

Annual Report of  
Energoprojekt Holding Plc.  
for the year 2019

---

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

## **ANNUAL REPORT FOR 2019**

### C O N T E N T S

1. FINANCIAL STATEMENTS OF ENERGOPROJEKT HOLDING PLC. FOR 2019

(Balance Sheet, Income Statement, Report on Other Income, Cash Flow Statement, Statement of Changes in Equity, Notes to the Financial Statements)

2. INDEPENDENT AUDITOR'S REPORT (complete report)

3. ANNUAL BUSINESS REPORT

(Note: Annual Business Report and Consolidated Annual Business Report are presented as a single report and these contain information of significance for the economic entity)

4. STATEMENT BY PERSONS RESPONSIBLE FOR REPORT PREPARATION

5. DECISION OF COMPETENT COMPANY BODY ON THE ADOPTION OF ANNUAL FINANCIAL STATEMENTS\* (Note)

6. DECISION ON DISTRIBUTION OF PROFIT OR COVERAGE OF LOSSES\* (Note)

1. FINANCIAL STATEMENTS OF ENERGOPROJEKT HOLDING Plc. FOR  
THE YEAR 2019 (Balance Sheet, Income Statement, Report on Other  
Income, Cash Flow Statement, Statement of Changes in Equity, Notes  
to the Financial Statements)

---

**BALANCE SHEET**  
as at 31.12.2019.

RSD thousand

Account class, account	DESCRIPTION	EDP	Note No.	Total		
				Current year	Previous year	
					Closing balance on 31.12.2018.	Opening balance on 01.01.2018.
1	2	3	4	5	6	7
	<b>ASSETS</b>					
00	<b>A. SUBSCRIBED CAPITAL UNPAID</b>	0001		-	-	-
	<b>B. NON-CURRENT ASSETS (0003+0010+0019+0024+0034)</b>	0002		8.946.519	7.021.054	-
01	<b>I. INTANGIBLES (0004+0005+0006+0007+0008+0009)</b>	0003				
010 & part 019	1. Investments in development	0004	-	-	-	-
011, 012 & part 019	2. Concessions, patents, licenses, trademarks and service marks, software and other rights	0005	21.	27.637	4.681	-
013 & part 019	3. Goodwill	0006	-	-	-	-
014 & part 019	4. Other intangible assets	0007	-	-	-	-
015 & part 019	5. Intangible assets in progress	0008	-	-	-	-
016 & part 019	6. Advances paid on intangible assets	0009	-	-	-	-
02	<b>II. PROPERTY, PLANT AND EQUIPMENT (0011+0012+0013+0014+0015+0016+0017+0018)</b>	0010		1.983.168	1.933.237	-
020, 021 & part 029	1. Land	0011	-	-	-	-
022 & part 029	2. Buildings	0012	22.	1.293.711	1.305.656	-
023 & part 029	3. Plant and equipment	0013	22.	28.794	27.119	-
024 & part 029	4. Investment property	0014	22.	615.716	555.515	-
025 & part 029	5. Other property, plant and equipment	0015	22.	283	283	-
026 & part 029	6. Property, plant and equipment in progress	0016	-	-	-	-
027 & part 029	7. Investments in property, plant and equipment, not owned	0017	-	-	-	-
028 & part 029	8. Advances paid on property, plant and equipment	0018	22.	44.664	44.664	-
03	<b>III. NATURAL ASSETS (0020+0021+0022+0023)</b>	0019		-	-	-
030, 031 & part 039	1. Forests and growing crops	0020	-	-	-	-
032 & part 039	2. Livestock	0021	-	-	-	-
037 & part 039	3. Natural assets in progress	0022	-	-	-	-
038 & part 039	4. Advances paid for natural assets	0023	-	-	-	-
04, excl. 047	<b>IV. LONG TERM FINANCIAL INVESTMENTS (0025+0026+0027+0028+0029+0030+0031+0032+0033)</b>	0024		6.935.714	5.083.136	-
040 & part 049	1. Shares in subsidiaries	0025	23.1.	5.616.040	4.837.763	-
041 & part 049	2. Shares in affiliated companies and joint ventures	0026	23.1.	13.550	29.550	-
042 & part 049	3. Shares in other companies and other available for sale securities	0027	23.1.	30.240	43.347	-
part 043, part 044 & part 049	4. Long term investments in parent companies and subsidiaries	0028	23.2.	1.274.891	171.259	-
part 043, part 044 & part 049	5. Long term investments in other affiliated companies	0029	-	-	-	-
part 045 & part 049	6. Long term investments, domestic	0030	-	-	-	-
part 045 & part 049	7. Long term investments, foreign countries	0031	-	-	-	-
046 & part 049	8. Securities held to maturity	0032	-	-	-	-
048 & part 049	9. Other long term financial investments	0033	23.2.	993	1.217	-
05	<b>V. LONG TERM RECEIVABLES (0035+0036+0037+0038+0039+0040+0041)</b>	0034		-	-	-
050 & part 059	1. Receivables from parent company and subsidiaries	0035	-	-	-	-
051 & part 059	2. Receivables from other affiliated companies	0036	-	-	-	-
052 & part 059	3. Receivables from credit sales	0037	-	-	-	-
053 & part 059	4. Receivables from financial leasing contracts	0038	-	-	-	-
054 & part 059	5. Receivables from pledged assets	0039	-	-	-	-
055 & part 059	6. Bad debts and uncollectible claims	0040	-	-	-	-
056 & part 059	7. Other long term receivables	0041	-	-	-	-
288	<b>C. DEFERRED TAX ASSETS</b>	0042	-	-	-	-
	<b>D. OPERATING ASSETS (0044+0051+0059+0060+0061+0062+0068+0069+0070)</b>	0043		2.399.773	3.311.790	-
Class 1	<b>I. INVENTORIES (0045+0046+0047+0048+0049+0050)</b>	0044		63.887	6.425	-
10	1. Material, parts, tools and small inventories	0045	-	-	-	-
11	2. Work and services in progress	0046	-	-	-	-
12	3. Finished products	0047	-	-	-	-
13	4. Goods	0048	-	-	-	-
14	5. Fixed assets for sale	0049	24.	58.379	-	-
15	6. Advances paid for inventories and services	0050	24.	5.508	6.425	-

Account class, account	DESCRIPTION	EDP	Note No.	Total		
				Current year	Previous year	
					Closing balance on 31.12.2018.	Opening balance on 01.01.2018.
1	2	3	4	5	6	7
20	II. RECEIVABLES FROM SALES (0052+0053+0054+0055+0056+0057+0058)	0051		842.716	765.794	-
200 & part 209	1. Local buyers - parent company and subsidiaries	0052	25.	841.170	763.077	-
201 & part 209	2. Foreign buyers - parent company and subsidiaries	0053	-	-	-	-
202 & part 209	3. Local buyers - other affiliated companies	0054	-	-	705	-
203 & part 209	4. Foreign buyers - other affiliated companies	0055	-	-	-	-
204 & part 209	5. Local buyers	0056	25.	1.546	2.012	-
205 & part 209	6. Foreign buyers	0057	-	-	-	-
206 & part 209	7. Other receivables from sales	0058	-	-	-	-
21	III. RECEIVABLES FROM SPECIAL TRANSACTIONS	0059	26.	13.274	7.094	-
22	IV. OTHER RECEIVABLES	0060	27.	85.981	125.071	-
236	V. FINANCIAL ASSETS ASSESSED AT FAIR VALUE THROUGH BALANCE SHEET	0061	-	-	-	-
23 excl. 236 & 237	VI. SHORT TERM FINANCIAL INVESTMENTS(0063+0064+0065+0066+0067)	0062		802.842	1.795.477	-
230 & part 239	1. Short term loans and investments - parent company and subsidiaries	0063	28.	726.257	906.583	-
231 & part 239	2. Short term loans and investments - other affiliated companies	0064	28.	76.521	157.836	-
232 & part 239	3. Short term credits and loans, domestic	0065	-	-	-	-
233 & part 239	4. Short term credits and loans, foreign countries	0066	-	-	-	-
234, 235, 238 & part 239	5. Other short term financial investments	0067	28.	64	731.058	-
24	VII. CASH AND CASH EQUIVALENTS	0068	29.	184.016	200.519	-
27	VIII. VALUE ADDED TAX	0069	-	-	-	-
28 excl. 288	IX. PREPAYMENTS AND ACCRUED INCOME	0070	30.	407.057	411.410	-
	<b>E. TOTAL ASSETS = OPERATING ASSETS (0001+0002+0042+0043)</b>	0071		11.346.292	10.332.844	-
88	<b>F. OFF-BALANCE SHEET ASSETS</b>	0072	40.	21.520.459	22.683.687	-
	<b>LIABILITIES</b>					
	<b>A. CAPITAL (0402+0411-0412+0413+0414+0415-0416+0417+0420-0421) ≥ 0 = (0071-0424-0441-0442)</b>	0401		9.052.010	9.094.008	-
30	I. EQUITY CAPITAL (0403+0404+0405+0406+0407+0408+0409+0410)	0402		7.128.301	7.128.301	-
300	1. Share capital	0403	31.1.	5.574.959	5.574.959	-
301	2. Shares of limited liability companies	0404	-	-	-	-
302	3. Investments	0405	-	-	-	-
303	4. State owned capital	0406	-	-	-	-
304	5. Socially owned capital	0407	-	-	-	-
305	6. Shares of cooperatives	0408	-	-	-	-
306	7. Issuing premium	0409	31.1.	1.526.164	1.526.164	-
309	8. Other share capital	0410	31.1.	27.178	27.178	-
31	II. SUBSCRIBED CAPITAL UNPAID	0411	-	-	-	-
047 & 237	III. TREASURY SHARES REPURCHASED	0412	31.2.	49.827	49.827	-
32	IV. RESERVES	0413	31.3.	214.881	214.881	-
330	V. REVALUATION RESERVES FROM REVALUATION OF INTANGIBLES, PROPERTY, PLANT AND EQUIPMENT	0414	31.4.	784.634	784.634	-
33 excl. 330	VI. UNREALISED GAINS FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT (credit balance under account class 33 excl. 330)	0415	-	-	-	-
33 excl. 330	VII. UNREALISED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT (debit balance under account class 33 excl. 330)	0416	31.5.	17.316	4.208	-
34	VIII. RETAINED EARNINGS (0418+0419)	0417		1.019.599	1.020.227	-
340	1. Retained earnings from previous years	0418	31.6.	1.019.599	256.754	-
341	2. Retained earnings from current year	0419	-	-	763.473	-
	IX. NON-CONTROLLING INTEREST	0420	-	-	-	-
35	X. LOSSES (0422+0423)	0421		28.262	-	-
350	1. Losses from previous years	0422	-	-	-	-
351	2. Losses from current year	0423	31.7.	28.262	-	-
	<b>B. LONG TERM PROVISIONS AND LIABILITIES (0425+0432)</b>	0424		1.235.435	2.812	-
40	I. LONG TERM PROVISIONS (0426+0427+0428+0429+0430+0431)	0425		3.262	2.812	-
400	1. Provisions for warranty costs	0426	-	-	-	-
401	2. Provisions for recovery of natural resources	0427	-	-	-	-
403	3. Provisions for restructuring costs	0428	-	-	-	-
404	4. Provisions for wages and other employee benefits	0429	32.	3.262	2.812	-
405	5. Provisions for legal expenses	0430	-	-	-	-
402 & 409	6. Other long term provisions	0431	-	-	-	-

Account class, account	DESCRIPTION	EDP	Note No.	Total		
				Current year	Previous year	
					Closing balance on 31.12.2018.	Opening balance on 01.01.2018.
1	2	3	4	5	6	7
41	II. LONG TERM LIABILITIES (0433+0434+0435+0436+0437+0438+0439+0440)	0432		1.232.173	-	-
410	1. Liabilities convertible into capital	0433	-	-	-	-
411	2. Liabilities to parent company and subsidiaries	0434	-	-	-	-
412	3. Liabilities to other affiliated companies	0435	33.	1.196.624	-	-
413	4. Liabilities for issued securities for more than one year	0436	-	-	-	-
414	5. Long term credits and loans, domestic	0437	-	-	-	-
415	6. Long term credits and loans, foreign countries	0438	-	-	-	-
416	7. Long term liabilities from financial leasing	0439	-	-	-	-
419	8. Other long term liabilities	0440	33.	35.549	-	-
498	C. DEFERRED TAX LIABILITIES	0441	39.	156.053	154.137	-
42 to 49 (excl. 498)	D. SHORT TERM LIABILITIES (0443+0450+0451+0459+0460+0461+0462)	0442		902.794	1.081.887	-
42	I. SHORT TERM FINANCIAL LIABILITIES (0444+0445+0446+0447+0448+0449)	0443		744.878	898.427	-
420	1. Short term loans from parent company and subsidiaries	0444	-	-	-	-
421	2. Short term loans from other affiliated companies	0445	-	-	-	-
422	3. Short term credits and loans, domestic	0446	34.1.	744.754	898.279	-
423	4. Short term credits and loans, foreign countries	0447	-	-	-	-
427	5. Liabilities from fixed assets and assets from discontinued operations available for sale	0448	-	-	-	-
424,425,426 & 429	6. Other short term financial liabilities	0449	34.2.	124	148	-
430	II. RECEIVED ADVANCES, DEPOSITS AND BONDS	0450	35.	29.626	51.076	-
43 excl. 430	III OPERATING LIABILITIES (0452+0453+0454+0455+0456+0457+0458)	0451		21.611	12.159	-
431	1. Suppliers - parent company and subsidiaries, local	0452	36.	6.509	977	-
432	2. Suppliers - parent company and subsidiaries, foreign countries	0453	-	-	-	-
433	3. Suppliers - other affiliated companies, local	0454	-	-	-	-
434	4. Suppliers - other affiliated companies, foreign countries	0455	-	-	-	-
435	5. Suppliers, local	0456	36.	7.639	5.182	-
436	6. Suppliers, foreign countries	0457	36.	7.007	3.117	-
439	7. Other operating liabilities	0458	36.	456	2.883	-
44, 45 & 46	IV. OTHER SHORT TERM LIABILITIES	0459	37.	75.079	42.105	-
47	V. VALUE ADDED TAX	0460	38.1.	4.528	4.700	-
48	VI. OTHER TAXES, CONTRIBUTIONS AND FEES PAYABLE	0461	38.2.	693	45.839	-
49 excl. 498	VII. ACCRUED EXPENSES AND DEFERRED INCOME	0462	38.3.	26.379	27.581	-
	D. LOSSES EXCEEDING CAPITAL (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402) ≥ 0 = (0441+0424+0442-0071) ≥ 0	0463		-	-	-
	E. TOTAL LIABILITIES (0424+0442+0441+0401-0463) ≥ 0	0464		11.346.292	10.332.844	-
89	F. OFF-BALANCE LIABILITIES	0465	40.	21.520.459	22.683.687	-

Belgrade,

Date: 19.02.2020.



Legal Representative of the Company

*[Handwritten signature]*

**INCOME STATEMENT**  
from 01.01. until 31.12.2019.

RSD thousand

Account class, account	DESCRIPTION	EDP	Note No.	Total	
				Current year	Previous year
1	2	3	4	5	6
	<b>A. INCOME FROM NORMAL ACTIVITIES</b>				
60 to 65, excl. 62 & 63	<b>A. OPERATING INCOME (1002+1009+1016+1017)</b>	1001		<b>271.736</b>	<b>341.959</b>
60	I. INCOME FROM SALE OF MERCHANDISE (1003+1004+1005+1006+1007+1008)	1002		-	-
600	1. Income from sale of goods to parent company and subsidiaries on local market	1003	-	-	-
601	2. Income from sale of goods to parent company and subsidiaries on foreign markets	1004	-	-	-
602	3. Income from sale of goods to other affiliated companies on local market	1005	-	-	-
603	4. Income from sale of goods to other affiliated companies on foreign markets	1006	-	-	-
604	5. Income from sale of goods on local market	1007	-	-	-
605	6. Income from sale of goods on foreign markets	1008	-	-	-
61	II. INCOME FROM SALE OF PRODUCTS AND SERVICES (1010+1011+1012+1013+1014+1015)	1009		248.345	315.956
610	1. Income from sale of finished products and services to parent company and subsidiaries on local market	1010	9.1.	248.266	315.898
611	2. Income from sale of finished products and services to parent company and subsidiaries on foreign markets	1011	-	-	-
612	3. Income from sale of finished products and services to other affiliated companies on local market	1012	-	-	-
613	4. Income from sale of finished products and services to other affiliated companies on foreign markets	1013	-	-	-
614	5. Income from sale of finished products and services on local market	1014	9.1.	79	58
615	6. Income from sale of finished products and services on foreign markets	1015	-	-	-
64	III. INCOME FROM PREMIUMS, SUBSIDIES, GRANTS, DONATIONS, ETC.	1016	-	-	-
65	IV. OTHER OPERATING INCOME	1017	9.2.	23.391	26.003
	<b>EXPENSES FROM NORMAL ACTIVITIES</b>				
55 to 55, 62 & 63	<b>B. OPERATING EXPENSES (1019-1020-1021+1022+1023+1024+1025+1026+1027+1028+1029) ≥ 0</b>	1018		<b>344.617</b>	<b>362.247</b>
50	I. COST PRICE OF GOODS SOLD	1019	-	-	-
62	II. INCOME FROM USE OF OWN PRODUCTS AND MERCHANDISE	1020	-	-	-
630	III. INCREASE IN INVENTORIES OF INTERMEDIATE AND FINISHED GOODS AND SERVICES IN PROGRESS	1021	-	-	-
631	IV. DECREASE IN INVENTORIES OF INTERMEDIATE AND FINISHED GOODS AND SERVICES IN PROGRESS	1022	-	-	-
51 excl. 513	V. MATERIAL COSTS	1023	10.	5.313	5.582
513	VI. FUEL AND ENERGY COSTS	1024	10.	21.134	20.299
52	VII. EMPLOYEE EXPENSES AND BENEFITS	1025	11.	185.346	202.695
53	VIII. PRODUCTION SERVICE COSTS	1026	12.	51.189	56.538
540	IX. DEPRECIATION EXPENSES	1027	13.	20.947	20.817
541 to 549	X. PROVISION EXPENSES	1028	13.	595	216
55	XI. INTANGIBLE EXPENSES	1029	14.	60.093	56.100
	<b>C. OPERATING INCOME (1001-1018) ≥ 0</b>	1030		-	-
	<b>D. OPERATING LOSSES (1018-1001) ≥ 0</b>	1031		72.881	20.288
66	<b>E. FINANCIAL REVENUES (1033+1038+1039)</b>	1032		<b>98.358</b>	<b>628.645</b>
66, excl. 662, 663 & 664	I. FINANCIAL INCOME FROM AFFILIATED COMPANIES AND OTHER FINANCIAL REVENUES (1034+1035+1036+1037)	1033		93.000	615.557
660	1. Financial income from parent company and subsidiaries	1034	15.1.	65.314	605.737
661	2. Financial income from other affiliated companies	1035	15.1.	10.336	9.752
665	3. Share of profits in associated companies and joint ventures	1036	-	-	-
669	4. Other financial revenues	1037	15.1.	17.350	68
662	II. INTEREST INCOME (THIRD PARTY)	1038	15.1.	888	9.165
663 & 664	III. EXCHANGE RATE GAINS AND POSITIVE CURRENCY CLAUSE EFFECTS (THIRD PARTY)	1039	15.1.	4.470	3.923
56	<b>F. FINANCIAL EXPENSES (1041+1046+1047)</b>	1040		<b>87.212</b>	<b>37.209</b>
56, excl. 562, 563 & 564	I. FINANCIAL EXPENSES FROM TRANSACTIONS WITH AFFILIATED COMPANIES AND OTHER FINANCIAL EXPENDITURE (1042+1043+1044+1045)	1041		56.637	5.167
560	1. Financial expenses from transactions with parent company and subsidiaries	1042	15.2.	15.303	4.638
561	2. Financial expenses from transactions with other affiliated companies	1043	15.2.	41.334	529
565	3. Share of losses in affiliated companies and joint ventures	1044	-	-	-
566 & 569	4. Other financial expenditure	1045	-	-	-
562	II. INTEREST EXPENSES (THIRD PARTY)	1046	15.2.	28.036	30.564
563 & 564	III. EXCHANGE RATE LOSSES AND NEGATIVE CURRENCY CLAUSE EFFECTS (THIRD PARTY)	1047	15.2.	2.539	1.478
	<b>G. FINANCIAL GAINS (1032-1040)</b>	1048		<b>11.146</b>	<b>591.436</b>
	<b>H. FINANCIAL LOSSES (1040-1032)</b>	1049		-	-

Account class, account	DESCRIPTION	EDP	Note No.	Total	
				Current year	Previous year
1	2	3	4	5	6
683 & 685	I. INCOME FROM VALUE ADJUSTMENT OF OTHER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT	1050	-	-	-
583 & 585	J. EXPENSES FROM VALUE ADJUSTMENT OF OTHER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT	1051	-	-	-
67 & 68, excl. 683 & 685	K. OTHER INCOME	1052	16.1.	69.771	274.396
57 & 58, excl. 583 & 585	L. OTHER EXPENSES	1053	16.2.	38.140	37.582
	M. INCOME FROM NORMAL OPERATIONS BEFORE TAX (1030-1031+1048-1049+1050-1051+1052-1053)	1054		-	807.962
	N. LOSSES FROM NORMAL OPERATIONS BEFORE TAX (1031-1030+1049-1048+1051-1050+1053-1052)	1055		30.104	-
69-59	O. NET PROFIT FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT OF ERRORS FROM PREVIOUS YEARS	1056	17.	3.758	2.232
59-69	P. NET LOSSES FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT OF ERRORS FROM PREVIOUS YEARS	1057	-	-	-
	Q. PROFIT BEFORE TAX (1054-1055+1056-1057)	1058	-	-	810.194
	R. LOSSES BEFORE TAX (1055-1054+1057-1056)	1059	18.	26.346	-
	S. INCOME TAX		-	-	-
721	I. TAXABLE EXPENSES FOR THE PERIOD	1060	-	-	45.113
part 722	II. DEFERRED TAX EXPENSES FOR THE PERIOD	1061	19.	1.916	1.608
part 722	III. DEFERRED TAX INCOME FOR THE PERIOD	1062	-	-	-
723	T. MANAGEMENT EARNINGS	1063	-	-	-
	U. NET PROFIT (1058-1059-1060-1061+1062-1063)	1064	-	-	763.473
	V. NET LOSSES (1059-1058+1060+1061-1062+1063)	1065	19.	28.262	-
	I. NET PROFIT PAYABLE TO MINORITY SHAREHOLDERS	1066	-	-	-
	II. NET PROFIT PAYABLE TO MAJORITY SHAREHOLDER	1067	-	-	-
	III. NET LOSSES ATTRIBUTABLE TO MINORITY SHAREHOLDERS	1068	-	-	-
	IV. NET LOSSES ATTRIBUTABLE TO MAJORITY SHAREHOLDER	1069	-	-	-
	V. EARNINGS PER SHARE		-	-	-
	1. Basic earnings per share	1070	-	-	-
	2. Reduced (diluted) earnings per share	1071	-	-	-

Belgrade,

Date: 19.02.2020.



Legal Representative of the Company



**STATEMENT OF OTHER RESULTS**  
from 01.01. until 31.12.2019.

RSD thousand

Account class, account	DESCRIPTION	EDP	Amount	
			Current year	Previous year
1	2	3	4	5
	<b>A. NET OPERATING RESULTS</b>			
	I. NET PROFIT (EDP 1064)	2001		763,473
	II. NET LOSSES (EDP 1065)	2002	28,262	
	<b>B. OTHER COMPREHENSIVE RESULTS OR LOSSES</b>			
	<b>a) Items not reclassifiable in the balance sheet in future periods</b>			
330	1. Change of revaluation of intangibles, property, plant and equipment			
	a) increase in revaluation reserves	2003		2,983
	b) decrease in revaluation reserves	2004		
331	2. Actuarial gains or losses from defined income plans			
	a) gains	2005		
	b) losses	2006		
332	3. Gains and losses from equity instrument investments			
	a) gains	2007		
	b) losses	2008		
333	4. Gains and losses from share of other comprehensive profits and losses of affiliates			
	a) gains	2009		
	b) losses	2010		
	<b>b) Items that may be reclassified in the balance sheet in future periods</b>			
334	1. Gains and losses from translation of financial statements for foreign operations			
	a) gains	2011		
	b) losses	2012		
335	2. Gains and losses from hedging of net investments in foreign operations			
	a) gains	2013		
	b) losses	2014		
336	3. Gains and losses from cash flow hedging			
	a) gains	2015		
	b) losses	2016		
337	4. Gains and losses from available for sale securities			
	a) gains	2017	1,088	14,673
	b) losses	2018	14,196	
	I. OTHER COMPREHENSIVE GROSS PROFIT (2003+2005+2007+2009+2011+2013+2015+2017) - (2004+2006+2008+2010+2012+2014+2016+2018) ≥ 0	2019		17,656
	II. OTHER COMPREHENSIVE GROSS LOSSES (2004+2006+2008+2010+2012+2014+2016+2018) - (2003+2005+2007+2009+2011+2013+2015+2017) ≥ 0	2020	13,108	
	III. TAX ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2021		447
	IV. NET OTHER COMPREHENSIVE PROFIT (2019-2020-2021) ≥ 0	2022		17,209
	V. NET OTHER COMPREHENSIVE LOSSES (2020-2019+2021) ≥ 0	2023	13,108	
	<b>C. TOTAL COMPREHENSIVE NET RESULTS FOR THE PERIOD</b>			
	I. TOTAL COMPREHENSIVE NET PROFIT (2001-2002+2022-2023) ≥ 0	2024		780,682
	II. TOTAL COMPREHENSIVE NET LOSSES (2002-2001+2023-2022) ≥ 0	2025	41,370	
	<b>D. TOTAL COMPREHENSIVE NET PROFIT OR LOSSES (2027+2028) = AOP 2024 ≥ 0 or AOP 2025 &gt; 0</b>	2026		
	1. Payable to majority shareholders	2027		
	2. Payable to non-controlling shareholders	2028		

Belgrade,

Date: 19.02.2020.

Legal Representative of the Company




**CASH FLOW STATEMENT**  
from 01.01. until 31.12.2019.

RSD thousand

Description	EDP	Total	
		Current year	Previous year
1	2	3	4
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>I. Cash inflow from operating activities ( 1 to 3)</b>	3001	<b>300,837</b>	<b>476,806</b>
1. Sales and prepayments	3002	282,370	437,448
2. Interests from operating activities	3003	-	-
3. Other inflow from normal operations	3004	18,467	39,358
<b>II. Cash outflow from operating activities ( 1 to 5)</b>	3005	<b>511,928</b>	<b>529,925</b>
1. Payments to suppliers and prepayments	3006	182,063	201,873
2. Employee expenses and benefits	3007	183,464	198,221
3. Interests paid	3008	57,586	31,340
4. Income tax	3009	29,569	5,708
5. Payments based on other public revenues	3010	59,246	92,783
<b>III. Net cash inflow from operating activities (I-II)</b>	3011	-	-
<b>IV. Net cash outflow from operating activities (II-I)</b>	3012	<b>211,091</b>	<b>53,119</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>I. Cash inflow from investing activities (1 to 5 )</b>	3013	<b>1,123,095</b>	<b>1,449,820</b>
1. Sale of shares and stocks (net inflow)	3014	-	864,218
2. Sale of intangible investments, property, plant, equipment and natural assets	3015	31,001	5,575
3. Other financial investments (net inflow)	3016	1,053,462	-
4. Interest received from investment activities	3017	38,543	16,508
5. Dividends received	3018	89	563,519
<b>II. Cash outflow from investing activities (1 to 3)</b>	3019	<b>745,790</b>	<b>865,126</b>
1. Purchase of shares and stocks (net outflow)	3020	714,596	-
2. Purchase of intangible investments, property, plant, equipment and natural assets	3021	31,194	29,117
3. Other financial investments (net outflow)	3022	-	836,009
<b>III. Net cash inflow from investing activities (I-II)</b>	3023	<b>377,305</b>	<b>584,694</b>
<b>IV. Net cash outflow from investing activities (II-I)</b>	3024	-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>I. Cash inflow from financing activities ( 1 to 5)</b>	3025	-	-
1. Equity increase	3026	-	-
2. Long term loans (net inflow)	3027	-	-
3. Short term loans (net inflow)	3028	-	-
4. Other long term liabilities	3029	-	-
5. Other short term liabilities	3030	-	-
<b>II. Cash outflow from financing activities (1 to 6 )</b>	3031	<b>182,271</b>	<b>584,147</b>
1. Repurchase of own shares and stocks	3032	-	-
2. Long term loans (net outflow)	3033	-	-
3. Short term loans (net outflow)	3034	149,137	350,635
4. Other liabilities	3035	32,370	16,570
5. Financial leasing	3036	-	-
6. Dividends paid	3037	764	216,942
<b>III. Net cash inflow from financing activities ( I -II)</b>	3038	-	-
<b>D. Net cash outflow from financing activities (II-I)</b>	3039	<b>182,271</b>	<b>584,147</b>
<b>E. TOTAL CASH INFLOW (3001+3013+3025)</b>	3040	<b>1,423,932</b>	<b>1,926,626</b>
<b>F. TOTAL CASH OUTFLOW (3005+3019+3031)</b>	3041	<b>1,439,989</b>	<b>1,979,198</b>
<b>G. NET CASH INFLOW ( 3040-3041 )</b>	3042	-	-
<b>H. NET CASH OUTFLOW (3041-3040)</b>	3043	<b>16,057</b>	<b>52,572</b>
<b>I. CASH BALANCE AT BEGINNING OF REPORTING PERIOD</b>	3044	200,519	251,917
<b>J. EXCHANGE RATE GAINS FROM CASH TRANSLATION</b>	3045	-	1,174
<b>K. EXCHANGE RATE LOSSES FROM CASH TRANSLATION</b>	3046	446	-
<b>L. CASH BALANCE AT END OF REPORTING PERIOD ( 3042-3043+3044+3045-3046)</b>	3047	<b>184,016</b>	<b>200,519</b>

Belgrade,

Date: 19.02.2020.

Legal Representative of the Company



**STATEMENT OF CHANGES IN EQUITY**  
as at 31.12.2019.

No.	DESCRIPTION	Equity component															
		EDP	30 Equity capital	EDP	31 Subscribed capital unpaid	EDP	32 Provisions	EDP	35 Losses	EDP	047 & 237 Treasury shares repurchased	EDP	34 Retained earnings	EDP	330 Revaluation reserves	EDP	331 Actuarial gains or losses
1	2		3		4		5		6		7		8		9		10
1	<b>Opening balance on 01.01.2018.</b>																
	a) debit balance	4001	-	4019	-	4037	-	4055	-	4073	49,827	4091	-	4109	-	4127	-
	b) credit balance	4002	7,128,301	4020	-	4038	214,881	4056	-	4074	-	4092	473,425	4110	782,098	4128	-
2	<b>Adjustment for materially significant errors and changes in accounting policies</b>																
	a) adjustment of debit balance	4003	-	4021	-	4039	-	4057	-	4075	-	4093	-	4111	-	4129	-
	b) adjustment of credit balance	4004	-	4022	-	4040	-	4058	-	4076	-	4094	-	4112	-	4130	-
3	<b>Adjustment of opening balance on 01.01.2018.</b>																
	a) adjustment of debit balance (1a+2a-2b) ≥ 0	4005	-	4023	-	4041	-	4059	-	4077	49,827	4095	-	4113	-	4131	-
	b) adjustment of credit balance (1b-2a+2b) ≥ 0	4006	7,128,301	4024	-	4042	214,881	4060	-	4078	-	4096	473,425	4114	782,098	4132	-
4	<b>Changes in previous 2018. year</b>																
	a) debit balance activity	4007	-	4025	-	4043	-	4061	-	4079	-	4097	216,671	4115	447	4133	-
	b) credit balance activity	4008	-	4026	-	4044	-	4062	-	4080	-	4098	763,473	4116	2,983	4134	-
5	<b>Closing balance previous year at 31.12.2018.</b>																
	a) debit balance (3a+4a-4b) ≥ 0	4009	-	4027	-	4045	-	4063	-	4081	49,827	4099	-	4117	-	4135	-
	b) credit balance (3b-4a+4b) ≥ 0	4010	7,128,301	4028	-	4046	214,881	4064	-	4082	-	4100	1,020,227	4118	784,634	4136	-
6	<b>Adjustment for materially significant errors and changes in accounting policies</b>																
	a) adjustment of debit balance	4011	-	4029	-	4047	-	4065	-	4083	-	4101	-	4119	-	4137	-
	b) adjustment of credit balance	4012	-	4030	-	4048	-	4066	-	4084	-	4102	-	4120	-	4138	-
7	<b>Adjustment of opening balance current year at 01.01.2019.</b>																
	a) adjustment of debit balance (5a+6a-6b) ≥ 0	4013	-	4031	-	4049	-	4067	-	4085	49,827	4103	-	4121	-	4139	-
	b) adjustment of credit balance (5b-6a+6b) ≥ 0	4014	7,128,301	4032	-	4050	214,881	4068	-	4086	-	4104	1,020,227	4122	784,634	4140	-
8	<b>Changes in current 2019. year</b>																
	a) debit balance activity	4015	-	4033	-	4051	-	4069	28,262	4087	-	4105	628	4123	-	4141	-
	b) credit balance activity	4016	-	4034	-	4052	-	4070	-	4088	-	4106	-	4124	-	4142	-
9	<b>Closing balance at 30.09.2019.</b>																
	a) debit balance (7a+8a-8b) ≥ 0	4017	-	4035	-	4053	-	4071	28,262	4089	49,827	4107	-	4125	-	4143	-
	b) credit balance (7b-8a+8b) ≥ 0	4018	7,128,301	4036	-	4054	214,881	4072	-	4090	-	4108	1,019,599	4126	784,634	4144	-

Belgrade,

Date: 19.02.2020.

Name ENERGOPROJEKT HOLDING PLC

RSD thousand

No.	DESCRIPTION	Other results component									EDP	Total capital [ $\Sigma$ (row 1b col.3 to col.15) - $\Sigma$ (row 1a col.3 to col.15)] $\geq 0$	EDP	Losses exceeding capital [ $\Sigma$ (row 1a col.3 to col.15) - $\Sigma$ (row 1b col.3 to col.15)] $\geq 0$	
		EDP	332 Gains and losses from equity instrument investments	EDP	333 Gains and losses from share of other profits and losses of affiliates	EDP	334 & 335 Gains and losses from foreign operations and translation of financial statements	EDP	336 Gains and losses from cash flow hedging	EDP					337 Gains and losses from available for sale securities
1	2		11		12		13		14		15		16		17
1	<b>Opening balance on 01.01.2018.</b> a) debit balance b) credit balance	4145 4146	- -	4163 4164	- -	4181 4182	- -	4199 4200	- -	4217 4218	18,881 -	4235	8,529,997	4244	-
2	<b>Adjustment for materially significant errors and changes in accounting policies</b> a) adjustment of debit balance b) adjustment of credit balance	4147 4148	- -	4165 4166	- -	4183 4184	- -	4201 4202	- -	4219 4220	- -	4236		4245	-
3	<b>Adjustment of opening balance on 01.01.2018.</b> a) adjustment of debit balance (1a+2a-2b) $\geq 0$ b) adjustment of credit balance (1b-2a+2b) $\geq 0$	4149 4150	- -	4167 4168	- -	4185 4186	- -	4203 4204	- -	4221 4222	18,881 -	4237	8,529,997	4246	-
4	<b>Changes in previous 2018. year</b> a) debit balance activity b) credit balance activity	4151 4152	- -	4169 4170	- -	4187 4188	- -	4205 4206	- -	4223 4224	- 14,673	4238		4247	
5	<b>Closing balance previous year at 31.12.2018.</b> a) debit balance (3a+4a-4b) $\geq 0$ b) credit balance (3b-4a+4b) $\geq 0$	4153 4154	- -	4171 4172	- -	4189 4190	- -	4207 4208	- -	4225 4226	4,208 -	4239	9,094,008	4248	-
6	<b>Adjustment for materially significant errors and changes in accounting policies</b> a) adjustment of debit balance b) adjustment of credit balance	4155 4156	- -	4173 4174	- -	4191 4192	- -	4209 4210	- -	4227 4228	- -	4240		4249	-
7	<b>Adjustment of opening balance current year at 01.01.2019.</b> a) adjustment of debit balance (5a+6a-6b) $\geq 0$ b) adjustment of credit balance (5b-6a+6b) $\geq 0$	4157 4158	- -	4175 4176	- -	4193 4194	- -	4211 4212	- -	4229 4230	4,208 -	4241	9,094,008	4250	-
8	<b>Changes in current 2019. year</b> a) debit balance activity b) credit balance activity	4159 4160	- -	4177 4178	- -	4195 4196	- -	4213 4214	- -	4231 4232	14,196 1,088	4242		4251	41,998
9	<b>Closing balance at 30.09.2019.</b> a) debit balance (7a+8a-8b) $\geq 0$ b) credit balance (7b-8a+8b) $\geq 0$	4161 4162	- -	4179 4180	- -	4197 4198	- -	4215 4216	- -	4233 4234	17,316 -	4243	9,052,010	4252	-

Belgrade,

Date: 19.02.2020.

Legal Representative of the Company



**NOTES TO THE  
FINANCIAL STATEMENTS  
FOR THE YEAR 2019**

Belgrade, 2020

## CONTENTS

1.	COMPANY BACKGROUND .....	1
2.	MANAGEMENT STRUCTURE .....	4
3.	OWNERSHIP STRUCTURE .....	4
4.	BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS .....	4
5.	ACCOUNTING PRINCIPLES .....	9
6.	PRIOR PERIOD ERRORS, MATERIAL ERRORS AND CORRECTION OF OPENING BALANCE .....	10
7.	OVERVIEW OF PRINCIPAL ACCOUNTING POLICIES .....	11
7.1	Valuation .....	11
7.2	Effects of Foreign Exchange Rates .....	12
7.3	Revenues .....	12
7.4	Expenses .....	13
7.5	Interest and Other Borrowing Costs .....	14
7.6	Income Tax .....	14
7.7	Intangible Assets .....	16
7.8	Property, Plant and Equipment .....	17
7.9	Lease .....	18
7.10	Amortisation of Intangible Assets, Property, Plant and Equipment .....	19
7.11	Impairment of Intangible Assets, Property, Plant and Equipment .....	20
7.12	Investment Property .....	21
7.13	Inventories .....	22
7.14	Non-Current Assets Held for Sale .....	23
7.15	Financial Instruments .....	23
7.16	Cash and Cash Equivalents .....	25
7.17	Short-Term Receivables .....	26
7.18	Financial Investments .....	27
7.19	Liabilities .....	27
7.20	Provisions, Contingent Liabilities and Contingent Assets .....	28
7.21	Employee Benefit .....	30
7.22	Information on Business Segments .....	30
8.	FINANCIAL RISKS .....	31
8.1	Credit Risk .....	32
8.2.	Market Risk .....	34
8.3	Liquidity Risk .....	40
8.4	Capital Risk Management .....	41
	INCOME STATEMENT .....	43
9.	OPERATING INCOME .....	43
9.1	Income from Sale of Products and Services .....	43
9.2	Other Operating Income .....	44
10.	MATERIAL COSTS AND FUEL AND ENERGY COSTS .....	45
11.	EMPLOYEE EXPENSES AND BENEFITS .....	45
12.	PRODUCTION SERVICE COSTS .....	46
13.	DEPRECIATION EXPENSES AND PROVISION EXPENSES .....	47
14.	INTANGIBLE EXPENSES .....	47
15.	FINANCIAL INCOME AND FINANCIAL EXPENSE .....	48
15.1	Financial Income .....	48
15.2	Financial Expense .....	49
16.	OTHER INCOME AND OTHER EXPENSES .....	50
16.1	Other Income .....	50
16.2	Other Expenses .....	51
17.	NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGE IN ACCOUNTING POLICIES AND ADJUSTMENTS OF ERRORS FROM PREVIOUS YEARS .....	51
18.	PROFIT / LOSS BEFORE TAX .....	52
19.	NET PROFIT / (LOSS) .....	53
20.	EARNINGS / (LOSS) PER SHARE .....	53
	BALANCE SHEET .....	54
21.	INTANGIBLES ASSETS .....	54

22.	PROPERTY, PLANT AND EQUIPMENT .....	55
23.	LONG-TERM FINANCIAL INVESTMENTS .....	58
23.1	Share Investments .....	59
23.2	Long-Term Financial Investments .....	62
24.	INVENTORIES .....	63
25.	RECEIVABLES FROM SALES .....	65
26.	RECEIVABLES FROM SPECIAL TRANSACTIONS .....	67
27.	OTHER RECEIVABLES .....	68
28.	SHORT-TERM FINANCIAL INVESTMENTS .....	69
29.	CASH AND CASH EQUIVALENTS .....	72
30.	PREPAYMENTS AND DEFERRED EXPENSES .....	73
31.	CAPITAL .....	74
31.1	Equity Capital .....	75
31.2	Purchased own shares .....	77
31.3	Reserves .....	77
31.4	Revaluation Reserves from Revaluation of Intangibles, Property, Plant and Equipment .....	77
31.5	Unrealized Losses from Securities and Other Components of Other Comprehensive Result (debit balance under account class 33, excl. 330) .....	78
31.6	Retained Earnings .....	78
31.7	Loss .....	79
32.	LONG-TERM PROVISIONS .....	79
33.	LONG-TERM LIABILITIES .....	82
34.	SHORT-TERM FINANCIAL LIABILITIES .....	83
34.1	Short-Term Credits and Loans Domestic .....	83
34.2	Other Short-Term Financial Liabilities .....	84
35.	RECEIVED ADVANCES, DEPOSED MONEY AND CAUTIONS .....	84
36.	OPERATING LIABILITIES .....	85
37.	OTHER SHORT-TERM LIABILITIES .....	86
38.	LIABILITIES FOR VALUE ADDED TAX, LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND FEES PAYABLE AND ACCRUED EXPENSES AND DEFERRED INCOME .....	87
38.1	Liabilities for Value Added Tax .....	87
38.2	Liabilities for Other Taxes, Contributions and Fees Payable .....	87
38.3	Accrued Expenses and Deferred Income .....	88
39.	DEFERRED TAX ASSETS AND LIABILITIES .....	88
40.	OFF-BALANCE SHEET ASSETS AND LIABILITIES .....	91
41.	MORTGAGES REGISTERED IN FAVOUR AND/OR AGAINST THE COMPANY .....	92
42.	RECONCILIATION OF CLAIMS AND LIABILITIES .....	93
43.	TRANSACTIONS WITH RELATED PARTIES .....	93
44.	COMMITMENTS AND CONTINGENCIES .....	96
45.	EVENTS AFTER THE REPORTING PERIOD .....	106

## **1. COMPANY BACKGROUND**

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

The Company harmonized its operations with the Companies Law (RS Official Gazette No. 36/2011, 99/2011, 83/2014 - other law and 5/2015, 44/2018 and 95/2018) by passing the Decision on Harmonization of Company's Articles of Association with the Companies Law adopted on the General Assembly meeting on 16 March 2012 and by passing the Articles of Association on the General Assembly meeting on 12 January 2012. The decisions, and in this regard data changes entered into the register, have been duly registered.

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

### **General Company Data**

<i>Head Office</i>	Beograd, Bulevar Mihaila Pupina 12
<i>Registration Number</i>	07023014
<i>Registered business code and name of the business activity</i>	6420 – holding company
<i>Tax Identification Number</i>	100001513

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

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

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

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



Since 2010, the Energoprojekt Promet Ltd. has been dormant company without any business activities and any assets at its disposal. According to the accounting regulations for the last two consecutive years preceding the year in which the financial statements are submitted, the Serbian Business Registers Agency (SBRA) initiated a compulsory liquidation procedure for all companies that did not submit financial statements, from 2019. Energoprojekt Promet Ltd. does not submit financial statements to the SBRA starting with those for the year 2017.

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

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

On 30 July 2019, The Company sold its entire equity shares with the subsidiary Encom GmbH Consulting, Engineering & Trading, Germany (100.00%) (Notes 16.2 and 23.1).

**The joint company (joint venture) in the country is:**

- Enjub Ltd.

In 2019, affiliated company CEF Fima Southern Europe Activist Plc. Belgrade - in liquidation was liquidated and deleted from the Register of Business Entities and the Central Securities Register (Note 23.1).

The following table contains data on the ownership share in subsidiaries as of 31 December 2019.

<i>Equity shares in subsidiaries</i>	
<i>Subsidiary:</i>	<i>% ownership</i>
<i>In the country:</i>	
Energoprojekt Visokogradnja Plc.	100.00
Energoprojekt Niskogradnja Plc.	100.00
Energoprojekt Oprema Plc.	67.87
Energoprojekt Hidroinženjering Plc.	100.00
Energoprojekt Urbanizam and arhitektura Plc.	100.00
Energoprojekt Energodata Plc.	100.00
Energoprojekt Industrija Plc.	62.77
Energoprojekt Entel Plc.	99.95
Energoprojekt Promet Ltd.	100.00
Energoprojekt Sunnyville Ltd.	100.00
Energoprojekt Park 11 Ltd.	100.00

*Energoprojekt Holding Plc.*

<i>Equity shares in subsidiaries</i>	
<i>Subsidiary:</i>	<i>% ownership</i>
<i>Abroad:</i>	
Zambia Engineering and Contracting Company Limited, Zambia	100.00
Energoprojekt Holding Guinee S.A, Guinea	100.00
I.N.E.C. Engineering Company Limited, Great Britain	100.00
Dom 12 S.A.L, Liban	100.00
Energo (private) Limited, Zimbabwe	100.00
Energo Kaz d.o.o., Kazakhstan	100.00

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

<i>Equity share in other affiliated legal entities in the country</i>	
<i>Name of the joint company</i>	<i>% ownership</i>
Enjub Ltd.	50.00

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

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

**The average number of employees** with the Company in the reporting period, based on the actual number of employees at the end of each month, is 75 (as at 31 December 2018: 75).

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

The financial statements that are subject of these Notes are the **financial statements of the Company for the period from 1 January till 31 December 2019** that were approved by the Supervisory Board of the Company on the 26 February 2020, at the 81<sup>st</sup> meeting, with what they are corrected and thus set by the Supervisory Board of the Company on 30 April 2020, at the 87<sup>th</sup> meeting, and that are subject to an audit by an external auditor.

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

Comparative information are the audited financial statements of the Company for the year 2018.

The Company's management assesses that the Company continues to operate for an indefinite period of time and does not expect significant changes in the business, and thus the Company's financial statements for 2019 are prepared in accordance with a going concern principle.

## **2. MANAGEMENT STRUCTURE**

**Key management of the Company** for the period as of 30 June included the following persons:

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

**Key management of the Company** for the period from 01 July included the following persons:

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

## **3. OWNERSHIP STRUCTURE**

According to records of the Central Securities Depository, the registered ownership structure of the Company as at 31 December 2019 is presented in the Note 31.1.

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

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

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

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

The Company financial statements were presented in the form and with the content specified by the provisions of the Rules on the Contents and Form of Financial Statements' Forms submitted by Companies, Cooperatives and Entrepreneurs (RS Official Gazette, No. 95/2014 and 144/2014).

These Rules, among other things, laid down the form and content of individual positions in the Balance Sheet, Income Statement, Other Comprehensive Income Report, Cash Flow Statement, Statement of Changes in Equity and Notes to Financial Statements. Pursuant to the above mentioned Rules, amounts in RSD thousands are to be presented in these forms.

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

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

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

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

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

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

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

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

- Pursuant to the Law on Accounting (RS Official Gazette, No. 62/2013 and 30/2018) , the financial statements in the Republic of Serbia are to be presented in the format stipulated by the Rules on the Contents and Form of the Financial Statements Forms for Companies, Cooperatives and Entrepreneurs (RS Official Gazette, No. 95/2014 and 144/2014), which deviates from the presentation and names of certain general purpose financial statements, as well as from the presentation of certain balance positions stipulated by the Revised IAS 1 - "Presentation of Financial Statements"; and
- Off-balance assets and off-balance liabilities were presented in the Balance Sheet form. According to the IFRS definition, these items are neither assets, nor liabilities.

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

*Published standards and interpretations in force in the previous and current period that have not yet been officially translated or adopted*

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

- Amendments to IAS 32 "Financial Instruments: Presentation" - Offsetting Financial Assets and Financial Liabilities (effective for the annual periods beginning on or after 1 January, 2014);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" - Exemption of subsidiaries from consolidation under IFRS 10 (effective for the annual periods beginning on or after 1 January, 2014);
- Amendments to IAS 36 "Impairment of Assets" - Recoverable Amount Disclosures for Non-Financial Assets (effective for the annual periods beginning on or after 1 January, 2014);
- Amendments to IAS 19, Employee Benefits - Defined benefit plans (effective for annual periods beginning on or after 1 July, 2014);
- Annual improvements for the period from 2010 to 2012, which are the result of the Annual Qualitative Improvement Project IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) in order to eliminate inconsistencies and clarify formulations ( effective for annual periods beginning on or after 1 July 2014),
- Amendments to various standards (IFRS 1, IFRS 3, IFRS 13 and IAS 40) and interpretations to standards are part of the IASB's annual improvements project "Cycle 2011-2013" published by

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

- Amendments to IFRS 11 "Joint Arrangements" - Accounting for acquisition of participation in joint businesses (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Interpretation of the accepted methods of depreciation (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Industrial plants (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 27 "Separate Financial Statements" - Equity method in separate financial statements (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - The sale or transfer of assets between the investor and its associates or joint ventures (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of interests in other entities" and IAS 28 "Investments in Associates and Joint Ventures" - investing companies: exception of application for consolidation (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 1 "Presentation of Financial Statements" - Initiative for disclosure (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to various standards "Improvements IFRS" (for period from 2012 to 2014), which are the result of Project annual improvement IFRS (IFRS 5, IFRS 7, IAS 19, IAS 34) primarily through the elimination of inconsistencies and explanations of the text (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 7 "Cash Flow Statement" - request for disclosures that allow users to assess changes in liabilities arising from financing activities (effective from 1 January, 2017);
- Clarifications related to IAS 12 "Income Tax" aimed in reduction of diversity in practice when it is about deferred tax assets arise from unrealized losses (effective from 1 January, 2017);
- Amendments to IFRS 12 "Disclosures of Interests in Other Entities" (effective from 1 January, 2017);
- IFRS 16 "Lease" - published in January 2016, the application is for business periods beginning on or after 1 January, 2019. The standards will replace current IAS 17;
- IFRS 3 "Business Combinations" - a supplement relating to clarifications when one party acquires control in a previous joint venture. The change shall enter into force for business combinations whose date of purchase is on or after the first annual reporting period beginning on or after 1 January 2019. It may be contrary to amendments to IFRS 11;
- IFRIC 23 - interpretation relating to IAS 12. Interpretation shall enter into force on or after 1 January 2019, but an earlier application is permitted;
- Interpretations to IFRS 11 related to transactions in which entity obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. This may be contrary to IFRS 3;
- Amendments to various standards and interpretations IFRS (IFRS 1 and IAS 28) which are part of the IFRS annual improvements project 2014-2016 cycle, primarily through the elimination of inconsistencies and explanations of the text (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 2 "Share-based Payments" - clarifications on how to record certain types of share-based transactions (effective for annual periods beginning on or after 1 January 2018);

- Amendments to IFRS 4 “Insurance Contracts” - amendments related to Implementation of IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IAS 40 “Investment Property” - clarification of the principle of classification of investment property (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 9 „Financial Instruments“ - defining the conditions for measuring financial assets at amortized cost or at fair value through other comprehensive results (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” – clarification about recording of long-term investments in associates and joint ventures (effective for annual periods beginning on or after 1 January 2019);
- Amendments to various standards and interpretations IFRS (IFRS 3, IFRS 11, IAS 12, IAS 23) which are part of the IFRS annual improvements project 2015-2017 cycle, primarily through the elimination of inconsistencies and explanations of the text (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 19 Employee Benefits - defining how to calculate defined benefit plans when changes, limits, or settlements occur during the reporting period (effective for annual periods beginning on or after 1 January 2019).

*Published standards and interpretations that have not yet come into force*

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

- IFRS 9 “Financial Instruments” and subsequent amendments, which replaces the requirements of IAS 39 “Financial Instruments: Recognition and Measurement”, relating to the classification and measurement of financial assets. Standard eliminates the existing categories of IAS 39 – Assets held to maturity, available for sale and loans and receivables. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. In accordance with IFRS 9, financial assets will be classified into one of two categories listed at initial recognition: financial assets measured at amortized cost or financial assets measured at fair value. A financial asset will be recognized at amortized cost if the following two criteria are met: assets related to the business model, which aims to apply the agreed cash flows and contractual terms provide a basis for payment on certain dates the cash flows that are solely the collection of principal and interest on the principal outstanding. All other assets will be valued at fair value. Gains and losses on valuation of financial assets at fair value will be recognized in the income statement, except for investments in equity instruments with non trading, where IFRS 9 permits, at initial recognition, the selection of unchangeable later that all changes in fair value recognized in within other gains and losses in the statement of comprehensive income. The amount thus be recognized within the statement of comprehensive income will not be able later to be recognized in the income statement;
- IFRS 15 “Revenue from contracts with customers”, which defines the framework for the recognition of revenue. IFRS 15 supersedes IAS 18 “Revenue”, IAS 11 “Construction contracts”, IFRIC 13 “Customer loyalty programmes”, IFRIC 15 “Agreements for the construction of real estate”, IFRIC 18 “Transfers of assets from customers” and SIC-31 - Revenue – barter transactions involving advertising services”. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted;
- Amendments to IFRS 4 relate to IFRS 9, applied before applying IFRS 17 that will replace IFRS 4;

- Amendments to IFRS 7 relate to IFRS 9;
- IFRS 17 replaces IFRS 4 - application to Financial Statements beginning 1 January 2021. Early application is conditioned by adoption of IFRS 9 and IFRS 15;
- Amendments to IFRS 3 “Business Combinations” - clarifying the definition of business (effective for annual periods beginning on or after 1 January 2020);
- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - mainly elimination of inconsistencies and clarification of formulations (effective for annual periods beginning on or after 1 January 2020);
- Revised Conceptual Framework for Financial Reporting determines the objective of financial reporting, general purposes, qualitative characteristics of useful financial information, description of reporting entity and limitations, definitions of assets, liabilities, equity, income and expenses and additional guidelines, criteria for recognition of assets and liabilities in the financial statements and guidelines for derecognition, presentation and disclosure concepts and guidelines, equity maintenance concept (effective for annual periods beginning after 1 January 2020).

## 5. ACCOUNTING PRINCIPLES

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

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

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

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

The **Prudence Principle** means applying a certain level of caution when preparing financial statements of the Company, so that the property and revenues are not overstated and obligations and expenses are not understated. The Prudence Principle, however, should not imply conscious, unrealistic decrease in revenues and capital of the Company or conscious, unrealistic increase of expenses and liabilities of the Company.

Namely, The Framework for Preparation and Presentation of Financial Statements clearly states that the Prudence Principle should not result in the forming of substantial hidden reserves, deliberate reduction of property of revenues, or deliberate exaggeration of liabilities or expenses causing the financial statements to become impartial and therefore unreliable.



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

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

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

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

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

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

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

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

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

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

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

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

## **7. OVERVIEW OF PRINCIPAL ACCOUNTING POLICIES**

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

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

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

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

### **7.1 Valuation**

In preparation and presentation of financial statements in compliance with the requirements of the legal regulations in force in the Republic of Serbia, the Company management is required to use the best possible valuations and reasonable assumptions. Although, understandably, the actual future results may vary, valuations and assumptions are based on information available at the balance sheet date. The most important valuations refer to the impairment of financial and non-financial assets and definition of assumptions, necessary for actuarial calculation of long-term compensations to employees based on the retirement bonus.

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

If it is established that the recoverable (fair or value in use) value of assets in business books of the Company was overstated, the adjustment of value is applied.

## 7.2 Effects of Foreign Exchange Rates

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

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

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

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

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

<i>Currency</i>	<i>31.12.2019</i>	<i>31.12.2018</i>
	<i>Amount in RSD</i>	
1 EUR	117.5928	118.1946
1 USD	104.9186	103,3893
1 GBP	137.5998	131.1816

## 7.3 Revenues

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

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

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

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

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

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

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

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

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

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

For example, gains include gains from the sales of property, plant and equipment; at greater value from accounting one at the moment of sale.

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

#### **7.4. Expenses**

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

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

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

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

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

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

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

#### **7.5 Interest and Other Borrowing Costs**

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

#### **7.6 Income Tax**

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

- The current tax; and
- The deferred tax.

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

*The deferred tax includes:*

- Deferred tax assets or
- Deferred tax liabilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

A deductible temporary difference is stated at the balance sheet date by applying the prescribed tax rate of the income tax to the amount of the deductible temporary difference.

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

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

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

## **7.7 Intangible Assets**

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

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

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

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

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

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

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

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

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

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

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

## **7.8 Property, Plant and Equipment**

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

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

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

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



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

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

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

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

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

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

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

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

## **7.9 Lease**

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

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

The *fair value* is the amount for which the lease can be exchanged between knowledgeable, willing parties in arm's length transaction.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **7.12 Investment Property**

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

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

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

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

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

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

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

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

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

### **7.13 Inventories**

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

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

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

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

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

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

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

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

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

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

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

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

#### **7.14 Non-Current Assets Held for Sale**

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

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

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

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

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

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

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

Non-current assets held for sale are not depreciated.

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

#### **7.15 Financial Instruments**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **7.16 Cash and Cash Equivalents**

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



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

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

#### **7.17 Short-Term Receivables**

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

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

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

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

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

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

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

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

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

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

### **7.18 Financial Investments**

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

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

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

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

Shares in subsidiary companies and other affiliated companies, based on the relevant provisions of IAS 27 - Separate Financial Statements, investments in subsidiary companies, jointly controlled companies and associated legal entities are carried in the Company's books at their cost, in compliance with the cost method. If, however, in compliance with the provisions of IAS 36 - Impairment of Assets, it should be established that the recoverable amount of costs does not exceed the purchase (booking) price, the Company carries the equity investment amount at its recoverable amount, and the decrease (impairment) in equity investment is presented as an expense in the period in which such impairment was established. The classification performed by the management of the Company according to the features of the financial investment (financial assets at fair value through the income statement, held-to-maturity financial assets (investments), loans (credits) and available-for-sale financial assets) is relevant for subsequent measurement of long-term financial investments.

### **7.19 Liabilities**

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

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

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

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

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

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

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

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

## **7.20 Provisions, Contingent Liabilities and Contingent Assets**

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

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

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

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

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

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

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

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

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

**Contingent liability** is:

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

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

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

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

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

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

### **7.21 Employee Benefit**

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

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

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

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

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

### **7.22 Information on Business Segments**

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

## 8. FINANCIAL RISKS

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

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

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

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

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

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

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

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

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

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

The following will be presented below:

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

### **8.1 Credit Risk**

**A credit risk** is a risk of adverse effects to the financial result and capital of the Company due to debtor's failure to fulfil obligations towards the Company within the specified deadline.

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

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

The following data is presented in the Tables below:

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

<b>Structure of short-term receivables with no impairment in value</b>	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
<i>Trade receivables (Note 25):</i>		
a) Buyers domestic - subsidiaries and other related legal entities		
Energoprojekt Visokogradnja Plc.	730,306	678,761
Energoprojekt Niskogradnja Plc.	41,966	
Energoprojekt Hidroinženjering Plc.	8,561	18,571
Energoprojekt Entel Plc.	3,486	647
Energoprojekt Energodata Plc.	9,870	10,111
Energoprojekt Industrija Plc.		615
Energoprojekt Urbanizam i Arhitektura Plc.	2,347	
Energoprojekt Oprema Plc.	4,949	
Energoprojekt Sunnyville Ltd.	695	33,775
Energoprojekt Park 11 Ltd.	38,990	20,597
Enjub Ltd.		705
<i>Subtotal</i>	<i>841,170</i>	<i>763,782</i>
b) Buyers domestic (external)	1,546	2,012
<b><i>Subtotal</i></b>	<b><i>842,716</i></b>	<b><i>765,794</i></b>
<i>Receivables from specific operations (note 25):</i>		
a) Receivables from specific operations - subsidiaries and other related legal entities		
Energoprojekt Visokogradnja Plc.	5,130	2,321
Energoprojekt Niskogradnja Plc.	394	771
Energoprojekt Hidroinženjering Plc.	48	615
Energoprojekt Entel Plc.	38	39
Energoprojekt Energodata Plc.	197	
Energoprojekt Industrija Plc.	134	22
Energoprojekt Urbanizam i Arhitektura Plc.	24	33
Energoprojekt Oprema Plc.	159	25
Zambia Engineering and Contracting Company Limited, Zambia	1,503	836
I.N.E.C. Engineering Company Limited, Velika Britanija	362	359
Enjub Ltd.	5,283	2,071
<i>Subtotal</i>	<i>13,272</i>	<i>7,092</i>
b) Receivables from specific operations - other legal entities	2	2
<b><i>Subtotal</i></b>	<b><i>13,274</i></b>	<b><i>7,094</i></b>
<i>Other receivables (Note 26):</i>		
a) Other receivables - subsidiaries and other related legal entities		
Energoprojekt Visokogradnja Plc.		11,447
Energoprojekt Energodata Plc.		4
Energoprojekt Sunnyville Ltd.	3,769	21,199
Enjub Ltd.	80,602	74,413
<i>Subtotal</i>	<i>84,371</i>	<i>107,063</i>
b) other receivables - other legal entities	1,610	18,008
<b><i>Subtotal</i></b>	<b><i>85,981</i></b>	<b><i>125,071</i></b>
<b>TOTAL</b>	<b><i>941,971</i></b>	<b><i>897,959</i></b>

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



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

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

<b>Aging structure of short-term receivables with no impairment</b>	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
<i>Related parties:</i>		
a) Current	112,715	124,817
b) up to 30 days	21,020	13,723
c) 30 - 60 days	19,732	14,157
d) 60 - 90 days	18,880	13,716
e) 90 - 365 days	77,120	112,188
f) over 365 days	689,346	599,336
<b>Subtotal</b>	<b>938,813</b>	<b>877,937</b>
<i>Domestic buyers:</i>		
a) current	842	1,341
b) up to 30 days	706	673
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) over 365 days		
<b>Subtotal</b>	<b>1,548</b>	<b>2,014</b>
<i>Other:</i>		
a) current	1,264	17,370
b) up to 30 days		89
c) 30 - 60 days	185	88
d) 60 - 90 days		88
e) 90 - 365 days	155	373
f) over 365 days	6	-
<b>Subtotal</b>	<b>1,610</b>	<b>18,008</b>
<b>TOTAL</b>	<b>941,971</b>	<b>897,959</b>

## 8.2. Market Risk

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

The market risk includes three risk types:

- The currency risk,
- The interest risk and
- The price risk.

**The currency risk**, also called foreign exchange risk or exchange rate risk, is a risk of fair value fluctuation or the fluctuation of future financial instruments cash flows due to the change in exchange rates.

The currency risk arises from financial instruments in foreign currency or the currency other than the currency (functional) in which the financial instruments are measured in financial statements.

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

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

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

<i>Assets in EUR</i>		<i>Liabilities in EUR</i>	
<i>31.12.2019</i>	<i>31.12.2018</i>	<i>31.12.2019</i>	<i>31.12.2018</i>
<b>29,930,396</b>	<b>28,804,316</b>	<b>17,387,136</b>	<b>8,291,583</b>

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

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

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

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

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

liabilities.

Sensitivity analysis of results in case of depreciation of the national currency 10%	<i>in RSD thousand</i>	
	<i>2019.</i>	<i>2018.</i>
<b>NET EFFECT ON THE RESULTS IN THE CURRENT PERIOD</b>	<b>147,500</b>	<b>242,449</b>

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

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

Interest bearing structure of financial assets and liabilities with fluctuating interest rate	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Interest-bearing financial assets with fluctuating interest rate:		
Short term loans granted to related parties	76,521	157,836
<b>TOTAL</b>	<b>76,521</b>	<b>157,836</b>
Interest-bearing financial liabilities with fluctuating interest rate:		
short-term loans	744,754	827,362
<b>TOTAL</b>	<b>744,754</b>	<b>827,362</b>
<b>DIFFERENCE</b>	<b>(668,233)</b>	<b>(669,526)</b>

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

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

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

<b>The sensitivity analysis of results in case of interest rate growth of 1%</b>	<i>in RSD thousand</i>	
	<i>2019.</i>	<i>2018.</i>
<b>NET EFFECT ON THE CURRENT PERIOD RESULTS</b>	<b>(6,682)</b>	<b>(6,695)</b>

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

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

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

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

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

<b>Structure of liabilities to suppliers</b>	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
<i>Suppliers in the country and abroad - subsidiaries and other related parties</i>		
Energoprojekt Energodata Plc.	4,143	
Energoprojekt Industrija Plc.	1,570	
Energoprojekt Visokogradnja Plc.	406	683
Energoprojekt Urbanizam i arhitektura Plc.	390	294
Other		
<b>Subtotal</b>	<b>6,509</b>	<b>977</b>
<i>Suppliers in the country (externally):</i>		
SE Elektroprivreda Srbije, Beograd	1,194	1,117
Sava Neživotno Osiguranje Plc.	1,175	
UC „Beogradske elektrane“, Beograd	773	899
Miko Trade Ltd.	767	
Algotech Ltd.	503	506
Dedinje Ltd.	421	421
Universe Ltd.	263	
Kontrolmatik Ltd.	252	
other	2,291	2,239
<b>Subtotal</b>	<b>7,639</b>	<b>5,182</b>
<i>Suppliers abroad (externally):</i>		
Margo Inženjering Ltd.	3,810	
International Air Transport Association (IATA)	2,121	3,117
Lohn Igyvedi Iroda	1,076	
Other		
<b>Svega</b>	<b>7,007</b>	<b>3,117</b>
<b>UKUPNO</b>	<b>21,155</b>	<b>9,276</b>

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

<b>Aging structure of trade payables to suppliers</b>	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
<i>Related parties:</i>		
a) current	2,196	977
b) up to 30 days	942	
c) 30 - 60 days	471	
d) 60 - 90 days	493	
e) 90 - 365 days	2,407	
f) over 365 days		
<b>Subtotal</b>	<b>6,509</b>	<b>977</b>
<i>Suppliers in the country:</i>		
a) current	6,269	4,171
b) up to 30 days	1,086	502
c) 30 - 60 days	282	509
d) 60 - 90 days		
e) 90 - 365 days	2	
f) over 365 days		
<b>Subtotal</b>	<b>7,639</b>	<b>5,182</b>
<i>Suppliers abroad:</i>		
a) current	7,007	3,117
b) up to 30 days		
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) over 365 days		
<b>Subtotal</b>	<b>7007</b>	<b>3117</b>
<b>TOTAL</b>	<b>21,155</b>	<b>9,276</b>

According to the contractual agreements and for securing payment, the Company placed to SE Elektroprivreda Srbije, 12 blank bills of exchange with a "no protest" clause (for period 2019-2021). The Company received 3 blank bills of exchange from supplier Pan Computers Ltd. In behalf of guarantee for fulfillment of obligation within the guarantee period.

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

### 8.3 Liquidity Risk

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

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

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

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

<b>Liquidity Indicators</b>	Satisfactory general standards	<i>2019</i>	<i>2018</i>
General liquidity ratio	2:1	2.66:1	3.06:1
Rigorous ratio	1:1	2.59:1	3.06:1
Operating cash flow ratio		0.20:1	0.19:1
Net working capital (in RSD 000)	Positive value	1,496,979	2,229,903

The results of the ration analysis indicate that the Company was liquidity during 2019, meaning that it had no difficulties to fulfil due liabilities and maintain the necessary scope and structure of the working capital and good creditworthiness.

Therefore, we emphasize that:

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

#### 8.4 Capital Risk Management

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

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

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

Profitability indicators	In RSD thousand	
	2019	2018
Net profit/(loss)	(28,262)	763,473
Average capital		
a) capital at the beginning of year	9,094,008	8,529,997
b) capital at the end of year	9,052,010	9,094,008
<b>Total</b>	<b>9,073,009</b>	<b>8,812,003</b>
<b>Average return rate on own capital at the end of year</b>	<b>-0.31%</b>	<b>8.66%</b>

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

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

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



<b>Financial structure Indicator</b>	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Liabilities	2,294,282	1,238,836
Total assets	11,346,292	10,332,844
<b>Ratio of borrowed funds to total assets</b>	<b>0.20 : 1</b>	<b>0.12 : 1</b>
Long term assets:		
a) capital	9,052,010	9,094,008
b) long term provision and liabilities (including deferred tax liability)	1,391,488	156,949
Subtotal	<i>10,443,498</i>	<i>9,250,957</i>
Total assets	11,346,292	10,332,844
<b>Ratio of long term to total assets</b>	<b>0.92 : 1</b>	<b>0.90 : 1</b>

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

Net debt means the difference between:

- Total liabilities of the Company (total liabilities+capital reduced by capital and plus loss above equity, and
- Cash and cash equivalents.

<b>Parameters for the net debt to capital ratio</b>	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Net debt:		
a) Liabilities	2,294,282	1,238,836
b) Cash and cash equivalents	184,016	200,519
<i>Total</i>	<i>2,110,266</i>	<i>1,038,317</i>
Capital	9,052,010	9,094,008
<b>Net debt to capital ratio</b>	<b>1 : 4.29</b>	<b>1 : 8.76</b>

## INCOME STATEMENT

### 9. OPERATING INCOME

#### 9.1 Income from Sale of Products and Services

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

<b>Structure of income from sale of products and services</b>	<i>In RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Income from sale of finished products and services to parent company and subsidiaries on local market	248,266	315,898
Income from sale of finished products and services on local market	79	58
Income from sale of finished products and services on foreign markets		
<b>TOTAL</b>	<b>248,345</b>	<b>315,956</b>

**Income from sale of finished products and services to parent companies and subsidiaries on local market** are based on services rendered by the Company to its subsidiaries, in accordance with agreements approved and adopted by the competent management bodies of the Company and of the subsidiaries, in compliance with the relevant legal acts and these amounted to RSD 248,266 thousand

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

<b>Structure of income from the sale of finished products and services to subsidiaries on local market</b>	<i>In RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Energoprojekt Visokogradnja Plc.	44,784	77,824
Energoprojekt Niskogradnja Plc.	88,609	103,739
Energoprojekt Hidroinženjering Plc.	13,059	12,772
Energoprojekt Entel Plc.	44,960	41,108
Energoprojekt Energodata Plc.	2,970	5,639
Energoprojekt Industrija Plc.	6,234	6,138
Energoprojekt Urbanizam i arhitektura Plc.	3,248	3,150
Energoprojekt Oprema Plc.	24,458	44,508
Energoprojekt Sunnyville Ltd.	4,489	4,139
Energoprojekt Park 11 Ltd.	15,455	16,881
<b>TOTAL</b>	<b>248,266</b>	<b>315,898</b>

**Income from sale of finished products and services on local market** in the amount of RSD 79 thousand generated by the sale of airline tickets.

## 9.2 Other Operating Income

<b>Structure of other operating income</b>	<i>In RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Incomes from the rent collected from parent, subsidiary and other affiliated companies	13,480	14,392
Incomes from the rent collected from other legal entities on local market	9,306	11,402
Other operating income (externally)	605	209
<b>TOTAL</b>	<b>23,391</b>	<b>26,003</b>

**Incomes from the rent collected from parent, subsidiary and other affiliated companies** amounting to RSD 13,480 thousand, were generated based on:

- portion of the complex “Samački Hotel” complex in 24 Batajnički Drum, which has been rented since 2011 to the Energoprojekt Visokogradnja Company for RSD 13,050 thousand; and
- rent of a portion of the Energoprojekt building, which has been rented since 2016 to the Energoprojekt Sunnyville Company for RSD 430 thousand.

**Incomes from the rent collected from other legal entities on local market** amounting to RSD 9,306 thousand were generated primarily from leasing of:

- portion of the complex “Samački Hotel” complex in 24 Batajnički Drum, which has been rented since August 2017 to the Jerry Catering Service Ltd. for RSD 7,737 thousand;
- space on the roof terrace of the Energoprojekt building leased to Telekom Srbija Plc. in the amount of RSD 892 thousand; and
- part of the Energoprojekt building, which has been rented to the Sava Neživotno Osiguranje Plc. for RSD 526 thousand.

**10. MATERIAL COSTS AND FUEL AND ENERGY COSTS**

Structure of material cost and fuels and energy costs	In RSD thousand	
	01.01.- 31.12. 2019.	01.01.- 31.12. 2018.
Material costs:		
a) Costs of other materials (overheads)	5,313	5,582
b) Costs of one-off write-off of tools and inventory		
<i>Subtotal</i>	<i>5,313</i>	<i>5,582</i>
Fuel and energy costs:		
a) Costs of fuel	987	958
b) Costs of electrical energy and heatings	20,147	19,341
<i>Subtotal</i>	<i>21,134</i>	<i>20,299</i>
<b>TOTAL</b>	<b>26,447</b>	<b>25,881</b>

**Costs of other material (overheads)** amounting to RSD 5,313 thousand refer to the costs of office supplies amounting to RSD 2,101 thousand, professional and expert literature, magazines, etc., amounting to RSD 984 thousand and other material costs amounting to RSD 2,228 thousand.

**11. EMPLOYEE EXPENSES AND BENEFITS**

Structure of employee expenses and benefits	In RSD thousand	
	01.01.- 31.12. 2019.	01.01.- 31.12. 2018.
Expenses of wages and fringe benefits (gross)	135,533	147,547
Taxes and contributions on wages and contributions on wages payable by employer	21,199	23,782
Service agreements contributions	4,334	3,775
Copyright agreements contributions	418	334
Costs of contributions for contract fees for temporary and periodical engagement	1,028	2,169
Considerations to General Manager and/or Management and Supervisory Board members	12,874	12,766
Other personnel expenses and fringe benefits	9,960	12,322
<b>TOTAL</b>	<b>185,346</b>	<b>202,695</b>
Average number of employees	75	75

**Other personnel expenses** and fringe benefits amounting to RSD 9,960 thousand refer to the business trips' expenses amounting to RSD 2,903 thousand, Company expenses for employee commuting reimbursements amounting to RSD 2,379 thousand and other employee compensations amounting to RSD 4,678 thousand.

## 12. PRODUCTION SERVICE COSTS

Structure of production service costs	<i>In RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Service of outputs		
Transportation services cost	2,530	2,746
Repairs and maintenance services' costs	33,872	36,932
Rental costs	108	54
Trade fairs' costs		65
Advertising costs	980	1,589
Other service costs	13,699	15,152
<b>TOTAL</b>	<b>51,189</b>	<b>56,538</b>

**Transportation services' costs** in the amount of RSD 2,530 thousand refer to the landline costs and mobile phone costs, internet services, taxi services, parking services for cars, toad tolls, etc.

**Repairs and maintenance services costs** amounting to RSD 33,872 thousand pertain primarily to investment maintenance of the Energoprojekt building amounting to RSD 31,461 thousand and to the ongoing maintenance of equipment amounting to RSD 2,401 thousand.

**Advertising costs** amounting to RSD 980 thousand mainly pertain to the sponsorships expenses in the amount of RSD 592 thousand (primarily, 26<sup>th</sup> Kopaonik Business Forum) and costs of corporate review on the Company's operations in the amount of RSD 147 thousand.

**Costs of other services** amounting to RSD 13,699 thousand refer to the photocopying costs and costs of technical and operational support: RSD 6,150 thousand (mostly provided by the Energoprojekt Energodata Company in amount of RSD 5,269 thousand, in multimedia presentations, updating and preparation of advertising and promo materials for info panel, graphic design services and other); licenses' costs: RSD 4,392 thousand; utility services: RSD 2,700 thousand, occupational safety and car registration expenses: RSD 457 thousand.

### 13. DEPRECIATION EXPENSES AND PROVISION EXPENSES

Structure of depreciation expenses and provision	<i>In RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Depreciation expenses:		
a) Depreciation of intangible assets (Note 21)	2,923	3,190
b) Depreciation of property, plant and equipment (Note 22)	18,024	17,627
<i>Total</i>	<i>20,947</i>	<i>20,817</i>
Provisions expenses		
Provisions for employee expenses and benefits	595	216
<i>Total</i>	<i>595</i>	<i>216</i>
<b>TOTAL</b>	<b><i>21,542</i></b>	<b><i>21,033</i></b>

As of 31.12.2019, the evaluation of residual value and remaining useful life of property and equipment with significant carrying amounts was done. The effect of changes in accounting estimates influenced depreciation costs for 2019, and consequently carrying amount as of 31.12.2019.

Provisions for employee expenses and benefits amount to RSD 595 thousand (Notes 32).

### 14. INTANGIBLE EXPENSES

Structure of intangible expenses	<i>In RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Intangible expenses	25,507	20,591
Expense account	6,376	5,781
Insurance premiums expenses	1,428	1,723
Payment operations' expenses	1,801	3,963
Membership fee expenses	701	1,166
Tax duties	18,775	19,474
Other non-operating expenses	5,505	3,402
<b>TOTAL</b>	<b><i>60,093</i></b>	<b><i>56,100</i></b>

**Intangible expenses** amounting to RSD 25,507 thousand pertain to the costs of attorney fees, consulting and intellectual services, professional training, financial statements' audit costs, education of employees, broker services, Belgrade Stock Exchange services, cleaning services and other costs.

**Expense accounts** amounting to RSD 6,376 thousand primarily relate to the catering services.

**Insurance premium expenses** amounting to RSD 1,428 thousand refer to the insurance of property and persons.

**Payment operations expenses** amounting to RSD 1,801 thousand pertain to the local payment operations costs dominantly from loan fees and prolonged the loan.

**Membership fee expenses** amounting to RSD 701 thousand relate to membership fees to the Serbian Chamber of Commerce in the amount of RSD 440 thousand, as well as membership fees to other chambers and associations.

**Tax duties** in the amount of RSD 18,775 thousand refer predominantly to the property tax amounting to RSD 18,385 thousand.

**Other intangible expenses** amounting to RSD 5,505 predominantly refer to costs taxes and court expenses in the amount of RSD 3,680 thousand, printing the Energoprojekt's magazine in the amount of RSD 913 thousand and participation in financing salaries of persons with disabilities in the amount of RSD 446 thousand.

## 15. FINANCIAL INCOME AND FINANCIAL EXPENSE

### 15.1 Financial Income

Structure of financial income	In RSD thousand	
	01.01.- 31.12. 2019.	01.01.- 31.12. 2018.
Financial income from transactions with parent companies and subsidiaries	65,314	605,737
Financial income from other affiliated companies	10,336	9,752
Income from dividends	17,350	68
<i>Total financial income from the affiliated companies and other financial income</i>	<i>93,000</i>	<i>615,557</i>
Interest income (third party)	888	9,165
Exchange rate gains and positive currency clause effects (third party)	4,470	3,923
<b>TOTAL</b>	<b>98,358</b>	<b>628,645</b>

**Financial income from transactions with parent companies and subsidiaries** amounting to RSD 65,314 thousand refer to interest income from subsidiaries amounting to RSD 64,993 thousand and income from the effects of foreign exchange clauses and foreign exchange gains from subsidiaries amounting to RSD 321 thousand (income from dividends from subsidiaries were not incurred).

**Financial income from other affiliated companies** in the amount of RSD 10,336 thousand relates to the interest income from the joint venture Enjub Ltd. in the amount of RSD 6,581 thousand and positive currency clause effect for liabilities under the loan from Napred Razvoj Plc. in the amount of RSD 3,755 thousand.

**Income from dividends** in the amount of RSD 17,350 thousand relates income from distribution of the liquidation balance remained from Closed-End Investment Fund Fima Southern Europe Activist Plc. - in liquidation in the amount of RSD 17,261 thousand (Note no. 23.1) and dividend income from Dunav Osiguranje in the amount up to RSD 89 thousand.

**Interest income (third party)** in the amount of RSD 888 thousand refers regular interest on demand deposits and interest calculated from term deposits.

**Exchange rate gains and positive currency clause effects (third party)** in the amount of RSD 4,470 thousand pertain to the positive differences in exchange rates in the amount of RSD 78 thousand and income from the effects of foreign currency clause in the amount of RSD 4,392 thousand (predominantly from the effects of foreign currency clause originated from liabilities from borrowings from banks in the amount of RSD 4,251 thousand).

## 15.2 Financial Expense

Structure of financial expenses	In RSD thousand	
	01.01.- 31.12. 2019.	01.01.- 31.12. 2018.
Financial expenses from transactions with parent company and subsidiaries	15,303	4,638
Financial expenses from other affiliated companies	41,334	529
<i>Total financial expense incurred from affiliated companies and other financial expenses</i>	<i>56,637</i>	<i>5,167</i>
Interest expenses (third party)	28,036	30,564
Exchange rate losses and negative currency clause effects (third party)	2,539	1,478
<b>TOTAL</b>	<b>87,212</b>	<b>37,209</b>

**Financial expenses from transactions with parent companies and subsidiaries** in the amount of RSD 15,303 thousand dominantly pertain to the expenses incurred from the effects of foreign currency clauses from subsidiaries in the amount of RSD 14,310 thousand (mostly from loans in the amount of RSD 9,850 thousand, namely: Energoprojekt Sunnyville, Energoprojekt Oprema, Energoprojekt Urbanizam and Arhitektura, Energoprojekt Energodata and Energoprojekt Visokogradnja and receivables from sale of services in the amount of RSD 3,643 thousand, primarily: Energoprojekt Visokogradnja) and interest expenses from loan granted by Energoprojekt Niskogradnja in the amount of RSD 978 thousand.

**Financial expenses from other affiliated companies** in the amount of RSD 41,334 thousand pertain to the company Napred Razvoj Plc. in the amount of RSD 40,392 thousand (interest on loan: RSD 33,187 thousand, one-time loan approval costs: RSD 7,202 thousand and currency clause effects: RSD 3 thousand) and to the joint venture Enjub Ltd. in the amount of RSD 942 thousand (negative currency clause effects from loans and interest on loans).

**Interest expense (third party)** in the amount of RSD 28,036 thousand primarily relate to the interest expense from loans granted by banks in the country in amount of RSD 21,444 thousand (granted by the Erste bank, Jubmes Banka, Societe Generale Bank and Komercijalna Banka) and default interest in the amount of RSD 6,297 thousand (by Komercijalna banka in the amount of RSD 2,950 thousand and from lost court dispute with R. Ljubojević in the amount of RSD 3,347 thousand - Note 16.2).



**Exchange rate losses and negative currency clause effect (third party)** in the amount of RSD 2,539 thousand refer to foreign exchange losses in the amount of RSD 545 thousand and costs from effects of foreign currency clause in the amount of RSD 1,994 thousand, of which the largest portion relates to effects of foreign currency clause from receivable from non-invoiced revenue based on construction of the embassy in Abuja of RSD 1,909 thousand.

## 16. OTHER INCOME AND OTHER EXPENSES

### 16.1 Other Income

Structure of other income	In RSD thousand	
	01.01.- 31.12. 2019.	01.01.- 31.12. 2018.
Gains on sale of intangible assets, property, plant and equipment	2,960	95,262
Gains on sale of shares and securities		178,452
Income from effects of agreed risk protection, which cannot be disclosed under other comprehensive result	348	
Income from reduction in liabilities	6,122	
Other income	140	682
Income from value adjustment of property, plant and equipment	60,201	
<b>TOTAL</b>	<b>69,771</b>	<b>274,396</b>

**Gains on sale of intangible assets, property, plant and equipment** in the amount of RSD 2,960 thousand predominantly relate to gains on sale of fixed assets held for sale in the amount of RSD 2,959 thousand (Note 24).

**Income from effects of agreed risk protection, which cannot be disclosed under other comprehensive result** in the amount of RSD 348 thousand income generated from early bought apartment by physical body in accordance with the Agreement on purchase of social apartments from 1995.

**Income from reduction in liabilities** in the amount of RSD 6,122 thousand relates to figure of liabilities for dividends recorded as income in the amount of RSD 6,025 thousand and dividend tax in RSD 97 thousand due to expiration of the general statute of limitations of ten years.

**Other not mentioned income** in the amount of RSD 140 thousand pertain to income from sale of old paper.

**Income from value adjustment of property, plant and equipment** in the amount of RSD 60,201 thousand relates to adjustment of fair value of the "Samački hotel" building complex (Note 22).

## 16.2 Other Expenses

Structure of other expenses	<i>In RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Losses incurred from shelving and sale of intangible assets, property, plant and equipment	75	14
Loss from sales of equity shares and securities	3,493	
Expense from direct write-off of receivables		27,218
Other not mentioned expense	34,572	7,151
Impairment of property, plant and equipment		3,199
<b>TOTAL</b>	<b>38,140</b>	<b>37,582</b>

**Losses from sale of equity shares and securities** in the amount of RSD 3,493 thousand relate to losses on sale of equity shares of Encom Gmbh Consulting, Engineering & Trading, Germany (Note 23.1).

**Other not mentioned expenses** in the amount of RSD 34,572 thousand predominantly pertain to compensation of damage to R. Ljubojević from lost court dispute (land expropriation) in the amount of RSD 32,370 thousand, bank penalty costs due to violated financial obligations from the contract related to the Net Debt / Ebit level in the amount of RSD 1,772 thousand and donations in the amount of RSD 200 thousand.

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

Structure of net profit/loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year	<i>in RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Net profit from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year	3,758	2,232
Net loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year		
<b>TOTAL</b>	<b>3,758</b>	<b>2,232</b>

**Net profit from discontinued operations, effects of change in accounting policy and corrections of errors from previous years** in the amount of RSD 3,758 thousand relate to the subsequently determined income, i.e. expenses from the previous period in the amounts that are not significant and based on those provided recognition at the expense of, or for behalf of current period.

**18. PROFIT / LOSS BEFORE TAX**

Structure of gross result	<i>In RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Operating income	271,736	341,959
Operating expenses	344,617	362,247
<b>Operating result</b>	<b>(72,881)</b>	<b>(20,288)</b>
Financial income	98,358	628,645
Financial expenses	87,212	37,209
<b>Financial result</b>	<b>11,146</b>	<b>591,436</b>
Income from value adjustment of other assets disclosed at fair value through income statement		
Other income	69,771	274,396
Expenses from value adjustment of other assets disclosed at fair value through income statement		
Other expenses	38,140	37,582
<b>Result from other income and expenses</b>	<b>31,631</b>	<b>236,814</b>
Net profit from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year	3,758	2,232
Net loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year		
<b>TOTAL INCOME</b>	<b>443,623</b>	<b>1,247,232</b>
<b>TOTAL EXPENSES</b>	<b>469,969</b>	<b>437,038</b>
<b>PROFIT/LOSS BEFORE TAX</b>	<b>(26,346)</b>	<b>810,194</b>

Compared to the comparable period of the previous year, the decrease in gross result in the amount of RSD 836,540 thousand was recorded, primarily due to the fact that in the reporting period no decisions on distribution of retained earnings of subsidiaries were made (in 2018: income from dividends of Energoprojekt Entel and Energoprojekt Niskogradnja in the amount of RSD 555,807 thousand, was recorded) and considering that in the previous reporting period gains were realized from sale of equity shares of the Company Beogradsko Mesovito Preduzece Plc., Belgrade and Energoprojekt Garant Plc. (in the amount of RSD 178,452 thousand).

**19. NET PROFIT / (LOSS)**

<b>Structure of net result</b>	<i>In RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Profit / (loss) before tax	(26,346)	810,194
Tax expense for period		45,113
Deferred tax income / (expense) for period	1,916	1,608
<b>Net profit / (loss)</b>	<b>(28,262)</b>	<b>763,473</b>

**20. EARNINGS / (LOSS) PER SHARE**

<b>Indicator</b>	<i>In RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Net profit / (loss)	(28,262)	763,473
The weighted average number of shares during the year	10,833,592	10,833,592
<b>Earnings / (loss) per share (In RSD)</b>	<b>(2.61)</b>	<b>70.47</b>

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

## BALANCE SHEET

## 21. INTANGIBLES ASSETS

In RSD thousand

Structure of intangible assets	Software	Concessions, licenses, trademarks, rights	Intangible assets in process	Advances for intangible assets	Total
<b><i>Cost or valuation</i></b>					
<b>Opening balance 01.01.2018</b>	16,169	1,843			<b>18,012</b>
Restated opening balance					
Transfers from / on					
Additions					
Disposals					
<b>As of 31.12.2018</b>	<b>16,169</b>	<b>1,843</b>			<b>18,012</b>
Restated opening balance					
Transfers from / on					
Additions	25,879				<b>25,879</b>
Disposals					
<b>As of 31.12.2019</b>	<b>42,048</b>	<b>1,843</b>			<b>43,891</b>
<b><i>Accumulated depreciation</i></b>					
<b>Opening balance</b>	9,972	169			<b>10,141</b>
Restated opening balance					
Changes in the year	3,006	184			<b>3,190</b>
Disposals					
Impairments					
<b>As of 31.12.2018</b>	<b>12,978</b>	<b>353</b>			<b>13,331</b>
Restated opening balance					
Changes in the year	2,738	185			<b>2,923</b>
Disposals					
Impairments					
<b>As of 31.12.2019</b>	<b>15,716</b>	<b>538</b>			<b>16,254</b>
<b><i>Net book value</i></b>					
<b>As of 31.12.2018</b>	<b>3,191</b>	<b>1,490</b>			<b>4,681</b>
<b>As of 31.12.2019</b>	<b>26,332</b>	<b>1,305</b>			<b>27,637</b>

22. PROPERTY, PLANT AND EQUIPMENT

In RSD thousand

Structure of property, plant and equipment	Buildings	Plant and equipment	Investment property	Other property, plant and equipment	Property, plant and equipment under construction	Advances for property, plant and equipment	Total
<b><u>Cost or valuation</u></b>							
<b>Opening balance as of 01.01.2018</b>	<b>1,325,585</b>	<b>116,672</b>	<b>556,822</b>	<b>283</b>	<b>276,390</b>	<b>44,664</b>	<b>2,320,416</b>
Restated opening balance							
Additions					7,294	800	<b>8,094</b>
Increase by transfer		2,194	1,892		(4,086)		
Other transfers from / to					800	(800)	
Disposals		(8,338)					<b>(8,338)</b>
Gains/(loss) included into "Other result" (acc. 330)	2,983						<b>2,983</b>
Gains/(loss) included into Income statement			(3,199)				<b>(3,199)</b>
FX differences							
Other increases/(decreases)	(22,912)				(280,398)		<b>(303,310)</b>
<b>As of 31.12.2018</b>	<b>1,305,656</b>	<b>110,528</b>	<b>555,515</b>	<b>283</b>		<b>44,664</b>	<b>2,016,646</b>
Restated opening balance							
Additions		7,918					<b>7,918</b>
Increase by transfer							
Other transfers from / to							
Disposals		(1,459)					<b>(1,459)</b>
Gains/(loss) included into "Other result" (acc. 330)							
Gains/(loss) included into Income statement			60,201				<b>60,201</b>
FX differences							
Other increases/(decreases)							
<b>As of 31.12.2019</b>	<b>1,305,656</b>	<b>116,987</b>	<b>615,716</b>	<b>283</b>		<b>44,664</b>	<b>2,083,306</b>
<b><u>Accumulated depreciation</u></b>							
<b>Opening balance as of 01.01.2018</b>	<b>11,814</b>	<b>79,629</b>					<b>91,443</b>
Restated opening balance							
Charges in the year	11,098	6,529					<b>17,627</b>
Disposals		(2,749)					<b>(2,749)</b>
Other increases/(decreases)	(22,912)						<b>(22,912)</b>
<b>As of 31.12.2018</b>		<b>83,409</b>					<b>83,409</b>
Restated opening balance							
Charges in the year	11,945	6,079					<b>18,024</b>
Disposals		(1,295)					<b>(1,295)</b>
Other increases/(decreases)							
<b>As of 31.12.2019</b>	<b>11,945</b>	<b>88,193</b>					<b>100,138</b>
<b><u>Net book value</u></b>							
<b>As of 31.12.2018</b>	<b>1,305,656</b>	<b>27,119</b>	<b>555,515</b>	<b>283</b>		<b>44,664</b>	<b>1,933,237</b>
<b>As of 31.12.2019</b>	<b>1,293,711</b>	<b>28,794</b>	<b>615,716</b>	<b>283</b>		<b>44,664</b>	<b>1,983,168</b>

On 31 December 2019 the residual value and the remaining useful lifetime for the property and equipment with significant accounting value were evaluated. Effect of changes in accounting estimates affected depreciation costs for 2019, and that, consequently carrying value of assets as of 31 December 2019 (Note 13).

### Assessment of Fair Value of “Buildings”

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

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

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

The value of office building Energoprojekt on 31 December 2019 was stated at revalued amount in RSD 1,293,711 thousand. The value was determined by reducing fair value according to the latest estimate less subsequent accumulated depreciation. The last assessment was made on 31 December 2018 by an external independent qualified appraiser using the comparative method (it was performed by completely eliminating the correction of its value in the amount of RSD 22,912 thousand, while reducing its purchase price to the revalorized amount and by posting it under the Revaluation Reserves Adjustment Account in the amount of RSD 2,983 thousand).

According to the relevant provisions of IAS 16, since the movements in fair value of property is insignificant, it was not necessary to estimate its fair value at the balance sheet date.

Starting from the estimated fair value of property as of 31 December 2018, as well as based on the assessment of the determined residual value as at 31 December 2019 and determined useful lifetime of the building (100 years; the remaining useful life as at 31 December 2019: 62 years), the amortization costs for the building over the reporting period (bearing in mind the residual value that is lower than the revalorized value thereof), is RSD 11,945 thousand.

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

*in RSD thousand*

No.	Building	Opening balance	Residual value as at the balance sheet date	Remaining useful life	Depreciation	Gains/(losses) included in Report on Other Income	Closing balance
1	Energoprojekt office building	1,305,656	554,393	62	11,945		1,293,711
	<b>TOTAL</b>	<b>1,305,656</b>	<b>554,393</b>	<b>62</b>	<b>11,945</b>		<b>1,293,711</b>

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

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

As of 31.12.2019, over the Company's real estate and equipment no mortgage or pledge were established in order to ensure timely settlement of financial obligations (Note no. 45).

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

<b>Income and expenses in respect of investment property recognised in the Income statement</b>	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Rental incomes (Note 9.2)	20,787	20,833
Direct operating costs arising from investment property that generated rental income during the year: Complex building „Samački hotel“	2,308	5,866

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

No.	Investment property	Opening balance	Increases, (purchases, additional investments and etc.)	Decreases (sales, disposals and etc.)	Gains / (loss) included in the Income Statement	Closing balance
1	Complex "Samački hotel"	555,515			60,201	615,716
	<b>TOTAL</b>	<b>555,515</b>			<b>60,201</b>	<b>615,716</b>

In its books, the Company posted the fair value of its investment property in the amount of RSD 615,716 thousand relating to complex "Samački hotel" area of 8,034.00 m<sup>2</sup>, with using right of city construction land area of 18,598.00 m<sup>2</sup>, 24 Batajnički drum, Zemun..

Valuation of the fair value of complex "Samački hotel" as at 31.12.2019 was performed by external independent, qualified valuator with recognized and relevant professional qualifications and recent relevant work experience with relevant location and category of investment property appraised. In valuation of the fair value, the external independent qualified valuator used the cost approach for the building (due to the specific characteristics of the property subject to appraisal, and due to the fact that there is no offer of similar facilities for sale/rent in the market, on a similar location) and comparative approach for land.

Income amounting to RSD 20,787 thousand was generated from the rent of the property to the Energoprojekt Visokogradnja and Jerry Catering Service Ltd. in the reporting period (Note 9.2).

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



**23. LONG-TERM FINANCIAL INVESTMENTS**

Structure of long term financial investments	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Shares in subsidiaries	6,331,105	5,552,828
Shares in affiliated companies and joint ventures	14,613	30,613
Shares in other companies and other available for sale securities	126,098	126,098
Long-term investments in parent companies and subsidiaries	1,274,891	171,259
Other long-term financial investments	993	1,217
<i>Total</i>	<i>7,747,700</i>	<i>5,882,015</i>
<i>Impairment</i>	<i>(811,986)</i>	<i>(798,879)</i>
<b>TOTAL</b>	<b>6,935,714</b>	<b>5,083,136</b>

### 23.1 Share Investments

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

Structure of share investment	% of shares	In RSD thousand	
		31.12.2019.	31.12.2018.
<b>Share in subsidiaries</b>			
Energoprojekt Visokogradnja Plc.	100.00%	1,835,786	1,835,167
Energoprojekt Niskogradnja Plc.	100.00%	1,104,981	1,104,981
Energoprojekt Oprema Plc.	67.87%	121,316	121,316
Energoprojekt Hidroinženjering Plc.	100.00%	427,626	427,626
Energoprojekt Urbanizam i arhitektura Plc.	100.00%	192,642	192,642
Energoprojekt Energodata Plc.	100.00%	194,862	194,862
Energoprojekt Industrija Plc.	62.77%	61,209	61,209
Energoprojekt Entel Plc.	99.95%	997,573	216,422
Energoprojekt Sunnyville Ltd.	100.00%	2,500	2,500
Energoprojekt Park 11 Ltd.	100.00%	375,660	375,660
I.N.E.C. Engineering Company Limited, Great Britain	100.00%	70,311	70,311
Encom GmbH Consulting, Engineering & Trading, Germany			3,493
Dom 12 S.A.L., Liban	100.00%	924,749	924,749
Energoprojekt Kaz Ltd., Kazakhstan	100.00%	101	101
Zambia Engineering and Contracting Company Limited, Zambia	100.00%	587	587
Energoprojekt Holding Guinee S.A., Guinea	100.00%	1,628	1,628
Energoprojekt (Malesia) Sdn. Bhd., Kuala Lumpur	100.00%	19,574	19,574
<i>Impairments</i>		(715,065)	(715,065)
<b>Total</b>		<b>5,616,040</b>	<b>4,837,763</b>
<b>Share in affiliated companies and joint ventures</b>			
Necco Nigerian Engeneering and Construction CO LTD, Kano, Nigeria	40.00%	1,063	1,063
Close-End Fund Fima Southern Europe Activist Plc. Belgrade - in liquidation			16,000
Enjub Ltd.	50.00%	13,550	13,550
<i>Impairments</i>		(1,063)	(1,063)
<b>Total</b>		<b>13,550</b>	<b>29,550</b>
<b>Share in other legal entities and other AFS securities</b>			
Beogradsko mešovito preduzeće Plc., Belgrade			
Dunav osiguranje Plc.	0.01%	5,814	5,814
Jubmes banka Plc.	1.41%	120,176	120,176
Beogradska berza Plc.	0.12%	100	100
Poljoprivredna banka Agrobanka Plc. Belgrade - in bankruptcy	0.36%	7	7
Beogradska industrija piva,slada i bezalkoholnih pića Plc. Belgrade - in bankruptcy	0.0005%	1	1
Pinki Zemun Plc.	0.004%		
<i>Impairments</i>		(95,858)	(82,751)
<b>Total</b>		<b>30,240</b>	<b>43,347</b>
<b>TOTAL</b>		<b>5,659,830</b>	<b>4,910,660</b>

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

Share investment - impairment	<i>In RSD thousand</i>		
	<i>Gross investment amount</i>	<i>Impairment</i>	<i>Net investment amount</i>
<b>Shares in subsidiaries:</b>			
Energoprojekt Visokogradnja Plc.	1,835,786	(641,633)	1,194,153
Energoprojekt Urbanizam i arhitektura Plc.	192,642	(44,277)	148,365
I.N.E.C. Engineering Company Limited, Great Britain	70,311	(7,953)	62,358
Energoprojekt Holding Guinee S.A., Guinea	1,628	(1,628)	-
Energoprojekt (Malesia) Sdn. Bhd., Kuala Lumpur	19,574	(19,574)	-
<b>Total</b>	<b>2,119,941</b>	<b>(715,065)</b>	<b>1,404,876</b>
<b>Shares in affiliated companies and joint ventures:</b>			
Necco Nigerian Engeneering and Construction CO LTD, Kano, Nigeria	1,063	(1,063)	-
<b>Total</b>	<b>1,063</b>	<b>(1,063)</b>	<b>0</b>
<b>Share in other legal entities and other securities available for sale:</b>			
Banks, financial organisations and other legal entities:			
Dunav osiguranje a.d.o.	5,814	(4,067)	1,747
Jubmes banka Plc.	120,176	(91,784)	28,392
Agrobanka Plc. Beograd - in bankruptcy	7	(7)	-
Beogradska industrija piva,slada i bezalkoholnih pića Plc. Beograd - in bankruptcy	1	(1)	-
<b>Total</b>	<b>125,998</b>	<b>(95,859)</b>	<b>30,139</b>
<b>TOTAL</b>	<b>2,247,002</b>	<b>(811,987)</b>	<b>1,435,015</b>

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

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

Increase in share investment in Energoprojekt Visokogradnja in 2019 compared with the reference year came as the result of the Decision of the Commercial Court of Appeal, according to which the Company paid to the minority shareholders the total of RSD 619 thousand as the difference in share price, costs of court proceedings, with accrued penalty interest.

Increase in share investment in Energoprojekt Entela compared to the same date of previous year amounted to RSD 781,151 thousand and it arose from given offer for takeover and forced redemption of shares. Namely, on 17 July 2019 the Company acquired 42,355 shares of Energoprojekt Entela at price of RSD 13,461 per share through published takeover offer, while on 15 August 2019, the Company acquired remaining 15,484 shares of Energoprojekt Entela by forced redemption at price at which the redemption of shares in the offer was done (in accordance with Article 523 of the Law on Companies).

On 30 July 2019, entire share investment in subsidiary Encom GmbH Consulting, Engineering & Trading, Germany was sold (Note 16.2).

Impairment of share investment in Energoprojekt Visokogradnja in the amount of RSD 641,633 thousand was performed on 31 December 2014 in compliance with IAS 36 - Impairment of Assets, based on the Report prepared by the Scientific and Research Centre of the Faculty of Economics of the University of Belgrade on equity valuation of Energoprojekt Visokogradnja for implementation of IAS/IFRS as at 31 December 2014.

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

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

Within the item shares in affiliated companies and joint ventures, there was a decrease by RSD 16,000 thousand caused by liquidation of the company Closed-End Investment Fund Fima Southern Europe Activist Plc. Belgrade - in liquidation. In this regard, the Company generated dividend income in the amount of RSD 17,261 thousand - Note no. 15.1 (given that such higher amount than its share investments was recorded within the item cash and receivables). Pursuant to Decision made on XI regular Fima Southern Europe Activist Plc. Belgrade - in liquidation Shareholders General Meeting held on 30 April 2019, the amount of RSD 33,117 thousand was paid to the Company as a belonging part under the distribution of liquidation balance, while the remaining part of liquidation balance of RSD 144 thousand was recorded as claim from Komercijalna banka.

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

The change within the item shares in other legal entities and other available for sale securities was recorded due to value adjustments of securities in securities portfolio of the Company (Jubmes banka Plc. and Dunav osiguranje Plc.), with their fair value on the secondary securities market as of the financial statements preparation date (recorded through the impairment account equity shares and gains/loss on securities available for sale).

The Company has shares in the following Banks with listed shares in the Belgrade Stock Exchange and their fair value was determined based on their current market value as at 31.12.2019:

- Dunav osiguranje Plc.: 527 shares, with the market value as at the balance sheet day of RSD 3,316 per share; and
- Jubmes Banka Plc: 4,056 shares, with the market value of RSD 7,000 per share.

The Company has shares in the following legal entities:

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

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

Financial assets available for sale are presented in RSD.

### 23.2 Long-Term Financial Investments

<b>Structure of long-term financial investments</b>	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Long-term investments in parent companies and subsidiaries	1,274,891	171,259
<i>Impairment provision</i>		
<i>Total</i>	<i>1,274,891</i>	<i>171,259</i>
Other long term financial investments:		
Housing loans granted to employees:	993	1,217
<i>Impairment provision</i>		
<i>Total</i>	<i>993</i>	<i>1,217</i>
<b>TOTAL</b>	<b><i>1,275,884</i></b>	<b><i>172,476</i></b>

**Long-term financial investments in parent companies and subsidiaries** in the amount of RSD 1,274,891 thousand refer to granted long-term loan due on 31.12.2021, with interest computed for 2020 in accordance with the "arm's length" principle (quarterly proportionally computed interest, with payment upon maturity of total debt), to the following subsidiaries:

- Energoprojekt Visokogradnja: RSD 535,198 thousand upon Agreement on Reprogramming of the Debt no. 18;
- Energoprojekt Energodata: RSD 92,510 thousand upon Agreement on Reprogramming of the Debt no. 21; and
- Energoprojekt Oprema: RSD 647,183 thousand upon Agreement on Reprogramming of the Debt no. 20.

The Company was provided with 2 (two) signed blank solo promissory notes with authorization for fulfilment and collection at the amount of the debts. The promissory notes were issued for securing loan repayment.

Increase in long-term investments in parent company and subsidiaries by RSD 1,103,632 thousand is the result, on the one hand:

- increase; upon Agreement on Reprogramming of the Debt, which defines transfer from short-term loans with accrued but uncollected interest as of the balance sheet date with Energoprojekt Visokogradnja, Energoprojekt Energodata and Energoprojekt Oprema in the amount of RSD 1,274,891 thousand (Note nos. 28 and 27);

and on the other hand

- decrease in Energoprojekt Park 11 by RSD 171,259 thousand, primarily from collection a part of loan and from transfer of remaining portion of long-term loan with accrued but uncollected interest to short-term loan under Agreement on Reprogramming of the Debt (Note 28).

**The long-term housing loans granted to employees** that are presented among other long-term financial investments refer to 3 (three) interest-free housing credits granted to employees, two of which were granted on 10.06.1992 for the repayment period of 38.5 years, and third was granted on 28.11.1995 for the repayment period of 40 years. In compliance with the terms and provisions of the loan agreements and in compliance with the provisions of the Law on Amendments and Addenda to the Law on Housing, the Company performs revalorisation of loan instalments twice a year based on the trends in consumer prices in the Republic of Serbia for the given accounting period. Given that by the preparation of the financial statements date, relevant data for computing revaluation instalment for period 01.07.2019 - 31.12.2019 was not announced, the revaluation was not performed on 31.12.2019. A portion of the long-term financial investments made on this basis with maturity dates up to one year that is being regularly repaid/collected amounts to RSD 64 thousand (Note 28).

## 24. INVENTORIES

<b>Structure of inventories</b>	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Non-current assets held for sale	58,379	
<i>Advances paid for inventories and services:</i>		
a) Advances paid for inventories and services to parent companies and subsidiaries		301
b) Advances paid for material, spare parts and inventory	259	338
c) Advances paid for services	5,249	5,786
<i>Total</i>	<i>5,508</i>	<i>6,425</i>
<i>Impairment provision</i>		
<b>TOTAL</b>	<b>63,887</b>	<b>6,425</b>

**Non-current assets held for sale** in the amount of RSD 58,379 thousand relate to remained unsold real estate in K1G Building in Rakovica, Belgrade.

Pursuant to the Decision made on 146<sup>th</sup> session of the Executive Board of the Company from 2019, to Conclusion on partial settlement and costs of the procedure I.IV 122/19 dated 17.05.2019 and the Contract on sale of real estate by direct agreement under the agreement of the parties I.Iv 122/19 dated 17.05.2019. The Company on behalf of partial collection of receivables from Enjub Ltd. Belgrade and under the Agreement on Reprogramming of the Debt no. 115 dated 18.04.2012, as of promissory note, on real estate of Enjub Ltd. Belgrade, which are located in the K1G Building in Rakovica, was recorded in its business books the figure under the item non-current assets held for sale the amount of RSD 81,453 thousand.

During the reporting period, the Company incurred a profit on sale of non-current assets held for sale in the amount of RSD 2,959 thousand (Note 16.1).

Summary of non-current assets held for sale is presented below:

In RSD thousand									
no.	Item	Address	No.	Area m <sup>2</sup>	Cost	Calculated tax on transfer of absolute rights	Sale price	Gain/ (loss) from sale	Net value
1	Two bedroom apartment	Petra Konjovića 14	Lamela 1, 2nd floor, no.15	51	6,072	152			6,224
2	Two and half bedroom app.	Petra Konjovića 14	Lamela 1, 3rd floor, no.16	78	9,234	231			9,465
3	Two bedroom apartmants	Petra Konjovića 14	Lamela 1, 3rd floor, no.17	46	5,417	135	6,179	627	
4	Two bedroom apartmants	Petra Konjovića 14	Lamela 1, 3rd floor, no. 20	50	5,856	146			6,002
5	Two bedroom apartmants	Petra Konjovića 14	Lamela 1, 4th floor, no.26	45	5,350	134	6,100	616	
6	Three bedroom apartmants	Petra Konjovića 14a	Lamela 2, 1st floor, no.4	80	9,384	235			9,619
7	Two bedroom apartmants	Petra Konjovića 14a	Lamela 2, 3rd floor, No.17	60	7,105	178			7,283
8	Studio	Petra Konjovića 14b	Lamella 3, basement, no.2	29	3,421	85	3,901	395	
9	Office space	Petra Konjovića 14b	Lamella 3, basement, no.5	46	5,442	136			5,578
10	Studio	Petra Konjovića 14b	Lamela 3, II floor, no.13	33	3,948	99	4,634	587	
11	Two and a half bedroom ap	Petra Konjovića 14b	Lamela 3, II floor, no.14	77	9,083	227			9,310
12	Apartment	Petra Konjovića 14b	Lamela 3, attic, no.15	54	6,361	159	7,255	735	
13	Garage place	Petra Konjovića 14a	Lamela 2, basement 2, no.7	12	531	14			545
14	Garage place	Petra Konjovića 14a	Lamela 2, basement 2, no.8	12	531	14			545
15	Garage place	Petra Konjovića 14a	Lamela 2, basement 2, no.9	12	531	13			544
16	Garage place	Petra Konjovića 14a	Lamela 2, basement 2, no.10	12	531	13			544
17	Garage place	Petra Konjovića 14a	Lamela 2, basement 2, no.11	12	531	13			544
18	Garage place	Petra Konjovića 14a	Lamela 2, basement 2, no.12	12	531	13			544
19	Garage place	Petra Konjovića 14a	Lamela 2, basement 2, no.13	12	531	13			544
20	Garage place	Petra Konjovića 14a	Lamela 2, basement 2, no.16	12	531	13			544
21	Garage place	Petra Konjovića 14a	Lamela 2, basement 2, no.17	12	531	13			544
	<b>Total</b>			<b>757</b>	<b>81,453</b>	<b>2,036</b>	<b>28,069</b>	<b>2,959</b>	<b>58,379</b>

The Company is actively implementing planned sales plans, which are expected to be fully realised

within a year.

**Advances paid for materials, spare parts and inventory** in the amount of RSD 259 thousand relate to advance payments to suppliers for purchase of materials (predominantly fuel).

**Advances paid for services** in the amount of RSD 5,249 thousand mainly refer to advance payments to the company Ringier Axel Springer Ltd. in the amount of RSD 4,800 thousand (terminated Agreement on use of advertising space and submitted request for repayment of funds paid in advance in March 2018, while in April 2018 a claim was filed - Note 44) and Moore Stephens Auditing and Accounting Ltd. in the amount of RSD 353 thousand (first installment for fee for audit of financial statements for 2019).

## 25. RECEIVABLES FROM SALES

Structure from receivables from sale	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Local buyers - parent company and subsidiaries	841,170	763,077
Local buyers - other affiliated companies		705
Local buyers (externally)	1,546	2,012
<i>Impairment provision</i>		
<b>TOTAL</b>	<b>842,716</b>	<b>765,794</b>

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



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

<b>Structure of receivables from sale</b>	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
<i>Local buyers - parent company and subsidiaries:</i>		
Energoprojekt Visokogradnja Plc.	730,306	678,761
Energoprojekt Niskogradnja Plc.	41,966	
Energoprojekt Entel Plc.	3,486	647
Energoprojekt Sunnyville Ltd.	695	33,775
Energoprojekt Hidroinženjering Plc.	8,561	18,571
Energoprojekt Industrija Plc.		615
Energoprojekt Urbanizam i arhitektura Plc.	2,347	
Energoprojekt Energodata Plc.	9,870	10,111
Energoprojekt Oprema a.d.	4,949	
Energoprojekt Park 11 Ltd.	38,990	20,597
Energoprojekt Garant Plc.		
<b>Total</b>	<b>841,170</b>	<b>763,077</b>
<i>Local buyers - other affiliated companies</i>		
Enjub Ltd.		705
<b>Total</b>	<b>-</b>	<b>705</b>
<i>Local buyers - externally</i>	1,546	2,012
<b>Total</b>	<b>1,546</b>	<b>2,012</b>
<b>TOTAL</b>	<b>842,716</b>	<b>765,794</b>

Increase in local buyers - parent company and subsidiaries compared to the same date of previous year by RSD 78,093 thousand refers to increase in receivables under service contracts in the amount of RSD 65,636 thousand (primarily the result of increases in Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Park 11 and Energoprojekt Oprema, and decreases in Energoprojekt Sunnyville and Energoprojekt Hidroinženjering) and increase in receivables from leases by RSD 12,457 thousand (the result of increase in Energoprojekt Visokogradnja and decrease in Energoprojekt Sunnyville).

Decrease in **local buyers - other affiliated companies** compared to the same date of previous year relates to change in manner of bookkeeping recording of receivables from re-invoiced costs of legal services to the company Enjub, which from 01.01.2019 were recorded within the item Receivables from specific transactions (Note 26).

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

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

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

## 26. RECEIVABLES FROM SPECIAL TRANSACTIONS

Structure of receivables from special transactions	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Receivables from special transactions from parent companies and subsidiaries	7,989	5,021
Receivables from special transactions from other affiliated companies	5,283	2,071
Receivables from special transactions from other companies	2	2
<i>Impairment provision</i>		
<b>TOTAL</b>	<b>13,274</b>	<b>7,094</b>

**Receivable from special transactions from parent companies and subsidiaries** in the amount of RSD 7,989 thousand predominantly relate to receivable from re-charged air tickets in the amount of RSD 5,508 thousand ((predominantly Energoprojekt Visokogradnja: RSD 4,722 thousand), re-charged costs of taxes and contributions of the director of Zambia Engineering and Contracting Company Limited, Zambia: RSD 1,155 thousand and re-charged costs of water, electricity and membership fees of Energoprojekt Visokogradnja in the amount of RSD 408 thousand.

Increase in receivables from special transactions from parent companies and subsidiaries compared to the same date of previous year primarily refers to increase in receivables for re-charged air ticket costs from Energoprojekt Visokogradnja.

**Receivables from special transactions from other affiliated companies** in the amount of RSD 5,283 thousand entirely relate to joint venture Enjub for re-charged court and administrative fees, re-charged costs of net salaries, taxes and contributions of director and re-charged costs of legal services from previous years. The Company does not have collection security instruments in this regards.

Increase in receivables from specific transactions in relation to the previous year was recorded primarily with company Enjub, due to change in the manner of bookkeeping of receivables based on re-charged costs of legal services provided to Enjub, and as of 31.12.2018 was recorded within the item Receivables from sale (Note 25), as well as re-charged costs of net salaries, taxes and contributions of director of Enjub Ltd. in 2019.

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

**27. OTHER RECEIVABLES**

Structure of other receivables:	In RSD thousand	
	31.12.2019.	31.12.2018.
Interest and dividends receivables:		
a) Interest and dividend receivable from parent companies and subsidiaries	3,769	32,650
b) Interest and dividend receivable from affiliated companies	80,602	74,413
c) Dividend receivables - other legal entities	144	
<i>Total</i>	<i>84,515</i>	<i>107,063</i>
Receivables from employees	317	514
Receivables for overpaid profit tax		16,173
Receivables for overpaid other taxes and contributions		
Receivables for fringe benefits' returns	991	780
Other receivables	158	541
<i>Impairment provision</i>		
<b>TOTAL</b>	<b>85,981</b>	<b>125,071</b>

Structure of interest and dividend receivables in the amount of RSD 84,515 thousand is presented in the following table.

Structure of interest and dividend receivables	In RSD thousand	
	31.12.2019.	31.12.2018.
<i>Interest receivables from parent company and subsidiaries:</i>		
Energoprojekt Visokogradnja Plc.		11,447
Energoprojekt Urbanizam i arhitektura Plc.		
Energoprojekt Energodata Plc.		4
Energoprojekt Sunnyville Ltd. (collected in January 2020)	3,769	21,199
<i>Total</i>	<i>3,769</i>	<i>32,650</i>
<i>Interest receivables from other affiliates companies:</i>		
Enjub Ltd.	80,602	74,413
<i>Total</i>	<i>80,602</i>	<i>74,413</i>
<i>Divided receivables from other related parties</i>		
Komercijalna Banka Plc. (Note no. 23.1)	144	
<i>Total</i>	<i>144</i>	<i>0</i>
<b>TOTAL</b>	<b>84,515</b>	<b>107,063</b>

Decrease in interest receivable from parent company and subsidiaries by RSD 28.881 thousand was recorded in Energoprojekt Sunnyville in the amount of RSD 17,430 thousand (primarily from interest collected in the reporting period), in Energoprojekt Visokogradnja and Energoprojekt Energodata in the

total amount of RSD 11,451 thousand (total amount of interest receivables at the balance sheet date was added to debt principal and transferred to long-term loan under Agreement on Reprogramming of the Debt).

Increase in **interest receivables from other affiliated companies** by RSD 6,189 thousand from accrued and uncollected interest in the reporting period, relates to Enjub Ltd..

**Receivables for fringe benefits' returns** in the amount of RSD 991 thousand pertain to the receivables for sick leave longer than 30 days and maternity leaves.

## 28. SHORT-TERM FINANCIAL INVESTMENTS

Structure of short term financial investments	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Short-term loans and investments - parent companies and subsidiaries	726,257	906,583
Short-term loans and investments - other affiliated companies	76,521	157,836
Portion of long-term financial investments with maturity date up to one year:		
a) Portion of long-term financial investments in parent company and subsidiaries with maturity date up to one year		730,981
b) Portion of other long-term financial investments with maturity date up to one year (Note 23.2)	64	77
<i>Total</i>	<i>64</i>	<i>731,058</i>
<i>Impairment provision</i>		
<b>TOTAL</b>	<b>802,842</b>	<b>1,795,477</b>

**Short-term loans and investments - subsidiaries and other affiliated companies** pertain to the loans approved with maturity dates up to 12 months (with interest rate which is calculated for subsidiaries in accordance with the principle of "arm's length" for the year 2020, and for other affiliated companies with interest rate of 3M Euribor + 6.5% pa.) presented in the following table below.

*Energoprojekt Holding Plc.*

no.	Borrower and Agreement no.	Original currency	Loan amount in original currency in 000	Remained amount from loan in original currency in 000	Remained amount from loan in RSD 000	Due date	Interest rate
<b>1 EP Niskogradnja Plc.</b>							
	Debt Rescheduling Agreement no. 19	EUR	1.738	1.738	204.431	31.12.2020	interest rate which is calculated in accordance with the principle of "arm's length" for 2020
<b>2 EP Urbanizam i arhitektura Plc.</b>							
	Debt Rescheduling Agreement no. 15	EUR	138	138	16.266	31.12.2020	interest rate which is calculated in accordance with the principle of "arm's length" for 2020
<b>3 EP Park 11 Ltd.</b>							
	Debt Rescheduling Agreement no. 23	EUR	461	461	54.172	31.12.2020	interest rate which is calculated in accordance with the principle of "arm's length" for 2020
<b>4 EP SunnyvilleLtd.</b>							
	Annex 2 Debt Rescheduling Agreement 375	EUR	4.868	3.839	451.388	31.12.2020.	interest rate which is calculated in accordance with the principle of "arm's length" for 2020
<b>Total subsidiaries</b>		EUR	7.205	6.176	726.257		
<b>1 Enjub d.o.o.</b>							
	Annex no. 12 Loan Agreement no. 367	EUR	137	137	16.169	31.12.2020.	3M Euribor + 6.5% pa.
	Annex no. 8 Debt Rescheduling Agreement no. 115	EUR	1.198	513	60.352	31.12.2020.	3M Euribor + 6.5% pa.
<b>Total other affiliated companies</b>		EUR	1.335	650	76.521		
<b>TOTAL</b>			8.540	6.826	802.778		

Decrease in **short-term loans and investments – parent company and subsidiaries** by RSD 180,326 thousand is the result of net effect, on the one hand:

- decrease under Debt Rescheduling Agreement with Energoprojekt Energodata, Energoprojekt Visokogradnja and Energoprojekt Oprema in the total amount of RSD 724,885 thousand, on the basis of which, among other things, the maturity was extended by 2 years, thus transferring to the item - Long-term investments in parent company and subsidiaries (Note 23.2); and on the other hand
- increase in Energoprojekt Sunnyville in the amount of RSD 285,608 thousand from transfer of the remaining amount as of balance sheet date from the item - Portion of long-term financial investments in parent company and subsidiaries maturing within a year and repayment of part of short-term loan;

- increase under Debt Rescheduling Agreement with Energoprojekt Niskogradnja in the amount of RSD 204,431 thousand, on the basis of which accrued and uncollected interest was added as of the balance sheet date for loans approved during the reporting year; and
- increases under Debt Rescheduling Agreement with Energoprojekt Park 11 in the amount of RSD 54,171 thousand based on the transfer of remaining long-term loan with accrued and uncollected interest added on the balance sheet date to the short-term loan.

Pursuant to the Decision of the Executive Board of the Company, as of 31.12.2019 maturity loans are:

- Energoprojekt Energodata, Energoprojekt Visokogradnja and Energoprojekt Oprema – Debt Rescheduling Agreement determines: that the amount of accrued but uncollected interest increases principal of the loan, extension of maturity up to 31.12.2021 and interest is calculated in accordance with the principle of "arm's length" for 2020;
- Energoprojekt Urbanizam i Arhitektura, Energoprojekt Park 11 and Energoprojekt Niskogradnja - Debt Rescheduling Agreement determines that the amount of accrued but uncollected interest increases principal of the loan, extension of maturity to 31.12.2020 and interest is calculated in accordance with the principle of "arm's length" for 2020;
- Energoprojekt Sunnyville - extension of maturity to 31.12.2020 and interest is calculated in accordance with the principle of "arm's length" for 2020; and
- Enjub Ltd. - extension of maturity up to 31.12.2020.

The Company has 2 (two) signed blank solo bills of exchange to be filled out by beneficiary to be used as collateral for the collection in respect of loans granted to subsidiaries.

Decrease in short-term loans to other affiliated companies in RSD 81,315 thousand was recorded from partial collection of receivables from Enjub Ltd. Belgrade under Debt Rescheduling Agreement no. 115, from bill of exchange, pledged on property of Enjub Ltd. Belgrade located in K1G Building in Rakovica, Belgrade (Note 24).

As collateral for securing payment under Loan Agreements made with other affiliated companies, the Company has blank promissory note with the clause "without protest" and mortgage pledged on property of Enjub Ltd., Belgrade (Note 41).

As collaterals for loan repayment pursuant to:

- Annex No. 12 of the Loan Agreement No. 367 concluded with Enjub Ltd. in the amount of RSD 16,169 thousand (EUR 137 thousand), the Company has an extrajudicial mortgage for the entire loan amount with added interest for apartments in 91A Jurija Gagarina Street in Novi Beograd, as collateral for loan repayment; and
- Annex No. 8 of the Loan Rescheduling Agreement No. 115 concluded with Enjub Ltd. in the amount of RSD 60,352 thousand (EUR 513 thousand), the Company has an extrajudicial mortgage for the entire loan amount with added interest for real estate (apartments and office space) in 93, 93A and 91A Jurija Gagarina Street (Note 41).

**Portion of long-term financial investments with maturity up to one year** in the amount of RSD 64 thousand relate to granted long-term housing loans to employees that are due for a year (Note no. 23.2).

**29. CASH AND CASH EQUIVALENTS**

Structure of cash and cash equivalents	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Current (business) account	57,147	41,049
Restricted cash and letters of credit		
Foreign currency account	203	4,734
Foreign currency petty cash		
<i>Other cash</i>		
a) Short-term term deposits	126,666	154,661
b) Other cash		75
<i>Total</i>	<i>126,666</i>	<i>154,736</i>
<b>TOTAL</b>	<b>184,016</b>	<b>200,519</b>

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

**Short term deposits** in the amount of RSD 126,666 thousand refer to the short term deposits held with business banks in the country (Addiko Bank) to 3 months' terms, with interest rate of 0.50% annually on EUR, 2.20% on RSD with the option to terminate the term deposit contract at any given moment. The term deposits are in RSD and EUR specifically: RSD 40,000 thousand and EUR 737 thousand.

**30. PREPAYMENTS AND DEFERRED EXPENSES**

Structure of prepayments and deferred expenses	In RSD thousand	
	31.12.2019.	31.12.2018.
<i>Prepayments:</i>		
a) Prepaid expenses - parent company and subsidiaries	1,649	872
c) Prepaid subscriptions for expert and professional publications	504	576
c) Prepaid insurance premiums	717	716
<i>Total</i>	<i>2,870</i>	<i>2,164</i>
<i>Receivables for accrued non-invoiced income:</i>		
a) Receivables for accrued non-invoiced income - parent company and subsidiaries		
b) Receivables for accrued non-invoiced income - other affiliated companies	373,502	374,943
<i>Total</i>	<i>373,502</i>	<i>374,943</i>
<i>Other prepayments and deferred expenses:</i>		
a) Deferred value added tax	6,421	11,429
b) Other prepayments and deferred expenses	24,264	22,874
<i>Total</i>	<i>30,685</i>	<i>34,303</i>
<b>TOTAL</b>	<b>407,057</b>	<b>411,410</b>

**Prepaid expenses - parent companies and subsidiaries** in the amount of RSD 1,649 thousand entirely refer to Energoprojekt Energodata, dominantly to prepayments for licensing costs.

**Prepaid insurance premiums** in respect of insurance of property and persons in the amount of RSD 717 thousand refers to Sava Nezivotno Osiguranje in the amount of RSD 594 thousand and Wiener Stadtische Insurance in the amount of RSD 123 thousand.

**Receivables for accrued non-invoiced income** in the amount of RSD 373,502 thousand refer to the realization of the Agreement on Construction of the Republic of Serbia Embassy Building in Abuja, Federal Republic of Nigeria, a turnkey project, on the cadastral lot No. 313, registered in the Real Estate Registry, Cadastral Zone A00 in the amount of RSD 373,034 thousand and calculated revenues for 2019 from lease in the amount of RSD 468 thousand.

**Deferred value added tax** in the amount of RSD 6,421 thousand and it is reported amount of VAT in the reporting year according to which deduction of previous tax is generated in the following accounting period. Deferred VAT includes: VAT in from invoices related to reporting period but received after tax return for December 2019 and presented VAT from accounting approvals issued in 2020 related to transactions made in 2019.

**Other prepayments and deferred income** in the amount of RSD 24,264 thousand relate primarily to receivables arising from disputed services made in 2017 by the Ringier Axel Springer Plc. in the amount of RSD 13,200 thousand (in April 2018 a claim was filed - Note 44) and to development of the location Block 26, Block 45 facility C and Blok 70 facility C in the amount of RSD 10,164 thousand (treatment of the payment will be regulated in the following period).



### 31. CAPITAL

*In RSD thousand*

Description	Share capital	Other issued capital	Share issue premium	Redeemed own shares	Reserves	Revalued reserves	Unrealised gains/loss on AFS securities	Undistributed profit	Loss	Total
<b>Opening balance as of 01.01.2018</b>	5,574,959	27,178	1,526,164	(49,827)	214,881	782,098	(18,881)	473,425		8,529,997
Net profit for the year								763,473		763,473
Other comprehensive income										
a) Changes in fair value of available-for-sale financial assets							14,673			14,673
b) Revaluation						2,983				2,983
c) Other - adjustment of net value, IAS 12 and other						(447)				(447)
<b>Total - other comprehensive result</b>						<b>2,536</b>	<b>14,673</b>			<b>17,209</b>
<b>Total comprehensive result for 2018</b>						<b>2,536</b>	<b>14,673</b>	<b>763,473</b>		<b>780,682</b>
Adjustments										
Increase in share capital										
Profit distribution								(216,671)		(216,671)
Other - own shares										
<b>As of 31.12.2018</b>	<b>5,574,959</b>	<b>27,178</b>	<b>1,526,164</b>	<b>(49,827)</b>	<b>214,881</b>	<b>784,634</b>	<b>(4,208)</b>	<b>1,020,227</b>		<b>9,094,008</b>
Net profit for the year									(28,262)	(28,262)
Other comprehensive income										
a) Changes in fair value of available-for-sale financial assets							(13,108)			(13,108)
b) Revaluation										
c) Other - adjustment of net value, IAS 12 and other										
<b>Total - other comprehensive result</b>							<b>(13,108)</b>			<b>(13,108)</b>
<b>Total comprehensive result for 2019</b>							<b>(13,108)</b>		<b>(28,262)</b>	<b>(41,370)</b>
Adjustments								(628)		(628)
Increase in share capital										
Profit distribution										
Other - own shares										
<b>As of 31.12.2019</b>	<b>5,574,959</b>	<b>27,178</b>	<b>1,526,164</b>	<b>(49,827)</b>	<b>214,881</b>	<b>784,634</b>	<b>(17,316)</b>	<b>1,019,599</b>	<b>(28,262)</b>	<b>9,052,010</b>

### 31.1 Equity Capital

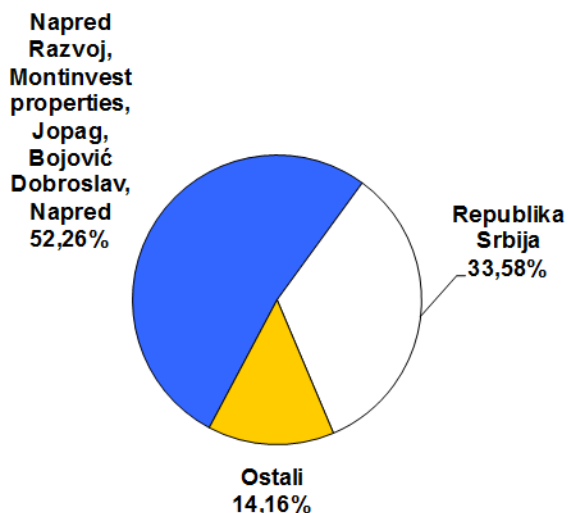
According to the Central Securities, Depository and Clearing House Register, the Company's present ownership structure as at 31.12.2019 is as follows:

	No. of shares	% of total issue
<b>Shares owned by physical persons</b>	<b>735,984</b>	<b>6.73</b>
<b>Shares owned by legal persons</b>	<b>9,709,407</b>	<b>88.82</b>
- Republic of Serbia	3,671,205	33.58
- Other legal entities	6,038,202	55.24
<b>Aggregate (custody) account</b>	<b>485,901</b>	<b>4.45</b>
<b>Total no. of shares</b>	<b>10,931,292</b>	<b>100</b>

No. of shareholders with equity investments	No. of			No. of shares			% of total issue		
	domestic	foreign	total	domestic	foreign	total	domestic	foreign	total
Up to 5%	3,573	164	3,737	1,467,734	136,889	1,604,623	13.43%	1.25%	14.68%
5% to 10%	1	1	2	564,699	560,731	1,125,430	5.17%	5.13%	10.30%
More than 10% to 25%	0	0	0	0	0	0	0.00%	0.00%	0.00%
More than 25% to 33%	0	0	0	0	0	0	0.00%	0.00%	0.00%
More than 33% to 50%	2	0	2	8,201,239	0	8,201,239	75.03%	0.00%	75.03%
More than 50% to 66%	0	0	0	0	0	0	0.00%	0.00%	0.00%
More than 66% to 75%	0	0	0	0	0	0	0.00%	0.00%	0.00%
More than 75%	0	0	0	0	0	0	0.00%	0.00%	0.00%
Total no.	3,576	165	3,741	10,233,672	697,620	10,931,292	93.62%	6.38%	100.00%

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

Name	No. of shares	% of total issue
Napred Razvoj Plc Novi Beograd	4,530,034	41.44%
Republic of Serbia	3,671,205	33.58%
Montinvest Properties l.l.c.	564,699	5.17%
Jopag AG	560,731	5.13%
Tezoro broker PLC – summery account	251,976	2.31%
OTP banka Srbija – kastodi m - fo	124,405	1.14%
Energoprojekt Holding PLC	97,700	0.89%
Tezoro broker PLC	81,150	0.74%
Global Macro Capital Opportuni	74,772	0.68%
Bojović Dobrosav	44,004	0.43%



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

Structure of equity capital	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
<i>Share capital:</i>		
a) Share capital in parent companies, subsidiaries and other affiliated companies		
b) Share capital (externally)	5,574,959	5,574,959
<b>Total</b>	<b>5,574,959</b>	<b>5,574,959</b>
Issuing premiums	1,526,164	1,526,164
Other share capital	27,178	27,178
<b>TOTAL</b>	<b>7,128,301</b>	<b>7,128,301</b>

**Share capital** consists of 10,931,292 ordinary shares with nominal value of RSD 510.00 (RSD 5,574,959 thousand) and nominal book value of RSD 828.08.

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

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

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

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

### 31.2 Purchased own shares

Structure of purchased own shares	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Purchased own shares	49,827	49,827
<b>TOTAL</b>	<b>49,827</b>	<b>49,827</b>

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

### 31.3 Reserves

Structure of reserves	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Legal reserves	23,185	23,185
Statutory and other reserves	111,696	111,696
Other reserves	80,000	80,000
<b>TOTAL</b>	<b>214,881</b>	<b>214,881</b>

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

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

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

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

Structure of revaluation reserves from revaluation of intangibles, property, plant and equipment	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Revaluation reserves based on revaluation of property - Energoprojekt building	784,634	784,634
<b>TOTAL</b>	<b>784,634</b>	<b>784,634</b>

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

- Effects of posting of the fair value of the Energoprojekt building as at 31.12.2018 in the amount of RSD 824,556 thousand;
- Levelling of the present value per m<sup>2</sup> of the Energoprojekt building in the amount of RSD 98,543 thousand; and
- Posting of 15% profit tax (negative aspect of revaluation reserves) for the amount of deferred tax on the basis of revaluation reserves, in compliance with IAS 12 - Income Taxes, in the amount of RSD 138,465 thousand.

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

Structure of unrealized losses from securities and other components of other comprehensive results (debit balances under account class 33, excl. 330)	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Unrealized losses on securities available for sale	17,316	4,208
<b>TOTAL</b>	<b>17,316</b>	<b>4,208</b>

Changes in the position of **Unrealized losses on securities available for sale** in the amount of RSD 13,108 thousand pertain adjustments of value of securities in Company portfolio (Jubmes banka Plc. and Dunav Osiguranje Plc.), with their fair value in the secondary securities market as at the financial statements date (Note 23.1.).

**31.6 Retained Earnings**

Structure of retained earnings	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
<i>Retained earnings from previous years:</i>		
a) Balance as at 1 January of the reporting period	1,020,227	473,425
b) Correction of profit based on income tax	(628)	
c) Profit distribution		(216,671)
<i>Total</i>	<i>1,019,599</i>	<i>256,754</i>
Retained earnings from current years		763,473
<b>TOTAL</b>	<b>1,019,599</b>	<b>1,020,227</b>

In 50<sup>th</sup> ordinary General Meeting of the Company held on 28.06.2019, within the item 3 of the meeting agenda, the decision that stipulates incurred profit of the Company for 2018 in the amount of RSD 763,473 thousand remains undistributed, so that the total retained earnings at the beginning of year amounts to RSD 1,020,227 thousand.

### 31.7 Loss

Structure of loss	In RSD thousand	
	31.12.2019	31.12.2018
Loss from prior years		
Loss from current year	(28,262)	
<b>UKUPNO</b>	<b>(28,262)</b>	<b>0</b>

Incurred loss during the reporting period amounted to RSD 28,262 thousand (Note no. 19).

### 32. LONG-TERM PROVISIONS

Long-term provisions are recognized in the following cases:

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

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

Structure of long term provisions	Provisions for wages and other employee benefits	Other long term provision	TOTAL
<b>Opening balance as of 01.01.2018</b>	2,735		2,735
Additional provision	216		216
Utilised in the year	(139)		(139)
Cancellation of unused amount			
<b>As of 31.12.2018</b>	<b>2,812</b>		<b>2,812</b>
Additional provision	595		595
Utilised in the year	(145)		(145)
Cancellation of unused amount			
<b>As of 31.12.2019</b>	<b>3,262</b>		<b>3,262</b>

**Provisions for wages and other employee benefits** (provisions for non-due retirement bonuses) are disclosed based on actuarial calculation made on 31.12.2019.

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

Decrease of the provision amount based on current retirement bonus values (by 4.98%) in the balance sheet as at 31.12.2019 in comparison to the retirement bonus values in the balance sheet as at 31.12.2018, was the result of several changed factors:

- On one hand, changes of some factors affect the increase of the provision amount (increase in the average expected retirement bonus by 10.26% and increase in average years of service in the Company by 1.52%); and
- on the other hand, changes of some factors affect the decrease of the provision amount (a decrease in the total number of employees by 21.24%).

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

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

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

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

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

The rate of 5% was accepted as the **annual discount rate**.

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

Since the financial market of Serbia is insufficiently developed, the actual annual yield from the purchase of government bonds with the Republic of Serbia as the guarantor should be used as a reference for the determination of the discount rate as at the balance sheet date. In compliance to the above stated, the discount rate was determined according to the annual yield of long term government bonds issued by the

Public Debt Administration of the Ministry of Finance of the Republic of Serbia, which were achieved in the relevant period. Annual yield on 10-years RSD securities issued on 05.11.2019 was 2.69%; while the annual yield on 10-years Euro securities issued on 09.10.2019 was 1.89%. By extrapolating the yield curve for a longer period (since the maturity of the reference securities is shorter than the average estimated maturity of the benefit payment that is subject to this calculation), in view of the requirements from paragraph 86, IAS 19. In extrapolation, maturity premiums were determined by using yields on high quality government bonds published on European Central Bank's website. In determining the convertibility premium (RSD versus EUR), data from the secondary market for government bonds were used. The above data refer to transactions that occurred in the period close to the Balance Sheet date and were taken from the National Bank of Serbia website.

**The annual expected salary growth in the Republic of Serbia** was planned at the level of 3%.

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

The Memorandum of the National Bank of Serbia on the target inflation rates by 2022, adopted by the Executive Board of the National Bank of Serbia, determines the target inflation rate (with permissible deviation) measured by annual percentage changes in the consumer price index, for the period from January 2020 to December 2022, in the amount of 3% with permissible deviation (positive and negative) of 1.5 percentage points.

The target inflation of 3% has been foreseen in the Memorandum for several years, but in real states it is generally lower (in 2019 - 1.5%; in 2018 - 2%; in 2017 - 3%; in 2016 - 1.6% and in 2015 - 1.5%). Therefore, it is more realistic to plan inflation 1 percentage point lower than the target.

From the above stated, it can be concluded that the planned long-term annual growth in real salaries in the Republic of Serbia is 1%, which is, bearing in mind the planned growth in domestic product in the following period (Source: the Government of the Republic of Serbia "Fiscal Strategy for 2020 with Projections for 2021 and 2022), realistically achievable.

If the inflation rate would change in the future, the applied logic would result in the change of nominal wages, but also in the discount rate (that is predominantly defined by the inflation rate), so that the change would not lead to the change in results presented in this document. The methodology used, indicating the long-term planned annual growth of wages in the Republic of Serbia of 3% and long-term annual discount rate of 5%, assumes the same, unchanged inflation rate in future. This assumption is requested in the paragraph 78 of IAS 19.



**33. LONG-TERM LIABILITIES**

Structure of long-term liabilities	In RSD thousand	
	31.12.2019.	31.12.2018.
Liabilities towards other affiliated companies	1,196,624	
Other long-term liabilities	35,549	
<b>TOTAL</b>	<b>1,232,173</b>	<b>0</b>

Structure of long-term loans and borrowings from other affiliated companies domestic	Interest rate	In RSD thousand	
		31.12.2019.	31.12.2018.
<i>Napred Razvoj Plc.</i>			
a) Dinar loans			
b) Loans with foreign currency clause	<i>6% annual</i>	1,196,624	
<b>TOTAL</b>		<b>1,196,624</b>	<b>0</b>

**Liabilities towards other affiliated companies** in the amount of RSD 1,196,624 thousand entirely relate to long-term loan granted by Napred Razvoj Plc. (EUR 10,176 thousand) according to Annex no. 4 of the Loan Agreement no. 91 dated 29 March 2019 (at interest rate of 6% per annum and the repayment period until 30 March 2022), for loan repayment, deposit of funds for purchase of shares of Energoprojekt Entel Plc. and giving new loans to subsidiaries. The Company issued 4 solo blank signed promissory notes to secure the loan.

**Other long-term liabilities** in the amount of RSD 35,549 thousand (EUR 300 thousand) entirely relate to long-term advance received from Jerry catering service Ltd., Belgrade according to Annex no. 1 of Contract no. 123 on long-term lease (for 15 years) a part of business area 935.56 m<sup>2</sup> located within the buildings complex "Samački hotel", Batajnički drum no. 24, in Zemun (part of obligation for received advance up to a year is recorded within the item - Received advances from other legal entities in the country - Note 35).

**34. SHORT-TERM FINANCIAL LIABILITIES**

Structure of short term financial liabilities	In RSD thousand	
	31.12.2019.	31.12.2018.
Short term credits and loans domestic	744,754	898,279
<i>Other short term financial liabilities:</i>		
a) a) Portion of long-term liabilities with maturity date up to one year		
b) Other	124	148
<i>Total</i>	124	148
<b>TOTAL</b>	<b>744,878</b>	<b>898,427</b>

**34.1 Short-Term Credits and Loans Domestic**

Structure of short-term credits and loans domestic	Interest rate	in RSD thousand	
		31.12.2019.	31.12.2018.
<i>Short-term loans granted by banks domestically:</i>			
a) RSD loans			
b) Loans with foreign currency clause	3M Euribor + 3.00% p.a.	744,754	898,279
<b>TOTAL</b>		<b>744,754</b>	<b>898,279</b>

**Short-term loans from banks in the country with a currency clause** (EUR 6,133 thousand) in the amount of in the amount of RSD 744,544 thousand relate to loans granted by:

- Erste Bank Plc. in the amount of RSD 587,964 thousand (EUR 5,000 thousand) with the interest rate of 3M Euribor + 2.90% per annum. 6 blank promissory notes of the Company and 6 blank promissory notes of the Energoprojekt Niskogradnja were provided as collaterals for loan repayment;  
In January 2020, the Agreement on Multipurpose Framework Overdraft was signed with Erste Bank, which extended the maturity until 14 January 2021 with an interest rate of 3M Euribor + 3.00%. 6 blank promissory notes of the Company, Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Hidroinženjering, Energoprojekt Oprema, Energoprojekt Industrija and Energoprojekt Energodata, as well as a mortgage on Energoprojekt office building (Note 45) were issued.
- Komercijalna Banka Plc. in the amount of RSD 156,790 thousand (EUR 1,133 thousand), with interest rate of 3M Euribor + 3.00% per annum and maturity date 14 August 2020. 10 blank promissory notes of the Company and by 2 blank promissory notes of Energoprojekt Niskogradnja and Energoprojekt Oprema were provided as collaterals for loan repayment.

### 34.2 Other Short-Term Financial Liabilities

Structure of long-term liabilities with maturity dates up to one year	<i>in RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Current portion		
Other short-term financial liabilities	124	148
<b>TOTAL</b>	<b>124</b>	<b>148</b>

**Other short-term financial liabilities** amounting to RSD 124 thousand pertain to the liabilities incurred based on the expenses paid by using the company Visa cards. The liabilities were settled in January 2020.

### 35. RECEIVED ADVANCES, DEPOSED MONEY AND CAUTIONS

Structure of received advances, deposited and cautions	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Received advances from parent company and subsidiaries	18,335	
Received advances from other legal entities in the country	11,258	51,043
Received deposited money from other legal entities in the country	33	33
<b>TOTAL</b>	<b>29,626</b>	<b>51,076</b>

**Received advance from parent company and subsidiaries** in the amount of RSD 18,335 thousand relate to advances received from subsidiaries under the Agreement on introduction of electronic document system Business Connect.

**Received advance from other legal entities in the country** in the amount of RSD 11,258 thousand primarily relate to received advance from Jerry Catering Service Ltd., Beograd Company in RSD 7,721 thousand under the Annex I on the contract (no. 123/1583 from 10.04.2017) on long-term lease (15 years) a part of office space measuring 935.56 m<sup>2</sup> located within the complex "Samački hotel", no. 24 Batajnički drum, Zemun (part of the liability for received advance over a year in 2019 was recorded within the item - Other long-term liabilities (Note 33), and consequently a decrease within the item was predominantly recorded).

**36. OPERATING LIABILITIES**

Structure of operating liabilities	In RSD thousand	
	31.12.2019.	31.12.2018.
Suppliers:		
Suppliers - parent company and subsidiaries, local	6,509	977
Suppliers - parent company and subsidiaries, foreign countries		
Suppliers - other affiliated companies abroad		
Suppliers, local	7,639	5,182
Suppliers, foreign countries	7,007	3,117
<i>Total</i>	<i>21,155</i>	<i>9,276</i>
Other operating liabilities	456	2,883
<b>TOTAL</b>	<b>21,611</b>	<b>12,159</b>

Total amount of liabilities to suppliers is broken down per currencies are presented in the following table.

Structure of operating liabilities per currencies	in RSD thousand	
	31.12.2019.	31.12.2018.
RSD	13,753	6,099
EUR	7,402	3,177
GBP		
<b>TOTAL</b>	<b>21,155</b>	<b>9,276</b>

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

Geographic distribution of suppliers is as follows:

Geographic distribution of suppliers	In RSD thousand	
	31.12.2019.	31.12.2018.
Suppliers, local (subsidiaries and other legal entities)	14,148	6,159
Suppliers, foreign countries (subsidiaries):		
Europe		
<i>Total</i>	-	-
Suppliers, foreign countries (other legal entities):		
Europe	7,007	3,117
<i>Total</i>	<i>7,007</i>	<i>3,117</i>
<i>Value adjustment</i>		
<b>TOTAL</b>	<b>21,155</b>	<b>9,276</b>

**Other operating liabilities** in the amount of RSD 456 thousand arose from issued credit note to subsidiary Energoprojekt Industrija resulting from the difference between the final price of the services provided by the Company to its subsidiaries - determined on costs incurred in 2019 and the orientation prices - established from planned costs for 2019.

### 37. OTHER SHORT-TERM LIABILITIES

Structure of other short-term liabilities	In RSD thousand	
	31.12.2019.	31.12.2018.
Liabilities for wages, fringe benefits and compensations	12,611	13,033
<i>Other liabilities:</i>		
a) Liabilities for interest and financing costs	6,183	
b) Liabilities for dividends	20,650	27,439
c) Liabilities to employees	177	218
d) Liabilities to General Manager, or to management and Supervisory Board members	737	652
e) Liabilities to physical persons on contractual obligations	271	356
f) Other various liabilities	34,450	407
<i>Total</i>	<i>62,468</i>	<i>29,072</i>
<b>TOTAL</b>	<b>75,079</b>	<b>42,105</b>

**Liabilities for wages, fringe benefits and compensations** in the amount of RSD 12,611 thousand pertain to the liabilities (net, taxes and contributions) for December salary that the Company paid in January 2020.

**Liabilities for interest and financing costs** in the amount of RSD 6,183 thousand entirely relate to the interest for loan granted by Napred Ravoj Plc. for December of the reporting year, which was settled in early January 2020.

**Liabilities for dividends** in the amount of RSD 20,650 thousand pertain to the liabilities based on the decision of the Assembly of Shareholders from 2018 on profit distribution in the amount of RSD 4,565 thousand and for dividends' payment from previous years in the amount of RSD 16,085 thousand, which have not yet been paid to date due to unresolved property - legal issues (inheritance disputes, etc.). and unopened accounts of shareholders.

Decrease in liabilities for dividends compared to the same date of previous year by RSD 6,789 thousand mostly refers to collection of liabilities for dividends from previous years in the amount of RSD 6,025 thousand due to expiration the general statute of limitations of ten years (Note 16.1).

**Other various liabilities** in the amount of RSD 34,450 thousand predominantly relate to liabilities to shareholders based on forced purchase of shares of Energoprojekt Entel in the amount of RSD 34,057 thousand. On 15.09.2019, the Corporate agent M&V Investments returned the Company's funds deposited for forced purchase of shares of Energoprojekt Entel such as, for part of shareholders who did not have the appropriate information, and the payment could not be realized. The company settles the obligations upon request of the shareholders.

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

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

#### **38.1 Liabilities for Value Added Tax**

<b>Liabilities for value added tax</b>	<i>in RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Liabilities for value added tax	4,528	4,700
<b>TOTAL</b>	<b>4,528</b>	<b>4,700</b>

**Liabilities for value added tax** pertain to the difference between calculated tax and input tax. This liability was settled by the Company within the legally prescribed deadline, in January 2020.

#### **38.2 Liabilities for Other Taxes, Contributions and Fees Payable**

<b>Liabilities for other taxes, contributions and fees payable</b>	<i>in RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Liabilities for profit tax		45,113
Liabilities for other taxes, contributions and fees payable	693	726
<b>TOTAL</b>	<b>693</b>	<b>45,839</b>

**Liabilities for other taxes, contributions and fees payable** in the amount of RSD 693 thousand mainly pertain to the contributions for considerations to Supervisory Board members: RSD 422 thousand, contributions for remunerations based on service contracts: RSD 129 thousand, liabilities for taxes and contributions - sick leave over 30 days: RSD 41 thousand, contributions for remunerations based on temporary service contracts: RSD 30 thousand, liability for participation in financing persons with disabilities: RSD 38 thousand and others.

Of the total amount of liabilities for taxes, contributions and fees payable in the amount of RSD 693 thousand, the amount of RSD 652 was settled in January 2020 (only the liabilities for taxes and contributions – sick leave over 30 days in the amount of RSD 41 thousand remained unpaid).

**38.3 Accrued Expenses and Deferred Income**

Accrued expenses and deferred income	In RSD thousand	
	31.12.2019.	31.12.2018.
<i>Pre-calculated expenses:</i>		
a) Pre-calculated expenses - parent company, subsidiaries and other affiliated companies	24,308	25,715
b) Pre-calculated expenses - other legal entities	35	6
<i>Total</i>	<i>24,343</i>	<i>25,721</i>
Other accrued expenses and deferred income	2,036	1,860
<b>TOTAL</b>	<b>26,379</b>	<b>27,581</b>

**Precalculated expenses - parent company, subsidiaries and other affiliated companies** in the amount of RSD 24,308 thousand entirely refer to the liability owed to Energoprojekt Oprema company for calculated expenses for the period till 30.06.2015 based on the Agreement on Construction of the Embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria, “a turnkey project”, in the cadastre lot No. 313, registered in the Real Estate Cadastre of the Cadastre Zone A00.

**Other accrued expenses and deferred income** in the amount of RSD 2,036 thousand entirely relate to the calculated tax on the transfer of absolute rights on property located in the K1G Building in Rakovica, Belgrade, which the Company recorded in its books within the item – Non-current assets held sale based on partial collection of receivables from Enjub Ltd. Belgrade under the Debt Reprogramming Agreement for approved loan no. 115, according to promissory note (Note 24).

**39. DEFERRED TAX ASSETS AND LIABILITIES**

Deferred tax assets and liabilities	In RSD thousand	
	31.12.2019.	31.12.2018.
Deferred tax assets	2,660	2,273
Deferred tax liabilities	158,713	156,410
<b>Net effects of deferred tax assets / (liabilities)</b>	<b>(156,053)</b>	<b>(154,137)</b>

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

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

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

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

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

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

*In RSD thousand*

Deferred tax liabilities	Tax value exceeding the book value in intangible assets, plants and equipment	Capital losses in investment property	Provisions for retirement bonuses	Unpaid public revenues	Employee benefits accrued but unpaid in the tax period	Total
<b>Opening balance as of 31.12.2018</b>	1,475		410	14	33	1,932
Debit/credit to Income Statement	337		11	(6)	(1)	341
Direct debit to capital						
<b>As of 31.12.2018</b>	1,812		421	8	32	2,273
Debit/credit to Income Statement	322		68	3	(6)	387
Direct debit to capital						
<b>As of 31.12.2019</b>	2,134		489	11	26	2,660



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

*In RSD thousand*

Deferred tax liabilities	Book value exceeding tax value in property	Capital gains in investment property	Total
<b>Opening balance as of 01.01.2018</b>	<b>148,235</b>	<b>5,779</b>	<b>154,014</b>
Debit / (credit) to Income Statement	615	1,781	2,396
Direct debit to capital			
<b>As of 31.12.2018</b>	<b>148,850</b>	<b>7,560</b>	<b>156,410</b>
Debit / (credit) to Income Statement	41	2,262	2,303
Direct debit to capital			
<b>As of 31.12.2019</b>	<b>148,891</b>	<b>9,822</b>	<b>158,713</b>

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

Balance and changes in balance of deferred tax liabilities	<i>in RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Balance of deferred tax liabilities at the end of the previous year	154,137	152,082
Balance of deferred tax liabilities at the end of the current year	156,053	154,137
<b>Changes in balance of deferred tax liabilities</b>	<b>1,916</b>	<b>2,055</b>

Changes in balance of deferred tax liabilities	<i>in RSD 000</i>	
	<i>31.12.2019</i>	<i>31.12.2018</i>
Deferred tax expenses of the period	1,916	1,608
Revaluation reserves		447
Undistributed profit of the previous year		
<b>TOTAL</b>	<b>1,916</b>	<b>2,055</b>

Based on the change in the balance of deferred tax assets and deferred tax liabilities in 2019, it can be concluded that in net effect there was increase in the balance of deferred tax liabilities compared with the previous year by RSD 1,916 thousand, which affected, through deferred tax expenses for the period, the Company's net results in 2019 (Note 19) in such a way to be decreased.

#### 40. OFF-BALANCE SHEET ASSETS AND LIABILITIES

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

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

Structure of off-balance sheet assets and liabilities	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Provided sureties and guarantees	17,909,297	19,898,629
Provided mortgages and other rights		2,500
Received sureties and guaranties	747,341	
Received mortgages and other rights	76,522	16,252
Other off-balance sheet assets / liabilities	2,787,299	2,766,306
<b>TOTAL</b>	<b>21,520,459</b>	<b>22,683,687</b>

**Provided sureties and guarantees** amounting to RSD 17,909,297 thousand refer to the following:

- Guarantees issued for credits and guarantees for subsidiaries amounting to RSD 11,368,947 thousand;
- Corporate guarantees in the amount of RSD 6,537,410 thousand issued to:
  - Energoprojekt Niskogradnja amounting to RSD 6,204,342 thousand for projects: Landfill Vinca - Serbia in the amount of RSD 5,069,730 thousand, Banco Pichincha - Peru in the amount of RSD 1,049,186 thousand and Ub - Lajkovac in the amount of RSD 85,426 thousand; and
  - Energoprojekt Visokogradnja in the amount of RSD 333,068 thousand for the project Chinese Cultural Center,
- Guarantee provided by Erste Bank in favour of IATA (International Air Transport Association) for the proper settlement of liabilities for airline tickets in the amount of RSD 2,940 thousand, which expires on 23.10.2020 and renewed annually.

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

**Received sureties and guarantees** in the amount of RSD 747,341 thousand relate to:

- Received surety from Energoprojekt Niskogradnja in the amount of RSD 587,964 thousand according to Short-term Loan Agreement made with Erste Bank;
- Received surety from Energoprojekt Niskogradnja and Energoprojekt Oprema in the amount of RSD 156,790 thousand according to Short-term Frame Renewable Loan Agreement made with Komercijalna Banka; and
- Received performance guarantee from Marg Engineering Ltd. in the amount of RSD 2,587 thousand based on introduction of electronic document system Business Connect, which expires on 31.12.2020.

**Received mortgages and other rights** amounting to RSD 76,522 thousand pertain to the mortgage on Enjub Ltd. apartments, arising from the Loans Agreement granted to Enjub Ltd. (Note 41).

**Other off-balance sheet assets/liabilities** amounting to RSD 2,787,299 thousand include the following:

- The right to use the municipal construction land - in Block 26 in Novi Beograd, amounting to RSD 2,756,857 thousand;
- Dividends receivables from Enjub Ltd., which were directly written-off in the previous accounting period in the amount of RSD 30,442 thousand; and
- Unused construction facilities in Budva that were directly written-off in the inventory count as at 31.12.2014 and presented in the off-balance records without any value.

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

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

- As collateral to secure the repayment of loan pursuant to the Annex No. 12 of the Loan Agreement No. 367, in the amount of RSD 16,169 thousand (EUR 137 thousand), granted to the Company Enjub Ltd, the executive extrajudicial mortgage on the basis of pledge statement for the entire loan amount with added interest, was registered for apartments in 91A Jurija Gagarina Street, on the second and third floors, Cadastre lot No. 5089/9, Cadastral Municipality of Novi Beograd, registered in the Real Estate Registry folio No. 4550, Cadastral Municipality Novi Beograd, in favour of the Company, and
- As collateral to secure the repayment of the loan pursuant to the Annex No. 8 of the Agreement on Rescheduling of Approved Loan No. 115, approved to Enjub Ltd. in the amount of RSD 60,352 thousand (EUR 513 thousand), by decision no. 952-02-1973 / 2012, executive extrajudicial mortgage of the first order was registered on the basis of a pledge statement, up to the entire amount of the loan with added interest, on property (apartments and business premises) in 93, 93A and 91A Jurija Gagarina Street.

#### **42. RECONCILIATION OF CLAIMS AND LIABILITIES**

The Company, with the highest percentage, reconciled its domestic trade receivables/payables, as well as bank statements as at 31.12.2019.

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

- Unreconciled relations with the company Jerry Catering Service Ltd. in the amount of RSD 10,424 thousand (the Company shows less amount of net liabilities in its books) were created with regard that the company Jerry Catering Service Ltd. did not:
  - translate advances in 2017 (opening balance in the Company's books was translated as of 31.12.2017, while from 01.01.2018, according to IFRAC 22, the Company did not translate advances);
  - the states were recorded at gross principle (it does not deduct its claim on the basis of advance payments by the amount of VAT), and given that
  - did not record lease documentation and for re-charged electricity and utility costs for December 2019 in the reporting year; and
- Unreconciled relations with the Nina Media Clipping Ltd. in the amount of RSD 186 thousand, considering that the Company did not record liability in its business books;
- Unreconciled relations with the OTP banka in the amount of RSD 867 thousand (EUR 7,371.50) on the basis of available funds within short-term multi-purpose revolving line no. 01/13;
- Unreconciled relations with the Unicredit bank in the amount of up to RSD 2,940 thousand (EUR 25,000.00) on the basis of available funds within multipurpose revolving line no. R 0119 / 10; and
- Unreconciled relations with the Halkbank in the amount of RSD 29,040 thousand on the basis of balance and off-balance sheet indebtedness from credit framework no. 2018023357.

#### **43. TRANSACTIONS WITH RELATED PARTIES**

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

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

<b>Income and expenses incurred with related parties</b>	<i>In RSD thousand</i>	
	<i>2019</i>	<i>2018</i>
<i>Income:</i>		
a) EP Garant Plc.		865
b) EP Visokogradnja Plc.	71,984	102,495
c) EP Niskogradnja Plc.	95,869	234,245
d) EP Hidroinženjering Plc.	13,059	12,783
e) EP Entel Plc.	44,960	472,985
f) EP Energodata Plc.	6,022	8,144
g) EP Industrija Plc.	6,236	6,143
h) EP Urbanizam i arhitektura Plc.	3,688	4,133
i) EP Oprema Plc.	43,391	46,757
j) EP Sunnyville Ltd.	24,870	25,785
k) EP Park 11 Ltd.	16,978	21,681
l) I.N.E.C. Engineering Company Limited, Great Britain	4	
m) Encom GmbH Consulting, Engineering & Trading		10
n) Dom 12 S.A.L.		
o) Zambia Engineerings and Contracting Company Ltd., Zambia	1	
p) Enjub Ltd.	6,580	9,752
q) Napred Razvoj Plc.	3,756	
<i>Total</i>	<i>337,398</i>	<i>945,778</i>
<i>Expenses:</i>		
a) EP Garant Plc.		491
b) EP Visokogradnja Plc.	15,278	10,719
c) EP Niskogradnja Plc.	6,791	5,661
d) EP Hidroinženjering Plc.	57	43
e) EP Entel Plc.	197	237
f) EP Energodata Plc.	12,030	15,762
g) EP Industrija Plc.	2,001	50
h) EP Urbanizam i arhitektura Plc.	150	27,926
i) EP Oprema Plc.	17,181	14,502
j) EP Sunnyville Ltd.	3,843	1,496
k) EP Park 11 Ltd.	181	24
l) I.N.E.C. Engineering Company Limited, Great Britain	1	
m) Encom GmbH Consulting, Engineering & Trading	1,767	
n) Dom 12 S.A.L.		
o) Zambia Engineerings and Contracting Company Ltd., Zambia	13	
p) Enjub Ltd.	942	529
p) Napred Razvoj Plc.	40,391	
<i>Total</i>	<i>100,823</i>	<i>77,440</i>

<b>Receivables and liabilities with RP</b>	<i>In RSD thousand</i>	
	<i>31.12.2019</i>	<i>31.12.2018</i>
<i>Receivables:</i>		
a) EP Garant Plc.		
b) EP Visokogradnja Plc.	735,436	1,183,045
c) EP Niskogradnja Plc.	246,791	770
d) EP Hidroinženjering Plc.	8,609	19,186
e) EP Entel Plc.	3,524	686
f) EP Energodata Plc.	10,067	130,929
g) EP Industrija Plc.	134	637
h) EP Promet Ltd.		
i) EP Urbanizam i arhitektura Plc.	18,637	16,252
j) EP Oprema Plc.	5,108	269,173
k) EP Sunnyville Ltd.	455,852	796,141
l) EP Park 11 Ltd.	93,161	191,856
m) I.N.E.C. Engineering Company Limited, Great Britain	362	359
n) Dom 12 S.A.L.		
o) Enjub Ltd.	162,407	235,025
p) Zambia Engineering and Contracting Company Limited, Zambia	1,503	836
q) Napred Razvoj Plc.		
<i>Total</i>	<i>1,741,591</i>	<i>2,844,895</i>
<i>Liabilities</i>		
a) EP Garant Plc.		
b) EP Visokogradnja Plc.	406	683
c) EP Niskogradnja Plc.	2,895	2,471
d) EP Hidroinženjering Plc.	3,840	
e) EP Entel Plc.	3,841	
f) EP Energodata Plc.	4,667	
g) EP Industrija Plc.	5,866	14
h) EP Promet Ltd.		
i) EP Urbanizam i arhitektura Plc.	2,298	693
j) EP Oprema Plc.	1,488	
k) EP Sunnyville Ltd.		
l) EP Park 11 Ltd.		
m) I.N.E.C. Engineering Company Limited, Great Britain		
n) Dom 12 S.A.L.		
o) Enjub d.o.o.		
p) Zambia Engineering and Contracting Company Limited, Zambia		
q) Napred Razvoj Plc.	1,202,807	
<i>Total</i>	<i>1,228,108</i>	<i>3,861</i>

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

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

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

#### **44. COMMITMENTS AND CONTINGENCIES**

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

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

<b>Plaintiff</b>	<b>Basis for legal action</b>	<b>Contingent liability in RSD thousand</b>	<b>Prediction of final outcome</b>
Sreta Ivanišević	Compensation for expropriated property (Bežanija)	Ungrounded	Uncertain
Vladan and Tomislav Krdžić	Damage compensation (for the value of free shares that they did not acquire)	444	Unfounded, the first instance verdict dismissed the claim, decision on the appeal is pending
Pavle, Radmila and Milan Kovačević	Compensation for expropriated land (Block 26)	Ungrounded	Uncertain
Aleksandar and Nenad Radovanac	Moving out from barracks	Ungrounded	Ungrounded
Marko Martinoli, Activist Ltd., Activeast Ltd.	The forced purchase of shares Energoprojekt Entel Plc.	176,745	Ungrounded in relation to Energoprojekt Holding Plc.
Nikola Malbaša, Marko Martinoli and other minority shareholders Energoprojekt Industrija Plc.	The forced purchase of shares Energoprojekt Industrija Plc.	280,427	Ungrounded in relation to Energoprojekt Holding Plc.
Dekada Export-Import KFT Budapest	Determination the nullity of the contract of assignment of the Company's receivables to Vivand BT and Real Estate Option Contract	Ungrounded	Uncertain
Edmond Gašpar, Gojko Babić, Petar Rajačić	Forced purchase of shares of Energoprojekt Industrija Plc.	9,193	Ungrounded in relation to Energoprojekt Holding Plc.
Zoran Petrović	Annulment of the decision on termination of employment service contract	Not defined	Uncertain
Zoran Petrović	Compensation for damages	900	Uncertain
Alco Investments Holding Ltd. Cyprus	Annulment of Annex No. 1a of the Joint Construction Agreement (Block 26)	No value	Ungrounded in relation to Energoprojekt Holding Plc.



Details on lawsuits in which the Company is involved as the defendant are presented in the following Table - continued.

<b>Plaintiff</b>	<b>Basis for legal action</b>	<b>Contingent liability in RSD thousand</b>	<b>Prediction of final outcome</b>
Žito Mlin Ltd.	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	326	Uncertain
Milan Branković, Slobodan Vučković and Zoran Čupin	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	433	Uncertain
Matjaž Rupar	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	53	Uncertain
Henigman France	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	237	Uncertain
Alco Investments Holding Ltd. Cyprus	Fulfillment of the Joint Construction Agreement (Block 26)	1,831,110	Uncertain
Darovi Rokus d.o.o.	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	79	Uncertain
Andrej Mavrič	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	26	Uncertain
Regvat Milan	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	79	Uncertain

Details on lawsuits in which the Company is involved as the defendant are presented in the following Table - continued.

<b>Plaintiff</b>	<b>Basis for legal action</b>	<b>Contingent liability in RSD thousand</b>	<b>Prediction of final outcome</b>
Srđan Cekić, Vladimir Šešlija	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	405	Uncertain
Janez Dežman	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	52	Uncertain
Ilin Aleksandar	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	11	Uncertain
Proinvestments Plc.	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	3,234	Uncertain
Ariana Ltd.	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	48	Uncertain
Jenić Goran	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	74	Uncertain
Igor Mitrović	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	331	Uncertain
Damjan Pate	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	767	Uncertain
Treven Tomaž	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	1,051	Uncertain
Jopo Int Ltd.	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	21	Uncertain
Goran Grbić	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	685	Uncertain
Matija Rojec	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	26	Uncertain
Dušica Milić	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	53	Uncertain
Kolar Mihael	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	26	Uncertain

Details on lawsuits in which the Company is involved as the defendant are presented in the following Table - continued.

<b>Plaintiff</b>	<b>Basis for legal action</b>	<b>Contingent liability in RSD thousand</b>	<b>Prediction of final outcome</b>
Robert Žvab	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	102	Uncertain
Blaž Kolar	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	53	Uncertain
Edvard Kolar	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	105	Uncertain
Aleksa Marijanović	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	306	Uncertain
Milan Orlić	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	445	Uncertain
Over Atlantic Holding Plc.	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	749	Uncertain
Boris Ožegović	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	18	Uncertain
Dragan Opanković	Compulsory purchase of shares of Energoprojekt Industrija Plc.	1,809	Uncertain
Željko Deretić	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	144	Uncertain
Tesla Kapital Plc.	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	2,891	Uncertain
Zečević Srbislav	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	202	Uncertain

Details on lawsuits in which the Company is involved as the defendant are presented in the following Table - continued.

<b>Plaintiff</b>	<b>Basis for legal action</b>	<b>Contingent liability in RSD thousand</b>	<b>Prediction of final outcome</b>
Repić Stana	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	478	Uncertain
Nešić Dragoslav	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	474	Uncertain
Đurović Radojko	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	108	Uncertain
Todorović Mile	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	135	Uncertain
Milošević Staniša	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	74	Uncertain
Dobrota Branko	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	96	Uncertain
Đurović Marko	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	421	Uncertain
Tarlač Lazo	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	176	Uncertain
Stojanović Predrag	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	61	Uncertain
Stegnjaja Luka	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	153	Uncertain
Bihorac Nuro	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	145	Uncertain
Minčić Igor	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	63	Uncertain
Kardelis Paljo	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	132	Uncertain
Mandić Dragan	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	125	Uncertain

Details on lawsuits in which the Company is involved as the defendant are presented in the following Table - continued.

<b>Plaintiff</b>	<b>Basis for legal action</b>	<b>Contingent liability in RSD thousand</b>	<b>Prediction of final outcome</b>
Lazić Mirko	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	135	Uncertain
Krstić Dragomir	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	710	Uncertain
Jelisavac Zlatomir	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	100	Uncertain
Šalipur Tijosav i Aščerić Radomir	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	3,647	Uncertain
Rakić Dragan	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	108	Uncertain
Popović Dragiša	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	106	Uncertain
Trivunović Luka	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	1,024	Uncertain
Radoš Nenad	Compulsory purchase of shares of Energoprojekt Industrija Plc.	32	Uncertain
Polić Vlastimir	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	145	Uncertain
Pejčić Jugoslav	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	47	Uncertain
Urošević Radmila	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	455	Uncertain
Rupnik Olivera	Determining the ownership of the apartment in 35 Marsala Birjuzova street	No value	Grounded
Nikola Bakal	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	726	Uncertain

Details on lawsuits in which the Company is involved as the defendant are presented in the following Table - continued.

<b>Plaintiff</b>	<b>Basis for legal action</b>	<b>Contingent liability in RSD thousand</b>	<b>Prediction of final outcome</b>
Zoran Pendić	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	138	Uncertain
Finstral Ltd.	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	320	Uncertain
Supra Group Ltd.	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	1051	Uncertain
Zoran Vasiljević	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	86	Uncertain
Milan Beslač	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	200	Uncertain
Dane Kuzmanović	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	263	Uncertain
Leonarda Milošević	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	146	Uncertain
Dragana Milić	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	162	Uncertain
Dejan Mraković	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	174	Uncertain
Stanislav Đorđević	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	53	Uncertain
Milovan Žunić	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	94	Uncertain
Dragan Vojinović	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	103	Uncertain

In addition to the presented court disputes in which the Company is the defendant, there is a dispute with New Company Ltd. Branch IN Hotel, in which the plaintiff seeks from the CC Napred Razvoj Plc. determination of the property right on the hotel building, built on the plot on which, in addition to GP Napred Razvoj Plc., the Company is also registered as the holder of the right of use. In this procedure, the Company is a passive rival and thus any contingent liabilities have not been incurred, but for formal reasons it is covered by the lawsuit.

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

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

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

<b>Defendant</b>	<b>Basis for legal action</b>	<b>Contingency amount in RSD thousand</b>	<b>Prediction of final outcome</b>
Republic of Serbia, EPS Serbia, Epsturs Ltd and Republic of Montenegro	Determining of the ideal ownership share in the Park hotel in Budva	The value has not been determined	Grounded, Second Instance proceedings were terminated due to the bankruptcy of Epsturs Ltd.
RS Securities Commission	Annulment of the Commission's temporary decision whereby to the company is denied right to vote in Energoprojekt Oprema Plc.	Without any value	Uncertain
RS Securities Commission	Annulment of the Commission's temporary decision whereby to the company is denied right to vote in Energoprojekt Industrija Plc.	Without any value	Uncertain
RS Securities Commission	Annulment of the Commission's final decision whereby to the company is denied right to vote in Energoprojekt Oprema Plc.	Without any value	Uncertain
RS Securities Commission	Annulment of the Commission's final decision whereby to the company is denied right to vote in Energoprojekt Industrija Plc.	Without any value	Uncertain
RS Securities Commission	Annulment of the Commission's final decision, whereby it was interrupted proceedings to decide on the request for publication of the takeover bid Energoprojekt Entel Plc.	Without any value	Uncertain
Ringier Axel Springer Ltd.	Determination of annulment of the contract and return of paid advance	18,000	Uncertain
Energoprojekt Oprema Plc., Jadran Ltd. and Viacom VS Ltd.	Annulment of the Contract – determine	82,315	Uncertain



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

#### **45. EVENTS AFTER THE REPORTING PERIOD**

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

- Erste Bank Plc. Novi Sad in the amount of EUR 32,200,000.00 under the Multi-Purpose Framework Limit Agreement No. OLC003/20 (mortgage borrower Energoprojekt Holding and debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Oprema, Energoprojekt Hidroinženjering, Energoprojekt Industrija and Energoprojekt Energodata);
- Unicredit Bank Serbia Plc. Belgrade in the amount of EUR 5,100,000.00 under the Revolving Line Agreement for issuing bank guarantees no. RL 0028/20 (mortgage borrower Energoprojekt Holding and debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Oprema);
- Unicredit Bank Serbia Plc. Belgrade in the amount of EUR 8,688,287.47 under the Short-term Loan Agreement No. RL 0029/20 (mortgage borrower Energoprojekt Holding and debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja and Energoprojekt Oprema);
- OTP Bank Serbia in the amount of EUR 14,159,060.12 under the General Agreement on Short-Term Multipurpose Revolving Line no. 01/13, as amended, including in particular Annex 25 (mortgage borrower Energoprojekt Holding and debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Oprema and Energoprojekt Hidroinženjering); and
- OTP Bank Serbia in the amount of EUR 3,218,846.31 under the Framework Agreement on Issuance of Bank Guarantees, Letters of Credit and Binding Letters of Intent no. OUG 2125/16, as amended including in particular Annex 14 (debtor Energoprojekt Hidroinženjering, mortgage borrower Energoprojekt Holding and joint debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja and Energoprojekt Oprema).

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

Pursuant to the Decision made by Company Supervisory Board dated 20 March 2020, and according to the bank arrangement made with:

- OTP Bank Serbia Plc. - Annex 2 of the General Agreement on short-term multi-purpose revolving line no. MRL 11/20 in EUR 21,123,000 and all possible future annexes (Mortgage debtor Energoprojekt Holding and debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Oprema and Energoprojekt Hidroinženjering), on 13 March 2020, on Samački hotel and accompanying facilities an executive out-of-court mortgage was established. The property is registered in the List of Properties no. 2734 CP Zemun Polje as private property of the company Energoprojekt Holding Plc. Belgrade share volume 1/1. The mortgage was established in favour of OTP Banka Srbija Plc., in accordance with the Line Statement of Energoprojekt Holding Plc. certified before the competent authority comply with the Serbian Mortgage Law.

After the reporting period, The World Health Organization (WHO) declared COVID-19 a pandemic and on 15 March 2020, Republic of Serbia has introduced a state of emergency to halt the spread of coronavirus.

At this time with the constant deepening of RS Government's measures, the Management is not in position to make assessment of overall impact on the Company's operations and the financial result for 2020.

Management takes all necessary measures to ensure continuity of smooth operations and so that not to cast any doubt on the Company's ability to continue as a going concern.

In respect of aforementioned, the financial statements for the period 01 January – 31 December 2019 are not required to be adjusted.

After the reporting period, except for the above-mentioned non-adjusting events, there were no other that could significantly impact the credibility of financial statements.

Belgrade,

30 March 2020

  
Legal representative  
  
Stojan Čolakov  
M.Sc.C.E.  


2. INDEPENDENT AUDITOR'S REPORT (complete report)

---

**ENERGOPROJEKT HOLDING PLC, BELGRADE**

Independent Auditor's Report  
on the Audit of the  
Financial Statements for the Year 2019



---

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

**TABLE OF CONTENTS**

	<u><i>Pages</i></u>
INDEPENDENT AUDITORS' REPORT	
FINANCIAL STATEMENTS	
Balance sheet	
Income statement	
Statement of other comprehensive income	
Cash flow statement	
Statement of changes in equity	
Notes to the financial statements	

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

## **INDEPENDENT AUDITOR'S REPORT**

### **To the shareholders of "Energoprojekt Holding" Plc., Belgrade**

#### **Opinion**

*We have audited the accompanying annual financial statements of "Energoprojekt Holding" Plc., Belgrade (the "Company"), which comprise the balance sheet as at 31 December 2019, the income statements, the statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.*

*In our opinion, the accompanying financial statements give a true and fair view of the financial position of the "Energoprojekt Holding" Plc., Belgrade as at 31 December 2019, and of its financial performances and its cash flows for the year then ended in accordance with the current accounting regulations in effect in the Republic of Serbia and accounting policies disclosed in the notes to the financial statements.*

#### **Basis for Opinion**

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

#### **Emphasis of Matter**

*We draw attention to Note 45. to the financial statements - Events after the reporting period regarding the COVID 19 pandemic and that on 15 March 2020, Republic of Serbia has introduced a state of emergency to halt the spread of coronavirus, together with the measures taken by the Company's management to respond to the business challenges. Our opinion is not qualified in respect of this matter.*

#### **Key Audit Matters**

*Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.*

## INDEPENDENT AUDITOR'S REPORT

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

#### Key Audit Matters (Continued)

##### **Accounts Receivable from a Related Party "Energoprojekt Visokogradnja" Plc., Belgrade Valuation**

<b>Key Audit Matter</b>	<b>How our audit addressed the key audit matter</b>
<p>As of 31 December 2019, the amount of RSD 841,170 thousand was shown within the item Local buyers - parent company and subsidiaries, whereby receivable from "Energoprojekt Visokogradnja" Plc., Belgrade amounts to RSD 730,306 thousand. Valuation of receivable from related party "Energoprojekt Visokogradnja" Plc., Belgrade was identified as a key matter during the audit of financial statements as of 31 December 2019.</p> <p>By preliminary analytical procedures during our audit, it has been identified that the average period of "Energoprojekt Visokogradnja" Plc., Belgrade receivables collection significantly deviates from the optimal terms. In addition, at the transaction level it is a material significant figure. According to the accounting policy disclosed in paragraph 7.17. of Notes to the financial statements, the accounts receivable's value and probability of collection is evaluated by the management at the balance sheet date.</p>	<p>During our audit, we have noted the following to answer on identified key audit matter:</p> <p>We provided audit confirmation letter as of 31 December 2019, where the existence of receivable from related party "Energoprojekt Visokogradnja" Plc., Belgrade was approved.</p> <p>We have performed accounts receivable aging test determining outstanding balance and the time since it has become more than 365 days overdue. It has been found that is amount of RSD 650,172 thousand.</p> <p>Until the issuance of the audit report on 6 March 2020, we performed collection cycle test of accounts receivable as of 31 December 2019. It has been founded that accounts receivable from "Energoprojekt Visokogradnja" Plc., Belgrade were not collected until the end of the audit.</p> <p>We have been provided by the Management with Statement and arguments that evaluation and collectable of accounts receivable from "Energoprojekt Visokogradnja" Plc., Belgrade as of 31 December 2019 are not disputed. Such arguments are:</p> <p>The management believes that the prolongation of collection from related party is caused by poor business results that "Energoprojekt Visokogradnja" Plc., Belgrade has had for years, accompanied by low-volume operations and the process of restructuring. Allegedly, represents a type of financial support to the subsidiary, considering that "Energoprojekt Visokogradnja" Plc. Belgrade is 100% owned by "Energoprojekt Holding", and all with the aim of long-term business improvement of the subsidiary. Considering that already in 2019, the "EP Visokogradnja" Plc., Belgrade incurred better business results, the Management believes that the collectable of accounts receivables of Holding services and rentals will be settled in 2020, through partial collection and / or conversion into long-term receivables and / or through debt-to-equity swap and / or some other measure.</p> <p>We have accepted the above arguments, and the issue accounts receivable from related party "Energoprojekt Visokogradnja" Plc., Belgrade valuation will be opened during the next year audit.</p>

## INDEPENDENT AUDITOR'S REPORT

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

### Key Audit Matters (Continued)

#### *Long-term Placements to the Subsidiaries – Valuation and Collectible*

<b>Key Audit Matter</b>	<b>How our audit addressed the key audit matter</b>
<p><i>By substantive audit procedures, we have found that long-term placements of "Energoprojekt Holding" a.d., Belgrade to its subsidiaries as of the balance sheet, increased by RSD 1,103,632 thousand compared to last year on given date. The item afore-mentioned as of 31 December 2019, amounts to RSD 1,274,891 thousand.</i></p> <p><i>Given the significant change within stated balance sheet item, long-term placements were identified as a key audit matter with our particular focus on.</i></p>	<p><i>During our audit, we have noted the following to answer on identified key audit matter:</i></p> <p><i>The reason for significant increase in long - term placements to subsidiaries was examined. The funds were placed in prior periods and due to liquidity problems that the subsidiaries "Energoprojekt Oprema", "Energoprojekt Visokogradnja" and "Energoprojekt Energodata" faced with, on 31 December 2019, the Company reclassified those figures from the item of short-term to long-term financial placements. Accompanying accrued and uncollected interest was also reclassified. According to the Debt Restructuring Agreement signed with each related party separately, the maturity of short-term loans granted, including receivables for accrued interest, has been extended until 31 December 2021.</i></p> <p><i>The issue is disclosed in detail in Note no. 23.2. to the financial statements.</i></p> <p><i>We have been provided with Open Items Statements as of 31 December 2019, approving the existence of granted long-term placements.</i></p> <p><i>Valuation and collectible of placements granted to subsidiaries will be an open issue for next year's audit, to which significant attention will be paid.</i></p>



## INDEPENDENT AUDITOR'S REPORT

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

### Key Audit Matters (Continued)

#### *Equity Share in Subsidiaries Valuation*

<b>Key Audit Matter</b>	<b>How our audit addressed the key audit matter</b>
<p><i>Equity shares in subsidiaries as of 31 December 2019, amounted to RSD 5,616,040 thousand. According to the International Standard on Auditing 315: Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment, we have found that within share structure, equity investment in "Energoprojekt Energodata" amounts to RSD 194,862 thousand and in "Energoprojekt Oprema" RSD 121,316 thousand.</i></p> <p><i>Simultaneously, it has been determined that the these subsidiaries have significant operational issues accompanied by lack of business activities, restructuring plans, and decrease of employees. In respect of this matter, the problem of equity shares valuation in above-mentioned entities has been established as a significant risk, identified as a key audit matter with our particular focus on.</i></p>	<p><i>During our audit, we have noted the following to answer on identified key audit matter:</i></p> <p><i>The net assets value of "Energoprojekt Energodata" and "Energoprojekt Oprema" as of 31 December 2019 was checked. In both cases, the net working capital is a positive figure, ie in exceed of cumulative loss. Considering that subsidiaries faced with operational issues, the Management of the Company does not dispute them, but believes that they have not met all the prerequisites in accordance with IAS 36 - Impairment of assets and thus, as of 31 December 2019, the figures of equity shares in subsidiaries cannot be impaired. The management takes all measures to ensure uninterrupted operations and resolving issues that are the main initiators of operating losses incurred in these companies.</i></p> <p><i>We have accepted the above arguments, and the issue of valuation of equity shares in subsidiaries will be opened during the next year audit.</i></p>

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

*We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.*

*From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter, or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.*

## INDEPENDENT AUDITOR'S REPORT

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

### Other Information

#### Compliance of the 2019 Annual Business Report with the Financial Statements

*Management is responsible for other information. Other information is all information provided in the 2019 Annual Business Report, other than the financial statements and the Auditor's Report. Our opinion on the financial statements does not cover other information and we do not provide assurance thereon.*

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

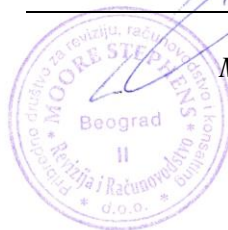
*In conjunction with our audit, it is our responsibility, in accordance with the International Standards on Auditing 720 - Auditor's Responsibility Relating to Other Information, to read this other information and to assess whether based on knowledge gained during our audit, it contains any material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

Belgrade, 30 April 2020

„MOORE STEPHENS  
Revizija i Računovodstvo“ d.o.o. Beograd  
4 Studentski Trg, 5<sup>th</sup> floor

---

Bogoljub Aleksić  
Managing Partner



**BALANCE SHEET**  
as at 31.12.2019.

RSD thousand

Account class, account	DESCRIPTION	EDP	Note No.	Total		
				Current year	Previous year	
					Closing balance on 31.12.2018.	Opening balance on 01.01.2018.
1	2	3	4	5	6	7
	<b>ASSETS</b>					
00	<b>A. SUBSCRIBED CAPITAL UNPAID</b>	0001		-	-	-
	<b>B. NON-CURRENT ASSETS (0003+0010+0019+0024+0034)</b>	0002		8.946.519	7.021.054	-
01	<b>I. INTANGIBLES (0004+0005+0006+0007+0008+0009)</b>	0003				
010 & part 019	1. Investments in development	0004	-	-	-	-
011, 012 & part 019	2. Concessions, patents, licenses, trademarks and service marks, software and other rights	0005	21.	27.637	4.681	-
013 & part 019	3. Goodwill	0006	-	-	-	-
014 & part 019	4. Other intangible assets	0007	-	-	-	-
015 & part 019	5. Intangible assets in progress	0008	-	-	-	-
016 & part 019	6. Advances paid on intangible assets	0009	-	-	-	-
02	<b>II. PROPERTY, PLANT AND EQUIPMENT (0011+0012+0013+0014+0015+0016+0017+0018)</b>	0010		1.983.168	1.933.237	-
020, 021 & part 029	1. Land	0011	-	-	-	-
022 & part 029	2. Buildings	0012	22.	1.293.711	1.305.656	-
023 & part 029	3. Plant and equipment	0013	22.	28.794	27.119	-
024 & part 029	4. Investment property	0014	22.	615.716	555.515	-
025 & part 029	5. Other property, plant and equipment	0015	22.	283	283	-
026 & part 029	6. Property, plant and equipment in progress	0016	-	-	-	-
027 & part 029	7. Investments in property, plant and equipment, not owned	0017	-	-	-	-
028 & part 029	8. Advances paid on property, plant and equipment	0018	22.	44.664	44.664	-
03	<b>III. NATURAL ASSETS (0020+0021+0022+0023)</b>	0019		-	-	-
030, 031 & part 039	1. Forests and growing crops	0020	-	-	-	-
032 & part 039	2. Livestock	0021	-	-	-	-
037 & part 039	3. Natural assets in progress	0022	-	-	-	-
038 & part 039	4. Advances paid for natural assets	0023	-	-	-	-
04, excl. 047	<b>IV. LONG TERM FINANCIAL INVESTMENTS (0025+0026+0027+0028+0029+0030+0031+0032+0033)</b>	0024		6.935.714	5.083.136	-
040 & part 049	1. Shares in subsidiaries	0025	23.1.	5.616.040	4.837.763	-
041 & part 049	2. Shares in affiliated companies and joint ventures	0026	23.1.	13.550	29.550	-
042 & part 049	3. Shares in other companies and other available for sale securities	0027	23.1.	30.240	43.347	-
part 043, part 044 & part 049	4. Long term investments in parent companies and subsidiaries	0028	23.2.	1.274.891	171.259	-
part 043, part 044 & part 049	5. Long term investments in other affiliated companies	0029	-	-	-	-
part 045 & part 049	6. Long term investments, domestic	0030	-	-	-	-
part 045 & part 049	7. Long term investments, foreign countries	0031	-	-	-	-
046 & part 049	8. Securities held to maturity	0032	-	-	-	-
048 & part 049	9. Other long term financial investments	0033	23.2.	993	1.217	-
05	<b>V. LONG TERM RECEIVABLES (0035+0036+0037+0038+0039+0040+0041)</b>	0034		-	-	-
050 & part 059	1. Receivables from parent company and subsidiaries	0035	-	-	-	-
051 & part 059	2. Receivables from other affiliated companies	0036	-	-	-	-
052 & part 059	3. Receivables from credit sales	0037	-	-	-	-
053 & part 059	4. Receivables from financial leasing contracts	0038	-	-	-	-
054 & part 059	5. Receivables from pledged assets	0039	-	-	-	-
055 & part 059	6. Bad debts and uncollectible claims	0040	-	-	-	-
056 & part 059	7. Other long term receivables	0041	-	-	-	-
288	<b>C. DEFERRED TAX ASSETS</b>	0042	-	-	-	-
	<b>D. OPERATING ASSETS (0044+0051+0059+0060+0061+0062+0068+0069+0070)</b>	0043		2.399.773	3.311.790	-
Class 1	<b>I. INVENTORIES (0045+0046+0047+0048+0049+0050)</b>	0044		63.887	6.425	-
10	1. Material, parts, tools and small inventories	0045	-	-	-	-
11	2. Work and services in progress	0046	-	-	-	-
12	3. Finished products	0047	-	-	-	-
13	4. Goods	0048	-	-	-	-
14	5. Fixed assets for sale	0049	24.	58.379	-	-
15	6. Advances paid for inventories and services	0050	24.	5.508	6.425	-

Account class, account	DESCRIPTION	EDP	Note No.	Total		
				Current year	Previous year	
					Closing balance on 31.12.2018.	Opening balance on 01.01.2018.
1	2	3	4	5	6	7
20	II. RECEIVABLES FROM SALES (0052+0053+0054+0055+0056+0057+0058)	0051		842.716	765.794	-
200 & part 209	1. Local buyers - parent company and subsidiaries	0052	25.	841.170	763.077	-
201 & part 209	2. Foreign buyers - parent company and subsidiaries	0053	-	-	-	-
202 & part 209	3. Local buyers - other affiliated companies	0054	-	-	705	-
203 & part 209	4. Foreign buyers - other affiliated companies	0055	-	-	-	-
204 & part 209	5. Local buyers	0056	25.	1.546	2.012	-
205 & part 209	6. Foreign buyers	0057	-	-	-	-
206 & part 209	7. Other receivables from sales	0058	-	-	-	-
21	III. RECEIVABLES FROM SPECIAL TRANSACTIONS	0059	26.	13.274	7.094	-
22	IV. OTHER RECEIVABLES	0060	27.	85.981	125.071	-
236	V. FINANCIAL ASSETS ASSESSED AT FAIR VALUE THROUGH BALANCE SHEET	0061	-	-	-	-
23 excl. 236 & 237	VI. SHORT TERM FINANCIAL INVESTMENTS(0063+0064+0065+0066+0067)	0062		802.842	1.795.477	-
230 & part 239	1. Short term loans and investments - parent company and subsidiaries	0063	28.	726.257	906.583	-
231 & part 239	2. Short term loans and investments - other affiliated companies	0064	28.	76.521	157.836	-
232 & part 239	3. Short term credits and loans, domestic	0065	-	-	-	-
233 & part 239	4. Short term credits and loans, foreign countries	0066	-	-	-	-
234, 235, 238 & part 239	5. Other short term financial investments	0067	28.	64	731.058	-
24	VII. CASH AND CASH EQUIVALENTS	0068	29.	184.016	200.519	-
27	VIII. VALUE ADDED TAX	0069	-	-	-	-
28 excl. 288	IX. PREPAYMENTS AND ACCRUED INCOME	0070	30.	407.057	411.410	-
	<b>E. TOTAL ASSETS = OPERATING ASSETS (0001+0002+0042+0043)</b>	0071		11.346.292	10.332.844	-
88	<b>F. OFF-BALANCE SHEET ASSETS</b>	0072	40.	21.520.459	22.683.687	-
	<b>LIABILITIES</b>					
	<b>A. CAPITAL (0402+0411-0412+0413+0414+0415-0416+0417+0420-0421) ≥ 0 = (0071-0424-0441-0442)</b>	0401		9.052.010	9.094.008	-
30	I. EQUITY CAPITAL (0403+0404+0405+0406+0407+0408+0409+0410)	0402		7.128.301	7.128.301	-
300	1. Share capital	0403	31.1.	5.574.959	5.574.959	-
301	2. Shares of limited liability companies	0404	-	-	-	-
302	3. Investments	0405	-	-	-	-
303	4. State owned capital	0406	-	-	-	-
304	5. Socially owned capital	0407	-	-	-	-
305	6. Shares of cooperatives	0408	-	-	-	-
306	7. Issuing premium	0409	31.1.	1.526.164	1.526.164	-
309	8. Other share capital	0410	31.1.	27.178	27.178	-
31	II. SUBSCRIBED CAPITAL UNPAID	0411	-	-	-	-
047 & 237	III. TREASURY SHARES REPURCHASED	0412	31.2.	49.827	49.827	-
32	IV. RESERVES	0413	31.3.	214.881	214.881	-
330	V. REVALUATION RESERVES FROM REVALUATION OF INTANGIBLES, PROPERTY, PLANT AND EQUIPMENT	0414	31.4.	784.634	784.634	-
33 excl. 330	VI. UNREALISED GAINS FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT (credit balance under account class 33 excl. 330)	0415	-	-	-	-
33 excl. 330	VII. UNREALISED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT (debit balance under account class 33 excl. 330)	0416	31.5.	17.316	4.208	-
34	VIII. RETAINED EARNINGS (0418+0419)	0417		1.019.599	1.020.227	-
340	1. Retained earnings from previous years	0418	31.6.	1.019.599	256.754	-
341	2. Retained earnings from current year	0419	-	-	763.473	-
	IX. NON-CONTROLLING INTEREST	0420	-	-	-	-
35	X. LOSSES (0422+0423)	0421		28.262	-	-
350	1. Losses from previous years	0422	-	-	-	-
351	2. Losses from current year	0423	31.7.	28.262	-	-
	<b>B. LONG TERM PROVISIONS AND LIABILITIES (0425+0432)</b>	0424		1.235.435	2.812	-
40	I. LONG TERM PROVISIONS (0426+0427+0428+0429+0430+0431)	0425		3.262	2.812	-
400	1. Provisions for warranty costs	0426	-	-	-	-
401	2. Provisions for recovery of natural resources	0427	-	-	-	-
403	3. Provisions for restructuring costs	0428	-	-	-	-
404	4. Provisions for wages and other employee benefits	0429	32.	3.262	2.812	-
405	5. Provisions for legal expenses	0430	-	-	-	-
402 & 409	6. Other long term provisions	0431	-	-	-	-

Account class, account	DESCRIPTION	EDP	Note No.	Total		
				Current year	Previous year	
					Closing balance on 31.12.2018.	Opening balance on 01.01.2018.
1	2	3	4	5	6	7
41	II. LONG TERM LIABILITIES (0433+0434+0435+0436+0437+0438+0439+0440)	0432		1.232.173	-	-
410	1. Liabilities convertible into capital	0433	-	-	-	-
411	2. Liabilities to parent company and subsidiaries	0434	-	-	-	-
412	3. Liabilities to other affiliated companies	0435	33.	1.196.624	-	-
413	4. Liabilities for issued securities for more than one year	0436	-	-	-	-
414	5. Long term credits and loans, domestic	0437	-	-	-	-
415	6. Long term credits and loans, foreign countries	0438	-	-	-	-
416	7. Long term liabilities from financial leasing	0439	-	-	-	-
419	8. Other long term liabilities	0440	33.	35.549	-	-
498	C. DEFERRED TAX LIABILITIES	0441	39.	156.053	154.137	-
42 to 49 (excl. 498)	D. SHORT TERM LIABILITIES (0443+0450+0451+0459+0460+0461+0462)	0442		902.794	1.081.887	-
42	I. SHORT TERM FINANCIAL LIABILITIES (0444+0445+0446+0447+0448+0449)	0443		744.878	898.427	-
420	1. Short term loans from parent company and subsidiaries	0444	-	-	-	-
421	2. Short term loans from other affiliated companies	0445	-	-	-	-
422	3. Short term credits and loans, domestic	0446	34.1.	744.754	898.279	-
423	4. Short term credits and loans, foreign countries	0447	-	-	-	-
427	5. Liabilities from fixed assets and assets from discontinued operations available for sale	0448	-	-	-	-
424,425,426 & 429	6. Other short term financial liabilities	0449	34.2.	124	148	-
430	II. RECEIVED ADVANCES, DEPOSITS AND BONDS	0450	35.	29.626	51.076	-
43 excl. 430	III OPERATING LIABILITIES (0452+0453+0454+0455+0456+0457+0458)	0451		21.611	12.159	-
431	1. Suppliers - parent company and subsidiaries, local	0452	36.	6.509	977	-
432	2. Suppliers - parent company and subsidiaries, foreign countries	0453	-	-	-	-
433	3. Suppliers - other affiliated companies, local	0454	-	-	-	-
434	4. Suppliers - other affiliated companies, foreign countries	0455	-	-	-	-
435	5. Suppliers, local	0456	36.	7.639	5.182	-
436	6. Suppliers, foreign countries	0457	36.	7.007	3.117	-
439	7. Other operating liabilities	0458	36.	456	2.883	-
44, 45 & 46	IV. OTHER SHORT TERM LIABILITIES	0459	37.	75.079	42.105	-
47	V. VALUE ADDED TAX	0460	38.1.	4.528	4.700	-
48	VI. OTHER TAXES, CONTRIBUTIONS AND FEES PAYABLE	0461	38.2.	693	45.839	-
49 excl. 498	VII. ACCRUED EXPENSES AND DEFERRED INCOME	0462	38.3.	26.379	27.581	-
	D. LOSSES EXCEEDING CAPITAL (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402) ≥ 0 = (0441+0424+0442-0071) ≥ 0	0463		-	-	-
	E. TOTAL LIABILITIES (0424+0442+0441+0401-0463) ≥ 0	0464		11.346.292	10.332.844	-
89	F. OFF-BALANCE LIABILITIES	0465	40.	21.520.459	22.683.687	-

Belgrade,

Date: 19.02.2020.



Legal Representative of the Company

*[Handwritten signature]*

**INCOME STATEMENT**  
from 01.01. until 31.12.2019.

RSD thousand

Account class, account	DESCRIPTION	EDP	Note No.	Total	
				Current year	Previous year
1	2	3	4	5	6
	<b>A. INCOME FROM NORMAL ACTIVITIES</b>				
60 to 65, excl. 62 & 63	<b>A. OPERATING INCOME (1002+1009+1016+1017)</b>	1001		<b>271.736</b>	<b>341.959</b>
60	I. INCOME FROM SALE OF MERCHANDISE (1003+1004+1005+1006+1007+1008)	1002		-	-
600	1. Income from sale of goods to parent company and subsidiaries on local market	1003	-	-	-
601	2. Income from sale of goods to parent company and subsidiaries on foreign markets	1004	-	-	-
602	3. Income from sale of goods to other affiliated companies on local market	1005	-	-	-
603	4. Income from sale of goods to other affiliated companies on foreign markets	1006	-	-	-
604	5. Income from sale of goods on local market	1007	-	-	-
605	6. Income from sale of goods on foreign markets	1008	-	-	-
61	II. INCOME FROM SALE OF PRODUCTS AND SERVICES (1010+1011+1012+1013+1014+1015)	1009		248.345	315.956
610	1. Income from sale of finished products and services to parent company and subsidiaries on local market	1010	9.1.	248.266	315.898
611	2. Income from sale of finished products and services to parent company and subsidiaries on foreign markets	1011	-	-	-
612	3. Income from sale of finished products and services to other affiliated companies on local market	1012	-	-	-
613	4. Income from sale of finished products and services to other affiliated companies on foreign markets	1013	-	-	-
614	5. Income from sale of finished products and services on local market	1014	9.1.	79	58
615	6. Income from sale of finished products and services on foreign markets	1015	-	-	-
64	III. INCOME FROM PREMIUMS, SUBSIDIES, GRANTS, DONATIONS, ETC.	1016	-	-	-
65	IV. OTHER OPERATING INCOME	1017	9.2.	23.391	26.003
	<b>EXPENSES FROM NORMAL ACTIVITIES</b>				
55 to 55, 62 & 63	<b>B. OPERATING EXPENSES (1019-1020-1021+1022+1023+1024+1025+1026+1027+1028+1029) ≥ 0</b>	1018		<b>344.617</b>	<b>362.247</b>
50	I. COST PRICE OF GOODS SOLD	1019	-	-	-
62	II. INCOME FROM USE OF OWN PRODUCTS AND MERCHANDISE	1020	-	-	-
630	III. INCREASE IN INVENTORIES OF INTERMEDIATE AND FINISHED GOODS AND SERVICES IN PROGRESS	1021	-	-	-
631	IV. DECREASE IN INVENTORIES OF INTERMEDIATE AND FINISHED GOODS AND SERVICES IN PROGRESS	1022	-	-	-
51 excl. 513	V. MATERIAL COSTS	1023	10.	5.313	5.582
513	VI. FUEL AND ENERGY COSTS	1024	10.	21.134	20.299
52	VII. EMPLOYEE EXPENSES AND BENEFITS	1025	11.	185.346	202.695
53	VIII. PRODUCTION SERVICE COSTS	1026	12.	51.189	56.538
540	IX. DEPRECIATION EXPENSES	1027	13.	20.947	20.817
541 to 549	X. PROVISION EXPENSES	1028	13.	595	216
55	XI. INTANGIBLE EXPENSES	1029	14.	60.093	56.100
	<b>C. OPERATING INCOME (1001-1018) ≥ 0</b>	1030		-	-
	<b>D. OPERATING LOSSES (1018-1001) ≥ 0</b>	1031		72.881	20.288
66	<b>E. FINANCIAL REVENUES (1033+1038+1039)</b>	1032		<b>98.358</b>	<b>628.645</b>
66, excl. 662, 663 & 664	I. FINANCIAL INCOME FROM AFFILIATED COMPANIES AND OTHER FINANCIAL REVENUES (1034+1035+1036+1037)	1033		93.000	615.557
660	1. Financial income from parent company and subsidiaries	1034	15.1.	65.314	605.737
661	2. Financial income from other affiliated companies	1035	15.1.	10.336	9.752
665	3. Share of profits in associated companies and joint ventures	1036	-	-	-
669	4. Other financial revenues	1037	15.1.	17.350	68
662	II. INTEREST INCOME (THIRD PARTY)	1038	15.1.	888	9.165
663 & 664	III. EXCHANGE RATE GAINS AND POSITIVE CURRENCY CLAUSE EFFECTS (THIRD PARTY)	1039	15.1.	4.470	3.923
56	<b>F. FINANCIAL EXPENSES (1041+1046+1047)</b>	1040		<b>87.212</b>	<b>37.209</b>
56, excl. 562, 563 & 564	I. FINANCIAL EXPENSES FROM TRANSACTIONS WITH AFFILIATED COMPANIES AND OTHER FINANCIAL EXPENDITURE (1042+1043+1044+1045)	1041		56.637	5.167
560	1. Financial expenses from transactions with parent company and subsidiaries	1042	15.2.	15.303	4.638
561	2. Financial expenses from transactions with other affiliated companies	1043	15.2.	41.334	529
565	3. Share of losses in affiliated companies and joint ventures	1044	-	-	-
566 & 569	4. Other financial expenditure	1045	-	-	-
562	II. INTEREST EXPENSES (THIRD PARTY)	1046	15.2.	28.036	30.564
563 & 564	III. EXCHANGE RATE LOSSES AND NEGATIVE CURRENCY CLAUSE EFFECTS (THIRD PARTY)	1047	15.2.	2.539	1.478
	<b>G. FINANCIAL GAINS (1032-1040)</b>	1048		<b>11.146</b>	<b>591.436</b>
	<b>H. FINANCIAL LOSSES (1040-1032)</b>	1049		-	-

Account class, account	DESCRIPTION	EDP	Note No.	Total	
				Current year	Previous year
1	2	3	4	5	6
683 & 685	I. INCOME FROM VALUE ADJUSTMENT OF OTHER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT	1050	-	-	-
583 & 585	J. EXPENSES FROM VALUE ADJUSTMENT OF OTHER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT	1051	-	-	-
67 & 68, excl. 683 & 685	K. OTHER INCOME	1052	16.1.	69.771	274.396
57 & 58, excl. 583 & 585	L. OTHER EXPENSES	1053	16.2.	38.140	37.582
	M. INCOME FROM NORMAL OPERATIONS BEFORE TAX (1030-1031+1048-1049+1050-1051+1052-1053)	1054		-	807.962
	N. LOSSES FROM NORMAL OPERATIONS BEFORE TAX (1031-1030+1049-1048+1051-1050+1053-1052)	1055		30.104	-
69-59	O. NET PROFIT FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT OF ERRORS FROM PREVIOUS YEARS	1056	17.	3.758	2.232
59-69	P. NET LOSSES FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT OF ERRORS FROM PREVIOUS YEARS	1057	-	-	-
	Q. PROFIT BEFORE TAX (1054-1055+1056-1057)	1058	-	-	810.194
	R. LOSSES BEFORE TAX (1055-1054+1057-1056)	1059	18.	26.346	-
	S. INCOME TAX		-	-	-
721	I. TAXABLE EXPENSES FOR THE PERIOD	1060	-	-	45.113
part 722	II. DEFERRED TAX EXPENSES FOR THE PERIOD	1061	19.	1.916	1.608
part 722	III. DEFERRED TAX INCOME FOR THE PERIOD	1062	-	-	-
723	T. MANAGEMENT EARNINGS	1063	-	-	-
	U. NET PROFIT (1058-1059-1060-1061+1062-1063)	1064	-	-	763.473
	V. NET LOSSES (1059-1058+1060+1061-1062+1063)	1065	19.	28.262	-
	I. NET PROFIT PAYABLE TO MINORITY SHAREHOLDERS	1066	-	-	-
	II. NET PROFIT PAYABLE TO MAJORITY SHAREHOLDER	1067	-	-	-
	III. NET LOSSES ATTRIBUTABLE TO MINORITY SHAREHOLDERS	1068	-	-	-
	IV. NET LOSSES ATTRIBUTABLE TO MAJORITY SHAREHOLDER	1069	-	-	-
	V. EARNINGS PER SHARE		-	-	-
	1. Basic earnings per share	1070	-	-	-
	2. Reduced (diluted) earnings per share	1071	-	-	-

Belgrade,

Date: 19.02.2020.



Legal Representative of the Company



**STATEMENT OF OTHER RESULTS**  
from 01.01. until 31.12.2019.

RSD thousand

Account class, account	DESCRIPTION	EDP	Amount	
			Current year	Previous year
1	2	3	4	5
	<b>A. NET OPERATING RESULTS</b>			
	I. NET PROFIT (EDP 1064)	2001		763,473
	II. NET LOSSES (EDP 1065)	2002	28,262	
	<b>B. OTHER COMPREHENSIVE RESULTS OR LOSSES</b>			
	a) Items not reclassifiable in the balance sheet in future periods			
330	1. Change of revaluation of intangibles, property, plant and equipment			
	a) increase in revaluation reserves	2003		2,983
	b) decrease in revaluation reserves	2004		
331	2. Actuarial gains or losses from defined income plans			
	a) gains	2005		
	b) losses	2006		
332	3. Gains and losses from equity instrument investments			
	a) gains	2007		
	b) losses	2008		
333	4. Gains and losses from share of other comprehensive profits and losses of affiliates			
	a) gains	2009		
	b) losses	2010		
	b) Items that may be reclassified in the balance sheet in future periods			
334	1. Gains and losses from translation of financial statements for foreign operations			
	a) gains	2011		
	b) losses	2012		
335	2. Gains and losses from hedging of net investments in foreign operations			
	a) gains	2013		
	b) losses	2014		
336	3. Gains and losses from cash flow hedging			
	a) gains	2015		
	b) losses	2016		
337	4. Gains and losses from available for sale securities			
	a) gains	2017	1,088	14,673
	b) losses	2018	14,196	
	I. OTHER COMPREHENSIVE GROSS PROFIT (2003+2005+2007+2009+2011+2013+2015+2017) - (2004+2006+2008+2010+2012+2014+2016+2018) ≥ 0	2019		17,656
	II. OTHER COMPREHENSIVE GROSS LOSSES (2004+2006+2008+2010+2012+2014+2016+2018) - (2003+2005+2007+2009+2011+2013+2015+2017) ≥ 0	2020	13,108	
	III. TAX ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2021		447
	IV. NET OTHER COMPREHENSIVE PROFIT (2019-2020-2021) ≥ 0	2022		17,209
	V. NET OTHER COMPREHENSIVE LOSSES (2020-2019+2021) ≥ 0	2023	13,108	
	<b>C. TOTAL COMPREHENSIVE NET RESULTS FOR THE PERIOD</b>			
	I. TOTAL COMPREHENSIVE NET PROFIT (2001-2002+2022-2023) ≥ 0	2024		780,682
	II. TOTAL COMPREHENSIVE NET LOSSES (2002-2001+2023-2022) ≥ 0	2025	41,370	
	<b>D. TOTAL COMPREHENSIVE NET PROFIT OR LOSSES (2027+2028) = AOP 2024 ≥ 0 or AOP 2025 &gt; 0</b>	2026		
	1. Payable to majority shareholders	2027		
	2. Payable to non-controlling shareholders	2028		

Belgrade,

Date: 19.02.2020.

Legal Representative of the Company




**CASH FLOW STATEMENT**  
from 01.01. until 31.12.2019.

RSD thousand

Description	EDP	Total	
		Current year	Previous year
1	2	3	4
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>I. Cash inflow from operating activities ( 1 to 3)</b>	3001	<b>300,837</b>	<b>476,806</b>
1. Sales and prepayments	3002	282,370	437,448
2. Interests from operating activities	3003	-	-
3. Other inflow from normal operations	3004	18,467	39,358
<b>II. Cash outflow from operating activities ( 1 to 5)</b>	3005	<b>511,928</b>	<b>529,925</b>
1. Payments to suppliers and prepayments	3006	182,063	201,873
2. Employee expenses and benefits	3007	183,464	198,221
3. Interests paid	3008	57,586	31,340
4. Income tax	3009	29,569	5,708
5. Payments based on other public revenues	3010	59,246	92,783
<b>III. Net cash inflow from operating activities (I-II)</b>	3011	-	-
<b>IV. Net cash outflow from operating activities (II-I)</b>	3012	<b>211,091</b>	<b>53,119</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>I. Cash inflow from investing activities (1 to 5 )</b>	3013	<b>1,123,095</b>	<b>1,449,820</b>
1. Sale of shares and stocks (net inflow)	3014	-	864,218
2. Sale of intangible investments, property, plant, equipment and natural assets	3015	31,001	5,575
3. Other financial investments (net inflow)	3016	1,053,462	-
4. Interest received from investment activities	3017	38,543	16,508
5. Dividends received	3018	89	563,519
<b>II. Cash outflow from investing activities (1 to 3)</b>	3019	<b>745,790</b>	<b>865,126</b>
1. Purchase of shares and stocks (net outflow)	3020	714,596	-
2. Purchase of intangible investments, property, plant, equipment and natural assets	3021	31,194	29,117
3. Other financial investments (net outflow)	3022	-	836,009
<b>III. Net cash inflow from investing activities (I-II)</b>	3023	<b>377,305</b>	<b>584,694</b>
<b>IV. Net cash outflow from investing activities (II-I)</b>	3024	-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>I. Cash inflow from financing activities ( 1 to 5)</b>	3025	-	-
1. Equity increase	3026	-	-
2. Long term loans (net inflow)	3027	-	-
3. Short term loans (net inflow)	3028	-	-
4. Other long term liabilities	3029	-	-
5. Other short term liabilities	3030	-	-
<b>II. Cash outflow from financing activities (1 to 6 )</b>	3031	<b>182,271</b>	<b>584,147</b>
1. Repurchase of own shares and stocks	3032	-	-
2. Long term loans (net outflow)	3033	-	-
3. Short term loans (net outflow)	3034	149,137	350,635
4. Other liabilities	3035	32,370	16,570
5. Financial leasing	3036	-	-
6. Dividends paid	3037	764	216,942
<b>III. Net cash inflow from financing activities ( I -II)</b>	3038	-	-
<b>D. Net cash outflow from financing activities (II-I)</b>	3039	<b>182,271</b>	<b>584,147</b>
<b>E. TOTAL CASH INFLOW (3001+3013+3025)</b>	3040	<b>1,423,932</b>	<b>1,926,626</b>
<b>F. TOTAL CASH OUTFLOW (3005+3019+3031)</b>	3041	<b>1,439,989</b>	<b>1,979,198</b>
<b>G. NET CASH INFLOW ( 3040-3041 )</b>	3042	-	-
<b>H. NET CASH OUTFLOW (3041-3040)</b>	3043	<b>16,057</b>	<b>52,572</b>
<b>I. CASH BALANCE AT BEGINNING OF REPORTING PERIOD</b>	3044	200,519	251,917
<b>J. EXCHANGE RATE GAINS FROM CASH TRANSLATION</b>	3045	-	1,174
<b>K. EXCHANGE RATE LOSSES FROM CASH TRANSLATION</b>	3046	446	-
<b>L. CASH BALANCE AT END OF REPORTING PERIOD ( 3042-3043+3044+3045-3046)</b>	3047	<b>184,016</b>	<b>200,519</b>

Belgrade,

Date: 19.02.2020.

Legal Representative of the Company



**STATEMENT OF CHANGES IN EQUITY**  
as at 31.12.2019.

No.	DESCRIPTION	Equity component															
		EDP	30 Equity capital	EDP	31 Subscribed capital unpaid	EDP	32 Provisions	EDP	35 Losses	EDP	047 & 237 Treasury shares repurchased	EDP	34 Retained earnings	EDP	330 Revaluation reserves	EDP	331 Actuarial gains or losses
1	2		3		4		5		6		7		8		9		10
1	<b>Opening balance on 01.01.2018.</b>																
	a) debit balance	4001	-	4019	-	4037	-	4055	-	4073	49,827	4091	-	4109	-	4127	-
	b) credit balance	4002	7,128,301	4020	-	4038	214,881	4056	-	4074	-	4092	473,425	4110	782,098	4128	-
2	<b>Adjustment for materially significant errors and changes in accounting policies</b>																
	a) adjustment of debit balance	4003	-	4021	-	4039	-	4057	-	4075	-	4093	-	4111	-	4129	-
	b) adjustment of credit balance	4004	-	4022	-	4040	-	4058	-	4076	-	4094	-	4112	-	4130	-
3	<b>Adjustment of opening balance on 01.01.2018.</b>																
	a) adjustment of debit balance (1a+2a-2b) ≥ 0	4005	-	4023	-	4041	-	4059	-	4077	49,827	4095	-	4113	-	4131	-
	b) adjustment of credit balance (1b-2a+2b) ≥ 0	4006	7,128,301	4024	-	4042	214,881	4060	-	4078	-	4096	473,425	4114	782,098	4132	-
4	<b>Changes in previous 2018. year</b>																
	a) debit balance activity	4007	-	4025	-	4043	-	4061	-	4079	-	4097	216,671	4115	447	4133	-
	b) credit balance activity	4008	-	4026	-	4044	-	4062	-	4080	-	4098	763,473	4116	2,983	4134	-
5	<b>Closing balance previous year at 31.12.2018.</b>																
	a) debit balance (3a+4a-4b) ≥ 0	4009	-	4027	-	4045	-	4063	-	4081	49,827	4099	-	4117	-	4135	-
	b) credit balance (3b-4a+4b) ≥ 0	4010	7,128,301	4028	-	4046	214,881	4064	-	4082	-	4100	1,020,227	4118	784,634	4136	-
6	<b>Adjustment for materially significant errors and changes in accounting policies</b>																
	a) adjustment of debit balance	4011	-	4029	-	4047	-	4065	-	4083	-	4101	-	4119	-	4137	-
	b) adjustment of credit balance	4012	-	4030	-	4048	-	4066	-	4084	-	4102	-	4120	-	4138	-
7	<b>Adjustment of opening balance current year at 01.01.2019.</b>																
	a) adjustment of debit balance (5a+6a-6b) ≥ 0	4013	-	4031	-	4049	-	4067	-	4085	49,827	4103	-	4121	-	4139	-
	b) adjustment of credit balance (5b-6a+6b) ≥ 0	4014	7,128,301	4032	-	4050	214,881	4068	-	4086	-	4104	1,020,227	4122	784,634	4140	-
8	<b>Changes in current 2019. year</b>																
	a) debit balance activity	4015	-	4033	-	4051	-	4069	28,262	4087	-	4105	628	4123	-	4141	-
	b) credit balance activity	4016	-	4034	-	4052	-	4070	-	4088	-	4106	-	4124	-	4142	-
9	<b>Closing balance at 30.09.2019.</b>																
	a) debit balance (7a+8a-8b) ≥ 0	4017	-	4035	-	4053	-	4071	28,262	4089	49,827	4107	-	4125	-	4143	-
	b) credit balance (7b-8a+8b) ≥ 0	4018	7,128,301	4036	-	4054	214,881	4072	-	4090	-	4108	1,019,599	4126	784,634	4144	-

Belgrade,

Date: 19.02.2020.

Name ENERGOPROJEKT HOLDING PLC

RSD thousand

No.	DESCRIPTION	Other results component									EDP	Total capital [ $\Sigma$ (row 1b col.3 to col.15) - $\Sigma$ (row 1a col.3 to col.15)] $\geq 0$	EDP	Losses exceeding capital [ $\Sigma$ (row 1a col.3 to col.15) - $\Sigma$ (row 1b col.3 to col.15)] $\geq 0$	
		EDP	332 Gains and losses from equity instrument investments	EDP	333 Gains and losses from share of other profits and losses of affiliates	EDP	334 & 335 Gains and losses from foreign operations and translation of financial statements	EDP	336 Gains and losses from cash flow hedging	EDP					337 Gains and losses from available for sale securities
1	2		11		12		13		14		15		16		17
1	<b>Opening balance on 01.01.2018.</b> a) debit balance b) credit balance	4145 4146	- -	4163 4164	- -	4181 4182	- -	4199 4200	- -	4217 4218	18,881 -	4235	8,529,997	4244	-
2	<b>Adjustment for materially significant errors and changes in accounting policies</b> a) adjustment of debit balance b) adjustment of credit balance	4147 4148	- -	4165 4166	- -	4183 4184	- -	4201 4202	- -	4219 4220	- -	4236		4245	-
3	<b>Adjustment of opening balance on 01.01.2018.</b> a) adjustment of debit balance (1a+2a-2b) $\geq 0$ b) adjustment of credit balance (1b-2a+2b) $\geq 0$	4149 4150	- -	4167 4168	- -	4185 4186	- -	4203 4204	- -	4221 4222	18,881 -	4237	8,529,997	4246	-
4	<b>Changes in previous 2018. year</b> a) debit balance activity b) credit balance activity	4151 4152	- -	4169 4170	- -	4187 4188	- -	4205 4206	- -	4223 4224	- 14,673	4238		4247	
5	<b>Closing balance previous year at 31.12.2018.</b> a) debit balance (3a+4a-4b) $\geq 0$ b) credit balance (3b-4a+4b) $\geq 0$	4153 4154	- -	4171 4172	- -	4189 4190	- -	4207 4208	- -	4225 4226	4,208 -	4239	9,094,008	4248	-
6	<b>Adjustment for materially significant errors and changes in accounting policies</b> a) adjustment of debit balance b) adjustment of credit balance	4155 4156	- -	4173 4174	- -	4191 4192	- -	4209 4210	- -	4227 4228	- -	4240		4249	-
7	<b>Adjustment of opening balance current year at 01.01.2019.</b> a) adjustment of debit balance (5a+6a-6b) $\geq 0$ b) adjustment of credit balance (5b-6a+6b) $\geq 0$	4157 4158	- -	4175 4176	- -	4193 4194	- -	4211 4212	- -	4229 4230	4,208 -	4241	9,094,008	4250	-
8	<b>Changes in current 2019. year</b> a) debit balance activity b) credit balance activity	4159 4160	- -	4177 4178	- -	4195 4196	- -	4213 4214	- -	4231 4232	14,196 1,088	4242		4251	41,998
9	<b>Closing balance at 30.09.2019.</b> a) debit balance (7a+8a-8b) $\geq 0$ b) credit balance (7b-8a+8b) $\geq 0$	4161 4162	- -	4179 4180	- -	4197 4198	- -	4215 4216	- -	4233 4234	17,316 -	4243	9,052,010	4252	-

Belgrade,

Date: 19.02.2020.

Legal Representative of the Company





**NOTES TO THE  
FINANCIAL STATEMENTS  
FOR THE YEAR 2019**

Belgrade, 2020

## CONTENTS

1.	COMPANY BACKGROUND .....	1
2.	MANAGEMENT STRUCTURE .....	4
3.	OWNERSHIP STRUCTURE .....	4
4.	BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS .....	4
5.	ACCOUNTING PRINCIPLES .....	9
6.	PRIOR PERIOD ERRORS, MATERIAL ERRORS AND CORRECTION OF OPENING BALANCE .....	10
7.	OVERVIEW OF PRINCIPAL ACCOUNTING POLICIES .....	11
7.1	Valuation .....	11
7.2	Effects of Foreign Exchange Rates .....	12
7.3	Revenues .....	12
7.4	Expenses .....	13
7.5	Interest and Other Borrowing Costs .....	14
7.6	Income Tax .....	14
7.7	Intangible Assets .....	16
7.8	Property, Plant and Equipment .....	17
7.9	Lease .....	18
7.10	Amortisation of Intangible Assets, Property, Plant and Equipment .....	19
7.11	Impairment of Intangible Assets, Property, Plant and Equipment .....	20
7.12	Investment Property .....	21
7.13	Inventories .....	22
7.14	Non-Current Assets Held for Sale .....	23
7.15	Financial Instruments .....	23
7.16	Cash and Cash Equivalents .....	25
7.17	Short-Term Receivables .....	26
7.18	Financial Investments .....	27
7.19	Liabilities .....	27
7.20	Provisions, Contingent Liabilities and Contingent Assets .....	28
7.21	Employee Benefit .....	30
7.22	Information on Business Segments .....	30
8.	FINANCIAL RISKS .....	31
8.1	Credit Risk .....	32
8.2.	Market Risk .....	34
8.3	Liquidity Risk .....	40
8.4	Capital Risk Management .....	41
	INCOME STATEMENT .....	43
9.	OPERATING INCOME .....	43
9.1	Income from Sale of Products and Services .....	43
9.2	Other Operating Income .....	44
10.	MATERIAL COSTS AND FUEL AND ENERGY COSTS .....	45
11.	EMPLOYEE EXPENSES AND BENEFITS .....	45
12.	PRODUCTION SERVICE COSTS .....	46
13.	DEPRECIATION EXPENSES AND PROVISION EXPENSES .....	47
14.	INTANGIBLE EXPENSES .....	47
15.	FINANCIAL INCOME AND FINANCIAL EXPENSE .....	48
15.1	Financial Income .....	48
15.2	Financial Expense .....	49
16.	OTHER INCOME AND OTHER EXPENSES .....	50
16.1	Other Income .....	50
16.2	Other Expenses .....	51
17.	NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGE IN ACCOUNTING POLICIES AND ADJUSTMENTS OF ERRORS FROM PREVIOUS YEARS .....	51
18.	PROFIT / LOSS BEFORE TAX .....	52
19.	NET PROFIT / (LOSS) .....	53
20.	EARNINGS / (LOSS) PER SHARE .....	53
	BALANCE SHEET .....	54
21.	INTANGIBLES ASSETS .....	54

22.	PROPERTY, PLANT AND EQUIPMENT .....	55
23.	LONG-TERM FINANCIAL INVESTMENTS .....	58
23.1	Share Investments .....	59
23.2	Long-Term Financial Investments .....	62
24.	INVENTORIES .....	63
25.	RECEIVABLES FROM SALES .....	65
26.	RECEIVABLES FROM SPECIAL TRANSACTIONS .....	67
27.	OTHER RECEIVABLES .....	68
28.	SHORT-TERM FINANCIAL INVESTMENTS .....	69
29.	CASH AND CASH EQUIVALENTS .....	72
30.	PREPAYMENTS AND DEFERRED EXPENSES .....	73
31.	CAPITAL .....	74
31.1	Equity Capital .....	75
31.2	Purchased own shares .....	77
31.3	Reserves .....	77
31.4	Revaluation Reserves from Revaluation of Intangibles, Property, Plant and Equipment .....	77
31.5	Unrealized Losses from Securities and Other Components of Other Comprehensive Result (debit balance under account class 33, excl. 330) .....	78
31.6	Retained Earnings .....	78
31.7	Loss .....	79
32.	LONG-TERM PROVISIONS .....	79
33.	LONG-TERM LIABILITIES .....	82
34.	SHORT-TERM FINANCIAL LIABILITIES .....	83
34.1	Short-Term Credits and Loans Domestic .....	83
34.2	Other Short-Term Financial Liabilities .....	84
35.	RECEIVED ADVANCES, DEPOSED MONEY AND CAUTIONS .....	84
36.	OPERATING LIABILITIES .....	85
37.	OTHER SHORT-TERM LIABILITIES .....	86
38.	LIABILITIES FOR VALUE ADDED TAX, LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND FEES PAYABLE AND ACCRUED EXPENSES AND DEFERRED INCOME .....	87
38.1	Liabilities for Value Added Tax .....	87
38.2	Liabilities for Other Taxes, Contributions and Fees Payable .....	87
38.3	Accrued Expenses and Deferred Income .....	88
39.	DEFERRED TAX ASSETS AND LIABILITIES .....	88
40.	OFF-BALANCE SHEET ASSETS AND LIABILITIES .....	91
41.	MORTGAGES REGISTERED IN FAVOUR AND/OR AGAINST THE COMPANY .....	92
42.	RECONCILIATION OF CLAIMS AND LIABILITIES .....	93
43.	TRANSACTIONS WITH RELATED PARTIES .....	93
44.	COMMITMENTS AND CONTINGENCIES .....	96
45.	EVENTS AFTER THE REPORTING PERIOD .....	106

## 1. COMPANY BACKGROUND

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

The Company harmonized its operations with the Companies Law (RS Official Gazette No. 36/2011, 99/2011, 83/2014 - other law and 5/2015, 44/2018 and 95/2018) by passing the Decision on Harmonization of Company's Articles of Association with the Companies Law adopted on the General Assembly meeting on 16 March 2012 and by passing the Articles of Association on the General Assembly meeting on 12 January 2012. The decisions, and in this regard data changes entered into the register, have been duly registered.

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

### General Company Data

<i>Head Office</i>	Beograd, Bulevar Mihaila Pupina 12
<i>Registration Number</i>	07023014
<i>Registered business code and name of the business activity</i>	6420 – holding company
<i>Tax Identification Number</i>	100001513

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

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

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

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



Since 2010, the Energoprojekt Promet Ltd. has been dormant company without any business activities and any assets at its disposal. According to the accounting regulations for the last two consecutive years preceding the year in which the financial statements are submitted, the Serbian Business Registers Agency (SBRA) initiated a compulsory liquidation procedure for all companies that did not submit financial statements, from 2019. Energoprojekt Promet Ltd. does not submit financial statements to the SBRA starting with those for the year 2017.

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

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

On 30 July 2019, The Company sold its entire equity shares with the subsidiary Encom GmbH Consulting, Engineering & Trading, Germany (100.00%) (Notes 16.2 and 23.1).

**The joint company (joint venture) in the country is:**

- Enjub Ltd.

In 2019, affiliated company CEF Fima Southern Europe Activist Plc. Belgrade - in liquidation was liquidated and deleted from the Register of Business Entities and the Central Securities Register (Note 23.1).

The following table contains data on the ownership share in subsidiaries as of 31 December 2019.

<i>Equity shares in subsidiaries</i>	
<i>Subsidiary:</i>	<i>% ownership</i>
<i>In the country:</i>	
Energoprojekt Visokogradnja Plc.	100.00
Energoprojekt Niskogradnja Plc.	100.00
Energoprojekt Oprema Plc.	67.87
Energoprojekt Hidroinženjering Plc.	100.00
Energoprojekt Urbanizam and arhitektura Plc.	100.00
Energoprojekt Energodata Plc.	100.00
Energoprojekt Industrija Plc.	62.77
Energoprojekt Entel Plc.	99.95
Energoprojekt Promet Ltd.	100.00
Energoprojekt Sunnyville Ltd.	100.00
Energoprojekt Park 11 Ltd.	100.00

*Energoprojekt Holding Plc.*

<i>Equity shares in subsidiaries</i>	
<i>Subsidiary:</i>	<i>% ownership</i>
<i>Abroad:</i>	
Zambia Engineering and Contracting Company Limited, Zambia	100.00
Energoprojekt Holding Guinee S.A, Guinea	100.00
I.N.E.C. Engineering Company Limited, Great Britain	100.00
Dom 12 S.A.L, Liban	100.00
Energo (private) Limited, Zimbabwe	100.00
Energo Kaz d.o.o., Kazahstan	100.00

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

<i>Equity share in other affiliated legal entities in the country</i>	
<i>Name of the joint company</i>	<i>% ownership</i>
Enjub Ltd.	50.00

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

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

**The average number of employees** with the Company in the reporting period, based on the actual number of employees at the end of each month, is 75 (as at 31 December 2018: 75).

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

The financial statements that are subject of these Notes are the **financial statements of the Company for the period from 1 January till 31 December 2019** that were approved by the Supervisory Board of the Company on the 26 February 2020, at the 81<sup>st</sup> meeting, with what they are corrected and thus set by the Supervisory Board of the Company on 30 April 2020, at the 87<sup>th</sup> meeting, and that are subject to an audit by an external auditor.

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

Comparative information are the audited financial statements of the Company for the year 2018.

The Company's management assesses that the Company continues to operate for an indefinite period of time and does not expect significant changes in the business, and thus the Company's financial statements for 2019 are prepared in accordance with a going concern principle.

## **2. MANAGEMENT STRUCTURE**

**Key management of the Company** for the period as of 30 June included the following persons:

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

**Key management of the Company** for the period from 01 July included the following persons:

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

## **3. OWNERSHIP STRUCTURE**

According to records of the Central Securities Depository, the registered ownership structure of the Company as at 31 December 2019 is presented in the Note 31.1.

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

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

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

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

The Company financial statements were presented in the form and with the content specified by the provisions of the Rules on the Contents and Form of Financial Statements' Forms submitted by Companies, Cooperatives and Entrepreneurs (RS Official Gazette, No. 95/2014 and 144/2014).

These Rules, among other things, laid down the form and content of individual positions in the Balance Sheet, Income Statement, Other Comprehensive Income Report, Cash Flow Statement, Statement of Changes in Equity and Notes to Financial Statements. Pursuant to the above mentioned Rules, amounts in RSD thousands are to be presented in these forms.

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

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

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

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

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

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

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

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

- Pursuant to the Law on Accounting (RS Official Gazette, No. 62/2013 and 30/2018) , the financial statements in the Republic of Serbia are to be presented in the format stipulated by the Rules on the Contents and Form of the Financial Statements Forms for Companies, Cooperatives and Entrepreneurs (RS Official Gazette, No. 95/2014 and 144/2014), which deviates from the presentation and names of certain general purpose financial statements, as well as from the presentation of certain balance positions stipulated by the Revised IAS 1 - “Presentation of Financial Statements“; and
- Off-balance assets and off-balance liabilities were presented in the Balance Sheet form. According to the IFRS definition, these items are neither assets, nor liabilities.

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

*Published standards and interpretations in force in the previous and current period that have not yet been officially translated or adopted*

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

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

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

- Amendments to IFRS 11 "Joint Arrangements" - Accounting for acquisition of participation in joint businesses (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Interpretation of the accepted methods of depreciation (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Industrial plants (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 27 "Separate Financial Statements" - Equity method in separate financial statements (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - The sale or transfer of assets between the investor and its associates or joint ventures (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of interests in other entities" and IAS 28 "Investments in Associates and Joint Ventures" - investing companies: exception of application for consolidation (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 1 "Presentation of Financial Statements" - Initiative for disclosure (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to various standards "Improvements IFRS" (for period from 2012 to 2014), which are the result of Project annual improvement IFRS (IFRS 5, IFRS 7, IAS 19, IAS 34) primarily through the elimination of inconsistencies and explanations of the text (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 7 "Cash Flow Statement" - request for disclosures that allow users to assess changes in liabilities arising from financing activities (effective from 1 January, 2017);
- Clarifications related to IAS 12 "Income Tax" aimed in reduction of diversity in practice when it is about deferred tax assets arise from unrealized losses (effective from 1 January, 2017);
- Amendments to IFRS 12 "Disclosures of Interests in Other Entities" (effective from 1 January, 2017);
- IFRS 16 "Lease" - published in January 2016, the application is for business periods beginning on or after 1 January, 2019. The standards will replace current IAS 17;
- IFRS 3 "Business Combinations" - a supplement relating to clarifications when one party acquires control in a previous joint venture. The change shall enter into force for business combinations whose date of purchase is on or after the first annual reporting period beginning on or after 1 January 2019. It may be contrary to amendments to IFRS 11;
- IFRIC 23 - interpretation relating to IAS 12. Interpretation shall enter into force on or after 1 January 2019, but an earlier application is permitted;
- Interpretations to IFRS 11 related to transactions in which entity obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. This may be contrary to IFRS 3;
- Amendments to various standards and interpretations IFRS (IFRS 1 and IAS 28) which are part of the IFRS annual improvements project 2014-2016 cycle, primarily through the elimination of inconsistencies and explanations of the text (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 2 "Share-based Payments" - clarifications on how to record certain types of share-based transactions (effective for annual periods beginning on or after 1 January 2018);

- Amendments to IFRS 4 “Insurance Contracts” - amendments related to Implementation of IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IAS 40 “Investment Property” - clarification of the principle of classification of investment property (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 9 „Financial Instruments“ - defining the conditions for measuring financial assets at amortized cost or at fair value through other comprehensive results (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” – clarification about recording of long-term investments in associates and joint ventures (effective for annual periods beginning on or after 1 January 2019);
- Amendments to various standards and interpretations IFRS (IFRS 3, IFRS 11, IAS 12, IAS 23) which are part of the IFRS annual improvements project 2015-2017 cycle, primarily through the elimination of inconsistencies and explanations of the text (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 19 Employee Benefits - defining how to calculate defined benefit plans when changes, limits, or settlements occur during the reporting period (effective for annual periods beginning on or after 1 January 2019).

*Published standards and interpretations that have not yet come into force*

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

- IFRS 9 “Financial Instruments” and subsequent amendments, which replaces the requirements of IAS 39 “Financial Instruments: Recognition and Measurement”, relating to the classification and measurement of financial assets. Standard eliminates the existing categories of IAS 39 – Assets held to maturity, available for sale and loans and receivables. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. In accordance with IFRS 9, financial assets will be classified into one of two categories listed at initial recognition: financial assets measured at amortized cost or financial assets measured at fair value. A financial asset will be recognized at amortized cost if the following two criteria are met: assets related to the business model, which aims to apply the agreed cash flows and contractual terms provide a basis for payment on certain dates the cash flows that are solely the collection of principal and interest on the principal outstanding. All other assets will be valued at fair value. Gains and losses on valuation of financial assets at fair value will be recognized in the income statement, except for investments in equity instruments with non trading, where IFRS 9 permits, at initial recognition, the selection of unchangeable later that all changes in fair value recognized in within other gains and losses in the statement of comprehensive income. The amount thus be recognized within the statement of comprehensive income will not be able later to be recognized in the income statement;
- IFRS 15 “Revenue from contracts with customers”, which defines the framework for the recognition of revenue. IFRS 15 supersedes IAS 18 “Revenue”, IAS 11 “Construction contracts”, IFRIC 13 “Customer loyalty programmes”, IFRIC 15 “Agreements for the construction of real estate”, IFRIC 18 “Transfers of assets from customers” and SIC-31 - Revenue – barter transactions involving advertising services”. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted;
- Amendments to IFRS 4 relate to IFRS 9, applied before applying IFRS 17 that will replace IFRS 4;

- Amendments to IFRS 7 relate to IFRS 9;
- IFRS 17 replaces IFRS 4 - application to Financial Statements beginning 1 January 2021. Early application is conditioned by adoption of IFRS 9 and IFRS 15;
- Amendments to IFRS 3 “Business Combinations” - clarifying the definition of business (effective for annual periods beginning on or after 1 January 2020);
- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - mainly elimination of inconsistencies and clarification of formulations (effective for annual periods beginning on or after 1 January 2020);
- Revised Conceptual Framework for Financial Reporting determines the objective of financial reporting, general purposes, qualitative characteristics of useful financial information, description of reporting entity and limitations, definitions of assets, liabilities, equity, income and expenses and additional guidelines, criteria for recognition of assets and liabilities in the financial statements and guidelines for derecognition, presentation and disclosure concepts and guidelines, equity maintenance concept (effective for annual periods beginning after 1 January 2020).

## 5. ACCOUNTING PRINCIPLES

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

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

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

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

The **Prudence Principle** means applying a certain level of caution when preparing financial statements of the Company, so that the property and revenues are not overstated and obligations and expenses are not understated. The Prudence Principle, however, should not imply conscious, unrealistic decrease in revenues and capital of the Company or conscious, unrealistic increase of expenses and liabilities of the Company.

Namely, The Framework for Preparation and Presentation of Financial Statements clearly states that the Prudence Principle should not result in the forming of substantial hidden reserves, deliberate reduction of property of revenues, or deliberate exaggeration of liabilities or expenses causing the financial statements to become impartial and therefore unreliable.



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

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

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

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

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

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

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

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

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

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

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

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

## **7. OVERVIEW OF PRINCIPAL ACCOUNTING POLICIES**

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

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

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

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

### **7.1 Valuation**

In preparation and presentation of financial statements in compliance with the requirements of the legal regulations in force in the Republic of Serbia, the Company management is required to use the best possible valuations and reasonable assumptions. Although, understandably, the actual future results may vary, valuations and assumptions are based on information available at the balance sheet date. The most important valuations refer to the impairment of financial and non-financial assets and definition of assumptions, necessary for actuarial calculation of long-term compensations to employees based on the retirement bonus.

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

If it is established that the recoverable (fair or value in use) value of assets in business books of the Company was overstated, the adjustment of value is applied.

## 7.2 Effects of Foreign Exchange Rates

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

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

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

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

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

<i>Currency</i>	<i>31.12.2019</i>	<i>31.12.2018</i>
	<i>Amount in RSD</i>	
1 EUR	117.5928	118.1946
1 USD	104.9186	103,3893
1 GBP	137.5998	131.1816

## 7.3 Revenues

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

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

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

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

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

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

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

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

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

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

For example, gains include gains from the sales of property, plant and equipment; at greater value from accounting one at the moment of sale.

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

#### **7.4. Expenses**

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

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

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

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

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

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

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

#### **7.5 Interest and Other Borrowing Costs**

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

#### **7.6 Income Tax**

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

- The current tax; and
- The deferred tax.

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

*The deferred tax includes:*

- Deferred tax assets or
- Deferred tax liabilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

A deductible temporary difference is stated at the balance sheet date by applying the prescribed tax rate of the income tax to the amount of the deductible temporary difference.

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

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

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

## **7.7 Intangible Assets**

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

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

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

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

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

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

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

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

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

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

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

## **7.8 Property, Plant and Equipment**

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

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

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

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



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

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

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

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

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

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

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

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

## **7.9 Lease**

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

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

The *fair value* is the amount for which the lease can be exchanged between knowledgeable, willing parties in arm's length transaction.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **7.12 Investment Property**

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

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

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

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

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

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

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

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

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

### **7.13 Inventories**

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

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

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

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

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

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

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

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

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

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

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

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

#### **7.14 Non-Current Assets Held for Sale**

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

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

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

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

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

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

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

Non-current assets held for sale are not depreciated.

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

#### **7.15 Financial Instruments**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **7.16 Cash and Cash Equivalents**

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



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

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

#### **7.17 Short-Term Receivables**

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

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

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

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

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

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

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

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

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

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

### **7.18 Financial Investments**

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

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

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

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

Shares in subsidiary companies and other affiliated companies, based on the relevant provisions of IAS 27 - Separate Financial Statements, investments in subsidiary companies, jointly controlled companies and associated legal entities are carried in the Company's books at their cost, in compliance with the cost method. If, however, in compliance with the provisions of IAS 36 - Impairment of Assets, it should be established that the recoverable amount of costs does not exceed the purchase (booking) price, the Company carries the equity investment amount at its recoverable amount, and the decrease (impairment) in equity investment is presented as an expense in the period in which such impairment was established. The classification performed by the management of the Company according to the features of the financial investment (financial assets at fair value through the income statement, held-to-maturity financial assets (investments), loans (credits) and available-for-sale financial assets) is relevant for subsequent measurement of long-term financial investments.

### **7.19 Liabilities**

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

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

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

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

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

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

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

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

## **7.20 Provisions, Contingent Liabilities and Contingent Assets**

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

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

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

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

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

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

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

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

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

**Contingent liability** is:

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

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

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

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

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

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

### **7.21 Employee Benefit**

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

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

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

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

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

### **7.22 Information on Business Segments**

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

## 8. FINANCIAL RISKS

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

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

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

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

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

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

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

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

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

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

The following will be presented below:

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

### **8.1 Credit Risk**

**A credit risk** is a risk of adverse effects to the financial result and capital of the Company due to debtor's failure to fulfil obligations towards the Company within the specified deadline.

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

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

The following data is presented in the Tables below:

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

<b>Structure of short-term receivables with no impairment in value</b>	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
<i>Trade receivables (Note 25):</i>		
a) Buyers domestic - subsidiaries and other related legal entities		
Energoprojekt Visokogradnja Plc.	730,306	678,761
Energoprojekt Niskogradnja Plc.	41,966	
Energoprojekt Hidroinženjering Plc.	8,561	18,571
Energoprojekt Entel Plc.	3,486	647
Energoprojekt Energodata Plc.	9,870	10,111
Energoprojekt Industrija Plc.		615
Energoprojekt Urbanizam i Arhitektura Plc.	2,347	
Energoprojekt Oprema Plc.	4,949	
Energoprojekt Sunnyville Ltd.	695	33,775
Energoprojekt Park 11 Ltd.	38,990	20,597
Enjub Ltd.		705
<i>Subtotal</i>	<i>841,170</i>	<i>763,782</i>
b) Buyers domestic (external)	1,546	2,012
<b><i>Subtotal</i></b>	<b><i>842,716</i></b>	<b><i>765,794</i></b>
<i>Receivables from specific operations (note 25):</i>		
a) Receivables from specific operations - subsidiaries and other related legal entities		
Energoprojekt Visokogradnja Plc.	5,130	2,321
Energoprojekt Niskogradnja Plc.	394	771
Energoprojekt Hidroinženjering Plc.	48	615
Energoprojekt Entel Plc.	38	39
Energoprojekt Energodata Plc.	197	
Energoprojekt Industrija Plc.	134	22
Energoprojekt Urbanizam i Arhitektura Plc.	24	33
Energoprojekt Oprema Plc.	159	25
Zambia Engineering and Contracting Company Limited, Zambia	1,503	836
I.N.E.C. Engineering Company Limited, Velika Britanija	362	359
Enjub Ltd.	5,283	2,071
<i>Subtotal</i>	<i>13,272</i>	<i>7,092</i>
b) Receivables from specific operations - other legal entities	2	2
<b><i>Subtotal</i></b>	<b><i>13,274</i></b>	<b><i>7,094</i></b>
<i>Other receivables (Note 26):</i>		
a) Other receivables - subsidiaries and other related legal entities		
Energoprojekt Visokogradnja Plc.		11,447
Energoprojekt Energodata Plc.		4
Energoprojekt Sunnyville Ltd.	3,769	21,199
Enjub Ltd.	80,602	74,413
<i>Subtotal</i>	<i>84,371</i>	<i>107,063</i>
b) other receivables - other legal entities	1,610	18,008
<b><i>Subtotal</i></b>	<b><i>85,981</i></b>	<b><i>125,071</i></b>
<b>TOTAL</b>	<b><i>941,971</i></b>	<b><i>897,959</i></b>

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



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

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

<b>Aging structure of short-term receivables with no impairment</b>	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
<i>Related parties:</i>		
a) Current	112,715	124,817
b) up to 30 days	21,020	13,723
c) 30 - 60 days	19,732	14,157
d) 60 - 90 days	18,880	13,716
e) 90 - 365 days	77,120	112,188
f) over 365 days	689,346	599,336
<b>Subtotal</b>	<b>938,813</b>	<b>877,937</b>
<i>Domestic buyers:</i>		
a) current	842	1,341
b) up to 30 days	706	673
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) over 365 days		
<b>Subtotal</b>	<b>1,548</b>	<b>2,014</b>
<i>Other:</i>		
a) current	1,264	17,370
b) up to 30 days		89
c) 30 - 60 days	185	88
d) 60 - 90 days		88
e) 90 - 365 days	155	373
f) over 365 days	6	-
<b>Subtotal</b>	<b>1,610</b>	<b>18,008</b>
<b>TOTAL</b>	<b>941,971</b>	<b>897,959</b>

## 8.2. Market Risk

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

The market risk includes three risk types:

- The currency risk,
- The interest risk and
- The price risk.

**The currency risk**, also called foreign exchange risk or exchange rate risk, is a risk of fair value fluctuation or the fluctuation of future financial instruments cash flows due to the change in exchange rates.

The currency risk arises from financial instruments in foreign currency or the currency other than the currency (functional) in which the financial instruments are measured in financial statements.

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

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

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

<i>Assets in EUR</i>		<i>Liabilities in EUR</i>	
<i>31.12.2019</i>	<i>31.12.2018</i>	<i>31.12.2019</i>	<i>31.12.2018</i>
<b>29,930,396</b>	<b>28,804,316</b>	<b>17,387,136</b>	<b>8,291,583</b>

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

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

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

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

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

liabilities.

Sensitivity analysis of results in case of depreciation of the national currency 10%	<i>in RSD thousand</i>	
	<i>2019.</i>	<i>2018.</i>
<b>NET EFFECT ON THE RESULTS IN THE CURRENT PERIOD</b>	<b>147,500</b>	<b>242,449</b>

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

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

Interest bearing structure of financial assets and liabilities with fluctuating interest rate	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Interest-bearing financial assets with fluctuating interest rate:		
Short term loans granted to related parties	76,521	157,836
<b>TOTAL</b>	<b>76,521</b>	<b>157,836</b>
Interest-bearing financial liabilities with fluctuating interest rate:		
short-term loans	744,754	827,362
<b>TOTAL</b>	<b>744,754</b>	<b>827,362</b>
<b>DIFFERENCE</b>	<b>(668,233)</b>	<b>(669,526)</b>

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

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

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

<b>The sensitivity analysis of results in case of interest rate growth of 1%</b>	<i>in RSD thousand</i>	
	<i>2019.</i>	<i>2018.</i>
<b>NET EFFECT ON THE CURRENT PERIOD RESULTS</b>	<b>(6,682)</b>	<b>(6,695)</b>

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

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

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

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

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

<b>Structure of liabilities to suppliers</b>	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
<i>Suppliers in the country and abroad - subsidiaries and other related parties</i>		
Energoprojekt Energodata Plc.	4,143	
Energoprojekt Industrija Plc.	1,570	
Energoprojekt Visokogradnja Plc.	406	683
Energoprojekt Urbanizam i arhitektura Plc.	390	294
Other		
<b>Subtotal</b>	<b>6,509</b>	<b>977</b>
<i>Suppliers in the country (externally):</i>		
SE Elektroprivreda Srbije, Beograd	1,194	1,117
Sava Neživotno Osiguranje Plc.	1,175	
UC „Beogradske elektrane“, Beograd	773	899
Miko Trade Ltd.	767	
Algotech Ltd.	503	506
Dedinje Ltd.	421	421
Universe Ltd.	263	
Kontrolmatik Ltd.	252	
other	2,291	2,239
<b>Subtotal</b>	<b>7,639</b>	<b>5,182</b>
<i>Suppliers abroad (externally):</i>		
Margo Inženjering Ltd.	3,810	
International Air Transport Association (IATA)	2,121	3,117
Lohn Igyvedi Iroda	1,076	
Other		
<b>Svega</b>	<b>7,007</b>	<b>3,117</b>
<b>UKUPNO</b>	<b>21,155</b>	<b>9,276</b>

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

<b>Aging structure of trade payables to suppliers</b>	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
<i>Related parties:</i>		
a) current	2,196	977
b) up to 30 days	942	
c) 30 - 60 days	471	
d) 60 - 90 days	493	
e) 90 - 365 days	2,407	
f) over 365 days		
<b>Subtotal</b>	<b>6,509</b>	<b>977</b>
<i>Suppliers in the country:</i>		
a) current	6,269	4,171
b) up to 30 days	1,086	502
c) 30 - 60 days	282	509
d) 60 - 90 days		
e) 90 - 365 days	2	
f) over 365 days		
<b>Subtotal</b>	<b>7,639</b>	<b>5,182</b>
<i>Suppliers abroad:</i>		
a) current	7,007	3,117
b) up to 30 days		
c) 30 - 60 days		
d) 60 - 90 days		
e) 90 - 365 days		
f) over 365 days		
<b>Subtotal</b>	<b>7007</b>	<b>3117</b>
<b>TOTAL</b>	<b>21,155</b>	<b>9,276</b>

According to the contractual agreements and for securing payment, the Company placed to SE Elektroprivreda Srbije, 12 blank bills of exchange with a "no protest" clause (for period 2019-2021). The Company received 3 blank bills of exchange from supplier Pan Computers Ltd. In behalf of guarantee for fulfillment of obligation within the guarantee period.

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

### 8.3 Liquidity Risk

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

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

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

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

<b>Liquidity Indicators</b>	Satisfactory general standards	<i>2019</i>	<i>2018</i>
General liquidity ratio	2:1	2.66:1	3.06:1
Rigorous ratio	1:1	2.59:1	3.06:1
Operating cash flow ratio		0.20:1	0.19:1
Net working capital (in RSD 000)	Positive value	1,496,979	2,229,903

The results of the ration analysis indicate that the Company was liquidity during 2019, meaning that it had no difficulties to fulfil due liabilities and maintain the necessary scope and structure of the working capital and good creditworthiness.

Therefore, we emphasize that:

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

#### 8.4 Capital Risk Management

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

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

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

Profitability indicators	In RSD thousand	
	2019	2018
Net profit/(loss)	(28,262)	763,473
Average capital		
a) capital at the beginning of year	9,094,008	8,529,997
b) capital at the end of year	9,052,010	9,094,008
<b>Total</b>	<b>9,073,009</b>	<b>8,812,003</b>
<b>Average return rate on own capital at the end of year</b>	<b>-0.31%</b>	<b>8.66%</b>

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

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

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



<b>Financial structure Indicator</b>	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Liabilities	2,294,282	1,238,836
Total assets	11,346,292	10,332,844
<b>Ratio of borrowed funds to total assets</b>	<b>0.20 : 1</b>	<b>0.12 : 1</b>
Long term assets:		
a) capital	9,052,010	9,094,008
b) long term provision and liabilities (including deferred tax liability)	1,391,488	156,949
<b>Subtotal</b>	<i>10,443,498</i>	<i>9,250,957</i>
Total assets	11,346,292	10,332,844
<b>Ratio of long term to total assets</b>	<b>0.92 : 1</b>	<b>0.90 : 1</b>

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

Net debt means the difference between:

- Total liabilities of the Company (total liabilities+capital reduced by capital and plus loss above equity, and
- Cash and cash equivalents.

<b>Parameters for the net debt to capital ratio</b>	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Net debt:		
a) Liabilities	2,294,282	1,238,836
b) Cash and cash equivalents	184,016	200,519
<i>Total</i>	<i>2,110,266</i>	<i>1,038,317</i>
Capital	9,052,010	9,094,008
<b>Net debt to capital ratio</b>	<b>1 : 4.29</b>	<b>1 : 8.76</b>

## INCOME STATEMENT

### 9. OPERATING INCOME

#### 9.1 Income from Sale of Products and Services

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

<b>Structure of income from sale of products and services</b>	<i>In RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Income from sale of finished products and services to parent company and subsidiaries on local market	248,266	315,898
Income from sale of finished products and services on local market	79	58
Income from sale of finished products and services on foreign markets		
<b>TOTAL</b>	<b>248,345</b>	<b>315,956</b>

**Income from sale of finished products and services to parent companies and subsidiaries on local market** are based on services rendered by the Company to its subsidiaries, in accordance with agreements approved and adopted by the competent management bodies of the Company and of the subsidiaries, in compliance with the relevant legal acts and these amounted to RSD 248,266 thousand

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

<b>Structure of income from the sale of finished products and services to subsidiaries on local market</b>	<i>In RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Energoprojekt Visokogradnja Plc.	44,784	77,824
Energoprojekt Niskogradnja Plc.	88,609	103,739
Energoprojekt Hidroinženjering Plc.	13,059	12,772
Energoprojekt Entel Plc.	44,960	41,108
Energoprojekt Energodata Plc.	2,970	5,639
Energoprojekt Industrija Plc.	6,234	6,138
Energoprojekt Urbanizam i arhitektura Plc.	3,248	3,150
Energoprojekt Oprema Plc.	24,458	44,508
Energoprojekt Sunnyville Ltd.	4,489	4,139
Energoprojekt Park 11 Ltd.	15,455	16,881
<b>TOTAL</b>	<b>248,266</b>	<b>315,898</b>

**Income from sale of finished products and services on local market** in the amount of RSD 79 thousand generated by the sale of airline tickets.

## 9.2 Other Operating Income

<b>Structure of other operating income</b>	<i>In RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Incomes from the rent collected from parent, subsidiary and other affiliated companies	13,480	14,392
Incomes from the rent collected from other legal entities on local market	9,306	11,402
Other operating income (externally)	605	209
<b>TOTAL</b>	<b>23,391</b>	<b>26,003</b>

**Incomes from the rent collected from parent, subsidiary and other affiliated companies** amounting to RSD 13,480 thousand, were generated based on:

- portion of the complex “Samački Hotel” complex in 24 Batajnički Drum, which has been rented since 2011 to the Energoprojekt Visokogradnja Company for RSD 13,050 thousand; and
- rent of a portion of the Energoprojekt building, which has been rented since 2016 to the Energoprojekt Sunnyville Company for RSD 430 thousand.

**Incomes from the rent collected from other legal entities on local market** amounting to RSD 9,306 thousand were generated primarily from leasing of:

- portion of the complex “Samački Hotel” complex in 24 Batajnički Drum, which has been rented since August 2017 to the Jerry Catering Service Ltd. for RSD 7,737 thousand;
- space on the roof terrace of the Energoprojekt building leased to Telekom Srbija Plc. in the amount of RSD 892 thousand; and
- part of the Energoprojekt building, which has been rented to the Sava Neživotno Osiguranje Plc. for RSD 526 thousand.

**10. MATERIAL COSTS AND FUEL AND ENERGY COSTS**

Structure of material cost and fuels and energy costs	In RSD thousand	
	01.01.- 31.12. 2019.	01.01.- 31.12. 2018.
Material costs:		
a) Costs of other materials (overheads)	5,313	5,582
b) Costs of one-off write-off of tools and inventory		
<i>Subtotal</i>	<i>5,313</i>	<i>5,582</i>
Fuel and energy costs:		
a) Costs of fuel	987	958
b) Costs of electrical energy and heatings	20,147	19,341
<i>Subtotal</i>	<i>21,134</i>	<i>20,299</i>
<b>TOTAL</b>	<b>26,447</b>	<b>25,881</b>

**Costs of other material (overheads)** amounting to RSD 5,313 thousand refer to the costs of office supplies amounting to RSD 2,101 thousand, professional and expert literature, magazines, etc., amounting to RSD 984 thousand and other material costs amounting to RSD 2,228 thousand.

**11. EMPLOYEE EXPENSES AND BENEFITS**

Structure of employee expenses and benefits	In RSD thousand	
	01.01.- 31.12. 2019.	01.01.- 31.12. 2018.
Expenses of wages and fringe benefits (gross)	135,533	147,547
Taxes and contributions on wages and contributions on wages payable by employer	21,199	23,782
Service agreements contributions	4,334	3,775
Copyright agreements contributions	418	334
Costs of contributions for contract fees for temporary and periodical engagement	1,028	2,169
Considerations to General Manager and/or Management and Supervisory Board members	12,874	12,766
Other personnel expenses and fringe benefits	9,960	12,322
<b>TOTAL</b>	<b>185,346</b>	<b>202,695</b>
Average number of employees	75	75

**Other personnel expenses** and fringe benefits amounting to RSD 9,960 thousand refer to the business trips' expenses amounting to RSD 2,903 thousand, Company expenses for employee commuting reimbursements amounting to RSD 2,379 thousand and other employee compensations amounting to RSD 4,678 thousand.

## 12. PRODUCTION SERVICE COSTS

Structure of production service costs	<i>In RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Service of outputs		
Transportation services cost	2,530	2,746
Repairs and maintenance services' costs	33,872	36,932
Rental costs	108	54
Trade fairs' costs		65
Advertising costs	980	1,589
Other service costs	13,699	15,152
<b>TOTAL</b>	<b>51,189</b>	<b>56,538</b>

**Transportation services' costs** in the amount of RSD 2,530 thousand refer to the landline costs and mobile phone costs, internet services, taxi services, parking services for cars, toad tolls, etc.

**Repairs and maintenance services costs** amounting to RSD 33,872 thousand pertain primarily to investment maintenance of the Energoprojekt building amounting to RSD 31,461 thousand and to the ongoing maintenance of equipment amounting to RSD 2,401 thousand.

**Advertising costs** amounting to RSD 980 thousand mainly pertain to the sponsorships expenses in the amount of RSD 592 thousand (primarily, 26<sup>th</sup> Kopaonik Business Forum) and costs of corporate review on the Company's operations in the amount of RSD 147 thousand.

**Costs of other services** amounting to RSD 13,699 thousand refer to the photocopying costs and costs of technical and operational support: RSD 6,150 thousand (mostly provided by the Energoprojekt Energodata Company in amount of RSD 5,269 thousand, in multimedia presentations, updating and preparation of advertising and promo materials for info panel, graphic design services and other); licenses' costs: RSD 4,392 thousand; utility services: RSD 2,700 thousand, occupational safety and car registration expenses: RSD 457 thousand.

### 13. DEPRECIATION EXPENSES AND PROVISION EXPENSES

Structure of depreciation expenses and provision	<i>In RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Depreciation expenses:		
a) Depreciation of intangible assets (Note 21)	2,923	3,190
b) Depreciation of property, plant and equipment (Note 22)	18,024	17,627
<i>Total</i>	<i>20,947</i>	<i>20,817</i>
Provisions expenses		
Provisions for employee expenses and benefits	595	216
<i>Total</i>	<i>595</i>	<i>216</i>
<b>TOTAL</b>	<b><i>21,542</i></b>	<b><i>21,033</i></b>

As of 31.12.2019, the evaluation of residual value and remaining useful life of property and equipment with significant carrying amounts was done. The effect of changes in accounting estimates influenced depreciation costs for 2019, and consequently carrying amount as of 31.12.2019.

Provisions for employee expenses and benefits amount to RSD 595 thousand (Notes 32).

### 14. INTANGIBLE EXPENSES

Structure of intangible expenses	<i>In RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Intangible expenses	25,507	20,591
Expense account	6,376	5,781
Insurance premiums expenses	1,428	1,723
Payment operations' expenses	1,801	3,963
Membership fee expenses	701	1,166
Tax duties	18,775	19,474
Other non-operating expenses	5,505	3,402
<b>TOTAL</b>	<b><i>60,093</i></b>	<b><i>56,100</i></b>

**Intangible expenses** amounting to RSD 25,507 thousand pertain to the costs of attorney fees, consulting and intellectual services, professional training, financial statements' audit costs, education of employees, broker services, Belgrade Stock Exchange services, cleaning services and other costs.

**Expense accounts** amounting to RSD 6,376 thousand primarily relate to the catering services.

**Insurance premium expenses** amounting to RSD 1,428 thousand refer to the insurance of property and persons.

**Payment operations expenses** amounting to RSD 1,801 thousand pertain to the local payment operations costs dominantly from loan fees and prolonged the loan.

**Membership fee expenses** amounting to RSD 701 thousand relate to membership fees to the Serbian Chamber of Commerce in the amount of RSD 440 thousand, as well as membership fees to other chambers and associations.

**Tax duties** in the amount of RSD 18,775 thousand refer predominantly to the property tax amounting to RSD 18,385 thousand.

**Other intangible expenses** amounting to RSD 5,505 predominantly refer to costs taxes and court expenses in the amount of RSD 3,680 thousand, printing the Energoprojekt's magazine in the amount of RSD 913 thousand and participation in financing salaries of persons with disabilities in the amount of RSD 446 thousand.

## 15. FINANCIAL INCOME AND FINANCIAL EXPENSE

### 15.1 Financial Income

Structure of financial income	In RSD thousand	
	01.01.- 31.12. 2019.	01.01.- 31.12. 2018.
Financial income from transactions with parent companies and subsidiaries	65,314	605,737
Financial income from other affiliated companies	10,336	9,752
Income from dividends	17,350	68
<i>Total financial income from the affiliated companies and other financial income</i>	<i>93,000</i>	<i>615,557</i>
Interest income (third party)	888	9,165
Exchange rate gains and positive currency clause effects (third party)	4,470	3,923
<b>TOTAL</b>	<b>98,358</b>	<b>628,645</b>

**Financial income from transactions with parent companies and subsidiaries** amounting to RSD 65,314 thousand refer to interest income from subsidiaries amounting to RSD 64,993 thousand and income from the effects of foreign exchange clauses and foreign exchange gains from subsidiaries amounting to RSD 321 thousand (income from dividends from subsidiaries were not incurred).

**Financial income from other affiliated companies** in the amount of RSD 10,336 thousand relates to the interest income from the joint venture Enjub Ltd. in the amount of RSD 6,581 thousand and positive currency clause effect for liabilities under the loan from Napred Razvoj Plc. in the amount of RSD 3,755 thousand.

**Income from dividends** in the amount of RSD 17,350 thousand relates income from distribution of the liquidation balance remained from Closed-End Investment Fund Fima Southern Europe Activist Plc. - in liquidation in the amount of RSD 17,261 thousand (Note no. 23.1) and dividend income from Dunav Osiguranje in the amount up to RSD 89 thousand.

**Interest income (third party)** in the amount of RSD 888 thousand refers regular interest on demand deposits and interest calculated from term deposits.

**Exchange rate gains and positive currency clause effects (third party)** in the amount of RSD 4,470 thousand pertain to the positive differences in exchange rates in the amount of RSD 78 thousand and income from the effects of foreign currency clause in the amount of RSD 4,392 thousand (predominantly from the effects of foreign currency clause originated from liabilities from borrowings from banks in the amount of RSD 4,251 thousand).

## 15.2 Financial Expense

Structure of financial expenses	In RSD thousand	
	01.01.- 31.12. 2019.	01.01.- 31.12. 2018.
Financial expenses from transactions with parent company and subsidiaries	15,303	4,638
Financial expenses from other affiliated companies	41,334	529
<i>Total financial expense incurred from affiliated companies and other financial expenses</i>	<i>56,637</i>	<i>5,167</i>
Interest expenses (third party)	28,036	30,564
Exchange rate losses and negative currency clause effects (third party)	2,539	1,478
<b>TOTAL</b>	<b>87,212</b>	<b>37,209</b>

**Financial expenses from transactions with parent companies and subsidiaries** in the amount of RSD 15,303 thousand dominantly pertain to the expenses incurred from the effects of foreign currency clauses from subsidiaries in the amount of RSD 14,310 thousand (mostly from loans in the amount of RSD 9,850 thousand, namely: Energoprojekt Sunnyville, Energoprojekt Oprema, Energoprojekt Urbanizam and Arhitektura, Energoprojekt Energodata and Energoprojekt Visokogradnja and receivables from sale of services in the amount of RSD 3,643 thousand, primarily: Energoprojekt Visokogradnja) and interest expenses from loan granted by Energoprojekt Niskogradnja in the amount of RSD 978 thousand.

**Financial expenses from other affiliated companies** in the amount of RSD 41,334 thousand pertain to the company Napred Razvoj Plc. in the amount of RSD 40,392 thousand (interest on loan: RSD 33,187 thousand, one-time loan approval costs: RSD 7,202 thousand and currency clause effects: RSD 3 thousand) and to the joint venture Enjub Ltd. in the amount of RSD 942 thousand (negative currency clause effects from loans and interest on loans).

**Interest expense (third party)** in the amount of RSD 28,036 thousand primarily relate to the interest expense from loans granted by banks in the country in amount of RSD 21,444 thousand (granted by the Erste bank, Jubmes Banka, Societe Generale Bank and Komercijalna Banka) and default interest in the amount of RSD 6,297 thousand (by Komercijalna banka in the amount of RSD 2,950 thousand and from lost court dispute with R. Ljubojević in the amount of RSD 3,347 thousand - Note 16.2).



**Exchange rate losses and negative currency clause effect (third party)** in the amount of RSD 2,539 thousand refer to foreign exchange losses in the amount of RSD 545 thousand and costs from effects of foreign currency clause in the amount of RSD 1,994 thousand, of which the largest portion relates to effects of foreign currency clause from receivable from non-invoiced revenue based on construction of the embassy in Abuja of RSD 1,909 thousand.

## 16. OTHER INCOME AND OTHER EXPENSES

### 16.1 Other Income

Structure of other income	In RSD thousand	
	01.01.- 31.12. 2019.	01.01.- 31.12. 2018.
Gains on sale of intangible assets, property, plant and equipment	2,960	95,262
Gains on sale of shares and securities		178,452
Income from effects of agreed risk protection, which cannot be disclosed under other comprehensive result	348	
Income from reduction in liabilities	6,122	
Other income	140	682
Income from value adjustment of property, plant and equipment	60,201	
<b>TOTAL</b>	<b>69,771</b>	<b>274,396</b>

**Gains on sale of intangible assets, property, plant and equipment** in the amount of RSD 2,960 thousand predominantly relate to gains on sale of fixed assets held for sale in the amount of RSD 2,959 thousand (Note 24).

**Income from effects of agreed risk protection, which cannot be disclosed under other comprehensive result** in the amount of RSD 348 thousand income generated from early bought apartment by physical body in accordance with the Agreement on purchase of social apartments from 1995.

**Income from reduction in liabilities** in the amount of RSD 6,122 thousand relates to figure of liabilities for dividends recorded as income in the amount of RSD 6,025 thousand and dividend tax in RSD 97 thousand due to expiration of the general statute of limitations of ten years.

**Other not mentioned income** in the amount of RSD 140 thousand pertain to income from sale of old paper.

**Income from value adjustment of property, plant and equipment** in the amount of RSD 60,201 thousand relates to adjustment of fair value of the "Samački hotel" building complex (Note 22).

## 16.2 Other Expenses

Structure of other expenses	<i>In RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Losses incurred from shelving and sale of intangible assets, property, plant and equipment	75	14
Loss from sales of equity shares and securities	3,493	
Expense from direct write-off of receivables		27,218
Other not mentioned expense	34,572	7,151
Impairment of property, plant and equipment		3,199
<b>TOTAL</b>	<b>38,140</b>	<b>37,582</b>

**Losses from sale of equity shares and securities** in the amount of RSD 3,493 thousand relate to losses on sale of equity shares of Encom GmbH Consulting, Engineering & Trading, Germany (Note 23.1).

**Other not mentioned expenses** in the amount of RSD 34,572 thousand predominantly pertain to compensation of damage to R. Ljubojević from lost court dispute (land expropriation) in the amount of RSD 32,370 thousand, bank penalty costs due to violated financial obligations from the contract related to the Net Debt / Ebit level in the amount of RSD 1,772 thousand and donations in the amount of RSD 200 thousand.

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

Structure of net profit/loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year	<i>in RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Net profit from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year	3,758	2,232
Net loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year		
<b>TOTAL</b>	<b>3,758</b>	<b>2,232</b>

**Net profit from discontinued operations, effects of change in accounting policy and corrections of errors from previous years** in the amount of RSD 3,758 thousand relate to the subsequently determined income, i.e. expenses from the previous period in the amounts that are not significant and based on those provided recognition at the expense of, or for behalf of current period.

**18. PROFIT / LOSS BEFORE TAX**

<b>Structure of gross result</b>	<i>In RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Operating income	271,736	341,959
Operating expenses	344,617	362,247
<b>Operating result</b>	<b>(72,881)</b>	<b>(20,288)</b>
Financial income	98,358	628,645
Financial expenses	87,212	37,209
<b>Financial result</b>	<b>11,146</b>	<b>591,436</b>
Income from value adjustment of other assets disclosed at fair value through income statement		
Other income	69,771	274,396
Expenses from value adjustment of other assets disclosed at fair value through income statement		
Other expenses	38,140	37,582
<b>Result from other income and expenses</b>	<b>31,631</b>	<b>236,814</b>
Net profit from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year	3,758	2,232
Net loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year		
<b>TOTAL INCOME</b>	<b>443,623</b>	<b>1,247,232</b>
<b>TOTAL EXPENSES</b>	<b>469,969</b>	<b>437,038</b>
<b>PROFIT/LOSS BEFORE TAX</b>	<b>(26,346)</b>	<b>810,194</b>

Compared to the comparable period of the previous year, the decrease in gross result in the amount of RSD 836,540 thousand was recorded, primarily due to the fact that in the reporting period no decisions on distribution of retained earnings of subsidiaries were made (in 2018: income from dividends of Energoprojekt Entel and Energoprojekt Niskogradnja in the amount of RSD 555,807 thousand, was recorded) and considering that in the previous reporting period gains were realized from sale of equity shares of the Company Beogradsko Mesovito Preduzece Plc., Belgrade and Energoprojekt Garant Plc. (in the amount of RSD 178,452 thousand).

**19. NET PROFIT / (LOSS)**

<b>Structure of net result</b>	<i>In RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Profit / (loss) before tax	(26,346)	810,194
Tax expense for period		45,113
Deferred tax income / (expense) for period	1,916	1,608
<b>Net profit / (loss)</b>	<b>(28,262)</b>	<b>763,473</b>

**20. EARNINGS / (LOSS) PER SHARE**

<b>Indicator</b>	<i>In RSD thousand</i>	
	<i>01.01.- 31.12. 2019.</i>	<i>01.01.- 31.12. 2018.</i>
Net profit / (loss)	(28,262)	763,473
The weighted average number of shares during the year	10,833,592	10,833,592
<b>Earnings / (loss) per share (In RSD)</b>	<b>(2.61)</b>	<b>70.47</b>

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

## BALANCE SHEET

## 21. INTANGIBLES ASSETS

In RSD thousand

Structure of intangible assets	Software	Concessions, licenses, trademarks, rights	Intangible assets in process	Advances for intangible assets	Total
<b><i>Cost or valuation</i></b>					
<b>Opening balance 01.01.2018</b>	16,169	1,843			<b>18,012</b>
Restated opening balance					
Transfers from / on					
Additions					
Disposals					
<b>As of 31.12.2018</b>	<b>16,169</b>	<b>1,843</b>			<b>18,012</b>
Restated opening balance					
Transfers from / on					
Additions	25,879				<b>25,879</b>
Disposals					
<b>As of 31.12.2019</b>	<b>42,048</b>	<b>1,843</b>			<b>43,891</b>
<b><i>Accumulated depreciation</i></b>					
<b>Opening balance</b>	9,972	169			<b>10,141</b>
Restated opening balance					
Changes in the year	3,006	184			<b>3,190</b>
Disposals					
Impairments					
<b>As of 31.12.2018</b>	<b>12,978</b>	<b>353</b>			<b>13,331</b>
Restated opening balance					
Changes in the year	2,738	185			<b>2,923</b>
Disposals					
Impairments					
<b>As of 31.12.2019</b>	<b>15,716</b>	<b>538</b>			<b>16,254</b>
<b><i>Net book value</i></b>					
<b>As of 31.12.2018</b>	<b>3,191</b>	<b>1,490</b>			<b>4,681</b>
<b>As of 31.12.2019</b>	<b>26,332</b>	<b>1,305</b>			<b>27,637</b>

## 22. PROPERTY, PLANT AND EQUIPMENT

In RSD thousand

Structure of property, plant and equipment	Buildings	Plant and equipment	Investment property	Other property, plant and equipment	Property, plant and equipment under construction	Advances for property, plant and equipment	Total
<b><u>Cost or valuation</u></b>							
<b>Opening balance as of 01.01.2018</b>	<b>1,325,585</b>	<b>116,672</b>	<b>556,822</b>	<b>283</b>	<b>276,390</b>	<b>44,664</b>	<b>2,320,416</b>
Restated opening balance							
Additions					7,294	800	<b>8,094</b>
Increase by transfer		2,194	1,892		(4,086)		
Other transfers from / to					800	(800)	
Disposals		(8,338)					<b>(8,338)</b>
Gains/(loss) included into "Other result" (acc. 330)	2,983						<b>2,983</b>
Gains/(loss) included into Income statement			(3,199)				<b>(3,199)</b>
FX differences							
Other increases/(decreases)	(22,912)				(280,398)		<b>(303,310)</b>
<b>As of 31.12.2018</b>	<b>1,305,656</b>	<b>110,528</b>	<b>555,515</b>	<b>283</b>		<b>44,664</b>	<b>2,016,646</b>
Restated opening balance							
Additions		7,918					<b>7,918</b>
Increase by transfer							
Other transfers from / to							
Disposals		(1,459)					<b>(1,459)</b>
Gains/(loss) included into "Other result" (acc. 330)							
Gains/(loss) included into Income statement			60,201				<b>60,201</b>
FX differences							
Other increases/(decreases)							
<b>As of 31.12.2019</b>	<b>1,305,656</b>	<b>116,987</b>	<b>615,716</b>	<b>283</b>		<b>44,664</b>	<b>2,083,306</b>
<b><u>Accumulated depreciation</u></b>							
<b>Opening balance as of 01.01.2018</b>	<b>11,814</b>	<b>79,629</b>					<b>91,443</b>
Restated opening balance							
Charges in the year	11,098	6,529					<b>17,627</b>
Disposals		(2,749)					<b>(2,749)</b>
Other increases/(decreases)	(22,912)						<b>(22,912)</b>
<b>As of 31.12.2018</b>		<b>83,409</b>					<b>83,409</b>
Restated opening balance							
Charges in the year	11,945	6,079					<b>18,024</b>
Disposals		(1,295)					<b>(1,295)</b>
Other increases/(decreases)							
<b>As of 31.12.2019</b>	<b>11,945</b>	<b>88,193</b>					<b>100,138</b>
<b><u>Net book value</u></b>							
<b>As of 31.12.2018</b>	<b>1,305,656</b>	<b>27,119</b>	<b>555,515</b>	<b>283</b>		<b>44,664</b>	<b>1,933,237</b>
<b>As of 31.12.2019</b>	<b>1,293,711</b>	<b>28,794</b>	<b>615,716</b>	<b>283</b>		<b>44,664</b>	<b>1,983,168</b>

On 31 December 2019 the residual value and the remaining useful lifetime for the property and equipment with significant accounting value were evaluated. Effect of changes in accounting estimates affected depreciation costs for 2019, and that, consequently carrying value of assets as of 31 December 2019 (Note 13).

### Assessment of Fair Value of “Buildings”

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

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

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

The value of office building Energoprojekt on 31 December 2019 was stated at revalued amount in RSD 1,293,711 thousand. The value was determined by reducing fair value according to the latest estimate less subsequent accumulated depreciation. The last assessment was made on 31 December 2018 by an external independent qualified appraiser using the comparative method (it was performed by completely eliminating the correction of its value in the amount of RSD 22,912 thousand, while reducing its purchase price to the revalorized amount and by posting it under the Revaluation Reserves Adjustment Account in the amount of RSD 2,983 thousand).

According to the relevant provisions of IAS 16, since the movements in fair value of property is insignificant, it was not necessary to estimate its fair value at the balance sheet date.

Starting from the estimated fair value of property as of 31 December 2018, as well as based on the assessment of the determined residual value as at 31 December 2019 and determined useful lifetime of the building (100 years; the remaining useful life as at 31 December 2019: 62 years), the amortization costs for the building over the reporting period (bearing in mind the residual value that is lower than the revalorized value thereof), is RSD 11,945 thousand.

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

*in RSD thousand*

No.	Building	Opening balance	Residual value as at the balance sheet date	Remaining useful life	Depreciation	Gains/(losses) included in Report on Other Income	Closing balance
1	Energoprojekt office building	1,305,656	554,393	62	11,945		1,293,711
	<b>TOTAL</b>	<b>1,305,656</b>	<b>554,393</b>	<b>62</b>	<b>11,945</b>		<b>1,293,711</b>

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

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

As of 31.12.2019, over the Company's real estate and equipment no mortgage or pledge were established in order to ensure timely settlement of financial obligations (Note no. 45).

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

<b>Income and expenses in respect of investment property recognised in the Income statement</b>	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Rental incomes (Note 9.2)	20,787	20,833
Direct operating costs arising from investment property that generated rental income during the year: Complex building „Samački hotel“	2,308	5,866

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

No.	Investment property	Opening balance	Increases, (purchases, additional investments and etc.)	Decreases (sales, disposals and etc.)	Gains / (loss) included in the Income Statement	Closing balance
1	Complex "Samački hotel"	555,515			60,201	615,716
	<b>TOTAL</b>	<b>555,515</b>			<b>60,201</b>	<b>615,716</b>

In its books, the Company posted the fair value of its investment property in the amount of RSD 615,716 thousand relating to complex "Samački hotel" area of 8,034.00 m<sup>2</sup>, with using right of city construction land area of 18,598.00 m<sup>2</sup>, 24 Batajnički drum, Zemun..

Valuation of the fair value of complex "Samački hotel" as at 31.12.2019 was performed by external independent, qualified valuator with recognized and relevant professional qualifications and recent relevant work experience with relevant location and category of investment property appraised. In valuation of the fair value, the external independent qualified valuator used the cost approach for the building (due to the specific characteristics of the property subject to appraisal, and due to the fact that there is no offer of similar facilities for sale/rent in the market, on a similar location) and comparative approach for land.

Income amounting to RSD 20,787 thousand was generated from the rent of the property to the Energoprojekt Visokogradnja and Jerry Catering Service Ltd. in the reporting period (Note 9.2).

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



**23. LONG-TERM FINANCIAL INVESTMENTS**

Structure of long term financial investments	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Shares in subsidiaries	6,331,105	5,552,828
Shares in affiliated companies and joint ventures	14,613	30,613
Shares in other companies and other available for sale securities	126,098	126,098
Long-term investments in parent companies and subsidiaries	1,274,891	171,259
Other long-term financial investments	993	1,217
<i>Total</i>	<i>7,747,700</i>	<i>5,882,015</i>
<i>Impairment</i>	<i>(811,986)</i>	<i>(798,879)</i>
<b>TOTAL</b>	<b>6,935,714</b>	<b>5,083,136</b>

### 23.1 Share Investments

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

Structure of share investment	% of shares	In RSD thousand	
		31.12.2019.	31.12.2018.
<b>Share in subsidiaries</b>			
Energoprojekt Visokogradnja Plc.	100.00%	1,835,786	1,835,167
Energoprojekt Niskogradnja Plc.	100.00%	1,104,981	1,104,981
Energoprojekt Oprema Plc.	67.87%	121,316	121,316
Energoprojekt Hidroinženjering Plc.	100.00%	427,626	427,626
Energoprojekt Urbanizam i arhitektura Plc.	100.00%	192,642	192,642
Energoprojekt Energodata Plc.	100.00%	194,862	194,862
Energoprojekt Industrija Plc.	62.77%	61,209	61,209
Energoprojekt Entel Plc.	99.95%	997,573	216,422
Energoprojekt Sunnyville Ltd.	100.00%	2,500	2,500
Energoprojekt Park 11 Ltd.	100.00%	375,660	375,660
I.N.E.C. Engineering Company Limited, Great Britain	100.00%	70,311	70,311
Encom GmbH Consulting, Engineering & Trading, Germany			3,493
Dom 12 S.A.L., Liban	100.00%	924,749	924,749
Energoprojekt Kaz Ltd., Kazakhstan	100.00%	101	101
Zambia Engineering and Contracting Company Limited, Zambia	100.00%	587	587
Energoprojekt Holding Guinee S.A., Guinea	100.00%	1,628	1,628
Energoprojekt (Malesia) Sdn. Bhd., Kuala Lumpur	100.00%	19,574	19,574
<i>Impairments</i>		(715,065)	(715,065)
<b>Total</b>		<b>5,616,040</b>	<b>4,837,763</b>
<b>Share in affiliated companies and joint ventures</b>			
Necco Nigerian Engeneering and Construction CO LTD, Kano, Nigeria	40.00%	1,063	1,063
Close-End Fund Fima Southern Europe Activist Plc. Belgrade - in liquidation			16,000
Enjub Ltd.	50.00%	13,550	13,550
<i>Impairments</i>		(1,063)	(1,063)
<b>Total</b>		<b>13,550</b>	<b>29,550</b>
<b>Share in other legal entities and other AFS securities</b>			
Beogradsko mešovito preduzeće Plc., Belgrade			
Dunav osiguranje Plc.	0.01%	5,814	5,814
Jubmes banka Plc.	1.41%	120,176	120,176
Beogradska berza Plc.	0.12%	100	100
Poljoprivredna banka Agrobanka Plc. Belgrade - in bankruptcy	0.36%	7	7
Beogradska industrija piva,slada i bezalkoholnih pića Plc. Belgrade - in bankruptcy	0.0005%	1	1
Pinki Zemun Plc.	0.004%		
<i>Impairments</i>		(95,858)	(82,751)
<b>Total</b>		<b>30,240</b>	<b>43,347</b>
<b>TOTAL</b>		<b>5,659,830</b>	<b>4,910,660</b>

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

Share investment - impairment	<i>In RSD thousand</i>		
	<i>Gross investment amount</i>	<i>Impairment</i>	<i>Net investment amount</i>
<b>Shares in subsidiaries:</b>			
Energoprojekt Visokogradnja Plc.	1,835,786	(641,633)	1,194,153
Energoprojekt Urbanizam i arhitektura Plc.	192,642	(44,277)	148,365
I.N.E.C. Engineering Company Limited, Great Britain	70,311	(7,953)	62,358
Energoprojekt Holding Guinee S.A., Guinea	1,628	(1,628)	-
Energoprojekt (Malesia) Sdn. Bhd., Kuala Lumpur	19,574	(19,574)	-
<b>Total</b>	<b>2,119,941</b>	<b>(715,065)</b>	<b>1,404,876</b>
<b>Shares in affiliated companies and joint ventures:</b>			
Necco Nigerian Engeneering and Construction CO LTD, Kano, Nigeria	1,063	(1,063)	-
<b>Total</b>	<b>1,063</b>	<b>(1,063)</b>	<b>0</b>
<b>Share in other legal entities and other securities available for sale:</b>			
Banks, financial organisations and other legal entities:			
Dunav osiguranje a.d.o.	5,814	(4,067)	1,747
Jubmes banka Plc.	120,176	(91,784)	28,392
Agrobanka Plc. Beograd - in bankruptcy	7	(7)	-
Beogradska industrija piva,slada i bezalkoholnih pića Plc. Beograd - in bankruptcy	1	(1)	-
<b>Total</b>	<b>125,998</b>	<b>(95,859)</b>	<b>30,139</b>
<b>TOTAL</b>	<b>2,247,002</b>	<b>(811,987)</b>	<b>1,435,015</b>

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

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

Increase in share investment in Energoprojekt Visokogradnja in 2019 compared with the reference year came as the result of the Decision of the Commercial Court of Appeal, according to which the Company paid to the minority shareholders the total of RSD 619 thousand as the difference in share price, costs of court proceedings, with accrued penalty interest.

Increase in share investment in Energoprojekt Entela compared to the same date of previous year amounted to RSD 781,151 thousand and it arose from given offer for takeover and forced redemption of shares. Namely, on 17 July 2019 the Company acquired 42,355 shares of Energoprojekt Entela at price of RSD 13,461 per share through published takeover offer, while on 15 August 2019, the Company acquired remaining 15,484 shares of Energoprojekt Entela by forced redemption at price at which the redemption of shares in the offer was done (in accordance with Article 523 of the Law on Companies).

On 30 July 2019, entire share investment in subsidiary Encom GmbH Consulting, Engineering & Trading, Germany was sold (Note 16.2).

Impairment of share investment in Energoprojekt Visokogradnja in the amount of RSD 641,633 thousand was performed on 31 December 2014 in compliance with IAS 36 - Impairment of Assets, based on the Report prepared by the Scientific and Research Centre of the Faculty of Economics of the University of Belgrade on equity valuation of Energoprojekt Visokogradnja for implementation of IAS/IFRS as at 31 December 2014.

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

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

Within the item shares in affiliated companies and joint ventures, there was a decrease by RSD 16,000 thousand caused by liquidation of the company Closed-End Investment Fund Fima Southern Europe Activist Plc. Belgrade - in liquidation. In this regard, the Company generated dividend income in the amount of RSD 17,261 thousand - Note no. 15.1 (given that such higher amount than its share investments was recorded within the item cash and receivables). Pursuant to Decision made on XI regular Fima Southern Europe Activist Plc. Belgrade - in liquidation Shareholders General Meeting held on 30 April 2019, the amount of RSD 33,117 thousand was paid to the Company as a belonging part under the distribution of liquidation balance, while the remaining part of liquidation balance of RSD 144 thousand was recorded as claim from Komercijalna banka.

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

The change within the item shares in other legal entities and other available for sale securities was recorded due to value adjustments of securities in securities portfolio of the Company (Jubmes banka Plc. and Dunav osiguranje Plc.), with their fair value on the secondary securities market as of the financial statements preparation date (recorded through the impairment account equity shares and gains/loss on securities available for sale).

The Company has shares in the following Banks with listed shares in the Belgrade Stock Exchange and their fair value was determined based on their current market value as at 31.12.2019:

- Dunav osiguranje Plc.: 527 shares, with the market value as at the balance sheet day of RSD 3,316 per share; and
- Jubmes Banka Plc: 4,056 shares, with the market value of RSD 7,000 per share.

The Company has shares in the following legal entities:

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

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

Financial assets available for sale are presented in RSD.

### 23.2 Long-Term Financial Investments

<b>Structure of long-term financial investments</b>	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Long-term investments in parent companies and subsidiaries	1,274,891	171,259
<i>Impairment provision</i>		
<i>Total</i>	<i>1,274,891</i>	<i>171,259</i>
Other long term financial investments:		
Housing loans granted to employees:	993	1,217
<i>Impairment provision</i>		
<i>Total</i>	<i>993</i>	<i>1,217</i>
<b>TOTAL</b>	<b><i>1,275,884</i></b>	<b><i>172,476</i></b>

**Long-term financial investments in parent companies and subsidiaries** in the amount of RSD 1,274,891 thousand refer to granted long-term loan due on 31.12.2021, with interest computed for 2020 in accordance with the "arm's length" principle (quarterly proportionally computed interest, with payment upon maturity of total debt), to the following subsidiaries:

- Energoprojekt Visokogradnja: RSD 535,198 thousand upon Agreement on Reprogramming of the Debt no. 18;
- Energoprojekt Energodata: RSD 92,510 thousand upon Agreement on Reprogramming of the Debt no. 21; and
- Energoprojekt Oprema: RSD 647,183 thousand upon Agreement on Reprogramming of the Debt no. 20.

The Company was provided with 2 (two) signed blank solo promissory notes with authorization for fulfilment and collection at the amount of the debts. The promissory notes were issued for securing loan repayment.

Increase in long-term investments in parent company and subsidiaries by RSD 1,103,632 thousand is the result, on the one hand:

- increase; upon Agreement on Reprogramming of the Debt, which defines transfer from short-term loans with accrued but uncollected interest as of the balance sheet date with Energoprojekt Visokogradnja, Energoprojekt Energodata and Energoprojekt Oprema in the amount of RSD 1,274,891 thousand (Note nos. 28 and 27);

and on the other hand

- decrease in Energoprojekt Park 11 by RSD 171,259 thousand, primarily from collection a part of loan and from transfer of remaining portion of long-term loan with accrued but uncollected interest to short-term loan under Agreement on Reprogramming of the Debt (Note 28).

**The long-term housing loans granted to employees** that are presented among other long-term financial investments refer to 3 (three) interest-free housing credits granted to employees, two of which were granted on 10.06.1992 for the repayment period of 38.5 years, and third was granted on 28.11.1995 for the repayment period of 40 years. In compliance with the terms and provisions of the loan agreements and in compliance with the provisions of the Law on Amendments and Addenda to the Law on Housing, the Company performs revalorisation of loan instalments twice a year based on the trends in consumer prices in the Republic of Serbia for the given accounting period. Given that by the preparation of the financial statements date, relevant data for computing revaluation instalment for period 01.07.2019 - 31.12.2019 was not announced, the revaluation was not performed on 31.12.2019. A portion of the long-term financial investments made on this basis with maturity dates up to one year that is being regularly repaid/collected amounts to RSD 64 thousand (Note 28).

## 24. INVENTORIES

Structure of inventories	In RSD thousand	
	31.12.2019.	31.12.2018.
Non-current assets held for sale	58,379	
<i>Advances paid for inventories and services:</i>		
a) Advances paid for inventories and services to parent companies and subsidiaries		301
b) Advances paid for material, spare parts and inventory	259	338
c) Advances paid for services	5,249	5,786
<i>Total</i>	5,508	6,425
<i>Impairment provision</i>		
<b>TOTAL</b>	<b>63,887</b>	<b>6,425</b>

**Non-current assets held for sale** in the amount of RSD 58,379 thousand relate to remained unsold real estate in K1G Building in Rakovica, Belgrade.

Pursuant to the Decision made on 146<sup>th</sup> session of the Executive Board of the Company from 2019, to Conclusion on partial settlement and costs of the procedure I.IV 122/19 dated 17.05.2019 and the Contract on sale of real estate by direct agreement under the agreement of the parties I.Iv 122/19 dated 17.05.2019. The Company on behalf of partial collection of receivables from Enjub Ltd. Belgrade and under the Agreement on Reprogramming of the Debt no. 115 dated 18.04.2012, as of promissory note, on real estate of Enjub Ltd. Belgrade, which are located in the K1G Building in Rakovica, was recorded in its business books the figure under the item non-current assets held for sale the amount of RSD 81,453 thousand.

During the reporting period, the Company incurred a profit on sale of non-current assets held for sale in the amount of RSD 2,959 thousand (Note 16.1).

Summary of non-current assets held for sale is presented below:

In RSD thousand									
no.	Item	Address	No.	Area m2	Cost	Calculated tax on transfer of absolute rights	Sale price	Gain/ (loss) from sale	Net value
1	Two bedroom apartment	Petra Konjovića 14	Lamela 1, 2nd floor, no.15	51	6,072	152			6,224
2	Two and half bedroom app.	Petra Konjovića 14	Lamela 1, 3rd floor, no.16	78	9,234	231			9,465
3	Two bedroom apartmants	Petra Konjovića 14	Lamela 1, 3rd floor, no.17	46	5,417	135	6,179	627	
4	Two bedroom apartmants	Petra Konjovića 14	Lamela 1, 3rd floor, no. 20	50	5,856	146			6,002
5	Two bedroom apartmants	Petra Konjovića 14	Lamela 1, 4th floor, no.26	45	5,350	134	6,100	616	
6	Three bedroom apartmants	Petra Konjovića 14a	Lamela 2, 1st floor, no.4	80	9,384	235			9,619
7	Two bedroom apartmants	Petra Konjovića 14a	Lamela 2, 3rd floor, No.17	60	7,105	178			7,283
8	Studio	Petra Konjovića 14b	Lamella 3, basement, no.2	29	3,421	85	3,901	395	
9	Office space	Petra Konjovića 14b	Lamella 3, basement, no.5	46	5,442	136			5,578
10	Studio	Petra Konjovića 14b	Lamela 3, II floor, no.13	33	3,948	99	4,634	587	
11	Two and a half bedroom ap	Petra Konjovića 14b	Lamela 3, II floor, no.14	77	9,083	227			9,310
12	Apartment	Petra Konjovića 14b	Lamela 3, attic, no.15	54	6,361	159	7,255	735	
13	Garage place	Petra Konjovića 14a	Lamela 2, basement 2, no.7	12	531	14			545
14	Garage place	Petra Konjovića 14a	Lamela 2, basement 2, no.8	12	531	14			545
15	Garage place	Petra Konjovića 14a	Lamela 2, basement 2, no.9	12	531	13			544
16	Garage place	Petra Konjovića 14a	Lamela 2, basement 2, no.10	12	531	13			544
17	Garage place	Petra Konjovića 14a	Lamela 2, basement 2, no.11	12	531	13			544
18	Garage place	Petra Konjovića 14a	Lamela 2, basement 2, no.12	12	531	13			544
19	Garage place	Petra Konjovića 14a	Lamela 2, basement 2, no.13	12	531	13			544
20	Garage place	Petra Konjovića 14a	Lamela 2, basement 2, no.16	12	531	13			544
21	Garage place	Petra Konjovića 14a	Lamela 2, basement 2, no.17	12	531	13			544
	<b>Total</b>			<b>757</b>	<b>81,453</b>	<b>2,036</b>	<b>28,069</b>	<b>2,959</b>	<b>58,379</b>

The Company is actively implementing planned sales plans, which are expected to be fully realised

within a year.

**Advances paid for materials, spare parts and inventory** in the amount of RSD 259 thousand relate to advance payments to suppliers for purchase of materials (predominantly fuel).

**Advances paid for services** in the amount of RSD 5,249 thousand mainly refer to advance payments to the company Ringier Axel Springer Ltd. in the amount of RSD 4,800 thousand (terminated Agreement on use of advertising space and submitted request for repayment of funds paid in advance in March 2018, while in April 2018 a claim was filed - Note 44) and Moore Stephens Auditing and Accounting Ltd. in the amount of RSD 353 thousand (first installment for fee for audit of financial statements for 2019).

## 25. RECEIVABLES FROM SALES

<b>Structure from receivables from sale</b>	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Local buyers - parent company and subsidiaries	841,170	763,077
Local buyers - other affiliated companies		705
Local buyers (externally)	1,546	2,012
<i>Impairment provision</i>		
<b>TOTAL</b>	<b>842,716</b>	<b>765,794</b>

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



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

<b>Structure of receivables from sale</b>	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
<i>Local buyers - parent company and subsidiaries:</i>		
Energoprojekt Visokogradnja Plc.	730,306	678,761
Energoprojekt Niskogradnja Plc.	41,966	
Energoprojekt Entel Plc.	3,486	647
Energoprojekt Sunnyville Ltd.	695	33,775
Energoprojekt Hidroinženjering Plc.	8,561	18,571
Energoprojekt Industrija Plc.		615
Energoprojekt Urbanizam i arhitektura Plc.	2,347	
Energoprojekt Energodata Plc.	9,870	10,111
Energoprojekt Oprema a.d.	4,949	
Energoprojekt Park 11 Ltd.	38,990	20,597
Energoprojekt Garant Plc.		
<b>Total</b>	<b>841,170</b>	<b>763,077</b>
<i>Local buyers - other affiliated companies</i>		
Enjub Ltd.		705
<b>Total</b>	<b>-</b>	<b>705</b>
<i>Local buyers - externally</i>	1,546	2,012
<b>Total</b>	<b>1,546</b>	<b>2,012</b>
<b>TOTAL</b>	<b>842,716</b>	<b>765,794</b>

Increase in local buyers - parent company and subsidiaries compared to the same date of previous year by RSD 78,093 thousand refers to increase in receivables under service contracts in the amount of RSD 65,636 thousand (primarily the result of increases in Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Park 11 and Energoprojekt Oprema, and decreases in Energoprojekt Sunnyville and Energoprojekt Hidroinženjering) and increase in receivables from leases by RSD 12,457 thousand (the result of increase in Energoprojekt Visokogradnja and decrease in Energoprojekt Sunnyville).

Decrease in **local buyers - other affiliated companies** compared to the same date of previous year relates to change in manner of bookkeeping recording of receivables from re-invoiced costs of legal services to the company Enjub, which from 01.01.2019 were recorded within the item Receivables from specific transactions (Note 26).

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

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

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

## 26. RECEIVABLES FROM SPECIAL TRANSACTIONS

Structure of receivables from special transactions	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Receivables from special transactions from parent companies and subsidiaries	7,989	5,021
Receivables from special transactions from other affiliated companies	5,283	2,071
Receivables from special transactions from other companies	2	2
<i>Impairment provision</i>		
<b>TOTAL</b>	<b>13,274</b>	<b>7,094</b>

**Receivable from special transactions from parent companies and subsidiaries** in the amount of RSD 7,989 thousand predominantly relate to receivable from re-charged air tickets in the amount of RSD 5,508 thousand ((predominantly Energoprojekt Visokogradnja: RSD 4,722 thousand), re-charged costs of taxes and contributions of the director of Zambia Engineering and Contracting Company Limited, Zambia: RSD 1,155 thousand and re-charged costs of water, electricity and membership fees of Energoprojekt Visokogradnja in the amount of RSD 408 thousand.

Increase in receivables from special transactions from parent companies and subsidiaries compared to the same date of previous year primarily refers to increase in receivables for re-charged air ticket costs from Energoprojekt Visokogradnja.

**Receivables from special transactions from other affiliated companies** in the amount of RSD 5,283 thousand entirely relate to joint venture Enjub for re-charged court and administrative fees, re-charged costs of net salaries, taxes and contributions of director and re-charged costs of legal services from previous years. The Company does not have collection security instruments in this regards.

Increase in receivables from specific transactions in relation to the previous year was recorded primarily with company Enjub, due to change in the manner of bookkeeping of receivables based on re-charged costs of legal services provided to Enjub, and as of 31.12.2018 was recorded within the item Receivables from sale (Note 25), as well as re-charged costs of net salaries, taxes and contributions of director of Enjub Ltd. in 2019.

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

**27. OTHER RECEIVABLES**

Structure of other receivables:	In RSD thousand	
	31.12.2019.	31.12.2018.
Interest and dividends receivables:		
a) Interest and dividend receivable from parent companies and subsidiaries	3,769	32,650
b) Interest and dividend receivable from affiliated companies	80,602	74,413
c) Dividend receivables - other legal entities	144	
<i>Total</i>	<i>84,515</i>	<i>107,063</i>
Receivables from employees	317	514
Receivables for overpaid profit tax		16,173
Receivables for overpaid other taxes and contributions		
Receivables for fringe benefits' returns	991	780
Other receivables	158	541
<i>Impairment provision</i>		
<b>TOTAL</b>	<b>85,981</b>	<b>125,071</b>

Structure of interest and dividend receivables in the amount of RSD 84,515 thousand is presented in the following table.

Structure of interest and dividend receivables	In RSD thousand	
	31.12.2019.	31.12.2018.
<i>Interest receivables from parent company and subsidiaries:</i>		
Energoprojekt Visokogradnja Plc.		11,447
Energoprojekt Urbanizam i arhitektura Plc.		
Energoprojekt Energodata Plc.		4
Energoprojekt Sunnyville Ltd. (collected in January 2020)	3,769	21,199
<i>Total</i>	<i>3,769</i>	<i>32,650</i>
<i>Interest receivables from other affiliates companies:</i>		
Enjub Ltd.	80,602	74,413
<i>Total</i>	<i>80,602</i>	<i>74,413</i>
<i>Divided receivables from other related parties</i>		
Komercijalna Banka Plc. (Note no. 23.1)	144	
<i>Total</i>	<i>144</i>	<i>0</i>
<b>TOTAL</b>	<b>84,515</b>	<b>107,063</b>

Decrease in interest receivable from parent company and subsidiaries by RSD 28.881 thousand was recorded in Energoprojekt Sunnyville in the amount of RSD 17,430 thousand (primarily from interest collected in the reporting period), in Energoprojekt Visokogradnja and Energoprojekt Energodata in the

total amount of RSD 11,451 thousand (total amount of interest receivables at the balance sheet date was added to debt principal and transferred to long-term loan under Agreement on Reprogramming of the Debt).

Increase in **interest receivables from other affiliated companies** by RSD 6,189 thousand from accrued and uncollected interest in the reporting period, relates to Enjub Ltd..

**Receivables for fringe benefits' returns** in the amount of RSD 991 thousand pertain to the receivables for sick leave longer than 30 days and maternity leaves.

## 28. SHORT-TERM FINANCIAL INVESTMENTS

Structure of short term financial investments	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Short-term loans and investments - parent companies and subsidiaries	726,257	906,583
Short-term loans and investments - other affiliated companies	76,521	157,836
Portion of long-term financial investments with maturity date up to one year:		
a) Portion of long-term financial investments in parent company and subsidiaries with maturity date up to one year		730,981
b) Portion of other long-term financial investments with maturity date up to one year (Note 23.2)	64	77
<i>Total</i>	<i>64</i>	<i>731,058</i>
<i>Impairment provision</i>		
<b>TOTAL</b>	<b>802,842</b>	<b>1,795,477</b>

**Short-term loans and investments - subsidiaries and other affiliated companies** pertain to the loans approved with maturity dates up to 12 months (with interest rate which is calculated for subsidiaries in accordance with the principle of "arm's length" for the year 2020, and for other affiliated companies with interest rate of 3M Euribor + 6.5% pa.) presented in the following table below.

*Energoprojekt Holding Plc.*

no.	Borrower and Agreement no.	Original currency	Loan amount in original currency in 000	Remained amount from loan in original currency in 000	Remained amount from loan in RSD 000	Due date	Interest rate
<b>1 EP Niskogradnja Plc.</b>							
	Debt Rescheduling Agreement no. 19	EUR	1.738	1.738	204.431	31.12.2020	interest rate which is calculated in accordance with the principle of "arm's length" for 2020
<b>2 EP Urbanizam i arhitektura Plc.</b>							
	Debt Rescheduling Agreement no. 15	EUR	138	138	16.266	31.12.2020	interest rate which is calculated in accordance with the principle of "arm's length" for 2020
<b>3 EP Park 11 Ltd.</b>							
	Debt Rescheduling Agreement no. 23	EUR	461	461	54.172	31.12.2020	interest rate which is calculated in accordance with the principle of "arm's length" for 2020
<b>4 EP SunnyvilleLtd.</b>							
	Annex 2 Debt Rescheduling Agreement 375	EUR	4.868	3.839	451.388	31.12.2020.	interest rate which is calculated in accordance with the principle of "arm's length" for 2020
<b>Total subsidiaries</b>		EUR	7.205	6.176	726.257		
<b>1 Enjub d.o.o.</b>							
	Annex no. 12 Loan Agreement no. 367	EUR	137	137	16.169	31.12.2020.	3M Euribor + 6.5% pa.
	Annex no. 8 Debt Rescheduling Agreement no. 115	EUR	1.198	513	60.352	31.12.2020.	3M Euribor + 6.5% pa.
<b>Total other affiliated companies</b>		EUR	1.335	650	76.521		
<b>TOTAL</b>			8.540	6.826	802.778		

Decrease in **short-term loans and investments – parent company and subsidiaries** by RSD 180,326 thousand is the result of net effect, on the one hand:

- decrease under Debt Rescheduling Agreement with Energoprojekt Energodata, Energoprojekt Visokogradnja and Energoprojekt Oprema in the total amount of RSD 724,885 thousand, on the basis of which, among other things, the maturity was extended by 2 years, thus transferring to the item - Long-term investments in parent company and subsidiaries (Note 23.2); and on the other hand
- increase in Energoprojekt Sunnyville in the amount of RSD 285,608 thousand from transfer of the remaining amount as of balance sheet date from the item - Portion of long-term financial investments in parent company and subsidiaries maturing within a year and repayment of part of short-term loan;

- increase under Debt Rescheduling Agreement with Energoprojekt Niskogradnja in the amount of RSD 204,431 thousand, on the basis of which accrued and uncollected interest was added as of the balance sheet date for loans approved during the reporting year; and
- increases under Debt Rescheduling Agreement with Energoprojekt Park 11 in the amount of RSD 54,171 thousand based on the transfer of remaining long-term loan with accrued and uncollected interest added on the balance sheet date to the short-term loan.

Pursuant to the Decision of the Executive Board of the Company, as of 31.12.2019 maturity loans are:

- Energoprojekt Energodata, Energoprojekt Visokogradnja and Energoprojekt Oprema – Debt Rescheduling Agreement determines: that the amount of accrued but uncollected interest increases principal of the loan, extension of maturity up to 31.12.2021 and interest is calculated in accordance with the principle of "arm's length" for 2020;
- Energoprojekt Urbanizam i Arhitektura, Energoprojekt Park 11 and Energoprojekt Niskogradnja - Debt Rescheduling Agreement determines that the amount of accrued but uncollected interest increases principal of the loan, extension of maturity to 31.12.2020 and interest is calculated in accordance with the principle of "arm's length" for 2020;
- Energoprojekt Sunnyville - extension of maturity to 31.12.2020 and interest is calculated in accordance with the principle of "arm's length" for 2020; and
- Enjub Ltd. - extension of maturity up to 31.12.2020.

The Company has 2 (two) signed blank solo bills of exchange to be filled out by beneficiary to be used as collateral for the collection in respect of loans granted to subsidiaries.

Decrease in short-term loans to other affiliated companies in RSD 81,315 thousand was recorded from partial collection of receivables from Enjub Ltd. Belgrade under Debt Rescheduling Agreement no. 115, from bill of exchange, pledged on property of Enjub Ltd. Belgrade located in K1G Building in Rakovica, Belgrade (Note 24).

As collateral for securing payment under Loan Agreements made with other affiliated companies, the Company has blank promissory note with the clause "without protest" and mortgage pledged on property of Enjub Ltd., Belgrade (Note 41).

As collaterals for loan repayment pursuant to:

- Annex No. 12 of the Loan Agreement No. 367 concluded with Enjub Ltd. in the amount of RSD 16,169 thousand (EUR 137 thousand), the Company has an extrajudicial mortgage for the entire loan amount with added interest for apartments in 91A Jurija Gagarina Street in Novi Beograd, as collateral for loan repayment; and
- Annex No. 8 of the Loan Rescheduling Agreement No. 115 concluded with Enjub Ltd. in the amount of RSD 60,352 thousand (EUR 513 thousand), the Company has an extrajudicial mortgage for the entire loan amount with added interest for real estate (apartments and office space) in 93, 93A and 91A Jurija Gagarina Street (Note 41).

**Portion of long-term financial investments with maturity up to one year** in the amount of RSD 64 thousand relate to granted long-term housing loans to employees that are due for a year (Note no. 23.2).

**29. CASH AND CASH EQUIVALENTS**

Structure of cash and cash equivalents	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Current (business) account	57,147	41,049
Restricted cash and letters of credit		
Foreign currency account	203	4,734
Foreign currency petty cash		
<i>Other cash</i>		
a) Short-term term deposits	126,666	154,661
b) Other cash		75
<i>Total</i>	<i>126,666</i>	<i>154,736</i>
<b>TOTAL</b>	<b>184,016</b>	<b>200,519</b>

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

**Short term deposits** in the amount of RSD 126,666 thousand refer to the short term deposits held with business banks in the country (Addiko Bank) to 3 months' terms, with interest rate of 0.50% annually on EUR, 2.20% on RSD with the option to terminate the term deposit contract at any given moment. The term deposits are in RSD and EUR specifically: RSD 40,000 thousand and EUR 737 thousand.

**30. PREPAYMENTS AND DEFERRED EXPENSES**

Structure of prepayments and deferred expenses	In RSD thousand	
	31.12.2019.	31.12.2018.
<i>Prepayments:</i>		
a) Prepaid expenses - parent company and subsidiaries	1,649	872
c) Prepaid subscriptions for expert and professional publications	504	576
c) Prepaid insurance premiums	717	716
<i>Total</i>	<i>2,870</i>	<i>2,164</i>
<i>Receivables for accrued non-invoiced income:</i>		
a) Receivables for accrued non-invoiced income - parent company and subsidiaries		
b) Receivables for accrued non-invoiced income - other affiliated companies	373,502	374,943
<i>Total</i>	<i>373,502</i>	<i>374,943</i>
<i>Other prepayments and deferred expenses:</i>		
a) Deferred value added tax	6,421	11,429
b) Other prepayments and deferred expenses	24,264	22,874
<i>Total</i>	<i>30,685</i>	<i>34,303</i>
<b>TOTAL</b>	<b>407,057</b>	<b>411,410</b>

**Prepaid expenses - parent companies and subsidiaries** in the amount of RSD 1,649 thousand entirely refer to Energoprojekt Energodata, dominantly to prepayments for licensing costs.

**Prepaid insurance premiums** in respect of insurance of property and persons in the amount of RSD 717 thousand refers to Sava Nezivotno Osiguranje in the amount of RSD 594 thousand and Wiener Stadtische Insurance in the amount of RSD 123 thousand.

**Receivables for accrued non-invoiced income** in the amount of RSD 373,502 thousand refer to the realization of the Agreement on Construction of the Republic of Serbia Embassy Building in Abuja, Federal Republic of Nigeria, a turnkey project, on the cadastral lot No. 313, registered in the Real Estate Registry, Cadastral Zone A00 in the amount of RSD 373,034 thousand and calculated revenues for 2019 from lease in the amount of RSD 468 thousand.

**Deferred value added tax** in the amount of RSD 6,421 thousand and it is reported amount of VAT in the reporting year according to which deduction of previous tax is generated in the following accounting period. Deferred VAT includes: VAT in from invoices related to reporting period but received after tax return for December 2019 and presented VAT from accounting approvals issued in 2020 related to transactions made in 2019.

**Other prepayments and deferred income** in the amount of RSD 24,264 thousand relate primarily to receivables arising from disputed services made in 2017 by the Ringier Axel Springer Plc. in the amount of RSD 13,200 thousand (in April 2018 a claim was filed - Note 44) and to development of the location Block 26, Block 45 facility C and Blok 70 facility C in the amount of RSD 10,164 thousand (treatment of the payment will be regulated in the following period).



### 31. CAPITAL

*In RSD thousand*

Description	Share capital	Other issued capital	Share issue premium	Redeemed own shares	Reserves	Revalued reserves	Unrealised gains/loss on AFS securities	Undistributed profit	Loss	Total
<b>Opening balance as of 01.01.2018</b>	5,574,959	27,178	1,526,164	(49,827)	214,881	782,098	(18,881)	473,425		8,529,997
Net profit for the year								763,473		763,473
Other comprehensive income										
a) Changes in fair value of available-for-sale financial assets							14,673			14,673
b) Revaluation						2,983				2,983
c) Other - adjustment of net value, IAS 12 and other						(447)				(447)
<b>Total - other comprehensive result</b>						<b>2,536</b>	<b>14,673</b>			<b>17,209</b>
<b>Total comprehensive result for 2018</b>						<b>2,536</b>	<b>14,673</b>	<b>763,473</b>		<b>780,682</b>
Adjustments										
Increase in share capital										
Profit distribution								(216,671)		(216,671)
Other - own shares										
<b>As of 31.12.2018</b>	<b>5,574,959</b>	<b>27,178</b>	<b>1,526,164</b>	<b>(49,827)</b>	<b>214,881</b>	<b>784,634</b>	<b>(4,208)</b>	<b>1,020,227</b>		<b>9,094,008</b>
Net profit for the year									(28,262)	(28,262)
Other comprehensive income										
a) Changes in fair value of available-for-sale financial assets							(13,108)			(13,108)
b) Revaluation										
c) Other - adjustment of net value, IAS 12 and other										
<b>Total - other comprehensive result</b>							<b>(13,108)</b>			<b>(13,108)</b>
<b>Total comprehensive result for 2019</b>							<b>(13,108)</b>		<b>(28,262)</b>	<b>(41,370)</b>
Adjustments								(628)		(628)
Increase in share capital										
Profit distribution										
Other - own shares										
<b>As of 31.12.2019</b>	<b>5,574,959</b>	<b>27,178</b>	<b>1,526,164</b>	<b>(49,827)</b>	<b>214,881</b>	<b>784,634</b>	<b>(17,316)</b>	<b>1,019,599</b>	<b>(28,262)</b>	<b>9,052,010</b>

### 31.1 Equity Capital

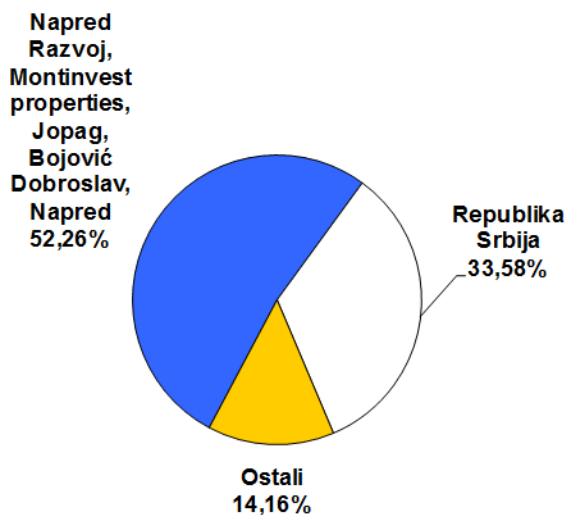
According to the Central Securities, Depository and Clearing House Register, the Company's present ownership structure as at 31.12.2019 is as follows:

	No. of shares	% of total issue
<b>Shares owned by physical persons</b>	<b>735,984</b>	<b>6.73</b>
<b>Shares owned by legal persons</b>	<b>9,709,407</b>	<b>88.82</b>
- Republic of Serbia	3,671,205	33.58
- Other legal entities	6,038,202	55.24
<b>Aggregate (custody) account</b>	<b>485,901</b>	<b>4.45</b>
<b>Total no. of shares</b>	<b>10,931,292</b>	<b>100</b>

No. of shareholders with equity investments	No. of			No. of shares			% of total issue		
	domestic	foreign	total	domestic	foreign	total	domestic	foreign	total
Up to 5%	3,573	164	3,737	1,467,734	136,889	1,604,623	13.43%	1.25%	14.68%
5% to 10%	1	1	2	564,699	560,731	1,125,430	5.17%	5.13%	10.30%
More than 10% to 25%	0	0	0	0	0	0	0.00%	0.00%	0.00%
More than 25% to 33%	0	0	0	0	0	0	0.00%	0.00%	0.00%
More than 33% to 50%	2	0	2	8,201,239	0	8,201,239	75.03%	0.00%	75.03%
More than 50% to 66%	0	0	0	0	0	0	0.00%	0.00%	0.00%
More than 66% to 75%	0	0	0	0	0	0	0.00%	0.00%	0.00%
More than 75%	0	0	0	0	0	0	0.00%	0.00%	0.00%
Total no.	3,576	165	3,741	10,233,672	697,620	10,931,292	93.62%	6.38%	100.00%

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

Name	No. of shares	% of total issue
Napred Razvoj Plc Novi Beograd	4,530,034	41.44%
Republic of Serbia	3,671,205	33.58%
Montinvest Properties l.l.c.	564,699	5.17%
Jopag AG	560,731	5.13%
Tezoro broker PLC – summery account	251,976	2.31%
OTP banka Srbija – kastodi m - fo	124,405	1.14%
Energoprojekt Holding PLC	97,700	0.89%
Tezoro broker PLC	81,150	0.74%
Global Macro Capital Opportuni	74,772	0.68%
Bojović Dobrosav	44,004	0.43%



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

Structure of equity capital	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
<i>Share capital:</i>		
a) Share capital in parent companies, subsidiaries and other affiliated companies		
b) Share capital (externally)	5,574,959	5,574,959
<b>Total</b>	<b>5,574,959</b>	<b>5,574,959</b>
Issuing premiums	1,526,164	1,526,164
Other share capital	27,178	27,178
<b>TOTAL</b>	<b>7,128,301</b>	<b>7,128,301</b>

**Share capital** consists of 10,931,292 ordinary shares with nominal value of RSD 510.00 (RSD 5,574,959 thousand) and nominal book value of RSD 828.08.

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

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

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

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

### 31.2 Purchased own shares

Structure of purchased own shares	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Purchased own shares	49,827	49,827
<b>TOTAL</b>	<b>49,827</b>	<b>49,827</b>

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

### 31.3 Reserves

Structure of reserves	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Legal reserves	23,185	23,185
Statutory and other reserves	111,696	111,696
Other reserves	80,000	80,000
<b>TOTAL</b>	<b>214,881</b>	<b>214,881</b>

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

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

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

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

Structure of revaluation reserves from revaluation of intangibles, property, plant and equipment	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Revaluation reserves based on revaluation of property - Energoprojekt building	784,634	784,634
<b>TOTAL</b>	<b>784,634</b>	<b>784,634</b>

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

- Effects of posting of the fair value of the Energoprojekt building as at 31.12.2018 in the amount of RSD 824,556 thousand;
- Levelling of the present value per m<sup>2</sup> of the Energoprojekt building in the amount of RSD 98,543 thousand; and
- Posting of 15% profit tax (negative aspect of revaluation reserves) for the amount of deferred tax on the basis of revaluation reserves, in compliance with IAS 12 - Income Taxes, in the amount of RSD 138,465 thousand.

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

Structure of unrealized losses from securities and other components of other comprehensive results (debit balances under account class 33, excl. 330)	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Unrealized losses on securities available for sale	17,316	4,208
<b>TOTAL</b>	<b>17,316</b>	<b>4,208</b>

Changes in the position of **Unrealized losses on securities available for sale** in the amount of RSD 13,108 thousand pertain adjustments of value of securities in Company portfolio (Jubmes banka Plc. and Dunav Osiguranje Plc.), with their fair value in the secondary securities market as at the financial statements date (Note 23.1.).

**31.6 Retained Earnings**

Structure of retained earnings	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
<i>Retained earnings from previous years:</i>		
a) Balance as at 1 January of the reporting period	1,020,227	473,425
b) Correction of profit based on income tax	(628)	
c) Profit distribution		(216,671)
<i>Total</i>	1,019,599	256,754
Retained earnings from current years		763,473
<b>TOTAL</b>	<b>1,019,599</b>	<b>1,020,227</b>

In 50<sup>th</sup> ordinary General Meeting of the Company held on 28.06.2019, within the item 3 of the meeting agenda, the decision that stipulates incurred profit of the Company for 2018 in the amount of RSD 763,473 thousand remains undistributed, so that the total retained earnings at the beginning of year amounts to RSD 1,020,227 thousand.

### 31.7 Loss

Structure of loss	<i>In RSD thousand</i>	
	<i>31.12.2019</i>	<i>31.12.2018</i>
Loss from prior years		
Loss from current year	(28,262)	
<b>UKUPNO</b>	<b>(28,262)</b>	<b>0</b>

Incurred loss during the reporting period amounted to RSD 28,262 thousand (Note no. 19).

### 32. LONG-TERM PROVISIONS

Long-term provisions are recognized in the following cases:

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

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

Structure of long term provisions	Provisions for wages and other employee benefits	Other long term provision	TOTAL
<b>Opening balance as of 01.01.2018</b>	2,735		2,735
Additional provision	216		216
Utilised in the year	(139)		(139)
Cancellation of unused amount			
<b>As of 31.12.2018</b>	<b>2,812</b>		<b>2,812</b>
Additional provision	595		595
Utilised in the year	(145)		(145)
Cancellation of unused amount			
<b>As of 31.12.2019</b>	<b>3,262</b>		<b>3,262</b>

**Provisions for wages and other employee benefits** (provisions for non-due retirement bonuses) are disclosed based on actuarial calculation made on 31.12.2019.

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

Decrease of the provision amount based on current retirement bonus values (by 4.98%) in the balance sheet as at 31.12.2019 in comparison to the retirement bonus values in the balance sheet as at 31.12.2018, was the result of several changed factors:

- On one hand, changes of some factors affect the increase of the provision amount (increase in the average expected retirement bonus by 10.26% and increase in average years of service in the Company by 1.52%); and
- on the other hand, changes of some factors affect the decrease of the provision amount (a decrease in the total number of employees by 21.24%).

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

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

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

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

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

The rate of 5% was accepted as the **annual discount rate**.

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

Since the financial market of Serbia is insufficiently developed, the actual annual yield from the purchase of government bonds with the Republic of Serbia as the guarantor should be used as a reference for the determination of the discount rate as at the balance sheet date. In compliance to the above stated, the discount rate was determined according to the annual yield of long term government bonds issued by the

Public Debt Administration of the Ministry of Finance of the Republic of Serbia, which were achieved in the relevant period. Annual yield on 10-years RSD securities issued on 05.11.2019 was 2.69%; while the annual yield on 10-years Euro securities issued on 09.10.2019 was 1.89%. By extrapolating the yield curve for a longer period (since the maturity of the reference securities is shorter than the average estimated maturity of the benefit payment that is subject to this calculation), in view of the requirements from paragraph 86, IAS 19. In extrapolation, maturity premiums were determined by using yields on high quality government bonds published on European Central Bank's website. In determining the convertibility premium (RSD versus EUR), data from the secondary market for government bonds were used. The above data refer to transactions that occurred in the period close to the Balance Sheet date and were taken from the National Bank of Serbia website.

**The annual expected salary growth in the Republic of Serbia** was planned at the level of 3%.

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

The Memorandum of the National Bank of Serbia on the target inflation rates by 2022, adopted by the Executive Board of the National Bank of Serbia, determines the target inflation rate (with permissible deviation) measured by annual percentage changes in the consumer price index, for the period from January 2020 to December 2022, in the amount of 3% with permissible deviation (positive and negative) of 1.5 percentage points.

The target inflation of 3% has been foreseen in the Memorandum for several years, but in real states it is generally lower (in 2019 - 1.5%; in 2018 - 2%; in 2017 - 3%; in 2016 - 1.6% and in 2015 - 1.5%). Therefore, it is more realistic to plan inflation 1 percentage point lower than the target.

From the above stated, it can be concluded that the planned long-term annual growth in real salaries in the Republic of Serbia is 1%, which is, bearing in mind the planned growth in domestic product in the following period (Source: the Government of the Republic of Serbia "Fiscal Strategy for 2020 with Projections for 2021 and 2022), realistically achievable.

If the inflation rate would change in the future, the applied logic would result in the change of nominal wages, but also in the discount rate (that is predominantly defined by the inflation rate), so that the change would not lead to the change in results presented in this document. The methodology used, indicating the long-term planned annual growth of wages in the Republic of Serbia of 3% and long-term annual discount rate of 5%, assumes the same, unchanged inflation rate in future. This assumption is requested in the paragraph 78 of IAS 19.



**33. LONG-TERM LIABILITIES**

Structure of long-term liabilities	In RSD thousand	
	31.12.2019.	31.12.2018.
Liabilities towards other affiliated companies	1,196,624	
Other long-term liabilities	35,549	
<b>TOTAL</b>	<b>1,232,173</b>	<b>0</b>

Structure of long-term loans and borrowings from other affiliated companies domestic	Interest rate	In RSD thousand	
		31.12.2019.	31.12.2018.
<i>Napred Razvoj Plc.</i>			
a) Dinar loans			
b) Loans with foreign currency clause	<i>6% annual</i>	1,196,624	
<b>TOTAL</b>		<b>1,196,624</b>	<b>0</b>

**Liabilities towards other affiliated companies** in the amount of RSD 1,196,624 thousand entirely relate to long-term loan granted by Napred Razvoj Plc. (EUR 10,176 thousand) according to Annex no. 4 of the Loan Agreement no. 91 dated 29 March 2019 (at interest rate of 6% per annum and the repayment period until 30 March 2022), for loan repayment, deposit of funds for purchase of shares of Energoprojekt Entel Plc. and giving new loans to subsidiaries. The Company issued 4 solo blank signed promissory notes to secure the loan.

**Other long-term liabilities** in the amount of RSD 35,549 thousand (EUR 300 thousand) entirely relate to long-term advance received from Jerry catering service Ltd., Belgrade according to Annex no. 1 of Contract no. 123 on long-term lease (for 15 years) a part of business area 935.56 m<sup>2</sup> located within the buildings complex "Samački hotel", Batajnički drum no. 24, in Zemun (part of obligation for received advance up to a year is recorded within the item - Received advances from other legal entities in the country - Note 35).

**34. SHORT-TERM FINANCIAL LIABILITIES**

Structure of short term financial liabilities	In RSD thousand	
	31.12.2019.	31.12.2018.
Short term credits and loans domestic	744,754	898,279
<i>Other short term financial liabilities:</i>		
a) a) Portion of long-term liabilities with maturity date up to one year		
b) Other	124	148
<i>Total</i>	124	148
<b>TOTAL</b>	<b>744,878</b>	<b>898,427</b>

**34.1 Short-Term Credits and Loans Domestic**

Structure of short-term credits and loans domestic	Interest rate	in RSD thousand	
		31.12.2019.	31.12.2018.
<i>Short-term loans granted by banks domestically:</i>			
a) RSD loans			
b) Loans with foreign currency clause	3M Euribor + 3.00% p.a.	744,754	898,279
<b>TOTAL</b>		<b>744,754</b>	<b>898,279</b>

**Short-term loans from banks in the country with a currency clause** (EUR 6,133 thousand) in the amount of in the amount of RSD 744,544 thousand relate to loans granted by:

- Erste Bank Plc. in the amount of RSD 587,964 thousand (EUR 5,000 thousand) with the interest rate of 3M Euribor + 2.90% per annum. 6 blank promissory notes of the Company and 6 blank promissory notes of the Energoprojekt Niskogradnja were provided as collaterals for loan repayment;  
In January 2020, the Agreement on Multipurpose Framework Overdraft was signed with Erste Bank, which extended the maturity until 14 January 2021 with an interest rate of 3M Euribor + 3.00%. 6 blank promissory notes of the Company, Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Hidroinženjering, Energoprojekt Oprema, Energoprojekt Industrija and Energoprojekt Energodata, as well as a mortgage on Energoprojekt office building (Note 45) were issued.
- Komercijalna Banka Plc. in the amount of RSD 156,790 thousand (EUR 1,133 thousand), with interest rate of 3M Euribor + 3.00% per annum and maturity date 14 August 2020. 10 blank promissory notes of the Company and by 2 blank promissory notes of Energoprojekt Niskogradnja and Energoprojekt Oprema were provided as collaterals for loan repayment.

### 34.2 Other Short-Term Financial Liabilities

Structure of long-term liabilities with maturity dates up to one year	<i>in RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Current portion		
Other short-term financial liabilities	124	148
<b>TOTAL</b>	<b>124</b>	<b>148</b>

**Other short-term financial liabilities** amounting to RSD 124 thousand pertain to the liabilities incurred based on the expenses paid by using the company Visa cards. The liabilities were settled in January 2020.

### 35. RECEIVED ADVANCES, DEPOSED MONEY AND CAUTIONS

Structure of received advances, deposited and cautions	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Received advances from parent company and subsidiaries	18,335	
Received advances from other legal entities in the country	11,258	51,043
Received deposited money from other legal entities in the country	33	33
<b>TOTAL</b>	<b>29,626</b>	<b>51,076</b>

**Received advance from parent company and subsidiaries** in the amount of RSD 18,335 thousand relate to advances received from subsidiaries under the Agreement on introduction of electronic document system Business Connect.

**Received advance from other legal entities in the country** in the amount of RSD 11,258 thousand primarily relate to received advance from Jerry Catering Service Ltd., Beograd Company in RSD 7,721 thousand under the Annex I on the contract (no. 123/1583 from 10.04.2017) on long-term lease (15 years) a part of office space measuring 935.56 m<sup>2</sup> located within the complex "Samački hotel", no. 24 Batajnički drum, Zemun (part of the liability for received advance over a year in 2019 was recorded within the item - Other long-term liabilities (Note 33), and consequently a decrease within the item was predominantly recorded).

**36. OPERATING LIABILITIES**

Structure of operating liabilities	In RSD thousand	
	31.12.2019.	31.12.2018.
Suppliers:		
Suppliers - parent company and subsidiaries, local	6,509	977
Suppliers - parent company and subsidiaries, foreign countries		
Suppliers - other affiliated companies abroad		
Suppliers, local	7,639	5,182
Suppliers, foreign countries	7,007	3,117
<i>Total</i>	<i>21,155</i>	<i>9,276</i>
Other operating liabilities	456	2,883
<b>TOTAL</b>	<b>21,611</b>	<b>12,159</b>

Total amount of liabilities to suppliers is broken down per currencies are presented in the following table.

Structure of operating liabilities per currencies	in RSD thousand	
	31.12.2019.	31.12.2018.
RSD	13,753	6,099
EUR	7,402	3,177
GBP		
<b>TOTAL</b>	<b>21,155</b>	<b>9,276</b>

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

Geographic distribution of suppliers is as follows:

Geographic distribution of suppliers	In RSD thousand	
	31.12.2019.	31.12.2018.
Suppliers, local (subsidiaries and other legal entities)	14,148	6,159
Suppliers, foreign countries (subsidiaries):		
Europe		
<i>Total</i>	-	-
Suppliers, foreign countries (other legal entities):		
Europe	7,007	3,117
<i>Total</i>	<i>7,007</i>	<i>3,117</i>
<i>Value adjustment</i>		
<b>TOTAL</b>	<b>21,155</b>	<b>9,276</b>

**Other operating liabilities** in the amount of RSD 456 thousand arose from issued credit note to subsidiary Energoprojekt Industrija resulting from the difference between the final price of the services provided by the Company to its subsidiaries - determined on costs incurred in 2019 and the orientation prices - established from planned costs for 2019.

### 37. OTHER SHORT-TERM LIABILITIES

Structure of other short-term liabilities	In RSD thousand	
	31.12.2019.	31.12.2018.
Liabilities for wages, fringe benefits and compensations	12,611	13,033
<i>Other liabilities:</i>		
a) Liabilities for interest and financing costs	6,183	
b) Liabilities for dividends	20,650	27,439
c) Liabilities to employees	177	218
d) Liabilities to General Manager, or to management and Supervisory Board members	737	652
e) Liabilities to physical persons on contractual obligations	271	356
f) Other various liabilities	34,450	407
<i>Total</i>	<i>62,468</i>	<i>29,072</i>
<b>TOTAL</b>	<b>75,079</b>	<b>42,105</b>

**Liabilities for wages, fringe benefits and compensations** in the amount of RSD 12,611 thousand pertain to the liabilities (net, taxes and contributions) for December salary that the Company paid in January 2020.

**Liabilities for interest and financing costs** in the amount of RSD 6,183 thousand entirely relate to the interest for loan granted by Napred Ravoj Plc. for December of the reporting year, which was settled in early January 2020.

**Liabilities for dividends** in the amount of RSD 20,650 thousand pertain to the liabilities based on the decision of the Assembly of Shareholders from 2018 on profit distribution in the amount of RSD 4,565 thousand and for dividends' payment from previous years in the amount of RSD 16,085 thousand, which have not yet been paid to date due to unresolved property - legal issues (inheritance disputes, etc.). and unopened accounts of shareholders.

Decrease in liabilities for dividends compared to the same date of previous year by RSD 6,789 thousand mostly refers to collection of liabilities for dividends from previous years in the amount of RSD 6,025 thousand due to expiration the general statute of limitations of ten years (Note 16.1).

**Other various liabilities** in the amount of RSD 34,450 thousand predominantly relate to liabilities to shareholders based on forced purchase of shares of Energoprojekt Entel in the amount of RSD 34,057 thousand. On 15.09.2019, the Corporate agent M&V Investments returned the Company's funds deposited for forced purchase of shares of Energoprojekt Entel such as, for part of shareholders who did not have the appropriate information, and the payment could not be realized. The company settles the obligations upon request of the shareholders.

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

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

#### **38.1 Liabilities for Value Added Tax**

<b>Liabilities for value added tax</b>	<i>in RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Liabilities for value added tax	4,528	4,700
<b>TOTAL</b>	<b>4,528</b>	<b>4,700</b>

**Liabilities for value added tax** pertain to the difference between calculated tax and input tax. This liability was settled by the Company within the legally prescribed deadline, in January 2020.

#### **38.2 Liabilities for Other Taxes, Contributions and Fees Payable**

<b>Liabilities for other taxes, contributions and fees payable</b>	<i>in RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Liabilities for profit tax		45,113
Liabilities for other taxes, contributions and fees payable	693	726
<b>TOTAL</b>	<b>693</b>	<b>45,839</b>

**Liabilities for other taxes, contributions and fees** payable in the amount of RSD 693 thousand mainly pertain to the contributions for considerations to Supervisory Board members: RSD 422 thousand, contributions for remunerations based on service contracts: RSD 129 thousand, liabilities for taxes and contributions - sick leave over 30 days: RSD 41 thousand, contributions for remunerations based on temporary service contracts: RSD 30 thousand, liability for participation in financing persons with disabilities: RSD 38 thousand and others.

Of the total amount of liabilities for taxes, contributions and fees payable in the amount of RSD 693 thousand, the amount of RSD 652 was settled in January 2020 (only the liabilities for taxes and contributions – sick leave over 30 days in the amount of RSD 41 thousand remained unpaid).

**38.3 Accrued Expenses and Deferred Income**

Accrued expenses and deferred income	In RSD thousand	
	31.12.2019.	31.12.2018.
<i>Pre-calculated expenses:</i>		
a) Pre-calculated expenses - parent company, subsidiaries and other affiliated companies	24,308	25,715
b) Pre-calculated expenses - other legal entities	35	6
<i>Total</i>	<i>24,343</i>	<i>25,721</i>
Other accrued expenses and deferred income	2,036	1,860
<b>TOTAL</b>	<b>26,379</b>	<b>27,581</b>

**Precalculated expenses - parent company, subsidiaries and other affiliated companies** in the amount of RSD 24,308 thousand entirely refer to the liability owed to Energoprojekt Oprema company for calculated expenses for the period till 30.06.2015 based on the Agreement on Construction of the Embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria, “a turnkey project”, in the cadastre lot No. 313, registered in the Real Estate Cadastre of the Cadastre Zone A00.

**Other accrued expenses and deferred income** in the amount of RSD 2,036 thousand entirely relate to the calculated tax on the transfer of absolute rights on property located in the K1G Building in Rakovica, Belgrade, which the Company recorded in its books within the item – Non-current assets held sale based on partial collection of receivables from Enjub Ltd. Belgrade under the Debt Reprogramming Agreement for approved loan no. 115, according to promissory note (Note 24).

**39. DEFERRED TAX ASSETS AND LIABILITIES**

Deferred tax assets and liabilities	In RSD thousand	
	31.12.2019.	31.12.2018.
Deferred tax assets	2,660	2,273
Deferred tax liabilities	158,713	156,410
<b>Net effects of deferred tax assets / (liabilities)</b>	<b>(156,053)</b>	<b>(154,137)</b>

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

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

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

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

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

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

*In RSD thousand*

Deferred tax liabilities	Tax value exceeding the book value in intangible assets, plants and equipment	Capital losses in investment property	Provisions for retirement bonuses	Unpaid public revenues	Employee benefits accrued but unpaid in the tax period	Total
<b>Opening balance as of 31.12.2018</b>	1,475		410	14	33	1,932
Debit/credit to Income Statement	337		11	(6)	(1)	341
Direct debit to capital						
<b>As of 31.12.2018</b>	1,812		421	8	32	2,273
Debit/credit to Income Statement	322		68	3	(6)	387
Direct debit to capital						
<b>As of 31.12.2019</b>	2,134		489	11	26	2,660



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

*In RSD thousand*

Deferred tax liabilities	Book value exceeding tax value in property	Capital gains in investment property	Total
<b>Opening balance as of 01.01.2018</b>	<b>148,235</b>	<b>5,779</b>	<b>154,014</b>
Debit / (credit) to Income Statement	615	1,781	2,396
Direct debit to capital			
<b>As of 31.12.2018</b>	<b>148,850</b>	<b>7,560</b>	<b>156,410</b>
Debit / (credit) to Income Statement	41	2,262	2,303
Direct debit to capital			
<b>As of 31.12.2019</b>	<b>148,891</b>	<b>9,822</b>	<b>158,713</b>

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

Balance and changes in balance of deferred tax liabilities	<i>in RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Balance of deferred tax liabilities at the end of the previous year	154,137	152,082
Balance of deferred tax liabilities at the end of the current year	156,053	154,137
<b>Changes in balance of deferred tax liabilities</b>	<b>1,916</b>	<b>2,055</b>

Changes in balance of deferred tax liabilities	<i>in RSD 000</i>	
	<i>31.12.2019</i>	<i>31.12.2018</i>
Deferred tax expenses of the period	1,916	1,608
Revaluation reserves		447
Undistributed profit of the previous year		
<b>TOTAL</b>	<b>1,916</b>	<b>2,055</b>

Based on the change in the balance of deferred tax assets and deferred tax liabilities in 2019, it can be concluded that in net effect there was increase in the balance of deferred tax liabilities compared with the previous year by RSD 1,916 thousand, which affected, through deferred tax expenses for the period, the Company's net results in 2019 (Note 19) in such a way to be decreased.

#### 40. OFF-BALANCE SHEET ASSETS AND LIABILITIES

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

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

Structure of off-balance sheet assets and liabilities	<i>In RSD thousand</i>	
	<i>31.12.2019.</i>	<i>31.12.2018.</i>
Provided sureties and guarantees	17,909,297	19,898,629
Provided mortgages and other rights		2,500
Received sureties and guaranties	747,341	
Received mortgages and other rights	76,522	16,252
Other off-balance sheet assets / liabilities	2,787,299	2,766,306
<b>TOTAL</b>	<b>21,520,459</b>	<b>22,683,687</b>

**Provided sureties and guarantees** amounting to RSD 17,909,297 thousand refer to the following:

- Guarantees issued for credits and guarantees for subsidiaries amounting to RSD 11,368,947 thousand;
- Corporate guarantees in the amount of RSD 6,537,410 thousand issued to:
  - Energoprojekt Niskogradnja amounting to RSD 6,204,342 thousand for projects: Landfill Vinca - Serbia in the amount of RSD 5,069,730 thousand, Banco Pichincha - Peru in the amount of RSD 1,049,186 thousand and Ub - Lajkovac in the amount of RSD 85,426 thousand; and
  - Energoprojekt Visokogradnja in the amount of RSD 333,068 thousand for the project Chinese Cultural Center,
- Guarantee provided by Erste Bank in favour of IATA (International Air Transport Association) for the proper settlement of liabilities for airline tickets in the amount of RSD 2,940 thousand, which expires on 23.10.2020 and renewed annually.

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

**Received sureties and guarantees** in the amount of RSD 747,341 thousand relate to:

- Received surety from Energoprojekt Niskogradnja in the amount of RSD 587,964 thousand according to Short-term Loan Agreement made with Erste Bank;
- Received surety from Energoprojekt Niskogradnja and Energoprojekt Oprema in the amount of RSD 156,790 thousand according to Short-term Frame Renewable Loan Agreement made with Komercijalna Banka; and
- Received performance guarantee from Marg Engineering Ltd. in the amount of RSD 2,587 thousand based on introduction of electronic document system Business Connect, which expires on 31.12.2020.

**Received mortgages and other rights** amounting to RSD 76,522 thousand pertain to the mortgage on Enjub Ltd. apartments, arising from the Loans Agreement granted to Enjub Ltd. (Note 41).

**Other off-balance sheet assets/liabilities** amounting to RSD 2,787,299 thousand include the following:

- The right to use the municipal construction land - in Block 26 in Novi Beograd, amounting to RSD 2,756,857 thousand;
- Dividends receivables from Enjub Ltd., which were directly written-off in the previous accounting period in the amount of RSD 30,442 thousand; and
- Unused construction facilities in Budva that were directly written-off in the inventory count as at 31.12.2014 and presented in the off-balance records without any value.

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

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

- As collateral to secure the repayment of loan pursuant to the Annex No. 12 of the Loan Agreement No. 367, in the amount of RSD 16,169 thousand (EUR 137 thousand), granted to the Company Enjub Ltd, the executive extrajudicial mortgage on the basis of pledge statement for the entire loan amount with added interest, was registered for apartments in 91A Jurija Gagarina Street, on the second and third floors, Cadastre lot No. 5089/9, Cadastral Municipality of Novi Beograd, registered in the Real Estate Registry folio No. 4550, Cadastral Municipality Novi Beograd, in favour of the Company, and
- As collateral to secure the repayment of the loan pursuant to the Annex No. 8 of the Agreement on Rescheduling of Approved Loan No. 115, approved to Enjub Ltd. in the amount of RSD 60,352 thousand (EUR 513 thousand), by decision no. 952-02-1973 / 2012, executive extrajudicial mortgage of the first order was registered on the basis of a pledge statement, up to the entire amount of the loan with added interest, on property (apartments and business premises) in 93, 93A and 91A Jurija Gagarina Street.

#### **42. RECONCILIATION OF CLAIMS AND LIABILITIES**

The Company, with the highest percentage, reconciled its domestic trade receivables/payables, as well as bank statements as at 31.12.2019.

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

- Unreconciled relations with the company Jerry Catering Service Ltd. in the amount of RSD 10,424 thousand (the Company shows less amount of net liabilities in its books) were created with regard that the company Jerry Catering Service Ltd. did not:
  - translate advances in 2017 (opening balance in the Company's books was translated as of 31.12.2017, while from 01.01.2018, according to IFRAC 22, the Company did not translate advances);
  - the states were recorded at gross principle (it does not deduct its claim on the basis of advance payments by the amount of VAT), and given that
  - did not record lease documentation and for re-charged electricity and utility costs for December 2019 in the reporting year; and
- Unreconciled relations with the Nina Media Clipping Ltd. in the amount of RSD 186 thousand, considering that the Company did not record liability in its business books;
- Unreconciled relations with the OTP banka in the amount of RSD 867 thousand (EUR 7,371.50) on the basis of available funds within short-term multi-purpose revolving line no. 01/13;
- Unreconciled relations with the Unicredit bank in the amount of up to RSD 2,940 thousand (EUR 25,000.00) on the basis of available funds within multipurpose revolving line no. R 0119 / 10; and
- Unreconciled relations with the Halkbank in the amount of RSD 29,040 thousand on the basis of balance and off-balance sheet indebtedness from credit framework no. 2018023357.

#### **43. TRANSACTIONS WITH RELATED PARTIES**

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

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

<b>Income and expenses incurred with related parties</b>	<i>In RSD thousand</i>	
	<i>2019</i>	<i>2018</i>
<i>Income:</i>		
a) EP Garant Plc.		865
b) EP Visokogradnja Plc.	71,984	102,495
c) EP Niskogradnja Plc.	95,869	234,245
d) EP Hidroinženjering Plc.	13,059	12,783
e) EP Entel Plc.	44,960	472,985
f) EP Energodata Plc.	6,022	8,144
g) EP Industrija Plc.	6,236	6,143
h) EP Urbanizam i arhitektura Plc.	3,688	4,133
i) EP Oprema Plc.	43,391	46,757
j) EP Sunnyville Ltd.	24,870	25,785
k) EP Park 11 Ltd.	16,978	21,681
l) I.N.E.C. Engineering Company Limited, Great Britain	4	
m) Encom GmbH Consulting, Engineering & Trading		10
n) Dom 12 S.A.L.		
o) Zambia Engineerings and Contracting Company Ltd., Zambia	1	
p) Enjub Ltd.	6,580	9,752
q) Napred Razvoj Plc.	3,756	
<b>Total</b>	<b>337,398</b>	<b>945,778</b>
<i>Expenses:</i>		
a) EP Garant Plc.		491
b) EP Visokogradnja Plc.	15,278	10,719
c) EP Niskogradnja Plc.	6,791	5,661
d) EP Hidroinženjering Plc.	57	43
e) EP Entel Plc.	197	237
f) EP Energodata Plc.	12,030	15,762
g) EP Industrija Plc.	2,001	50
h) EP Urbanizam i arhitektura Plc.	150	27,926
i) EP Oprema Plc.	17,181	14,502
j) EP Sunnyville Ltd.	3,843	1,496
k) EP Park 11 Ltd.	181	24
l) I.N.E.C. Engineering Company Limited, Great Britain	1	
m) Encom GmbH Consulting, Engineering & Trading	1,767	
n) Dom 12 S.A.L.		
o) Zambia Engineerings and Contracting Company Ltd., Zambia	13	
p) Enjub Ltd.	942	529
p) Napred Razvoj Plc.	40,391	
<b>Total</b>	<b>100,823</b>	<b>77,440</b>

<b>Receivables and liabilities with RP</b>	<i>In RSD thousand</i>	
	<i>31.12.2019</i>	<i>31.12.2018</i>
<i>Receivables:</i>		
a) EP Garant Plc.		
b) EP Visokogradnja Plc.	735,436	1,183,045
c) EP Niskogradnja Plc.	246,791	770
d) EP Hidroinženjering Plc.	8,609	19,186
e) EP Entel Plc.	3,524	686
f) EP Energodata Plc.	10,067	130,929
g) EP Industrija Plc.	134	637
h) EP Promet Ltd.		
i) EP Urbanizam i arhitektura Plc.	18,637	16,252
j) EP Oprema Plc.	5,108	269,173
k) EP Sunnyville Ltd.	455,852	796,141
l) EP Park 11 Ltd.	93,161	191,856
m) I.N.E.C. Engineering Company Limited, Great Britain	362	359
n) Dom 12 S.A.L.		
o) Enjub Ltd.	162,407	235,025
p) Zambia Engineering and Contracting Company Limited, Zambia	1,503	836
q) Napred Razvoj Plc.		
<i>Total</i>	<i>1,741,591</i>	<i>2,844,895</i>
<i>Liabilities</i>		
a) EP Garant Plc.		
b) EP Visokogradnja Plc.	406	683
c) EP Niskogradnja Plc.	2,895	2,471
d) EP Hidroinženjering Plc.	3,840	
e) EP Entel Plc.	3,841	
f) EP Energodata Plc.	4,667	
g) EP Industrija Plc.	5,866	14
h) EP Promet Ltd.		
i) EP Urbanizam i arhitektura Plc.	2,298	693
j) EP Oprema Plc.	1,488	
k) EP Sunnyville Ltd.		
l) EP Park 11 Ltd.		
m) I.N.E.C. Engineering Company Limited, Great Britain		
n) Dom 12 S.A.L.		
o) Enjub d.o.o.		
p) Zambia Engineering and Contracting Company Limited, Zambia		
q) Napred Razvoj Plc.	1,202,807	
<i>Total</i>	<i>1,228,108</i>	<i>3,861</i>

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

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

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

#### **44. COMMITMENTS AND CONTINGENCIES**

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

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

<b>Plaintiff</b>	<b>Basis for legal action</b>	<b>Contingent liability in RSD thousand</b>	<b>Prediction of final outcome</b>
Sreta Ivanišević	Compensation for expropriated property (Bežanija)	Ungrounded	Uncertain
Vladan and Tomislav Krdžić	Damage compensation (for the value of free shares that they did not acquire)	444	Unfounded, the first instance verdict dismissed the claim, decision on the appeal is pending
Pavle, Radmila and Milan Kovačević	Compensation for expropriated land (Block 26)	Ungrounded	Uncertain
Aleksandar and Nenad Radovanac	Moving out from barracks	Ungrounded	Ungrounded
Marko Martinoli, Activist Ltd., Activeast Ltd.	The forced purchase of shares Energoprojekt Entel Plc.	176,745	Ungrounded in relation to Energoprojekt Holding Plc.
Nikola Malbaša, Marko Martinoli and other minority shareholders Energoprojekt Industrija Plc.	The forced purchase of shares Energoprojekt Industrija Plc.	280,427	Ungrounded in relation to Energoprojekt Holding Plc.
Dekada Export-Import KFT Budapest	Determination the nullity of the contract of assignment of the Company's receivables to Vivand BT and Real Estate Option Contract	Ungrounded	Uncertain
Edmond Gašpar, Gojko Babić, Petar Rajačić	Forced purchase of shares of Energoprojekt Industrija Plc.	9,193	Ungrounded in relation to Energoprojekt Holding Plc.
Zoran Petrović	Annulment of the decision on termination of employment service contract	Not defined	Uncertain
Zoran Petrović	Compensation for damages	900	Uncertain
Alco Investments Holding Ltd. Cyprus	Annulment of Annex No. 1a of the Joint Construction Agreement (Block 26)	No value	Ungrounded in relation to Energoprojekt Holding Plc.



Details on lawsuits in which the Company is involved as the defendant are presented in the following Table - continued.

<b>Plaintiff</b>	<b>Basis for legal action</b>	<b>Contingent liability in RSD thousand</b>	<b>Prediction of final outcome</b>
Žito Mlin Ltd.	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	326	Uncertain
Milan Branković, Slobodan Vučković and Zoran Čupin	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	433	Uncertain
Matjaž Rupar	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	53	Uncertain
Henigman France	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	237	Uncertain
Alco Investments Holding Ltd. Cyprus	Fulfillment of the Joint Construction Agreement (Block 26)	1,831,110	Uncertain
Darovi Rokus d.o.o.	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	79	Uncertain
Andrej Mavrič	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	26	Uncertain
Regvat Milan	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	79	Uncertain

Details on lawsuits in which the Company is involved as the defendant are presented in the following Table - continued.

<b>Plaintiff</b>	<b>Basis for legal action</b>	<b>Contingent liability in RSD thousand</b>	<b>Prediction of final outcome</b>
Srđan Cekić, Vladimir Šešlija	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	405	Uncertain
Janez Dežman	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	52	Uncertain
Ilin Aleksandar	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	11	Uncertain
Proinvestments Plc.	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	3,234	Uncertain
Ariana Ltd.	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	48	Uncertain
Jenić Goran	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	74	Uncertain
Igor Mitrović	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	331	Uncertain
Damjan Pate	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	767	Uncertain
Treven Tomaž	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	1,051	Uncertain
Jopo Int Ltd.	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	21	Uncertain
Goran Grbić	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	685	Uncertain
Matija Rojec	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	26	Uncertain
Dušica Milić	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	53	Uncertain
Kolar Mihael	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	26	Uncertain

Details on lawsuits in which the Company is involved as the defendant are presented in the following Table - continued.

<b>Plaintiff</b>	<b>Basis for legal action</b>	<b>Contingent liability in RSD thousand</b>	<b>Prediction of final outcome</b>
Robert Žvab	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	102	Uncertain
Blaž Kolar	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	53	Uncertain
Edvard Kolar	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	105	Uncertain
Aleksa Marijanović	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	306	Uncertain
Milan Orlić	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	445	Uncertain
Over Atlantic Holding Plc.	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	749	Uncertain
Boris Ožegović	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	18	Uncertain
Dragan Opanković	Compulsory purchase of shares of Energoprojekt Industrija Plc.	1,809	Uncertain
Željko Deretić	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	144	Uncertain
Tesla Kapital Plc.	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	2,891	Uncertain
Zečević Srbislav	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	202	Uncertain

Details on lawsuits in which the Company is involved as the defendant are presented in the following Table - continued.

<b>Plaintiff</b>	<b>Basis for legal action</b>	<b>Contingent liability in RSD thousand</b>	<b>Prediction of final outcome</b>
Repić Stana	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	478	Uncertain
Nešić Dragoslav	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	474	Uncertain
Đurović Radojko	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	108	Uncertain
Todorović Mile	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	135	Uncertain
Milošević Staniša	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	74	Uncertain
Dobrota Branko	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	96	Uncertain
Đurović Marko	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	421	Uncertain
Tarlać Lazo	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	176	Uncertain
Stojanović Predrag	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	61	Uncertain
Stegnjava Luka	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	153	Uncertain
Bihorac Nuro	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	145	Uncertain
Minčić Igor	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	63	Uncertain
Kardelis Paljo	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	132	Uncertain
Mandić Dragan	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	125	Uncertain

Details on lawsuits in which the Company is involved as the defendant are presented in the following Table - continued.

<b>Plaintiff</b>	<b>Basis for legal action</b>	<b>Contingent liability in RSD thousand</b>	<b>Prediction of final outcome</b>
Lazić Mirko	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	135	Uncertain
Krstić Dragomir	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	710	Uncertain
Jelisavac Zlatomir	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	100	Uncertain
Šalipur Tijosav i Aščerić Radomir	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	3,647	Uncertain
Rakić Dragan	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	108	Uncertain
Popović Dragiša	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	106	Uncertain
Trivunović Luka	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	1,024	Uncertain
Radoš Nenad	Compulsory purchase of shares of Energoprojekt Industrija Plc.	32	Uncertain
Polić Vlastimir	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	145	Uncertain
Pejčić Jugoslav	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	47	Uncertain
Urošević Radmila	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	455	Uncertain
Rupnik Olivera	Determining the ownership of the apartment in 35 Marsala Birjuzova street	No value	Grounded
Nikola Bakal	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	726	Uncertain

Details on lawsuits in which the Company is involved as the defendant are presented in the following Table - continued.

<b>Plaintiff</b>	<b>Basis for legal action</b>	<b>Contingent liability in RSD thousand</b>	<b>Prediction of final outcome</b>
Zoran Pendić	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	138	Uncertain
Finstral Ltd.	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	320	Uncertain
Supra Group Ltd.	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	1051	Uncertain
Zoran Vasiljević	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	86	Uncertain
Milan Beslač	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	200	Uncertain
Dane Kuzmanović	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	263	Uncertain
Leonarda Milošević	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	146	Uncertain
Dragana Milić	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	162	Uncertain
Dejan Mraković	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	174	Uncertain
Stanislav Đorđević	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	53	Uncertain
Milovan Žunić	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	94	Uncertain
Dragan Vojinović	Payment of the difference in the share price of Energoprojekt Visokogradnja Plc.	103	Uncertain

In addition to the presented court disputes in which the Company is the defendant, there is a dispute with New Company Ltd. Branch IN Hotel, in which the plaintiff seeks from the CC Napred Razvoj Plc. determination of the property right on the hotel building, built on the plot on which, in addition to GP Napred Razvoj Plc., the Company is also registered as the holder of the right of use. In this procedure, the Company is a passive rival and thus any contingent liabilities have not been incurred, but for formal reasons it is covered by the lawsuit.

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

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

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

<b>Defendant</b>	<b>Basis for legal action</b>	<b>Contingency amount in RSD thousand</b>	<b>Prediction of final outcome</b>
Republic of Serbia, EPS Serbia, Epsturs Ltd and Republic of Montenegro	Determining of the ideal ownership share in the Park hotel in Budva	The value has not been determined	Grounded, Second Instance proceedings were terminated due to the bankruptcy of Epsturs Ltd.
RS Securities Commission	Annulment of the Commission's temporary decision whereby to the company is denied right to vote in Energoprojekt Oprema Plc.	Without any value	Uncertain
RS Securities Commission	Annulment of the Commission's temporary decision whereby to the company is denied right to vote in Energoprojekt Industrija Plc.	Without any value	Uncertain
RS Securities Commission	Annulment of the Commission's final decision whereby to the company is denied right to vote in Energoprojekt Oprema Plc.	Without any value	Uncertain
RS Securities Commission	Annulment of the Commission's final decision whereby to the company is denied right to vote in Energoprojekt Industrija Plc.	Without any value	Uncertain
RS Securities Commission	Annulment of the Commission's final decision, whereby it was interrupted proceedings to decide on the request for publication of the takeover bid Energoprojekt Entel Plc.	Without any value	Uncertain
Ringier Axel Springer Ltd.	Determination of annulment of the contract and return of paid advance	18,000	Uncertain
Energoprojekt Oprema Plc., Jadran Ltd. and Viacom VS Ltd.	Annulment of the Contract – determine	82,315	Uncertain



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

#### **45. EVENTS AFTER THE REPORTING PERIOD**

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

- Erste Bank Plc. Novi Sad in the amount of EUR 32,200,000.00 under the Multi-Purpose Framework Limit Agreement No. OLC003/20 (mortgage borrower Energoprojekt Holding and debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Oprema, Energoprojekt Hidroinženjering, Energoprojekt Industrija and Energoprojekt Energodata);
- Unicredit Bank Serbia Plc. Belgrade in the amount of EUR 5,100,000.00 under the Revolving Line Agreement for issuing bank guarantees no. RL 0028/20 (mortgage borrower Energoprojekt Holding and debtors: debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Oprema);
- Unicredit Bank Serbia Plc. Belgrade in the amount of EUR 8,688,287.47 under the Short-term Loan Agreement No. RL 0029/20 (mortgage borrower Energoprojekt Holding and debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja and Energoprojekt Oprema);
- OTP Bank Serbia in the amount of EUR 14,159,060.12 under the General Agreement on Short-Term Multipurpose Revolving Line no. 01/13, as amended, including in particular Annex 25 (mortgage borrower Energoprojekt Holding and debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Oprema and Energoprojekt Hidroinženjering); and
- OTP Bank Serbia in the amount of EUR 3,218,846.31 under the Framework Agreement on Issuance of Bank Guarantees, Letters of Credit and Binding Letters of Intent no. OUG 2125/16, as amended including in particular Annex 14 (debtor Energoprojekt Hidroinženjering, mortgage borrower Energoprojekt Holding and joint debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja and Energoprojekt Oprema).

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

Pursuant to the Decision made by Company Supervisory Board dated 20 March 2020, and according to the bank arrangement made with:

- OTP Bank Serbia Plc. - Annex 2 of the General Agreement on short-term multi-purpose revolving line no. MRL 11/20 in EUR 21,123,000 and all possible future annexes (Mortgage debtor Energoprojekt Holding and debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Oprema and Energoprojekt Hidroinženjering), on 13 March 2020, on Samački hotel and accompanying facilities an executive out-of-court mortgage was established. The property is registered in the List of Properties no. 2734 CP Zemun Polje as private property of the company Energoprojekt Holding Plc. Belgrade share volume 1/1. The mortgage was established in favour of OTP Banka Srbija Plc., in accordance with the Line Statement of Energoprojekt Holding Plc. certified before the competent authority comply with the Serbian Mortgage Law.

After the reporting period, The World Health Organization (WHO) declared COVID-19 a pandemic and on 15 March 2020, Republic of Serbia has introduced a state of emergency to halt the spread of coronavirus.

At this time with the constant deepening of RS Government's measures, the Management is not in position to make assessment of overall impact on the Company's operations and the financial result for 2020.

Management takes all necessary measures to ensure continuity of smooth operations and so that not to cast any doubt on the Company's ability to continue as a going concern.

In respect of aforementioned, the financial statements for the period 01 January – 31 December 2019 are not required to be adjusted.

After the reporting period, except for the above-mentioned non-adjusting events, there were no other that could significantly impact the credibility of financial statements.

Belgrade,

30 March 2020

  
Legal representative  
  
Stojan Čolakov  
M.Sc.C.E.  


### 3. ANNUAL BUSINESS REPORT OF ENERGOPROJEKT HOLDING PLC. FOR 2019

---

- Company background;
  - Summary of Company's business operations and organizational structure;
  - Overview of Company's development, financial position and business results, including relevant financial and non-financial indicators and personnel-related information;
  - Description of Company's expected development in the following period, changes in its business policies and main risks and threats to which its business is exposed;
  - Significant events after the end of the reporting business year;
  - Significant transactions with related parties;
  - Company's research and development activities;
  - Information on investments aimed at environmental protection;
  - Information on redemption of own stock and/or shares;
  - Company branches;
  - Financial instruments of significance for the assessment of Company's financial position and business results;
  - Objectives and policies related to financial risk management and protection policy for each type of planned significant transaction for which protection is applied; Exposure to price risk, credit risk, liquidity risk and cash flow risk, management strategy for these risks and assessment of their effectiveness;
  - Statement on Code of Corporate Governance.
- 

Note:

Annual Business Report and Consolidated Annual Business Report of Energoprojekt Holding Plc. for 2019 were presented as a single report and these contain information of significance for the economic entity.

## Company Background

Business name: Energoprojekt Holding Plc.

Head office and address: Belgrade, *Bulevar Mihaila Pupina 12*

Registration number: 07023014

TIN: 100001513

Web site and e-mail address: [www.energoprojekt.rs](http://www.energoprojekt.rs) ; [ep@energoprojekt.rs](mailto:ep@energoprojekt.rs)

Number and date of the Decision on Company Registration with the Companies Register: BD 8020/2005

Registered business activity (code and description): 06420 - Holding Company

Number of employees (average number of employees in 2019): 75

Auditor's business name, head office and business address: MOORE STEPHENS *Revizija i Računovodstvo d.o.o, Beograd, Studentski Trg 4/V*

Number of shareholders (as at December 31, 2019): 3.741

Ten principal Company's shareholders (as at December 31, 2019):

No.	Name and family name (business name)	No. of shares	% of share capital
1.	Napred Razvoj Plc. New Belgrade	4,530,034	41.44%
2.	Republic of Serbia	3,671,205	33.58%
3.	Montinvest Properties Ltd.	564,699	5.17%
4.	Jopag AG	560,731	5.13%
5.	Tezoro broker Plc. – summ. acc.	251,976	2.31%
6.	OTP bank Serbia - custody acc - fo	124,405	1.14%
7.	Energoprojekt Holding Plc.	97,700	0.89%
8.	Tezoro broker Plc.	81,150	0.74%
9.	Global Macro Capital Opportuni	74,772	0.68%
10.	Bojović Dobroslov	47,004	0.43%

Equity capital: Share capital RSD 5,574,958,920

Shares issued: 10,931,292 common shares

Share nominal value: RSD 510

ISIN number: RSHOLDE58279

CIF code: ESVUFR

Price of shares over the reported period:

- Last price (as at December 31, 2019): RSD 670/share
- Highest price (as at April 17, 2019): RSD 758/share
- Lowest price (as at January 24, 2019): RSD 600/share

Market capitalization (as at December 31, 2019): RSD 7,323,965,640

Organized market for shares trading: Belgrade Stock Exchange,

New Belgrade, *Omladinskih brigada 1*

Energoprojekt Holding Plc. shares are quoted and traded on regulated market – Belgrade Stock Exchange Prime Listing.

## **Overview of Company's Business Activities and Organizational Structure**

Energoprojekt Group comprises of the Energoprojekt Holding Plc. as the controlling - parent company and its subsidiaries (in the country and abroad), and joint venture company (in the country). Based on equity investments, companies of the Energoprojekt Group are related companies.

Energoprojekt Holding Plc. is the controlling – parent company pursuing financing and management of subsidiaries. In addition to energy and water management, the business activity of Energoprojekt Group includes design and construction of industrial plants, public and residential complexes, telecommunication systems, service provision in the fields of urbanism and environmental protection, information technologies, trade and real estate.

According to the Company's turnover, except for the domestic market, the most important markets are those in the African countries (Uganda, Ghana, Algeria), Kazakhstan, Russia, Middle East (Qatar, UAE, Oman) and South America (Peru).

Information about Company management:

Supervisory Board members (as at December 31, 2019):

Name and family name	Educational background	No. of ENHL shares
1. Dobroslav Bojović, President	VII-1 degree, B.Sc.Ecc.	47,004
2. Miodrag Zečević, member	VIII degree, M.Sc.E.E.	7,254
3. Nada Bojović, member	VII-1 degree, B.Sc. Labour Organization Eng.	0
4. Vitomir Perić, member	VII-1 degree, B.Sc.Mech.	1,108
5. Branislav Ivković, member	VIII degree, M.Sc.C.E.	1,000
6. Marko Milojević, member	VII-2 MA in European Business Law	0
7. Dragan Ugrčić, member	VII-2 M.Econ.	0

Executive Board members (as at December 31, 2019):

Name and family name	Educational background	No. of ENHL shares
1. Stojan Čolakov, General Manager	VII-1 degree, M.Sc.C.E	0
2. Siniša Tekić, Executive Manager for Finance, Accounting and Plan	VII-1 degree, B.Sc.Econ.	0
3. Milan Mamula, Executive Manager for Legal Issues	VII-1 degree, B.Sc.Law	0
4. Bogdan Uzelac, Executive Manager for Operational Issues	VII-1 degree, M.Sc.C.E.	0

## Overview of Company’s development, financial position and business results, including relevant financial and non-financial indicators and personnel-related information

The consolidated financial statements of Energoprojekt Holding Plc. aside of parent company “Energoprojekt Holding” Plc., Belgrade (hereinafter referred as: “Energoprojekt Holding“ or „Company“), also includes:

- 11 subsidiary companies in the country, out of which 10 are directly subsidiaries (8 as plc. and 2 as limited companies) and 1 is subsidiary indirectly, through other subsidiaries (1 limited liability company),
- 1 joint-venture, hereinafter: Joint-venture (1 limited liability company) with capital share of 50%, and
- 7 directly subsidiary companies abroad.

Within subsidiary companies units for investment works and representative branches abroad are organized (96 in total) as well as own companies in the country and abroad (14 subsidiaries abroad, 1 affiliated company abroad and 1 affiliated company in the country), which jointly conduct construction, design, equipping, making of studies, research, programming of investment facilities and systems, sales of goods and services and other business activities.

Based on its business activities, companies within Energoprojekt Group, in reported period, are organized as follows:

Business Activity	No. of subsidiaries, affiliates and joint-ventures in the country	No. of units for investment works abroad and branch offices abroad	No. of subsidiaries and affiliates abroad
Design and Research	4	42	5
Construction and Equipping	6	54	13
Holding	1		
Other	3		4
<b>Total</b>	<b>14</b>	<b>96</b>	<b>22</b>

The average number of employees in Consolidation Group of the Energoprojekt Holding (hereinafter: Energoprojekt Group) in 2019, as of the end of each month, not including local workers abroad, is 1,841 (2,129 in 2018).

Consolidation Group comprises of the Energoprojekt Holding parent company and of the following subsidiary and affiliated companies and joint undertakings in the country listed below, and of the subsidiary companies abroad – international companies:

### **Subsidiaries, joint-ventures and affiliated companies in the country**

No.	N a m e	% ownership share
<i>Subsidiary Companies</i>		
<i>Construction and Equipping</i>		
1.	Energoprojekt Visokogradnja Plc.	100.00
2.	Energoprojekt Niskogradnja Plc.	100.00
3.	Energoprojekt Oprema Plc.	67.87
4.	Energoprojekt Sunnyville Ltd.	100.00
5.	Energoprojekt Park 11 Ltd.	100.00
<i>Design and Research</i>		
6.	Energoprojekt Urbanizam i arhitektura Plc.	100.00
7.	Energoprojekt Industrija Plc.	62.77
8.	Energoprojekt Entel Plc.	99.95
9.	Energoprojekt Hidroinženjering Plc.	100.00
<i>Other</i>		
10.	Energoprojekt Energodata Plc.	100.00
11.	Energoplast Ltd.	42.36
(Energoprojekt Industrija Plc. 40.00% and Energoprojekt Entel Plc. 20.00%)		



## *Joint Ventures*

### *Construction and Equipping*

12. Enjub Ltd. 50.00

Energoprojekt Promet Ltd. was excluded from the Consolidation group for 2018, since it was inactive from 2010 (in dormant status), having no business activities since then, having no property at all, and having in mind that the Business Registers Agency, starting from 2019, has started the forced liquidation procedure for all companies which did not presented their financial statements, pursuant to the accounting legislation, for last two years precedent to the year related to financial statement. Energoprojekt Promet Ltd. did not presented its financial statements to the Business Registers Agency since 2017 financial statements.

Applying the total consolidation method, the consolidated financial statements of the Energoprojekt Group are including the subsidiary company Energoplast Ltd, with prior elimination, by equity method, of its presence in financial statements of Energoprojekt Industrija Plc. (40.00%) and Energoprojekt Entel (20.00%), made through primary consolidation. However, Energoprojekt Holding has an equity share in mentioned company (indirectly) of 42.36%, but it is included in consolidated financial statement by the method of total consolidation, since Energoprojekt Holding, indirectly, has controllling rights in Energoplast (althoug without the majority of shares).

On the occasion of the inclusion of Enjub Ltd. joint venture in the consolidated financial statements of the Energoprojekt Group, equity method was used in compliance with IFRS 11 – Joint Arrangements, both for the reporting period and for the comparable period of the preceding year).

In 2019, affiliated company Closed Investment Fund Fima Southern Europe Activist Plc. Belgrad – in liquidation, was liquidated and deleted from Busines Registers Agency registers and Central Securities Depository and Clearing House (Note 27).

## Subsidiary companies abroad – international companies

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

On July 30, 2019, Energoprojekt Holding has sold his complete ownership share in equity capital of subsidiary company Encom GmbH Consulting, Engineering & Trading, Germany (100.00%) (Note 21.2.).

A number of above listed overseas companies (Energoprojekt Holding Guinee S.A., Guinea, Energo (Private) Limited, Zimbabwe and Energo Kaz Ltd., Kazakhstan) were registered as companies owned by the Energoprojekt Holding, but are in fact controlled and managed by certain subsidiary companies.

Among the above listed subsidiary companies in the country, Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Oprema, Energoprojekt Industrija, Energoprojekt Entel, Energoprojekt Hidroinzenjering, Energoprojekt Energodata and Zambia Engineering and Contracting Company Limited, Zambia; are at the same time parent companies that prepare consolidated financial statements, and thus their subsidiary and affiliated companies listed in the following table are included through the primary consolidation.

No.	Name	Included through primary consolidation
<b><i>Abroad</i></b>		
<b><i>Subsidiary companies abroad – international companies</i></b>		
<b><i>Constructing and Equipping</i></b>		
1.	Energoprojekt Ghana Ltd., Akra, Ghana	EP Visokogradnja Plc.
2.	Energoprojekt Montenegro d.o.o., Montenegro	EP Visokogradnja Plc.
3.	Energoprojekt Rus d.o.o., Moskva, Russia	EP Visokogradnja Plc.
4.	Energo Uganda Company Ltd, Kampala, Uganda	EP Niskogradnja Plc.
5.	Enlisa S.A., Lima, Peru	EP Niskogradnja Plc.
6.	Energoprojekt Oprema Crna Gora d.o.o., Podgorica, Montenegro	EP Oprema Ltd.
7.	OOO Belgorod, Belarus	EP Oprema Ltd.
8.	Energoprojekt Zambia Limited, Zambia	Zambia Engineering and Contracting Company Limited, Zambia
<b><i>Design and Research</i></b>		
9.	Energoprojekt Entel L.L.C., Muscat, Sultanate of Oman	EP Entel Plc.
10.	Energoprojekt Entel LTD, Doha, Qatar	EP Entel Plc.
11.	Energococonsult L.L.C., Abu Dhabi, UAE	EP Entel Plc.
12.	Energoprojekt Entel kompanija, Bahrein	EP Entel Plc.
13.	Enhisa S.A., Lima, Peru	EP Hidroinženjering Plc.
<b><i>Other</i></b>		
14.	Energoprojekt Energodata Montenegro d.o.o., Montenegro	EP Energodata Plc.
<b><i>Affiliated companies abroad</i></b>		
<b><i>Construction and Equipping</i></b>		
15.	Energo Nigeria Ltd., Lagos, Nigeria (24.92%)	EP Oprema Plc.

***In the country***

***Affiliated companies in the country***

***Other***

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

Company OOO Belgrade, Belarus has finished its business activities on November 21, 2019, when the company was liquidated, as per Decision of Municipal Executive Board of the City of Minsk, on deleting the company from state register of legal and private business entities.

Company management predicts that companies who are making the Energoprojekt Holding Plc. consolidation group, will continue its business activities in undefined period, and do not expect any crucial changes in ongoing business, resulting that consolidated financial statements of Energoprojekt Holding Plc. for the 2019, were prepared according to the going concern principle.

Authentic overview of the development and business results of the Company, its financial position and information of significance for the assessment of the Company's assets are presented in detail and explained in the "Notes to Consolidated Financial Statements of Energoprojekt Holding Plc. for 2019".

Only some of the relevant parameters of the parent company's (Energoprojekt Holding Plc.) and of the Energoprojekt Group's business operations are presented below, which are of significance for adequate understanding of the presented subject matter.

## Structure of the total business result of Energoprojekt Holding Plc. (parent company) in 2019

Structure of gross result	In RSD thousand	
	01/01-31/12/2019	01/01-31/12/2018
Operating income	271.736	341.959
Operating expenses	344.617	362.247
<b>Operating result</b>	<b>-72.881</b>	<b>-20.288</b>
Financial revenues	98.358	628.645
Financial expenses	87.212	37.209
<b>Financial result</b>	<b>11.146</b>	<b>591.436</b>
Revenues from valuation adjustment of other assets disclosed at fair value through Profit or Loss		
Other revenues	69.771	274.396
Expenses from valuation adjustment of other assets disclosed at fair value through Profit or Loss		
Other expenses	38.140	37.582
<b>Result of other revenues and expenses</b>	<b>31.631</b>	<b>236.814</b>
Net income from discontinuing operations, changes in accounting policy and correction of errors from previous period	3.758	2.232
Net expense from discontinuing operations, changes in accounting policy and correction of errors from previous period		
<b>TOTAL INCOME</b>	<b>443.623</b>	<b>1.247.232</b>
<b>TOTAL EXPENSE</b>	<b>469.969</b>	<b>437.038</b>
<b>PROFIT/LOSS BEFORE TAX</b>	<b>-26.346</b>	<b>810.194</b>

### Earnings per Share

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

Indicator	In RSD thousand	
	01/01-31/12/2019	01/01-31/12/2018
Net profit	-28.262	763.473
Average number of shares per year	10.833.592	10.833.592
<b>Earnings (loss) per share (in RSD)</b>	<b>-2,61</b>	<b>70,47</b>

The most important liquidity indicators for the Company's business in 2019 are presented in the following table, and specifically:

- The current liquidity ratio (ratio of working capital and short-term liabilities), indicating the short-term liabilities coverage against working capital;
- Quick ratio (ratio of liquid assets, which include total working capital reduced by inventories, and short-term liabilities), indicating the short-term liabilities coverage against liquid assets;
- Operating cash flow liquidity ratio (ratio of cash flow increased by cash equivalents and short-term liabilities), indicating the short-term liabilities coverage against cash assets; and
- Net working capital (the excess of working capital over short-term liabilities).

Drawing conclusions on liquidity indicators based on the ratio analysis means, *inter alia*, comparison of these indicators against satisfactory general standards, which are presented in the following table.

Liquidity Indicators	Satisfactory General Standards	2019	2018
Current liquidity ratio	2:1	2,66:1	3,06:1
Quick ratio	1:1	2,59:1	3,06:1
Operating cash flow ratio		0,20:1	0,19:1
Net working capital (in RSD thousand)	Positive Value	1.496.979	2.229.903

**The results of the ratio analysis indicate that the Company was liquid during 2019** meaning that it had no difficulties to meet its due liabilities or to maintain the necessary scope and structure of the working capital and to preserve its good standings.

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

Profitability indicators	<i>In RSD thousand</i>	
	2019	2018
Net profit	(28.262)	763.473
Average capital:		
a) Capital at the beginning of the year	9.094.008	8.529.997
b) Capital at the end of the year	9.052.010	9.094.008
<b>Total</b>	<i>9.073.009</i>	<i>8.812.003</i>
<b>Average return rate on own capital at the end of the year</b>	<b>-0,31%</b>	<b>8,66%</b>

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

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

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

Financial structure indicators	<i>In RSD thousand</i>	
	31.12.2019	31.12.2018
Liabilities	2.134.967	1.081.887
Total assets	11.346.292	10.332.844
<b>Ratio of borrowed funds to total assets</b>	<b>0,19 : 1</b>	<b>0,10 : 1</b>
Long-term assets:		
a) Capital	9.052.010	9.094.008
b) Long-term provisions and long-term liabilities (deferred tax liabilities included)	1.391.488	156.949
<b>Total</b>	<i>10.443.498</i>	<i>9.250.957</i>
Total assets	11.346.292	10.332.844
<b>Ratio of long-term to total assets</b>	<b>0,92 : 1</b>	<b>0,90 : 1</b>

**The net debt ratio** indicates the Company's capital coverage against Company's net debt.

Net debt means the difference between:

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

Parameters for the net debt to capital ratio	<i>In RSD thousand</i>	
	<i>31.12.2019</i>	<i>31.12.2018</i>
Net debt:		
a) Liabilities	2.134.967	1.081.887
b) Cash and cash equivalents	184.016	200.519
<i>Total</i>	<i>1.950.951</i>	<i>881.368</i>
Capital	9.052.010	9.094.008
<b>Net debt to capital ratio</b>	<b>1 : 4,64</b>	<b>1 : 10,32</b>

### Energoprojekt Group operating income structure for 2019

Structure of gross operating income	<i>In RSD thousand</i>	
	<i>01/01-31/12/19</i>	<i>01/01-31/12/18</i>
Operating income	26.454.843	23.122.123
Operating expense	25.774.621	23.079.743
<b><i>Operating income</i></b>	<b><i>680.222</i></b>	<b><i>42.380</i></b>
Financial income	665.269	770.753
Financial expenses	558.111	760.584
<b><i>Financial income</i></b>	<b><i>107.158</i></b>	<b><i>10.169</i></b>
Revenues from valuation adjustment of other assets disclosed at fair value through Profit or Loss	112.810	9.862
Other income	303.316	1.367.763
Expenses from valuation adjustment of other assets disclosed at fair value through Profit or Loss	121.393	46.120
Other expense	297.044	333.411
<b><i>Result of other revenues and expenses</i></b>	<b><i>-2.311</i></b>	<b><i>998.094</i></b>
<b><i>Result from regular operations before tax</i></b>	<b><i>785.069</i></b>	<b><i>1.050.643</i></b>
Net income from disposal of discontinuing operations, effects of change in accounting policy and corrections of errors from previous periods	18.205	
Net loss from disposal of discontinuing operations, effects of change in accounting policy and corrections of errors from previous periods		56.176
<b><i>INCOME BEFORE TAX</i></b>	<b><i>803.274</i></b>	<b><i>994.467</i></b>
Tax expenses for period	169.741	261.192
Deferred tax expenses for period		18.490
Deferred tax income for period	7.316	
<b><i>NET INCOME</i></b>	<b><i>640.849</i></b>	<b><i>714.785</i></b>
<b><i>TOTAL INCOME</i></b>	<b><i>27.554.443</i></b>	<b><i>25.270.501</i></b>
<b><i>TOTAL EXPENSES</i></b>	<b><i>26.751.169</i></b>	<b><i>24.276.034</i></b>



Realized **income before tax (gross income)** of the Energoprojekt Group for the reported year, in the amount of RSD 803,274 thousand, mainly came as result of:

- business income in the amount of RSD 680,222 thousand, first of all in Energoprojekt Entel, Energoprojekt Niskogradnja and Energoprojekt Hidroinženjering; and
- financial surplus in the amount of RSD 107,158 thousand, mainly based on net positive exchange rates and income based on FX clauses.

Comparing to the same reported period last year, the decrease of **gross result** of Energoprojekt Group in 2019, in the amount of RSD 191,193 thousand has been recorded, despite the significant increase of business profit, in the amount of RSD 637,842 thousand and increase of financial income in the amount of RSD 96,989 thousand as well, mainly because of decrease of other income in 2019, in the amount of RSD 1,064,447 thousand (in 2018, other income were in the amount of RSD 1,367,763 thousand, comparing to RSD 303,316 thousand in 2019).

Other income in 2018, in the amount of RSD 1,367,763 thousand, mainly came as result of recording of types of income as follows:

- income based on reservation suspensions for Energocehtar Minsk Project, Belarus, in the amount of RSD 496,125 thousand,
- income based on equity capital share of Energoprojekt Garant Ltd. and Beogradsko mešovito preduzeće Ltd. in the amount of RSD 354,523 thousand, and
- income based on collected write-off receivables in Energoprojekt Oprema (originated from International Project Services Ltd. – branch office RTB Bor Project – according to agreements made, and Clinical Center of Serbia – based on lawsuit won) in the amount of RSD 120,195 thousand.

### Earnings per Share

Indicator	01/01-31/12/19	01/01-31/12/18
Net earnings belonging to parent company's shareholders (in RSD thousand)	585.412	445.593
Average weighted number of ordinary shares in the reporting period	10.833.592	10.833.592
<b>Earnings per share (in RSD)</b>	<b>54,04</b>	<b>41,13</b>

**Net Earnings per share** is calculated by dividing net profit of the parent company's shareholders with the average weighted number of ordinary shares in circulation for the period, excluding the ordinary shares that Group (companies within the Group) acquired, which are recorded as own shares.

Reached trading price (as at the last day of calculated period – December 31, 2019) of the parent company Energoprojekt Holding Plc. amounts RSD 670.00 per share (during 2019. the price of a share was between RSD 600.00 to 758.00), which was equivalent to the capital market of the

company in the amount of RSD 7,323,965,640. Ratio between the market and the accounting (calculated) value (P/B) was 0,81. Total share trade of Energoprojekt Holding Plc. in 2019 was RSD 142,074,678, which puts ENHL on 9th place of the most-traded shares on Belgrade Stock Exchange in 2019. The average trade was RSD 563,788. The average achieved trading price was RSD 642.00 per share.

### **Description of the Company's expected development in the following period, changes in its business policies and main risks and threats to which its business is exposed**

Starting from the strategic determination to achieve lasting and sustainable development of the Energoprojekt Group oriented towards continuous profitability growth, conducting business in its traditional markets (in the country and abroad), economically viable employment of resources and global macroeconomic trends, the following business tasks were planned to be achieved in 2020:

Priority tasks:

- Contracting of new business and providing conditions for continued working activities within Energoprojekt Group;
- Providing liquidity – activities aimed to collect receivables and optimize credit-loans liabilities of Energoprojekt Group;
- Providing conditions to realize business activities of the companies within Energoprojekt Group;

Other business-related tasks:

- Realization of all business activities, followed by suitable completing of contracts and relevant contract issues, with an imperative goal of reaching satisfactory profit level on every single project;
- Maintaining business and financial stability of the Group, with activities oriented to collecting of old financial claims;
- Adapting new market activities and creating conditions for new contract deals, followed by maximum engagement of present capacities;
- Applying rational concept of business, with high-quality planning and supervising, maintaining technology and organizational development;

- Using all the resources and assets of the companies in business activities;
- Location development, joining concessions and private investments;
- Reinforcement of business cooperation by project and functional cooperation, with constant consolidation of corporate functions;
- Group development will be scheduled and perceived through possible structural changes and market adjustments;
- Transparency of business operations and public presentation of Energoprojekt, by means of supplying relevant information through the Stock Exchange and regular communication with investors, partners and experts, in the country and abroad.

The most significant threats to which the Company is exposed include: continuing and deepening of the global and Eurozone economic crisis; competition in the form of foreign companies from the countries with huge populations and cheap workforce; competition in the form of the foreign companies with easier access to cheaper financial resources; institutional changes in the domestic and selected foreign markets; dependency on the political stability of the markets in which Energoprojekt realizes its projects and so on.

It is necessary to establish a system for timely risks' identification and management for the business operations of the Energoprojekt in the country and in the foreign markets as one of the principal functions of the Company's internal audit. In the following period, efforts on risk management development strategy will be intensive and according to the plans, in compliance with the established annual plan of the Energoprojekt Holding Plc. internal audit for 2020.

## **Significant events after the end of the reported business year**

### **Real Estate Mortgage – Office Building “Energoprojekt”**

According to the Decision of General Meeting of Shareholders, dated on January 15, 2020, based on banking arrangements with:

- Erste bank Plc. Novi Sad, in the amount of EUR 32,200,000.00 upon the Agreement on multipurpose frameworked limit, No.OVLC003/20 (mortgage debtor Energoprojekt

Holding and debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Oprema, Energoprojekt Hidroinženjering, Energoprojekt Industrija and Energoprojekt Energodata),

- Unicredit bank Serbia Plc. Belgrade, in the amount of EUR 5,100,000.00 upon the Agreement on revolving credit line for bank warranties, No. RL 0028/20 (mortgage debtor Energoprojekt Holding and debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Oprema),

- Unicredit bank Serbia Plc. Belgrade, in the amount of EUR 8,688,287.47 upon the Agreement on short-term loan, No. RL 0029/20 (mortgage debtor Energoprojekt Holding and debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja and Energoprojekt Oprema),

- OTP bank Serbia, in the amount of EUR 14,159,060.12 upon General Agreement on short-term multipurpose revolving line, No. 01/13, with all changes, including specifically Annex 25 (mortgage debtor Energoprojekt Holding and debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Oprema and Energoprojekt Hidroinženjering), and

- OTP bank Serbia, in the amount of EUR 3,218,846.31 upon Framework Agreement on bank warranties, credit letters and obligatory letters of intention issuing, No. OUG 2125/16, with all changes, including specifically Annex 14 (debtor Energoprojekt Hidroinženjering, mortgage debtor Energoprojekt Holding and solidary debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja and Energoprojekt Oprema)

have constitute on January 31, 2020, the executive extrajudicial mortgage for office building Energoprojekt, Real Estate Folio No. 2652, Cadastral municipality of New Belgrade, in favor of subject creditors, and based upon Lien Statement of the Company, verified with the authorized institution, according to the Mortgage Law.

### **Real Estate Mortgage – “Stara Pazova” Complex**

According to the Decision of General Meeting of Energoprojekt Visokogradnja Shareholders, dated on February 12, 2020, based on banking arrangements with:

- OTP Bank Serbia Plc. based upon the Annex 1 of the General Agreement on short-term multipurpose revolving line, No. MRL 11/20 in the amount of EUR 21,123,000, as well as all other eventual annexes (mortgage debtor Energoprojekt Visokogradnja and debtors: Energoprojekt Holding, Energoprojekt Niskogradnja, Energoprojekt Oprema and Energoprojekt Hidroinženjering), on February 19, 2020, it was constituted the executive extrajudicial mortgage for the land plot and premisses of „Stara Pazova“ Complex, which was recorded in Real Estate Folio No.10503, Cadastral municipality of Stara Pazova, as private property of Energoprojekt Visokogradnja, ownership share 1/1, in favor of OTP Bank

Serbia Plc, based upon Lien Statement of Energoprojekt Visokogradnja, verified with authorized institution, according to the Mortgage Law.

### **Real Estate Mortgage – “Samački hotel” Complex**

According to the Decision of Energoprojekt Holding Supervisory Board, dated on March 20, 2020, based on banking arrangements with:

- OTP Bank Serbia Plc. based upon Annex 2 of the General Agreement on short-term multipurpose revolving line, No. MRL 11/20 in the amount of EUR 21,123,000, as well as all other eventual annexes (mortgage debtor Energoprojekt Holding and debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Oprema and Energoprojekt Hidroinženjering), on March 13, 2020 it was constituted the executive extrajudicial mortgage for the object „Samački hotel“ and surrounding premisses, which was recorded in Real Estate Folio No.2734, Cadastral municipality Zemun Polje, as private property of Energoprojekt Holding, ownership share 1/1, in favor of OTP Bank Serbia Plc, based upon Lien Statement of Energoprojekt Holding, verified with authorized institution, according to the Mortgage Law.

### **Lien Statement for receivables on Energocentar Minsk Project, Belarus**

According to Decision of 38th Extraordinary General Meeting of Energoprojekt Oprema, dated on January 30, 2020, it has been approved constitution of lien on receivables for the equipment delivered, pursuant to arbitral awards for Energocentar Minsk Project, Belarus, in the amount of USD 18,928,532.76 in favor of banks, for the credit under-limit based upon banking arrangements/warranties for credit lines, namely:

- OTP bank Serbia Plc, Belgrade, up to the credit under-limit in the amount of EUR 11,073,180.63, increased for the interest expenses, default interest, fees, damage compensations, regular costs or any other costs and fees based upon the agreement,
- Erste bank Plc. Novi Sad, up to the credit under-limit in the amount of EUR 8,000,000.00 increased for the interest expenses, default interest, fees, damage compensations, regular costs or any other costs and fees based upon the agreement, and
- Unicredit bank Serbia Plc. Belgrade, up to the credit under-limit in the amount of EUR 8,688,287.47 increased for the interest expenses, default interest, fees, damage compensations, regular costs or any other costs and fees based upon the agreement.

The Agreement on Lien Statement for receivables was recorded in Lien Register for Real Estate and Rights, pursuant to Decision No.821-1/2020 dated on February 14, 2020.

## **Satate of emergency measures as a consequence of global pandemic of COVID 19**

After the Balance Sheet date, the global pandemic of COVID 19 was proclaimed, and state of emergency measures were introduced in Serbia, as of March 15, 2020.

In this moment, having in mind constant increase in protective measures ruled by the Government of the Republic of Serbia, the management is not capable to assess total effects and influence of these conditions on business activities of Energoprojekt Group, as well as on financial results in 2020.

The management is taking all measures focused to provide conditions for smooth business of the company, so that ongoing activities would not be jeopardized.

Mentioned facts do not require adjustment of financial statements for the January 1, 2019-December 31, 2019 period.

Aside of the above mentioned incorrective events occured after the reported period, there were no significant business events from the balance date to the date of publication of the said statements, which would exert any impact on the authenticity of the disclosed financial statements.

Relevant business news on significant events are being regularly published on the Energoprojekt web site (at: <http://www.energoprojekt.rs>) and on the web site of the Belgrade Stock Exchange (in Serbian and in English), as a part of the Company's obligations related to the Prime Listing of its shares on the Belgrade Stock Exchange.

## **Significant business transactions with the related parties**

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

From the point of view of the **related parties**, transactions resulting in revenues and expenses in the Income Statement and in the disclosed receivables and liabilities (for the purpose of disclosure of relationships with the related parties, we included all the balances in the Company assets within it) in the Balance Sheet are presented in the following two Tables.

Income and expenses from related parties	In RSD thousand	
	2019	2018
<i>Income:</i>		
		.
a) EP Garant Plc.		865
b) EP Visokogradnja Plc.	71.984	102.495
c) EP Niskogradnja Plc.	95.869	234.245
d) EP Hidroinženjering Plc.	13.059	12.783
e) EP Entel Plc.	44.960	472.985
f) EP Energodata Plc.	6.022	8.144
g) EP Industrija Plc.	6.236	6.143
h) EP Urbanizam i arhitektura Plc.	3.688	4.133
i) EP Oprema Plc.	43.391	46.757
j) EP Sunnyville Ltd.	24.870	25.785
k) EP Park 11 Ltd.	16.978	21.681
l) I.N.E.C. Engineering Company Limited, UK	4	
m) Encom GmbH Consulting, Engineering & Trading		10
n) Dom 12 S.A.L.		
o) Zambia Engineering and Contracting Company Limited, Zambia	1	
p) Enjub Ltd.	6.580	9.752
q) Napred Razvoj Plc.	3.756	
<i>Total</i>	<i>337.398</i>	<i>945.778</i>
<i>Expenses:</i>		
a) EP Garant Plc.		491
b) EP Visokogradnja Plc.	15.278	10.719
c) EP Niskogradnja Plc.	6.791	5.661
d) EP Hidroinženjering Plc.	57	43
e) EP Entel Plc.	197	237
f) EP Energodata Plc.	12.030	15.762
g) EP Industrija Plc.	2.001	50
h) EP Urbanizam i arhitektura Plc.	150	27.926
i) EP Oprema Plc.	17.181	14.502
j) EP Sunnyville Ltd.	3.843	1.496
k) EP Park 11 Ltd.	181	24
l) I.N.E.C. Engineering Company Limited, UK	1	
m) Encom GmbH Consulting, Engineering & Trading	1.767	
n) Dom 12 S.A.L.		
o) Zambia Engineering and Contracting Company Limited, Zambia	13	
p) Enjub Ltd.	942	529
q) Napred Razvoj Plc.	40.391	
<i>Total</i>	<i>100.823</i>	<i>77.440</i>

Receivables and liabilities from related parties	In RSD thousand	
	31.12.2019	31.12.2018
<i>Receivables:</i>		
a) EP Garant Plc.		
b) EP Visokogradnja Plc.	735.436	1.183.045
c) EP Niskogradnja Plc.	246.791	770
d) EP Hidroinženjering Plc.	8.609	19.186
e) EP Entel Plc.	3.524	686
f) EP Energodata Plc.	10.067	130.929
g) EP Industrija Plc.	134	637
h) EP Promet Ltd.		
i) EP Urbanizam i arhitektura Plc.	18.637	16.252
j) EP Oprema Plc.	5.108	269.173
k) EP Sunnyville Ltd.	455.852	796.141
l) EP Park 11 Ltd.	93.161	191.856
m) I.N.E.C. Engineering Company Limited, UK	362	359
n) Dom 12 S.A.L.		
o) Enjub Ltd.	162.407	235.025
p) Zambia Engineering and Contracting Company Limited, Zambia	1.503	836
q) Napred Razvoj Plc.		
<i>Total</i>	<i>1.741.591</i>	<i>2.844.895</i>
<i>Liabilities:</i>		
a) EP Garant Plc.		
b) EP Visokogradnja Plc.	406	683
c) EP Niskogradnja Plc.	2.895	2.471
d) EP Hidroinženjering Plc.	3.840	
e) EP Entel Plc.	3.841	
f) EP Energodata Plc.	4.667	
g) EP Industrija Plc.	5.866	14
h) EP Promet Ltd.		
i) EP Urbanizam i arhitektura Plc.	2.298	693
j) EP Oprema Plc.	1.488	
k) EP Sunnyville Ltd.		
l) EP Park 11 Ltd.		
m) I.N.E.C. Engineering Company Limited, UK		
n) Dom 12 S.A.L.		
o) Enjub Ltd.		
p) Zambia Engineering and Contracting Company Limited, Zambia		
q) Napred Razvoj Plc.	1.202.807	
<i>Total</i>	<i>1.228.108</i>	<i>3.861</i>



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

Liabilities from the related parties arise primarily from purchasing transactions and are mature and collectible within 5 to 30 days from purchasing date. Liabilities do not include interest rates.

Payment securities for liabilities to related legal entities were not provided by the Company.

### **Company's research and development activities**

Activities on further development and implementation of an adequate business and information system are underway, and the system will be adequate to the current scope and planned growth of the Company's business, as well as activities related to implementation of integrated Document Management System (DMS) in Energoprojekt Group.

### **Information on investments aimed at environmental protection**

In June of 2019, Energoprojekt Holding Plc. has finished all the activities in harmonizing the adopted three integrated management systems, according to standards ISO 9001:2015 Quality Management, ISO 14001:2015 Environment Protection Standard and OHSAS 18001:2007 Occupational Health and Safety Assessment Series.

The external auditing by „Lloyd's Register“ was successfully finished on June 26, 2019, and the certificate was prolonged for three years.

Pursuant to official terms and conditions for adopting new version of standards, the mentined harmonization was also ejecuted by all other subsidiary companies within Energoprojekt Group..

Company's business activities are regularly harmonized with the applicable requirements of the positive legal regulations in the field of environmental protection, environmental protection programs are adopted and efforts are made towards the strict compliance with such requirements and programs. The said programs are being implemented through impact and/or risk analyses and assessments in the field of environmental protection, as well as through the implementation of relevant technical and technological solutions and instructions for elimination and/or reduction of adverse environmental effects. In that sense, Energoprojekt management organize and continuously monitor, review and direct activities of all the organizational units, services and individuals in order to completely implement the said IMS policy.

Company's activities aimed at environmental protection are integrated and implemented in compliance with the business philosophy and through joint activities on the level of the Energoprojekt Group. Thus, the "Waste Management Project" is an example of the said activities, which is being implemented in a coordinated manner, in compliance with the Rulebook on Waste Management in the Energoprojekt Building. Participation of the representatives of each Company of the Energoprojekt Group in the waste management working group serves as a guarantee that all the planned activities will be implemented in the least expensive and most effective manner: such as, for example, the selection of various office waste materials (used paper, used batteries, car batteries, discarded electrical and electronic appliances and devices), recycling of these items, as well as the disposal of such items in compliance with the legally prescribed standards, etc.

### **Information on redemption of own stock and/or shares**

Based on Resolution on Acquiring of Own Shares at the organized market, made by Supervisory Board on February 13, 2017, the Company has acquired, trading on Belgrade Stock Exchange, 97,700 own shares (meaning 0.89376% out of total shares with right to vote), amounting RSD 124,148 thousand, with the nominal value reaching RSD 49,827 thousand.

During 2019, there were no redemption nor selling of own shares.

### **Company branches**

Energoprojekt Holding Plc. does not have any registered branches in Serbia.

The official seat of the Parent Company and its subsidiaries is located in 12 Mihaila Pupina Av. in New Belgrade.

Detailed reviews of and comments on the business operations of the (foreign) entities of the Energoprojekt Group are presented in the Notes to the Consolidated Financial Statements of the Energoprojekt Group and in the Notes to the Consolidated Financial Statements of its subsidiary companies.

### **Financial instruments of significance for the assessment of Company's financial position and business results**

**Financial instruments** include financial assets and liabilities recorded in the balance sheet of the Company as of the moment when the Company becomes legally bound by the financial instrument and until the loss of control over rights derived from that financial asset (by

realization, activation, assignment, etc.), or by settlement, cancellation or activation of the financial liability.

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

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

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

- Financial asset or liability at fair value through the profit and loss account,
- Held-to-maturity investments;
- Loans and receivables, and
- Financial assets available for sale.

All the relevant financial instruments of significance for the assessment of the financial position and business results of the Company are presented in greater detail in the Notes to the Financial Statements.

### **Objectives and policies related to financial risk management and protection policies for each type of planned significant transaction for which protection is applied; Exposure to price risk, credit risk, liquidity risk and cash flow risk, management strategy for these risks and the assessment of their effectiveness**

Uncertainty referred to future events is one of the principal business characteristics of trading commercial surroundings, reflected through variety of possible outcomes. As a result of this uncertainty, i.e. insecure and unknown possible events which are going to happen, legal entities are exposed to different business risks which could interfere their future market position.

Looking from the aspect of the Company, there are many potential risks of different possible impact on condition and business activity of the Company itself.

Some (specific) risks are affected by some internal causes, such as *concentration risk*, in this case reflected as exposure to a certain or small group of buyers or suppliers; *operational risk*, manifested by the possibility of emerging of negative effects, caused by willing or unwilling operational errors, unsuitable internal procedures and processes, inadequate managing of

information system in the Company, etc.; *reputation risk* presents the possibility of aggravation of market position of the Company caused by lack of confidence, i.e. creating a negative public image (with state institutions, suppliers, buyers, etc.) about the business activities of the Company; *legal risk*, reflected as the possibility of emerging negative effects caused by legal sanctions and penalties of lawsuits for contractual and legal obligations unfulfilled; etc.

As those mentioned, and some other risks have been treated in Notes and some other internal Company acts (f.eg. to minimize the operational risk by procedures and working instructions adopted, is treated by Rulebook on Accounting and Company Accounting Policy), in continuation we will put our focus on considering **financial risks**, mainly referred to:

- Credit risk;
- Market risk and
- Liquidity risk.

Financial risk is significantly affected by (external) causes which are not directly under the control of the Company. Having that in mind, the impact of financial risk is dominantly affected by Company surroundings, which was not influenced only by economic development, but also by legal, financial and other relevant aspects to define the size of system risks.

Generally, comparing to developed economies markets, companies active on markets of low developed level and macroeconomic stability, with high rate of insolvency, as we face in Republic of Serbia, are extremely exposed to financial risk. Furthermore, undeveloped financial market makes impossible use of variety of „*hedging*“ instruments, present on developed markets. Thus, companies having business in Republic of Serbia have no possibility of use different financial instruments in financial risks management, because those instruments are not widely applied, nor there is an organized continued market of financial instruments.

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

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

## Credit Risk

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

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

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

## Market Risk

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

The market risk includes three risk types:

- Currency risk,
- Interest risk and
- Price risk.

• **Currency risk**, also called foreign exchange risk or exchange rate risk, is a risk of fair value fluctuation or the fluctuation of future financial instruments cash flows due to the change in exchange rates. The currency risk arises from financial instruments in foreign currency or the currency other than the currency (functional) in which the financial instruments are measured in financial statements.

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

**The sensitivity analysis indicates that variations in the exchange rate will significantly affect variations in financial results of the Company and it can therefore be concluded that the Company is exposed to the currency risk to a significant extent.**

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

• **Price risk** is a risk of fair value or future cash flow of the financial instrument fluctuation due to market price changes (but not caused by currency or interest risk), whether those changes occurred due to specific financial instrument or its issuer, or due to some similar financial

instruments present on the market. **This type of risk is not noted within the Company.**

### **Liquidity Risk**

Liquidity risk is a risk of having difficulties to fulfil due obligations and maintain the necessary scope and structure of the working capital and good standing.

**The results of the ratio analysis indicate that the Company had satisfactory level of liquidity during the year, meaning that it had no difficulties to meet its due liabilities or to maintain the necessary scope and structure of the working capital and to preserve its good standing.**

Therefore we emphasise that:

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

This subject matter was defined in and it is being implemented in compliance with the following adopted internal acts of the Company:

- *“Rulebook on the Basic Elements of the Internal Control System and Risk Management in Energoprojekt Holding Plc.”,*
- *“Rulebook on the Operations of the Internal Supervision Sector of Energoprojekt Holding Plc.”,*
- *“Rulebook on Accounting and Accounting Policies of Energoprojekt Holding Plc.”.*

All the Companies in the Energoprojekt Group have adopted and are implementing their own individual acts regulating the said subject matter.

Most of the above listed risks, as well as some other risks not mentioned herein, are presented in greater detail in the Notes to the Financial Statements (which are primarily focusing on the review of the financial risks: the credit risk, market risk and liquidity risk) and/or other internal acts of the Company.

## Statement on Code of Corporate Governance Implementation

Energoprojekt Holding Plc. implements its own Code of Corporate Governance (as adopted in 11th meeting of the Management Board of the Energoprojekt Holding Plc. held on January 26, 2012). The Code has been made publicly available on the Company's Internet page (at [www.energoprojekt.rs](http://www.energoprojekt.rs)).

The Energoprojekt Holding Plc. Code on Corporate Governance set out the principles of corporate practices and organizational culture that the principal holders of the corporate governance function of the Energoprojekt Holding Plc. comply with, with regard to the shareholders' rights, corporate governance frameworks and methods, public relations and transparency of the Company's business operations. The main objective of this Code is to introduce good business practice in the field of corporate management, which should provide for the right balance between the influences exerted by the principal corporate governance holders, consistency of the control system and strengthening of shareholders' and investors' trust in the Company, all with the aim to achieve long-term development of the Company.

Relevant Company's bodies make a point of presenting the principles laid down in the Code in greater detail in other general acts of the Company, whenever necessary. In the application thereof, there are no significant deviations from the rules of the Code of Corporate Governance.

In compliance with the Rules on Listing and Quotation of the Belgrade Stock Exchange, parallel with the disclosure of its Annual Business Report, Energoprojekt Holding Plc. delivers and discloses the completed "Questionnaire on Corporate Governance Practices" and has agreed to its online publication on the Internet page of the Belgrade Stock Exchange.

All the Companies of the Energoprojekt Group have adopted and are now implementing their own codes of corporate governance regulating the said subject matter.

Energoprojekt Holding Plc.

Executive Director for Finance, Accounting and Planning

  
Siniša Tekić, B.Sc. Ecc.



Energoprojekt Holding Plc.

Chief Executive Officer

  
Stojan Čolakov, M.Sc.C.E.

#### 4. STATEMENT BY PERSONS RESPONSIBLE FOR REPORT PREPARATION

---

To the best of our knowledge, Annual Financial Statements for the year of 2019 were prepared in compliance with the relevant International Financial Reporting Standards and these present authentic and objective information about assets, liabilities, financial position and operations, profit and losses, cash flows and changes in equity of the Public Company, including those of the Companies included in the Consolidated Statements.

Person responsible for preparation of the Annual Report:

Executive Director for Finance, Accounting and Planning

Energoprojekt Holding Plc.



Siniša Tekić, B.Sc.Ecc.



Legal Representative:

Chief Executive Officer

Energoprojekt Holding Plc.

Stojan Čolakov, M.Sc.C.E



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

---

### Note \*:

- Financial Statements of Energoprojekt Holding Plc. for the year 2019 were approved on February 26, 2020, in the 81th meeting of the Supervisory Board of the Issuer. At the moment when the Company's Annual Report is published, it has not yet been adopted by the competent Company's body (Shareholders' Assembly). The Company shall publish the complete the Decision of the competent body on the adoption of Company's Annual Report at a later date.

## 6. DECISION ON DISTRIBUTION OF PROFIT OR COVERAGE OF LOSSES \*

---

### Note \*:

- Decision on Distribution of Company's Profit for 2019 shall be passed in the regular annual General Assembly meeting. The Company shall publish the complete Decision of the competent body on distribution of Company's profit at a later date.

A public company is legally obliged to prepare their annual consolidated financial statements, to disclose them and to deliver them to the Commission, and, providing that the securities of such company are admitted for trading, to deliver these Statements to the regulated market or to the MTP four months after the end of each business year at the latest, and to ensure that the annual financial statements are available to the general public over the course of five years at the minimum from the date of its disclosure

The Company shall be held responsible for the accuracy and authenticity of information presented in the Annual Report.

In Belgrade, April 2020

Person responsible for preparation of Annual Report:

Executive Director for Finance, Accounting and Planning

Energoprojekt Holding Plc.



Siniša Tekić, B.Sc.Ecc.



Legal Representative:

Chief Executive Officer

Energoprojekt Holding Plc.



Stojan Čolakov, M.Sc.C.E

