency is RSD 3,825,416.50, as of 25 October 2017.

The share capital is divided into 25,000,000 ordinary non- par shares, CFI code: ESVUFR, ISIN number: RSFINEE60549, with the accounting value of RSD 0.153 per share, whereas the difference in the amount of RSD 416.5 (which is obtained after the number of shares multiplied by their accounting value is deducted from the amount of the registered share capital) refers to the amount generated by mathematical rounding during the conversion of shares into stocks.

Based on the decision of the Shareholders' meeting of the Company, dated 19 April 2018, the Company issues 6,500,000 of new ordinary shares with the total accounting value of RSD 994,500.00. The shares have CFI code: ESVUFR and ISIN number: RSFINEE60549, and its accounting value is RSD 0.153 per share.

1.4. Data about the person responsible for audit of the financial statements

The Company’s statutory auditor for the standalone and consolidated financial statements of the Company for the years ended 31 December 2017, 31 December 2016 and 31 December 2015, is PricewaterhouseCoopers d.o.o. Beograd, a limited liability company for auditing and consulting services with its registered seat in Belgrade, Omladinskih brigada 88a, Serbia, ID number 17147862.

PricewaterhouseCoopers d.o.o. is registered in the register of auditing companies kept by the Chamber of Authorized Auditors of Serbia under the number 64/07.

1.5. Selected financial information

Selected key historical financial information is presented below. The reporting currency for the purpose of financial reporting is RSD (Serbian dinar).

The following tables present key financial information of the Group and have been derived from the consolidated financial statements of the Group as at and for the years ended 31 December 2017, 2016 and 2015, together with the notes thereto. The Group’s consolidated financial statements have been prepared in accordance with the Law on Accounting of the Republic of Serbia (the "**Law**"), published in Official Gazette 62/2013, which requires International Financial Reporting Standards (“**IFRS**”) to be applied as translated into Serbian up to 31 July 2013. In addition, the Law requires certain presentations and treatments of accounts and balances which results in the additional departures from IFRS, described in details in Note 2.1 Basis of preparation to the consolidated financial statements of the Group as at and for the years ended 31 December 2017, 2016 and 2015, included in this Prospectus.

Consolidated Income Statement for the Group (in thousand RSD)

	Year ended 31 December		
	2017	**2016**	**2015**
OPERATING INCOME	**496,683**	**183,922**	**62**
OPERATING EXPENSES	**283,685**	**128,213**	**23,434**
OPERATING GAIN	**212,998**	**55,708**	**-**
OPERATING LOSS	**-**	**-**	**23 372**
FINANCE INCOME	**141,224**	**9,796**	**22,131**
FINANCE EXPENSES	**196,729**	**124,949**	**67,452**

PROFIT FROM FINANCING OPERATIONS	**-**	**-**	**-**
LOSS FROM FINANCING OPERATIONS	**55,504**	**115,153**	**45,321**
OTHER INCOME	**920**	**122,387**	**-**
OTHER EXPENSES	**8,646**	**5,971**	**642**
PROFIT BEFORE TAX	**149,767**	**56,971**	**-**
LOSS BEFORE TAX	**-**	**-**	**69 335**
INCOME TAX			
I. CURRENT INCOME TAX	45,273	6,610	672
II. DEFERRED TAX EXPENSE FOR THE PERIOD	-	6,393	14,736
III. DEFERRED TAX INCOME FOR THE PERIOD	8,416	-	-
PERSONAL INCOME PAID TO EMPLOYER			
NET PROFIT	**112,910**	**43,968**	**-**
NET LOSS	**-**	**-**	**84,744**

Consolidated statements of financial position of the Group (in thousand RSD)

	31 December 2017	**31 December 2016**	**31 December 2015**
NON-CURRENT ASSETS	**3,184,272**	**2,896,346**	**1,960,642**
CURRENT ASSETS	**208,422**	**243,008**	**190,030**
TOTAL ASSETS	**3,392,694**	**3,139,354**	**2,150,672**
EQUITY	**(54,075)**	**(186,242)**	**(208,938)**
LONG-TERM PROVISIONS AND LIABILITIES	**1,839,751**	**1,950,661**	**1,164,111**
SHORT-TERM LIABILITIES	**1,600,238**	**1,362,607**	**1,185,810**
DEFERRED TAX LIABILITIES	**6,779**	**12,328**	**9,689**
TOTAL EQUITY AND LIABILITIES	**3,392,694**	**3,139,354**	**2,150,672**

Consolidated statements of cash flow for the Group (in thousand RSD)

CASH FLOWS FROM OPERATING ACTIVITIES	**2017**	**2016**	**2015**
Cash inflow from operating activities	**469,823**	**386,377**	**5,738**
Cash outflow from operating activities	**235,447**	**95,875**	**65,599**
Net cash inflow from operating activities	**234,376**	**290,503**	
Net cash outflow from operating activities	**-**	**-**	**59,862**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash flows from investing activities	**-**	**46,972**	**-**
Cash outflow from investing activities	**407,467**	**1,129,413**	**1,496,922**
Net cash inflow from investing activities			
Net cash outflow from investing activities	**407,467**	**1,082,441**	**1,496,922**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inflow from financing activities	**256,204**	**947,155**	**1,584,153**
Cash outflow from financing activities	**155,563**	**125,300**	**216,411**
Net cash inflow from financing activities	**100,551**	**821,855**	**1,367,743**
Net cash outflow from financing activities	**-**	**-**	**-**
TOTAL CASH INFLOW	**726,028**	**1,380,504**	**1,589,891**
TOTAL CASH OUTFLOW	**798,567**	**1,350,587**	**1,778,932**
NET CASH INFLOW	**-**	**29,917**	**-**
NET CASH OUTFLOW	**72,539**		**189,041**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**175,295**	**144,794**	**333,835**
CURRENCY TRANSLATION GAINS ON CASH AND CASH EQUIVALENTS	**-**	**584**	**-**
CURRENCY TRANSLATION LOSSES ON CASH AND CASH EQUIVALENTS	**-**	**-**	**-**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**102,755**	**175,295**	**144,794**

1.6. Company's market position

Geographical and industrial market relevant for the Company. Main customers. Main direct and indirect competitors

The Company is a pioneer in wind farms business in Serbia and a leading independent renewable energy producer. It is the second largest producer of renewable energy produced in Serbia, behind the state-owned market incumbent - EPS. The Company is, at the date of the Prospectus, active exclusively on the territory of Serbia.

The Company is present on the Serbian market from 2007 and since then it has developed a broad portfolio of wind power plants, with 10 wind farms across Serbia in four different locations, out of which two are already fully operational (16,5 MW of installed capacity) and one under construction (69 MW of installed capacity) at the date of this Prospectus. Besides existing wind farms, the Company is simultaneously working on development of other wind farms with a planned total installed power of 352MW, of which 127 MW is already authorized, while 69 MW is under construction.

The Company acts as a wholesaler of the electrical power it produces and does not deal with retail customers. Its only client (in terms of purchasing electricity from renewable sources) is EPS.

At the date of the Prospectus, the only existing and fully functioning wind farms in Serbia are the ones operated by the Company. Consequently, the Company does not have direct competitors on the wind farm market at this stage. Other wind players are present in Serbia, however, they are developing their own sites (wind farms) which are geographically distinct from those belonging to the Company, with different connection points served by different infrastructure (i.e. roads, bridges, ports), and have achieved different levels of implementation that is not conflicting with the Company's development program.

The Company is part of Fintel Energia Group, the chart of which is presented in Sections 7.1 and 17.2 of the Prospectus.

Fintel Energia Group steadily deals in the following three segments, within the broader energy sector:

Downstream Retail: Fintel Energia Group sells electrical energy and natural gas to the end consumers since 2005. Current portfolio consists of about 15,000 users, out of which more than 90% are families and small business, mainly located in the northern and central Italy. The main target is to sell energy generated by owned renewable energy plants to all Fintel's end consumers.

Production: Total Fintel Energia Group assets portfolio includes 15 large scale PV plants (in addition to several PV rooftop plants) mainly located in the Marche region and with a total installed power of 13 MWp and two wind farms in Serbia with a total installed power of 16,5 MW. All power plants, both in Italy and Serbia, have been developed and engineered by the respective subsidiaries in these countries.

Engineering: Fintel Energia Group significantly invests in engineering resources in order to build up a team able to study, design and realize innovative renewable energy power plants. Currently, Fintel's team includes 15 professional figures, both in Italy (Energogreen Renewables Srl) and in Serbia (Energogreen d.o.o.), that mainly work on feasibility studies for new internal projects, design of preliminary and final project deliverables ("as built"), assignment and supervision of EPC contracts and O&M services for PV plants and O&M sub-contracting services for wind plants and Molten Salt Concentrated Solar Power plants (MSCP), an innovative technology for which 90% of the Italian projects are held by Fintel Energia Group.

The main target is to sell energy produced in power plants owned by Fintel to all of its end consumers.

1.7. Brief description of risk factors

Any investment in ordinary shares is subject to a number of risks.
Prior to investing in shares, prospective investors should consider carefully the factors and risks associated with any such investment in ordinary shares, the Company's business and the industry in which it operates, together with all other information contained in the Prospectus including, in particular, the risk factors described below (Annex II, Section 4 and Annex III, Section 2).

Prospective investors should note that the risks relating to the Company, its industry and the ordinary shares summarized in the Prospectus are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the ordinary shares. However, as the risks that the Company faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarized further in the Prospectus but also, among other things, all other factors described below.

The following is not an exhaustive list or explanation of all risks that prospective investors may face when making an investment in the ordinary shares and should be used as guidance only. These risks and uncertainties are not the only ones facing the Company.
The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the Group's business, results of operations, cash flow, financial condition and prospects. The risks mentioned herein may materialise individually or cumulatively.

Additional risks and uncertainties relating to the Company that are not currently known to the Company or that the Company currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Company's business operations, prospects, financial condition and operating results. Occurrence of any such risk may affect (and decrease) the price of the shares and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the ordinary shares is suitable for them in the light of the information in this Prospectus and their personal circumstances.

For the purpose of this Prospectus, we would emphasize the following risks that may significantly affect the Company and its business (that are in more details explained in Annex II, Section 4):

- Risks relating to the regulatory environment and Serbian power market, such as Government policies in the renewable energy sector, as well as potential changes in legislation;
- The Company's operational risks, such as weather conditions, performance of third-party contractors (owning or operating transmission or distribution networks), maintenance of generating plants, non-functioning of wind turbines during the expected lifetime, potential legal proceedings based on environmental, health or safety grounds, or property related risks, natural disasters, etc.;
- The risks related to the development of pipeline business, including ensuring additional sites and adequate permits, construction of generating plants, availability of financing funds;
- Additional risks related to the Group and the Group's operations, such as changes in credit or capital markets, financial markets, difficulties in obtaining funds for refinancing existing obligations, potentially higher insurance premiums or changes in tax legislation and tax regimes;
- Risks related to the shares offered and/or included in trading, which are relevant to the assessment of the market risk associated with such shares, including the fluctuation of share prices, the lack of guarantees with respect to dividend payments, the risks associated with the majority shareholder and its controlling position, the risk of discounting the price of ordinary shares due to the future sale of ordinary shares, the risk of 'dilution' of shareholders' participation due to future issuings of ordinary shares, the illiquidity of the ordinary shares market.

2. Data about the shares that are issued and to be included in trading on Belex

2.1. Description of the type and the class of the shares

The shares that are subject of the issuance and admission to trading on Belex are ordinary non-par shares, CFI code: ESVUFR, ISIN number: RSFINEE60549, with the accounting value of RSD 0.153 per share.

2.2. Rights from the shares

The shareholders, in accordance with the Companies Act („*Official Gazette of the RoS*" *nos. 36/2011, 99/2011, 83/2014, 5/2015 and 44/2018*), the Articles of Association and the Decision on the share issue dated 19 April 2018, have the following rights:

1) to participate and vote at the Shareholders' meeting, provided that one share shall always grant the right to one vote;
2) right to a dividend payment, in accordance with the Law;
3) to participate in the distribution of liquidation proceeds or bankruptcy estate, in compliance with the law governing bankruptcy proceedings;
4) pre-emptive purchase of ordinary shares, and other financial instruments that may be converted into ordinary shares, from issuing of new shares;
5) other rights in accordance with the law.

2.3. Condition of the public offer, underwriting and the admission to Belex

Number of shares offered for sale is 6,500,000 at the price of RSD 500.00 per share.

Public offering of the shares shall be considered successful if at least 1,500,000 new shares have been subscribed, paid and allocated. It is three times more than the lower limit set by Article 10 of the Rules on listing of the Belgrade Stock Exchange (special conditions of minimal level of market liquidity of the shares – publically distributed shares in free float in the total amount of at least EUR 2 million, calculated as expected market capitalisation of shares after the completed procedure of the initial public offering of shares).

In the event that more shares are subscribed and paid than the number of shares defined by the Resolution on share issue, the shares will be proportionally allotted to investors, and excess funds will be returned to the accounts of investors, which they indicated in the Subscription form. The shares will be divided on a *pro rata* principle.

The Underwriter of the issue is the investment company M&V Investments a.d. Beograd.

The Underwriter is required, on the first working day after the deadline for subscription and payment defined for other investors, to subscribe and pay the portion of the Issuer's unsold shares, up to the amount of 1,500,000 shares.

After the completion of the public offering, the Company will file a request for admission of all shares to Belex, i.e. subscribed and paid shares that are subject matter of this Prospectus, as well as for the admission of previously issued 25,000,000 (more details are provided in Annex III, Section 5).

2.4. Risk factors associated to the shares

For the purpose of this Prospectus, we would emphasize the following risks that may significantly affect the shares and the share capital of the Company (that are in details explained in Annex III, Section 2):

- Fluctuation of the share price at the capital market;
- Risks related to the payment of dividends within the Company;
- The influence and the competences of the Principal Shareholder;
- Potential future sales or issuances of the Company's shares;
- Potential failure of the liquid capital market to develop.

2.5. Tax and other payments related to the shares

- Property transfer tax

No property transfer tax is due on the transfer for a consideration (sale) of shares.

- Gift and Inheritance Tax

No gift and inheritance tax is due on the transfer without consideration of shares.

- Capital gain tax

The transfer of shares for a consideration may result in a taxable capital gain according to the laws of the Republic of Serbia that regulate tax on income.

Pursuant to the Personal Income Tax Act (*Official Gazette RS, No. 24/2001, 80/2002, 80/2002, 135/2004, 62/2006, 65/2006, 31/2009, 44/2009, 18/2010, 50/2011, 91/2011, 7/2012, 93/2012, 114/2012, 8/2013, 47/2013, 48/2013, 108/2013, 6/2014, 57/2014, 68/2014 5/2015, 112/2015, 5/2016, 7/2017 and 113/2017*), a taxpayer - natural person, who transfers shares in a company for consideration, may generate capital gain or loss. Capital gain is the difference between the acquisition price and the sales price of the shares (which difference presents a basis for calculation of the tax obligation). In case the difference is negative, the taxpayer has generated a capital loss. No taxable capital gain occurs in case the taxpayer transfers the shares after a holding period of 10 years.

A capital gain is taxed at the rate of 15% unless otherwise prescribed by an applicable double tax treaty (in case of non-residents transferring the shares in a company registered in the Republic of Serbia).

Pursuant to the Corporate Income Tax Act (*Official Gazette RS, No. 25/2001, 80/2002, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2013, 108/2013, 68/2014, 142/2014, 91/2015, 112/2015*), a taxpayer - a legal entity, who transfer shares of a company for consideration, may generate capital gain or loss. The manner of assessment of the capital gain of a company-taxpayer is the same as in case of a natural person.

The applicable tax rate depends on the residency of the corporate taxpayer:

- A resident company pays 15% income tax on capital gain
- A non-resident company pays 20% income tax on capital gain unless otherwise provided for in an applicable double tax treaty.

Unlike natural persons, there is no tax relief for corporate taxpayers in case the shares have been owned by them for a specific period of time.

- Income tax on dividends

Taxpayers, who receive dividends from other companies, are subject to income tax. Rules applicable to individuals and companies generating income from dividends are different.

Corporations receiving dividends from Serbian companies are taxed in the following way:

- Income realised by residents from dividends from other resident companies - is not included in the tax base for calculation of corporate income tax,
- Non-resident companies receiving dividends from resident companies are required to pay a 20% withholding tax on dividends, unless otherwise provided for in an applicable double tax treaty.

Individuals receiving dividends from companies registered in the Republic of Serbia are taxed as follows:

- Residents receiving dividends from companies registered in the Republic of Serbia – at a rate of 15% on the realised dividend
- Non-residents – at a rate of 15%, unless otherwise provided for in an applicable double tax treaty.

All possible subsequent amendments to the regulations, interpretations, judicial and administrative decisions may cause alterations to the above stated and may have tax consequences for shareholders. The Issuer is not obliged and will not make any amendment to the Prospectus nor inform the shareholders of any subsequent changes to the regulations, unless such changes are material for the assessment made by the prospective investors.

Any future owner of the shares shall be obliged to inform themselves about the tax obligations that may arise from the ownership or any disposition of the shares, including both tax regulations of the Republic of Serbia, as well as relevant international treaties on avoidance of double taxation in case of holders of the shares who are non-residents and to track changes to these regulations that may result in changes in tax liabilities arising from the ownership of shares.

3. Publication of the Prospectus

The Prospectus shall be published in the electronic form at the Company's website (www.fintelenergija.rs), the website of the Agent and Underwriter M&V Investments AD Beograd (www.mvi.rs) and the website of the regulated market of the Republic of Serbia, i.e. Beogradska berza a.d. Beograd ("**Belex**") (www.belex.rs).

The Issuer shall, upon a written request, deliver to the investor, free of charge, a written version of the Prospectus, by mail or directly in its business premises, within a reasonable period of time necessary for printing or copying, or mailing.

The Issuer will publish a notice of the manner in which the prospectus has been made available to the public with the information where it is possible to get its written form, on the next business day after publication of a prospectus, in a daily newspaper distributed in the territory of the Republic of Serbia.

4. Term of validity of the Prospectus

In accordance with Article 22 of the Capital Market Act, the Prospectus is valid within the period of 12 (twelve) months after its publication, subject to the condition that it is properly supplemented in accordance with provisions of Article 33 of the same law.

The term for beginning of the subscription and payment of the shares shall commence at the latest within 15 days as of the day the decision on approving publication of the prospectus has been received.

The term for subscription and payment of the shares shall be 90 days commencing as of the date stated as the first date in the Announcement about the manner the prospectus has been made available to the public.

5. Company’s responsible persons

Managing directors (Board of Directors) of the Company are:

- Tiziano Giovannetti, Italian citizen, passport number YA9131516 – as the General Manager as well as the legal representative of the Company,

and the following non-executive members of the Board of Directors:

– Claudio Nardone. Italian citizen, passport number YA1071534 – chairman of the Board,
– Luka Bjekovic Serbian citizen, ID number 0109987751039,
– Paolo Martini, Italian citizen, passport number YA9058869.

6. Statement of the responsible persons

"Having taken all necessary measures, we declare that to the best of our knowledge, the information contained in the part of the Prospectus for which we are responsible, is in accordance with the facts, and that no facts were omitted which may affect the authenticity and completeness of the Prospectus.”

For the Company:

FINTEL ENERGIJA AD

____

Tiziano Giovannetti

ANNEX II

REGISTRATION DOCUMENT FOR SHARES ("Registration Document")

1. RESPONSIBLE PERSONS

1.1. Responsible persons

All persons responsible for the information contained in the Registration Document are listed. Also, persons who are responsible for the information specified in the special Sections of the Registration Document, if any, shall be mentioned, with the indication of the part of the document for which they are responsible. For natural persons, including members of the management and/or supervisory board, the name, family name and function in the legal person are stated. For a legal person, the business name and the seat are stated.

For the Company, managing directors (Board of Directors):
Tiziano Giovannetti, – as the General Manager and the legal representative of the Company,

and the following non-executive members of the Board of Directors:

Claudio Nardone – as the chairman,
Luka Bjekovic,
Paolo Martini.

There are no separate Sections of this Registration Document for which other persons, than the above listed, are responsible.

1.2. The Statement of responsible persons

A signed statement by the responsible persons, which reads: "Having taken all necessary measures, we declare that, according to our knowledge, the information in the Registration Document is in accordance with the facts, and that the facts that could affect the authenticity and completeness of the prospectus are not omitted."
Statement of the persons responsible for the information specified in the separate Sections of the Registration Document which reads as follows: "Having taken all necessary measures, we declare that, according to our knowledge, the information is in the separate part of the Registration Document for which we are responsible, in accordance with the facts, and that the facts which could affect the authenticity and completeness of the prospectus are not omitted"

"*Having taken all necessary measures, we declare that to the best of our knowledge, the information contained in the Registration Document is in accordance with the facts and contains no omission which may affect the authenticity and completeness of the Prospectus*."

For the Company:

FINTEL ENERGIJA AD

____
Mr Tiziano Giovannetti, managing director

There are no separate Sections of this Registration Document for which other persons, than the above listed, are responsible.

2. PERSONS RESPONSIBLE FOR AUDITS OF FINANCIAL INFORMATION

2.1. The name and surname or the business name of the person responsible for audits of financial statements for the Company and the Subsidiaries for the period covered by the historical financial information, including their status in the legal person

The Company's statutory auditor for the standalone and consolidated financial statements of the Company for the years ended 31 December 2017, 31 December 2016 and 31 December 2015, is PricewaterhouseCoopers d.o.o. Beograd, a limited liability company for auditing and consulting services with its registered seat in Belgrade, Omladinskih brigada 88a, Serbia.

PricewaterhouseCoopers d.o.o. is registered in the register of auditing companies kept by the Chamber of Authorized Auditors of Serbia under the number 64/07.

On behalf of PricewaterhouseCoopers d.o.o., the consolidated and standalone financial statements included in this Prospectus were audited by Milivoje Nesovic, License number: 1011108.

2.2. If a person responsible for audits of financial statements have resigned, been removed or not been re-appointed during the period covered by the historical financial information, provide a detailed explanation for the change

No changes with respect to the person responsible for audits of financial statements of the Company and the Subsidiaries have occurred during the period covered by the historical financial information. In particular, the Company had no obligation of auditing its financial statements in previous years. For the purpose of this public issuance of the shares, the above stated auditor simultaneously made auditor's reports for the last 3 years.

3. SELECTED FINANCIAL INFORMATION

The selected financial information included herein should be read in connection with, and are qualified in its entirety by reference to the Section 20.3 "Financial Statements" and the Section 9 "Operating and Financial Review". The reporting currency for the purpose of financial reporting is RSD (Serbian dinar).

3.1 Selected Financial Information of the Group

Selected financial information about the issuer, shown for each financial year, in the period that includes financial information on business operations in the previous period, as well as for each subsequent interim period. All selected financial information is displayed in the same currency.
The selected financial information must represent key information that summarizes the financial position of the issuer.

The tables below set out selected financial information of the Group as at and for the years ended 31 December 2017, 2016 and 2015. The selected financial information set out below has been extracted without material adjustment from the Group Financial Statements included in Appendix A “Financial Statements” and has been prepared on the basis described in the accompanying notes. The Group’s consolidated financial statements have been prepared in accordance with the Law on Accounting of the Republic of Serbia (the "**Law**"), published in Official Gazette 62/2013, which requires full scope of International Financial Reporting Standards (“**IFRS**”) to be applied as translated into Serbian up to 31 July 2013. In addition, the Law requires certain presentations and treatments of accounts and balances that results in the additional departures from IFRS, described in details in Note 2.1 Basis of preparation to the consolidated financial statements of the Group as at and for the years ended 31 December 2017, 2016 and 2015, included in this Prospectus.

Consolidated income statements for the Group (in RSD thousand)

	Year ended 31 December		
	2017	2016	2015
OPERATING INCOME	**496,683**	**183,922**	**62**
OPERATING EXPENSES	**283,685**	**128,213**	**23,434**
OPERATING GAIN	**212,998**	**55,708**	**-**
OPERATING LOSS	**-**	**-**	**23 372**
FINANCE INCOME	**141,224**	**9,796**	**22,131**
FINANCE EXPENSES	**196,729**	**124,949**	**67,452**
PROFIT FROM FINANCING OPERATIONS	**-**	**-**	**-**
LOSS FROM FINANCING OPERATIONS	**55,504**	**115,153**	**45,321**
OTHER INCOME	**920**	**122,387**	**-**
OTHER EXPENSES	**8,646**	**5,971**	**642**
PROFIT BEFORE TAX	**149,767**	**56,971**	**-**
LOSS BEFORE TAX	**-**	**-**	**69 335**
INCOME TAX			
I. CURRENT INCOME TAX	45,273	6,610	672
II. DEFERRED TAX EXPENSE FOR THE PERIOD	-	6,393	14,736
III. DEFERRED TAX INCOME FOR THE PERIOD	8,416	-	-
PERSONAL INCOME PAID TO EMPLOYER			
NET PROFIT	**112,910**	**43,968**	**-**
NET LOSS	**-**	**-**	**84,744**

Consolidated Balance sheets for the Group (in RSD thousand)

	31 December 2017	31 December 2016	31 December 2015
NON-CURRENT ASSETS	**3,184,272**	**2,896,346**	**1,960,642**
CURRENT ASSETS	**208,422**	**243,008**	**190,030**
TOTAL ASSETS	**3,392,694**	**3,139,354**	**2,150,672**
EQUITY	**(54,075)**	**(186,242)**	**(208,938)**
LONG-TERM PROVISIONS AND LIABILITIES	**1,839,751**	**1,950,661**	**1,164,111**
SHORT-TERM LIABILITIES	**1,600,238**	**1,362,607**	**1,185,810**
DEFERRED TAX LIABILITIES	**6,779**	**12,328**	**9,689**
TOTAL EQUITY AND LIABILITIES	**3,392,694**	**3,139,354**	**2,150,672**

Consolidated statements of cash flow for the Group (in RSD thousand)

CASH FLOWS FROM OPERATING ACTIVITIES	**2017**	**2016**	**2015**
Cash inflow from operating activities	**469,823**	**386,377**	**5,738**

Cash outflow from operating activities	235,447	95,875	65,599
Net cash inflow from operating activities	234,376	290,503	-
Net cash outflow from operating activities	-	-	59,862
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash flows from investing activities	-	46,972	-
Cash outflow from investing activities	407,467	1,129,413	1,496,922
Net cash inflow from investing activities	-	-	-
Net cash outflow from investing activities	407,467	1,082,441	1,496,922
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash inflow from financing activities	256,204	947,155	1,584,153
Cash outflow from financing activities	155,563	125,300	216,411
Net cash inflow from financing activities	100,551	821,855	1,367,743
Net cash outflow from financing activities	-	-	-
TOTAL CASH INFLOW	726,028	1,380,504	1,589,891
TOTAL CASH OUTFLOW	798,567	1,350,587	1,778,932
NET CASH INFLOW	-	29,917	-
NET CASH OUTFLOW	72,539	-	189,041
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	175,295	144,794	333,835
CURRENCY TRANSLATION GAINS ON CASH AND CASH EQUIVALENTS	-	584	-
CURRENCY TRANSLATION LOSSES ON CASH AND CASH EQUIVALENTS	-	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	102,755	175,295	144,794

3.2. If selected financial information for the last interim period is provided, comparative data for the appropriate interim period in the prior financial years must also be provided. For the comparative overview of the balance sheet, it is sufficient to show the appropriate annual balance sheet

No financial information for interim periods is provided.

4. RISK FACTORS

Detailed disclosure of any risk factors specific to the Company or its industry.

4.1. Company's risks relating to the regulatory environment and the Serbian power market

Reduction or abandonment of governmental support for renewable energy (Feed-in Tariff or FiT), or other relevant changes in governmental energy policy, may adversely affect the Company's business operations, financial condition and operational results.

The development of renewable energy sources and generation of renewable energy in Serbia relies, in large part, on the national and international regulatory and financial support of such development. While the EU and Serbia have, in recent years, adopted policies and support mechanisms actively supporting renewable energy, it is possible that this approach could be modified or changed in the future, including as a result of a change in the Government policy or the legislation changes, relating to renewable energy directly or to energy policy in general. The Company's development and future operations are particularly sensitive to amendments of the laws of the Republic of Serbia or regulations as the Company's business is based, at the moment of the initial public offering, solely in Serbia. These changes might materially affect the Company's existing business, or could materially affect its future growth, as support mechanisms are necessary in order to provide the Company's business with expected returns.

The FiT Mechanism has been the main support mechanism for renewable energy in Serbia since its inception in 2012. The FiT Mechanism is a system whereby a producer which has achieved the Privileged Power Producer Status or PPP, such as the Company, using Specified Renewable Technologies (Wind, Solar, Hydro, Biomass, Biogas) is eligible to receive a Feed In Tariff paid for generating power under a bi-lateral agreement (PPA or Power Purchase Agreement). The Serbian state-owned electricity supplier EPS is obliged to buy all power produced, metered and injected into the grid from renewable energy sources produced by PPPs such as the Company, for the duration of the FiT Mechanism (12 Years since the Commercial Operational Date). Domestic Energy Law has granted as a first step the FiT Mechanism for a total of 500 MW of wind power installed capacity until 2018. New incentive program is expected to be released during 2018, but if for any reasons these support mechanisms are reduced or eliminated or there are delays in implementation of legislation, the development and growth of the Company's future business operations, prospects, financial condition and operational results could be materially adversely affected.

As the Company operates in a regulated industry, it is important to maintain strict compliance with all applicable regulations and decisions imposed by the regulators, including the Ministry of Mining and Energetics, the Ministry of Construction, traffic and Infrastructure and the Autonomous Province of Vojvodina. Any difficulties in this compliance, could delay the Company in obtaining the various permits and approvals it requires, divert management's attention away from the day-to-day running of the business of the Company, and/or lead to more rigorous conditions being imposed for obtaining of relevant permits.

4.2. Company's operational risks

a) Weather conditions and reliance on the forecasts of independent consultants

The Group's business and the profitability of each of the Company's Wind Business is dependent in many ways on weather conditions.

In relation to the Wind Business, the profitability of a wind farm is of course dependent on the wind conditions at the particular site. Accordingly, the revenues of the Company's Wind Business will be dependent upon the wind conditions at each of its wind farms (e.g. if any of the Company's wind farms have lower wind resources than anticipated, that wind farm is likely to generate lower electricity volumes and lower revenue than anticipated), and wind conditions at any site can vary materially across seasons and years. Variations in wind conditions occur as a result of fluctuations in wind currents on a daily, monthly and seasonal basis and, in long terms, as a result of general climate changes. The wind performance of wind farms in different areas of Serbia are correlated to a certain extent, as at times weather patterns across the whole of Serbia are likely to have an influence on wind patterns and, consequently, on revenues generated by wind farms across the whole of Serbia.

External independent consultants engaged by the Company's lenders for each development project, forecast wind conditions during the development of a wind farm at any particular location. However, there can be no guarantee as to the accuracy of forecasting or the reliability of the external consultants' forecasting models, or that data collected will be indicative of future wind conditions (i.e. due to wind measurement errors, or errors in the assumptions applied to the forecasting model e.g. forecasters look at long-term data and there cannot be short-term fluctuations, etc.).

b) Reliance on contractors-third parties for the transmission and/or distribution

The Company does not own or control transmission or distribution facilities, but engages third parties that own or operate electricity transmission or distribution networks to deliver the electricity it produces. Electricity transmission and distribution lines may experience unplanned outages over which the Company has no control. The Company's renewable energy facilities may also be curtailed in the event of congestion on the networks or for other reasons beyond its control. Furthermore, the

operators of such networks may not comply with their contractual obligations pertaining to transmission or distribution. The occurrence of any of the circumstances detailed above would result in loss of revenue that could adversely affect the Company's business operations, prospects, financial condition and operational results.
In addition, in relation to the Company's Wind Development Pipeline, the Group will be reliant on third parties' consent on developing the transmission and distribution networks, so that the Group is able to deliver the electricity it produces.

c) The maintenance of the Group's generating plants

The Company's generating plants require regular maintenance, which is itself subject to certain risks. A number of problems may arise in relation to the Company's facilities during maintenance, which may cause interruptions to production (e.g. including, among other things, failed deliveries by suppliers or manufacturers or longer-than-expected periods for technical adjustments. In particular, failure of a contractor to perform the agreed services and/or change in a contractor's financial circumstances in conjunction with overreliance on particular contractors may, among other things, result in the relevant asset either underperforming or becoming impaired in value and there can be no assurance that such underperformance, impairment or delay will be fully or partially compensated by any contractor warranty or bank guarantee (which are usually limited in scope and quantum, and typically do not cover full loss of profit). Additional costs and loss of revenue that may arise in the maintenance of facilities may adversely affect the Company's business operations, prospects, financial condition and operational results.

The Group is dependent upon the operating performance of certain equipment and is hence subject to mechanical failures and equipment shutdowns (e.g. there have been instances at a small number of wind farms across the industry, where there have been structural defects in the wind turbines). Circumstances beyond the Company's control, including engine fires, floods or a trip in the electricity grid, could also affect or damage facilities or equipment. The revenues of the Company depend in part upon the operating performance of the equipment used on its sites. A defect or a mechanical failure in the equipment, or an accident that causes an interruption or a decline in the operating performance, at a site will directly affect upon the revenues and profitability of that site.

The impact of any failure of, or defect in, the equipment used in the operation of the Company's sites will be reduced to the extent that the Company has the benefit of any warranties or guarantees given by an equipment supplier which cover the repair and/or replacement cost of failed equipment. However, warranties and performance guarantees typically only apply for a limited period, and may also be conditional on the equipment supplier being engaged to provide maintenance services to the project. Performance guarantees may also be linked to certain specified causes and can exclude other causes of failure in performance (e.g. unscheduled and scheduled grid outages). Should equipment fail or not perform properly after the expiry of any warranty or performance guarantee period and should insurance policies not cover any related losses or business interruption, the Company will bear the cost of repair or replacement of that equipment. Moreover, equipment warranties and guarantees do not cover consequential damages (that could follow from equipment failures or defects). In addition, the timing of any payments under insurances, warranties and performance guarantees may adversely affect the Company's cash flow.

In relation to the Wind Business, the construction of wind farms typically results in reliance upon the services delivered by one or more contractors. Furthermore, it is customary to develop a relationship with certain contractors over time (e.g. due to the quality of their work) and therefore rely on certain contractors over others. The Company also relies on a small range of suppliers, which currently include Vestas, Siemens, Prime Energy General Constructions d.o.o., Elektromontaza d.o.o., for the supply installation and servicing of the equipment used by the Company's Wind Business. There is no guarantee that the Company will be able to replace any material manufacturer, supplier, contractor or customer in a timely manner or at all in the event that any of these relationships is discontinued or terminated. If the Company is unable to negotiate favourable contracts with these manufacturers, suppliers or customers or if any of them is unable to fulfil its obligations and the Company is unable to find suitable replacements, the Company's business operations, prospects, financial condition or operational results may be adversely affected.

d) Wind turbines may not operate for their expected life-span

The Company operates on the basis that wind turbines should operate for 30 years from installation and, while in practice they might operate for even longer periods, no residual value or repowering benefit beyond this is reflected in the Company's accounts. In the event that the wind turbines do not operate for this period, experience a decline in operating performance, or require significantly more maintenance expenditure than assumed, there may be a material adverse effect on the Company's business operations, prospects, financial condition and operational results. Given that wind farms are a relatively new investment class, there is limited experience as to whether such operating problems may arise in future.

e) Legal proceedings of various grounds

The Company may become involved in legal proceedings based on environmental, health, public liability, safety and land use issues and related matters. These may include complaints and statutory nuisance actions and claims by third parties. Such complaints and actions could be related to issues such as odour, underground fires and other such nuisances during both the operational and the non-operational phases of the Wind sites. Additionally, the noise of wind turbine blades may allegedly cause a nuisance to nearby residents and the blades may in some circumstances also cause harm to local bird or bat populations. There can be no guarantee that the Company's operations will not be considered as a source of nuisance or other environmental harm or that claims will not be made against the Company in connection with its operations and their effects on the environment. This could lead to increased cost of compliance and/or abatement of power generation activities at the affected facilities. Any successful third party claim could materially hinder the Company's operations, damage its reputation and/or result in the imposition of penalties or substantial liabilities, which could have a material adverse effect on the Company's business operations, prospects, financial condition and operational results.

As a rule, the Company's operations expose it to the risk of health and safety liabilities. On the account of the nature of its operations, the Company is subject to various statutory compliance and litigation risks under health, safety and employment laws. There can be no guarantee that there will be no accidents or incidents suffered by the Company's employees, its contractors or other third parties at the Company's facilities. If any of these incidents occur, the Company could be subject to prosecutions and litigation, which may lead to fines, penalties and other damages being imposed and cause damage to the Company's reputation.

Also, natural disasters, sabotage or other similar events at one or more of the Group's facilities could have an adverse effect on its business. If one or more of the Company's wind farms were to be subject in the future to a natural disaster, sabotage, power loss or other catastrophe, or if unexpected geological or other physical conditions such as subsidence were to arise at any of the Company's facilities, it might not be possible to carry out business activities at those locations or such operations could be severely curtailed, while any measures the Company has taken, or may take in the future, to prevent such occurrences may prove not to be sufficient.

Property-related risks may have a material adverse effect on the Company's financial position, business operations, financial results and operational results. The Company's sites are located on commercial or agricultural land to which entitlement of the majority of the sites is secured through lease agreements. Prolonged negotiations with landlords may cause delays in the development of sites. Reliance upon property owned by a third party also gives rise to a range of risks including deterioration in the property during the investment life, damages or other lease-related

	costs, counterparty and third party risks in relation to the lease agreement and property, termination following a breach or due to other circumstances such as a mortgages (or similar) taking possession of the property. Problems in the foregoing areas may result in disruption of operations and as a result in the generation of lower electricity volumes and lower revenues than anticipated.
4.3. Risks relating to the development of pipeline business	
	a) Additional sites and permits The Company may not be able to obtain additional sites for the construction and development of wind farms, secure planning permission and other necessary permissions, or subsequently develop those sites at which it obtains planning permission. There are a limited number of sites in Serbia where it would be economically sound to construct wind farms. As more and more wind farms are developed by both the Company and other wind electricity producers, it will become increasingly difficult for the Company to find suitable locations for wind farms. In addition, it cannot be guaranteed that the Company will be granted planning permission to construct a wind farm and the Company may incur high costs in making such unsuccessful applications. b) Construction of the Company's generating plants The construction of the Company's pipeline entails certain risks, both from a technical and the timing perspective. A number of problems may arise in relation to the Company's facilities during construction which may cause delays in commencement of the production. There is a risk that equipment and labour necessary for the Company's wind operations, in particular, wind turbines and other production line services such as crane hire and turbine assembly teams may not be available to meet the Company's requirements (e.g. due to market fluctuations in the demand for wind turbines (e.g. an increase in wind farm construction at certain times due to Government policy), the cost and availability of the parts to manufacture wind turbines or discontinuation of particular models. In particular, failure of a contractor to perform the agreed services and/or change in a contractor's financial circumstances, may among other things result in the relevant asset falling behind its construction schedule and there can be no assurance that such delay will be fully or partially compensated by any contractor warranty or bank guarantee (which are usually limited in scope and quantum, and typically will not cover full loss of profit), which may adversely affect the Company's business operations, prospects, financial condition and operational results. c) Difficulties in ensuring fuds for financing of business Unpredictability in credit and capital markets could make it more difficult for the Company to borrow money or raise capital needed to further develop its Wind Development Pipeline Business or finance any acquisitions it may undertake. The Company will in future aim to grow its business through the build-out of its wind development pipeline and will aim to fund approximately 80-90% of its expected investment through the proceeds of additional financing in the credit or capital markets. It could also choose to grow (in this or other areas) through the opportunistic acquisitions of projects or businesses. Volatility in the credit or capital markets may adversely affect the Company's access to debt or equity capital for these purposes, and consequently its ability to grow its business fully through such developments or acquisitions, which in turn could adversely affect the Company's business operations, prospects, financial condition and operational results.

4.4. Additional Group risks

a) Difficulties in ensuring funds for refinancing of existing obligations

Unpredictability in credit and capital markets could make it also more difficult for the Company to also to obtain funds for refinancing of the existing credit facilities. None of the Company's existing credit facilities is repayable in full within the period of 12 months from the date of this Prospectus. However, a volatility in credit and capital markets could make it even more difficult for the Company to refinance them at their final maturity.

However, at this stage it is important to mention that for the existing power plants in operation (Kula and La Piccolina) the Company successfully managed to reduce the debt service costs by at least 2% on the existing long-term loans, due to the fact that the Lenders recognized the performance over the estimation and the significant decrease of risk. Moreover, the Company managed to reduce financial costs because it agreed on better financing terms for existing loans. Namely, due to considerably better performance compared to the planned, the creditors agreed to lower the interest rate by over 200 bps, as well as significantly reduce the amount of the obligatory reserves (over 50% of the funds in the reserve account were freed). All of this will affect the generation of a larger amount of cash for dividend payments in 2018.

b) Potential higher insurance premiums

The Company currently has insurance arrangements in place for products and the damage caused to third parties, environment and the publicity, property damage and business interruption (including for sudden and unexpected environmental damage). However, it is possible in the future, that insurance providers may no longer wish to insure businesses in the renewable energy industry against, for example, certain environmental occurrences or may charge much higher premiums, which could have a material adverse effect on the Company’s business operations, prospects, financial condition and operational results.

c) Potential changes tax legislation or tax regime

The Company's effective tax rate may also be affected by changes in Serbian tax laws or the interpretation of Serbian tax laws, including those tax laws relating to the utilization of capital allowances, net operating losses and tax loss or credit carry forwards, and changes in the management’s assessment of certain matters (e.g. ability to effect deferred tax assets). The standard rate of corporate income tax in Serbia is 15%, but there can be no assurance that the rate will not change. The Company's effective tax rate in any given financial year reflects a variety of factors that may not be present in the succeeding financial year or years.

d) Financial risk management

The coordination and monitoring of key financial risks is carried out by the central treasury department of the Ultimate Parent Company, which provides guidelines for the management of various types of risk and for the use of financial instruments. The main features of Fintel Group's risk management policy are:

- central determination of operational risk management guidelines concerning market, liquidity and cash flow risks;
- monitoring of results achieved;
- diversification of commitments/obligations and of the product portfolio.

i) Credit risk

Credit risk represents the exposure to potential losses arising from the failure by commercial and financial counterparties to fulfil their contractual obligations.

Credit risk in the Group is at low level since most of the receivables are towards the Serbian state or state-owned company in Serbia.

ii) Liquidity risk

Liquidity risk is associated with the ability to meet the commitments arising from financial liabilities assumed by the Group. Prudent risk management of liquidity arising in the course of ordinary activities implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities.
Liquidity risk is managed centrally by the Group, given that the administration department periodically monitors the Group's net cash/debt through the preparation of appropriate actual and forecast cash inflow and outflow reports. In this manner, the Group aims to ensure it has adequate cover for its financing needs, by accurately monitoring financing, credit facilities opened and utilisations thereof, in order to optimise its resources and manage any temporary liquidity surplus.
The Group's objective is to establish a financing structure that, consistent with its business objectives, guarantees sufficient liquidity for the Group, minimises the related opportunity cost and maintains an equilibrium in terms of term to maturity and composition of the debt.

iii) Market risk

In the conduct of its operations, the Group is potentially exposed to the following market risks:

- risk of fluctuation in exchange rates;
- risk of fluctuation in interest rates.

These risks are essentially managed centrally by the parent company Fintel Energija SpA.

Risk of exchange rates fluctuations

Exchange rate risk is linked to operations in currency other than the RSD. Fintel Group is exposed to the risk of exchange rates fluctuations, given that it conducts business in Serbia through its subsidiaries, which are companies committed to the study, construction, development and management of wind farms and other projects in the field of renewables. The consequent impact is reflected in the consolidated income statement of the subsidiaries.

Risk of interest rates fluctuations

The risk of interest rates fluctuations to which Fintel Group is exposed originates from financial payables. Fixed rate debt exposes the Group to risk linked to changes in the fair value of the debt for their part linked to changes in the reference rate market. Floating rate debt exposes the Group to cash flow risk originating from the volatility of interest rates.
The Group's financial indebtedness consists of current bank debt, medium/long term loans granted by banks and lease liabilities.

In order to hedge the risk of interest rates fluctuations, during the course of 2015, the subsidiary Vetropark Kula also entered into an agreement for an interest rate cap with spread in relation to financing for the “Kula” wind power plant.
The company committed, in the loan agreement signed between Vetropark Kula d.o.o. and Erste banke A.D., to:

- maintain the average debt recovery – ADR (operating profit + depreciation – corporate income tax / total annual repayment of principle and interest expense) at the minimum level of 1.15.

The company committed, in the loan agreement signed between Energobalkan d.o.o. and Unicredit Bank JSC Serbia, to:

- maintain debt repayment ratio –ADR (cash flow before net financial cash flow for 12 months period and total financial liabilities for the same period) not less than 1.2:1 for the duration of this agreement.

5. INFORMATION ABOUT THE ISSUER

5.1. General information about the issuer and its development

5.1.1. Business name of the Company: "Privredno društvo za proizvodnju električne energije FINTEL ENERGIJA" A.D. Beograd

5.1.2. Seat of the Issuer, ID number, number of the excerpt from the appropriate commercial register in which the issuer is registered:
Company's seat is in Belgrade, Bulevar Mihaila Pupina 115e, and registered with the Business Registers Agency of the Republic of Serbia under ID number 20305266.

5.1.3. Legal form of the Issuer, phone number where it is available and email address:

The Company is organized as a non-public joint stock company.

Company's seat is in Belgrade, Bulevar Mihaila Pupina 115e, telephone number +381113539570, e-mail: sanja.ristovic@fintel.bz.

5.1.4 The date of incorporation and registration of the Issuer: 27 June 2007.

5.1.5 The important events in the development of the Issuer

The Company was incorporated as a closed joint stock company on 27 June 2007, under the business name *PRIVREDNO DRUŠTVO ZA PROIZVODNJU ELEKTRIČNE ENERGIJE FINTEL ENERGIJA AD BEOGRAD*, by the company FINTEL ENERGIA GROUP S.P.A, registration number 02658620402, as the sole shareholder.

On 29 May 2014, the Company changed its legal form into a limited liability company.

On 27 November 2017, the Company changed its legal form into a (non-public) joint stock company.

The valid version of the amended Memorandum of Association is dated 18 September 2017, while the valid version of the Articles of Association is dated 12 April 2018.

The Company has a majority stake in the following companies:

- MK-Fintel Wind Holding d.o.o. za holding poslove Beograd, where the Company holds 53.99737% of the share capital, while the remaining share capital is held by MK Holding d.o.o. za holding poslove Beograd,
- MK-Fintel Wind a.d Beograd, where the Company holds 53.99737% of the share capital, while the remaining share capital is held by MK Holding d.o.o. za holding poslove Beograd.

	MK-Fintel Wind Holding d.o.o. za holding poslove Beograd holds 100% in the following subsidiaries, SPVs for other projects: Vetropark Kula d.o.o. Beograd, Energobalkan d.o.o. Beograd, Vetropark Torak d.o.o. Beograd, Vetropark Košava 2 d.o.o. Beograd, Vetropark Ram d.o.o. Beograd, Vetropark Dunav 1 d.o.o. Beograd, Vetropark Dunav 3 d.o.o. Beograd. Each of the Subsidiaries is established as a special purpose vehicle for the particular project.
5.2. Principal investments	
5.2.1. A description (including the amount) of the issuer's principal investments for each financial year for the period covered, up to the date of the Registration Document.	
	At the date of this Prospectus the Group has performed the following principal investments for the development, construction and operation of the following wind farms: – Kula wind farm, built in 2015 (in operation since February 2016) the total investment of about EUR 15 million, – La Piccolina wind farm, built in 2016 (in operation since July 2016) the total investment of about EUR 10 million, – Kosava phase I - under construction (construction started in June 2017) the total final total investment of about EUR 118 million (out of which EUR 15 million have been invested as of 31 March 2018). For more details about the amounts related to the investments, conclusive as of 31 December 2017, please refer to the Notes 8 and 32 in the consolidated financial statements in the Section 20.3 of the Registration document of this Prospectus.
5.2.2. A description of the issuer's ongoing principal investments (including the value), including those made domestically and abroad, and the method of financing the investments (internal or external).	
	Currently, the Group has under construction the Wind Farm Košava - Phase 1 (total installed power of 69MW). Construction started in June 2017 and completion of the works is envisaged for the end of 2019. The total investment of this project is about EUR 118 million and it is financed by mean of non-recourse project financing. The banks syndicate (including Erste Vienna, Zagrebačka banka, Austrian Development Bank – OeEB, Unicredit Serbia and Erste Serbia) provided financing of 70% of the total project costs and the Sponsors (including the Company and MK Holding) provided 30% as equity. The Company as the major shareholder in Košava provided 54% of the total equity while the remaining 46% was provided by the minority shareholder (MK Holding d.o.o.). The part of its equity participation in Košava, Company provided from internal sources, while the remaining part was provided by a junior loan (EUR 10.6 million). All information about the loans is given in the financial statement contained in the Section 20.3 of this Prospectus.
5.2.3. Information concerning the issuer's principal future investments on which its management bodies have already made firm commitments.	
	The Company/Group has several projects in the pipeline which are in different stages of development. At the date of this Prospectus, building permits exist for two other projects: Wind Farm Košava – Phase 2 and Wind Farm Ram. In addition, the Company rapidly develops the Wind Farm Kula 2 (extension of existing Wind Farm

Kula) as well as the Wind Farm Košava 2 (extension of Wind Farm Košava – Phase 1 and 2).

In addition, there are already projects of Wind Farms Dunav 1, Dunav 3 and Torak that are in different development stages.

6. BUSINESS OVERVIEW

6.1. Principal Activities

6.1.1. Description of the business, listing of the core activity and key activities on basis of which the issuer generates the highest income, listing the significant products it sells or the services it provides for each financial year shown in the previous period

The Company (the Group) is the leading independent (differentiated from the public utility) renewable energy producer in Serbia and the country's second largest producer of renewable energy after the state-owned market incumbent EPS (JP Elektroprivreda Srbije).

The Company and the Group were pioneers in the Serbian wind business as the first ever company to install and operate wind farms in the country. The Company sells its power output through offtake arrangements (PPA) to EPS and does not supply electricity directly to retail customers.

At the date of this Prospectus, the Company and the Group are active only in the Serbian market and produce the electrical power they sell only to EPS, through a wind power generation technology.

The Group operates through two main business directories:

1. the Wind power generation business
   The Company owns and operates 2 wind farms (La Picollina and Košava) for production of electrical energy which is distributed across the Republic of Serbia and has a total installed capacity of 16,5 MW. An additional wind farm consisting of 69 MW of installed power is currently under the construction and it is expected to enter into production by 2019.

Wind Power Generation

Wind farms generate electricity by converting kinetic energy from the wind into mechanical energy. The wind turbines have aerodynamically designed blades which, when caught by the wind, cause a rotor to turn, which drives the generator to produce electricity.

Wind farms are based on a well-known, publicly accepted, mature technology with limited construction and operational risk. The scale and geographical diversity of the Company's onshore wind portfolio reduces volatility in the availability levels and helps provide the Company with access to stable long-term wind resources.

2. Wind development pipeline business.
   The wind development pipeline is of approximately 352 MW, out of which 127 MW is already consented, while 69 MW is under construction.

Wind Development Pipeline Overview

The wind development team was established in 2009 as part of the added value creation strategy for the Company. The Company's continuous Wind Development Pipeline Business consists of approximately 352 MW at various stages of the development and/or consent and additional 120 MW at the feasibility stage.

Operational Wind Portfolio Overview

The Company's Wind Business consists of 16,5 MW of installed capacity spread across 2 sites in Serbia and made up 100% of the Company's revenue and gross profit in FY17. The portfolio generated 43.9 GWh in FY17 and the Group the leading wind generators of electrical energy in Serbia.

In the last three financial years the Onshore Wind Business's power output and capacity has risen steadily shifting from 0 to 69.3 GWh in FY17.

The Company does not pay any royalty on its operating wind farms and it is estimated that no royalty will have to be paid for the wind farm under construction and for the wind farms belonging to the Development Pipeline.

The weighted average age of the portfolio by MW is less than 2 years with substantially all non-OEM operations and maintenance activities performed in-house.

The key business parameters for FY17 for the Wind Business:

- La Piccolina Wind Farm: n. of turbines 2, Make: Vestas. Model V117. Operating since: July 2016. Total installed capacity: 6.6 MW. Output produced in FY 2017:15.6 GWh

- Kula Wind Farm: n. of turbines 3, Make: Vestas. Model V117. Operating since:.February 2016. Total installed capacity: 9.9 MW. Output produced in FY 2017: 28.3 GWh

The key business parameters for the FY17 for the Wind Development Pipeline Business:

- Project name: Wind Park Košava Phase II
  Capacity: 79.8MW
  N. of Turbines: 19 WTGs model Vestas V150-4.2MW
  Status: building permit, closing of financing

- Project name: Wind Park Kula 2
  Capacity: 9.9 MW
  N. of Turbines: 3 WTGs model Vestas V136-3.45MW (limited up to 3.3MW)
  Status: in process of obtaining location conditions and building permits

- Project name: Wind Park Košava Phase I
  Capacity: 69 MW
  N. of Turbines: 20 WTGs model Vestas V126-3.45MW
  Status: building permit, financed, under construction

- Project name: Wind Park Košava 2
  Capacity: 9.9 MW
  N. of Turbines: 3 WTGs model Vestas V150-4.2MW (limited up to 3.3MW)
  Status: in process of obtaining location conditions and building permits

- Project name: Wind Park Ram
  Capacity: 9.9 MW
  N. of Turbines: 3 WTGs model VestasV136-3.45MW (limited up to 3.3MW)
  Status: building permit, closing of financing

- Project name: Wind Park Dunav 1

Capacity: 9.9 MW
N. of Turbines: 3 WTGs model Vestas V136-3.45MW (limited up to 3.3MW)
Status: in process of obtaining location conditions and building permits

- Project name: Wind Park Dunav 3
  Capacity: 9.9 MW
  N. of Turbines: 3 WTGs model Vestas V136-3.45MW (limited up to 3.3MW)
  Status: in process of obtaining location conditions and building permits

- Project name: Wind Park Torak
  Capacity: 138 MW
  N. of Turbines: to be defined
  Status: in process of obtaining location conditions and building permits

Deployment know-how

The Company has an extensive wind development pipeline comprising approximately 352 MW at various stages of development. In the last few years the Company has obtained building permits and the connection rights for 5 out of 10 sites under development (Piccolina, Kula, Ram, Kosava Phase I and Kosava Phase II), consisting of more than 127 MW of wind development projects. The Company has built out 16.5 MW, while as of the date of this Prospectus, additional 69 MW are under construction. The Company also has other projects at the feasibility stage with the potential to deliver approximately 120 MW.

Development process

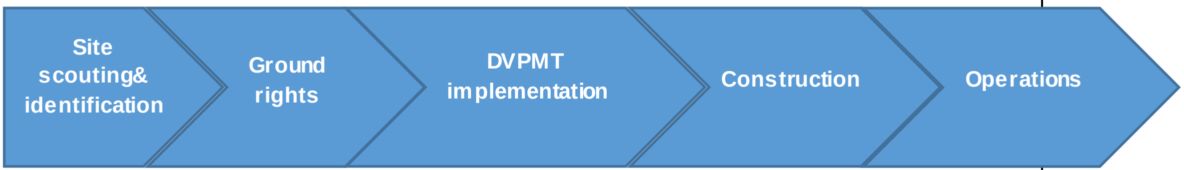
The process for identifying, developing, consenting, constructing and operating wind farm sites follows a logical process with internal gates (investment procedure) to ensure that all the effort would be focused to those sites most likely to achieve planning success and be capable of being quickly delivered for commercial operation. The gating process has five stages: 1. site identification, 2. securing agreements granting the legal ground over the land, 3. commitment to develop and submit a planning application, 4. commitment to construct and 5. handover to operations. By following this rigorous approach to potential new sites, only those which which are most likely to achieve the permits are taken forward for planning application. This approach leads to a relatively high planning success rate (up to 90% to date).

The questions addressed at the first three stages ensure that risks are continuously reduced as the financial commitment to the project is increased, and that the security over the land necessary for each stage is defined and achieved. Even where a site successfully passes the third stage but subsequently encounters difficulties, the system is sufficiently flexible to allow a rapid reduction of costs if necessary and, in extreme circumstances, termination of the development of the project.

The identification of new sites is achieved through a combination of approaches, including identification directly by the team and from landowners and their agents, with a strong relationship with the key agents and agencies, ensuring that the Company is able to respond swiftly to new development opportunities.

The broad suite of capabilities within the development team ensures that there is control over the sub-contracting arrangements that are in place with sub-contractors and an ability to critically control and review the work produced by them. The technical team provides wind energy resources analysis, grid connection and other support through both the development and the construction process, ensuring that the site design is optimized for both energy yield and the practicality of construction.

The Company has used this gating (investment procedure) process effectively for a number of years and the Directors believe that the Company has achieved success in determining the correct projects to take forward through development into construction. To date 10 sites have successfully been taken through gate 3 and, of these, 9 sites are either in the phase of planning or about to be submitted to planning.



Regulatory Support Mechanism

New wind projects constructed to date are remunerated under the Serbian FiT regime limited to 500 MW until the 2018. However, this is expected to be changed within the course of 2018 introducing new quota, but further information is not disclosed at the moment (e.g. if the FiT regime will be extended as it is or changed on the basis of an auction based mechanism).

Auction based PPAs have become the market standard in the EU and in many other non EU countries (Canada, South Africa, Chile, Uruguay, India, China, Brazil, Saudi Arabia etc.) and may also represent for Serbia the next step in the transition to a broader market-based, utility-scale deployment of wind energy generation. The Directors believe that the potential introduction of auction based PPAs should favour large-scale, multi-site-development, financially robust players, such as the Group's projects.

The Directors believe also that regardless of future incentive regime (extension of current FiT quota or introduction of auction based PPAs), the Company will benefit from its absolute leading position and its competitive advantage over other companies that are developing projects in the wind energy area on the market.

The Company sells wind generated electrical power through long-term (12 years) PPAs that stipulate progressive increases in prices linked to the EU CPI index. The Company currently has 3 PPAs in place with an average remaining tenure of 10.7 years.

Key Strengths of the Company and the Company's business

The Company is a high quality, low marginal cost, utility-scale, independent producer of renewable energy in Serbia. The Directors believe that the Group has a number of key business strengths, as set out below.

a) Leading independent Serbian renewable energy generator with a broad portfolio of generating plants

Following a successful period of expansion, the Company became the leading non-utility renewable energy generator in Serbia and the second largest renewable energy generator in Serbia after the state owned market incumbent EPS. The Company produced, through the first two operating wind farms (La Picolina and Kula) 25.4 GWh and 43.9 GWh of electricity in FY16 and FY17 respectively (+73% year over year), representing 100% of the overall wind electricity produced under the FiT scheme in Serbia in that years. Overall, this scale provides a unique platform for growth.

The Group has developed a broad portfolio of wind power plants (10 wind farms) across Serbia in four different locations, out of which two are already full operational and one under construction at the date of the Prospectus. Its geographical diversification and its pioneer approach to wind development in Serbia, have helped the Company to ensure the connection to the distribution network for the large majority of the Company's wind farm sites, facilitating this way the connection and allowing the Company to not pay the costs associated with the transmission grid, such as transmission infrastructure capex and related fees. This cost saving represent an embedded value that provides the Company to: (i) to save significant costs also towards the suppliers; (ii) execute the construction completion in faster way compared to its current and future competitors.

b) Proven operating platform led by a highly experienced management team

The Company has strategically developed and maintained in-house all the skills and resources it needs to run the business. This mean that all technical staff, engineers, procurement technicians, regulatory, construction supervisory are directly employed, or having long term cooperation agreement, by and with the Company and represent an additional value able to utilise the know-how on the entire pipeline in development.

In deploying its Wind Business, the Company developed a focus on operational excellence and associated systems and processes, which it is now applying to grow its Wind pipeline to a similar scale and quality. The Company has also opted to focus on majority-owned, self-managed assets, in order to have the full operational control on the projects

The Company owns 54% of its pipeline and operating asset base and controls the operations at its generating plants. The Company has therefore been free to invest significantly in wind energy specialized management and engineering expertise to ensure that the performance of the operating wind farm portfolio is optimized. All non-OEM operations and maintenance activities across all the sites in the Company's Wind Business are planned to be brought in-house by the end of FY18 or early FY19.

The Company manages its fleet of power generating plants across all technologies from a sophisticated, state of the art 24 hours/7 days control centre in Belgrade. This system enables Company to optimize performance through real time monitoring and maintenance scheduling.

The senior management team which oversees the Company's and Group's operations comprises individuals with experience and expertise spanning the project management, financing, construction and operation of wind power plants, as well as a highly skilled and motivated staff personnel.

This significant and continuous investments in the systems and personnel enabled the Company to progress in the wind turbine availability levels (i.e. the amount of time turbines are available to generate wind power) in its wind farms which is in excess of 97% in FY17.

c) Attractive and sustainable dividend policy supported by high operating margins and strong, steady cash generation

In FY17, the Company generated consolidated EBITDA (Operating Gain plus Depreciation & Amortization) of RSD 351 million and a corresponding EBITDA margin of 70.7% per cent (EBITDA in the amount of RSD 98 million and EBITDA margin of 53.2% in 2016). In 2017, the Company had RSD 234 million of Operating Cash Flow and RSD 291 million in 2016 (decrease mostly relates to subsidies in the amount of RSD 950 million received for La Picolina project. The Directors expect this positive cash flow trend from the business activities to continue, thanks to Wind Power cash generation (including projects which are currently under construction, and which will generate cash from FY19 onwards).

The Company operates and develops power-generating assets in the currently most cost effective way in Serbia, onshore wind, thus positioning the Company at a competitive advantage. These technologies have demonstrated commercial viability with operating costs that are stable and predictable, and power delivered at a low marginal cost. This underpins the Company's position as a highly cash generative business and aligns its business model with underlying Government policy of delivering renewable electricity production at low cost to the consumer.

The Company emphasizes that for the existing power plants in operation (Kula and La Piccolina) the Company successfully managed to reduce the debt service costs by at least 2% on the existing long-term loans, due to the fact that the Lenders recognized the performance over the estimation and the significant decrease of risk. Moreover, the Company managed to reduce financial costs because it agreed on better financing terms for existing loans. Namely, due to considerably better performance compared to the planned, the creditors agreed to lower the interest rate by more than 200 bps, as well as significantly reduce the amount of obligatory reserves (over 50% of the funds in the reserve account were freed). All of this will affect the generation of a larger amount of cash for dividend payments in 2018.

d) <u>Supportive regulatory and market environment</u>

The 100% of the Company's revenues are linked to European CPI index as a result of being sold under the Serbian renewable incentive scheme (FiT) linked to the European inflation.

e) <u>Internal growth through build out of onshore wind development pipeline at competitive cost per MW of installed power</u>

Since November 2015, the Company has added over 16,5 MW of wind capacity to its Onshore Wind Business, through the construction of two projects. It also has an onshore wind development pipeline of over 352 MW, of which 127 MW has received building permit and 69 MW under construction while approximately additional 120 MW is at feasibility level. The pipeline is being actively developed and projects are continuously progressed through the development and obtaining the appropriate regulatory consents. Projects are all developed subject to the Company's ''gateway'' approval process, which is described below in the section 6.1.1 above (*Development process*), and therefore the pace of development will depend on a number of internal and external factors. The most advanced project in the Company's pipeline is Kosava Phase II, a 19 turbine fully licensed development with capacity of up to 79.8 MW, subject to turbine selection, which is estimated to become fully operational in FY21.

f) Growth of the Group's business

The growth of the Company's and Group's business will be driven primarily by the build-out of the Company's Wind Development Pipeline Business, comprising approximately 352 MW. Out of the Wind Development Pipeline Business some 267 MW is at an advanced development stage (127 MW with building permit obtained, out of which 69 MW under construction and approximately 140 MW where planning applications will be soon submitted or were submitted already), while approximately additional 120 MW is at feasibility level.

The Company is targeting the 180 MW to 230 MW of installed capacity from the Wind Development Pipeline Business over the next three financial years. The Directors expect to fund app. 80 to 90% of this investment with proceeds from borrowings, while the remaining funds to be financed through subordinated debt and the Company's cash flow. It is the Directors' intention to take a flexible approach to the development of the Company's Wind Development Pipeline Business, in order to deliver growth without compromising the Company's ability to deliver dividends in line with its dividend policy. Whilst the focus of the Group is on organic growth, acquisitive growth would be considered on an opportunistic basis.

i) <u>Maximizing performance</u>

The Company has a differentiated business model, managing in-house the non-OEM operations of its Wind Business and is therefore well positioned to maximize value from the existing asset base (e.g. through its maintenance regime for plant and equipment, its investment in IT systems and centralized monitoring and management from its 24h/7days logistics centre).

6.1.2. Description of any significant new products or services introduced, current status of development of such product or service in the measure it is already known by the public

There were no significant new products and/or services that have been introduced, having in mind the nature of the Group's business and its pioneer characteristics at the market.

6.2. Principal markets

6.2.1 A description of the principal markets in which the issuer competes, including a breakdown of total revenues by category of activity and geographic market for each financial year for the period covered by the historical financial information

The Company is present on the Serbian market from 2007, since when it developed a broad portfolio of wind power plants, i.e. 10 wind farms across Serbia in four different locations, out of which two are already fully operational (16,5 MW of installed capacity) and one under construction (69 MW of installed capacity) as of the date of this Prospectus. Besides existing wind farms, the Company is simultaneously working on development of other wind farms of 352MW of total installed power, out of which 127 MW is already consented and 69 MW is under construction.

The Company acts as a wholesaler of the electrical power it generates and does not do business with retail customers. Its only client (in terms of sales of electricity from renewable sources) is EPS.

Total revenue on a consolidated level has been RSD 183,921 thousand for the year ended 31 December 2016 and RSD 496,683 thousand for the year ended 31 December 2017. In 2015, there were no revenue, given that both wind farms were under construction. Revenue only refers to FiT (equal to 94,7 €/MWh in 2017) received from EPS by wind plants “La Piccolina” and “Kula”.

The Company is part of Fintel Energia Group, whose chart is presented in Sections 7.1 and 17.2 of the Prospectus.

6.3. In the event that some extraordinary facts and circumstances had influence to the information stated in Sections 6.1. and 6.2., describe them in detail.

There are no extraordinary facts and circumstances that had an influence on the information stated in paragraphs 6.1. and 6.2.

6.4. Summary information on patents or licenses, material agreements or new manufacturing processes that are material to the issuer’s business profitability. The level of details should be proportional to the extent to which the issuer's operation is dependent on the listed elements

Operational Expertise

The Company manages the Onshore Wind Business with the aim of improving availability and optimizing energy yield.
The Company has secured comprehensive turbine service agreements with the Wind Turbine Manufacturer, including contractually fixed operation expenses profiles and availability warranties. The Company seeks to manage these contractors to achieve high levels of service, responsiveness and health and safety standards at all times. Site management and the balance of plant maintenance are largely performed in-

house. This includes civil infrastructure, high voltage infrastructure, ecology, landowner relations and all other key interfaces, on some of the sites. All remaining non-OEM operations and maintenance activities across all the sites are expected to be brought in-house by the end of FY18 or early FY19.
In the future, as the wind portfolio increases, the Group will consider bringing OEM operations and maintenance activities in-house. The Company works with the OEMs to plan service and maintenance operations, with all planned work scheduled in the Company's management system. Every effort is made to schedule maintenance during low wind speed periods, improving energy capture during high wind periods. The Company's skilled technical staff engage with the OEM supplier to identify retrofits and improvements, which may be of benefit in delivering a higher performance through either improved component reliability or improved power curve characteristics.

Benefits from embedded generation model

The Company's Onshore Wind Business assets are generally embedded generating sites as they are connected to the local distribution network. The majority are not connected to National Grid transmission network and therefore do not understay EMS regulations.

The exceptions are:

- Kosava Phase I, for which, according to the laws of the Republic of Serbia, the Company had to license, design, finance build and transfer the Overhead Lines and the Transformer Station to the domestic Transmission system Operator; and
- Kosava Phase II, for which, according to the laws of the Republic of Serbia, the Company will have to license, design, finance build and transfer the Overhead Lines and the Transformer Station to the domestic Transmission system Operator.

6.5. Statements made by the issuer regarding its competitive position on the market, with the facts being the basis for such statement

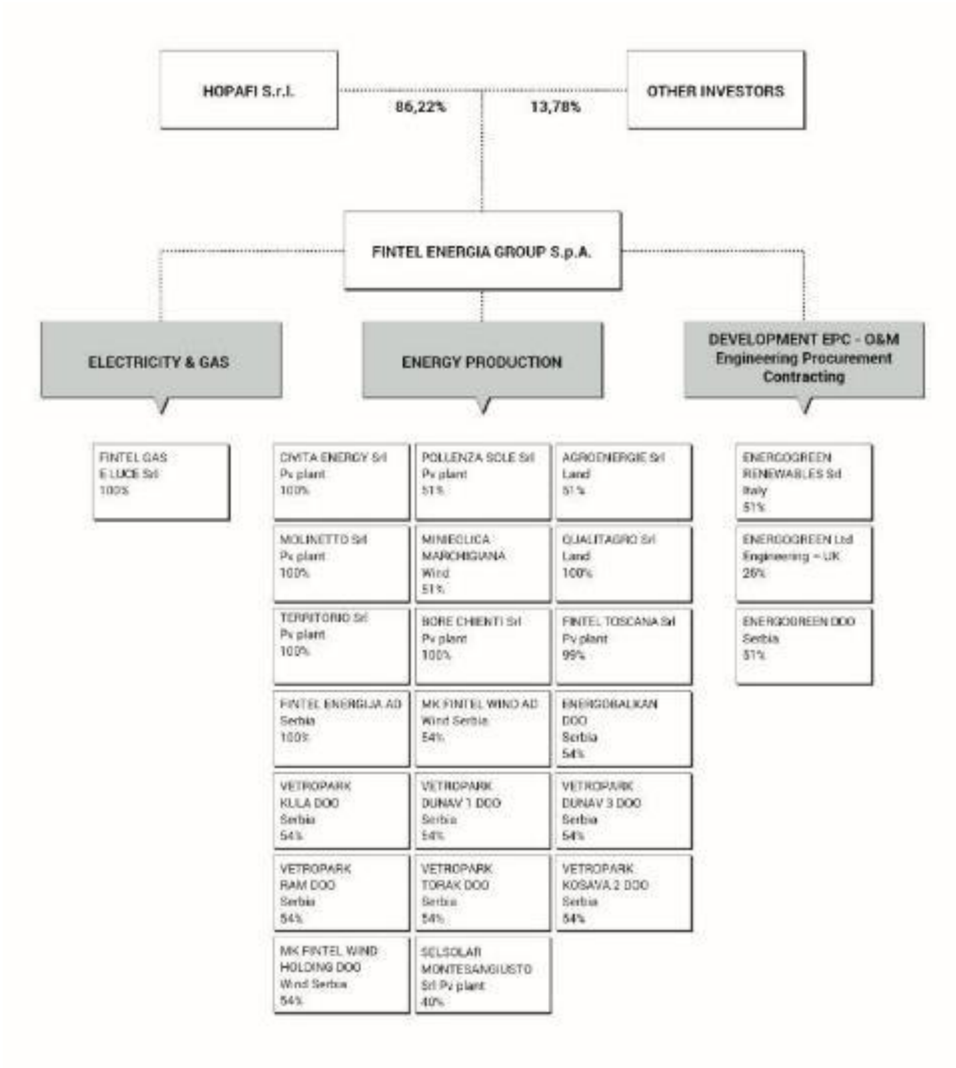
At the date of the Prospectus, the only existing and fully functioning wind farms in Serbia are the ones operated by the Company. Consequently, the Company does not have direct competitors on the wind farm market at this stage. Other wind players are present in Serbia, however, they are developing their own sites which are geographically distinct from those belonging to the Company, with different connection points served by different infrastructure (i.e. roads, bridges, ports), and have achieved different levels of implementation that is not conflicting with the Company's development program.

7. ORGANIZATIONAL STRUCTURE

7.1. If the issuer is a part of a group (e.g. a concern) provide brief description of the group and positions of the issuer within the group

The Company is a part of Fintel Energia Group, where FINTEL ENERGIA GROUP S.P.A. is the mother company of the Group.

A brief overview of the group and the position of the Company within the group is presented below:



7.2. The list of subsidiary companies, including the business name, seat, percentage in the share capital and the voting rights, if this percentage is different than the percentage in the share capital

The Company has a majority stake in the following companies:

- MK-Fintel Wind Holding d.o.o. za holding poslove Beograd, where the Company holds 53.99737% of the capital, while the remaining capital is held by MK Holding d.o.o. za holding poslove Beograd,
- MK-Fintel Wind a.d Beograd, where the Company holds 53.99737% of the share capital, while the remaining share capital is held by MK Holding d.o.o. za holding poslove Beograd.

MK-Fintel Wind Holding d.o.o. za holding poslove Beograd holds 100% in the following subsidiaries, SPVs for other projects: Vetropark Kula d.o.o. Beograd, Energobalkan d.o.o. Beograd, Vetropark Torak d.o.o. Beograd, Vetropark Košava 2 d.o.o. Beograd, Vetropark Ram d.o.o. Beograd, Vetropark Dunav 1 d.o.o. Beograd, Vetropark Dunav 3 d.o.o. Beograd.

8. PROPERTY, PLANTS AND EQUIPMENT

8.1. Information regarding any existing or planned material tangible fixed assets (material plant, property and equipment), including leased properties, and any major encumbrances thereon

Property plant and equipment are detailed as follows (in RSD thousand):

RSD thousand	Opening historical cost	Opening accumulated depreciation	Opening net book amount	Additions	Depreciation and impairment	Disposals	Transfers	Closing historical cost	Closing accumulated depreciation	Closing net book amount
	Year ended 31 December 2017									
Land	21,462	-	21,462	5,586	-	-	-	27,048	-	27,048
Buildings	548,760	(6,518)	542,242	-	(27,438)	-	-	548,760	(33,956)	514,804
Machinery and equipment	2,168,561	(35,756)	2,132,805	888	(110,936)	-	805	2,170,254	(146,693)	2,023,562
Construction in progress	148,341	-	148,341	77,391	-	-	-	225,732	-	225,732
Advances for PP&E	8,281	-	8,281	255,451	-	(121)	(805)	262,806	-	262,806
Property, plant and equipment	**2,895,405**	**(42,274)**	**2,853,131**	**339,317**	**(138,374)**	**(121)**	**(0)**	**3,234,601**	**(180,649)**	**3,053,952**

RSD thousand	Opening historical cost	Opening accumulated depreciation	Opening net book amount	Additions	Depreciation and impairment	Disposals	Transfers	Closing historical cost	Closing accumulated depreciation	Closing net book amount
	Year ended 31 December 2016									
Land	21,462	-	21,462	-	-	-	-	21,462	-	21,462
Buildings	-	-	-	122,780	(6,518)	-	425,980	548,760	(6,518)	542,242
Machinery and equipment	362	(120)	242	835,710	(35,636)	-	1,332,489	2,168,561	(35,756)	2,132,805
Construction in progress	713,571	-	713,571	18,143	-	-	(583,373)	148,341	-	148,341
Advances for PP&E	1,135,667	-	1,135,667	47,710	-	-	(1,175,096)	8,281	-	8,281
Property, plant and equipment	**1,871,062**	**(120)**	**1,870,942**	**1,024,343**	**(42,155)**	**0**	**0**	**2,895,405**	**(42,274)**	**2,853,131**

RSD thousand	Opening historical cost	Opening accumulated depreciation	Opening net book amount	Additions	Depreciation and impairment	Disposals	Transfers	Closing historical cost	Closing accumulated depreciation	Closing net book amount
	Year ended 31 December 2015									
Land	21,462	-	21,462	-	-	-	-	21,462	-	21,462
Buildings	-	-	-	-	-	-	-	-	-	-
Machinery and equipment	362	(57)	305	-	(63)	-	-	362	(120)	242
Construction in progress	254,106	-	254,106	459,465	-	-	-	713,571	-	713,571
Advances for PP&E	1,856	-	1,856	1,133,811	-	-	-	1,135,667	-	1,135,667
Property, plant and equipment	**277,786**	**(57)**	**277,729**	**1,593,276**	**(63)**	**0**	**0**	**1,871,062**	**(120)**	**1,870,942**

Buildings include civil works such as foundations of the wind farms, access roads etc. Machinery and equipment mainly includes wind turbines and towers. The additions for 2016 and 2015 mainly refer to the construction of “Kula” (9.9 MW) and “La Piccolina” (6.6 MW) for which the trial period commenced in February 2016 and August 2016, respectively, and which had been previously classified as assets under construction.

Construction in progress and advances for PP&E as at 31 December 2017, mainly relate to investment in construction of the “Kosava” plant. The completion of the construction for this plant is expected in 2019.
Capital expenditure incurred during 2017, 2016 and 2015 amounted respectively to RSD 339 million, RSD 1,024 million and RSD 1,593 million.

The table above relate to PPE at consolidation level. Pledge was established on equipment of companies Vetropark Kula d.o.o. Beograd and Energobalkan d.o.o. Beograd in favour of Erste Bank and Unicredit Bank, respectively. Carrying value of equipment in Vetropark Kula d.o.o. Beograd as at 31.12.2017 is RSD 1.380.629.110,69 and in Energobalkan d.o.o. Beograd RSD 1.055.753.682,37.

8.2. A description of any environmental issues that may affect the utilization of the tangible fixed assets

Environmental issues, such as gas emission, wastewaters, noise or waste disposal has no effects on utilization of the tangible fixed assets.

Whenever applicable under the mandatory laws of the Republic of Serbia, the Group performed environmental assessment reports for the particular project, confirming the above. The Group performed the EIA and the ESIA studies according to serbian laws, EU standards, and Equator Principles, IFC Performance Standards (IFC PS) for those project where such studies where required by the law or by the Finance Institutions.

9. OPERATING AND FINANCIAL REVIEW

9.1. Financial Condition

To the extent not covered elsewhere in the registration document, provide a description of the issuer's financial condition, changes in financial condition and results of operations for each year and interim period, for which historical financial information is required, including the causes of material changes from year to year in the financial information to the extent necessary for an understanding of the issuer's business as a whole.

Consolidated Balance sheets for the Group (RSD thousand)

	31 December 2017	31 December 2016	31 December 2015
NON-CURRENT ASSETS	3,184,272	2,896,346	1,960,642
CURRENT ASSETS	208,422	243,008	190,030
TOTAL ASSETS	3,392,694	3,139,354	2,150,672
EQUITY	(54,075)	(186,242)	(208,938)
LONG-TERM PROVISIONS AND LIABILITIES	1,839,751	1,950,661	1,164,111
SHORT-TERM LIABILITIES	1,600,238	1,362,607	1,185,810
DEFERRED TAX LIABILITIES	6,779	12,328	9,689
TOTAL EQUITY AND LIABILITIES	3,392,694	3,139,354	2,150,672

Non-current assets mainly consists of Property, Plant and Equipment ("PPE") that amount to RSD 3,053,952, RSD 2,853,131 and RSD 1,870,942 as at 31 December 2017, 2016 and 2015 respectively. PPE include: civil works, wind turbines and towers of the wind farms owned by the Group. The most significant additions to PPE during 2016 and 2015 refer to the construction of windparks:Kula (9.9 MW) and La Piccolina (6.6 MW), while those for 2017 refer to Kosava Phase I (69 MW).

Current assets mainly includes: a) Cash and cash equivalents (RSD 102,755 thousand, RSD 175,295 thousand and 144,794 thousand as at 31 December 2017, 2016 and 2015 respectively) and b) Prepayments and accrued income (RSD 61,981 thousand, RSD 28,181 thousand and 413 thousand in 2017, 2016 and 2015 respectively) which relate to receivables from EPS for the sale of electricity produced from active wind farms.

Fixed assets account for 94% of total assets as at December 31, 2017 (92% and 91% as of December 31, 2016 and 2015 respectively), and as described above, mainly relate to investments in the construction of wind farms.

On the basis of the structural ratio (capital + loans from related parties / fixed assets), which on 31 December 2017 amount to 30% (26% and 36% as at 31 December 2016 and 2015 respectively), it can be concluded that the owners have a significant share in financing the construction of wind farms.

Long-term provisions and liabilities on 31 December 2017, 2016 and 2015 refer to long-term loans obtained from AIK Bank, Erste Bank and Unicredit Bank in the amount of RSD 1,792,500 thousand, RSD 1,883,692 thousand and RSD 1,122,390 thousand respectively. The loans were obtained for financing of wind farms' construction and increases in periods related to additions to the PPE described above.

Short-term liabilities mainly relate to short-term loans and borrowings from parent companies and subsidiaries and in the amount of RSD 996,441 thousand, RSD 917,921 thousand and RSD 902,648 thousand as of December 31, 2017, 2016 and 2015 respectively.

Net financial debt (Short and Long term liabilities less Other long-term financial investments and Cash and Cash equivalents) has been increased from RSD 917,397 thousand in 2015 to RSD 1,819,892 thousand and to RSD 1,712,909 thousand in 2017 mainly due to investments made for the construction of Kula, La Piccolina and Kosava wind farms.

The debt ratio, which shows participation of loans and borrowings from related parties in relation to the total indebtness is 34% on 31 December 2017 (31% and 44% on 31 December 2016 and 2015, respectively) and corresponds to structural ratio described above.

In the past three years, the capital has been negative mainly due to the costs incurred during the construction of wind farms, but in the course of 2016 and 2017 it significantly decreased due to profit (see Section 9.2), which was realised from the sale of electricity produced at wind farms.

Consolidated income statements for the Group (RSD thousand)

		Year ended 31 December	
	2017	**2016**	**2015**
OPERATING INCOME	**496,683**	**183,922**	**62**
OPERATING EXPENSES	**283,685**	**128,213**	**23,434**
OPERATING GAIN	**212,998**	**55,708**	**-**
OPERATING LOSS	**-**	**-**	**23 372**
FINANCE INCOME	**141,224**	**9,796**	**22,131**
FINANCE EXPENSES	**196,729**	**124,949**	**67,452**
PROFIT FROM FINANCING OPERATIONS	**-**	**-**	**-**
LOSS FROM FINANCING OPERATIONS	**55,504**	**115,153**	**45,321**
OTHER INCOME	**920**	**122,387**	**-**
OTHER EXPENSES	**8,646**	**5,971**	**642**
PROFIT BEFORE TAX	**149,767**	**56,971**	**-**
LOSS BEFORE TAX	**-**	**-**	**69 335**
INCOME TAX			
I. CURRENT INCOME TAX	45,273	6,610	672

II. DEFERRED TAX EXPENSE FOR THE PERIOD	-	6,393	14,736
III. DEFERRED TAX INCOME FOR THE PERIOD	8,416	-	-
PERSONAL INCOME PAID TO EMPLOYER			
NET PROFIT	**112,910**	**43,968**	**-**
NET LOSS	**-**	**-**	**84,744**

Operating income in 2017 increased by in 2017 due to first two wind farms (Kula and La Piccolina) started operating in March and July 2016.

Operating margin (operating profit / operating loss) increased from 30% in 2016 to 43% in 2017 due to the fact that fixed costs contribute to operating expenses.

In 2017, Financial expenses decreased significantly from 2016 (from RSD 115,153 thousand in 2016 to RSD 55.504 thousand in 2017) mainly due to appreciation of RSD against EUR.

9.2. Operating Results

9.2.1. Information regarding significant factors, including new and extraordinary events (rare or unusual), materially affecting the issuer's income from operations, indicating the extent to which income was so affected

Consolidated operating result has been increased from a loss of RSD 23,372 thousand in 2015 to a gain of RSD 55,708 thousand and RSD 212,998 thousand in 2016 and 2017 respectively, mainly due to the fact that first two wind farms (Kula and La Piccolina) started with operations in March and July 2016 respectively.

9.2.2. Where the financial statements disclose material changes in net sales or revenues, provide a narrative discussion of the reasons for such changes

Consolidated Revenue has increased from RSD 183,921 thousand for the year ended 31 December 2016 to RSD 496,683 thousand for the year ended 31 December 2017. Total revenue were close to zero in 2015 given that both wind farms were under construction. Revenue only refers to FiT (equal to 94,7 €/MWh in 2017) received by wind plants “La Piccolina” and “Kula”.

The increase in revenue is attributable to the following factors:

- Increased in volume produced from 25.443 MWh in 2016 to 43.881 MWh in 2017 due to the fact that both wind farms started with operations in March and July 2016 respectively;
- Higher FiT received in 2017. Based on the law in force in the Republic of Serbia, during the “trial period” (period between the connection to the grid of the wind farm and obtaining of the privileged power producer status) wind farms receive half of the FiT. Kula and La Piccolina reached the PPP status in October 2016 and January 2017, respectively. After trial period, a full FiT was received.

9.2.3. Information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations

Please refer to the Section 4.1 of the Registration document *(Company risks relating to the regulatory environment and the Serbian power market)*

10. FINANCIAL RESOURCES

10.1. Information concerning the issuer's financing resources (short-term and long-term)

Information concerning financing resources from banks and financial institutions according to consolidated financial statements

Here an overview of the short-term and long-term obligations per year in RSD thousand, for the relevant financial periods:

Beneficiary company	Residual debt at 31 December 2017	Long term	Short term	Maturity
Vetropark Kula	1,129,287	1,035,164	94,124	2026
Energobalkan	678,724	619,363	59,361	2021
Fintel Energija	137,973	137,973	-	2024
	1,945,985	**1,792,500**	**153,485**	

Beneficiary company	Residual debt at 31 December 2016	Long term	Short term	Maturity
Vetropark Kula	1,269,169	1,176,326	92,843	2026
Energobalkan	769,232	707,366	61,866	2021
	2,038,402	**1,883,692**	**154,709**	

Beneficiary company	Residual debt at 31 December 2015	Long term	Short term	Maturity
Vetropark Kula	1,151,891	1,122,390	29,501	2026
	1,151,891	**1,122,390**	**29,501**	

Loan granted to Vetropark Kula refers to the financing received in 2015 from Erste Bank for the development and construction of the Kula wind farm. Its maturity is of 12 years and interest rate is variable plus spread.

Loan of Energobalkan refers to the financing received from Unicredit Bank for the development and construction of La Piccolina wind farm. Its maturity is of 6 years and interest rate is fixed. First draw down of the loan has been made in 2016.

Loan of Fintel Energija refers to the financing received from AIK Bank in 2017 for the development and construction of Kosva wind farm. Its maturity is of 6 years and interest rate is fixed.

Information concerning financing resources from the Parent and related parties according to consolidated financial statements.

Also, financial liabilities to the parent and related legal persons amount to RSD 496,921 thousand as at 31.12.2017. (RSD 518,481 thousand as at 31.12.2016. and RSD 510,537 thousand as at 31.12. 2015.) relates to loan from the parent company Fintel Energia Group S.p.a. provided to Fintel Energija a.d. and MK-Fintel Wind a.d. The loans are interest bearing.

As at 31 December 2017 amount to RSD 513,822 thousand (RSD 414,256 thousand as at 31.12.2016. and RSD 406,706 thousand as at 31 December 2015) relates to financial liabilities to MK Group, owner of minority stake in the Subsidiaries: this amount consists of loans approved for financing of wind parks in Serbia.

10.2. An explanation of the sources and amounts of and a narrative description of the issuer's cash flows.

Over the last three financial years EBITDA (Operating Gain plus Depreciation & Amortization), on a consolidated level, has increased from a negative result of RSD 23,31 million in FY15 to a positive result of RSD 42 million and of RSD 351 million in FY16 and FY 2017 respectively.

Operating Cash Flow has increased from a net cash outflow of RSD 60 million in FY15 to a net cash inflow of RSD 291 million in FY 2016 and of RSD 234 million in FY17, as a result of the strong cash flow generation of the growing onshore wind portfolio, continued investment and operational enhancements delivered by the Company. The Company's strong cash flow profile is underpinned by the established regulated renewable support schemes (FiT) that provide a high degree of certainty and inflation linkage for its future earnings.

In addition, the Company will continue to pursue active programs of management of the internal and external costs to ensure that the Company continues to deliver low marginal cost power generation. In FY17, the Company implemented the cost saving plan, which is expected to fully apply starting from FY18 onwards. The Directors expect that the Group cost of production of services, which amounted to RSD 50,78 million for FY17, will be lower going forward taking into account the cost savings achieved from hiring consultants for the financial closing of the Company's largest project financing to date (reported within administrative expenses) which are not expected to reoccur.
The Company's current cost base is adaptable to market changes, with 48% of its cost base (including depreciation) correlated to changes in revenue (e.g. the payment of third party services) or operating activity (e.g. repairs and maintenance) or is otherwise controllable by management.

10.3. Information on good standing and funding structure of the issuer

The Company has a strong ability and proven track record in regular payment of debt as well as in contracting the new financing for its wind business developments, given the cash generative nature of the business. The Company has also built strong relationships with national, international, commercial and institutional lenders to put in place debt facilities for its Onshore Wind investments.

In December 2017, the Company signed the Facility Agreement for financing of its largest construction to date, the 69 MW Kosava project. The Facility Agreement has been provided by a syndicate of banks and the lenders have security over the project SPV's underlying operational wind assets, including but not limited to the mortgage over the facility under construction and real estate in the ownership of MK-Fintel Wind a.d, pledges over its movables, accounts and receivables (as specifically defined in the Facility Agreement) as well as the pledge over all the shares in the SPV, MK Fintel a.d. In addition, the SPV (MK-Fintel Wind a.d), Company, Fintel Energia Group SPA, MK Holding d.o.o. and Fintel Energija a.d. shall also provide pledge over its right, title and interest in and to the Subordinated Loan Agreements to which they are parties to. Finally, the SPV (MK-Fintel Wind a.d) shall provide security assignment over its right, title and interest in and to each Hedging Agreement, Turbine Supply Agreement, each Vestas Guarantee, the Advance Payment Bond and the O&M Agreement (to be governed by German law, save for the security relating to Hedging Agreement(s) which shall be governed by English law).

As at 31 December2017, the Company registered a net debt of RSD 1,713 million, and net debt / EBITDA (before operating exceptional items) ratio of 4,87 times.

Liquidity ratio (Current assets / current liabilities) amounted to 0.13, 0.18 and 0.16 as at 31 December 2017, 2016 i 2015 respectively. It is at the low level due to liabilities to the parent and related companies.

10.4. Information regarding all restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations

There are no such restrictions, as to the knowledge of the Issuer.

10.5. Information regarding the anticipated sources of funds needed to fulfil commitments referred to in Sections 5.2.3 and 8.1

The Company has received funds in order to carry on the projects' executions from shareholders' loan provided by its mother company Fintel Energia Group SpA, Italy and from AIK Bank.

On February 27 2018, the subsidiary MK-Fintel Wind A.D. Beograd has concluded a financing agreement worth EUR 81.5 million for the construction of the wind farm Košava Phase I in Vršac, Serbia. For purpose of construction, which started in July 2017, Fintel Energija A.D., previously had a loan from AIK Bank.
The total value of the investment for the aforementioned project is EUR 117 million (of which EUR 10.9 million was invested during the first quarter of 2018). Investments will be partly financed by a loan, in the amount of EUR 81.5 million, which refers to a syndicated loan received from Erste Group Bank, Erste Bank Srbija, Austrian Development Bank (OeEB), Unicredit Serbia and Zagrebacka Banka.

11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

Where material to the issuer's business and income, a description of the issuer's research and development programs for each financial year for the period covered by the historical financial information, including the amount spent on research and development activities financed by the issuer.

There are no programs of researches or development that are relevant for the operations of the Company.

There are no registered patents or licenses of the Company.

The Company manages, monitors and controls its generating plants from a 24h/7 days central control centre (the ''Logistics Control Centre'') at its head office in Belgrade. The Company has adopted a service model under which none of its plants is manned on a continued basis. The operating assets are managed by a team of four persons, the majority of whom operate remotely. These personnel execute a program of preventive maintenance and ongoing operational tasks under the schedule set centrally by the Logistics Control Centre through the Vestas asset management software and respond to unscheduled breakdowns. The remote monitoring is based on the universally adopted SCADA system which can be used across various generation technologies. This enables the Company to track, in real time, turbine and generator performance, including faults, breakdowns and any other issues that might occur. Wind turbines can be remotely started and switched off from the Logistics Control Centre, avoiding the need to dispatch a technician on location if a minor fault occurs.

12. TREND INFORMATION	
12.1. The most significant trends in production, sales and inventory, and costs and selling prices since the end of the last financial year to the date of the Registration Document	
	There is no such trends applicable to the Company's business as it is by its nature innovative.
12.2. Information on all known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's development for at least the current financial year.	
	There is no such information.
13. PROFIT FORECASTS OR ESTIMATES	
	If the Issuer decides to include any profit forecast or a profit estimate, the Registration document must contain Sections 13.1, 13.2, 13.3. and 13.4.
14. MANAGING OF THE COMPANY	
14.1. Members of the management **Names, business addresses and functions performed by the following persons in the issuer:** **a) members of the management and supervisory bodies,** **b) founders, if the issuer is established for a period of less than five years,** **v) each senior manager, that is relevant to assessing the professional knowledge and experience in management of the issuer's business.** **For all the above mentioned persons, important operations they perform outside the issuer, which may be of effect to the issuer, are presented.** **Also, it is necessary to indicate the possible family relationship of those persons.** **For each member of the administrative, managerial or supervisory authority of the issuer or any person referred to in (v) of the first sub-item, provide details of the appropriate managerial knowledge and experience of that person with the following information:** **a) the names of all the companies in which that person was a member of the management or supervisory bodies, at any time in the previous five years, with a note indicating whether that person is still a member of those authorities. It is not necessary to list all the subsidiaries of the issuer in which that person is also a member of the management or supervisory bodies;** **b) convictions for commercial criminal offenses in the last five years;** **v) details of all bankruptcy and liquidation proceedings in relation to which the person referred to in points a) and v) of the first sub-item has been linked to performing the said functions in a company for the last five years;** **g) details of all official charges or sanctions by judicial or regulatory authorities (including certain professional bodies) to persons from a) to v) from the first sub-item,**	

as well as information whether the court decision has ruled that such person was excluded from or prohibited to work in such bodies, for a period of at least the last five years. If there is no such information to be published, a statement must be given in that regard

The Board of directors of the Company consists of:
Tiziano Giovannetti,
Claudio Nardone - chairman,
Luka Bjekovic,
Paolo Martini.

Business addresses of all above persons are at the seat of the Company, in Belgrade, Bulevar Mihaila Pupina 115e.

Brief information about the expertise and the references of the members of the Board of Directors

Tiziano Giovannetti has acted as the Managing director of the Company since 27 June 2007 and also CEO, the founder and the largest shareholder of Fintel Energia Group SPA, the sole shareholder of the Company.

Claudio Nardone was appointed to act as Senior Independent Director in April 2018 and he currently serves also as Senior Independent Director of Fintel Energia Group SPA. Mr. Nardone has over 15 years of experience in investment and merchant banking and has acted as principal in several corporate finance deals (M&A, Debt-Equity fund raising, etc.), equity capital market operations (IPOs, Capital increase of listed companies etc.) and direct private equity investments. Mr. Nardone is also currently CEO of Vegagest SGR, a large investment fund asset manager, Managing director of Europa Investimenti Group, an Italian investment house focused on distressed and NPLs investments. In the past he was CEO of Mediacontech SPA, a media public company listed in the Milan Stock Exchange and Investment director of some Italian merchant banks. Mr. Nardone holds a BA in finance at Bocconi University in Milan and Managing Corporate Finance.

Luka Bjekovic was appointed to act as Senior Independent Director in April 2018 and he currently serves also as Member of the Management Board and Head of M&A of MK Group d.o.o, the largest privately held business conglomerate of Serbia and co-investor in the Company's wind developments. Mr. Bjekovic has finalized transactions for over EUR 200 million over the last 5 years both on the sell and the buy side and has developed particular skills in overseeing complex financial analysis and modeling related to M&A. Mr Bjekovic joined MK Group in 2012, following his graduation from the University of Belgrade with a degree (BEc) in Accounting, Auditing and Financial Management.

Paolo Martini was appointed to act as Senior Independent Director in April 2018. He currently serves also as Senior Independent Director of Fintel Energia Group. Mr. Martini has over a decade of experience in the Energy Industry and currently is CEO of BE Power a company of Building Energy Holding LTD, a multinational renewable energy producer of which Mr. Martini has been Chief Strategy Office since February 2015. Paolo Martini has developed a proven capability in strategy and international business development, raising capital and team building. Paolo holds a MBA in Business Administration from Bocconi University, Milan and is a member of the Advisory Board of Italian Council for Sustainable Innovation.

Board's Composition and Independence

The Board of Directors consists of the General manager and the legal representative of the Company (Tiziano Giovannetti) and 3 non-executive directors that are independent in accordance with the Articles 387 paragraph 3 and 392 of the Companies Act.

	Directors are committed to the highest standards of corporate governance and maintaining a sound framework for the control and management of the business. Board of Directors has duties and competences as defined in the Article 398 of the Companies Act. Executive director (Tiziano Giovannetti) is competent for the management of the Company and is a legal representative of the Company, while non-executive directors are competent to supervise the work of executive directors, propose the business strategy and supervise their implementation. The Board is also responsible for ensuring the maintenance of a sound system of internal control and risk management (including financial, operational and compliance controls, and for reviewing the overall effectiveness of systems in place), and for the approval of any changes to the capital, corporate and/or management structure of the Company. In addition, the Company has a highly experienced wind development team based principally in Belgrade, with extensive experience in site development, project construction, contracting, M&A and refinancing. The wide range of capabilities reflects management's strategy of bringing capabilities in-house to provide a platform from which the business would be further grown. While the focus of the Company is on organic growth, acquisitions would be considered as an opportunity as well. There are no family relationships between the above listed directors. None of the above persons has, for at least the previous five years, been: - convicted for commerce related criminal offenses; - associated with any bankruptcies or liquidations; - declared a sanction or official public incrimination nor it was disqualified by a court from acting as a member of such management bodies.
14.2. Conflict of interest **Conflicts of interests management and supervisory bodies and member of senior management** **Potential conflict of interest of the persons listed in Section 14.1 with respect to their private interests and their other duties. In the event that there are no such conflicts, a statement to that effect must be made.** **List any potential arrangement or understandings with major shareholders, customers, suppliers or others, pursuant to which any of the above person from Section 14.1 was selected as a member of the management or supervisory bodies or member of senior management.** **Present details of any restrictions agreed by the above persons from Section 14.1 on transfer, within a certain period of time, of their participation in securities of the issuer**	
	There are no conflict of interest between any duties of the persons stated in Section 14.1. within the Company and their private interests. No agreements or arrangements with the largest shareholders, clients, suppliers or other persons exist, on basis of which any person referred to in Section 14.1. was elected as a member of the Board of Directors. There are no limitations agreed by the persons referred to in Section 14.1. on transfer of their participation in the securities of the Issuer for a specified period of time.
15. REMUNERATION AND BENEFITS **List the amount of remuneration paid and any benefits granted by the issuer to the persons referred to in Section 14.1. in the period of the last financial year**	

15.1. The amount of compensation and remuneration (including any potential or deferred compensation) and non-cash benefits granted by the issuer, including its related parties, to such persons for all forms of work and services, that any person provides to the issuer and affiliated companies. The specified information must be given individually for each person

The above persons (apart from Tiziano Giovannetti) has been appointed in 2018, so there were no any remuneration/ benefits paid to them for any services rendered in the last financial year. In the last full financial year, no remuneration was paid to Tiziano Giovannetti.

15.2. The total amounts set aside or accrued by the issuer or the affiliated companies to provide pension, retirement or similar benefits.

There are no amounts set aside or accrued by the Company or the Subsidiaries to provide pension, retirement or similar benefits to the persons referred to in 14.1.

16. BOARD PRACTICES

In relation to the last completed financial year, with respect to the persons referred under (a) in Section 14.1:

16.1. Date of expiration of the current term of the mandate and the period during which the person has served in that capacity

Tiziano Giovannetti was appointed for the first time on 27 June 2007 for an indefinite period of time

Other listed directors were appointed for the first time on 12 April 2018 and for the period of 3 years.

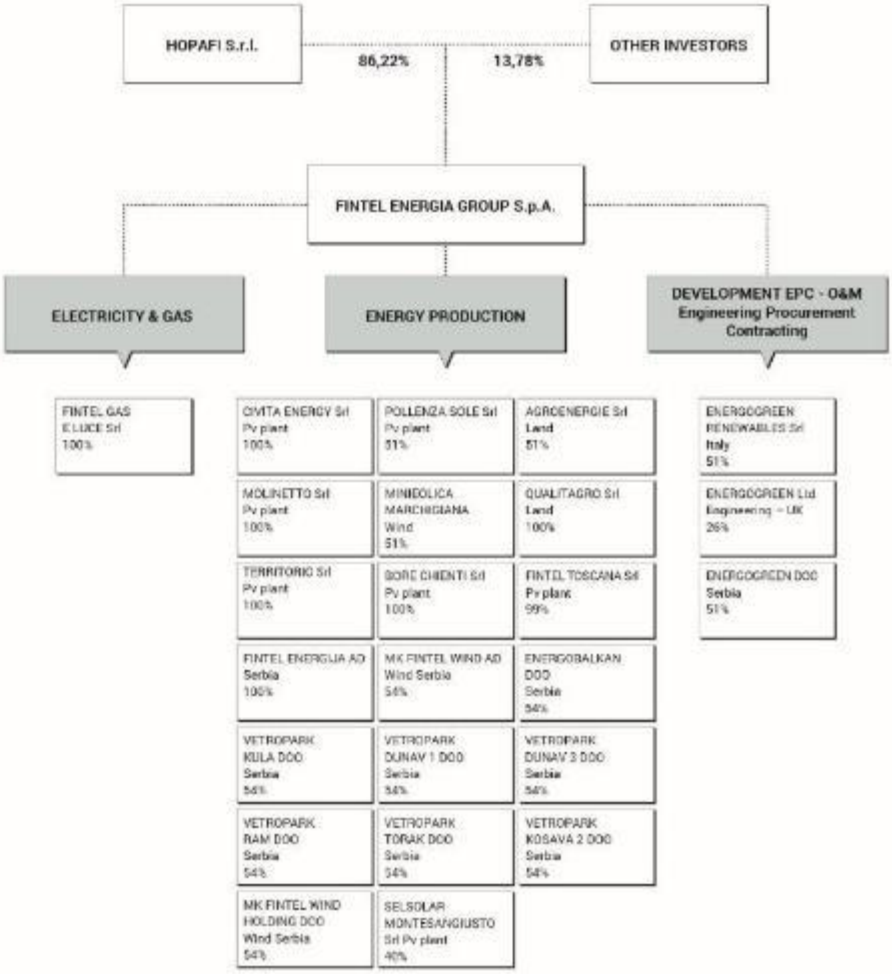
16.2. Information on service agreements of the members of the management and supervisory bodies concluded with the issuer or any of its affiliated companies, which provide benefits upon termination of employment. If there are no such agreements, a corresponding negative statement is required

There are no service agreements concluded between the Company or any of the Subsidiaries with the persons referred under Section 14.1 providing for any benefits upon the termination of their agreements with the Company.

16.3. Information about the issuer's audit committee and remuneration committee, including the names of committee members and a summary of the terms of reference under which the committee operates

The Company has no audit committee and remuneration committee as it is a non-public joint stock company. Once the Company becomes a public joint stock company, appropriate harmonization of the corporate bodies will be undertaken.

16.4. A statement of the issuer on compliance with the corporate governance standards.	
	The Company has, due to the fact that it is preparing to become public, adopted the Code of Corporate Governance on 19 April 2018, which is available at the Company's website (https://www.fintelenergija.rs/en/company-s-internal-acts). The Company continuously monitors the changes and the developments in the area of corporate governance with the aim of continuous improvement of relations with its shareholders, investors and the overall public, introducing high standards in mutual communication.
17. EMPLOYEES	
17.1. Either the number of employees at the end of the period or the average for each financial year for the period covered by the historical financial information up to the date of the Registration Document (and changes in such numbers, if material) and, if possible and material, a breakdown of persons employed by main category of activity and geographic location. If the issuer employs a significant number of temporary employees, include disclosure of the number of temporary employees on average, during the last financial year	
	As of 31 December 2017, the Company has no employees, while in all the Subsidiaries there is in total 5 employees as of 31 December 2017.
17.2. With respect to each person referred to in Section 14.1. state information as to their potential share in issuer's shares and any share options over issuer's shares, with the latest possible date	
	Tiziano Giovannetti does not hold shares in the Company, but indirectly owns shares in the Company, by holding indirectly 78% of shares in Fintel Energia Group SPA, the sole shareholder of the Company. The other persons referred to in the Section 14.1. do not own shares or option to acquire share of the Issuer.



17.3. A description of all arrangements in connection with possibility of the employees to acquire issuer's shares

Currently, no employees of the Company hold the shares in the Company.

It is planned that the Company, as soon as it becomes a public joint stock company, adopts an incentive plan ("Incentive Plan"), a clear and transparent loyalty system reserved to employees, directors and the top management ("Recipient Management"). The Incentive Plant will grant the Recipient Management to receive, if certain terms and conditions are met, an amount of new issued Company's shares dedicated to the Incentive Plan. The Incentive Plan will provide the Recipient Management to be assigned up to 300,000 Company's shares (or in the case may be, of the affiliated entities of the Company) over a period of 5 years, subject to the achievement of selected key results.

18. MAJOR SHAREHOLDERS

18.1. The name of any person who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under Article 57 of the Capital Market Act, together with the amount of each such person's interest. If there are no such persons, provide an appropriate negative statement

The sole shareholder of the Company is FINTEL ENERGIA GROUP S.P.A., with its registered seat in Italy, Via Fermi 19, 620101, Pollenza (MC), registration number 02658620402, holding 100% of shares in the Company.

18.2. Whether the issuer's major shareholders have different voting rights, or an appropriate negative statement

All shares of the Company give the same voting rights.

18.3. To the extent known to the issuer, state information about the person that has controlling position in the issuer, describe the nature of such acquired position and describe the measures in place to ensure that such control is not abused at the expense of the issuer

The Company is controlled by the sole shareholder in full compliance with the Companies Act and other applicable Serbian regulation.

18.4. A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer

To the best of the Company's knowledge, there are no such arrangements.

19. RELATED PARTY TRANSACTIONS

Disclose financial transactions of the issuer and affiliated persons performed in the period covered by the historical financial information, and:

a) **the nature and the extent of transactions, if any of the transactions was not in the best interest for one of the parties explain reasons for such transaction,**
b) **the amount or the percentage that affiliated party transactions represent in the issuer's turnover.**

The list of related party transactions

Related party transactions - Consolidated Financial Statements

As previously indicated, the Group is a subsidiary of Fintel Energia Group SpA.

A summary is provided below of the Group's transactions with related parties in 2017, 2016 and 2015. All transactions with parties are entered into at market value.

As of 31 December 2017, 31 December 2016 and 31 December 2015 the outstanding balances with related parties were as follows:

RSD thousand	At 31 December 2017 Parent Company	 Parent's subsidiaries and associates	 Total
Short-term loans	-	10,674	10,674
Trade and other payables	(29,879)	(54,395)	(84,274)
Other current liabilities	(119,082)	-	(119,082)
Short-term debt and current portion of long-term debt	(482,619)	-	(482,619)
Long-term debt	(14,217)	-	(14,217)
Total	**(645,797)**	**(43,721)**	**(689,518)**

RSD thousand	At 31 December 2016 Parent Company	 Parent's subsidiaries and associates	 Total
Short-term loans	-	11,431	11,431
Trade and other payables	-	(53,378)	(53,378)
Other current liabilities	(90,448)	-	(90,448)
Short-term debt and current portion of long-term debt	(503,665)	-	(503,665)
Long-term debt	(14,817)	-	(14,817)
Total	**(608,929)**	**(41,947)**	**(650,876)**

RSD thousand	At 31 December 2015 Parent Company	 Parent's subsidiaries and associates	 Total
Short-term loans	-	780	780
Trade and other payables	-	(14,839)	(14,839)
Other current liabilities	(67,873)	-	(67,873)
Short-term debt and current portion of long-term debt	(495,942)	-	(495,942)
Long-term debt	(14,595)	-	(14,595)
Total	**(578,411)**	**(14,059)**	**(592,470)**

"Short-term loans" refer to loans which Group provided to other related parties

"Trade and other payable" refer to payables arising towards Majority shareholder for consulting services.

"Other current liabilities" refer to accumulated unpaid interest on loans received from the Majority shareholder.

"Long-term debt" refer to loans received from the Majority shareholder.

For the year ended 31 December 2017, 2016 and 2015 the following transaction occurred with related parties other than state and state-owned companies:

	At 31 December 2017

RSD thousand	Parent Company	Parent's subsidiaries and associates	Total
Revenues	-	-	-
Other revenues	-	-	-
Selling, general and administrative expenses	-	(29,736)	(29,736)
Other income (expenses), net	-	-	-
Finance expense	(32,312)	-	(32,312)
Total	**(32,312)**	**(29,736)**	**(62,048)**

	At 31 December 2016		
RSD thousand	Parent Company	Parent's subsidiaries and associates	Total
Revenues	-	-	-
Other revenues	-	-	-
Selling, general and administrative expenses	-	(14,993)	(14,993)
Other income (expenses), net	-	-	-
Finance expense	(33,310)	-	(33,310)
Total	**(33,310)**	**(14,993)**	**(48,303)**

	At 31 December 2015		
RSD thousand	Parent Company	Parent's subsidiaries and associates	Total
Revenues	-	-	-
Other revenues	-	-	-
Selling, general and administrative expenses	-	-	-
Other income (expenses), net	-	-	-
Finance expense	(32,799)	-	(32,799)
Total	**(32,799)**	**-**	**(32,799)**

"Selling, general and administrative expenses" relates to management services from related parties.

"Finance expense" relates to interest expense from loan received from the Parent company (Majority shareholder).

Realated party transactions – Standalone Financial Statements

As of 31 December 2017, 31 December 2016 and 31 December 2015 the outstanding balances with related parties were as follows:

	At 31 December 2017			
RSD thousand	Parent Company	Parent's subsidiaries and associates	Subsidiaries	Total
Short-term loans	-	-	446,219	446,219
Other current assets	-	-	55,692	55,692
Other current liabilities	(123,422)	-	-	(123,422)
Shareholder's loan	(329,088)	-	-	(329,088)
Total	**(452,510)**	**-**	**501,911**	**49,401**

	At 31 December 2016			
RSD thousand	Parent Company	Parent's subsidiaries and associates	Subsidiaries	Total
Short-term loans	-	-	324,563	324,563
Other current assets	-	-	37,748	37,748
Other current liabilities	(48,197)	-	-	(48,197)
Shareholder's loan	(343,654)	-	-	(343,654)
Total	**(391,851)**	**-**	**362,311**	**(29,540)**

	At 31 December 2015			
RSD thousand	Parent Company	Parent's subsidiaries and associates	Subsidiaries	Total
Short-term loans	-	-	306,998	306,998
Other current assets	-	-	16,608	16,608
Other current liabilities	(27,960)	-	-	(27,960)
Shareholder's loan	(338,324)	-	-	(338,324)
Total	**(366,284)**	**-**	**323,606**	**(42,678)**

Short-term loans relate to loans which the Company provided to other related parties

"Trade and other payable" relates to payables arising towards the Parent company (Majority shareholder) for consulting services.

"Other current liabilities" relates to accumulated unpaid interest on loans received from the Majority shareholder.

"Long-term debt" relates to loans received from the Majority shareholder.

For the year ended 31 December 2017, 2016 and 2015 the following transaction occurred with related parties other than state and state-owned companies:

	At 31 December 2017

RSD thousand	Parent Company	Parent's subsidiaries and associates	Subsidiaries	Total
Revenues	-	-	-	-
Selling, general and administrative expenses	(29,879)	-	-	(29,879)
Finance income	-	-	18,945	18,945
Finance expense	(19,147)	-	-	(19,147)
Total	**(49,026)**	**-**	**18,945**	**(30,081)**

	At 31 December 2016			
RSD thousand	Parent Company	Parent's subsidiaries and associates	Subsidiaries	Total
Revenues	-	-	-	-
Other revenues	-	-	-	-
Finance income	-	-	20,826	20,826
Finance expense	(19,718)	-	-	(19,718)
Total	**(19,718)**	**-**	**20,826**	**1,108**

	At 31 December 2015			
RSD thousand	Parent Company	Parent's subsidiaries and associates	Subsidiaries	Total
Revenues	-	-	-	-
Other revenues	-	-	-	-
Finance income	-	-	16,609	16,609
Finance expense	(19,409)	-	-	(19,409)
Total	**(19,409)**	**-**	**16,609**	**(2,800)**

“Selling, general and administrative expenses” relates to management services from related parties.

“Finance expense” relates to interest expense from loan received from the Parent company (Majority shareholder).

Remuneration of Fintel A.D. directors

No remuneration exists that is payable to the Managing Director in 2017, 2016 and 2015. Tiziano Giovannetti acts as sole director in of Fintel Energija's subsidiaries without any further remuneration.

20. FINANCIAL INFORMATION CONCERNING THE COMPANY’S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

20.1. Historical Financial Information

Include audited historical financial information covering the last three financial years and the audit report for each year, pursuant to the regulations governing preparation of financial statements (if the issuer did business in a shorter period of time, then for such period)

	Audited financial statements are given in the Section 20.3 below.
20.2. Pro forma financial information **In the event of a material change or anticipation of a change in financial information, that could be caused by a particular transaction/business, describe the way in which the transaction/business could affect the assets and liabilities, as well as the issuer's income, if such transaction/business was carried out at the beginning of the reporting period or on the reporting date. Pro forma financial information must be confirmed by the report of a certified auditor**	
	No pro-forma financial information will be provided in the Prospectus.
20.3. Financial statements	
	If the Company prepares both own and consolidated annual financial statements, include at least the audited consolidated and non-consolidated annual financial statements in the Registration Document. **The Registration Document must include the annual report of business operations of the Company, prepared by the management.**

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS REPORT FOR THE YEARS ENDED 31 DECEMBER 2017, 2016 AND 2015

FINTEL ENERGIJA AD

pwc

INDEPENDENT AUDITOR'S REPORT

To the Owner of Fintel Energija a.d.

We have audited the accompanying financial statements of Fintel Energija a.d. (the „Company") which comprise the balance sheet as of 31 December 2017, 2016 and 2015 and the income statement, statement of other comprehensive income, statement of changes equity and cash flow statement for the years then ended and notes, comprising 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 requirements of the Law on Accounting and accounting regulation effective 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 the Law on Auditing and auditing regulation effective in the Republic of Serbia. This Regulation 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fintel Energija a.d. as of 31 December 2017, 2016 and 2015, and of its financial performance and its cash flows for the years then ended in accordance with the requirements of the Law on Accounting and accounting regulation effective in the Republic of Serbia.

Milivoje Nešović
Licensed Auditor

PricewaterhouseCoopers d.o.o. Beograd pwc

PricewaterhouseCoopers d.o.o., Beograd

Belgrade, 10 April 2018

PricewaterhouseCoopers d.o.o., Omladinskih brigada 88a, 11070 Belgrade, Republic of Serbia
T: +381 11 3302 100, F: +381 11 3302 101, www.pwc.rs

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

Contents

BALANCE SHEET
In RSD thousand

	AOP	Note	31 December 2017	31 December 2016	31 December 2015
A. SUBSCRIBED CAPITAL UNPAID	**0001**		-	-	-
B. NON-CURRENT ASSETS (0003 + 0010 + 0019+ 0024 + 0034)	**0002**		**16,014**	**16,014**	**16,014**
I. INTANGIBLE ASSETS (0004+0005+0006+0007+0008+0009)	**0003**		-	-	-
1. Development investments	0004		-	-	-
2. Concessions, licenses, software and other rights	0005		-	-	-
3. Goodwill	0006		-	-	-
4. Other intangible assets	0007		-	-	-
5. Intangible assets under development	0008		-	-	-
6. Advances for intangible assets	0009		-	-	-
II. PROPERTY, PLANT AND EQUIPMENT (0011+0012+0013+0014+0015+0016+0017+0018)	**0010**		-	-	-
1. Land	0011		-	-	-
2. Buildings	0012		-	-	-
3. Machinery and equipment	0013		-	-	-
4. Investment property	0014		-	-	-
5. Other property, plant and equipment	0015		-	-	-
6. Construction in progress	0016		-	-	-
7. Investments in leased PP&E	0017		-	-	-
8. Advances for PP&E	0018		-	-	-
III. BIOLOGICAL ASSETS (0020+0021+0022+0023)	**0019**		-	-	-
1. Forest farming	0020		-	-	-
2. Livestock	0021		-	-	-
3. Biological assets in production	0022		-	-	-
4. Advances for biological assets	0023		-	-	-
IV. LONG-TERM FINANCIAL INVESTMENTS (0025+0026+0027+0028+0029+0030+0031+0032+0033)	**0024**		**16,014**	**16,014**	**16,014**
1. Investments in subsidiary	0025	8	16,014	16,014	16,014
2. Investments in joint ventures	0026		-	-	-
3. Investments in other legal entities and other available for sales financial assets	0027		-	-	-
4. Long term investments in parent and subsidiaries	0028		-	-	-
5. Long-term investments in other related parties	0029		-	-	-
6. Long-term investments – domestic	0030		-	-	-
7. Long-term investments – foreign	0031		-	-	-
8. Securities held to maturity	0032		-	-	-
9. Other long-term financial investments	0033		-	-	-
V. LONG-TERM RECEIVABLES (0035+0036+0037+0038+0039+0040+0041)	**0034**		-	-	-
1. Receivables from parent company and subsidiaries	0035		-	-	-
2. Receivables from other related parties	0036		-	-	-
3. Receivables from sale of goods on credit	0037		-	-	-
4. Receivables arising out of finance lease contracts	0038		-	-	-
5. Claims arising from guarantees	0039		-	-	-
6. Bad and doubtful receivables	0040		-	-	-
7. Other long-term receivables	0041		-	-	-
C. DEFFERED TAX ASSETS	**0042**		-	-	-

BALANCE SHEET (CONTINUED)
In RSD thousand

	AOP	Note	31 December 2017	31 December 2016	31 December 2015
D. CURRENT ASSETS (0044+0051+0059+0060+0061+0062+0068+0069+0070)	**0043**		**503,793**	**367,574**	**343,671**
I. INVENTORY (0045+0046+0047+0048+0049+0050)	**0044**		**497**	**497**	**568**
1. Materials, spare parts and tools	0045		-	-	-
2. Work in progress	0046		-	-	-
3. Finished goods	0047		-	-	-
4. Merchandise	0048		-	-	-
5. Assets held for sale	0049		-	-	-
6. Advances for inventory and services	0050		497	497	568
II. TRADE RECEIVABLES (0052+0053+0054+0055+0056+0057+0058)	**0051**		-	-	-
1. Domestic trade receivables - parents and subsidiaries	0052		-	-	-
2. Foreign trade receivables - parents and subsidiaries	0053		-	-	-
3. Domestic trade receivables - other related parties	0054		-	-	-
4. Foreign trade receivables - other related parties	0055		-	-	-
5. Trade receivables – domestic	0056		-	-	-
6. Trade receivables – foreign	0057		-	-	-
7. Other trade receivables	0058		-	-	-
III. RECEIVABLES FROM SPECIFIC OPERATIONS	**0059**		-	-	-
IV. OTHER RECEIVABLES	**0060**		-	-	-
V. FINANCIAL ASSETS AT FAIR VALUE THROUGHT PROFIT OR LOSS	**0061**		-	-	-
VI. SHORT TERM FINANCIAL INVESTMENTS (0063+0064+0065+0066+0067)	**0062**		**446,219**	**324,563**	**306,998**
1. Short-term loans and investments - parent companies and subsidiaries	0063	9	437,170	313,132	306,218
2. Short-term loans and investments – other related parties	0064	10	9,049	11,431	780
3. Short-term loans and investments – domestic	0065		-	-	-
4. Short-term loans and investments – foreign	0066		-	-	-
5. Other short-term loans and investments	0067		-	-	-
VII. CASH AND CASH EQUIVALENTS	**0068**	**11**	**108**	**3,479**	**18,094**
VIII. VALUE ADDED TAX	**0069**	**12**	**1,277**	**1,287**	**1,403**
IX. PREPAYMENTS AND ACCRUED INCOME	**0070**	**12**	**55,692**	**37,748**	**16,608**
E. TOTAL ASSETS (0001+0002+0042+0043)	**0071**		**519,807**	**383,588**	**359,685**
F. OFF-BALANCE SHEET ASSETS	**0072**		-	-	-
A. EQUITY (0402+0411-0412+0413+0414+0415-0416+0417+0420-0421)	**0401**		-	-	-
I. EQUITY (0403+0404+0405+0406+0407+0408+0409+0410)	**0402**	**13**	**3,825**	**817**	**817**
1. Share capital	0403	13	**3,825**	-	-
2. Stakes of limited liability companies	0404	13	-	**817**	**817**
3. Stakes	0405		-	-	-
4. State owned capital	0406		-	-	-
5. Socially owned capital	0407		-	-	-
6. Stakes in cooperatives	0408		-	-	-
7. Share premium	0409		-	-	-
8. Other capital	0410		-	-	-
II. SUBSCRIBED CAPITAL UNPAID	**0411**		-	-	-
III. OWN SHARES	**0412**		-	-	-
IV. RESERVES	**0413**		-	-	-
V. REVALUATION RESERVES FROM VALUATION OF INTANGIBLES, PROPERTIES, PLANT AND EQUIPMENT	**0414**		-	-	-
VI. UNREALISED GAINS FROM SECURITAS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME	**0415**		-	-	-
VII. UNREALIZED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME	**0416**		-	-	-
VIII. RETAINED EARNINGS (0418+0419)	**0417**		-	-	-
1. Retained earnings from previous years	0418		-	-	-
2. Retained earnings from current year	0419		-	-	-
IX. NON-CONTROLLING INTEREST	**0420**		-	-	-
X. LOSS (0422+0423)	**0421**	**13**	**47,424**	**11,388**	**8,088**
1. Loss from previous years	0422	13	11,389	8,088	3,301
2. Loss from current year	0423	13	36,035	3,300	4,787
B. LONG-TERM PROVISIONS AND LIABILITIES	**0424**		**137,973**	-	-

BALANCE SHEET (CONTINUED)
In RSD thousand

	AOP	Note	31 December 2017	31 December 2016	31 December 2015
(0425+0432)					
I. LONG-TERM PROVISIONS (0426+0427+0428+0429+0430+4031)	**0425**		-	-	-
1. Provisions for warranty claims	0426		-	-	-
2. Provision for environmental rehabilitation	0427		-	-	-
3. Provisions for restructuring costs	0428		-	-	-
4. Provisions for employee benefits	0429		-	-	-
5. Provisions for litigations	0430		-	-	-
6. Other long term provisions	0431		-	-	-
II. LONG-TERM LIABILITIES (0433+0434+0435+0436+0437+0438+0439+0440)	**0432**		**137,973**	-	-
1. Liabilities convertible to equity	0433		-	-	-
2. Liabilities to parent and subsidiaries	0434		-	-	-
3. Liabilities to other related parties	0435		-	-	-
4. Liabilities for issued long-term securities	0436		-	-	-
5. Long term borrowings – domestic	0437	14	137,973	-	-
6. Long-term borrowings – foreign	0438		-	-	-
7. Finance lease liabilities	0439		-	-	-
8. Other long-term liabilities	0440		-	-	-
C. DEFFERED TAX LIABILITIES	**0441**		-	-	-
D. SHORT-TERM LIABILITIES (0443+0450+0451+0459+0460+0461+0462)	**0442**		**425,432**	**394,159**	**366,956**
I. SHORT-TERM FINANCIAL LIABILITIES (0444+0445+0446+0447+0448+0449)	**0443**		**329,088**	**343,654**	**338,324**
1. Short term borrowings from parent and subsidiaries	0444	15	329,088	343,654	338,324
2. Short term borrowings from other related parties	0445		-	-	-
3. Short-term loans and borrowings - domestic	0446		-	-	-
4. Short-term loans and borrowings - foreign	0447		-	-	-
5. Liabilities relating to current assets and held-for-sale assets attributable to discounted operations	0448		-	-	-
6. Other short term liabilities	0449		-	-	-
II. ADVANCES RECEIVED	**0450**		-	-	-
III. TRADE PAYABLES (0452+0453+0454+0455+0456+0458)	**0451**		**116**	-	-
1. Trade payables - parent and subsidiaries - domestic	0452		-	-	-
2. Trade payables - parent and subsidiaries - foreign	0453		-	-	-
3. Trade payables - other related parties - domestic	0454		116	-	-
4. Trade payables - other related parties - foreign	0455		-	-	-
5. Trade payables – domestic	0456		-	-	-
6. Trade payables – foreign	0457		-	-	-
7. Other operating liabilities	0458		-	-	-
IV. OTHER SHORT-TERM LIABILITIES	**0459**		-	**28,439**	**8,551**
V. LIABILITIES FOR VAT	**0460**		-	-	-
VI. LIABILITIES FOR OTHER TAXES	**0461**		**43**	**2,308**	**672**
VII. ACCRUED EXPENSES	**0462**	**16**	**96,185**	**19,758**	**19,409**
E. LOSS EXCEEDING EQUITY (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402)>=0=(0441+0424+0442-0071)>=0	**0463**		**43,599**	**10,571**	**7,271**
F. TOTAL EQUITY AND LIABILITIES (0424+0442+0441+0401-0463)>=0	**0464**		**519,807**	**383,588**	**359,685**
G. OFF-BALANCE SHEET LIABILITIES	**0465**		-	-	-

Tiziano Giovannetti
Director
5 April 2018

The accompanying notes are an integral part of these Financial Statements.

INCOME STATEMENT
In RSD thousand

	AOP	Note	Year ended 31 December 2017	2016	2015
INCOME FROM REGULAR OPERATING ACTIVITIES					
A. OPERATING INCOME (1002+1009+1016+1017)	**1001**		-	-	-
I. INCOME FROM THE SALE OF GOODS (1003+1004+1005+1006+1007+1008)	**1002**		-	-	-
1. Income from sales of goods to parent and subsidiaries on domestic market	1003		-	-	-
2. Income from sales of goods to parent and subsidiaries on foreign market	1004		-	-	-
3. Income from the sale of goods to other related parties on domestic market	1005		-	-	-
4. Income from the sale of goods to other related parties on foreign market	1006		-	-	-
5. Income from sale of goods on domestic market	1007		-	-	-
6. Income from sale of goods on foreign market	1008		-	-	-
II. INCOME FROM SALES OF PRODUCTS AND SERVICES (1010+1011+1012+1013+1014+1015)	**1009**		-	-	-
1. Income from sales of products and services to parent and subsidiaries on domestic market	1010		-	-	-
2. Income from sales of products and services to parent and subsidiaries on foreign market	1011		-	-	-
3. Income from sales of products and services to other related parties on domestic market	1012		-	-	-
4. Income from sales of products and services to other related parties on foreign market	1013		-	-	-
5. Income from sales of products and services – domestic	1014		-	-	-
6. Income from sales of products and services – foreign	1015		-	-	-
III. INCOME FROM PREMIUMS, SUBVENTIONS AND DONATIONS	**1016**		-	-	-
IV. OTHER OPERATING INCOME	**1017**		-	-	-
EXPENSES FROM REGULAR OPERATING ACTIVITIES			-	-	-
B. OPERATING EXPENSES (1019-1020-1021+1022+1023+1024+1025+1026+1027+1028+1029)>= 0	**1018**		**30,961**	**1,705**	**730**
I. COST OF GOODS SOLD	1019		-	-	-
II. WORK PERFORMED BY THE ENTITY AND CAPITALIZED	1020		-	-	-
III. INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES	1021		-	-	-
IV. DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES	1022		-	-	-
V. COST OF MATERIAL	1023		-	934	-
VI. COST OF FUEL AND ENERGY	1024		-	-	-
VII. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1025		-	-	-
VIII. COST OF PRODUCTION SERVICES	1026		315	-	-
IX. DEPRECIATION, DEPLETION AND AMORTIZATION	1027		-	-	-
X. COST OF LONG-TERM PROVISIONING	1028		-	-	-
XI. NON-PRODUCTION COSTS	1029	17	30,647	771	730
C. OPERATING GAIN (1001-1018)>=0	**1030**		-	-	-
D. OPERATING LOSS (1018-1001)>=0	**1031**		**30,961**	**1,705**	**730**
E. FINANCE INCOME (1033+1038+1039)	**1032**		**35,213**	**26,146**	**22,597**
I. FINANCIAL INCOME FROM RELATED PARTIES AND OTHER FINANCIAL INCOME (1034+1035+1036+1037)	1033		35,213	26,146	22,447
1. Finance income - parent company and subsidiaries	1034	18	35,213	26,146	22,447
2. Finance income - other related parties	1035		-	-	-
3. Share of profit of associates and joint ventures	1036		-	-	-
4. Other financial income	1037		-	-	-
II. INTEREST INCOME (from third parties)	1038		-	-	150
III. FOREIGN EXCHANGE GAINS (third parties)	1039		-	-	-

INCOME STATEMENT
In RSD thousand

	AOP	Note	Year ended 31 December 2017	2016	2015
F. FINANCE EXPENSES (1041+1046+1047)	**1040**		**37,362**	**25,375**	**25,982**
I. FINANCIAL EXPENSES FROM RELATED PARTIES AND OTHER FINANCIAL EXPENSES (1042+1043+1044+1045)	1041		34,616	25,374	25,981
1. Finance expense - parent company and subsidiaries	1042	19	34,424	25,374	25,981
2. Finance expense - other related parties	1043		192	-	-
3. Share of loss of associates and joint ventures	1044		-	-	-
4. Other financial expense	1045		-	-	-
II. INTEREST EXPENSE (from third parties)	1046		2,747	1	1
III. FOREIGN EXCHANGE LOSSES (third parties)	1047		-	-	-
G. PROFIT FROM FINANCING OPERATIONS (1032-1040)	**1048**		**0**	**771**	**0**
H. LOSS FROM FINANCING OPERATIONS (1040-1032)	**1049**		**2,150**	-	**3,385**
I. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**1050**		-	-	-
J. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**1051**		-	-	-
K. OTHER INCOME	**1052**		**2**	**561**	-
L. OTHER EXPENSES	**1053**		-	-	-
M. OPERATING PROFIT BEFORE TAX (1030-1031+1048-1049+1050-1051+1052-1053)	**1054**		-	-	-
N. OPERATING LOSS BEFORE TAX (1031-1030+1049-1048+1051-1050+1053-1052)	**1055**		**33,108**	**373**	**4,115**
O. NET INCOME ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS	**1056**		-	-	-
P. NET LOSS ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS	**1057**		-	-	-
Q. PROFIT BEFORE TAX (1054-1055+1056-1057)	**1058**		-	-	-
R. LOSS BEFORE TAX (1055-1054+1057-1056)	**1059**		**33,108**	**373**	**4,115**
II. INCOME TAX					
I. CURRENT INCOME TAX	1060	20	2,927	2,927	672
II. DEFERRED TAX EXPENSE FOR THE PERIOD	1061		-	-	-
III. DEFERRED TAX INCOME FOR THE PERIOD	1062	-	-	-	-
S. PERSONAL INCOME PAID TO EMPLOYER	**1063**		-	-	-
T. NET PROFIT (1058-1059-1060-1061+1062)	**1064**		-	-	-
V. NET LOSS (1059-1058+1060+1061-1062)	**1065**		**36,035**	**3,300**	**4,787**
I. NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1066		-	-	-
II. NET INCOME ATTRIBUTABLE TO THE OWNER	1067		-	-	-
III. NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1068		-	-	-
IV. NET LOSS ATTRIBUTABLE TO THE OWNER	1069		36,035	3,300	4,787
V. EARNINGS PER SHARE					
1. Basic earnings per share (in RSD)	1070	21	(1.44)	(0,13)	(0,19)
2. Diluted earnings per share (in RSD)	1071	21	(1.44)	(0,13)	(0,19)

STATEMENT OF OTHER COMPREHENSIVE INCOME In RSD thousand	AOP	Note	Year ended 31 December 2017	2016	2015
A. NET PROFIT/(LOSS)					
I. PROFIT, NET (AOP 1064)	**2001**		-	-	-
II. LOSS, NET (AOP 1065)	**2002**		**36,035**	**3,300**	**4,787**
B. OTHER COMPREHENSIVE PROFIT OR LOSS					
a) Items that will not be reclassified to profit or loss					
1. Changes in the revaluation of intangible assets, property, plant and equipment					
a) increase in revaluation reserves	2003		-	-	-
b) decrease in revaluation reserves	2004		-	-	-
2. Actuarial gains (losses) of post-employment benefit obligations					
a) gains	2005		-	-	-
b) losses	2006		-	-	-
3. Gains and losses arising from equity investments					
a) gains	2007		-	-	-
b) losses	2008		-	-	-
4. Gains or losses arising from a share in the associate's other comprehensive profit or loss					
a) gains	2009		-	-	-
b) losses	2010		-	-	-
b) Items that may be subsequently reclassified to profit or loss					
1. Gains (losses) from currency translation differences					
a) gains	2011		-	-	-
b) losses	2012		-	-	-
2. Gains (losses) on investment hedging instruments in foreign business					
a) gains	2013		-	-	-
b) losses	2014		-	-	-
3. Gains and losses on cash flow hedges					
a) gains	2015		-	-	-
b) losses	2016		-	-	-
4. Gains (losses) from change in value of available-for-sale financial assets					
a) gains	2017		-	-	-
b) losses	2018		-	-	-
I. OTHER COMPREHENSIVE PROFIT BEFORE TAX (2003+2005+2007+2009+2011+2013+2015+2017)-(2004+2006+2008+2010+2012+2014+2016+2018)>=0	2019		-	-	-
II. OTHER COMPREHENSIVE LOSS BEFORE TAX (2004+2006+2008+2010+2012+2014+2016+2018)-(2003+2005+2007+2009+2009+2011+2013+2015+2017)>=0	2020		-	-	-
III. TAX ON OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD	2021		-	-	-
IV. TOTAL NET COMPREHENSIVE PROFIT (2019-2020-2021)>=0	**2022**		-	-	-
V. TOTAL NET COMPREHENSIVE LOSS (2020-2019+2021)>=0	**2023**		-	-	-
C. TOTAL NET COMPREHENSIVE PROFIT					
I. TOTAL COMPREHENSIVE PROFIT, NET (2001-2002+2022-2023)>=0	2024		-	-	-
II. TOTAL COMPREHENSIVE LOSS, NET (2002-2001+2023-2022)>=0	2025		36,035	3,300	4,787
D. TOTAL NET COMPREHENSIVE PROFIT / (LOSS) (2027+2028)=AOP 2024>=0 или AOP 2025>0	**2026**		-	-	-
1. Attributable to shareholders	2027		36,035	3,300	4,787
2. Attributable to non-controlling interest	2028		-	-	-

STATEMENT OF CASH FLOWS
In RSD thousand

	AOP	Note	Year ended 31 December 2017	2016	2015
A. CASH FLOWS FROM OPERATING ACTIVITIES					
I. Cash inflow from operating activities (1 to 3)	**3001**		**809**	**-**	**150**
1. Sales and advances received	3002		-	-	-
2. Interest from operating activities	3003		809	-	150
3. Other inflow from operating activities	3004		-	-	-
II. Cash outflow from operating activities (1 to 5)	**3005**		**3,568**	**2,436**	**731**
1. Payments and prepayments to suppliers	3006		964	1,144	730
2. Salaries, benefits and other personal expenses	3007		-	-	-
3. Interest paid	3008		296	1	1
4. Income tax paid	3009		2,308	1,291	-
5. Payments for other public revenues	3010		-	-	-
III. Net cash inflow from operating activities (I - II)	**3011**				
IV. Net cash outflow from operating activities (II - I)	**3012**		**2,760**	**2,436**	**581**
B. CASH FLOWS FROM INVESTING ACTIVITIES					
I. Cash flows from investing activities (1 to 5)	**3013**		**-**	**-**	**-**
1. Sale of shares (net inflow)	3014		-	-	-
2. Proceeds from sale of intangible assets, property, plant and equipment	3015		-	-	-
3. Other financial investments (net inflow)	3016		-	-	-
4. Interest from investing activities	3017		-	-	-
5. Dividend received	3018		-	-	-
II. Cash outflow from investing activities (1 to 3)	**3019**		**-**	**-**	**-**
1. Acquisition of subsidiaries or other business (net outflow)	3020		-	-	-
2. Purchase of intangible assets, property, plant and equipment	3021		-	-	-
3. Other financial investments (net outflow)	3022		-	-	-
III. Net cash inflow from investing activities (I - II)	**3023**		**-**	**-**	**-**
IV. Net cash outflow from investing activities (II - I)	**3024**		**-**	**-**	**-**
C. CASH FLOWS FROM FINANCING ACTIVITIES					
I. Cash inflow from financing activities (1 to 5)	**3025**		**137,973**	**-**	**-**
1. Increase in share capital	3026		-	-	-
2. Proceeds from long-term borrowings (net inflow)	3027		137,973	-	-
3. Proceeds from short-term borrowings (net inflow)	3028		-	-	-
4. Other long-term liabilities	3029		-	-	-
5. Other short-term liabilities	3030		-	-	-
II. Cash outflow from financing activities (1 to 6)	**3031**		**138,585**	**12,179**	**303,977**
1. Purchase of own shares	3032		-	-	-
2. Repayment of long-term borrowings (net outflow)	3033		138,585	12,179	303,977
3. Repayment of short-term borrowings (net outflow)	3034		-	-	-
4. Repayment of other liabilities (net outflow)	3035		-	-	-
5. Financial lease	3036		-	-	-
6. Dividend distribution	3037		-	-	-
III. Net cash inflow from financing activities (I - II)	**3038**		**-**		
IV Net cash outflow from financing activities (II - I)	**3039**		**612**	**12,179**	**303,977**
D. TOTAL CASH INFLOW (3001+3013+3025)	**3040**		**138,782**		**150**
E. TOTAL CASH OUTFLOW (3005+3019+3031)	**3041**		**142,153**	**14,615**	**304,708**
F. NET CASH INFLOW (340-341)	**3042**				
G. NET CASH OUTFLOW (341-340)	**3043**		**3,371**	**14,615**	**304,558**
H. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**3044**		**3,479**	**18,094**	**322,652**
I. CURRENCY TRANSLATION GAINS ON CASH AND CASH EQUIVALENTS	**3045**		**-**	**-**	**-**
J. CURRENCY TRANSLATION LOSSES ON CASH AND CASH EQUIVALENTS	**3046**		**-**	**-**	**-**
K. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (3042-3043+3044+3045-3046)	**3047**		**108**	**3,479**	**18,094**

STATEMENT OF CHANGES IN EQUITY
In RSD thousand

	Equity components							
	AOP	Share capital	AOP	Reserves	AOP	Loss	AOP	Retained earnings (loss)
Balance as at 1 January 2015								
a) debit	4001	-	4037	-	4055	3,301	4091	-
b) credit	4002	817	4038	-	4056	-	4092	-
Adjustments of material errors and changes in accounting policies								
a) debit	4003	-	4039	-	4057	-	4093	-
b) credit	4004	-	4040	-	4058	-	4094	-
Restated opening balance as at 1 January 2015								
a) debit (1a+2a-2б)>=0	4005	-	4041	-	4059	-	4095	-
б) credit (1б-2a+2б)>=0	4006	-	4042	-	4060	-	4096	-
Changes in period								
a) debit	4007	-	4043	-	4061	4,787	4097	-
b) credit	4008	-	4044	-	4062	-	4098	-
Balance as at 31 December 2015								
a) debit (3a+4a-4б)>=0	4001	-	4037	-	4055	8,088	4091	-
б) credit (3б-4a+4б)>=0	4002	817	4038	-	4056	-	4092	-
Adjustments of material errors and changes in accounting policies								
a) debit	4003	-	4039	-	4057	-	4093	-
b) credit	4004	-	4040	-	4058	-	4094	-
Restated opening balance as at 1 January 2016								
a) debit (5a+6a-6б)>=0	4005	-	4041	-	4059	-	4095	-
б) credit (5б-6a+6б)>=0	4006	-	4042	-	4060	-	4096	-
Changes in period								
a) debit	4007	-	4043	-	4061	3,300	4097	
b) credit	4008	-	4044	-	4062	-	4098	-
Balance as at 31 December 2016								
a) debit (7a+8a-8б)>=0	4009	-	4045	-	4063	11,388	4099	-
б) credit (7б-8a+8б)>=0	4010	817	4046	-	4064	-	4100	-

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Equity components							
	AOP	Share capital	AOP	Reserves	AOP	Loss	AOP	Retained earnings
Adjustments of material errors and changes in accounting policies								
a) debit	4011	-	4047	-	4065	-	4101	-
b) credit	4012	-	4048	-	4066	-	4102	-
Restated opening balance as at 1 January 2017								
a) debit (5a+6a-6б)>=0	4013	-	4049	-	4067	-	4103	-
б) credit (5б-6a+6б)>=0	4014	-	4050	-	4068	-	4104	-
Changes in period								
a) debit	4015	-	4051	-	4069	36,035	4105	-
b) credit	4016	3,008	4052	-	4070	-	4106	-
Balance as at 31 December 2017								
a) debit (7a+8a-8б)>=0	4017	-	4053	-	4071	47,423	4107	-
б) credit (7б-8a+8б)>=0	4018	3,825	4054	-	4072	-	4108	-

STATEMENT OF CHANGES IN EQUITY(CONTINUED)

		Other comprehensive income components						
	AOP	Revaluation reserves	AOP	Acturial gain/(loss)	AOP	Gains (losses) from change in value of available-for-sale financial assets	AOP	Total Equity
Balance as at 1 January 2015								
a) debit	4109	-	4127	-	4217	-		3,301
b) credit	4110	-	4128	-	4218	-	4235	817
Adjustments of material errors and changes in accounting policies								
a) debit	4111	-	4129	-	4219	-		-
b) credit	4112	-	4130	-	4220	-	4236	-
Restated opening balance as at 1 January 2015								
a) debit (1a+2a-26)>=0	4113	-	4131	-	4221	-		-
b) credit (16-2a+26)>=0	4114	-	4132	-	4222	-	4237	-
Changes in period								
a) debit	4115	-	4133	-	4223	-		4,787
b) credit	4116	-	4134	-	4224	-	4238	-
Balance as at 31 December 2015								
a) debit (3a+4a-46)>=0	4109	-	4127	-	4217	-		8,088
b) credit (36-4a+46)>=0	4110	-	4128	-	4218	-	4235	817
Adjustments of material errors and changes in accounting policies								
a) debit	4111	-	4129	-	4219	-		-
b) credit	4112	-	4130	-	4220	-	4236	-
Restated opening balance as at 1 January 2016								
a) debit (5a+6a-66)>=0	4113	-	4131	-	4221	-		-
b) credit (56-6a+66)>=0	4114	-	4132	-	4222	-	4237	-
Changes in period								
a) debit	4115	-	4133	-	4223	-		3,300
b) credit	4116	-	4134	-	4224	-	4238	-
Balance as at 31 December 2016								
a) debit (7a+8a-86)>=0	4117	-	4135	-	4225	-		11,388
6) credit (76-8a+86)>=0	4118	-	4136	-	4226	-	4239	817

STATEMENT OF CHANGES IN EQUITY(CONTINUED)

		Other comprehensive income components						
	AOP	Revaluation reserves	AOP	Acturial gain/(loss)	AOP	Gains (losses) from change in value of available-for-sale financial assets	AOP	Total Equity
Adjustments of material errors and changes in accounting policies								
a) debit	4119	-	4137	-	4227	-		0
b) credit	4120	-	4138	-	4228	-	4240	0
Restated opening balance as at 1 January 2017								
a) debit (5a+6a-6б)>=0	**4121**	-	**4139**	-	**4229**	-		**0**
b) credit (5б-6a+6б)>=0	**4122**	-	**4140**	-	**4230**	-	**4241**	**0**
Changes in period								
a) debit	4123	-	4141	-	4231	-		33,108
b) credit	4124	-	4142	-	4232	-	4242	3,008
Balance as at 31 December 2017								
a) debit (7a+8a-8б)>=0	**4125**	-	**4143**	-	**4233**	-		**47,423**
б) credit (7б-8a+8б)>=0	**4126**	-	**4144**	-	**4234**	-	**4243**	**3,825**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

1. General information

Fintel Energija A.D. (hereinafter the **"Company"** or **"Fintel Energija"**) is a Serbian holding leading independent renewable energy generator in Serbia. The Company through its subsidiaries acted as the pioneer in the Serbian wind business being the first ever to install and operate wind farms in the country.

The Company was incorporated as a closed joint stock company on 27 June 2007, under the business name PRIVREDNO DRUŠTVO ZA PROIZVODNJU ELEKTRIČNE ENERGIJE FINTEL ENERGIJA AD BEOGRAD, by the company FINTEL ENERGIA GROUP S.P.A, registration number 02658620402, as the sole shareholder (hereinafter the "**Principal Shareholder**"). Fintel Energia Group S.p.A. is 86,22% owned by Hopafi Srl.

Fintel Energia's registered office is located at Bulevar Mihajla Pupina 115e, Beograd, Serbia.

At 31 December 2017, the Company's fully subscribed and paid up share capital amounted to RSD 3,825 thousand, consisting of 25,000,000 ordinary shares of RSD 0.153 each.

Fintel Energia Group SpA, the Parent, is listed joint stock company under Italian law. It constitute a vertical operator in the integrated energy supply chain, which engages in the sale of electricity and natural gas in Italy and in the development and exploitation of renewable energy power plants (photovoltaic, wind and mini wind) in Italy and Serbia.

These financial statements for the year ended 31 December 2017, 2016 and 2015 have been prepared by the Company's sole Director, which approved them on the 5 April 2018. The approved financial statements may be amended based on the auditor's opinion, in accordance with legislation.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

2. Summary of accounting policies and standards adopted

Set out below are the main accounting policies and standards applied in the preparation of financial statements.

2.1 Basis of presentation

The Company has prepared these financial statements in accordance with the Law on Accounting of the Republic of Serbia (the "Law"), published in Official Gazette 62/2013, which requires full scope of International Financial Reporting Standards ("IFRS") to be applied as translated into Serbian up to 31 July 2013. The specific requirements of the Law result in departures from IFRS due to the fact that as only translated standards are adopted, these accounts do not reflect the impact of IFRS which have been issued since 31 July 2013. In addition the Law requires certain presentations and treatments of accounts and balances which results in the following additional departures from IFRS:

1. The financial statements are prepared in format prescribed by the Ministry of Finance of the Republic of Serbia, which does not comply with IAS 1 (revised) – "Presentation of Financial Statements" requirements and IAS 7 – "Statement of cash flows".
2. "Off-balance sheet assets and liabilities" are recorded on the face of the balance sheet (note 2.4). Such items do not meet the definition of either an asset or a liability under IFRS.
3. The decision of the Ministry of Finance of Republic of Serbia no. 401-00-896/2014-16 from 13 March 2014 ("Official Gazette of RS" no.35/2014) states that official standards are those official translations of International Accounting Standards (IAS) and International Standards of Financial Reporting (IFRS) issued by International Accounting Standards Board (IASB), as well as interpretations of standards issued by International Financial Reporting Interpretations Committee (IFRIC) up to 31 July 2013. Up to the date of the accompanying financial statements preparation, no amendments and supplements of existing standards, revised standards and new interpretations issued by IASB and IFRIC subsequent to 31 July, have been translated. The standards and interpretations for which there is no official translation in the Republic of Serbia are:
    - Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (issued in November 2013 and effective for annual periods beginning 1 July 2014),
    - Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below), Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014),
    - IFRS 9, "Financial Instruments" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018),
    - IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016),
    - Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016),
    - Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016),
    - IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018),
    - Agriculture: Bearer plants, Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

2.1 Basis for presentation (continued):

annual periods beginning 1 January 2016),

- Equity Method in Separate Financial Statements, Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016), Sale or Contribution of Assets between an Investor and its Associate or Joint Venture,
- Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB),
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016), Disclosure Initiative
- Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016),
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016),
- IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019),
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017),
- Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017),
- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018),
- Applying IFRS 9 Financial Instruments with IFRS 4, Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach), Annual
- Improvements to IFRSs 2014-2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 12, and on or after 1 January 2018 for amendments to IFRS 1 and IAS 28),
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018),
- Transfers of Investment Property - Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019)
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019),
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019.
- Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

2.1 Basis for presentation (continued)

The preparation of financial statements in conformity with Law on Accounting of the Republic of Serbia requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.2 Going concern

The Company meets its day-to-day working capital requirements through its bank facilities. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. Further information on the Company's borrowings is given in Note 14.

2.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Company are measured and presented in Serbian dinars ("RSD") unless stated otherwise and irrespective of whether the RSD is the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2.4 Accounting policies

Property, plant and equipment

Property, plant and equipment is stated at purchase cost less depreciation and impairment. Cost includes all costs necessary to bring an asset to working condition for its intended use. This cost is increased by the present value of the estimated cost of site clearance when there is a legal or constructive obligation to decommission the asset. The corresponding liability is recognised in provisions for risks and charges. The accounting treatment of revised estimates of these costs, of the time value of money and of the discount rate are indicated in the point on provisions for risks and charges.

Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are included in the cost of the asset only if the asset in question is a qualifying asset, i.e. one that necessarily takes a substantial period of time to get ready for its intended use or sale.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

2.4 Accounting policies (continued)

Costs incurred on ordinary and/or cyclical repairs and maintenance are recognised directly in profit or loss. Costs incurred for the expansion, modernisation or improvement of structural elements owned by the Company or used by third parties are capitalised to the extent that they meet the requirements for recognition as a separate asset or as part of an asset.

Depreciation is calculated on a straight line basis using rates that allow assets to be depreciated over their estimated useful lives. When a depreciable asset is composed of separately identifiable elements, the useful life of which differs significantly from the other component parts of the asset, depreciation is computed separately for each of these parts in accordance with the "component approach".

The useful life estimated by the Company for each category of property, plant and equipment is as follows:

	No. of years
Buildings	20
Equipment	20

Land is not depreciated.

The residual values of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period. Depreciation begins when the assets are ready for their intended use as established by the directors (which coincides with the end of the test period).

Property, plant and equipment held under finance leases, whereby substantially all of the risks and benefits of ownership are transferred to the Company, are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, inclusive of the amount payable to exercise the purchase option. The corresponding lease obligation is recognised under financial liabilities. Assets held under finance leases are depreciated by applying the policy and rates previously indicated for property, plant and equipment, except where the lease term is shorter than an asset's useful life and there is no reasonable certainty that the Company will obtain ownership at the end of the lease term; in this case, the depreciation period coincides with the lease term. Any gain on sale of an asset arising from a sale and leaseback transaction is deferred and amortised over the lease term.

Leasing arrangements, whereby the lessor retains substantially all the risks and rewards incidental to ownership of an asset, are accounted for as operating leases. Costs relating to operating leases are recognised in profit or loss on a straight-line basis over the lease term.

Impairment of property, plant and equipment

At the end of each reporting period, property, plant and equipment not fully depreciated/amortised are tested for indicators of impairment. If any such indicators are identified, an estimate is computed of the recoverable amount of the asset and any write-down of the carrying amount is recognised in profit or loss. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use, which is the present value of the future cash flows expected to be derived from an asset. For assets that do not generate sufficiently independent cash flows, the recoverable amount is determined with

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

2.4 Accounting policies (continued)

reference to the cash-generating unit to which the assets belong. In determining value in use, expected future cash flows are discounted using a discount rate which reflects current market assessments of the time value of money and the risks specific to the business. An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. When it is no longer necessary to maintain an impairment, the carrying value of the asset is increased to the new value deriving from the estimate of its recoverable value, but not exceeding the net book value that the asset would have had if it had not been written down for impairment.

Other current and non-current assets, trade receivables and other receivables

On initial recognition, financial assets are measured at fair value and are classified in one of the following categories based on their nature and the purpose for which the investments were acquired:

- held-to-maturity investments;
- loans and receivables;
- available-for-sale financial assets; and
- financial assets at fair value through profit or loss.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the assets have expired and the company that held them has transferred substantially all the risks and rewards of ownership.

The only case applicable to the Company, except for financial derivatives as detailed below, is loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which mainly relate to receivables due from customers or Group companies. Loans and receivables are classified in the statement of financial position as trade receivables and other receivables. These assets are measured at amortised cost, using the effective interest rate, less impairment. Impairment losses on receivables are recognised if there is objective evidence that the Company will not be able to recover the receivable due from the counterparty in accordance with contractual terms. Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Company regarding the following loss events:

- significant financial difficulties on the part of the issuer or borrower;
- the existence of ongoing legal disputes with the debtor relating to a receivable;
- reasonable likelihood that the beneficiary will declare bankruptcy or other debt restructuring or insolvency procedures.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the loss is recognised in profit or loss as "Allocations to provisions and impairment".

Receivables are stated in the financial statements net of the provision for doubtful debts.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

2.4 Accounting policies (continued)

Cash and cash equivalents

These include cash on hand, deposits held at call with banks or other financial institutions for current operations, post office current accounts and other cash equivalents, as well as investments with original maturities of three months or less. The components of cash and cash equivalents are measured at fair value and changes therein are recognised in profit or loss.

Off balance sheet assets/liabilities

Those include: assets held under leases, other than financial leases, consignment stock, material received from third parties for further processing and other assets not owned by the Company, as well as receivables/payables relating to collaterals received/given such as guarantees and other warrants.

Trade payables, financial and other payables

Trade payables, financial and other payables are recognised initially at their fair value, net of directly attributable ancillary costs, and subsequently measured at amortised cost using the effective interest method. If there is a change in estimated cash flow that can be reliably measured, the carrying amount of the liability is remeasured to reflect the change, based on the present value of the new estimated cash flow and on the initially determined internal rate. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowings are recognised on the trade date of the related transactions and are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired and when the company that had contracted the debt has transferred all of the risks and obligations related thereto.

Provisions

Provisions for risks and charges are recorded for losses and charges of a specific nature, which are certain or likely to be incurred, but the amount of which or date of occurrence are not capable of being precisely determined. They are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation. The amount recognised represents the best estimate of the expenditure required to settle the obligation. When the time value of money is significant and the settlement date of the obligations can be reliably estimated, the provisions are measured at the present value of the expected disbursement using a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

If the liability relates to decommissioning and/or restoration of assets, the provision is recognised as an opposite entry to the asset to which it relates and the cost is recognised in the income statements via the depreciation of the asset to which the cost relates.

Changes in accounting estimates are reflected in the income statement in the year in which the change takes place, except for changes in expected decommissioning and clearance costs due to changes in timing and the use of economic resources necessary to discharge the obligation or resulting from a change in the discount rate.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

2.4 Accounting policies (continued)

Such changes are added to or deducted from the carrying amount of the assets to which they relate and are recognised as depreciation charges in income statement. If changes are added to an asset's carrying amount, an assessment is made as to whether the new carrying amount is likely to be fully recovered; if not, the carrying amount of the asset is reduced to take account of the unrecoverable amount and the loss arising from the reduction is recognised in the income statement.

If changes are deducted from an asset's carrying amount, the decrease is recognised as an opposite entry to the asset up to the amount of its carrying amount; any excess is recognised immediately in the income statement.

As regards estimation criteria adopted for the determination of the asset decommissioning and restoration provision, reference should be made to the paragraph on use of estimates.

Risks that could give rise to a probable liability are disclosed in the section on commitments and risks, but are not provided for.

A contingent liability that was separately recognised in the initial accounting for a business combination as a liability, is measured at the higher of the amount the liability would be recognised by applying the above policy for provisions for risks and charges and the present value of the initially determined liability.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and relates to the sale of goods and the rendering of services that constitute the Company's core business. Revenue is recorded net of returns, discounts, rebates and allowances and excluding value added tax.

Revenue is recognised to the extent that it can be reliably measured and it is probable that future economic benefits will flow to the Company.

Revenue arising from the sale of goods and finished products is recognised in the income statement upon the transfer to the customer of the risks and rewards of ownership of the product sold, which normally coincides with the shipment of the goods to the customer and their acceptance thereby.

Revenue arising from the rendering of services is recognised in the accounting period in which the services are rendered by reference to the stage of completion at the reporting date.

Revenue only includes economic benefits received or receivable flowing to the Company in their own name and on their own behalf. Consequently, consideration received on behalf of third parties is excluded from revenue.

Cost recognition

Costs are recognised when they relate to goods and services purchased or consumed in the period or by systematic allocation.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

2.4 Accounting policies (continued)

Finance income and costs

Finance income and costs are recognised on an accrual basis that takes account of the effective return/charge on related assets/liabilities.

Finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset, commencing from the date on which the Company companies start incurring the finance costs until the date on which the asset financed is ready for use.

Income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case deferred tax liability is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Serbia, where the Company operates and generates taxable profit. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Related-party transactions

Related party transactions are conducted at arm's length, based on efficiency and cost-effectiveness criteria.

Dividends

Dividends to be distributed to the shareholders of the Parent Company are recognised as a liability in the financial statements in the period in which the distribution has been approved by the shareholders.

Earnings per share

The Company calculates and discloses the basic earnings per share. Basic earnings per share is calculated by dividing the net income that belongs to shareholders, the owners of ordinary shares of the Company, by the weighted average number of ordinary shares issued during the period.

(All amounts are in 000 RSD, unless otherwise stated)

3. Estimates and assumptions

The preparation of the financial statements requires the directors to apply accounting policies and methods, which, in certain circumstances, are based on difficult and subjective assessments and estimates and which may also be based on past experience and on assumptions that are deemed to be reasonable and realistic. The use of such estimates and assumptions has an impact on the financial statements, including the balance sheet, the income statement, the statement of comprehensive income and the statement of cash flows, as well as on related disclosures. The actual amounts of financial statement components for which the aforementioned estimates and assumptions have been used may differ from the amounts reported in the financial statements that recognise the occurrence of the event linked to the estimate, because of the uncertainty of the assumptions and the conditions on which the estimates have been based.

A brief description is provided below of the accounting policies, which, with respect to the Company, require greater subjectivity by the directors in the preparation of estimates and for which a change in the conditions underlying the assumptions used may have a significant impact on the amounts reported

Impairment of investments in subsdiriaries

Investments in subsidiaries are tested for impairment when impairment indicators exist, which is recognised by a write-down when there are indicators that suggest it may be difficult to recover the related net carrying amount. The verification of the existence of the aforementioned indicators requires subjective assessments to be made by directors, based on information available within the Company, on information sourced from the market and on past experience. Moreover, if it has been established that there may be a case of potential impairment, as well as the computation of estimates for the determination thereof depend on factors that may change over time and which may affect the assessments and estimates made by the directors.

Based on assessments made by Fintel Group Directors, there are no indicators of impairment of investments in subsidiaries.

Provisions for risks and charges

Other provisions for risks and charges relate mainly to probable liabilities for penalties and interest on overdue amounts payable to the tax authorities. Allocations to provisions are made based on a best estimate at the reporting date of costs likely to be incurred to settle the liability, after having sought legal opinion.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

4. Financial risk management

The coordination and monitoring of key financial risks is carried out by the central treasury department of the Principal Shareholder Company, which provides guidelines for the management of various types of risk and for the use of financial instruments. The main features of Fintel's risk management policy are:

- central determination of operational risk management guidelines concerning market, liquidity and cash flow risks;
- monitoring of results achieved;
- diversification of commitments/obligations and of the product portfolio.

Credit risk

Credit risk represents the exposure to potential losses arising from the failure by commercial and financial counterparties to fulfil their contractual obligations.

The Company's maximum exposure to credit risk at 31 December 2017, 2016 and 2015 is the carrying amount of each class of assets indicated in the following table:

RSD thousand	31 December 2017	31 December 2016	31 December 2015
Advances for inventory and services	497	497	568
Short-term loans and investments	446,219	324,563	306,998
Prepayments and accrued income	55,692	37,748	16,608
TOTAL	**502,908**	**362,808**	**324,174**

Prepayments and accrued income mainly refer to receivables from EPS for the power produced by the wind farms, while Short-term loans and investments relate specifically to financing provided to the related company Energogreen Doo.

Those represent a low level of credit risk.

Liquidity risk

Liquidity risk is associated with the ability to meet the commitments arising from financial liabilities assumed by the Company. Prudent risk management of liquidity arising in the course of ordinary activities implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities.

Liquidity risk is managed centrally by the Ultimate Parent, given that the administration department periodically monitors the Company's net cash/debt through the preparation of appropriate actual and forecast cash inflow and outflow reports. In this manner, the Company aims to ensure it has adequate cover for its financing needs, by accurately monitoring financing, credit facilities opened and utilisations thereof, in order to optimise its resources and manage any temporary liquidity surplus.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

4. Financial risk management (continued)

The Company's objective is to establish a financing structure that, consistent with its business objectives, guarantees sufficient liquidity for the Company, minimises the related opportunity cost and maintains an equilibrium in terms of term to maturity and composition of the debt.

The following table provides a maturity analysis of liabilities at 31 December 2017, 2016 and 2015. The various maturity bands are determined based on the period between the reporting date and the contractual maturity of the Company's obligations, gross of accrued interest at 31 December. Interest is calculated in accordance with contractual terms for the financing.

RSD thousand	At 31 December 2017			
	Less than 1 year	1-2 years	2-5 years	Beyond 5 years
Financial payables due to shareholders	329,173	-	-	-
Bank loans	-	-	-	137,973
Trade payables	116	-	-	-
Total	**329,290**	**-**	**-**	**137,973**

RSD thousand	At 31 December 2016			
	Less than 1 year	1-2 years	2-5 years	Beyond 5 years
Financial payables due to shareholders	343,654	-	-	-
Bank loans	-	-	-	-
Trade payables	0	-	-	-
Total	**343,654**	**-**	**-**	**-**

RSD thousand	At 31 December 2015			
	Less than 1 year	1-2 years	2-5 years	Beyond 5 years
Financial payables due to shareholders	338,324	-	-	-
Bank loans	-	-	-	-
Trade payables	-	-	-	-
Total	**338,324**	**-**	**-**	**-**

An analysis of the financial liabilities by maturity shows a substantial alignment of payables due within 1 year at 31 December 2017 to those at the previous years end. The movements are mainly attributable to exchange rate differences for shareholder's loan in Euro currency.

Bank loans due beyond 5 years increased due to new loans taken out by the Company for Kosava wind farm.

Accordingly, taking in account of the foregoing and as detailed in Note 2.1 above, of the fact that the shareholders have confirmed that they do not intend to request the repayment of the loan prior to the forthcoming year end it is believed that the Company and the Group will be able to meet its obligations in the foreseeable future.

(All amounts are in 000 RSD, unless otherwise stated)

4. Financial risk management (continued)

Market risk

In the conduct of its operations, the Company is potentially exposed to the following market risks:

- risk of fluctuation in exchange rates;
- risk of fluctuation in interest rates.

These risks are essentially managed centrally by the Parent company Fintel Energija.

Risk of fluctuation in exchange rates

Exchange rate risk is linked to operations in currency other than the RSD. Fintel is exposed to the risk of fluctuation in exchange rates, given that it conducts business in Serbia through its subsidiaries, which are companies committed to the study, construction, development and management of wind farms and other projects in the field of renewables. The consequent impact is reflected in the statement of profit or loss of the subsidiaries.

Risk of fluctuation in interest rates

The risk of fluctuation in interest rates to which Fintel is exposed originates from financial payables. Fixed rate debt exposes the Company to risk linked to changes in the fair value of the debt for their part linked to changes in the reference rate market. Floating rate debt exposes the Company to cash flow risk originating from the volatility of interest rates.

The Company's financial indebtedness consists of current bank debt, medium/long term loans granted by banks and lease liabilities.

In order to hedge the risk of fluctuation in interest rates, during the course of 2015, the subsidiary Vetropark Kula also entered into an agreement for an interest rate cap with spread in relation to financing for the "Kula" wind power plant.

As a result of the aforementioned hedging transactions, the impact of the expected change in interest rates in the coming twelve months is deemed to be insignificant in the context of the Company's financial statements.

Capital risk

The Company's objective as far as capital risk management is concerned is mainly to safeguard business continuity in order to guarantee returns to shareholders and benefits to other stakeholders. Moreover, the Company aims to maintain an optimal capital structure in order to reduce the cost of borrowing.

The Company monitors its capital based on the ratio of net debt to net invested capital (gearing ratio). Net debt is calculated as total debt, including current and non-current loans and borrowings, plus net exposure to banks. Net invested capital is calculated as the sum of total equity and net debt.

The gearing ratio at 31 December 2017, 2016 and 2015 is shown in the following table:

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

4. Financial risk management (continued)

RSD thousand	31 December 2017	31 December 2016	31 December 2015
Non-current financial payables:			
- Financial payables due to shareholders	-	-	-
- Bank loans	137,973	-	-
Current financial payables:			
- Bank loans	-	-	-
- Financial payables due to shareholders	329,088	343,654	338,324
Cash and cash equivalents	(108)	(3,479)	(18,094)
Net debt (A)	**466,953**	**340,175**	**320,230**
Equity (B)	**(43,599)**	**(10,571)**	**(7,271)**
Net capital employed (C=A+B)	**423,355**	**329,604**	**312,959**
Gearing ratio (A/C)	***110.3%***	***103.2%***	***102.3%***

The gearing ratio increased due to the loss of the current year.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

5. Financial assets and liabilities by class

The following table shows the Company's financial assets and liabilities by class, with an indication of the corresponding fair value, at 31 December 2017, 2016 and 2015:

	At 31 December 2017						
RSD thousand	Financial assets and liabilities measured at fair value	Investments held to maturity	Loans and receivables	Available-for-sale financial assets	Financial liabilities carried at amortised cost	Total	Fair value
Receivables due from subsidiaries related parties	-	-	446,219	-	-	446,219	446,219
Cash and cash equivalents	-	-	108	-	-	108	108
Total	**-**	**-**	**446,327**	**-**	**-**	**446,327**	**446,327**
Financial payables	-	-	-	-	137,973	137,973	137,973
Financial payables due to shareholders	-	-	-	-	329,088	329,088	329,088
Trade payables					116	116	116
Total	**-**	**-**	**-**	**-**	**467,177**	**467,177**	**467,177**

	At 31 December 2016						
RSD thousand	Financial assets and liabilities measured at fair value	Investments held to maturity	Loans and receivables	Available-for-sale financial assets	Financial liabilities carried at amortised cost	Total	Fair value
Receivables due from subsidiaries related parties	-	-	324,563	-	-	324,563	324,563
Cash and cash equivalents	-	-	3,479	-	-	3,479	3,479
Total	**-**	**-**	**328,042**	**-**	**-**	**328,042**	**328,042**
Financial payables	-	-	-	-	-	-	-
Financial payables due to shareholders	-	-	-	-	343,654	343,654	343,654
Trade payables	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**343,654**	**343,654**	**343,654**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

5. Financial assets and liabilities by class (continued)

	At 31 December 2015						
RSD thousand	Financial assets and liabilities measured at fair value	Investments held to maturity	Loans and receivables	Available-for-sale financial assets	Financial liabilities carried at amortised cost	Total	Fair value
Receivables due from subsidiaries related parties	-	-	306,998	-	-	306,998	306,998
Cash and cash equivalents	-	-	18,094	-	-	18,094	18,094
Total	**-**	**-**	**325,092**	**-**	**-**	**325,092**	**325,092**
Financial payables	-	-	-	-	-	-	-
Financial payables due to shareholders	-	-	-	-	338,324	338,324	338,324
Trade payables	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**338,324**	**338,324**	**338,324**

6. IFRS 8: segment information

Based on the fact that Company operates only in the wind renewable energy sector and operations are essentially in Serbia, hence there is only one reportable segment.

7. Information on guarantees issued, commitments and other contingent liabilities

The Company's commitments and other contingent liabilities are presented below:

a) *Taxes*

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Company's management. As result, some transactions may be disputed by tax authorities and the Company may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Company has paid all tax liabilities as of 31 December 2017.

There were no other material commitments and contingent liabilities of the Company.

8. Investments in subsidiary

Investments in subsidiary is detailed as follow:

- RSD 16,009 thousand for 54% owned in of MK-Fintel Wind AD.
- RSD 5 thousand for 54% owned in of MK-Fintel Wind Holding Doo.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

9. Short-term loans and investments – parent companies and subsidiaries

Short-term loans and investments to parents' companies and subsidiaries amount to RSD 437,170 thousand (RSD 313,132 thousand at 31 December 2016 and RSD 306,218 thousand at 31 December 2015) and they only refer to financing provided to the subsidiaries MK-Fintel Wind AD (RSD 273,944 thousand at 31 December 2017) and MK-Fintel Wind Holding Doo (RSD 163,226 thousand at 31 December 2017). The amounts of 2016 and 2015 relate to subsidiary MK-Fintel Wind AD.

10. Short-term loans and investments – other related parties

Short-term loans and investments to related parties amount to RSD 9,049 thousand (RSD 11,431 thousand at 31 December 2016 and RSD 780 thousand at 31 December 2015) and they only refer to financing provided to the related company Energogreen Doo.

11. Cash and cash equivalents

"Cash and cash equivalents" at 31 December 2017, 2016 and 2015 are detailed as follows:

	31 December 2017	31 December 2016	31 December 2015
Cash and cash equivalent	**108**	**3,479**	**18,094**

The fair value of cash and cash equivalents coincides with the carrying amount thereof.

For the purpose of the preparation of the statement of cash flows, investing and financing transactions that did not require the use of cash or cash equivalents have been excluded.

12. Other current assets

"Other current assets" of RSD 55,692 thousand at 31 December 2017 (RSD 37,748 thousand at 31 December 2016 and RSD 16,608 thousand at 31 December 2015) are detailed in the following table:

	31 December 2017	31 December 2016	31 December 2015
Value added tax	1,277	1,287	1,403
Prepayments and accrued income	55,692	37,748	16,608
Total	**56,969**	**39,035**	**18,011**

Prepayments and accrued income includes interests accrued during the years for the shareholder's loan to the subsidiaries. Accrued interest is expected to be paid once subsidiaries start generating sufficient profits.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

13. Equity

Equity at 31 December 2017, 2016 and 2015 is detailed in the following table:

RSD thousand	31 December 2017	31 December 2016	31 December 2015
Share capital	3,825	-	-
Stakes of limited liability companies	-	817	817
Loss from previous years	(11,389)	(8,088)	(3,301)
Loss from current year	(36,035)	(3,300)	(4,787)
TOTAL EQUITY	**(43,599)**	**(10,571)**	**(7,271)**

The equity components and changes therein are detailed below:

Share capital

As of 31 December 2017, the Company's fully subscribed and paid up share capital amounted to RSD 3,825,416.5 consisting of 25,000,000 ordinary shares with nominal value of RSD 0.153 each.

Retained earnings/(Losses)

These consist of earnings/(Losses) from previous years. They also include net profit/(losses) for the current year.

14. Long and short term loans and borrowings

Set out below are details of long and short term loans and borrowings at 31 December 2017, 2016 and 2015:

RSD thousand	31 December 2017	31 December 2016	31 December 2015
Long term borrowings	137,973	-	-
Short-term loans and borrowings	-	-	-
Total	**137,973**	-	-

Details of bank loans outstanding at 31 December 2017 are summarised in the following table:

Beneficiary company	Residual debt at 31 December 2017	Long term	Short term	Maturity
Fintel Energija	137,973	137,973	-	2024
	137,973	**137,973**	-	

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

15. Long and short term loans and borrowings from parent and subsidiaries

Loans and borrowings to parent and subsidiaries of RSD 329,088 thousand as at 31 December 2017 (RSD 343,654 thousand at 31 December 2016 and RSD 338,324 thousand at 31 December 2015), mainly consist of revocable loans to be repaid to the Ultimate Parent company Fintel Energia Group Spa that were granted for the benefit of Fintel Energija. The loans are interest bearing.

16. Accruals

Accruals amounted to RSD 96,185 thousand at 31 December 2017, to RSD 19,758 at 31 December 2016 and to RSD 19,409 thousand at 31 December 2015, consist mainly of interests on shareholders loan due to Fintel Energia Group SpA, accrued interests on financial loan and invoice to be received from the Parent Company for management fee.

17. Non-production costs

Non-production costs amount to RSD 30,647 thousand in 2017 (RSD 771 thousand in 2016 and RSD 730 thousand in 2015). The increase is mainly due to management fee charged in 2017 from the Parent Company for services rendered during the year.

18. Finance income – parent company and subsidiaries

Finance income amounted to RSD 35,213 thousand for the year ended 31 December 2017 (RSD 26,146 thousand for the year ended 31 December 2016 and RSD 22,447 thousand for the year ended 31 December 2015) and consists of interests on shareholder's loans given to subsidiaries and gain for the conversion at year end exchange rate RSD/Euro of the loans received from the Parent Company.

19. Finance expense – parent company and subsidiaries

Finance expense amounted to RSD 34,424 thousand for the year ended 31 December 2017 (RSD 25,374 thousand for the year ended 31 December 2016 and RSD 25,981 thousand for the year ended 31 December 2015) and consists of interests on shareholder's loans received from Parent Company and losses incurred for translation of loans, denominated in Euro, provided to subsidiaries.

20. Income tax expense

Income tax expenses for the years ended 31 December 2017, 2016 and 2015 are detailed as follows:

	Year ended 31 December		
	2017	2016	2015
Income tax for the year	2,927	2,927	672
Deferred income tax for the period (note 12)	-	-	-
Origination and reversal of temporary differences	-	-	-
	2,927	2,927	672

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the Group's profits as follows:

	Year ended 31 December		
	2017	**2016**	**2015**
Profit before tax	(33,108)	(373)	(4,115)
Tax calculated at domestic tax rates applicable to profits in the respective countries	-	-	-
Tax effect on:			
Revenues exempt from taxation	-	-	-
Expenses not deductible for tax purposes			
- Transfer pricing effect for interest expense	2,917	2,917	2,294
- Other expenses not deductible	11	11	-
Tax losses for which no deferred income tax asset was recognized (utilized recognised tax credit), net	-	-	(1,622)
Losses from subsidiaries	11,552	11,124	15,553
Other tax effects for reconciliation between accounting profit and tax expense	(1,224)	1,594	(1,434)
Adjustment in respect of prior years	-	-	-
	2,927	2,927	672
Effective income tax rate	0%	0%	0%

The weighted average applicable tax rate was 0% (2016: 0%, 2015: 0%).

21. Earnings/(loss) per share

The result per share has gone from a loss per share of RSD 0.19 in 2015 to a loss per share of RSD 0.13 and 1.44 for the years ended 31 December 2016 and 31 December 2017 respectively. It has been computed by dividing the Company's net result by the average number of Fintel Energija shares outstanding in the years in question (average number of shares outstanding of 25,000 thousand).

Fintel Energija was a limited company till November 2017 when it was transformed in a joint stock company. For this reason, earning/(loss) per share for all three years ended at 31 December 2017, 2016 and 2015 has been computed based on the shares existing as of 31 December 2017.

There were no dilutive effects for all three years. Accordingly, diluted earnings per share thus coincide with basic earnings per share.

22. Contingent liabilities and commitments

There are not any contingent liabilities and commitments.

23. Related party transactions

As previously indicated, the Company is a subsidiary of Fintel EnergiaGroup SpA,

A summary provided below of the Company's transactions with related parties in 2017, 2016 and 2015. All transactions with related parties are entered into at market value.

(All amounts are in 000 RSD, unless otherwise stated)

23. Related party transactions (continued)

As of 31 December 2017, 31 December 2016 and 31 December 2015 the outstanding balances with related parties were as follows:

	At 31 December 2017			
RSD thousand	Parent Company	Parent's subsidiaries and associates	Subsidiaries	Total
Short-term loans	-	-	446,219	446,219
Other current assets	-	-	55,692	55,692
Other current liabilities	(123,422)	-	-	(123,422)
Shareholder's loan	(329,088)	-	-	(329,088)
Total	**(452,510)**	**-**	**501,911**	**49,401**

	At 31 December 2016			
RSD thousand	Parent Company	Parent's subsidiaries and associates		Total
Short-term loans	-	-	324,563	324,563
Other current assets	-	-	37,748	37,748
Other current liabilities	(48,197)	-	-	(48,197)
Shareholder's loan	(343,654)	-	-	(343,654)
Total	**(391,851)**	**-**	**362,311**	**(29,540)**

	At 31 December 2015			
RSD thousand	Parent Company	Parent's subsidiaries and associates		Total
Short-term loans	-	-	306,998	306,998
Other current assets	-	-	16,608	16,608
Other current liabilities	(27,960)	-	-	(27,960)
Shareholder's loan	(338,324)	-	-	(338,324)
Total	**(366,284)**	**-**	**323,606**	**(42,678)**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

23. Related party transactions (continued)

For the year ended 31 December 2017, 2016 and 2015 the following transaction occurred with related parties:

	At 31 December 2017			
RSD thousand	Parent Company	Parent's subsidiaries and associates	Subsidiaries	Total
Revenues	-	-	-	-
Selling, general and administrative expenses	(29,879)	-	-	(29,879)
Finance income	-	-	18,945	18,945
Finance expense	(19,147)	-	-	(19,147)
Total	**(49,026)**	**-**	**18,945**	**(30,081)**

	At 31 December 2016			
RSD thousand	Parent Company	Parent's subsidiaries and associates		Total
Revenues	-	-	-	-
Other revenues	-	-	-	-
Finance income	-	-	20,826	20,826
Finance expense	(19,718)	-	-	(19,718)
Total	**(19,718)**	**-**	**20,826**	**1,108**

	At 31 December 2015			
RSD thousand	Parent Company	Parent's subsidiaries and associates		Total
Revenues	-	-	-	-
Other revenues	-	-	-	-
Finance income	-	-	16,609	16,609
Finance expense	(19,409)	-	-	(19,409)
Total	**(19,409)**	**-**	**16,609**	**(2,800)**

Remuneration of Fintel's directors

There is not any remuneration payable to the Managing Director in 2017, 2016 and 2015. Tiziano Giovannetti acts as sole director in of Fintel Energija's subsidiaries without any further remuneration.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

24. Significant subsequent events

On 27 February 2018, the Company's subsidiary MK-Fintel Wind A.D. has reached the financial closing of Euro 81.5 million facility for the completion of Kosava Phase I wind farm in Vrsac, Serbia. For the construction of the project, which started in July 2017, Fintel Energija A.D., serbian country holding of Fintel Energia Group S.p.A. had previously received a junior loan from AIK Banka.

The total investments for the above project amounts to Eur 117 million (out of which Eur 10,9 million have been invested during first quarter of 2018) while the portion of debt package amounts to Eur 81.5 million. Financing will be syndicated by: Erste Group Bank, Erste Bank Serbia, Austrian Development Bank (OoEb), Unicredit Serbia and Zagrebacka Banka.

Kosava Phase I capacity is 69 MW, derived from 20 wind turbines of 3,45 MW each and the project is expected to become fully operational by the end of 2019.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS REPORT FOR THE YEARS ENDED 31 DECEMBER 2017, 2016 AND 2015

FINTEL ENERGIJA AD

pwc

INDEPENDENT AUDITOR'S REPORT

To the Owner of Fintel Energija a.d.

We have audited the accompanying consolidated financial statements of Fintel Energija a.d. (the „Company") and its subsidiaries (the „Group"), which comprise the consolidated balance sheet as of 31 December 2017, 2016 and 2015 and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes equity and consolidated cash flow statement for the years then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the requirements of the Law on Accounting and accounting regulation effective in the Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Law on Auditing and auditing regulation effective in the Republic of Serbia. This Regulation require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2017, 2016 and 2015, and of its financial performance and its cash flows for the years then ended in accordance with the requirements of the Law on Accounting and accounting regulation effective in the Republic of Serbia.

Milivoje Nešović
Licensed Auditor

PricewaterhouseCoopers d.o.o., Beograd

Belgrade, 10 April 2018

PricewaterhouseCoopers d.o.o., Omladinskih brigada 88a, 11070 Belgrade, Republic of Serbia
T: +381 11 3302 100, F: +381 11 3302 101, www.pwc.rs

Contents

CONSOLIDATED BALANCE SHEET
In RSD thousand

	AOP	Note	31 December 2017	31 December 2016	31 December 2015
A. SUBSCRIBED CAPITAL UNPAID	**0001**		-	-	-
B. NON-CURRENT ASSETS (0003 + 0010 + 0019+ 0024 + 0034)	**0002**		**3,184,272**	**2,896,346**	**1,960,642**
I. INTANGIBLE ASSETS (0004+0005+0006+0007+0008+0009)	**0003**		-	-	-
1. Development investments	0004		-	-	-
2. Concessions, licenses, software and other rights	0005		-	-	-
3. Goodwill	0006		-	-	-
4. Other intangible assets	0007		-	-	-
5. Intangible assets under development	0008		-	-	-
6. Advances for intangible assets	0009		-	-	-
II. PROPERTY, PLANT AND EQUIPMENT (0011+0012+0013+0014+0015+0016+0017+0018)	**0010**		**3,053,952**	**2,853,131**	**1,870,942**
1. Land	0011	8	27,048	21,462	21,462
2. Buildings	0012	8	514,804	542,242	-
3. Machinery and equipment	0013	8	2,023,562	2,132,805	242
4. Investment property	0014		-	-	-
5. Other property, plant and equipment	0015		-	-	-
6. Construction in progress	0016	8	225,732	148,341	713,571
7. Investments in leased PP&E	0017		-	-	-
8. Advances for PP&E	0018	8	262,805	8,281	1,135,667
III. BIOLOGICAL ASSETS (0020+0021+0022+0023)	**0019**		-	-	-
1. Forest farming	0020		-	-	-
2. Livestock	0021		-	-	-
3. Biological assets in production	0022		-	-	-
4. Advances for biological assets	0023		-	-	-
IV. LONG-TERM FINANCIAL INVESTMENTS (0025+0026+0027+0028+0029+0030+0031+0032+0033)	**0024**		**130,320**	**43,215**	**89,699**
1. Investments in subsidiary	0025		-	-	-
2. Investments in joint ventures	0026		-	-	-
3. Investments in other legal entities and other available for sales financial assets	0027		-	-	-
4. Long term investments in parent and subsidiaries	0028		-	-	-
5. Long-term investments in other related parties	0029		-	-	-
6. Long-term investments – domestic	0030		-	-	-
7. Long-term investments – foreign	0031		-	-	-
8. Securities held to maturity	0032		-	-	-
9. Other long-term financial investments	0033	9	130,320	43,215	89,699
V. LONG-TERM RECEIVABLES (0035+0036+0037+0038+0039+0040+0041)	**0034**		-	-	-
1. Receivables from parent company and subsidiaries	0035		-	-	-
2. Receivables from other related parties	0036		-	-	-
3. Receivables from sale of goods on credit	0037		-	-	-
4. Receivables arising out of finance lease contracts	0038		-	-	-
5. Claims arising from guarantees	0039		-	-	-
6. Bad and doubtful receivables	0040		-	-	-
7. Other long-term receivables	0041		-	-	-
C. DEFFERED TAX ASSETS	**0042**		-	-	-

CONSOLIDATED BALANCE SHEET (CONTINUED)
In RSD thousand

	AOP	Note	31 December 2017	31 December 2016	31 December 2015
D. CURRENT ASSETS (0044+0051+0059+0060+0061+0062+0068+0069+0070)	**0043**		**208,422**	**243,008**	**190,030**
I. INVENTORY (0045+0046+0047+0048+0049+0050)	**0044**		**497**	**680**	**568**
1. Materials, spare parts and tools	0045		-	-	-
2. Work in progress	0046		-	-	-
3. Finished goods	0047		-	-	-
4. Merchandise	0048		-	-	-
5. Assets held for sale	0049		-	-	-
6. Advances for inventory and services	0050		497	680	568
II. TRADE RECEIVABLES (0052+0053+0054+0055+0056+0057+0058)	**0051**		-	**445**	-
1. Domestic trade receivables - parents and subsidiaries	0052		-	-	-
2. Foreign trade receivables - parents and subsidiaries	0053		-	-	-
3. Domestic trade receivables - other related parties	0054		-	-	-
4. Foreign trade receivables - other related parties	0055		-	-	-
5. Trade receivables – domestic	0056		-	445	-
6. Trade receivables – foreign	0057		-	-	-
7. Other trade receivbles	0058		-	-	-
III. RECEIVABLES FROM SPECIFIC OPERATIONS	**0059**		-	-	-
IV. OTHER RECEIVABLES	**0060**		**3,935**	**87**	**159**
V. FINANCIAL ASSETS AT FAIR VALUE THROUGHT PROFIT OR LOSS	**0061**		-	-	-
VI. SHORT TERM FINANCIAL INVESTMENTS (0063+0064+0065+0066+0067)	**0062**		**10,674**	**11,431**	**780**
1. Short-term loans and investments - parent companies and subsidiaries	0063		-	-	-
2. Short-term loans and investments – other related parties	0064	10	10,674	11,431	780
3. Short-term loans and investments – domestic	0065		-	-	-
4. Short-term loans and investments – foreign	0066		-	-	-
5. Other short-term loans and investments	0067		-	-	-
VII. CASH AND CASH EQUIVALENTS	**0068**	**11**	**102,755**	**175,295**	**144,794**
VIII. VALUE ADDED TAX	**0069**	**12**	**28,580**	**26,890**	**43,316**
IX. PREPAYMENTS AND ACCRUED INCOME	**0070**	**12**	**61,981**	**28,181**	**413**
E. TOTAL ASSETS (0001+0002+0042+0043)	**0071**		**3,392,694**	**3,139,354**	**2,150,672**
F. OFF-BALANCE SHEET ASSETS	**0072**	**7**	**344,864**	**359,418**	**425,040**
A. EQUITY (0402+0411-0412+0413+0414+0415-0416+0417+0420-0421)	**0401**		-	-	-
I. SHARE CAPITAL (0403+0404+0405+0406+0407+0408+0409+0410)	**0402**		**3,825**	**817**	**817**
1. Share capital	0403	13	**3,825**	-	-
2. Stakes of limited liability companies	0404	13	-	**817**	**817**
3. Stakes	0405		-	-	-
4. State owned capital	0406		-	-	-
5. Socially owned capital	0407		-	-	-
6. Stakes in cooperatives	0408		-	-	-
7. Share premium	0409		-	-	-
8. Other capital	0410		-	-	-
II. SUBSCRIBED CAPITAL UNPAID	**0411**		-	-	-
III. OWN SHARES	**0412**		-	-	-
IV. RESERVES	**0413**		-	-	-
V. REVALUATION RESERVES FROM VALUATION OF INTANGIBLES, PROPERTIES, PLANT AND EQUIPMENT	**0414**		-	-	-
VI. UNREALISED GAINS FROM SECURITAS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME	**0415**		-	-	-
VII. UNREALIZED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME	**0416**	**13**	**15,163**	**23,938**	**12,451**
VIII. RETAINED EARNINGS (0418+0419)	**0417**	**13**	**44,395**	**22,225**	-
1. Retained earnings from previous years	0418		-	-	-
2. Retained earnings from current year	0419	13	44,395	22,225	-
IX. NON-CONTROLLING INTEREST	**0420**	**13**	**8,611**	**(67,379)**	**(79,337)**
X. LOSS (0422+0423)	**0421**	**13**	**95,743**	**117,967**	**117,967**
1. Loss from previous years	0422	13	95,743	117,967	70,003
2. Loss from current year	0423	13	-	-	47,964

CONSOLIDATED BALANCE SHEET (CONTINUED)
In RSD thousand

	AOP	Note	31 December 2017	31 December 2016	31 December 2015
B. LONG-TERM PROVISIONS AND LIABILITIES (0425+0432)	**0424**		**1,839,751**	**1,950,661**	**1,164,111**
I. LONG-TERM PROVISIONS (0426+0427+0428+0429+0430+4031)	**0425**		-	-	-
1. Provisions for warranty claims	0426		-	-	-
2. Provision for environmental rehabilitation	0427		-	-	-
3. Provisions for restructuring costs	0428		-	-	-
4. Provisions for employee benefits	0429		-	-	-
5. Provisions for litigations	0430		-	-	-
6. Other long term provisions	0431		-	-	-
II. LONG-TERM LIABILITIES (0433+0434+0435+0436+0437+0438+0439+0440)	**0432**		**1,839,751**	**1,950,661**	**1,164,111**
1. Liabilities convertible to equity	0433		-	-	-
2. Liabilities to parent and subsidiaries	0434	14	14,217	14,817	14,595
3. Liabilities to other related parties	0435		-	-	-
4. Liabilities for issued long-term securities	0436		-	-	-
5. Long term borrowings - domestic	0437	16	1,792,500	1,883,692	1,122,390
6. Long-term borrowings - foreign	0438		-	-	-
7. Finance lease liabilities	0439		-	-	-
8. Other long-term liabilities	0440	17	33,034	52,152	27,127
C. DEFFERED TAX LIABILITIES	**0441**		**6,779**	**12,328**	**9,689**
D. SHORT-TERM LIABILITIES (0443+0450+0451+0459+0460+0461+0462)	**0442**		**1,600,238**	**1,362,607**	**1,185,810**
I. SHORT-TERM FINANCIAL LIABILITIES (0444+0445+0446+0447+0448+0449)	**0443**		**1,149,926**	**1,072,630**	**932,149**
1. Short term borrowings from parent and subsidiaries	0444	14	482,619	503,665	495,942
2. Short term borrowings from other related parties	0445	15	513,822	414,256	406,706
3. Short-term loans and borrowings - domestic	0446	16	153,485	154,709	29,501
4. Short-term loans and borrowings - foreign	0447		-	-	-
5. Liabilities relating to current assets and held-for-sale assets attributable to discounted operations	0448		-	-	-
6. Other short term liabilities	0449		-	-	-
II. ADVANCES RECEIVED	**0450**		-	-	-
III. TRADE PAYABLES (0452+0453+0454+0455+0456+0458)	**0451**	**18**	**109,509**	**29,475**	**139,791**
1. Trade payables - parent and subsidiaries - domestic	0452		54,395	22,000	-
2. Trade payables - parent and subsidiaries - foreign	0453		-	-	-
3. Trade payables - other related parties - domestic	0454		3,975	3,102	18,065
4. Trade payables - other related parties - foreign	0455		-	-	-
5. Trade payables - domestic	0456		44,235	4,361	121,714
6. Trade payables - foreign	0457		6,904	11	11
7. Other operating liabilities	0458		-	-	-
IV. OTHER SHORT-TERM LIABILITIES	**0459**		**57,771**	**71,292**	**37,476**
V. LIABILITIES FOR VAT	**0460**		-	-	-
VI. LIABILITIES FOR OTHER TAXES	**0461**		**41,876**	**9,774**	**788**
VII. ACCRUED EXPENSES	**0462**	**19**	**241,156**	**179,437**	**75,605**
E. LOSS EXCEEDING EQUITY (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402)>=0=(0441+0424+0442-0071)>=0	**0463**		**54,075**	**186,242**	**208,938**
F. TOTAL EQUITY AND LIABILITIES (0424+0442+0441+0401-0463)>=0	**0464**		**3,392,694**	**3,139,354**	**2,150,672**
G. OFF-BALANCE SHEET LIABILITIES	**0465**	**7**	**344,864**	**359,418**	**425,040**

Tiziano Giovannetti
Director
5 April 2018

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED INCOME STATEMENT
In RSD thousand

	AOP	Note	Year ended 31 December 2017	2016	2015
INCOME FROM REGULAR OPERATING ACTIVITIES					
A. OPERATING INCOME (1002+1009+1016+1017)	**1001**		**496,683**	**183,922**	**62**
I. INCOME FROM THE SALE OF GOODS (1003+1004+1005+1006+1007+1008)	**1002**		-	-	-
1. Income from sales of goods to parent and subsidiaries on domestic market	1003		-	-	-
2. Income from sales of goods to parent and subsidiaries on foreign market	1004		-	-	-
3. Income from the sale of goods to other related parties on domestic market	1005		-	-	-
4. Income from the sale of goods to other related parties on foreign market	1006		-	-	-
5. Income from sale of goods on domestic market	1007		-	-	-
6. Income from sale of goods on foreign market	1008		-	-	-
II. INCOME FROM SALES OF PRODUCTS AND SERVICES (1010+1011+1012+1013+1014+1015)	**1009**		**496,683**	**183,922**	-
1. Income from sales of products and services to parent and subsidiaries on domestic market	1010		-	-	-
2. Income from sales of products and services to parent and subsidiaries on foreign market	1011		-	-	-
3. Income from sales of products and services to other related parties on domestic market	1012		-	-	-
4. Income from sales of products and services to other related parties on foreign market	1013		-	-	-
5. Income from sales of products and services – domestic	1014	20	496,683	183,922	-
6. Income from sales of products and services – foreign	1015		-	-	-
III. INCOME FROM PREMIUMS, SUBVENTIONS AND DONATIONS	**1016**		-	-	-
IV. OTHER OPERATING INCOME	**1017**		-	-	62
EXPENSES FROM REGULAR OPERATING ACTIVITIES			-	-	-
B. OPERATING EXPENSES (1019-1020-1021+1022+1023+1024+1025+1026+1027+1028+1029)>=0	**1018**	-	**283,685**	**128,213**	**23,434**
I. COST OF GOODS SOLD	1019		-	-	-
II. WORK PERFORMED BY THE ENTITY AND CAPITALIZED	1020		-	-	-
III. INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES	1021		-	-	-
IV. DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES	1022		-	-	-
V. COST OF MATERIAL	1023		245	1,758	30
VI. COST OF FUEL AND ENERGY	1024		1,232	2,143	-
VII. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1025		6,338	1,129	3,051
VIII. COST OF PRODUCTION SERVICES	1026	21	50,780	30,727	2,852
IX. DEPRECIATION, DEPLETION AND AMORTIZATION	1027	22	138,374	42,155	63
X. COST OF LONG-TERM PROVISIONING	1028		-	-	-
XI. NON-PRODUCTION COSTS	1029	23	86,716	50,302	17,438
C. OPERATING GAIN (1001-1018)>=0	**1030**		**212,998**	**55,708**	-
D. OPERATING LOSS (1018-1001)>=0	**1031**		-	-	**23,372**
E. FINANCE INCOME (1033+1038+1039)	**1032**		**141,224**	**9,796**	**22,131**
I. FINANCIAL INCOME FROM RELATED PARTIES AND OTHER FINANCIAL INCOME (1034+1035+1036+1037)	1033		61,505	7,557	8,929
1. Finance income - parent company and subsidiaries	1034	24	43,306	7,557	7,837
2. Finance income - other related parties	1035		18,199	-	1,092
3. Share of profit of associates and joint ventures	1036		-	-	-
4. Other financial income	1037		-	-	-
II. INTEREST INCOME (from third parties)	1038		1,140	329	253
III. FOREIGN EXCHANGE GAINS (third parties)	1039		78,579	1,909	12,950

CONSOLIDATED INCOME STATEMENT
In RSD thousand

	AOP	Note	Year ended 31 December 2017	2016	2015
F. FINANCE EXPENSES (1041+1046+1047)	**1040**		**196,729**	**124,949**	**67,452**
I. FINANCIAL EXPENSES FROM RELATED PARTIES AND OTHER FINANCIAL EXPENSES (1042+1043+1044+1045)	1041		65,935	61,097	56,018
1. Finance expense - parent company and subsidiaries	1042	25	51,765	48,145	42,742
2. Finance expense - other related parties	1043	25	14,170	6,176	2,204
3. Share of loss of associates and joint ventures	1044		-	-	-
4. Other financial expense	1045		-	6,777	11,073
II. INTEREST EXPENSE (from third parties)	1046	25	126,381	44,959	2
III. FOREIGN EXCHANGE LOSSES (third parties)	1047		4,412	18,893	11,432
G. PROFIT FROM FINANCING OPERATIONS (1032-1040)	**1048**		-	-	-
H. LOSS FROM FINANCING OPERATIONS (1040-1032)	**1049**		**55,504**	**115,153**	**45,321**
I. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**1050**		-	-	-
J. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**1051**		-	-	-
K. OTHER INCOME	**1052**	**26**	**920**	**122,387**	-
L. OTHER EXPENSES	**1053**	**27**	**8,646**	**5,971**	**642**
M. OPERATING PROFIT BEFORE TAX (1030-1031+1048-1049+1050-1051+1052-1053)	**1054**		**149,767**	**56,971**	-
N. OPERATING LOSS BEFORE TAX (1031-1030+1049-1048+1051-1050+1053-1052)	**1055**		-	-	**69,335**
O. NET INCOME ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS	**1056**		-	-	-
P. NET LOSS ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS	**1057**		-	-	-
Q. PROFIT BEFORE TAX (1054-1055+1056-1057)	**1058**		**149,767**	**56,971**	-
R. LOSS BEFORE TAX (1055-1054+1057-1056)	**1059**		-	-	**69,335**
II. INCOME TAX					
I. CURRENT INCOME TAX	1060	28	45,273	6,610	672
II. DEFERRED TAX EXPENSE FOR THE PERIOD	1061		-	6,393	14,736
III. DEFERRED TAX INCOME FOR THE PERIOD	1062	28	8,416	-	-
S. PERSONAL INCOME PAID TO EMPLOYER	**1063**		-	-	-
T. NET PROFIT (1058-1059-1060-1061+1062)	**1064**		**112,910**	**43,968**	-
V. NET LOSS (1059-1058+1060+1061-1062)	**1065**		-	-	**84,744**
I. NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1066		68,515	21,743	-
II. NET INCOME ATTRIBUTABLE TO THE OWNER	1067		44,395	22,225	-
III. NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1068		-	-	36,780
IV. NET LOSS ATTRIBUTABLE TO THE OWNER	1069		-	-	47,964
V. EARNINGS PER SHARE					
1. Basic earnings per share (in RSD)	1070	29	1.78	0.89	(1.92)
2. Diluted earnings per share (in RSD)	1071	29	1.78	0.89	(1.92)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME In RSD thousand		Year ended 31 December		
	AOP Note	2017	2016	2015
A. NET PROFIT/(LOSS)				
I. PROFIT, NET (AOP 1064)	**2001**	**112,910**	**43,968**	**-**
II. LOSS, NET (AOP 1065)	**2002**	**-**	**-**	**84,744**
B. OTHER COMPREHENSIVE PROFIT OR LOSS				
a) Items that will not be reclassified to profit or loss				
1. Changes in the revaluation of intangible assets, property, plant and equipment				
a) increase in revaluation reserves	2003	-	-	-
b) decrease in revaluation reserves	2004	-	-	-
2. Actuarial gains (losses) of post-employment benefit obligations				
a) gains	2005	-	-	-
b) losses	2006	-	-	-
3. Gains and losses arising from equity investments				
a) gains	2007	-	-	-
b) losses	2008	-	-	-
4. Gains or losses arising from a share in the associate's other comprehensive profit or loss				
a) gains	2009	-	-	-
b) losses	2010	-	-	-
b) Items that may be subsequently reclassified to profit or loss				
1. Gains (losses) from currency translation differences				
a) gains	2011	-	-	-
b) losses	2012	-	-	-
2. Gains (losses) on investment hedging instruments in foreign business				
a) gains	2013	-	-	-
b) losses	2014	-	-	-
3. Gains and losses on cash flow hedges				
a) gains	2015	19,118	-	-
b) losses	2016	-	25,025	27,127
4. Gains (losses) from change in value of available-for-sale financial assets				
a) gains	2017	-	-	-
b) losses	2018	-	-	-
I. OTHER COMPREHENSIVE PROFIT BEFORE TAX (2003+2005+2007+2009+2011+2013+2015+2017)-(2004+2006+2008+2010+2012+2014+2016+2018)>=0	2019	19,118	-	-
II. OTHER COMPREHENSIVE LOSS BEFORE TAX (2004+2006+2008+2010+2012+2014+2016+2018)-(2003+2005+2007+2009+2009+2011+2013+2015+2017)>=0	2020	-	25,025	27,127
III. TAX ON OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD	2021	2,868	(3,754)	(4,069)
IV. TOTAL NET COMPREHENSIVE PROFIT (2019-2020-2021)>=0	**2022**	**16,250**	**-**	**-**
V. TOTAL NET COMPREHENSIVE LOSS (2020-2019+2021)>=0	**2023**	**-**	**21,272**	**23,058**
C. TOTAL NET COMPREHENSIVE PROFIT				
I. TOTAL COMPREHENSIVE PROFIT, NET (2001-2002+2022-2023)>=0	2024	129,160	22,696	-
II. TOTAL COMPREHENSIVE LOSS, NET (2002-2001+2023-2022)>=0	2025	-	-	107,801
D. TOTAL NET COMPREHENSIVE PROFIT / (LOSS) (2027+2028)=AOP 2024>=0 или AOP 2025>0	**2026**			
1. Attributable to shareholders	2027	53,170	10,738	(60,415)
2. Attributable to non-controlling interest	2028	75,990	11,958	(47,387)

CONSOLIDATED STATEMENT OF CASH FLOWS
In RSD thousand

	AOP	Note	Year ended 31 December 2017	2016	2015
A. CASH FLOWS FROM OPERATING ACTIVITIES					
I. Cash inflow from operating activities (1 to 3)	**3001**		**469,823**	**386,377**	**5,738**
1. Sales and advances received	3002		462,322	156,627	
2. Interest from operating activities	3003		7,502	2,822	755
3. Other inflow from operating activities	3004			226,928	4,983
II. Cash outflow from operating activities (1 to 5)	**3005**		**235,447**	**95,875**	**65,599**
1. Payments and prepayments to suppliers	3006		91,915	69,625	51,408
2. Salaries, benefits and other personal expenses	3007		1,748	3,479	3,071
3. Interest paid	3008		132,121	21,480	11,121
4. Income tax paid	3009		9,663	1,291	
5. Payments for other public revenues	3010				
III. Net cash inflow from operating activities (I - II)	**3011**		**234,376**	**290,503**	
IV. Net cash outflow from operating activities (II - I)	**3012**				**59,862**
B. CASH FLOWS FROM INVESTING ACTIVITIES					
I. Cash flows from investing activities (1 to 5)	**3013**			**46,972**	
1. Sale of shares (net inflow)	3014				
2. Proceeds from sale of intangible assets, property, plant and equipment	3015				
3. Other financial investments (net inflow)	3016			46,972	
4. Interest from investing activities	3017				
5. Dividend received	3018				
II. Cash outflow from investing activities (1 to 3)	**3019**		**407,467**	**1,129,413**	**1,496,922**
1. Acquisition of subsidiaries or other business (net outflow)	3020				
2. Purchase of intangible assets, property, plant and equipment	3021		317,697	1,129,413	1,420,165
3. Other financial investments (net outflow)	3022		89,770		76,757
III. Net cash inflow from investing activities (I - II)	**3023**				
IV. Net cash outflow from investing activities (II - I)	**3024**		**407,467**	**1,082,441**	**1,496,922**
C. CASH FLOWS FROM FINANCING ACTIVITIES					
I. Cash inflow from financing activities (1 to 5)	**3025**		**256,204**	**947,155**	**1,584,153**
1. Increase in share capital	3026				
2. Proceeds from long-term borrowings (net inflow)	3027		140,162	945,307	1,328,031
3. Proceeds from short-term borrowings (net inflow)	3028		116,043	1,848	256,122
4. Other long-term liabilities	3029				
5. Other short-term liabilities	3030				
II. Cash outflow from financing activities (1 to 6)	**3031**		**155,563**	**125,300**	**216,411**
1. Purchase of own shares	3032				
2. Repayment of long-term borrowings (net outflow)	3033		155,563	125,300	216,411
3. Repayment of short-term borrowings (net outflow)	3034				
4. Repayment of other liabilities (net outflow)	3035				
5. Financial lease	3036				
6. Dividend distribution	3037				
III. Net cash inflow from financing activities (I - II)	**3038**		**100,551**	**821,855**	**1,367,743**
IV Net cash outflow from financing activities (II - I)	**3039**				
D. TOTAL CASH INFLOW (3001+3013+3025)	**3040**		**726,028**	**1,380,504**	**1,589,891**
E. TOTAL CASH OUTFLOW (3005+3019+3031)	**3041**		**798,567**	**1,350,587**	**1,778,932**
F. NET CASH INFLOW (340-341)	**3042**			**29,917**	
G. NET CASH OUTFLOW (341-340)	**3043**		**72,539**		**189,041**
H. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**3044**		**175,295**	**144,794**	**333,835**
I. CURRENCY TRANSLATION GAINS ON CASH AND CASH EQUIVALENTS	**3045**			**584**	
J. CURRENCY TRANSLATION LOSSES ON CASH AND CASH EQUIVALENTS	**3046**				
K. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (3042-3043+3044+3045-3046)	**3047**		**102,755**	**175,295**	**144,794**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity components							
	AOP	Share capital	AOP	Reserves	AOP	Loss	AOP	Retained earnings (loss)
Balance as at 1 January 2015								
a) debit	4001	-	4037	-	4055	70,033	4091	-
b) credit	4002	817	4038	-	4056	-	4092	-
Adjustments of material errors and changes in accounting policies								
a) debit	4003	-	4039	-	4057	-	4093	-
b) credit	4004	-	4040	-	4058	-	4094	-
Restated opening balance as at 1 January 2015								
a) debit (1a+2a-2б)>=0	4005	-	4041	-	4059	-	4095	-
б) credit (1б-2a+2б)>=0	4006	-	4042	-	4060	-	4096	-
Changes in period								
a) debit	4007	-	4043	-	4061	47,964	4097	-
b) credit	4008	-	4044	-	4062	-	4098	-
Balance as at 31 December 2015								-
a) debit (3a+4a-4б)>=0	4001	-	4037	-	4055	117,967	4091	-
б) credit (3б-4a+4б)>=0	4002	817	4038	-	4056	-	4092	-
Adjustments of material errors and changes in accounting policies								
a) debit	4003	-	4039	-	4057	-	4093	-
b) credit	4004	-	4040	-	4058	-	4094	-
Restated opening balance as at 1 January 2016								
a) debit (5a+6a-6б)>=0	4005	-	4041	-	4059	-	4095	-
б) credit (5б-6a+6б)>=0	4006	-	4042	-	4060	-	4096	-
Changes in period								
a) debit	4007	-	4043	-	4061	-	4097	-
b) credit	4008	-	4044	-	4062	-	4098	22,225
Balance as at 31 December 2016								
a) debit (7a+8a-8б)>=0	4009	-	4045	-	4063	117,967	4099	-
б) credit (7б-8a+8б)>=0	4010	817	4046	-	4064	-	4100	22,225

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity components							
	AOP	Share capital	AOP	Reserves	AOP	Loss	AOP	Retained earnings
Adjustments of material errors and changes in accounting policies								
a) debit	4011	-	4047	-	4065	-	4101	-
b) credit	4012	-	4048	-	4066	-	4102	-
Restated opening balance as at 1 January 2017								
a) debit (5a+6a-6б)>=0	4013	-	4049	-	4067	-	4103	-
б) credit (5б-6a+6б)>=0	4014	-	4050	-	4068	-	4104	-
Changes in period								
a) debit	4015	-	4051	-	4069	-	4105	22,225
b) credit	4016	3,008	4052	-	4070	22,224	4106	44,395
Balance as at 31 December 2017								
a) debit (7a+8a-8б)>=0	4017	-	4053	-	4071	**95,743**	4107	-
б) credit (7б-8a+8б)>=0	4018	**3,825**	4054	-	4072	-	4108	**44,395**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY(CONTINUED)

				Other comprehensive income components				
	AOP	Revaluation reserves	AOP	Cash flow hedge gain/(loss)	AOP	Gains (losses) from change in value of available-for-sale financial assets	AOP	Total Equity
Balance as at 1 January 2015								
a) debit	4109	-	4199	-	4217	-		70,003
b) credit	4110	-	4200	-	4218	-	4235	817
Adjustments of material errors and changes in accounting policies								
a) debit	4111	-	4201		4219	-		-
b) credit	4112	-	4202		4220	-	4236	-
Restated opening balance as at 1 January 2015								
a) debit (1a+2a-2б)>=0	4113	-	4203		4221	-		-
b) credit (1б-2a+2б)>=0	4114	-	4203		4222	-	4237	-
Changes in period								
a) debit	4115	-	4205	12,451	4223	-		60,415
b) credit	4116	-	4206	-	4224	-	4238	-
Balance as at 31 December 2015								
a) debit (3a+4a-4б)>=0	4109	-	4207	12,451	4217	-		130,418
b) credit (3б-4a+4б)>=0	4110	-	4208	-	4218	-	4239	817
Adjustments of material errors and changes in accounting policies								
a) debit	4111	-	4209	-	4219	-		-
b) credit	4112	-	4210	-	4220	-	4240	-
Restated opening balance as at 1 January 2016								
a) debit (5a+6a-6б)>=0	4113	-	4211	-	4221	-		-
b) credit (5б-6a+6б)>=0	4114	-	4212	-	4222	-	4241	-
Changes in period								
a) debit	4115	-	4213	11,487	4223	-		11,487
b) credit	4116	-	4214	-	4224	-	4242	22,225
Balance as at 31 December 2016								
a) debit (7a+8a-8б)>=0	4117	-	4215	23,938	4225	-		141,905
б) credit (7б-8a+8б)>=0	4118	-	4216	-	4226	-	4243	23,042

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY(CONTINUED)

	Other comprehensive income components							
	AOP	Revaluation reserves	AOP	Acturial gain/(loss)	AOP	Gains (losses) from change in value of available-for-sale financial assets	AOP	Total Equity
Adjustments of material errors and changes in accounting policies								
a) debit	4119	-	4137	-	4227	-		-
b) credit	4120	-	4138	-	4228	-	4240	-
Restated opening balance as at 1 January 2017								
a) debit (5a+6a-6б)>=0	**4121**	-	**4139**	-	**4229**	-		-
b) credit (5б-6a+6б)>=0	**4122**	-	**4140**	-	**4230**	-	**4241**	-
Changes in period								
a) debit	4123	-	4141	-	4231	-		22,225
b) credit	4124	-	4142	8,775	4232	-	4242	78,402
Balance as at 31 December 2017								
a) debit (7a+8a-8б)>=0	**4125**	-	**4143**	**15,163**	**4233**	-		**110,906**
б) credit (7б-8a+8б)>=0	**4126**	-	**4144**	-	**4234**	-	**4243**	**48,221**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

1. General information

Fintel Energija A.D. (hereinafter the "**Company**" or "**Fintel Energija**") and its subsidiaries (together, "**Fintel Group**" or the "**Group**") is the leading independent renewable energy generator in Serbia. The Company and the Group acted as the pioneer in the Serbian wind business being the first ever to install and operate wind farms in the country. The Group sells its power output through offtake arrangements (Power Purchase Agreement or the "PPA") to JP Elektroprivreda Srbije ("EPS") and does not supply electricity directly to the retail customers.

The Company was incorporated as a closed joint stock company on 27 June 2007, under the business name PRIVREDNO DRUŠTVO ZA PROIZVODNJU ELEKTRIČNE ENERGIJE FINTEL ENERGIJA AD BEOGRAD, by the company FINTEL ENERGIA GROUP S.P.A, registration number 02658620402, as the sole shareholder (hereinafter the "**Principal Shareholder**"). Fintel Energia Group S.p.A. is 86,22% owned by Hopafi Srl, (the "Ultimate Parent")

Fintel Energia's registered office is located at Bulevar Mihajla Pupina 115e, Beograd, Serbia.

At 31 December 2017, the Company's fully subscribed and paid up share capital amounted to RSD 3,825 thousand, consisting of 25,000,000 ordinary shares of RSD 0.153 each.

Fintel Energia Group SpA, the Principal Shareholder, is listed joint stock company under Italian law. It constitute a vertical operator in the integrated energy supply chain, which engages in the sale of electricity and natural gas in Italy and in the development and exploitation of renewable energy power plants (photovoltaic, wind and mini wind) in Italy and Serbia.

These consolidated financial statements for the year ended 31 December 2017, 2016 and 2015 have been prepared by the Group's sole Director, which approved them on the 5 April 2018. The approved financial statements may be amended based on the auditor's opinion, in accordance with legislation.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

2. Summary of accounting policies and standards adopted

Set out below are the main accounting policies and standards applied in the preparation of the Group's consolidated financial statements.

2.1 Basis of presentation

The Group has prepared these financial statements in accordance with the Law on Accounting of the Republic of Serbia (the "Law"), published in Official Gazette 62/2013, which requires full scope of International Financial Reporting Standards ("IFRS") to be applied as translated into Serbian up to 31 July 2013. The specific requirements of the Law result in departures from IFRS due to the fact that as only translated standards are adopted, these accounts do not reflect the impact of IFRS which have been issued since 31 July 2013. In addition the Law requires certain presentations and treatments of accounts and balances which results in the following additional departures from IFRS:

1. The financial statements are prepared in format prescribed by the Ministry of Finance of the Republic of Serbia, which does not comply with IAS 1 (revised) – "Presentation of Financial Statements" requirements and IAS 7 – "Statement of cash flows".
2. "Off-balance sheet assets and liabilities" are recorded on the face of the balance sheet (note 2.6). Such items do not meet the definition of either an asset or a liability under IFRS.
3. The decision of the Ministry of Finance of Republic of Serbia no. 401-00-896/2014-16 from 13 March 2014 ("Official Gazette of RS" no.35/2014) states that official standards are those official translations of International Accounting Standards (IAS) and International Standards of Financial Reporting (IFRS) issued by International Accounting Standards Board (IASB), as well as interpretations of standards issued by International Financial Reporting Interpretations Committee (IFRIC) up to 31 July 2013. Up to the date of the accompanying financial statements preparation, no amendments and supplements of existing standards, revised standards and new interpretations issued by IASB and IFRIC subsequent to 31 July, have been translated. The standards and interpretations for which there is no official translation in the Republic of Serbia are:
    - Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (issued in November 2013 and effective for annual periods beginning 1 July 2014),
    - Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below), Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014),
    - IFRS 9, "Financial Instruments" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018),
    - IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016),
    - Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016),
    - Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016),
    - IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and

effective for the periods beginning on or after 1 January 2018),

- Agriculture: Bearer plants – Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016),
- Equity Method in Separate Financial Statements, Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016),
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB),
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016), Disclosure Initiative
- Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016),
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016),
- IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019),
- Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017),
- Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017),
- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018),
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach), Annual
- Improvements to IFRSs 2014-2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 12, and on or after 1 January 2018 for amendments to IFRS 1 and IAS 28),
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018),
- Transfers of Investment Property - Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019)
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28

(issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019.

- Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).

The preparation of financial statements in conformity with Law on Accounting of the Republic of Serbia requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.2 Going concern

The Group meets its day-to-day working capital requirements through its bank facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 16.

2.3 Scope of consolidation and changes therein

These consolidated financial statements include the financial statements for the year ended 31 December 2017, 2016 and 2015 of the Fintel Energija and the financial statements for the year ended 31 December 2017, 2016 and 2015 of its subsidiaries, as approved by the sole Director. These financial statements have been appropriately adjusted, where necessary, in order to bring them into line with Law on Accounting of the Republic of Serbia .The companies included in the scope of consolidation are listed below:

Name	Share Capital (RSD'000)	Head office	31/12/2017 %held	31/12/2015 %held	31/12/2015 %held	
Fintel Energjia Doo	3.825	Belgrade (Serbia)	100%			
Mk-Fintel-Wind AD	29.647	Belgrade (Serbia)	54%	54%	54%	Direct
Mk-Fintel-Wind Holding Doo	10	Belgrade (Serbia)	54%			Direct
Energobalkan Doo	360.513	Belgrade (Serbia)	54%	54%	54%	Indirect
Vetropark Ram Doo	10	Belgrade (Serbia)	54%	54%	54%	Indirect
Vetropark Kula Doo	314.032	Belgrade (Serbia)	54%	54%	54%	Indirect
Vetropark Dunav 3 Doo	10	Belgrade (Serbia)	54%	54%	54%	Indirect
Vetropark Dunav 1 Doo	10	Belgrade (Serbia)	54%	54%	54%	Indirect
Vetropark Torak Doo	240	Belgrade (Serbia)	54%	54%	54%	Indirect
Vetropark Kosava 2 Doo	2.680	Belgrade (Serbia)	54%	54%	54%	Indirect

Except for the incorporation of MK- Fintel- Wind Holding Doo, there has been no change in the years in the scope of consolidation.

(All amounts are in 000 RSD, unless otherwise stated)

2.4 Principles and methods of consolidation

Subsidiaries

Subsidiaries are deemed to be all businesses and entities for which the Group:

- Has power thereover, i.e. the Group has the ability to direct the relevant activities that significantly affect the Group's returns;
- Is exposed to variable returns from its involvement therewith;
- Exercises its power to obtain benefits from the activities thereof.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date that control ceases.

The consolidation procedures applied are as stated below.

Assets and liabilities, income and expenses and other components of comprehensive income of the fully consolidated entity are included in the consolidated financial statements on a line-by-line basis; the carrying amount of the investment is eliminated against the corresponding portion of equity of each subsidiary.

Unrealised gains on transactions between consolidated entities are eliminated, as well as receivables, payables, income and expenses, guarantees, commitments and risks relating to transactions between consolidated entities. Intercompany losses are not eliminated as they are deemed to provide evidence of an impairment of the asset transferred.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidate statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

Business combinations between entities that are not under common control, whereby the Group obtains control of an entity, are accounted for using the acquisition method. The consideration transferred comprises the acquisition-date fair values of the assets acquired, the liabilities assumed, equity interests issued and any other directly attributable acquisition-related costs. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The difference between the consideration transferred and the fair value of the assets acquired and liabilities and contingent liabilities assumed, if positive, is recorded as goodwill, or, if negative, after having confirmed the correct fair value measurement of the assets acquired and liabilities and contingent liabilities assumed and the consideration transferred, is recognised directly in profit or loss as income.

Non-controlling interests in businesses acquired are initially measured at the proportionate share of the fair value of the recognised amounts of the acquiree's assets, liabilities and contingent liabilities.

The acquisition of further equity interests in subsidiaries and the sale of equity interests that do not result in a loss of control are deemed to be transactions between equity owners; as such, the accounting impact of these transactions is recognised directly in equity attributable to the Group.

The sale of controlling interests gives rise to the recognition in profit or loss of any gain (or loss) on disposal and of the accounting impact of the fair value measurement at the disposal date of any residual interest.

(All amounts are in 000 RSD, unless otherwise stated)

2.5 Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured and presented in Serbian dinars ("RSD") irrespective of whether the RSD is the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2.6 Accounting policies

Property, plant and equipment

Property, plant and equipment is stated at purchase cost less depreciation and impairment. Cost includes all costs necessary to bring an asset to working condition for its intended use. This cost is increased by the present value of the estimated cost of site clearance when there is a legal or constructive obligation to decommission the asset. The corresponding liability is recognised in provisions for risks and charges. The accounting treatment of revised estimates of these costs, of the time value of money and of the discount rate are indicated in the point on provisions for risks and charges.

Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are included in the cost of the asset only if the asset in question is a qualifying asset, i.e. one that necessarily takes a substantial period of time to get ready for its intended use or sale.

Costs incurred on ordinary and/or cyclical repairs and maintenance are recognised directly in consolidated income statement. Costs incurred for the expansion, modernisation or improvement of structural elements owned by the Group or used by third parties are capitalised to the extent that they meet the requirements for recognition as a separate asset or as part of an asset.

Depreciation is calculated on a straight line basis using rates that allow assets to be depreciated over their estimated useful lives. When a depreciable asset is composed of separately identifiable elements, the useful life of which differs significantly from the other component parts of the asset, depreciation is computed separately for each of these parts in accordance with the "component approach".

The useful life estimated by the Group for each category of property, plant and equipment is as follows:

	No. of years
Buildings	20
Equipment	20

Land is not depreciated.

The residual values of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period. Depreciation begins when the assets are ready for their intended use as established by the directors (which coincides with the end of the test period).

Property, plant and equipment held under finance leases, whereby substantially all of the risks and benefits of ownership are transferred to the Group, are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, inclusive of the amount payable to exercise the purchase option. The corresponding lease obligation is recognised under financial liabilities. Assets held under finance leases are depreciated by applying the policy and rates previously indicated for property, plant and equipment, except where the lease term is shorter than an asset's useful life and there is no reasonable certainty that the Group will obtain ownership at the end of the lease term; in this case, the depreciation period coincides with the lease term. Any gain on sale of an asset arising from a sale and leaseback transaction is deferred and amortised over the lease term.

Leasing arrangements, whereby the lessor retains substantially all the risks and rewards incidental to ownership of an asset, are accounted for as operating leases. Costs relating to operating leases are recognised in consolidated income statement on a straight-line basis over the lease term.

Impairment of property, plant and equipment

At the end of each reporting period, property, plant and equipment not fully depreciated/amortised are tested for indicators of impairment. If any such indicators are identified, an estimate is computed of the recoverable amount of the asset and any write-down of the carrying amount is recognised in consolidated income statement. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use, which is the present value of the future cash flows expected to be derived from an asset. For assets that do not generate sufficiently independent cash flows, the recoverable amount is determined with reference to the cash-generating unit to which the assets belong. In determining value in use, expected future cash flows are discounted using a discount rate which reflects current market assessments of the time value of money and the risks specific to the business. An impairment loss is recognised in consolidated income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. When it is no longer necessary to maintain an impairment, the carrying value of the asset is increased to the new value deriving from the estimate of its recoverable value, but not exceeding the net book value that the asset would have had if it had not been written down for impairment.

Other current and non-current assets, trade receivables and other receivables

On initial recognition, financial assets are measured at fair value and are classified in one of the following categories based on their nature and the purpose for which the investments were acquired:

- held-to-maturity investments;
- loans and receivables;
- available-for-sale financial assets; and
- financial assets at fair value through profit or loss.

Purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the assets have expired and the Group that held them has transferred substantially all the risks and rewards of ownership. The only case applicable to the Group, except for financial derivatives as detailed below, is loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which mainly relate to receivables due from customers or Group companies. Loans and receivables are classified in the statement of financial position as trade receivables and other receivables. These assets are measured at amortised cost, using the effective interest rate, less impairment. Impairment losses on receivables are recognised if there is objective evidence that the Group will not be able to recover the receivable due from the counterparty in accordance with contractual terms. Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Group companies regarding the following loss events:

- significant financial difficulties on the part of the issuer or borrower;
- the existence of ongoing legal disputes with the debtor relating to a receivable;
- reasonable likelihood that the beneficiary will declare bankruptcy or other debt restructuring or insolvency procedures.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the loss is recognised in consolidated income statement as "Allocations to provisions and impairment".

Receivables are stated in the consolidated financial statements net of the provision for doubtful debts.

Cash and cash equivalents

These include cash on hand, deposits held at call with banks or other financial institutions for current operations, post office current accounts and other cash equivalents, as well as investments with original maturities of three months or less. The components of cash and cash equivalents are measured at fair value and changes therein are recognised in consolidated income statement.

Off balance sheet assets/liabilities

Those include: assets held under leases, other than financial leases, consignment stock, material received from third parties for further processing and other assets not owned by the Group, as well as receivables/payables relating to collaterals received/given such as guarantees and other warrants.

Trade payables, financial and other payables

Trade payables, financial and other payables are recognised initially at their fair value, net of directly attributable ancillary costs, and subsequently measured at amortised cost using the effective interest method. If there is a change in estimated cash flow that can be reliably measured, the carrying amount of the liability is re-measured to reflect the change, based on the present value of the new estimated cash flow and on the initially determined internal rate. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowings are recognised on the trade date of the related transactions and are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired and when the Group that had contracted the debt has transferred all of the risks and obligations related thereto.

Provisions

Provisions for risks and charges are recorded for losses and charges of a specific nature, which are certain or likely to be incurred, but the amount of which or date of occurrence are not capable of being precisely determined. They are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation. The amount recognised represents the best estimate of the expenditure required to settle the obligation. When the time value of money is significant and the settlement date of the obligations can be reliably estimated, the provisions are measured at the present value of the expected disbursement using a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

If the liability relates to decommissioning and/or restoration of assets, the provision is recognised as an opposite entry to the asset to which it relates and the cost is recognised in consolidated income statements via the depreciation of the asset to which the cost relates.

Changes in accounting estimates are reflected in the consolidated income statement in the year in which the change takes place, except for changes in expected decommissioning and clearance costs due to changes in timing and the use of economic resources necessary to discharge the obligation or resulting from a change in the discount rate.

Such changes are added to or deducted from the carrying amount of the assets to which they relate and are recognised as depreciation charges in consolidated income statement. If changes are added to an asset's carrying amount, an assessment is made as to whether the new carrying amount is likely to be fully recovered; if not, the carrying amount of the asset is reduced to take account of the unrecoverable amount and the loss arising from the reduction is recognised in consolidated income statement.

If changes are deducted from an asset's carrying amount, the decrease is recognised as an opposite entry to the asset up to the amount of its carrying amount; any excess is recognised immediately in consolidated income statement.

As regards estimation criteria adopted for the determination of the asset decommissioning and restoration provision, reference should be made to the paragraph on use of estimates.

Risks that could give rise to a probable liability are disclosed in the section on commitments and risks, but are not provided for.

A contingent liability that was separately recognised in the initial accounting for a business combination as a liability, is measured at the higher of the amount the liability would be recognised by applying the above policy for provisions for risks and charges and the present value of the initially determined liability.

(All amounts are in 000 RSD, unless otherwise stated)

Derivative financial instruments

The Group holds derivatives to hedge its exposure to the risk of fluctuations in interest rates.

Transactions, which, in accordance with risk management policies, meet the hedge accounting requirements of International Financial Reporting Standards are designated as hedging relationships (accounted for as indicated below), whereas those entered into with the intention of hedging, but which do not meet the hedge accounting requirements of International Financial Reporting Standards are classified as trading transactions. In this case, changes in fair value of derivatives are recognised in consolidated income statement in the period in which they arise. Fair value is determined by reference to an active market.

For accounting purposes, hedging transactions are classified as fair value hedges if they have been entered into to hedge the exposure to changes in the market value of the underlying assets or liabilities; or as cash flow hedges if they have been entered into to hedge the exposure to variability in cash flows arising from an existing asset or liability or a highly probable forecast transaction.

For derivatives classified as fair value hedges, which meet hedge accounting requirements, gains and losses arising from their measurement at market value are recognised in consolidated income statement. Gains and losses arising from the fair value measurement of the underlying hedged items are also recognised in consolidated income statement.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the equity reserve "cash flow hedging reserve". This reserve is subsequently reclassified to consolidated income statement in the periods when the hedged item affects consolidated income statement. The change in fair value attributable to the ineffective portion is recognised immediately in profit or loss. If the derivative instrument is sold and, accordingly, it no longer qualifies as an effective hedge of the exposure for which the transaction had been entered into, the portion of the "cash flow hedging reserve" relating thereto remains there until the underlying transaction affects consolidated income statement. When an envisaged transaction is no longer deemed probable, the corresponding portion of the cash flow hedging reserve is immediately reclassified to consolidated income statement.

Embedded derivatives present in financial assets/liabilities are separated and independently measured at fair value, except for cases whereby, as envisaged by IAS 39, the strike price of the derivative at the date it was entered into approximates the amount determined by the measurement of the asset/liability in question at amortised cost. In this case, the measurement of the embedded derivative is absorbed by that of the financial asset/liability.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and relates to the sale of goods and the rendering of services that constitute the Group's core business. Revenue is recorded net of returns, discounts, rebates and allowances and excluding value added tax.

Revenue is recognised to the extent that it can be reliably measured and it is probable that future economic benefits will flow to the Group companies.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

Revenue arising from the sale of goods and finished products is recognised in consolidated income statement upon the transfer to the customer of the risks and rewards of ownership of the product sold, which normally coincides with the shipment of the goods to the customer and their acceptance thereby.

Revenue arising from the rendering of services is recognised in the accounting period in which the services are rendered by reference to the stage of completion at the reporting date.

Revenue only includes economic benefits received or receivable flowing to Group companies in their own name and on their own behalf. Consequently, consideration received on behalf of third parties is excluded from revenue.

a) Revenue from the sale of electricity

Revenue from the sale of electricity mainly relates to the Feed in Tariff ("FiT") received for energy produced in the period, even though not yet billed, and has been determined by including data recorded on the basis of measurement received by EPS (the Serbian State Owned electricity supplier).

The FiT Mechanism is a system whereby a generator which has achieved the Privileged Power Producer Status or PPP, such as the Group, using Specified Renewable Technologies (Wind, Solar, Hydro, Biomass, Biogas) is eligible to receive a Feed In Tariff paid for generating power under a bi-lateral agreement (PPA or Power Purchase Agreement). The Serbian State Owned electricity supplier EPS is obliged to buy all power produced, metered and injected into the grid from renewable energy sources produced by PPPs such as the Group, for the duration of the FiT Mechanism (12 Years since the obtaining of the status of privileged electricity supplier).

Operating costs

Operating costs are recognised when they relate to goods and services purchased or consumed in the period or by systematic allocation.

Finance income and costs

Finance income and costs are recognised on an accrual basis that takes account of the effective return/charge on related assets/liabilities.

Finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset, commencing from the date on which the Group companies start incurring the finance costs until the date on which the asset financed is ready for use.

Income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized directly in equity, in which case deferred tax liability is also recognized in equity.
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Serbia, where the Group operates and generates taxable profit. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.
Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Related-party transactions

Related party transactions are conducted at arm's length, based on efficiency and cost-effectiveness criteria.

Dividends

Dividends to be distributed to the shareholders of the Parent Company are recognised as a liability in the consolidated financial statements in the period in which the distribution has been approved by the shareholders.

Earnings per share

The Group calculates and discloses the basic earnings per share. Basic earnings per share is calculated by dividing the net income that belongs to shareholders, the owners of ordinary shares of the Group, by the weighted average number of ordinary shares issued during the period.

3. Estimates and assumptions

The preparation of the consolidated financial statements requires the directors to apply accounting policies and methods, which, in certain circumstances, are based on difficult and subjective assessments and estimates and which may also be based on past experience and on assumptions that are deemed to be reasonable and realistic. The use of such estimates and assumptions has an impact on the consolidated financial statements, including the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of cash flows, as well as on related disclosures. The actual amounts of financial statement components for which the aforementioned estimates and assumptions have been used may differ from the amounts reported in the consolidated financial statements that recognise the occurrence of the event linked to the estimate, because of the uncertainty of the assumptions and the conditions on which the estimates have been based.

A brief description is provided below of the accounting policies, which, with respect to the Group, require greater subjectivity by the directors in the preparation of estimates and for which a change in the conditions underlying the assumptions used may have a significant impact on the amounts reported.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

Impairment of assets

Property, plant and equipment and intangible assets with a finite useful life are tested for impairment when impairment indicators exist, which is recognised by a write-down when there are indicators that suggest it may be difficult to recover the related net carrying amount. The verification of the existence of the aforementioned indicators requires subjective assessments to be made by directors, based on information available within the Group companies, on information sourced from the market and on past experience. Moreover, if it has been established that there may be a case of potential impairment, Group management proceeds with the determination thereof by means of the use of appropriate valuation techniques. The correct identification of indicators of the existence of potential impairment, as well as the computation of estimates for the determination thereof depend on factors that may change over time and which may affect the assessments and estimates made by the directors.

Based on assessments made by Fintel Group Directors, there are no indicators of impairment of assets with a finite useful life.

Deferred tax assets

Deferred tax assets are recognised based on forecast future taxable income. The determination of forecast future taxable income for the purpose of the recognition of deferred tax assets depends on factors that may change over time and may significantly affect the recoverability of deferred tax assets.

Provisions for risks and charges

Other provisions for risks and charges relate mainly to probable liabilities for penalties and interest on overdue amounts payable to the tax authorities. Allocations to provisions are made based on a best estimate at the reporting date of costs likely to be incurred to settle the liability, after having sought legal opinion.

(All amounts are in 000 RSD, unless otherwise stated)

4. Financial risk management

The coordination and monitoring of key financial risks is carried out by the central treasury department of the Principal Shareholder Company, which provides guidelines for the management of various types of risk and for the use of financial instruments. The main features of Fintel Group's risk management policy are:

- central determination of operational risk management guidelines concerning market, liquidity and cash flow risks;
- monitoring of results achieved;
- diversification of commitments/obligations and of the product portfolio.

Credit risk

Credit risk represents the exposure to potential losses arising from the failure by commercial and financial counterparties to fulfil their contractual obligations.

The Group's maximum exposure to credit risk at 31 December 2017, 2016 and 2015 is the carrying amount of each class of assets indicated in the following table:

	31 December 2017	31 December 2016	31 December 2015
Advances for inventory and services	497	680	568
Trade receivables	-	445	-
Other receivables	3,935	87	159
Short-term loans and investments	10,674	11,431	780
Prepayments and accrued income	61,981	28,181	413
TOTAL	**77,087**	**40,823**	**1,920**

Prepayments and accrued income mainly refer to receivables from EPS for the power produced by wind farms, while Short-term loans and investments relate to financing provided to the related company Energogreen Doo.

Those represent a low level of credit risk since most of the above mentioned receivables are towards the Serbian State, State owned company and related parties.

Based on the evaluation made by the sole Director, there is not any impairment for the above credits.

Liquidity risk

Liquidity risk is associated with the ability to meet the commitments arising from financial liabilities assumed by the Group. Prudent risk management of liquidity arising in the course of ordinary activities implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities.

Liquidity risk is managed centrally by the Principal Shareholder, given that the administration department periodically monitors the Group's net cash/debt through the preparation of appropriate actual and forecast cash inflow and outflow reports. In this manner, the Group aims to ensure it has adequate cover for its financing needs, by accurately monitoring financing, credit facilities opened and utilisations thereof, in order to optimise its resources and manage any temporary liquidity surplus.

(All amounts are in 000 RSD, unless otherwise stated)

The Group's objective is to establish a financing structure that, consistent with its business objectives, guarantees sufficient liquidity for the Group, minimises the related opportunity cost and maintains an equilibrium in terms of term to maturity and composition of the debt.

The following table provides a maturity analysis of liabilities at 31 December 2017, 2016 and 2015. The various maturity bands are determined based on the period between the reporting date and the contractual maturity of the Group's obligations, gross of accrued interest at 31 December. Interest is calculated in accordance with contractual terms for the financing.

	At 31 December 2017			
	Less than 1 year	**1-2 years**	**2-5 years**	**Beyond 5 years**
Financial payables due to shareholders	1,010,658	-	-	14,217
Bank loans	248,789	250,395	1,077,746	820,955
Trade payables	109,509	-	-	-
Total	**1,368,957**	**250,395**	**1,077,746**	**835,172**

RSD thousand	At 31 December 2016			
	Less than 1 year	**1-2 years**	**2-5 years**	**Beyond 5 years**
Financial payables due to shareholders	932,737	-	-	14,817
Bank loans	269,992	265,825	1,228,989	865,534
Trade payables	29,475	-	-	-
Total	**1,232,204**	**265,825**	**1,228,989**	**880,350**

RSD thousand	At 31 December 2015			
	Less than 1 year	**1-2 years**	**2-5 years**	**Beyond 5 years**
Financial payables due to shareholders	902,648	-	-	14,595
Bank loans	135,572	141,428	424,283	813,210
Trade payables	139,791	-	-	-
Total	**1,192,605**	**141,428**	**424,283**	**827,805**

An analysis of the financial liabilities by maturity shows a substantial alignment of payables due within 1 year as at 31 December 2017 to those at the previous years end, as a result of the following main changes:

a. Increase in bank loans due to new loans received by the Fintel Energija for Kosava plant. The increase was partially compensated for the payment of the instalments due in 2017;
b. Increase in financial payables to shareholders due to new loans granted for the construction of wind farms in Serbia.

Accordingly, taking in account of the fact that the shareholders have confirmed that they do not intend to request the repayment of the loan prior to the forthcoming year end, as well as the liquid funds of RSD 233,075 thousand, it is believed that the Company and the Group will be able to meet its obligations in the foreseeable future.

(All amounts are in 000 RSD, unless otherwise stated)

Market risk

In the conduct of its operations, the Group is potentially exposed to the following market risks:

- risk of fluctuation in exchange rates;
- risk of fluctuation in interest rates.

These risks are essentially managed centrally by the Parent company Fintel Energija.

Risk of fluctuation in exchange rates

Exchange rate risk is linked to operations in currency other than the RSD. Fintel Group is exposed to the risk of fluctuation in exchange rates, given that it conducts business in Serbia through its subsidiaries, which are companies committed to the study, construction, development and management of wind farms and other projects in the field of renewables. The Group has borrowings denominated in foreign currency mainly in EUR and USD which predominantly expose group to the foreign currency translation risk. Currency exposure arising from the borrowings is managed through the participation of the borrowing denominated in functional currency of the Group in the total credit portfolio.

As at 31 December 2017, if the currency had strengthened/weaken by 5% against the EUR with all other variables held constant, post-tax profit for the year would have been RSD 125,657 thousand (2016: RSD 126,273 thousand, 2015: RSD 87,938 thousand) higher/lower, mainly as a result of foreign exchange gains/losses on translation of EUR – denominated borrowings.

Risk of fluctuation in interest rates

The risk of fluctuation in interest rates to which Fintel Group is exposed originates from financial payables. Fixed rate debt exposes the Group to risk linked to changes in the fair value of the debt for their part linked to changes in the reference rate market. Floating rate debt exposes the Group to cash flow risk originating from the volatility of interest rates.

The Group's financial indebtedness consists of current bank debt, medium/long term loans granted by banks and lease liabilities.

In order to hedge the risk of fluctuation in interest rates, during the course of 2015, the subsidiary Vetropark Kula also entered into an agreement for an interest rate cap with spread in relation to financing for the "Kula" wind power plant.

As a result of the aforementioned hedging transactions, the impact of the expected change in interest rates in the coming twelve months is deemed to be insignificant in the context of the Group's consolidated financial statements.

Capital risk

The Group's objective as far as capital risk management is concerned is mainly to safeguard business continuity in order to guarantee returns to shareholders and benefits to other stakeholders. Moreover, the Group aims to maintain an optimal capital structure in order to reduce the cost of borrowing.

The Group monitors its capital based on the ratio of net debt to net invested capital (gearing ratio). Net debt is calculated as total debt, including current and non-current loans and borrowings, plus net exposure to banks. Net invested capital is calculated as the sum of total equity and net debt.

The gearing ratio at 31 December 2017, 2016 and 2015 is shown in the following table:

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

The gearing ratio has improved compared to prior years due to net profit of the year.

RSD thousand	31 December 2017	31 December 2016	31 December 2015
Non-current financial payables:			
- Financial payables due to shareholders	14,217	14,817	14,595
- Bank loans	1,792,500	1,883,692	1,122,390
Current financial payables:			
- Bank loans	153,485	154,709	29,501
- Financial payables due to shareholders	996,527	917,921	902,648
- Financial assets	(130,320)	(43,215)	(89,699)
Cash and cash equivalents	(102,755)	(175,295)	(144,794)
Net debt (A)	**2,723,653**	**2,752,629**	**1,834,641**
Equity (B)	**(54,075)**	**(186,242)**	**(208,938)**
Net capital employed (C=A+B)	**2,669,493**	**1,691,681**	**812,753**
Gearing ratio (A/C)	***102%***	***107.3%***	***112.9%***

(All amounts are in 000 RSD, unless otherwise stated)

5. Financial assets and liabilities by class

The following table shows the Group's financial assets and liabilities by class, with an indication of the corresponding fair value, at 31 December 2017, 2016 and 2015:

	At 31 December 2017						
RSD thousand	Financial assets and liabilities measured at fair value	Investments held to maturity	Loans and receivables	Available-for-sale financial assets	Financial liabilities carried at amortized cost	Total	Fair value
Receivables due from related parties			10,674			10,674	10,674
Financial investments			130,320			130,320	130,320
Trade receivables						0	0
Cash and cash equivalents			102,755			102,755	102,755
Total	**-**	**-**	**243,749**	**-**	**-**	**243,749**	**243,749**
Financial payables					1,945,985	1,945,985	1,945,985
Financial payables due to Shareholders					1,010,658	1,010,658	1,010,658
Trade payables					109,509	109,509	109,509
Derivative liabilities	33,034					33,034	33,034
Total	**33,034**	**-**	**-**	**-**	**3,066,152**	**3,099,186**	**3,099,186**

	At 31 December 2016						
RSD thousand	Financial assets and liabilities measured at fair value	Investments held to maturity	Loans and receivables	Available-for-sale financial assets	Financial liabilities carried at amortized cost	Total	Fair value
Receivables due from related parties			11,431			11,431	11,431
Financial investments			43,215			43,215	43,215
Trade receivables			445			445	445
Cash and cash equivalents			175,295			175,295	175,295
Total	**0**	**0**	**230,385**	**0**	**0**	**230,385**	**230,385**
Financial payables					2,038,402	2,038,402	2,038,402
Financial payables due to shareholders					932,737	932,737	932,737
Trade payables					29,475	29,475	29,475
Derivative liabilities	52,152					52,152	52,152
Total	**52,152**	**0**	**0**	**0**	**3,000,614**	**3,052,766**	**3,052,766**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

	At 31 December 2015						
RSD thousand	Financial assets and liabilities measured at fair value	Investments held to maturity	Loans and receivables	Available-for-sale financial assets	Financial liabilities carried at amortized cost	Total	Fair value
Receivables due from related parties			780			780	780
Financial investments			89,699			89,699	89,699
Trade receivables			0			0	0
Cash and cash equivalents			144,794			144,794	144,794
Total	-	-	**235,273**	-	-	**235,273**	**235,273**
Financial payables					1,151,891	1,151,891	1,151,891
Financial payables due to shareholders					917,243	917,243	917,243
Trade payables					139,791	139,791	139,791
Derivative liabilities	27,127					27,127	27,127
Total	**27,127**	-	-	-	**2,208,924**	**2,236,051**	**2,236,051**

6. IFRS 8: segment information

Based on the fact that Fintel Group operates only in the wind renewable energy sector and operations are essentially in Serbia, hence there is only one reportable segment.

7. Information on guarantees issued, commitments and other contingent liabilities

A summary is provided below of guarantees issued by Fintel Group to third parties as well as the Group's commitments and other contingent liabilities.

a) Guarantees issued

Guarantees issued amount to RSD 344,864 thousand as of 31 December 2017, RSD 359,418 thousand as of 31 December 2016 and RSD 425,040 thousand as of 31 December 2015 and refer to the 4P status for wind plants. They have been issued in favor of the Serbian Ministry of Energy and they will be returned at the obtaining of 3P status.

These guarantees have been classified as Off-balance sheet liabilities

b) *Taxes*

Tax laws are subject to different interpretations and frequent amendments. Tax authorities' interpretation of Tax laws may differ to those made by the Group's management. As result, some transactions may be disputed by tax authorities and the Group may have to pay additional taxes, penalties and interests. Tax liability due date is five years. Tax authorities have rights to determine unpaid liabilities within five years since the transaction date. Management has assessed that the Group has paid all tax liabilities as of 31 December 2017.

There were no other material commitments and contingent liabilities of the Group

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

STATEMENT OF FINANCIAL POSITION

8. Property, plant and equipment

Movement table of PEE as at 31 December 2017, 2016 and 2015 is presented in the table below:

	Year ended 31 December 2017									
RSD thousand	Opening historical cost	Opening accumulated depreciation	Opening net book amount	Additions	Depreciation and impairment	Disposals	Transfers	Closing historical cost	Closing accumulated depreciation	Closing net book amount
Land	21,462	-	21,462	5,586	-	-	-	27,048	-	27,048
Buildings	548,760	(6,518)	542,242	-	(27,438)	-	-	548,760	(33,956)	514,804
Machinery and equipment	2,168,561	(35,756)	2,132,805	888	(110,936)	-	805	2,170,254	(146,693)	2,023,562
Construction in progress	148,341	-	148,341	77,391	-	-	-	225,732	-	225,732
Advances for PP&E	8,281	-	8,281	255,451	-	(121)	(805)	262,806	-	262,806
Property, plant and equipment	**2,895,405**	**(42,274)**	**2,853,131**	**339,317**	**(138,374)**	**(121)**	**(0)**	**3,234,601**	**(180,649)**	**3,053,952**

	Year ended 31 December 2016									
RSD thousand	Opening historical cost	Opening accumulated depreciation	Opening net book amount	Additions	Depreciation and impairment	Disposals	Transfers	Closing historical cost	Closing accumulated depreciation	Closing net book amount
Land	21,462	-	21,462	-	-	-	-	21,462	-	21,462
Buildings	-	-	-	122,780	(6,518)	-	425,980	548,760	(6,518)	542,242
Machinery and equipment	362	(120)	242	835,710	(35,636)	-	1,332,489	2,168,561	(35,756)	2,132,805
Construction in progress	713,571	-	713,571	18,143	-	-	(583,373)	148,341	-	148,341
Advances for PP&E	1,135,667	-	1,135,667	47,710	-	-	(1,175,096)	8,281	-	8,281
Property, plant and equipment	**1,871,062**	**(120)**	**1,870,942**	**1,024,343**	**(42,155)**	**0**	**0**	**2,895,405**	**(42,274)**	**2,853,131**

	Year ended 31 December 2015									
RSD thousand	Opening historical cost	Opening accumulated depreciation	Opening net book amount	Additions	Depreciation and impairment	Disposals	Transfers	Closing historical cost	Closing accumulated depreciation	Closing net book amount
Land	21,462	-	21,462	-	-	-	-	21,462	-	21,462
Buildings	-	-	-	-	-	-	-	-	-	-
Machinery and equipment	362	(57)	305	-	(63)	-	-	362	(120)	242
Construction in progress	254,106	-	254,106	459,465	-	-	-	713,571	-	713,571
Advances for PP&E	1,856	-	1,856	1,133,811	-	-	-	1,135,667	-	1,135,667
Property, plant and equipment	**277,786**	**(57)**	**277,729**	**1,593,276**	**(63)**	**0**	**0**	**1,871,062**	**(120)**	**1,870,942**

Buildings include civil works such as foundation of the wind farms, access roads etc. Machinery and equipment mainly includes wind turbines and towers. The additions for 2016 and 2015 mainly refer to the construction of "Kula" (9,9 MW) and "La Piccolina" (6,6 MW) for which the trial period commenced in February 2016 and August 2016, respectively, and which had previously been classified as assets under construction.

Construction in progress and advances for PP&E as at 31 December 2017, mainly relate to investment in construction of the "Kosava" plant. The completion of the construction for this plant is expected for 2019.

Capital expenditure incurred during 2017, 2016 and 2015 amounted respectively to RSD 339 million, RSD 1,024 million and RSD 1,593 million.

Wind plants owned by VP Kula and Energobalkan have been mortgaged in favour of Erste Bank and Unicredit Bank respectively.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

9. Other long-term financial investments

Other long-term financial investments, which at 31 December 2017, 2016 and 2015 consisted entirely of non-current assets, relate to:

- restricted cash of RSD 77,007 thousand (RSD 12,347 thousand as of 31 December 2016 and RSD 59,292 as of 31 December 2015) attributable to the subsidiary Vetropark Kula doo that has been deposited as collateral to Erste in accordance with the loan agreement to guarantee the repayment of the loan.
- restricted cash of RSD 53,313 thousand (RSD 30,868 thousand as of 31 December 2016 and RSD 30,407 as of 31 December 2015)attributable to the subsidiary Energobalkan doo that has been deposited as collateral to Unicredit Serbia in accordance with the loan agreement to guarantee the repayment of the loan.

10. Short-term loans and investments – other related parties

Short-term loans and investments amount to RSD 10,674 thousand (RSD 11,431 thousand at 31 December 2016 and RSD 780 thousand at 31 December 2015) and mainly relates to financing provided to the related party, Energogreen Doo.

11. Cash and cash equivalents

"Cash and cash equivalents" at 31 December 2017, 2016 and 2015 are detailed as follows:

	31 December 2017	31 December 2016	31 December 2015
Cash and cash equivalent	**102,755**	**175,295**	**144,794**

The fair value of cash and cash equivalents coincides with the carrying amount thereof.

For the purpose of the preparation of the statement of cash flows, investing and financing transactions that did not require the use of cash or cash equivalents have been excluded.

12. Other current assets

"Other current assets" of RSD 90,561 thousand at 31 December 2017 (RSD 55,070 thousand at 31 December 2016 and RSD 43,729 thousand at 31 December 2015) are detailed in the following table:

	31 December 2017	31 December 2016	31 December 2015
Value added tax	28,580	26,890	43,316
Prepayments and accrued income	61,981	28,181	413
Total	**90,561**	**55,070**	**43,729**

(All amounts are in 000 RSD, unless otherwise stated)

The balance of Value added tax receivables mainly relates to refundable VAT coming from investments in PPE.

Prepayments and accrued income includes receivables from EPS for the production of electricity from the wind farms. The increase in 2017 relate to the fact that "Kula" and "La Piccolina" plants became fully operational in January 2017.

13. Equity

Consolidated equity as at 31 December 2017, 2016 and 2015 is detailed in the following table:

	31 December 2017	31 December 2016	31 December 2015
Share capital	3,825	-	-
Stakes of limited liability companies	-	817	817
Other componenents of other comprehnsive income	(15,163)	(23,938)	(12,451)
Retained earnings from previous years	-	-	-
Retained earnings from current year	44,395	22,225	-
Loss from previous years	(95,743)	(117,967)	(70,003)
Loss from current year	-	-	(47,964)
Equity attributable to the Group	**(62,685)**	**(118,863)**	**(129,601)**
Capital and reserves attributable to non-controlling interests	(46,988)	(68,731)	(31,951)
Other componenents of other comprehnsive income	(12,916)	(20,391)	(10,607)
Profit (loss) for the year	68,515	21,743	(36,780)
Equity attributable to non-controlling interests	**8,611**	**(67,379)**	**(79,337)**
TOTAL EQUITY	**(54,075)**	**(186,242)**	**(208,938)**

The equity components and changes therein are detailed below:

Share capital

At 31 December 2017, the Company's fully subscribed and paid up share capital amounted to RSD 3,825 thousand consisting of 25,000,000 ordinary shares with nominal value of RSD 0.153 each.

Other components of other comprehensive income

The hedging reserve arises from the measurement, in accordance with applicable accounting standards (IAS 39), of derivatives entered into by Group companies to hedge the risk of fluctuation in interest rates applied to loans for the construction of certain of the Group's wind power plants.

Retained earnings/(Losses) and other reserves arising on consolidation

These consist of losses and other reserves of subsidiaries and arising on consolidation. They also include net profit/(losses) for the current year.

Equity attributable to non-controlling interests

This arises from the consolidation of companies with non-controlling interests held by parties out with Fintel Group.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

14. Long and short term loans and borrowings from parent and subsidiaries

Borrowings of the Group (long and short term) in RSD 496,921 thousand as at 31 December 2017 (RSD 518,481 thousand at 31 December 2016 and RSD 510,537 thousand at 31 December 2015), mainly consist of revocable loans to be repaid to the Principal Shareholder company Fintel Energia Group Spa that were granted for the benefit of subsidiaries Fintel Energija and MK-Fintel Wind. The loans are interest bearing.

15. Long and short term loans and borrowings from other related parties

The balance as at 31 December 2017 amounts to RSD 513,822 thousand at 31 December 2017 (RSD 414,256 thousand at 31 December 2016 and RSD 406,706 thousand at 31 December 2015) includes financial payables to MK Group, a non-controlling interest holder in subsidiaries: this amount consists of the non-controlling interest holder's share of shareholder loans granted to finance the construction of the wind farms in Serbia.

16. Long and short term loans and borrowings to external parties

Set out below are details of long and short term loans and borrowings at 31 December 2017, 2016 and 2015:

RSD thousand	**31 December 2017**	**31 December 2016**	**31 December 2015**
Long term borowings	1,792,500	1,883,692	1,122,390
Short-term loans and borrowings	153,485	154,709	29,501
Total	**1,945,985**	**2,038,402**	**1,151,891**

(All amounts are in 000 RSD, unless otherwise stated)

Details of bank loans outstanding at 31 December 2017 are summarised in the following table:

Beneficiary company	Residual debt at 31 December 2017	Long term	Short term	Maturity
Vetropark Kula	1,129,287	1,035,164	94,124	2026
Energobalkan	678,724	619,363	59,361	2021
Fintel Energija	137,973	137,973	-	2024
	1,945,985	**1,792,500**	**153,485**	

Loan of Vetropark Kula refers to the financing received in 2015 from Erste Bank for the development and construction of Kula wind farm. Its maturity is of 12 years and interest rate is variable plus spread.

Loan of Energobalkan refers to the financing received from Unicredit Bank for the development and construction of La Piccolina wind farm. Its maturity is of 6 years and interest rate is fixed. First draw down of the loan has been made in 2016.

Loan of Fintel Energija refers to the financing received from AIK Bank in 2017 for the development and construction of Kosva wind farm. Its maturity is of 6 years and interest rate is fixed.

17. Other long-term liabilities

Other long-term liabilities consist of the fair value measurement at the reporting date of the derivative pertaining to the subsidiary Vetropark Kula Doo (RSD 33,034 thousand, RSD 52,152 thousand and RSD 27,127 thousand respectively at 31 December 2017, 2016 and 2015) used to hedge the interest rate risk arising from loan agreement entered into by the companies.

The derivative contract entered into in 2015 by Vetropark Kula is an interest rate swap with a term of 10 years and an initial notional of Euro 9,650 thousand.

18. Trade payables

Trade payables, which amounted to RSD 109,509 thousand as at 31 December 2017, to RSD 29,475 as at 31 December 2016 and to RSD 139,791 thousand as at 31 December 2015, consist mainly of payables arising from the construction and maintenance of the wind plants.

19. Accrued expenses

Accrued liabilities, which amounts to RSD 241,156 thousand at 31 December 2017, to RSD 179,437 at 31 December 2016 and to RSD 75,605 thousand at 31 December 2015, consist mainly of interests on shareholders loan due to Fintel Energia Group SpA and MK Group and accrued interests on financial loan and invoice to be received from the Principal Shareholder for management fee.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

20. Sales of products and services

Sales of products and services has increased from RSD 183,921 thousand for the year ended 31 December 2016 to RSD 496,683 thousand for the year ended 31 December 2017. Total revenue were zero in 2015 given that both wind farms were under construction.

Revenue only refers to FiT (equal to 94,7 €/Mwh in 2017) received by wind plants "La Piccolina" and "Kula".

The increase in revenue is attributable to the following factors:

- Increased in volume produced from 25.443 MWh in 2016 to 43.881MWh in 2017 due to the fact that both wind farms started with operations in March and July 2016 respectively;
- Higher FiT received in 2017. Based on the actual Serbian Law, during the "trial period" (period between the connection to the grid of the wind farm and obtaining of the privileged power producer status) wind farms receive half of the FiT. Kula and La Piccolina reached the PPP status in October 2016 and January 2017, respectively. After trial period a full FiT has was received.

21. Cost of production services

It includes all costs arising from the purchase of services during the year in the ordinary course of business. Details of cost of services for 2017, 2016 and 2015 are provided in the following table:

	2017	2016	2015
Costs of ongoing maintenance services	45,362	22,583	-
Costs of office space rent- Other related parties	2,767	1,602	1,305
Costs of other transportation services	1,595	1,625	-
Costs of gross salaries according to temporary service contract	-	3,892	-
Others	1,056	1,024	1,547
Cost of production services	**50,780**	**30,727**	**2,852**

The increase in cost of services is mainly attributable to increase in production plant maintenance following the start of operation in the year of the wind farms in Serbia.

22. Depreciation and amortisation

Depreciation and amortisation amounts to RSD 138,374 thousand (RSD 42,155 thousand for the year ended 31 December 2016 and RSD 63 for the year ended 31 December 2015). The increase mainly is due to the start of operation in 2016 of La Piccolina and Kula wind power plants.

23. Non-production costs

Non-production costs amount to RSD 86,716 thousand (RSD 50,302 thousand for the year ended 31 December 2016 and RSD 17.438 for the year ended 31 December 2015) and consist of cost for consulting, legal and administrative services, security and insurance premiums. The increase mainly is due to the start of operation in 2016 of La Piccolina and Kula wind power plants.

(All amounts are in 000 RSD, unless otherwise stated)

24. Finance income - parent company and subsidiaries

Finance income amounted to RSD 43,306 thousand for the year ended 31 December 2017 (RSD 7,557 thousand for the year ended 31 December 2016 and RSD 7,837 thousand for the year ended 31 December 2015) and consists of gain for the conversion at year end exchange rate RSD/Euro of shareholder' loans.

25. Finance costs

Finance costs for the years ended 31 December 2017, 2016 and 2015 are detailed as follows:

	2017	2016	2015
Finance expense – parent company and subsidiaries	51,765	48,145	42,742
Finance expense – other related parties	14,170	6,176	2,204
Other financial expense	-	6,777	11,073
Finance expense – third parties	126,381	44,959	2
Total finance costs	**192,316**	**106,056**	**56,020**

Finance costs mainly include interests on shareholder's loans and, losses from exchange rate differences and interests on financing from Erste bank, Unicredit Bank and AIK Bank.

The increase in finance costs is related to an increase in financing obtained in 2016 for the Kula and La Piccolina wind farms.

26. Other income

Other income decreased from RSD 122,387 thousand for the year ended 31 December 2016 to RSD 920 thousand in 2017. The 2016 item consisting of a penalty paid by Vestas (EPC contractor) for the late delivery of the "Kula" wind power plant and consequent lower production of electrical energy that impacted revenue generated by the plant.

27. Other expenses

Other expenses amount to RSD 8,646 thousand for the year ended 31 December 2017 (RSD 5,971 thousand in 2016 and RSD 642 thousand in 2015). They include expenditures for environmental protection, culture, health and education.

(All amounts are in 000 RSD, unless otherwise stated)

28. Income tax expense

Income tax expenses for the years ended 31 December 2017, 2016 and 2015 are detailed as follows:

	Year ended 31 December		
	2017	2016	2015
Income tax for the year	45,273	6,610	672
Deferred income tax for the period (note 12)	(8,416)	6,393	14,736
Origination and reversal of temporary differences	-	-	-
	36,857	13,003	15,408

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the Group's profits as follows:

	Year ended 31 December		
	2017	2016	2015
Profit before tax	149,767	56,971	(69,335)
Tax calculated at domestic tax rates applicable to profits in the respective countries	22,465	8,546	-
Tax effect on:			
Revenues exempt from taxation	-	-	-
Expenses not deductible for tax purposes			
- Transfer pricing effect for interest expense	4,058	4,022	2,911
- Other expenses not deductable	5	5	-
Tax losses for which no deferred income tax asset was recognised (utilized recognised tax credit), net	-	(12,287)	(1,622)
Losses from subsidiaries	11,552	11,124	15,553
Other tax effects for reconciliation between accounting profit and tax expense	(1,224)	1,594	(1,434)
Adjustment in respect of prior years	-	-	-
	36,857	13,003	15,408
Effective income tax rate	25%	23%	0%

The weighted average applicable tax rate was 25% (2016: 23%, 2015: 0%).

The Group does not choose to consolidate for tax purpose and the losses of one group company are not available for the consolidated entity, which is why the losses of subsidiaries must be encountered as correction for the purpose of calculating the effective income tax rate.

29. Earnings/(loss) per share

The result per share has gone from a loss per share of RSD 1.92 in 2015 to an earning per share of RSD 0.89 and 1.78 for the years ended 31 December 2016 and 31 December 2017 respectively. It has been computed by dividing the Group's net result by the average number of Fintel Energija shares outstanding in the years in question (average number of shares outstanding of 25,000 thousand).

Fintel Energija was a limited company till November 2017, when it was transformed in a joint stock company. For this reason, earning/(loss) per share for all three years ended at 31 December 2017, 2016 and 2015 has been computed based on the shares existing as of 31 December 2017.

(All amounts are in 000 RSD, unless otherwise stated)

There were no dilutive effects for all three years. Accordingly, diluted earnings per share thus coincide with basic earnings per share.

30. Contingent liabilities and commitments

There are not any contingent liabilities and commitments.

31. Related party transactions

As previously indicated, the Group is a subsidiary of Fintel EnergiaGroup SpA.

A summary is provided below of the Group's transactions with related parties in 2017, 2016 and 2015. All transactions with related parties are entered into at market value.

As of 31 December 2017, 31 December 2016 and 31 December 2015 the outstanding balances with related parties were as follows:

	At 31 December 2017		
RSD thousand	Parent Company	Parent's subsidiaries and associates	Total
Short-term loans	-	10,674	10,674
Trade and other payables	(29,879)	(54,395)	(84,274)
Other current liabilities	(119,082)	-	(119,082)
Short-term debt and current portion of long-term debt	(482,619)	-	(482,619)
Long-term debt	(14,217)	-	(14,217)
Total	**(645,797)**	**(43,721)**	**(689,518)**

	At 31 December 2016		
RSD thousand	Parent Company	Parent's subsidiaries and associates	Total
Short-term loans	-	11,431	11,431
Trade and other payables	-	(53,378)	(53,378)
Other current liabilities	(90,448)	-	(90,448)
Short-term debt and current portion of long-term debt	(503,665)	-	(503,665)
Long-term debt	(14,817)	-	(14,817)
Total	**(608,929)**	**(41,947)**	**(650,876)**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are in 000 RSD, unless otherwise stated)

	At 31 December 2015		
RSD thousand	Parent Company	Parent's subsidiaries and associates	Total
Short-term loans	-	780	780
Trade and other payables	-	(14,839)	(14,839)
Other current liabilities	(67,873)	-	(67,873)
Short-term debt and current portion of long-term debt	(495,942)	-	(495,942)
Long-term debt	(14,595)	-	(14,595)
Total	**(578,411)**	**(14,059)**	**(592,470)**

For the year ended 31 December 2017, 2016 and 2015 the following transaction occurred with related parties:

	At 31 December 2017		
RSD thousand	Parent Company	Parent's subsidiaries and associates	Total
Revenues	-	-	-
Other revenues	-	-	-
Selling, general and administrative expenses	-	(29,736)	(29,736)
Other income (expenses), net	-	-	-
Finance expense	(32,312)	-	(32,312)
Total	**(32,312)**	**(29,736)**	**(62,048)**

	At 31 December 2016		
RSD thousand	Parent Company	Parent's subsidiaries and associates	Total
Revenues	-	-	-
Other revenues	-	-	-
Selling, general and administrative expenses	-	(14,993)	(14,993)
Other income (expenses), net	-	-	-
Finance expense	(33,310)	-	(33,310)
Total	**(33,310)**	**(14,993)**	**(48,303)**

(All amounts are in 000 RSD, unless otherwise stated)

	At 31 December 2015		
RSD thousand	Parent Company	Parent's subsidiaries and associates	Total
Revenues	-	-	-
Other revenues	-	-	-
Selling, general and administrative expenses	-	-	-
Other income (expenses), net	-	-	-
Finance expense	(32,799)	-	(32,799)
Total	**(32,799)**	**-**	**(32,799)**

Remuneration of Fintel Group directors

There is only one representatives of the Company, namely Giovannetti Tiziano and not any remuneration payable to the Managing Director in 2017, 2016 and 2015. Tiziano Giovannetti acts as sole director in of Fintel Energija's subsidiaries without any further remuneration.

32. Significant subsequent events

On 27 February 2018 its Serbian subsidiary MK-Fintel Wind A.D. has reached the financial closing of a EUR 81.5 million facility for the completion of Kosava Phase I wind farm in Vrsac, Serbia. For the construction of the project, which started in July 2017, Fintel Energija A.D., serbian country holding of Fintel Energia Group S.p.A. had previously received a junior loan from AIK Banka.

The total investments amounts to Eur 117 million (out of which Eur 10,9 million have been invested during first quarter of 2018) while the portion of debt package amounts to Eur 81.5 million, which will be financed by loans from Erste Group Bank, Erste Bank Serbia, Austrian Development Bank (OoEb), Unicredit Serbia and Zagrebacka Banka.

Kosava Phase I consists of 69 MW, derived from 20 wind turbines of 3,45 MW each and the project is expected to become fully operational by the end of 2019.

CERTIFIED TRANSLATION FROM SERBIAN INTO ENGLISH

ANNUAL BUSINESS REPORT

for the year ending on 31 December 2017

FINTEL ENERGIJA A.D.

CONTENT

1. Summary of the business activities and organizational structure

Identification data

Business name: "Privredno društvo za proizvodnju električne energije FINTEL ENERGIJA" A.D. Beograd

Seat: Belgrade

Address: Bulevar Mihaila pupina 115e

Company Identification Number: 20305266

Tax Identification Number: 105058839

Website: www.fintelenergija.rs

Email: sanja.ristovic@fintel.bz

Date of incorporation: 27 June 2007

Persons authorised to represent: Tiziano Giovannetti

Core business activity

Description and code of the core business activity: 3511 – Production of electrical energy

Business activities

Fintel Energija A.D. (hereinafter: the "Company" or "Fintel Energija") and its subsidiaries (jointly as: "Fintel group" or the "Group") is a leading independent producer of electrical energy from renewable sources in the Republic of Serbia. The Company and the Group are pioneers in the field of production of electrical energy from renewable sources, by being the first ones in the territory of Serbia who built and are managing wind farms. The sale of the entire energy produced is done via arrangement (agreement on purchase of electrical energy) with JP Elektroprivreda Srbije (EPS), and there is no direct supply to end consumers.

Organizational structure

By aligning corporate bodies and documents with the Companies Law ("Official Gazette of the RS" no. 36/2011, 99/2011, 83/2014 – other law, and 5/2015) the Company has the following internal organizational structure: Shareholder Assembly (consisting of the only shareholder Fintel Energija Group S.p.A) and Board of Directors.

2

Subsidiaries

The Company acts as a holding company of the following subsidiaries:

MK-Fintel Wind Holding d.o.o. za holding poslove Beograd, ID number 21280275, whereby the Company holds 53.99737% of the share capital (**"MK Fintel d.o.o."**), while the remaining 46.00263% is held by the company *MK Holding d.o.o. za holding poslove Beograd,*

MK-Fintel Wind akcionarsko društvo Beograd, ID number 20392126, whereby the Company holds 53.99737 % of the share capital (**"MK Fintel a.d."**), while the remaining 46.00263% holds the company *MK Holding d.o.o. za holding poslove Beograd* (**"MK Holding"**), while MK-Fintel d.o.o. holds 100% in the following subsidiaries, SPVs for other projects:

Vetropark Kula d.o.o. Beograd, ID number 20901659 – SPV established for the project wind farm Kula (**"Kula"**),
Energobalkan d.o.o. Beograd, ID number 20833122 – SPV established for the project wind farm La Piccolina (**"Energobalkan"**),
Vetropark Torak d.o.o. Beograd, ID number 21040339 (**"Torak"**),
Vetropark Košava 2 d.o.o. Beograd, ID number 21064742 (**"Košava 2"**),
Vetropark Ram d.o.o. Beograd, ID number 20927119 (**"Ram"**),
Vetropark Dunav 1 d.o.o. Beograd, ID number 20926392 (**"Dunav 1"**),
Vetropark Dunav 3 d.o.o. Beograd, ID number 20927089 (**"Dunav 3"**),

Information about the auditor of the last financial reports

PricewaterhouseCoopers d.o.o. Omladinskih brigada BB, 11070 Novi Beograd

Information about the management of the company

Members of the Board of Directors:
- Claudio Nardone, president
- Tiziano Giovannetti
- Luka Bjeković
- Paolo Martini

2. Presentation of development, financial position and activities of the legal entity, relevant financial and non-financial indicators, personnel structure

Market share

Fintel Energija has a position of a leader among independent producers of electrical energy from wind power in the territory of the Republic of Serbia. The total installed capacity of all wind turbines is 25 MW, of which 16.5 MW is held in the ownership of the Company (66%). Out of the total current quota for construction of wind farms under preferential conditions, which is 500 MW, Fintel has been granted the right to build wind farms of total capacity of 84.5 MW (16.9%).

ЂОРЂЕ ЈАНКОВ
ĐORĐE JANKOVIĆ

3

Financial indicators

CONSOLIDATED PROFIT AND LOSS ACCOUNT
In RSD thousand

	AOP	Note	Year ended 31 December 2017	2016
INCOME FROM REGULAR OPERATING ACTIVITIES				
A. OPERATING INCOME (1002+1009+1016+1017)	**1001**		**496,683**	**183,922**
I. INCOME FROM THE SALE OF GOODS (1003+1004+1005+1006+1007+1008)	**1002**		-	-
1. Income from sales of goods to parent and subsidiaries on domestic market	1003		-	-
2. Income from sales of goods to parent and subsidiaries on foreign market	1004		-	-
3. Income from the sale of goods to other related parties on domestic market	1005		-	-
4. Income from the sale of goods to other related parties on foreign market	1006		-	-
5. Income from sale of goods on domestic market	1007		-	-
6. Income from sale of goods on foreign market	1008		-	-
II. INCOME FROM SALES OF PRODUCTS AND SERVICES (1010+1011+1012+1013+1014+1015)	**1009**		**496,683**	**183,922**
1. Income from sales of products and services to parent and subsidiaries on domestic market	1010		-	-
2. Income from sales of products and services to parent and subsidiaries on foreign market	1011		-	-
3. Income from sales of products and services to other related parties on domestic market	1012		-	-
4. Income from sales of products and services to other related parties on foreign market	1013		-	-
5. Income from sales of products and services – domestic	1014	20	496,683	183,922
6. Income from sales of products and services – foreign	1015		-	-
III. INCOME FROM PREMIUMS, SUBVENTIONS, DONATIONS AND SIMILAR	**1016**		-	-
IV. OTHER OPERATING INCOME	**1017**		-	-
EXPENSES FROM REGULAR OPERATING ACTIVITIES			-	-
B. OPERATING EXPENSES (1019-1020-1021+1022+1023+1024+1025+1026+1027+1028+1029)>=0	**1018**	-	**283,685**	**128,213**
I. COST OF GOODS SOLD	1019		-	-
II. WORK PERFORMED BY THE ENTITY AND CAPITALIZED	1020		-	-
III. INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES	1021		-	-
IV. DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES	1022		-	-
V. COST OF MATERIAL	1023		245	1,758
VI. COST OF FUEL AND ENERGY	1024		1,232	2,143
VII. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1025		6,338	1,129
VIII. COST OF PRODUCTION SERVICES	1026	21	50,780	30,727
IX. DEPRECIATION, DEPLETION AND AMORTIZATION	1027	22	138,374	42,155
X. COST OF LONG-TERM PROVISIONING	1028		-	-
XI. NON-PRODUCTION COSTS	1029	23	86,716	50,302
C. OPERATING GAIN (1001-1018)>=0	**1030**		**212,998**	**55,708**
D. OPERATING LOSS (1018-1001)>=0	**1031**		-	-
E. FINANCE INCOME (1033+1038+1039)	**1032**		**141,224**	**9,796**
I. FINANCIAL INCOME FROM RELATED PARTIES AND OTHER FINANCIAL INCOME (1034+1035+1036+1037)	1033		61,505	7,557
1. Finance income - parent company and subsidiaries	1034	24	43,306	7,557
2. Finance income - other related parties	1035		18,199	-
3. Share of profit of associates and joint ventures	1036		-	

4

CONSOLIDATED PROFIT AND LOSS ACCOUNT
In RSD thousand

	AOP	Note	Year ended 31 December 2017	2016
4. Other financial income	1037		-	-
II. INTEREST INCOME (from third parties)	1038		1,140	329
III. FOREIGN EXCHANGE GAINS (third parties)	1039		78,579	1,909

F. FINANCE EXPENSES (1041+1046+1047)	**1040**		**196,729**	**124,949**
I. FINANCIAL EXPENSES FROM RELATED PARTIES AND OTHER FINANCIAL EXPENSES (1042+1043+1044+1045)	1041		65,935	61,097
1. Finance expense - parent company and subsidiaries	1042	25	51,765	48,145
2. Finance expense - other related parties	1043	25	14,170	6,176
3. Share of loss of associates and joint ventures	1044		-	-
4. Other financial expense	1045		-	6,777
II. INTEREST EXPENSE (from third parties)	1046	25	126,381	44,959
III. FOREIGN EXCHANGE LOSSES (third parties)	1047		4,412	18,893
G. PROFIT FROM FINANCING OPERATIONS (1032-1040)	**1048**		-	-
H. LOSS FROM FINANCING OPERATIONS (1040-1032)	**1049**		**55,504**	**115,153**
I. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**1050**		-	-
J. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**1051**		-	-
K. OTHER INCOME	**1052**	**26**	**920**	**122,387**
L. OTHER EXPENSES	**1053**	**27**	**8,646**	**5,971**
M. OPERATING PROFIT BEFORE TAX (1030-1031+1048-1049+1050-1051+1052-1053)	**1054**		**149,767**	**56,971**
N. OPERATING LOSS BEFORE TAX (1031-1030+1049-1048+1051-1050+1053-1052)	**1055**		-	-
O. NET INCOME ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS	**1056**		-	-
P. NET LOSS ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS	**1057**		-	-
Q. PROFIT BEFORE TAX (1054-1055+1056-1057)	**1058**		**149,767**	**56,971**
R. LOSS BEFORE TAX (1055-1054+1057-1056)	**1059**		-	-
II. INCOME TAX				
I. CURRENT INCOME TAX	1060	28	45,273	6,610
II. DEFERRED TAX EXPENSE FOR THE PERIOD	1061		-	6,393
III. DEFERRED TAX INCOME FOR THE PERIOD	1062	28	8,416	-
S. PERSONAL INCOME PAID TO EMPLOYER	**1063**		-	-
T. NET PROFIT (1058-1059-1060-1061+1062)	**1064**		**112,910**	**43,968**
V. NET LOSS (1059-1058+1060+1061-1062)	**1065**		-	-
I. NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1066		68,515	21,743
II. NET INCOME ATTRIBUTABLE TO THE OWNER	1067		44,395	22,225
III. NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1068		-	-
IV. NET LOSS ATTRIBUTABLE TO THE OWNER	1069		-	-
V. EARNINGS PER SHARE				
1. Basic earnings per share (in RSD)	1070	29	1.78	0.89
2. Diluted earnings per share (in RSD)	1071	29	1.78	0.89

5

CONSOLIDATED BALANCE SHEET

In RSD thousand

	AOP	Note	31 December 2017	31 December 2016
A. SUBSCRIBED CAPITAL UNPAID	**0001**		-	-
B. NON-CURRENT ASSETS (0003 + 0010 + 0019+ 0024 + 0034)	**0002**		**3,184,272**	**2,896,346**
I. INTANGIBLE ASSETS (0004+0005+0006+0007+0008+0009)	**0003**		-	-
1. Development investments	0004		-	-
2. Concessions, licenses, software and other rights	0005		-	-
3. Goodwill	0006		-	-
4. Other intangible assets	0007		-	-
5. Intangible assets under development	0008		-	-
6. Advances for intangible assets	0009		-	-
II. PROPERTY, PLANT AND EQUIPMENT (0011+0012+0013+0014+0015+0016+0017+0018)	**0010**		**3,053,952**	**2,853,131**
1. Land	0011	8	27,048	21,462
2. Buildings	0012	8	514,804	542,242
3. Machinery and equipment	0013	8	2,023,562	2,132,805
4. Investment property	0014		-	-
5. Other property, plant and equipment	0015		-	-
6. Construction in progress	0016	8	225,732	148,341
7. Investments in leased PP&E	0017		-	-
8. Advances for PP&E	0018	8	262,805	8,281
III. BIOLOGICAL ASSETS (0020+0021+0022+0023)	**0019**		-	-
1. Forest farming	0020		-	-
2. Livestock	0021		-	-
3. Biological assets in production	0022		-	-
4. Advances for biological assets	0023		-	-
IV. LONG-TERM FINANCIAL INVESTMENTS (0025+0026+0027+0028+0029+0030+0031+0032+0033)	**0024**		**130,320**	**43,215**
1. Investments in subsidiary	0025		-	-
2. Investments in joint ventures	0026		-	-
3. Investments in other legal entities and other available for sales financial assets	0027		-	-
4. Long term investments in parent and subsidiaries	0028		-	-
5. Long-term investments in other related parties	0029		-	-
6. Long-term investments – domestic	0030		-	-
7. Long-term investments – foreign	0031		-	-

6

CONSOLIDATED BALANCE SHEET

In RSD thousand

	AOP	Note	31 December 2017	31 December 2016
8. Securities held to maturity	0032		-	-
9. Other long-term financial investments	0033	9	130,320	43,215
V. LONG-TERM RECEIVABLES (0035+0036+0037+0038+0039+0040+0041)	**0034**		-	-
1. Receivables from parent company and subsidiaries	0035		-	-
2. Receivables from other related parties	0036		-	-
3. Receivables from sale of goods on credit	0037		-	-
4. Receivables arising out of finance lease contracts	0038		-	-
5. Claims arising from guarantees	0039		-	-
6. Bad and doubtful receivables	0040		-	-
7. Other long-term receivables	0041		-	-
C. DEFFERED TAX ASSETS	**0042**		-	-

7

CONSOLIDATED BALANCE SHEET

In RSD thousand

	AOP	Note	31 December 2017	31 December 2016
D. CURRENT ASSETS (0044+0051+0059+0060+0061+0062+0068+0069+0070)	**0043**		**208,422**	**243,008**
I. INVENTORY (0045+0046+0047+0048+0049+0050)	**0044**		**497**	**680**
1. Materials, spare parts and tools	0045		-	-
2. Work in progress	0046		-	-
3. Finished goods	0047		-	-
4. Merchandise	0048		-	-
5. Assets held for sale	0049		-	-
6. Advances for inventory and services	0050		497	680
II. TRADE RECEIVABLES (0052+0053+0054+0055+0056+0057+0058)	**0051**		-	**445**
1. Domestic trade receivables - parents and subsidiaries	0052		-	-
2. Foreign trade receivables - parents and subsidiaries	0053		-	-
3. Domestic trade receivables - other related parties	0054		-	-
4. Foreign trade receivables - other related parties	0055		-	-
5. Trade receivables – domestic	0056		-	445
6. Trade receivables – foreign	0057		-	-
7. Other trade receivables	0058		-	-
III. RECEIVABLES FROM SPECIFIC OPERATIONS	**0059**		-	-
IV. OTHER RECEIVABLES	**0060**		**3,935**	**87**
V. FINANCIAL ASSETS AT FAIR VALUE THROUGHT PROFIT OR LOSS	**0061**		-	-
VI. SHORT TERM FINANCIAL INVESTMENTS (0063+0064+0065+0066+0067)	**0062**		**10,674**	**11,431**
1. Short-term loans and investments - parent companies and subsidiaries	0063		-	-
2. Short-term loans and investments – other related parties	0064	10	10,674	11,431
3. Short-term loans and investments – domestic	0065		-	-
4. Short-term loans and investments – foreign	0066		-	-
5. Other short-term loans and investments	0067		-	-
VII. CASH AND CASH EQUIVALENTS	**0068**	**11**	**102,755**	**175,295**
VIII. VALUE ADDED TAX	**0069**	**12**	**28,580**	**26,890**
IX. PREPAYMENTS AND ACCRUED INCOME	**0070**	**12**	**61,981**	**28,181**
E. TOTAL ASSETS (0001+0002+0042+0043)	**0071**		**3,392,694**	**3,139,354**
F. OFF-BALANCE SHEET ASSETS	**0072**	**7**	**344,864**	**359,418**
A. EQUITY (0402+0411-0412+0413+0414+0415-0416+0417+0420-0421)	**0401**		-	-

8

CONSOLIDATED BALANCE SHEET

In RSD thousand

	AOP	Note	31 December 2017	31 December 2016
I. SHARE CAPITAL (0403+0404+0405+0406+0407+0408+0409+0410)	**0402**		**3,825**	**817**
1. Share capital	0403	13	3,825	-
2. Stakes of limited liability companies	0404	13	-	817
3. Stakes	0405		-	-
4. State owned capital	0406		-	-
5. Socially owned capital	0407		-	-
6. Stakes in cooperatives	0408		-	-
7. Share premium	0409		-	-
8. Other capital	0410		-	-
II. SUBSCRIBED CAPITAL UNPAID	**0411**		-	-
III. OWN SHARES	**0412**		-	-
IV. RESERVES	**0413**		-	-
V. REVALUATION RESERVES FROM VALUATION OF INTANGIBLES, PROPERTIES, PLANT AND EQUIPMENT	**0414**		-	-
VI. UNREALISED GAINS FROM SECURITAS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME	**0415**		-	-
VII. UNREALIZED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME	**0416**	**13**	**15,163**	**23,938**
VIII. RETAINED EARNINGS (0418+0419)	**0417**	**13**	**44,395**	**22,225**
1. Retained earnings from previous years	0418		-	-
2. Retained earnings from current year	0419	13	44,395	22,225
IX. NON-CONTROLLING INTEREST	**0420**	**13**	**8,611**	**(67,379)**
X. LOSS (0422+0423)	**0421**	**13**	**95,743**	**117,967**
1. Loss from previous years	0422	13	95,743	117,967
2. Loss from current year	0423	13	-	-

ЂОРЂЕ ЈАНКОВИЋ
DORDE JANKOVIC

9

CONSOLIDATED BALANCE SHEET

In RSD thousand

	AOP	Note	31 December 2017	31 December 2016
B. LONG-TERM PROVISIONS AND LIABILITIES (0425+0432)	**0424**		**1,839,751**	**1,950,661**
I. LONG-TERM PROVISIONS (0426+0427+0428+0429+0430+4031)	**0425**		-	-
1. Provisions for warranty claims	0426		-	-
2. Provision for environmental rehabilitation	0427		-	-
3. Provisions for restructuring costs	0428		-	-
4. Provisions for employee benefits	0429		-	-
5. Provisions for litigations	0430		-	-
6. Other long term provisions	0431		-	-
II. LONG-TERM LIABILITIES (0433+0434+0435+0436+0437+0438+0439+0440)	**0432**		**1,839,751**	**1,950,661**
1. Liabilities convertible to equity	0433		-	-
2. Liabilities to parent and subsidiaries	0434	14	14,217	14,817
3. Liabilities to other related parties	0435		-	-
4. Liabilities for issued long-term securities	0436		-	-
5. Long term borrowings - domestic	0437	16	1,792,500	1,883,692
6. Long-term borrowings - foreign	0438		-	-
7. Finance lease liabilities	0439		-	-
8. Other long-term liabilities	0440	17	33,034	52,152
C. DEFFERED TAX LIABILITIES	**0441**		**6,779**	**12,328**
D. SHORT-TERM LIABILITIES (0443+0450+0451+0459+0460+0461+0462)	**0442**		**1,600,238**	**1,362,607**
I. SHORT-TERM FINANCIAL LIABILITIES (0444+0445+0446+0447+0448+0449)	**0443**		**1,149,926**	**1,072,630**
1. Short term borrowings from parent and subsidiaries	0444	14	482,619	503,665
2. Short term borrowings from other related parties	0445	15	513,822	414,256
3. Short-term loans and borrowings - domestic	0446	16	153,485	154,709
4. Short-term loans and borrowings - foreign	0447		-	-
5. Liabilities relating to current assets and held-for-sale assets attributable to discounted operations	0448		-	-
6. Other short term liabilities	0449		-	-
II. ADVANCES RECEIVED	**0450**		-	-
III. TRADE PAYABLES (0452+0453+0454+0455+0456+0458)	**0451**	**18**	**109,509**	**29,475**
1. Trade payables - parent and subsidiaries - domestic	0452		54,395	22,000
2. Trade payables - parent and subsidiaries - foreign	0453		-	-
3. Trade payables - other related parties - domestic	0454		3,975	3,102
4. Trade payables - other related parties - foreign	0455		-	-

10

CONSOLIDATED BALANCE SHEET

In RSD thousand

	AOP	Note	31 December 2017	31 December 2016
5. Trade payables - domestic	0456		44,235	4,361
6. Trade payables - foreign	0457		6,904	11
7. Other operating liabilities	0458		-	-
IV. OTHER SHORT-TERM LIABILITIES	0459		57,771	71,292
V. LIABILITIES FOR VAT	0460		-	-
VI. LIABILITIES FOR OTHER TAXES	0461		41,876	9,774
VII. ACCRUED EXPENSES	0462	19	241,156	179,437
E. LOSS EXCEEDING EQUITY (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402)>=0=(0441+0424+0442-0071)>=0	0463		54,075	186,242
F. TOTAL EQUITY AND LIABILITIES (0424+0442+0441+0401-0463)>=0	0464		3,392,694	3,139,354
G. OFF-BALANCE SHEET LIABILITIES	0465	7	344,864	359,418

Return on assets: 4.41%

Business profits: 272,988 thousand dinars

Level of indebtedness (Liabilities / Assets): 101.39%

Earnings per share: 1.78 dinars

Cash flows

During 2017, the Company realized net negative cash flow in the amount of -72,539 thousand dinars (2016: net inflow of 29,917 thousand dinars) consisting of:

Net inflow from operating activities 234,736 thousand dinars

Net inflow from investment activities - 407,467 thousand dinars

Net outflow from financial activities 100,551 thousand dinars

Personnel structure

The employees in the company have the appropriate qualifications, knowledge and experience necessary for the quality performance of the services provided by the company. In addition to the director, the Company has another 5 employees in its subsidiaries who work on maintenance of existing wind farms.

11

3. Environmental protection

Fintel Energija contributes to environmental protection mainly through investing in construction of capacities for production of electrical energy from renewable sources (green energy). Construction of wind farms significantly reduces CO2 emissions as one of the leading harmful factors that affect the environment.

4. Significant events after the end of the business year

On 27 February 2018, the subsidiary MK-Fintel Wind A.D. concluded a financing agreement in the amount of EUR 81.5 million for the purpose of completion of the wind farm Košava Phase I in Vršac, Serbia. For the construction of the project, which started in July 2017, Fintel Energija A.D. had previously received a loan from AIK Banka.

The total investments for the above project amounts to EUR 117 million (out of which EUR 10.9 million have been invested during first quarter of 2018) Investments will be partially financed from loans, in the amount to EUR 81.5 million, which refers to syndicated loan granted by: Erste Group Bank, Erste Bank Serbia, Austrian Development Bank (OoEb), Unicredit Serbia and Zagrebačka Banka.

Wind park Košava Phase I has a 69 MW capacity, derived from 20 wind turbines, 3.45 MW each. The wind park is expected to become fully operational by the end of 2019.

5. Planned future development

As of November 2015, the Company has increased its Production of electrical energy from wind by 16.5 MW, through the construction of two projects. The Company also has ongoing onshore wind farms development pipeline of over 352 MW, of which 127 MW has received building permit and 69 MW under construction, while approximately additional 120 MW is at a level of a feasibility study. The pipeline is being actively developed and projects are continuously progressed through the development and obtaining the appropriate regulatory consents. Projects are all developed in accordance with the "gateway" approval process, so the pace of development will depend on a number of internal and external factors. Out of the ongoing project, the project that has most advanced is Košava Phase II – a project that obtained all licences and that planes to have 19 turbines with capacity of up to 79.8 MW, subject to turbine selection, which is estimated to become fully operational in the financial year 2021.

The growth of the Company's and Group's business will be driven primarily by the build-out of the Company's Wind Development Pipeline Business, comprising of approximately 352 MW of total capacity. Out of this amount, 267 MW is at an advanced development stage (building permits has been obtained for 127 MW, including 69 MW under construction and approximately 140 MW where planning applications will be soon submitted or were submitted already); while approximately additional 120 MW is at a level of a feasibility study.

The Company is targeting in total between 180 MW and 230 MW of installed capacity trough organic growth of its Wind Development Pipeline Business over the next three financial years. The Directors expect to finance approximately 80 to 90% of these investments through loans, while the remaining funds are to be financed through subordinated debt or the Company's cash flow. It is the Directors' intention to take a flexible approach to the development of the Company's Wind Development Pipeline Business, in order to deliver growth without compromising the Company's ability to pay out dividends in line with its dividend policy. Even though the focus of the Group is on organic growth, growth through acquisitions would be considered on an opportunistic basis.

6. Research and development

There are no programs of research or development that are relevant for the operations of the Company.

There are no registered patents or licenses of the Company.

The Company manages, monitors and controls its generating plants from a 24/7 central control centre (the "Logistics Control Centre") at its head office in Belgrade. The Company has adopted a service model under which none of its plants is manned on a continued basis. The operating assets are managed by a team of four persons, the majority of whom operate remotely. These personnel execute a program of preventive maintenance and ongoing operational tasks under the schedule set centrally by the Logistics Control Centre through the Vestas asset management software and respond to unscheduled breakdowns. The remote monitoring is based on the universally adopted SCADA system, which can be used across various generation technologies. This enables the Company to track, in real-time, turbine and generator performance, including faults, breakdowns and any other issues that might occur. Wind turbines can be remotely started and switched off from the Logistics Control Centre, avoiding the need to dispatch a technician on location if a minor fault occurs.

7. Subsidiaries

The Company acts as a holding company of the following subsidiaries:

MK-Fintel Wind Holding d.o.o. za holding poslove Beograd, ID number 21280275, whereby the Company holds 53.99737% of the share capital ("**MK Fintel d.o.o.**"), while the remaining 46.00263% holds the company *MK Holding d.o.o. za holding poslove Beograd*,

MK-Fintel Wind akcionarsko društvo Beograd, ID number 20392126, whereby the Company holds 53.99737 % of the share capital ("**MK Fintel a.d**"), while the remaining 46.00263% holds the company *MK Holding d.o.o. za holding poslove Beograd* ("**MK Holding**"), while MK-Fintel d.o.o. holds 100% in the following subsidiaries, SPVs for other projects:

Vetropark Kula d.o.o. Beograd, ID number 20901659 – SPV established for the project wind farm Kula ("**Kula**"),

Energobalkan d.o.o. Beograd, ID number 20833122 – SPV established for the project wind farm La Piccolina ("**Energobalkan**"),

ЂОРЂЕ ЈАНКОВИЋ
DORĐE JANKOVIĆ

Vetropark Torak d.o.o. Beograd, ID number 21040339 ("**Torak**"),

Vetropark Košava 2 d.o.o. Beograd, ID number 21064742 ("**Košava 2**"),

Vetropark Ram d.o.o. Beograd, ID number 20927119 ("**Ram**"),

Vetropark Dunav 1 d.o.o. Beograd, ID number 20926392 ("**Dunav 1**"),

Vetropark Dunav 3 d.o.o. Beograd, ID number 20927089 ("**Dunav 3**"),

(jointly as the "**Subsidiaries**") and the Company and the Subsidiaries jointly as the "**Group**".

Each of the Subsidiaries is established as a special purpose vehicle for the particular project.

8. Goals and policies in connection with managing financial risks, credit risk, liquidity risk and market risk

The coordination and monitoring of key financial risks is carried out by the central treasury department of the parent company Fintel Energija, which provides guidelines for the management of various types of risk and for the use of financial instruments. The main features of Fintel Group's risk management policy are:

- central determination of operational risk management guidelines concerning market, liquidity and cash flow risks;
- monitoring of results achieved;
- diversification of commitments/obligations and of the product portfolio.

Credit risk

Credit risk represents the exposure to potential losses arising from the failure by commercial and financial counterparties to fulfil their contractual obligations.

The Group's maximum exposure to credit risk at 31 December 2017 and 2016 is the carrying amount of each class of assets indicated in the following table:

	31 December 2017	31 December 2016
Advances for inventory and services	497	680
Trade receivables	-	445
Other receivables	3,935	87
Short-term loans and investments	10,674	11,431
Prepayments and accrued income	61,981	28,181
TOTAL	**77,087**	**40,823**

Prepayments and accrued income mainly refer to receivables from EPS for the power produced by wind farms, while short-term loans and investments relate to financing provided to the related company Energogreen doo.

Those assets represent a low level of credit risk since most of the above mentioned receivables are towards the state or state owned company in Serbia.

14

Based on the evaluation made by the Director, there is no need for reduction of value of the mentioned receivables.

Liquidity risk

Liquidity risk is associated with the ability to meet the commitments arising from financial liabilities assumed by the Group. Prudent risk management of liquidity arising in the course of ordinary activities implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities.

Liquidity risk is managed centrally by the Group, given that the administration department periodically monitors the Group's net cash/debt through the preparation of appropriate actual and forecast cash inflow and outflow reports. In this manner, the Group aims to ensure it has adequate coverage for financing needs, by accurately monitoring financing, credit facilities opened and utilisations thereof, in order to optimise its resources and manage any temporary liquidity surplus.

The Group's objective is to establish a financing structure that, consistent with its business objectives, guarantees sufficient liquidity of the Group, minimises the related opportunity costs and maintains a balance in terms of term to maturity and composition of the debt.

The following table provides a maturity analysis of liabilities at 31 December 2017 and 2016. The various maturity bands are determined based on the period between the reporting date and the contractual maturity of the Group's obligations, gross of accrued interest at 31 December. Interest is calculated in accordance with contractual terms for the financing.

	At 31 December 2017			
	Less than 1 year	1-2 years	2-5 years	Beyond 5 years
Financial payables due to shareholders	1,010,658	-	-	14,217
Bank loans	248,789	250,395	1,077,746	820,955
Trade payables	109,509	-	-	-
Total	**1,368,957**	**250,395**	**1,077,746**	**835,172**

RSD thousand	At 31 December 2016			
	Less than 1 year	1-2 years	2-5 years	Beyond 5 years
Financial payables due to shareholders	932,737	-	-	14,817
Bank loans	269,992	265,825	1,228,989	865,534
Trade payables	29,475	-	-	-
Total	**1,232,204**	**265,825**	**1,228,989**	**880,350**

An analysis of the financial liabilities by maturity, at 31 December 2017, shows a substantial alignment of payables due within 1 year compared to those liabilities at the end of previous years, as a result of the following changes:

a. Increase in bank loans due to new investments of Fintel Energija for Košava wind farm. The increase was partially netted by payment of the instalments due in 2017;

15

b. Increase in financial payables to shareholders due to new loans granted for the construction of wind farms in Serbia.

Accordingly, taking in account of the above and what is described in detail in Note 2.1, the fact that shareholders have confirmed that they do not intend to request the repayment of the loan prior to the end of the next year, as well as the liquid funds of RSD 233,075 thousand, it is believed that the Company and the Group will be able to meet its obligations in the foreseeable future.

Market risk

In the conduct of its operations, the Group is potentially exposed to the following market risks:

- The risk of exchange rates fluctuations;
- The risk of interest rates fluctuations.

These risks are essentially managed centrally by the parent company Fintel Energija.

Risk of exchange rates fluctuations

Exchange rates risk is linked to operations in currency other than the RSD. Fintel Group is exposed to the risk of exchange rates fluctuations, given that it conducts business in Serbia through its subsidiaries, which are companies committed to the study, construction, development and management of wind farms and other projects in the field of renewables. The Group has loans denominated in foreign currency, mainly in EUR and USD, which predominantly exposes the Company to the foreign currency fluctuations risk. Exposure to the foreign currency fluctuations arising from loans is managed through the participation of the loans denominated in functional currency of the group in the total credit portfolio.

On 31 December 2017, if the currency had strengthened/weakened by 5% against the EUR with all other variables held constant, post-tax result for the year would have been RSD 125,657 thousand (2016: RSD 126,273 thousand) higher/lower, mainly as a result of foreign exchange gains/losses on translation of EUR – denominated loans.

Risk of interest rates fluctuations

The risk of interest rates fluctuations to which Fintel Group is exposed to originates from financial payables. Fixed rate debt exposes the Group to risk linked to changes in the fair value of the debt for their part linked to changes in the reference rates market. Floating rate debt exposes the Group to cash flow risk originating from the volatility of interest rates.

The Group's financial indebtedness consists of current bank debt, medium/long term loans granted by banks and lease-related liabilities.

In order to hedge the risk of fluctuation in interest rates, during the course of 2015, the subsidiary Vetropark Kula also entered into an agreement for an interest rate cap with spread in relation to financing for the "Kula" wind power plant.
As a result of the aforementioned hedging transactions, the impact of the expected change in interest rates in the coming twelve months is deemed to be insignificant in the context of the Group's consolidated financial statements.

Capital risk

16

The Group's objective as far as capital risk management is safeguarding business continuity in order to guarantee returns to shareholders and benefits to other stakeholders. Moreover, the Group aims to maintain an optimal capital structure in order to reduce the cost of borrowing.

The Group monitors its capital based on the ratio of net debt to net invested capital (gearing ratio). Net debt is calculated as total debt, including current and non-current loans and borrowings, plus net exposure to banks. Net invested capital is calculated as the sum of total equity and net debt.

The gearing ratio at 31 December 2017 and 2016 is shown in the following table:

RSD thousand	31 December 2017	31 December 2016
Non-current financial payables:		
- Financial payables due to shareholders	14,217	14,817
- Bank loans	1.792,500	1,883,692
Current financial payables:		
- Bank loans	153,485	154,709
- Financial payables due to shareholders	996,527	917,921
- Financial assets	(130,320)	(43,215)
Cash and cash equivalents	(102,755)	(175,295)
Net debt (A)	**2,723,653**	**2,752,629**
Equity (B)	**(54,075)**	**(186,242)**
Net capital employed (C=A+B)	**2,669,493**	**1,691,681**
Gearing ratio (A/C)	***102%***	***107.3%***

In Belgrade,

20 April 2018

Tiziano Giovannetti

Executive Director

(Stamp of the company FINTEL ENERGIJA AD)

(signature)

- END OF TRANSLATION -

I, ĐORĐE JANKOVIĆ, certified court interpreter/translator for the English language, appointed by the Provincial Secretariat for Provincial Secretariat for Education, Regulations, Administration and National Minorities – National Communities of Vojvodina, Republic of Serbia, under Decision 128-74-58/2014-02 of 20 March 2015, HEREBY CERTIFY that this is a true and correct translation of the original submitted to me in the Serbian language, which is attached hereto.

Reg. No. 641/18
20 May 2018

Đorđe Janković
Serbian-English certified court interpreter/translator

17

20.4. Auditing of financial statements included in the Registration Document	
20.4.1. A statement that the annual financial statements have been audited. If the person responsible for auditing refused to perform auditing or to sign, or included qualifications or disclaimers in its report, such facts must be stated together with the reasons why it acted in such manner	
	The Company's statutory auditor for the standalone and consolidated financial statements of the Company for the years ended 31 December 2017, 31 December 2016 and 31 December 2015, is PricewaterhouseCoopers d.o.o. Beograd, a limited liability company for auditing and consulting services with its registered seat in Belgrade, Omladinskih brigada 88a, Serbia. PricewaterhouseCoopers d.o.o. issued unmodified opinion in both standalone and consolidated financial statements included in this Prospectus.
20.4.2. Indication of other information in the Registration Document which has been audited by the certified auditors	
	In addition to the historical annual financial information, this Prospectus does not contain any other information that were audited.
20.5. Where financial data in the Registration Document is not extracted from the issuer's audited financial statements state the source of the data and state that the data is unaudited	
	No financial data contained in the Registration Document is extracted from other sources than the Company's audited financial statements.
20.6. Interim financial information for the period shorter than a business year	
	There are no interim financial information prepared for the period shorter than a business year for the purpose of this Prospectus.
20.7. Dividend policy **A description of the issuer's policy on dividend distributions and any potential restrictions thereon**	
	The Company is entitled to distribute the profit in accordance with the Companies Act. Directors believe that the high operating margins and strong cash generation provide a solid foundation for sustainable dividends' pay out. Therefore, the Directors intend to adopt a progressive dividend policy, targeting a dividend growth at least in line with inflation. For FY19, the first full financial year after this share issuance, the Company intends to declare a dividend to Shareholders of at least the 70% of net profits. Thereafter, the Company intends to pay dividends/interim dividends twice a year in July and December, with the approximate proportion of one-third and two-thirds respectively of the dividend for the relevant business year.

	The Group's dividend policy described herein is only a target and not a forecast nor a profit forecast and hence there can be no assurance that such target can or will be met. The Group may revise its dividend policy from time to time.
20.7.1. The amount of the dividend per share for each financial year for the period covered by the historical financial information adjusted	
	No profit distribution occurred within the Company for the period covered by the historical financial information.
20.8. Legal and arbitration proceedings **Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or unresolved of which the issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past significant effects on the issuer and/or group's financial position or profitability. If there are no such proceedings, it is necessary to include an appropriate negative statement**	
	During a period of previous 12 month, there are no governmental, legal or arbitration proceedings in which the Company is involved, that may have, or have had in the recent past, significant effects on the Company and/or Group's financial position or profitability.
20.9. Significant change in the issuer's financial or trading position **A description of any significant changes in the financial or market position of the issuer, and the group, which have occurred since the end of the last financial period for which either audited financial information or temporary financial information (for interim periods) have been published. If there were no significant changes, include an appropriate negative statement**	
	No significant changes in the financial or market position of the Company and the Group occurred since the end of the last financial period for which audited financial information have been prepared i.e. since 31 December 2017.
21. ADDITIONAL INFORMATION	
21.1.1 Share capital	

21.1.1 Amount of subscribed and/or approved share capital as well as paid-in capital. If the share capital is not paid in full, state the amount of unpaid portion and the reasons why it has not been paid.

For each type and class of shares, specify:
a) the number of approved shares;
b) the number of shares issued and paid out; and
v) the nominal value of the shares or the note that the shares are issued without nominal value

The share capital of the Company registered at the Business Registers Agency is to RSD 3,825,416.50 as of 25 October 2017.
It is divided into 25,000,000 ordinary non-par shares, CFI code: ESVUFR, ISIN number: RSFINEE60549, with the accounting value of RSD 0.153 per share, based on the decision of the Shareholders meeting about stock split dated 19 January 2018.

Based on the decision of the Shareholders' meeting of the Company, dated 19 April 2018, the Company issues 6,500,000 of new ordinary non-par shares with the total accounting value of RSD 994,500.00. The shares have CFI code: ESVUFR and ISIN number: RSFINEE60549 and the accounting value of RSD 0.153 per share, where the difference in the amount of RSD 416.5 (which is obtained after the number of shares multiplied by their accounting value is deducted from the amount of the registered share capital) refers to the amount generated by mathematical rounding during the conversion of shares into stocks.

21.1.2. The number and nominal value of issuer's treasury shares and their participation in the issuer' share capital.

The Company has no treasury shares.

21.1.3. The number of convertible securities giving right to acquire issuer's shares, with an indication of the conditions governing the acquisition of the shares.

There are no convertible securities issued by the Company.

21.1.4. Indication of any decision or obligation of the issuer regarding the pre-emptive rights at future increases of the capital.

There are no such decisions or obligations, save for statutory obligation concerning the pre-emptive right of the existing shareholders in accordance with the Companies Act (Article 277) and the Article 6 of the Articles of Association of the Company i.e. the right of to subscribe to the shares from a new share issue in proportion to the number of fully paid-in shares of that class that a particular shareholder holds on the date of adoption of the resolution on share issue in relation to the total number of shares of that class.

The sole shareholder of the Company, as stated in the Resolution on share issue, will not use pre-emptive right, to purchase shares issued by this Prospectus.

21.1.5. The information about the number and percentage of shares for which securities have been issued.

	No securities have been issued by the Company.
21.1.6. An overview of changes in the core capital in the previous period.	
	On 24 July 2017, at the time when the Company was organized as a limited liability company, the decision on capital increase of the Company has been adopted, based on the conversion of debt into equity of the sole shareholder in the value of RSD 3.008.852,50, which capital increase has been registered on 07 August 2017.
21.2. Company's Articles of Association	
	Articles of Association in effect has been adopted on 12 April 2018 and registered with the Commercial Registry on 19 April 2018. After the public offering, as the issuer will be organized as a public joint stock company, the Assembly of the Issuer will adopt amendments to the Articles of Association that will include all the necessary provisions pertaining to public stock companies in accordance with the Companies Act.
21.2.1. A description of the issuer's activity with listing of provisions of the Articles of Association that regulate it	
	The registered core business activity of the Company is the production of electrical energy (code 3551) in accordance with Article 5 of the Articles of Association, but the Company may perform all other business activities, including the foreign trade activities, in accordance with the law and Article 5 of the Articles of Association.
21.2.2. A summary of any provisions of the company's Articles of Association as well as other potential internal acts by which division of issuer's administrative units were made	
	The Company is governed as a one-tier system, and its corporate bodies are: - the Shareholders' meeting, consisted of the sole shareholder i.e. Fintel Energia S.P.A. - Board of directors. Competences of the above corporate bodies are regulated in Articles 11 and 26 of the Articles of Association.
21.2.3. A description of the rights, preferences and restrictions attaching to each type and class of the existing shares	
	Pursuant to the Companies Act („Official Gazette of the RoS" nos. 36/2011, 99/2011, 83/2014, 5/2015 *and 44/2018*) and the Articles of Association (Article 6), Company's shareholders have the following rights: 1) to participate and vote at the Shareholders' meeting, provided that one share grants the right to one vote; 2) right to a dividend payment, in accordance with the law; 3) to participate in the distribution of liquidation proceeds or bankruptcy estate;

4) pre-emptive purchase of ordinary shares, and other financial instruments that may be converted into ordinary shares, from new share issues;
5) other rights in accordance with the law and the Articles of Association.

All shares of the Company are ordinary shares. The Company may also issue also preferential shares and other financial securities in accordance with the law.

Transfer of shares and the rights from shares in accordance with the Companies Act is unrestricted.

21.2.4. A description of what action is necessary to change the rights of holders of the shares, indicating where the provisions of the articles of association and statute differ from the Law on companies, pursuant to the provisions which explicitly allow such changes.

A Company may also issue a preferential shares granting for special rights and other financial securities in accordance with the Law. There are no provisions of the Articles of Association that differs from the Law in this respect.

In accordance with the Companies Act, a shareholder may request buy-out of their shares if he/she voted against or abstains from voting (dissenting shareholder) for the resolution on:

1) amendment to the Articles of association, whereby his/her rights stipulated by the Articles of association or by the law are reduced;
2) status change;
3) change of the legal form;
4) change of the period for which the company is formed;
5) approving the acquisition or disposal of high value assets;
6) amending his/her other rights, if the Articles of association stipulate that the shareholder is entitled, on such grounds, to dissent and to receive compensation for the market value of shares in compliance with this law;
7) withdrawal of one or more classes of shares from the regulated market or multilateral trading platform within the meaning of the law governing the capital market.

Procedure for buy-out is regulated by Articles 474 to 477 of the Companies Act.

21.2.5. A description of the conditions governing the manner in which annual and extraordinary sessions of the Shareholders' meeting are convoked

Annual/ordinary session of the Shareholders' meeting is to be held once a year, at the latest within 6 months from the end of the business year and is convoked by a managing director, by a written invitation sent to all shareholders at least 30 days before the scheduled date of the meeting.

Extraordinary session of the Shareholders' meeting is convoked by a managing director based on its own decision or upon the proposal of the shareholders holding at least 5% of the share capital of the Company, by a written invitation sent to all shareholders at least 21 day before the scheduled date of the meeting.

The Articles of Association regulates the process of convocation of the sessions of the Shareholders' meetings in Articles 13 and 14.

21.2.6. A brief description of any provision of the issuer's Articles of Association that would have an effect of delaying, deferring or preventing a change in control of the issuer

There are no provisions of the Articles of Association that would have an effect of delaying, deferring or preventing a change in control of the Issuer.

21.2.7. An indication of the Articles of Association or bylaw provisions of the issuer governing the disclosure of interest in the issuer's share capital or voting rights

There are no such provision of the Articles of Association or other bylaw of the Company.

Once the Company becomes public and includes all shares in trading at Belex it will be subject to the obligation of Article 57 of the Capital Market Act.

Once the Company becomes public, all shares and the shareholders will be registered with the Central Securities Depository and Clearing House, whose online registry is publicly available. In addition, the Articles of Association are also registered with the Commercial Registry and are publicly available.

21.2.8. An indication of special provisions of the Articles of Association concerning the changes in the share capital

There are no such special provision in the Articles of Association. Changes of the share capital are to be undertaken in accordance with the Companies Act and the Capital Market Act.

22. MATERIAL AGREEMENTS

A summary of each material agreement, other than agreement entered into in the ordinary course of business, to which the issuer individually or as member of the group (concern) has been a party, for the two years immediately preceding publication of the Registration Document.
A summary of any other agreement (not being an agreement entered into in the ordinary course of business) entered into by any member of the group to which the issuer belongs to, and which contains any provision under which any member of the group has any obligation or entitlement, material to the group, as at the date of the Registration Document.

There are no agreements to which the Company or the members of the Group are party to, apart from the agreements in the ordinary course of business, nor any agreements entered into by any member of the Group which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of the Registration Document.

23. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS

23.1 When the Registration Document includes an opinion or report produced by a third party who has a recognized status of expert in an area, indicate the name of that person, the official address, qualifications, as well as possible interests in relation to the issuer. If this opinion or report is prepared at the request of the issuer, include a clear statement that the opinion or report was made at the issuer's request, in the form and content in which it is included, with the consent of the person responsible for the content of that part of the Registration Document

23.2 When the information comes from a third party, indicate that the information has been accurately transmitted and that according to the issuer's knowledge, as far as it can be verified on the basis of the information published by a third party, no facts were omitted because of the information so transferred would be incorrect or misleading. Also, specify the source(s) of this information precisely

There are no such type of reports or opinions.

24. DOCUMENTS AVAILABLE FOR THE REVIEW

A statement that the following documents will be available for the duration of the validity of the Registration Document:

a) Issuer's Articles of Association and Memorandum of Association,

b) All reports, letters and other documents, financial information on past business, assessments and opinions of experts, prepared at the issuer's request, any part of which is included in the Registration Document or to which the Registration Document refers to,

v) Financial information on past business or, in case of a group, financial information on past transactions for the issuer and its subsidiaries individually for the two financial years preceding the publication of the Registration Document.

Specify the time and the place where the documents are available to the public and where they can be viewed personally or in an electronic form

For the duration of the validity of the Registration Document the following documents may be inspected:

- Company's Memorandum of Association and Articles of Association,
- Company's consolidated and standalone financial statements for 2017, 2016 and 2015,
- The Prospectus.

The above documents may be personally reviewed, at the seat of the Company, on every business day between 9 am to 1 pm.

25. INFORMATION ON SHAREHOLDINGS

25.1. Information relating to the companies in which the issuer holds a share in the capital that may have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses

	The Company has a majority share in the following companies: – MK-Fintel Wind Holding d.o.o. za holding poslove Beograd, where the Company holds 53.99737% of the capital, while the remaining capital is held by MK Holding d.o.o. za holding poslove Beograd, – MK-Fintel Wind a.d. Beograd, where the Company holds 53.99737% of the share capital, while the remaining share capital is held by MK Holding d.o.o. za holding poslove Beograd, MK-Fintel Wind Holding d.o.o. za holding poslove Beograd holds 100% in the following subsidiaries, SPVs for other projects: Vetropark Kula d.o.o. Beograd, Energobalkan d.o.o. Beograd, Vetropark Torak d.o.o. Beograd, Vetropark Košava 2 d.o.o. Beograd, Vetropark Ram d.o.o. Beograd, Vetropark Dunav 1 d.o.o. Beograd, Vetropark Dunav 3 d.o.o. Beograd

ANNEX III

THE SECURITIES' DOCUMENT FOR SHARES

1. RESPONSIBLE PERSONS

1.1. Responsible persons

All persons responsible for the information contained in Prospectus are listed. Also, persons who are responsible for the information specified in the special Sections of the Prospectus, if any, shall be mentioned, with the indication of the part of the document for which they are responsible. For natural persons, including members of the management and/or supervisory board, the name, family name and function in the legal person are stated. For a legal person, the business name and the seat are stated.

The person responsible for the information contained within the Prospectus is Tiziano Giovannetti, general manager

There are no separate Sections of the Prospectus for which other persons, than the above listed, are responsible.

1.2. The Statement of responsible persons

A signed statement by the responsible persons, which reads: "Having taken all necessary measures, we declare that, according to our knowledge, the information in the Prospectus is in accordance with the facts, and that the facts that could affect the authenticity and completeness of the prospectus are not omitted."

"Having taken all necessary measures, we declare that to the best of our knowledge, the information contained in the Prospectus is in accordance with the facts and that no facts which could affect the authenticity and completeness of the Prospectus are omitted."

For the Company:

____

Tiziano Giovannetti, general manager

Statement of the persons responsible for the information specified in the separate Sections of the Prospectus which reads as follows: "Having taken all necessary measures, we declare that, according to our knowledge, the information is in the separate part of the Prospectus for which we are responsible, in accordance with the facts, and that no facts which could affect the authenticity and completeness of the prospectus are omitted"

There are no separate Sections of the Prospectus for which other persons, than the above listed, are responsible.

2. RISK FACTORS

Risk factors that are material to the shares being offered and/or admitted to trading in order to assess the market risk associated with these shares

Risk factors that are material to the shares being offered and/or admitted to trading in order to assess the market risk associated with these shares are:

Fluctuation of the share price

The share price of listed companies can be highly volatile, which may prevent shareholders from being able to sell their shares at or above the price they had initially paid for them. The market price for the ordinary shares could fluctuate significantly for various reasons, many of which are outside the Company's control, such as:, large purchases or sales of the ordinary shares, Serbian capital market development, legislative changes and general economic, political or regulatory conditions.

Lack of guarantees with respect to payment of dividends

Any dividend on the ordinary shares will be limited by the underlying growth in the Company's businesses. The dividend policy described in the Section 20.7 of Annex II of this Prospectus should not be construed as a dividend forecast or a profit forecast and therefore there can be no assurance that such target can or will be met. The ability of the Company to pay dividends in the future is affected by a number of factors, principally the receipt of sufficient dividends from the Subsidiaries, the existence of sufficient distributable reserves within the Company, the availability of cash resources, and whether the Company is profitable in doing business. In accordance with the regulations of the Republic of Serbia in effect, the distribution of profits, i.e. the payment of dividends can only be realized after covering any potential losses and forming and maintaining statutory reserves (to the extent that such formation and maintenance of reserves is mandatory).

The Principal Shareholder and its controlling position

After the issuance of shares under this Prospectus, it is envisaged that the Principal Shareholder, Fintel Energia Group SPA, would continue to hold between approximately 70-80% of the Company’s share capital. As the Principal Shareholder remains a controlling shareholder of the Company, it will continue to have the ability, through the votes it owns, to influence on the Company's decision-making and operations, including the ability to use its voting rights to prevent adoption of the decisions that it considers to be unfavourable and/or undesirable, and among which may be those which could lead to a reduction in its participation in capital of the Company, to elect and change directors and management and to adopt other material decisions regarding the Company's structure and its operations in accordance with the Companies Act and the Articles of Association. In principle, during assessment of investing into shares an investor should not assume da the majority shareholder would necessarily always take care of interests of all or some of the other Company’s shareholders.

Future sales of ordinary shares by shareholders may depress the price of the ordinary shares

Future sales or the availability for sale of substantial amounts of the shares in the capital market could adversely affect the prevailing market price of the shares and could also impair the Company’s ability to raise capital through future share issues.

Future issuances of ordinary shares may dilute the holdings of Shareholders

Except for this share issuance, the Company has no current plans for further issuance of ordinary shares. However, it is possible that the Company may decide to issue additional shares in the future, and that any such issue may dilute the holdings of the existing shareholders, which is in any case subject to any valid pre-emption right to subscription od shares.

A liquid market for the ordinary shares may fail to develop

This share issuance should not be taken as implying that there will be a liquid market for the ordinary shares. If an active trading market is not developed or maintained, the liquidity and trading price of the ordinary shares may be adversely affected.

3. KEY INFORMATION

3.1. Statement on working capital

The issuer's statement that, in his opinion, the issuer's capital is sufficient to settle its current obligations and projects, otherwise, the way it intends to provide additional required capital

The Company is of the opinion that the capital available to the Group is sufficient to meet Group's present requirements and, in particular, is sufficient for the period covering at least 12 months from the date of this Prospectus. However, for the construction of individual projects, the Group acquired additional external debt through the project finance loan. All information on sources of funding is given in the financial statements contained in Sections 10.1 and 10.2, Annex II of this Prospectus.

3.2. Capitalization and indebtedness

Statement on capitalization and indebtedness (with the difference between guaranteed and unguaranteed, secured and unsecured indebtedness) with a date not earlier than 90 days before the date of the document. Indebtedness also includes indirect and potential indebtedness

As of 31 March 2017, Capitalization and indebtedness of the Group (in thousands of RSD) is as follows:

Capitalisation:

	As at 31 March 2018 (unaudited)
Total current debt	**482,749**
of which	
Guaranteed..	
Secured...	
Unguaranteed/unsecured	482,749
Total non-current debt (excluding current portion of long-term debt)	**14,206**
of which	

Guaranteed	
Secured	
Unguaranteed/unsecured	14,206
Shareholder's equity	**3,825**
Share capital	3,825
Share premium	
Reserves	(15,163)
Retained earnings	(42,737)
Total	**442,880**

Indebtedness

	As at 31 March 2018 (unaudited)
Cash	
Cash equivalent	(128,808)
Trading securities	
Liquidity	**(128,808)**
Current Financial Receivable	(130,224)
Current bank debt	
Current portion of non-current debt	158,764
Other current financial debt	
Current Financial Debt	158,764
Net Current Financial Indebtedness	(100,268)
Non current bank loans	2,441,507
Bonds issued	
Other non current loans	
Non Current Financial Indebtedness	2,441,507
Net Financial Indebtedness	2,341,239

*at 31 December 2017

RSD thousands	31/03/2018 (unaudited)
Long-term financial liabilities	
-Financial liabilities to shareholders	14,206
-Loans payable	2,441,507
Short-term financial liabilities	
-Loan payable to banks	158,764
- Financial liabilities to shareholders	1,011,168
-Financial assets	(130,224)
Cash and cash equivalents	(128,808)
Net debt (A)	**3,366,613**

Equity (B)*	**(54,075)**
Net engaged equity (C=A+B)	**3,312,538**
Indebtedness coefficient (A/C)	***101.6%***

* at 31 December 2017

3.3. Interests of natural/legal persons related to the issuing/offering

A description of all third party interests, including conflicting ones, related to the issuing/offering, detailing the persons involved and the nature of the interest.

The following entities participated in preparation of this Prospectus and the share issue under this Prospectus, as the advisors:
- M&V Investments a.d. Belgrade, Bulevar Mihaila Pupina 115e, as the issuance Agent and the Underwriter;
- AIK Banka a.d. Belgrade, Bulevar Mihaila Pupina 115dj, as the bank that opened the account for payment of shares;

M&V Investments a.d. is the owner of 99.76% shares of AIK banka a.d. The ultimate owner of M&V Investments, through its subsidiaries, has indirect participation in the project companies listed in Section 5.1 (Annex II).

3.4. Reasons for the offer and use of proceeds

Reasons for the offer and, where applicable, the estimated net amount of the proceeds broken into each significant use and presented by order of priority of such uses. If the anticipated proceeds will not be sufficient to fund all the proposed uses, state the amount and sources of other funds needed. Details must be given with regard to the use of the proceeds, in particular when they are being used to acquire assets, other than in the ordinary course of business, or to finance announced acquisitions, or to reduce or retire indebtedness.

The Company intends to use the proceeds acquired by this share issue for the purpose of improvement of the Company's financial position and expansion of business, in particular the management estimates that the 90% of the proceeds will be used to execute Kosava phase II project, while the remainder will be spent for the implementation of Kula II project.

4. INFORMATION CONCERNING THE SHARES TO BE OFFERED

4.1. A description of the type and the class of the securities being offered and/or admitted to trading, including CFI Code and ISIN identification number

The shares that are subject of the issuance and the admission to Belex are ordinary non-par shares, CFI code: ESVUFR, ISIN number: RSFINEE60549 with the accounting value of RSD 0.153 per share.

After completion of the public offering, the Company will file the request for admission of all shares to Belex i.e. subscribed and paid shares that are subject of this Prospectus as well as for the admission of 25,000,000 previously issued shares of the Company.

4.2. The number of shares offered, their characteristics and currency of the issue

The number of shares that are offered to the public is 6,500,000. Those are ordinary non-par shares denominated in RSD.

4.3. A description of the rights attached to the shares, including any limitations of those rights, and procedure for the exercise of those rights

The Company's shareholders, in accordance with the Companies Act („*Official Gazette of the RoS*" *nos. 36/2011, 99/2011, 83/2014, 5/2015 and 44/2018*) and the Decision on the share issue dated 19 April 2018, have the following rights:

- to participate and vote at the general meeting, provided that one share shall always grant the right to one vote;
- right to a dividend payment, in accordance with the law;
- to participate in the distribution of liquidation proceeds or bankruptcy estate, in compliance with the law governing bankruptcy proceedings;
- pre-emptive purchase of ordinary shares, and other financial instruments that may be converted into ordinary shares, from new share issues;
- other rights in accordance with the law.

All shares of the Company are ordinary shares. The Company may also issue preferential shares and other financial instruments in accordance with the law.

Transfer of shares and the rights from shares is unrestricted.
The existing shareholders would have the pre-emptive right to subscribe the shares in the new share issue in accordance with the Companies Act (Article 277) and Article 6 of the Articles of Association of the Company.

4.4. Indicate whether the issuer intends to make another issue of shares and the expected date of such issuance

As at the date of this Prospectus, there is no decision of the Company's shareholder regarding new offerings of shares, following the present one, and the Company cannot state with certainty if they are going to be more share issues in the future However, the Company intends, as soon as it becomes a public joint stock company to adopt an incentive plan i.e. loyalty system reserved to employees, directors and the top management (please refer to Section 17.3 above).

4.5. Mandatory take-over bid

An indication of the existence of any mandatory takeover bids by third parties, in respect to the issuer's equity, pursuant to the Law on Takeovers of Joint-Stock Companies.

Pursuant to the Law on Take-Over of Joint-Stock Companies ("*Official Gazette of RoS*" nos. 46/2006, 107/2009, 99/2011 and 108/2016), a person is obliged to publish a takeover bid when he acquires shares with the voting right of the target company directly or indirectly, independently or jointly acting, so that together with the shares he has already acquired, he exceeds the threshold of 25% of the shares with the voting rights of the target company (control threshold) and in case of further acquisitions, in other cases under the said law.

4.6. An indication of any takeover bids in respect of the issuer's equity, which have occurred during the last two years, pursuant to the Law on Take-Over of Joint-Stock Companies.

No takeover bids in respect of the issuer's equity have occurred in the past, as the Company used to be limited liability and afterwards a non-public joint stock company, hence was not subject to the application of the provisions of the Law on Take-Over of Joint-Stock Companies.

4.7. Taxes and other charges regarding shares

- **Property transfer tax**

No property transfer tax is due on the transfer for a consideration (sale) of shares.

- **Gift and Inheritance Tax**

No gift and inheritance tax is due on the transfer free of charge of shares (e.g. gift, inheritance, etc.).

- **Capital gain tax**

The transfer of shares for a consideration may result in a taxable capital gain according to the laws of the Republic of Serbia that regulate tax on income.

Pursuant to the Personal Income Tax Act (*Official Gazette RS, No. 24/2001, 80/2002, 80/2002, 135/2004, 62/2006, 65/2006, 31/2009, 44/2009, 18/2010, 50/2011, 91/2011, 7/2012, 93/2012, 114/2012, 8/2013, 47/2013, 48/2013, 108/2013, 6/2014, 57/2014, 68/2014 5/2015, 112/2015, 5/2016, 7/2017*), a taxpayer - a natural person, who transfers shares in a company for a consideration, may generate capital gain or loss. A capital gain is the difference between the acquisition price and the sales price of the shares (and such difference presents a basis for calculation of the tax obligation). In case the difference is negative, the taxpayer has generated capital loss.

No taxable capital gain occurs in case the taxpayer transfers the shares after a holding period of 10 years.

A capital gain is taxed at the rate of 15% unless otherwise prescribed by an applicable double tax treaty (in case of non-residents transferring the shares in a company registered in the Republic of Serbia).

Pursuant to the Corporate Income Tax Act (*Official Gazette RS, No. 25/2001, 80/2002, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2013, 108/2013, 68/2014, 142/2014, 91/2015, 112/2015*), a taxpayer - legal entity, who transfer shares in a company for a consideration, may generate a capital gain or loss. The manner of assessment of the capital gain of a company taxpayer is the same as in case of an individual.

The applicable tax rate depends on the residency of the corporate taxpayer: (i) a resident company pays 15% income tax on a capital gain; (ii) a non-resident company pays 20% income tax unless otherwise provided for in an applicable double tax treaty.

Unlike natural persons, there is no tax relief for corporate taxpayers in case the shares have been owned by them for a period longer than 10 years.

- **Income tax on dividends**

Taxpayers, who receive dividends from other companies, are subject to income tax. Rules applicable to natural persons and companies generating income from dividends are different.

Taxpayers, who receive dividends from other companies, are subject to income tax. Rules applicable to individuals and companies generating income from dividends are different.

Companies receiving dividends from Serbian companies are taxed in the following way:

(i) Income realised by residents from dividends from other resident companies - is not included in the tax base for calculation of corporate income tax,
(ii) Non-resident companies receiving dividends from resident companies are required to pay a 20% withholding tax on dividends, unless otherwise provided for in an applicable double tax treaty.

Individuals receiving dividends from companies registered in the Republic of Serbia are taxed as follows:

(i) Residents receiving dividends from companies registered in the Republic of Serbia – at a rate of 15% on the realised dividend
(ii) Non-residents pay 15% on the realised amount of the dividend unless otherwise provided for in an applicable double tax treaty.

All possible subsequent amendments to the regulations, interpretations, judicial and administrative decisions may cause alterations to the above stated and have tax consequences for shareholders. The Issuer is not obliged and will not make any amendment to the Prospectus nor inform the shareholders of any subsequent changes to the regulations, unless such changes are material for the assessment of the prospective investors.

Any future owner of the shares shall be obliged to inform themselves about the tax obligations that may arise from the ownership or any disposition of the shares, including both tax regulations of the Republic of Serbia, as well as relevant international treaties on avoidance of double taxation in case of holders of the shares who are non-residents and to track changes to these regulations that may result in changes in tax liabilities arising from the ownership of shares.

5. TERMS AND CONDITIONS OF THE OFFER

5.1. Terms and conditions, procedure, expected timetable for the subscription and payment

The Company has duly complied with the prescribed procedure regarding preparation of this Prospectus and the Prospectus as well as the corresponding issuance of shares by public offering have been subject of the prior approval by the SEC in accordance with the Capital Market Act („*Official Gazette of the RoS" nos. 31/2011, 112/2015 and 108/2016)*.

5.1.1. Terms and conditions of the offer

Pursuant to the decision of the Shareholders meeting, the Company offers for a public sale 6,500,000 of ordinary non-par shares, in order to increase its share capital from RSD 3,825,000.00 for the amount of up to RSD 994,500.00 to the amount of capital of up to RSD 4,819,500.00. The shares can be subscribed during subscription period stated in Section 5.1.3 of this Prospectus and at the price of RSD 500.00 per share.

Exact amount of capital increase will depend on the successfulness of the issue, i.e. of the number of shares that would be subscribed, paid and allocated to investors.

Public offering of the shares shall be considered successful if at least 1,500,000 new shares have been subscribed, paid and allocated. It is three times more than the lower limit set by Article 10 of the Rules on listing of Belex (special condition of minimal level of market liquidity of the shares – publically distributed shares in free float in the total amount of at least EUR 2 million, calculated as the expected market capitalization of the shares after completed procedure of initial public offering of shares).

The Company management shall after the expiry of subscription and payment period, evaluate with the Agent the issue of new shares, exact amount of capital increase and exact number of new ordinary shares.

5.1.2. The total amount of the issue/offer, the number of shares offered for subscription, if the amount is not fixed, description of the procedure and deadlines for determining and announcing to the public the definite amount/number of shares in the offer

Pursuant to the decision of the Shareholders' meeting on capital increase, the share capital shall be increased from the amount of RSD 3,825,000.00 by an amount of up to RSD 994,500.00 to the amount of capital up to RSD 4,819,500.00. Increase of the Company's share capital shall be carried out through payment in cash by issuing of 6,500,000 new ordinary shares with the accounting value of RSD 0.153 per share. The new shares will be offered for sale at the price of RSD 500.00 per share.

5.1.3. The manner and the time period of the subscription of shares

The term for commencement of the subscription and payment of the shares shall commence at the latest within 15 days as of the day the decision on approving publication of the prospectus has been received.

Subscription of shares, according to this Prospectus, may be done in the period of 90 days starting on the date stated as a first date in the published Announcement about the manner the prospectus has been made available to the public.

Subscription can be done within the following working hours, from 09:00 till 15:30 (till 12:00 am on the last business day).

Subscription of shares is done in the investment company **M&V Investments a.d., Belgrade, Bulevar Mihaila Pupina 115e**, phone number +381 11 35 30 900

Subscription can be made also trough **Komercijalna banka a.d.** in the following branch offices:

Komercijalna banka AD

1. BEOGRAD

Trg Politika broj 1 (Makedonska 29 – zgrada Politika)
2. KRAGUJEVAC
Save Kovačevića 1
3. KRALJEVO
Trg srpskih ratnika bb
4. JAGODINA
Skver narodne omladine bb
5. NOVI PAZAR
Njegoševa 1
6. NIŠ
Episkopska 32
7. LESKOVAC
Bulevar Oslobođenja 103
8. KRUŠEVAC
Trg fontana 1
9. NOVI SAD
Bulevar oslobođenja 60
10. SOMBOR
Kralja Petra I broj 7
11. SUBOTICA
Korzo 10
12. VRŠAC
Trg svetog Teodora Vršačkog 2
13. ZRENJANIN
Trg slobode 5
14. UŽICE
Petra Ćelovića 4
15. ČAČAK
Gradsko šetalište 10-14
16. ŠABAC
Gospodar Jevremova 2
17. VALJEVO
Gradski trg bb (Hotel „Beli narcis")
18. ZAJEČAR
Nikole Pašića 25

Subscription and payment shall be done through following steps:

- Based on the identification document, the procedure regarding client identification shall be performed,

- Opening of proprietary securities account (The investor can present the account document if they already have the account opened through another member of Central Securities Depository and Clearing House)

- -Fulfilling the Subscription form,

- -Payment of the shares at the special purpose account opened at AIK Banka a.d.

It is considered that an investor or a prospective investor are informed that in the provision of this service the Agent is not required to assess the suitability of the investment instrument or that the service provided or offered are suitable for investor and that therefore the investor does not enjoy the right of protection under the Rules of Business Operation.

On the first working day after the deadline for subscription and payment of shares defined for other investors had expired, the Underwriter is required to subscribe and pay the portion of the unsold shares of the Issuer, up to the amount of 1,500,000 shares.

5.1.4. An indication of when, and under which circumstances, the offer may be revoked or suspended

Based on the Underwriting agreement, the Underwriter is obliged to subscribe and pay for all the shares up to defined threshold for successfulness of the offer, meaning the offer shall not be revoked or suspended in a case there are no interested investors.

The Securities Commission shall exercise supervision over the compliance with all the obligations under the Capital Market Act relating to the public offering of shares or to admission to trading on a regulated market or MTF in the Republic.

If in the course of a public offering of shares or in the procedure for admission of shares to trading, the Commission determines that information in the prospectus is materially false or misleading or fails to state material information necessary to make the information included not misleading, it shall order the issuer with a set time period to correct such information. This may lead to suspending further subscriptions and informing all the persons who subscribed for or purchased shares and enable them if they wish to do so, to rescind the subscription within the time period of at least five days from the day of imposing the supervisory measure referred to in Article 43 of the Capital Market Act and refund their payments for subscribed shares.

Should the Commission establish that the procedures set forth in Article 43 have been implemented within the prescribed deadline, it shall terminate the suspension of the subscription and payment procedure by a decision and inform the public, the issuer and persons who have performed the subscription and payment of shares of such decision.

Should the issuer fail or be unable to implement the corrective procedures within the prescribed deadline, the Commission shall issue a decision annulling the prospectus and the public offer procedure and inform the public, issuer and persons who have performed the subscription and payment of securities of such decision.

5.1.5. A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by participants

In the event that more shares are subscribed and paid than the number of shares defined by the Resolution on share issue, the shares will be proportionally allotted to investors, and excess funds will be returned to the accounts of investors, which they indicated in the Subscription form within 15 days after the expiry of the deadline for subscription and payment. The shares will be divided on a *pro rata* principle.

On the first working day after the deadline for subscription and payment of shares defined for other investors had expired, the Underwriter is required to subscribe and pay the portion of the unsold shares of the Issuer, up to the amount of 1,500,000 shares.

In the event that by the expiry of the deadline for payment the investor does not pay the full amount for the subscribed shares, the shares would be allocated to the investor in accordance with the amount paid. In the event that investor pays more than the amount of subscribed shares, for the allocation the amount stated in the Subscription form will be taken into account.

5.1.6. The details of the minimum and/or maximum amount of subscribed shares per investor, whether in number of securities or aggregate cash amount

The minimum number of shares per investor that could be subscribed is 1 share. There is no maximum number of shares that could be subscribed and paid. Total number of shares offered is 6,500,000

5.1.7. The details about the time period in which investors may withdraw their subscription, provided that investors are allowed to withdraw their subscription

The investors can withdraw the acceptance of the offer during the term for subscription and payment, by the signing of the Withdrawal statement. In this case, the investor bears the bank fees for transferring of the funds and any applicable fees.

If a material new fact, material mistake or inaccuracy has arisen relating to the information included in the prospectus which can affect the assessment of securities and which arises or is noted between the time the prospectus is approved and the final closing of the offer to the public, the Issuer shall promptly draw up an amendment to the prospectus and submit a request to the Securities Commission for its approval.

Such an amendment shall be approved in the same way as the prospectus in a maximum of seven business days and published in accordance with at least the same arrangements as were applied when the original prospectus was published, on the first business day following the day of approval.

Investors who have already agreed to purchase or subscribe for the shares before the amendment is published shall have the right, exercisable within the time period designated in the amendments, but lasting at least two business days after the publication of the supplement, to withdraw their acceptances.

5.1.8. Method and time period for paying the shares

The payment for subscribed shares shall be made to the Company's account number 105000000019041808, opened at AIK Banka a.d. Beograd during the subscription period defined under Section 5.1.3.

A payment will be considered valid only if it is received for the benefit of the special account opened at AIK bank a.d. until 12:00 am on the last day of the deadline for subscription and payment, together with accompanying fees. If the investor makes payment through other banks, except AIK bank, it should independently inform himself, at the bank in which the payment is done, about the time required for these funds to be received on a special payment account at AIK Bank before the expiry of the above deadline.

The Underwriter is required, on the first working day after the deadline for subscription and payment, to subscribe and pay the shares that are not subscribed and paid-in by other investors up to the amount of 1,500,000 shares.

5.1.9. A full description of the manner and date in which results of the offer are to be made public and the time period in which shares will be delivered to the buyer ownership accounts

The Report on the outcome of the public offering of the III emission of ordinary shares, which our issued in accordance with this Prospectus, shall be published within 3 business days as of closure of the offering hereunder, in the same manner in which this Prospectus was made public; that is: in the electronic form at the website of the Company (www.fintelenergija.rs), website of the Agent and Underwriter M&V Investments AD Beograd, Novi Beograd, Bulevar Mihaila Pupina 115e (www.mvi.rs) and at the website of the regulated market of the Republic of Serbia ("Belex") (www.belex.rs).

Within 5 business days as of closure of the offering according to this Prospectus, the Request for opening of the accounts and inscription in the Central securities depository and clearing house ("**Central Registry**") shall be submitted by the Company via M&V Investments AD Beograd, as the member of Central Registry.

The Central Registry shall have 3 working days from the satisfactory receipt of the request to perform the entries and transfers of shares to the accounts of lawful holders in the Central Registry.

Within 3 business days from the date of receipt of notification by the Central Registry that the inscriptions were fully completed, the Company will via M&V Investments AD Beograd, as the member of the Belgrade Stock Exchange, file a request to Belex for admission to trading, segment Prime Listing, of all of the shares () shall be made by.

5.1.10. The procedure for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised

In accordance with the Companies Act (Article 277) the existing shareholders have a pre-emptive right i.e. the right of to subscribe to the shares from a new share issue in proportion to the number of fully paid-in shares of that class that a particular shareholder holds on the date of adoption of the resolution share issue in relation to the total number of shares of that class.

The sole shareholder of the Company, as stated in the Resolution on share issue, will not use its pre-emptive right.

5.2. Plan of distribution and allotment

5.2.1. Categories of prospective investors to which the shares are offered

The shares are offered to prospective investors which can be all natural and legal, resident and non-resident persons.

5.2.2. An indication whether major shareholders or members of the issuer's management or supervisory bodies intended to subscribe in the offer, or whether any person intends to subscribe for more than 5% of the offer

The sole shareholder of the Company does not intend to participate in the subscription of new shares. One of the members of the Board of Directors of the Company intends to participate in the subscription of new shares, but with the participation less than 5% of the total offer of new shares.

The Company has signed Underwriting Agreement with M&V Investments a.d., who is obliged to buy up to 1,500,000 shares, that is to buy all unsubscribed shares up to this number. In the event that the Underwriter needs to buy all the shares, it will hold 5.66% of the total number of shares. In other situations (if the Underwriter buys lesser number of shares compared to the success threshold to which it committed to), the Underwriter's participation could be only lower.

5.2.3. Allotment

a) The division into tranches of the offer, which will be allotted to categories of investors, including: institutional investors, retail investors and issuer's employees, with specifying criteria for allotment per tranches.

The offer is not divided into tranches that would have been reserved for different categories such as institutional investors, retail investors and employees.

b) Methods for allotment per tranches intended for retail investors and for employees, in the event of an over-subscription of these tranches.

The shares shall be allocated on pro-rata basis for all investors.

v) A description of any preferential treatment to be accorded to any groups of investors, including the percentage of the offer reserved for such preferential treatment and the criteria for inclusion in such groups.

There would not be any preferential treatment to any group of investors.

g) Indicate whether the allotment may be determined by the underwriter or the agent

The Agent shall execute allocation of the shares as defined in Section 5.1.5 of this Prospectus.

d) The target minimum individual allotment within a tranche, reserved for retail investors

There is no minimum target to be allotted within a tranche, reserved for retail investors.

e) The conditions for the closing of the subscription period and the date of closing the subscription period

As described under Section 5.1.3.

z) Information about whether or not multiple subscriptions are admitted, and where they are not, how any multiple subscriptions will be handled.

Multiple subscriptions are admitted by the same investor, during subscription period, after which subscribed and fully paid-in shares shall be summed up and subject to allotment procedure.

5.2.4. Process for notification to applicants of the amount allotted and indication whether trading may begin before notification is made.

The Agent shall send to each investor the statement about the number of purchased shares within 3 business days after subscription of shares into Central Registry is fully completed.

The Issuer shall file the request to Belex for the admission of all shares to trading, on Prime listing, within 3 days following the receipt of the information from the Central Registry regarding the completion of the subscription of shares.

5.2.5. Over-allotment and 'green shoe'

a) **The existence and size of any over-allotment facility and/or 'green shoe'.**
There is no over-allotment or green shoe option.

b) The existence period of the over-allotment facility and/or 'green shoe'.
/
c) **Any conditions for the use of the over-allotment facility or exercise of the 'green shoe'.**
/

5.3. Price

5.3.1. An indication of the price at which the shares will be offered. If the price is unknown, or if there is no established and/or liquid market for such shares, indicate the method for determining the offer price, including a statement as to whether the issuer, offeror, agent or any other person has set the criteria

The price at which the shares are offered is RSD 500.00 per share as defined by the Resolution to issue ordinary shares by public offer for the purpose of the share capital increase and admission of shares to trading on the regulated market, dated 19 April 2018. The issue price is determined as with a premium in relation to the accounting value of one share, taking into the account the value the underwriter is willing to pay per one share.

5.3.2. Process for the disclosure of the final price in the offer

The final price in the offer for shares is the one stated in Section 5.3.1.

5.3.3. For shareholders that have pre-emptive purchase rights, indication of the basis for the issue price

The sole shareholder of the Company will not use its pre-emptive rights, as stated in the Resolution on share issuance.

5.3.4. Where there is or could be a material disparity between the public offer price and the effective cash cost to members of the management or supervisory bodies or senior management, or persons affiliated with issuer, of shares acquired by them in transactions during the past year, present a comparison of such prices

The members of the Board of Directors, senior management or affiliated persons do not own the shares of the Company.

5.4. Placing and Underwriting

5.4.1. Information about the persons participating in the public offer as the coordinator(s), advisers, authorized representatives or in a similar capacity to the issuer or to the offeror

The persons participating in the public offering hereunder are as follows:

- M&V Investments a.d. Beograd, Bulevar Mihaila Pupina 115e, as the Agent and the Underwriter;
-AIK Banka a.d. Belgrade, Bulevar Mihaila Pupina 115dj, as the bank that opened the incoming payment account for payment of shares;
- Petrikić and Partneri AOD Beograd in cooperation with CMS Reich-Rohrwig Hainz, Belgrade, Krunska 73, as the legal advisor.

5.4.2. Names and address of any paying agents.

There are no institutions through which the issuer/offeror executes financial obligations towards holders of shares

5.4.3. Name and address of the institutions that conduct the offer/sale procedure with the obligation of purchase (underwriting) or without obligation to buy (placing) of securities.

In case there is a possibility for this institution to purchase securities according to its estimation, describe this possibility. Indicate also the essential terms of the underwriting agreement, including situations in which the underwriter accepts the obligation to subscribe only a part of the offered shares. Indicate also the total amount of compensation received by these institutions for the services provided for the implementation of the procedure to offer/sell securities.

M&V Investments a.d. Beograd, Bulevar Mihaila Pupina 115e, as the Agent and the Underwriter.

The Agent's commission is fixed at EUR 50.000 in RSD counter value, for services of preparing and conducting the public offering, with a percentage commission of up to 2% as a selling fee.

The underwriter is obliged to buy up to 1,500,000 shares, that is to buy all unsold shares up to the specified number.

The commission for the Underwriter is 7% of the value of the share the Underwriter subscribes and pays. The estimate is that the total amount of the commission for the Agent and Underwriter will be around EUR 0.25 million.

5.4.4 The date when the underwriting agreement was concluded

The Underwriting Agreement has been concluded on 2 March 2018 between the Company and M&V Investments a.d. Beograd, while the Annex to the said Agreement was concluded on 5 July 2018.

6. ADMISSION TO TRADING

6.1. An indication as to whether the shares offered are or will be the object of an application for admission to trading, with an indication of the markets in question, with a clear statement that the admission is approved by the market operator i.e. MTF. Indication of the conditions, stipulated by the rules of the market operator where the issuer intends to seek admission to trading and a statement of having met the conditions. If the shares have already been admitted to trading on the regulated market MTF or other equivalent market, the information should be clearly stated.

As indicated above under Section 5.19, within 3 business days from the date of receipt of notification by the Central Registry that the shares' subscription was fully completed, the request for inclusion of all shares on Belex (admission to trading) to Prime Listing shall be made by the Company via M&V Investments AD Beograd as the member of Belex. Accordingly, the shares offered shall be subject to admission to trading within 30 days from the receipt of a proper and complete request (Belex has the right to request an amendment / correction from the issuer within a prescribed period).

Under the Rules of Listing of Belex, in order to include shares on the listing the issuer must fulfil the following conditions:
(1) That it performed business operations for minimum 3 years before filing the said request;
(2) That it has announced or adopted annual financial reports for the previous three business years preceding the submission of Listing Application, according to which in case of applying for a listing on:

1 - Prime Listing –
- the annual financial report for the business year preceding the filing of the request expressed a positive opinion of the auditors and
- it realised a net profit in the financial year preceding the submission of the request for listing;

In addition to the above, the applicant for the listing on the Prime Listing may be the issuer of shares that realized a net loss in the last financial year preceding the filing of the listing request, in which case it sends a request with an explanation to the Administrative Board for the application of the grounds referred to in Article 121, paragraph 4 of the Capital Market Act.
The Board of Directors positively resolves the request and gives a positive opinion on the justification of the inclusion of the given shares in case the following conditions are cumulatively fulfilled:
1. in the consolidated financial statement, which is compiled by the issuer and has a positive opinion of the certified auditor, there is a reported net profit for the year preceding the submission of the request,
2. if it assesses that investors have the information necessary for the assessment of the issuer and the shares for which listing is requested and that this is in the interest of the issuer or investor.

<u>Conditions for Prime Listing</u>

General Conditions

The issuer of securities being admitted to Prime Listing, as well as during the period of listing on the Prime Listing, must meet the following general conditions (hereinafter: General Conditions for Prime Listing):
(1) Minimal amount of the issuer's capital - EUR 3 million;
(2) Report on the audit of the Annual Financial Report prepared in accordance with the law governing accounting and auditing – with expressed positive or reserved opinion,

except at the time of admission to Prime Listing when the expressed opinion on report of authorized auditor must be in accordance with Article 6 of these Rules;
(3) Issuer's webpage – created both in Serbian and English language.

The minimum amount of capital shall mean, alternatively:
1) The amount of the market capitalization of shares trading on regulated market or MTF on the day preceding the submission of Listing Application, or determined examination date, or expected market capitalization of shares after initial public offering
2) Capital, or book value of the capital according to financial statements from the last accounting period preceding submission of Listing Application or determined examination date.

Special conditions for shares

For the admission, as well continuously during the period of listing of shares on the Prime Listing, in addition to general conditions for Prime Listing, following special conditions must be met:

(1) That in the free float there is at least 25% of total number of issued shares, not including the following shares:
- of persons owning individually more than 5% of shares of the total number of shares issued by the issuer, excluding shares owned by investment and pension funds, as well as other shares in custody accounts, fund management companies, insurance companies, investment companies and other investment companies with short-term investment strategies;
- owned by international or supranational institutions or other similar organizations,
- owned by the Republic of Serbia including shares owned by bodies, organizations and institutions established by special laws by the Republic of Serbia (agencies, funds, etc.)

It is considered that the requirement of this subparagraph (free float) is fulfilled, if there is, in free circulation, alternatively:

1) the minimum amount of capital – EUR 1 million, which is owned by at least 250 shareholders,
2) shares owned by at least 500 shareholders;

(2) that the dividends per preference shares have been paid, if issued – in the way prescribed by the decision on their issue;

(3) the minimal level of market liquidity of shares of the issuer - including (optional):

1) the average value of daily turnover - at least RSD 500,000 (measured in the last six months),
2) the average daily number of concluded transaction - at least 5 (five) transactions (measured in the last six months),
3) concluded market maker agreement in accordance with the Rules of the Exchange,
4) more than 1,000 shareholders,
5) shares distributed in public in the free-float with a total value of at least – EUR 2 million.

The Issuer meets the necessary requirements defined in Article 6 of the Belex Rules, which issued a certificate no. 1827/18 dated 19 April 2018 that Belex is ready to include ordinary shares of the Company in the appropriate segment of the regulated market.

6.2. Specify all the regulated markets or equivalent markets on which, to the knowledge of the issuer, shares of the same class are to be offered or admitted to trading or have already been admitted to trading	
	All shares shall be applied for trading on Prime listing of Belex.
6.3. If simultaneously or almost simultaneously with the creation of the shares for which admission to a regulated market or MTF is being sought shares of the same class are subscribed for or placed privately, or if securities of other classes are created for public or private placing, here the details should be provided on the nature of such operations and of the number and characteristics of the securities to which they relate	
	In addition to all shares of the Company that will be applied for the listing on the regulated market, the Company will not simultaneously enter either privately placed shares of the same series, nor shall issue shares of another series of private or public placement.
6.4. Details of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment	
	There are no entities that have a firm commitment to act as intermediaries in secondary trading. M&V Investments intends to act as a market maker, once the shares are included in secondary trading.
6.5. Stabilization:	
	Where an issuer or a selling shareholder has granted an over-allotment option or it is otherwise proposed that price stabilizing activities may be entered into in connection with an offer, the following information shall be submitted: a) The fact that stabilization may be undertaken, that there is no assurance that it will b) be undertaken, as well as that it may be stopped at any time; c) The beginning and the end of the period during which stabilization may occur; d) The name and address of the stabilization manager **e)** The fact that stabilization transactions may result in a market price that is higher than would otherwise prevail. There is no possibility of price stabilization provided.

7. SELLING SHAREHOLDERS

7.1. Names or name and business address of the person offering to sell the shares, the nature of any relationship that the selling persons has had within the past three years with the issuer

Not applicable.

7.2. The type, class and number of shares being publicly offered by each of the selling shareholders

Not applicable.

7.3. Lock-up agreements

The parties involved.
Content and exceptions of the agreement.
Indication of the period of the lock up.

Not applicable.

8. COSTS OF THE ISSUE/OFFER

8.1. Estimate of the total expenses related to the offering

An estimate of the total expenses of the issue/offer

The Company estimates that all expenses in connection with the issue/offer of new shares, including but not limited to, the costs of the issuing Agent, Underwriter, advisory services and related issues, the cost of legal advisor, the costs of external auditors, SEC, Central Registry of Securities, Belex, and other material costs and other similar cost, amounts to around EUR 700,000.

9. DILUTION (a change in percentage of a shareholder resulting from the offer)

9.1. The amount and percentage of immediate dilution resulting from the offering

After the issuance of shares under this Prospectus, it is envisaged that the Principal Shareholder, Fintel Energia Group SPA, would continue to hold between approximately 70-80% of the share capital of the Company. As the Principal Shareholder remains a controlling shareholder of the Company, it will continue to have the ability, through the votes it owns, to influence on the Company's decision-making and operations, including the ability to use its voting rights to prevent adoption of the decisions that it considers to be unfavourable and/or undesirable, and among which may be those which could lead to a reduction in its participation in capital of the Company, to elect and change directors and management and to adopt other material decisions regarding the Company's structure and its operations in accordance with the Companies Act and the Articles of Association. In principle, during assessment of investing into shares an investor should not assume da the majority shareholder would necessarily always take care of interests of all or some of the other Company's shareholders.

9.2. In the case of a subscription offer to existing shareholders, the amount and percentage of immediate dilution if they do not subscribe to the new offer

After issuance of shares under this Prospectus, it is envisaged that the Principal Shareholder, Fintel Energia Group SPA, would continue to hold between approximately 70-80% of the share capital of the Company.

10. ADDITIONAL INFORMATION

10.1. If advisors related to an issuance are mentioned in this Document for the securities, a statement of the capacity in which the advisors have acted should be provided here

- M&V Investments a.d. as the Agent and Underwriter,

- Petrikić and Partneri AOD in cooperation with CMS Reich-Rohrwig Hainz as the legal advisor.

10.2. An indication of other information in this Section of the Prospectus, which has been audited or reviewed by certified auditors and where auditors have produced a report. A copy of such report should be provided, or - with permission of the person who has prepared the report - a summary of the report

There are no other information contained in this Section has been audited or reviewed by authorized auditors and where auditors have produced a report.

10.3. Where a statement or report attributed to a third person, acknowledged as an expert in an area, is included in this Section of the Prospectus, the details to be provided here are such person's name, business address, qualifications and potential share in the capital of the issuer. If the report has been produced at the issuer's request a clear statement to that effect that such opinion or report is included, in the form and context in which it is included, with the consent of that person responsible for the contents of that part of the Prospectus.

There is no statement or report attributed to a third person, acknowledged as an expert included in this Section of the Prospectus.

10.4. Where information has been sourced from a third party, here a confirmation should be provided stating that this information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, identify the source(s) of the information	
	Other sources, apart from the information on the exchange rate of the National Bank of Serbia, were not used in the Prospectus.