

**PUBLIC ENTERPRISE ELEKTROPRIVREDA SRBIJE
BEOGRAD**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
AND INDEPENDENT AUDITOR'S REPORT**

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To the Owners and management of Javno preduzeće Elektroprivreda Srbije, Beograd

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Javno preduzeće Elektroprivreda Srbije, Beograd (the „Company“) and its subsidiaries (the „Group“), which comprise the consolidated balance sheet as of 31 December 2018 and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes equity and consolidated cash flow statement for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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



Report on the Consolidated Financial Statements (continued)

Basis for Qualified Opinion

As at 31 December 2018, assets under construction in the amount of RSD 6,359,050 thousand related to projects which are in progress for more than 3 years and for which the Group did not assess the recoverability as required by IAS 36 - Impairment of assets. Out of total amount of RSD 6,359,050 thousand, the amount of RSD 5,766,979 thousand relates to assets under construction in the subsidiary Operator distributivnog sistema EPS distribucija d.o.o., Beograd while the remaining amount relates to projects in Javno preduzeće Elektroprivreda Srbije, Beograd. In the absence of information of the recoverable amount of these assets, we were unable to satisfy ourselves as to the carrying amount of those assets as at 31 December 2018. The audit report for 2017 consolidated financial statements was qualified with this respect.

As at 31 December 2018, the Group did not recognize a provision for decommissioning of landfills and dumps for ash and slag in the thermal power plants Kostolac, Kolubara, Morava, Nikola Tesla A and Nikola Tesla B, as required by IAS 37 – “Provisions, contingent liabilities and contingent assets”. In the absence of information to assess the amount of provision for decommissioning, we were unable to satisfy ourselves as to the value of provisions, related assets and expenses in the consolidated financial statements. The audit report for 2017 consolidated financial statements was qualified with this respect.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the requirements of the Law on Accounting and accounting regulation effective in the Republic of Serbia.

Refer to the original signed
Serbian version

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Serbian version

Milivoje Nešović
Licensed Auditor

PricewaterhouseCoopers d.o.o., Beograd

Belgrade, 17 July 2019

To be filled in by the legal entity – entrepreneur

Registration number	2	0	0	5	3	6	5	8	Activity code	3	5	1	4	TIN – Tax identification number	1	0	3	9	2	0	3	2	7
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Company Public Enterprise Elektroprivreda Srbije Beograd

Head office Belgrade, 13 Balkanska Street

CONSOLIDATED INCOME STATEMENT

for the period from 1 January 2018 to 31 December 2018

- in thousands of Dinars -

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	REVENUES FROM REGULAR OPERATIONS				
60 to 65, except 62 and 63	A. OPERATING REVENUES (1002+1009+1016+1017)	1001		231,622,815	223,477,570
60	I. INCOME FROM THE SALE OF MERCHANDISE (1003+1004+1005+1006+1007+1008)	1002	5	2,885,466	3,804,741
600	1. Sales of merchandise to parent companies and subsidiaries - domestic market	1003		-	-
601	2. Sales of merchandise to parent companies and subsidiaries - foreign market	1004		-	-
602	3. Sales of merchandise to other associated companies - Domestic	1005		-	-
603	4. Sales of merchandise to other associated companies – foreign	1006		-	-
604	5. Sales of merchandise to domestic customers	1007		3,724	-
605	6. Sales of merchandise to foreign customers	1008		2,881,742	3,804,741
61	II. INCOME FROM SALES OF PRODUCTS AND SERVICE RENDERED (1010+1011+1012+1013+1014+1015)	1009	5	225,047,765	215,869,645
610	1. Sales of merchandise to parent companies and subsidiaries - domestic market	1010		-	-
611	2. Sales of merchandise to parent companies and subsidiaries - foreign market	1011		-	-
612	3. Sales of finished goods and services rendered to other associated entities - domestic	1012	5	865,568	923,863
613	4. Sales of finished goods and services rendered to other associated entities - foreign	1013		-	-
614	5. Sales of merchandise to domestic customers	1014	5	223,757,576	214,387,934
615	6. Sales of merchandise to foreign customers	1015	5	424,621	557,848
64	III. INCOME FROM PREMIUMS, SUBVENTIONS, DONATIONS, ETC.	1016	7	1,906,806	2,189,667

65	IV. OTHER OPERATING INCOME	1017	8	1,782,778	1,613,517
Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	COSTS FROM REGULAR OPERATIONS				
50 to 55, 62 and 63	B. OPERATING EXPENSES (1019-1020-1021+1022+1023+1024+1025+1026+1027+1028+1029) ≥ 0	1018		225,967,641	210,943,755
50	I. COST OF GOODS SOLD - COGS	1019		778,089	312,818
62	II. INCOME FROM THE OWN USE OF PRODUCTS, SERVICES AND MERCHANDISE	1020	6	3,823,736	4,977,421
630	III. INCREASE OF FINISHED GOODS, WORK IN PROGRESS AND SERVICES IN PROGRESS	1021		23,084	962,087
631	IV. DECREASE OF FINISHED GOODS, WORK IN PROGRESS AND SERVICES IN PROGRESS	1022		747,089	653,639
51 except 513	V. COST OF MATERIAL	1023	9	13,658,059	12,398,559
513	VI. COST OF FUEL AND ENERGY	1024	10	43,590,104	40,421,675
52	VII. COSTS OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1025	11	65,603,699	67,414,438
53	VIII. COSTS OF PRODUCTION SERVICES	1026	12	24,896,778	21,189,767
540	IX. DEPRECIATION COSTS	1027	13	46,573,082	46,381,392
541 to 549	X. LONG-TERM PROVISIONS COSTS	1028	14	7,656,747	3,158,911
55	XI. NON-PRODUCTION COSTS	1029	15	26,310,814	24,952,064
	C. OPERATING PROFIT (1001-1018) ≥ 0	1030		5,655,174	12,533,815
	D. OPERATING LOSS (1018-1001) ≥ 0	1031		-	-
66	E. FINANCIAL INCOME (1033+1038+1039)	1032		13,863,220	21,012,042
66, except 662, 663 and 664	I. FINANCIAL INCOME INCURRED WITH ASSOCIATED COMPANIES AND OTHER FINANCIAL INCOME (1034+1035+1036+1037)	1033		1,058,440	716,207
660	1. Financial income incurred with parent companies and Subsidiaries	1034		-	-
661	2. Financial income incurred with other associated companies	1035	16	711,689	650,646
665	3. Income from share in associated entities and joint ventures	1036		-	-
669	4. Other financial income	1037	16	346,751	65,561
662	II. INCOME FROM INTEREST (FROM THIRD PARTIES)	1038	16	8,942,083	9,381,909

663 and 664	III. FX GAINS AND INCOME FOR THE EFFECTS OF CURRENCY CLAUSE	1039	16	3,862,697	10,913,926
56	F. FINANCIAL EXPENSES (1041+1046+1047)	1040		6,970,264	3,851,527

Account group, account	ITEM	АОП	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
56, except 562, 563 and 564	I. FINANCIAL EXPENSES INCURRED WITH ASSOCIATED COMPANIES AND OTHER FINANCIAL EXPENSES (1042+1043+1044+1045)	1041	17	307,915	334,056
560	1. Financial expenses incurred with parent companies and Subsidiaries	1042		-	-
561	2. Financial expenses incurred with other associated companies	1043		-	-
565	3. Losses for share in loss of associated companies and joint ventures	1044		-	-
566 and 569	4. Other financial expenses	1045	17	307,915	334,056
562	II. COSTS OF INTERESTS (TO THIRD PARTIES)	1046	17	1,413,111	1,460,177
563 and 564	III. FX LOSSES AND LOSSES FOR CURRENCY CLAUSE EFFECTS	1047	17	5,249,238	2,057,294
	G. FINANCIAL PROFIT (1032-1040)	1048		6,892,956	17,160,515
	H. FINANCIAL LOSS (1040-1032)	1049		-	-
683 and 685	I. INCOME FROM OTHER ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE	1050	18	3,445,045	2,599,447
583 and 585	J. EXPENSES FROM OTHER ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE	1051	19	9,767,184	17,167,041
67 and 68, except 683 and 685	K. OTHER INCOME	1052	20	2,312,078	1,815,970
57 and 58, except 583 and 585	L. OTHER EXPENSES	1053	21	8,238,144	8,819,233
	M. PROFIT FROM OPERATIONS BEFORE TAXATION (1030-1031+1048-1049+1050-1051+1052-1053)	1054	22	299,925	8,123,473
	N. LOSS FROM OPERATIONS BEFORE TAXATION (1031-1030+1049-1048+1051-1050+1053-1052)	1055		-	-
69 minus 59	O. NET OPERATING PROFIT FROM DISCONTINUED OPERATIONS	1056		-	-
59 minus 69	P. NET OPERATING LOSS FROM DISCONTINUED OPERATIONS	1057		-	-
	Q. PROFIT BEFORE TAXATION (1054-1055+1056-1057)	1058		299,925	8,123,473
	R. LOSS BEFORE TAXATION (1055-1054+1057-1056)	1059		-	-
	S. CORPORATE INCOME TAX			-	-
721	I. TAX EXPENSES FOR THE PERIOD	1060	22	3,983,935	4,529,626
p.o. 722	II. DEFERRED TAX COSTS FOR THE PERIOD	1061		-	-
p.o. 722	III. DEFERRED TAX INCOME FOR THE PERIOD	1062	22	2,360,666	2,723,970
723	T. EMPLOYER'S EARNINGS PAID OUT	1063		-	-

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	U. NET PROFIT (1058-1059-1060-1061+1062-1063)	1064		-	6,317,817
	V. NET LOSS (1059-1058+1060+1061-1062+1063)	1065		1,323,344	-
	I. NET PROFIT ATTRIBUTABLE TO MINORITY INVESTORS	1066			
	II. NET PROFIT ATTRIBUTABLE TO MAJORITY INVESTORS	1067		-	6,317,817
	III. NET LOSS ATTRIBUTABLE TO MINORITY INVESTORS	1068		117,585	
	IV. NET LOSS ATTRIBUTABLE TO MAJORITY INVESTORS	1069		1,205,759	-
	V. EARNINGS PER SHARE				
	1. Basic earnings per share	1070		-	-
	2. Diluted earnings per share	1071		-	-

In _____

Legal representative

Stamp

Date _____ 20_____

Financial statements forms prescribed by the Rulebook on the Content and Form of Financial Statements Forms for Companies, Cooperatives and Entrepreneurs (Official Gazette of RS. no. 95/2014 and 144/2014).

To be filled in by the legal entity - entrepreneur

Registration number	2	0	0	5	3	6	5	8	Activity code	3	5	1	4	TIN – Tax identification number	1	0	3	9	2	0	3	2	7
Company Public Enterprise Elektroprivreda Srbije Beograd																							
Head office Belgrade, 13 Balkanska Street																							

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
for the period from 1 January 2018 to 31 December 2018

- in thousands of Dinars -

Account group, Account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A, NET RESULT FROM OPERATIONS				
	I, NET PROFIT (AOP 1064)	2001		0	6,317,817
	II, NET LOSS (AOP 1065)	2002		1,323,344	0
	B, OTHER COMPREHENSIVE PROFIT OR LOSS				
	a) Items that will not be reclassified subsequently to profit or loss				
	1, Revaluation of intangibles and PPE				
330	a) increase in revaluation reserves	2003		5,178	16,416
	b) decrease in revaluation reserves	2004		0	0
	2, Actuarial gains (losses) on defined benefit plans				
331	a) gains	2005		0	0
	b) losses	2006		0	0
	3, Gains or losses on investments in equity instruments				
332	a) gains	2007		0	0
	b) losses	2008		0	0
	4, Share of other comprehensive income of associates				
333	a) gains	2009		0	0
	b) losses	2010		0	0
	b) Items that may be reclassified subsequently to profit or loss				
	1, Foreign currency translation differences for foreign Operations				
334	a) gains	2011		0	0
	b) losses	2012		0	0

Account group, Account	ITEM	AOP	Note no,	Amount	
				Current year	Previous year
1	2	3	4	5	6
335	2, Gains and losses on hedge of investment in foreign operations				
	a) gains	2013		0	0
	b) losses	2014		2,700	3,397
336	3, Cash flow hedges				
	a) gains	2015		0	0
	b) losses	2016		0	0
337	4, Gains and losses on available for sale financial assets				
	a) gains	2017		6,500	150,878
	b) losses	2018		0	0
	I, OTHER COMPREHENSIVE GROSS PROFIT (2003+2005+2007+2009+2011+2013+2015+2017) - (2004+2006+2008+2010+2012+2014+2016+2018) ≥ 0	2019		8,978	163,897
	II, OTHER COMPREHENSIVE GROSS LOSS (2004+2006+2008+2010+2012+2014+2016+2018) - (2003+2005+2007+2009+2011+2013+2015+2017) ≥ 0	2020		0	0
	III, TAXES ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2021	22	0	0
	IV, OTHER COMPREHENSIVE NET PROFIT (2019-2020-2021) ≥ 0	2022		163,897	76,903,364
	V, OTHER COMPREHENSIVE NET LOSS (2020-2019+2021) ≥ 0	2023		0	0
	C, TOTAL COMPREHENSIVE NET RESULT FOR THE PERIOD				
	I, TOTAL COMPREHENSIVE NET PROFIT (2001-2002+2022-2023) ≥ 0	2024		0	6,481,714
	II, TOTAL COMPREHENSIVE NET LOSS (2002-2001+2023-2022) ≥ 0	2025		1,314,366	0
	D, TOTAL COMPREHENSIVE NET PROFIT OR LOSS (2027+2028) = AOP 2024 ≥ 0 or AOP 2025 > 0	2026		1,314,366	6,481,714
	1, Attributable to owners	2027		1,196,781	6,481,714
	2, Attributable to non-controlling interest	2028		117,585	0

In _____

Legal representative

Stamp

Date _____ 20_____

To be filled in by the legal entity - entrepreneur

Registration number	2	0	0	5	3	6	5	8	Activity code	3	5	1	4	TIN – Tax identification number	1	0	3	9	2	0	3	2	7
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Company Public Enterprise Elektroprivreda Srbije Beograd

Head office Belgrade, 13 Balkanska Street

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

- in thousands of Dinars -

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2017	Opening balance as at 1 January 2017
1	2	3	4	5	6	7
	ASSETS					
00	A UNPAID SUBSCRIBED CAPITAL	0001		-	-	-
	B FIXED ASSETS (0003 + 0010 + 0019 + 0024 + 0034)	0002		1,052,967,527	1,046,339,098	1,047,752,475
01	I. INTANGIBLE ASSETS (0004 + 0005 + 0006 + 0007 + 0008 + 0009)	0003	23	9,389,744	6,914,340	4,563,898
010, p.o. 019	1. Investment in development	0004		-	-	-
011, p.o. 019	2. Concessions, patents, licenses, similar rights, software and other rights	0005	23	3,438,137	1,329,719	1,339,871
013, p.o. 019	3. Goodwill	0006		-	-	-
014, p.o. 019	4. Other intangible assets	0007	23	91,591	118,945	28,592
015, p.o. 019	5. Intangible assets in development	0008	23	5,860,016	5,465,676	3,195,435
016, p.o. 019	6. Advance payments for acquisition of intangible assets	0009		-	-	-
02	II. PROPERTY, PLANT AND EQUIPMENT (0011 + 0012 + 0013 + 0014 + 0015 + 0016 + 0017 + 0018)	0010		1,031,584,314	1,025,501,981	1,032,309,606
020, p.o. 029	1. Land	0011	23	59,217,196	59,051,477	58,653,163
022, p.o. 029	2. Buildings	0012	23	337,400,014	342,432,887	348,954,709
023, p.o. 029	3. Machinery and equipment	0013	23	503,867,104	513,817,849	522,236,828
024, p.o. 029	4. Investment property	0014	23	536,554	522,451	530,516
025, p.o. 029	5. Other property, plant and equipment	0015	23	140,504	143,535	277,811

026, p.o. 029	6. Property, plant and equipment under construction	0016	23	109,682,950	86,111,084	76,459,405
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Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2017	Opening balance as at 1 January 2017
1	2	3	4	5	6	7
027, p.o. 029	7. Investment in PPE owned by third parties	0017		979	993	1,007
028, p.o. 029	8. Advance payments for property, plant and equipment	0018	23	20,739,013	23,421,705	25,196,167
03	III. BIOLOGICAL ASSETS (0020 + 0021 + 0022 + 0023)	0019	23	437,519	438,332	423,147
030, 031, p.o. 039	1. Forests and plantations	0020	23	437,519	438,332	423,147
032, p.o. 039	2. Livestock	0021		-	-	-
037, p.o. 039	3. Biological assets under construction	0022		-	-	-
038, p.o. 039	4. Advance payments for biological assets	0023		-	-	-
04, except 047	IV. LONG TERM FINANCIAL INVESTMENTS (0025 + 0026 + 0027 + 0028 + 0029 + 0030 + 0031 + 0032 + 0033)	0024	24	11,094,071	12,791,500	8,298,298
040, p.o. 049	1. Investments in subsidiaries	0025		-	-	-
041, p.o. 049	2. Investments in associates and joint ventures	0026	24	406,457	406,457	406,457
042, p.o. 049	3. Investments in other legal entities and other securities available for sale	0027	24	3,624,238	5,240,308	381,259
p.o. 043, p.o. 044, p.o. 049	4. Long-term loans to parent companies and to subsidiaries	0028		-	-	-
p.o. 043, p.o. 044, p.o. 049	5. Long-term loans to other associated companies	0029	24	306	972	3,037
p.o. 045, p.o. 049	6. Long-term loans to domestic entities	0030	24	181,581	195,388	609,638
p.o. 045, p.o. 049	7. Long-term loans to foreign entities	0031		-	-	-
046, p.o. 049	8. Securities held to maturity	0032		-	-	-
048, p.o. 049	9. Other long term investment	0033	24	6,881,489	6,948,375	6,897,907
05	V. LONG TERM RECEIVABLES (0035 + 0036 + 0037 + 0038 + 0039 + 0040 + 0041)	0034	25	461,879	692,945	2,157,526
050, p.o. 059	1. Long term receivables – parent companies and subsidiaries	0035		-	-	-
051, p.o. 059	2. Long term receivables – other associated entities	0036		-	-	-
052, p.o. 059	3. Long term trade receivables	0037		-	-	-
053, p.o. 059	4. Trade receivables for financial lease sales	0038		-	-	-

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2017	Opening balance as at 1 January 2017
1	2	3	4	5	6	7
054, p.o. 059	5. Long term receivables for guarantees	0039		-	-	-
055, p.o. 059	6. Doubtful long term receivables	0040		-	-	-
056, p.o. 059	7. Other long term receivables	0041	25	461,879	692,945	2,157,526
288	C. DEFERRED TAX ASSETS	0042		-	-	-
	D. CURRENT ASSETS (0044 + 0051 + 0059 + 0060 + 0061 + 0062 + 0068 + 0069 + 0070)	0043		121,115,797	133,016,526	143,176,356
1	I. INVENTORIES (0045 + 0046 + 0047 + 0048 + 0049 + 0050)	0044	26	33,432,355	33,754,647	29,716,762
10	1. Material	0045	26	28,466,731	26,956,565	24,373,472
11	2. Work in progress	0046	26	372,452	344,555	331,898
12	3. Finished products	0047	26	1,628,824	2,313,178	2,017,388
13	4. Merchandise (goods, purchase for sale)	0048	26	3,230	2,017	881
14	5. Non-current assets held for trading	0049	26	4,812	1,825	1,825
15	6. Advance payments	0050	26	2,956,306	4,136,507	2,991,298
20	II. TRADE RECEIVABLES (0052 + 0053 + 0054 + 0055 + 0056 + 0057 + 0058)	0051	27	41,743,836	43,148,444	46,337,601
200, p.o. 209	1. Trade receivables - domestic parent companies and Subsidiaries	0052		-	-	-
201, p.o. 209	2. Trade receivables - foreign parent companies and subsidiaries	0053		-	-	-
202, p.o. 209	3. Trade receivables - domestic other associated entities	0054		152	-	-
203, p.o. 209	4. Trade receivables - foreign other related parties	0055		-	-	-
204, p.o. 209	5. Trade receivables - domestic third party	0056	27	41,542,292	42,777,702	45,918,175
205, p.o. 209	6. Trade receivables - foreign third party	0057	27	53,010	241,384	125,519
206, p.o. 209	7. Other trade receivables	0058	27	148,382	129,358	293,907
21	III. RECEIVABLES FROM SPECIFIC BUSINESS OPERATIONS	0059	28	2,946,975	2,826,832	2,086,827
22	IV. OTHER RECEIVABLES	0060	29	11,831,663	9,962,431	7,100,710

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2017	Opening balance as at 1 January 2017
1	2	3	4	5	6	7
236	V. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	0061		-	-	-
23 except 236 and 237	VI. SHORT-TERM FINANCIAL INVESTMENTS (0063 + 0064 + 0065 + 0066 + 0067)	0062	30	290,475	1,893,483	1,286,297
230, p.o. 239	1. Short-term loans and investments in parent companies and Subsidiaries	0063		-	-	-
231, p.o. 239	2. Short-term loans and investments in other related parties	0064		-	-	-
232, p.o. 239	3. Short term loans - domestic	0065	30	1,256	1,728	192,512
233, p.o. 239	4. Short term loans – foreign	0066		-	-	-
234, 235, 238, p.o. 239	5. Other short term investments	0067	30	289,219	1,891,755	1,093,785
24	VII. CASH AND CASH EQUIVALENTS	0068	31	27,281,100	39,699,986	55,297,089
27	VIII. RECEIVABLES FOR VAT	0069		-	-	-
28 except 288	IX. PREPAYMENTS AND ACCRUED INCOME	0070	32	3,589,393	1,730,703	1,351,070
	E. TOTAL ASSETS = OPERATING ASSETS (0001 + 0002 + 0042 + 0043)	0071		1,174,083,324	1,179,355,624	1,190,928,831
88	F. OFF BALANCE ASSETS	0072	43	230,969,097	150,617,359	159,155,546
	EQUITY AND LIABILITIES					
	A. EQUITY (0402 + 0411 - 0412 + 0413 + 0414 + 0415 - 0416 + 0417 + 0420 - 0421) ≥ 0 = (0071 - 0424 - 0441 - 0442)	0401		844,790,896	853,275,459	866,051,160
30	I. BASIC CAPITAL (0403 + 0404 + 0405 + 0406 + 0407 + 0408 + 0409 + 0410)	0402	33	360,141,927	360,141,927	360,141,927
300	1. Share capital	0403		-	-	-
301	2. Stakes in limited liability companies	0404		-	-	-
302	3. Participating interests	0405		-	-	-
303	4. State owned capital	0406	33	359,939,739	359,939,739	359,939,739
304	5. Socially owned capital	0407		-	-	-
305	6. Stakes in co-operatives	0408		-	-	-
306	7. Share premiums	0409		-	-	-
309	8. Other capital	0410	33	202,188	202,188	202,188

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2017	Opening balance as at 1 January 2017
1	2	3	4	5	6	7
31	II. UNPAID SUBSCRIBED CAPITAL	0411		-	-	-
047 and 237	III. OWN SHARES PURCHASED	0412		-	-	-
32	IV. RESERVES	0413	33	44,158	12,638	678
330	V. REVALUATION RESERVES FOR REVALUATION OF INTANGIBLES AND PPE	0414	33	607,983,020	611,318,630	613,572,511
33 except 330	VI. NON REALIZED PROFIT FROM SECURITIES (debit saldo of account group 33 except 330)	0415	33	179,534	198,410	22,489
33 except 330	VII. NON REALIZED LOSSES FROM SECURITIES (credit saldo of account group 33 except 330)	0416	33	482,980	505,656	483,094
34	VIII. RETAINED EARNINGS (0418+0419)	0417		-	-	-
340	1. Retained earnings from previous years	0418		-	-	-
341	2. Retained earnings from current year	0419	33	-	-	-
	IX. NON-CONTROLLING INTEREST	0420		-	-	-
35	X. ACCUMULATED LOSS (0422+0423)	0421	33	123,074,763	117,890,490	107,203,351
350	1. Previous year's losses	0422	33	121,751,419	117,890,490	107,203,351
351	2. Current year loss	0423		1,323,344	-	-
	B. LONG - TERM PROVISIONS AND LIABILITIES (0425+0432)	0424		133,953,710	130,796,279	140,956,089
40	I. LONG - TERM PROVISIONS (0426 + 0427 + 0428 + 0429 + 0430 + 0431)	0425	34	19,822,011	15,234,084	15,022,879
400	1. Provisions for costs incurred during the warranty period	0426		-	-	-

401	2. Provisions for the recovery of natural resources	0427	34	3,229,148	2,962,777	2,744,881
403	3. Provisions for restructuring costs	0428		-	-	-
404	4. Provisions for employees benefits	0429	34	12,862,687	8,196,142	8,128,105
405	5. Provisions for litigations	0430	34	3,730,152	4,015,140	4,037,686
402 and 409	6. Other long-term provisions	0431	34	24	60,025	112,207
41	II. LONG - TERM LIABILITIES (0433 + 0434 + 0435 + 0436 + 0437 + 0438 + 0439 + 0440)	0432	35	114,131,699	115,562,195	125,933,210
410	1. Liabilities that can be converted into capital	0433	35	80,543	80,543	80,543
411	2. Liabilities to parent companies and subsidiaries	0434		-	-	-
412	3. Liabilities to other associated companies	0435		-	-	-
413	4. Liabilities for long-term securities	0436		-	-	-
414	5. Long-term loans - domestic	0437	35	24,695,020	27,433,028	27,005,809
Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2017	Opening balance as at 1 January 2017
1	2	3	4	5	6	7
415	6. Long-term loans - foreign	0438	35	89,259,891	87,524,019	92,226,279
416	7. Liabilities for financial lease	0439	35	215	10	-
419	8. Other long-term liabilities	0440	35	96,030	524,595	6,620,579
498	C. DEFERRED TAX LIABILITIES	0441	22	93,544,386	95,825,375	98,580,263
42 to 49 (except 498)	D. SHORT-TERM LIABILITIES (0443 + 0450 + 0451 + 0459 + 0460 + 0461 + 0462)	0442		101,794,332	99,458,511	85,341,319
42	I. SHORT-TERM FINANCIAL LIABILITIES (0444 + 0445 + 0446 + 0447 + 0448 + 0449)	0443	36	14,103,724	12,171,010	10,607,727
420	1. Short-term loans from parent companies and subsidiaries	0444		-	-	-
421	2. Short-term loans from other associated companies	0445		2,000	-	-
422	3. Short- term loans - domestic	0446		-	-	-
423	4. Short-term loans - foreign	0447		-	-	-
427	5. Liabilities for fixed assets and assets of discounting operations held for sale	0448		-	-	-
424, 425, 426 and 429	6. Other short-term financial liabilities	0449	36	14,101,724	12,171,010	10,607,727

430	II. RECEIVED ADVANCES PAYMENTS, DEPOSITS AND BAILS	0450	37	4,754,973	4,982,077	4,628,636
43 except 430	III. LIABILITIES FROM BUSINESS OPERATIONS (0452 + 0453 + 0454 + 0455 + 0456 + 0457 + 0458)	0451	38	29,651,866	21,972,840	21,030,434
431	1. Trade payables - parent companies and subsidiaries - domestic	0452		-	-	-
432	2. Trade payables - parent companies and subsidiaries - foreign	0453		-	-	-
433	3. Trade payables - other associated companies - domestic	0454	38	89,560	48,418	-
434	4. Trade payables - other associated companies - foreign	0455		-	-	-
435	5. Trade payables – domestic	0456	38	21,338,900	16,233,007	15,385,350
436	6. Trade payables – foreign	0457	38	7,637,311	4,757,144	4,940,118
439	7. Other liabilities from business operations	0458	38	586,095	934,271	704,966
44, 45 and 46	IV. OTHER SHORT-TERM LIABILITIES	0459	39	13,660,635	24,040,941	8,284,742
47	V. LIABILITIES FOR VALUE ADDED TAX	0460	40	4,677,845	4,039,292	4,581,267
48	VI. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND OTHER DUTIES	0461	41	8,457,174	7,737,521	13,593,192

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2017	Opening balance as at 1 January 2017
1	2	3	4	5	6	7
49 except 498	VII. ACCRUALS AND DEFERRED INCOME	0462	42	26,488,115	24,514,830	22,615,321
	E. LOSS OVER CAPITAL (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402) ≥ 0 = (0441+0424+0442-0071) ≥ 0	0463		-	-	-
	F. TOTAL EQUITY AND LIABILITIES (0424+0442+0441+0401-0463) ≥ 0	0464		1,174,083,324	1,179,355,624	1,190,928,831
89	G. OFF BALANCE LIABILITIES	0465	43	230,969,097	150,617,359	159,155,546

In _____

Legal representative

date _____ 20 _____

Stamp

To be filled in by legal entity – entrepreneur

Registration number	2	0	0	5	3	6	5	8	Activity code	3	5	1	4	TIN – Tax identification number	1	0	3	9	2	0	3	2	7
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Company Public Enterprise Elektroprivreda Srbije Beograd

Head office Belgrade, 13 Balkanska Street

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 01 January 2018 to 31 December 2018

- In thousands of Dinars –

No.	Description	Components of Equity					
		30		31		32	
		AOP	Core equity	AOP	Unpaid subscribed equity	AOP	Reserves
1	2	3	4	5			
	Balance as at 01.01. of the previous year						
1.	a) debit balance account	4001	-	4019	-	4037	-
	b) credit balance account	4002	360,141,927	4020	-	4038	678
	Correction of material errors and changes in accounting policies						
2.	a) corrections on the debit side of the account	4003	-	4021	-	4039	-
	b) corrections to the credit side of the account	4004	-	4022	-	4040	-
	Adjusted opening balance as at 01.01. of the previous year						
3.	a) corrected debit balance account (1a + 2a - 2b) ≥ 0	4005	-	4023	-	4041	-
	b) corrected credit balance accounts (1b - 2a + 2b) ≥ 0	4006	360,141,927	4024	-	4042	678
	Changes in the previous year _____						
4.	a) turnover on the debit side of the account	4007	-	4025	-	4043	-
	b) turnover on the credit side of the account	4008	-	4026	-	4044	11,960
	Balance at the end of the previous year 31.12. _____						
5.	a) debit account balance (3a + 4a - 4b) ≥ 0	4009	-	4027	-	4045	-
	b) credit balance accounts (3b - 4a + 4b) ≥ 0	4010	360,141,927	4028	-	4046	12,638
	Correction of material errors and changes in accounting policies						
6.	a) corrections on the debit side of the account	4011	-	4029	-	4047	-
	b) corrections to the credit side of the account	4012	-	4030	-	4048	-
	Corrected opening balance of the current year 01.01. _____						
7.	a) corrected debit balance accounts (5a + 6a - 6b) ≥ 0	4013	-	4031	-	4049	-
	b) corrected credit balance accounts (5b - 6a + 6b) ≥ 0	4014	360,141,927	4032	-	4050	12,638
	Changes in the current year _____						
8.	a) turnover on the debit side of the account	4015	-	4033	-	4051	-
	b) turnover on the credit side of the account	4016	-	4034	-	4052	31,520
	Balance at end of the year 31.12. _____						
9.	a) debit balance account (7a + 8a - 8b) ≥ 0	4017	-	4035	-	4053	-
	b) credit balance accounts (7b - 8a + 8b) ≥ 0	4018	360,141,927	4036	-	4054	44,158

No.	DESCRIPTION	Components of Equity					
		AOP	35	АОП	047 и 237	34	
			Accumulated Loss		Treasury shares		АОП
	2		6		7		8
1.	Balance as at 01.01. of the previous year						
	a) debit balance account	4055	106,886,277	4073	-	4091	-
	b) credit balance account	4056	-	4074	-	4092	-
2.	Correction of material errors and changes in accounting policies						
	a) corrections on the debit side of the account	4057	317,074	4075	-	4093	-
	b) corrections to the credit side of the account	4058	-	4076	-	4094	-
3.	Adjusted opening balance as at 01.01. of the previous year						
	a) corrected debit balance account (1a + 2a - 2b) ≥ 0	4059	107,203,351	4077	-	4095	-
	b) corrected credit balance accounts (1b - 2a + 2b) ≥ 0	4060	-	4078	-	4096	-
4.	Changes in the previous year _____						
	a) turnover on the debit side of the account	4061	10,300,257	4079	-	4097	-
	b) turnover on the credit side of the account	4062	-	4080	-	4098	-
5.	Balance at the end of the previous year 31.12 . _____						
	a) debit account balance (3a + 4a - 4b) ≥ 0	4063	117,503,608	4081	-	4099	-
	b) credit balance accounts (3b - 4a + 4b) ≥ 0	4064	-	4082	-	4100	-
6.	Correction of material errors and changes in accounting policies						
	a) corrections on the debit side of the account	4065	386,882	4083	-	4101	-
	b) corrections to the credit side of the account	4066	-	4084	-	4102	-
7.	Corrected opening balance of the current year 01.01. _____						
	a) corrected debit balance accounts (5a + 6a - 6b) ≥ 0	4067	117,890,490	4085	-	4103	-
	b) corrected credit balance accounts (5b - 6a + 6b) ≥ 0	4068	-	4086	-	4104	-
8.	Changes in the current year _____						
	a) turnover on the debit side of the account	4069	5,184,273	4087	-	4105	-
	b) turnover on the credit side of the account	4070	-	4088	-	4106	-
9.	Balance at end of the year 31.12 . _____						
	a) debit balance account (7a + 8a - 8b) ≥ 0	4071	123,074,763	4089	-	4107	-
	b) credit balance accounts (7b - 8a + 8b) ≥ 0	4072	-	4090	-	4108	-

No.	DESCRIPTION	Components of Other Comprehensive Income					
		AOP	330	AOP	331	AOP	332
			Revaluation Reserves		Actuarial gains or losses		Gains or losses on investment in equity instruments
1	2		9		10		11
	Balance as at 01.01. of the previous year						
1.	a) debit balance account	4109	-	4127	-	4145	-
	b) credit balance account	4110	613,462,182	4128	-	4146	-
	Correction of material errors and changes in accounting policies						
2.	a) corrections on the debit side of the account	4111	-	4129	-	4147	-
	b) corrections to the credit side of the account	4112	110,329	4130	-	4148	-
	Adjusted opening balance as at 01.01. of the previous year						
3.	a) corrected debit balance account (1a + 2a - 2b) ≥ 0	4113	-	4131	-	4149	-
	b) corrected credit balance accounts (1b - 2a + 2b) ≥ 0	4114	613,572,511	4132	-	4150	-
	Changes in the previous year _____						
4.	a) turnover on the debit side of the account	4115	2,430,418	4133	-	4151	-
	b) turnover on the credit side of the account	4116	-	4134	-	4152	-
	Balance at the end of the previous year 31.12. _____						
5.	a) debit account balance (3a + 4a - 4b) ≥ 0	4117	-	4135	-	4153	-
	b) credit balance accounts (3b - 4a + 4b) ≥ 0	4118	611,138,493	4136	-	4154	-
	Correction of material errors and changes in accounting policies						
6.	a) corrections on the debit side of the account	4119	-	4137	-	4155	-
	b) corrections to the credit side of the account	4120	180,137	4138	-	4156	-
	Corrected opening balance of the current year 01.01. _____						
7.	a) corrected debit balance accounts (5a + 6a - 6b) ≥ 0	4121	-	4139	-	4157	-
	b) corrected credit balance accounts (5b - 6a + 6b) ≥ 0	4122	611,318,630	4140	-	4158	-
	Changes in the current year _____						
8.	a) turnover on the debit side of the account	4123	3,335,610	4141	-	4159	-
	b) turnover on the credit side of the account	4124	-	4142	-	4160	-
	Balance at end of the year 31.12. _____						
9.	a) debit balance account (7a + 8a - 8b) ≥ 0	4125	-	4143	-	4161	-
	b) credit balance accounts (7b - 8a + 8b) ≥ 0	4126	607,983,020	4144	-	4162	-

No.	DESCRIPTION	Components of Other Comprehensive Income					
		AOP	333	AOP	334 и 335	AOP	336
			Gains or losses on share in OCI of associated entities		Gains or losses on foreign operations and translation of financial statements		Gains or losses on cash flow hedges
1	2		12		13		14
	Balance as at 01.01. of the previous year						
1.	a) debit balance account	4163	-	4181	-	4199	-
	b) credit balance account	4164	-	4182	-	4200	-
	Correction of material errors and changes in accounting policies						
2.	a) corrections on the debit side of the account	4165	-	4183	-	4201	-
	b) corrections to the credit side of the account	4166	-	4184	-	4202	-
	Adjusted opening balance as at 01.01. of the previous year						
3.	a) corrected debit balance account (1a + 2a - 2b) ≥ 0	4167	-	4185	-	4203	-
	b) corrected credit balance accounts (1b - 2a + 2b) ≥ 0	4168	-	4186	-	4204	-
	Changes in the previous year _____						
4.	a) turnover on the debit side of the account	4169	-	4187	-	4205	-
	b) turnover on the credit side of the account	4170	-	4188	-	4206	-
	Balance at the end of the previous year 31.12. _____						
5.	a) debit account balance (3a + 4a - 4b) ≥ 0	4171	-	4189	-	4207	-
	b) credit balance accounts (3b - 4a + 4b) ≥ 0	4172	-	4190	-	4208	-
	Correction of material errors and changes in accounting policies						
6.	a) corrections on the debit side of the account	4173	-	4191	-	4209	-
	b) corrections to the credit side of the account	4174	-	4192	-	4210	-
	Corrected opening balance of the current year 01.01. _____						
7.	a) corrected debit balance accounts (5a + 6a - 6b) ≥ 0	4175	-	4193	-	4211	-
	b) corrected credit balance accounts (5b - 6a + 6b) ≥ 0	4176	-	4194	-	4212	-
	Changes in the current year _____						
8.	a) turnover on the debit side of the account	4177	-	4195	-	4213	-
	b) turnover on the credit side of the account	4178	-	4196	-	4214	-
	Balance at end of the year 31.12. _____						
9.	a) debit balance account (7a + 8a - 8b) ≥ 0	4179	-	4197	-	4215	-
	b) credit balance accounts (7b - 8a + 8b) ≥ 0	4180	-	4198	-	4216	-

No.	DESCRIPTION	Components of Other Comprehensive Income		AOP	Total equity [Σ(row 16 col 3 to col 15)]≥0	AOP	Loss above the value of equity [Σ(row 1a col 3 to col 15) - Σ(row 16 col 3 to col 15)] ≥ 0
		AOP	337				
			Gains or losses on AFS securities				
1	2		15		16		17
	Balance as at 01.01. of the previous year						
1.	a) debit balance account	4217	460,605	4235	866,257,905	4244	-
	b) credit balance account	4218	-				
	Correction of material errors and changes in accounting policies						
2.	a) corrections on the debit side of the account	4219	-	4236	206,745	4245	-
	b) corrections to the credit side of the account	4220	-				
	Adjusted opening balance as at 01.01. of the previous year						
3.	a) corrected debit balance account (1a + 2a - 2b) ≥ 0	4221	460,605	4237	866,051,160	4246	-
	b) corrected credit balance accounts (1b - 2a + 2b) ≥ 0	4222	-				
	Changes in the previous year _____						
4.	a) turnover on the debit side of the account	4223	-	4238	12,568,956	4247	-
	b) turnover on the credit side of the account	4224	153,359				
	Balance at the end of the previous year 31.12. _____						
5.	a) debit account balance (3a + 4a - 4b) ≥ 0	4225	307,246	4239	853,482,204	4248	-
	b) credit balance accounts (3b - 4a + 4b) ≥ 0	4226	-				
	Correction of material errors and changes in accounting policies						
6.	a) corrections on the debit side of the account	4227	-	4240	206,745	4249	-
	b) corrections to the credit side of the account	4228	-				
	Corrected opening balance of the current year 01.01. _____						
7.	a) corrected debit balance accounts (5a + 6a - 6b) ≥ 0	4229	307,246	4241	853,275,459	4250	-
	b) corrected credit balance accounts (5b - 6a + 6b) ≥ 0	4230	-				
	Changes in the current year _____						
8.	a) turnover on the debit side of the account	4231	-	4242	8,492,163	4251	-
	b) turnover on the credit side of the account	4232	3,800				
	Balance at end of the year 31.12. _____						
9.	a) debit balance account (7a + 8a - 8b) ≥ 0	4233	303,446	4243	844,790,896	4252	-
	b) credit balance accounts (7b - 8a + 8b) ≥ 0	4234	-				

In _____

Legal representative

Stamp

Date _____ 20 _____

To be filled in by legal entity – entrepreneur

Registration number	2	0	0	5	3	6	5	8	Activity code	3	5	1	4	TIN – Tax identification number	1	0	3	9	2	0	3
Company Public Enterprise Elektroprivreda Srbije Beograd																					
Head office Belgrade, 13 Balkanska Street																					

CONSOLIDATED CASH FLOW STATEMENT
for the period from 01 January 2018 to 31 December 2018

- in thousands of Dinars -

Item	AOP	Amount	
		Current year	Previous year
1	2	3	4
A. CASH FLOW FROM OPERATING ACTIVITIES			
I. Cash inflow from operating activities (1 to 3)	3001	223,357,473	219,501,740
1. Sales and advance payments received	3002	221,554,086	206,848,374
2. Received interests from operating activities	3003	1,478,570	9,193,810
3. Other inflows from operating activities	3004	324,817	3,459,556
II. Cash outflows from operating activities (1 to 5)	3005	169,016,324	189,708,763
1. Payments to suppliers and advance prepayments	3006	35,329,057	59,591,091
2. Wages, salaries and other personal costs	3007	67,626,974	66,238,597
3. Paid interests	3008	3,159,726	2,561,490
4. Corporate income tax	3009	5,015,051	16,359,709
5. Other payments to tax authorities	3010	57,885,516	44,957,876
III. Net cash inflow from operating activities (I-II)	3011	54,341,149	29,792,977
IV. Net cash outflow from operating activities (II-I)	3012		
B. CASH FLOW FROM INVESTING ACTIVITIES			
I. Cash inflow from investing activities (1 till 5)	3013	3,124,234	1,119,334
1. Sale of shares and stakes (net inflows)	3014	-	
2. Sale of intangible assets, property, plant, equipment and biological assets	3015	-	287,394
3. Other financial investments (net inflows)	3016	771,039	-
4. Interests received from investing activities	3017	2,353,195	831,940
5. Dividends received	3018	-	
II. Cash outflow from investing activities (1 till 3)	3019	47,066,749	45,023,247
1. Purchase of shares and stakes (net outflows)	3020	-	
2. Purchase of intangible investments, property, plant, equipment and biological assets	3021	47,066,749	41,857,566
3. Other financial investments (net outflows)	3022	-	3,165,681
III. Net cash inflow from investing activities (I-II)	3023	-	
IV. Net cash outflow from investing activities (II-I)	3024	43,942,515	43,903,913

C. CASH INFLOW FROM FINANCING ACTIVITIES		3025	2,452,461
I. Cash inflows from financing activities (1 till 5)			
ITEM	AOP	Amount	
		Current year	Previous year
1	2	3	4
1. Increase of basic capital	3026		40,063
2. Long-term loans (net inflows)	3027		2,412,398
3. Short-term loans (net inflows)	3028		
4. Other long-term liabilities	3029		
5. Other short-term liabilities	3030		
II. Cash outflows from financing activities (1 till 6)	3031	22,866,046	3,293,268
1. Purchase of own shares and stakes	3032	-	-
2. Long-term loans (net outflows)	3033	8,989,502	0
3. Short-term loans (net outflows)	3034	-	176
4. Other liabilities (net outflows)	3035	269	270,196
5. Financial lease	3036	247	22,896
6. Paid dividends	3037	13,876,028	3,000,000
III. Net cash inflows from financing activities (I-II)	3038	-	-
IV. Net cash outflows from financing activities (II-I)	3039	22,866,046	840,807
D. TOTAL CASH INFLOWS (3001 + 3013 + 3025)	3040	226,481,707	223,073,535
E. TOTAL CASH OUTFLOWS (3005 + 3019 + 3031)	3041	238,949,119	238,025,278
F. NET CASH INFLOWS (3040 - 3041)	3042	-	-
G. NET CASH OUTFLOWS (3041 - 3040)	3043	12,467,412	14,951,743
H. CASH AT THE BEGINNING OF THE CALCULATION PERIOD	3044	39,699,986	55,297,089
I. POSITIVE EXCHANGE RATE DIFFERENCES DUE TO CALCULATION OF CASH	3045	90,203	154,424
J. NEGATIVE EXCHANGE RATE DIFFERENCES DUE TO CALCULATION OF CASH	3046	41,677	799,784
K. CASH AT THE END OF REPORTING PERIOD (3042 - 3043 + 3044 + 3045 - 3046)	3047	27,281,100	39,699,986

In _____

Legal representative

Stamp

Date _____ 20 _____

Financial statements form prescribed by the Rulebook on the Content and Form of Financial Statements Forms for Companies, Cooperatives and Entrepreneurs (Official Gazette of RS. no. 95/2014 and 144/2014)

**Public Enterprise ELEKTROPRIVREDA SRBIJE,
BEOGRAD**

**Consolidated Financial Statements
31 December 2018**

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CONSOLIDATED INCOME STATEMENT
For the period 1 January - 31 December 2018
In RSD thousand

	Note	For the Year Ended 31 December 2018	For the Year Ended 31 December 2017 <i>Restated</i>
Income from sales of goods and services			
Income from sales of goods and services to other related parties – on domestic market	5	865,568	923,863
Income from sales of goods and services – on domestic market	5	223,761,300	214,387,934
Income from sales of goods and services – on foreign market	5	3,306,363	4,362,589
		<u>227,933,231</u>	<u>219,674,386</u>
Income from premiums, subventions, grants and donations		1,906,806	2,189,667
Other operating income	7	1,782,778	1,613,517
Income from operating activities		<u>231,622,815</u>	<u>223,477,570</u>
Expenses from operating activities			
Operating expenses			
Cost of goods sold		(778,089)	(312,818)
Work performed by the entity and capitalised	6	3,823,736	4,977,421
Increase/(decrease) in inventories of unfinished goods and services		(724,005)	308,448
Cost of material	9	(13,658,059)	(12,398,559)
Cost of fuel and energy	10	(43,590,104)	(40,421,675)
Wages and salaries and other personal expenses	11	(65,603,699)	(67,414,438)
Cost of production services	12	(24,896,778)	(21,189,767)
Depreciation/Amortisation	13	(46,573,082)	(46,381,392)
Cost of long-term provisioning	14	(7,656,747)	(3,158,911)
Other operating expenses	15	(26,310,814)	(24,952,064)
		<u>(225,967,641)</u>	<u>(210,943,755)</u>
Operating profit/ (loss)		<u>5,655,174</u>	<u>12,533,815</u>
Financial income			
Financial income from other related parties	16	711,689	650,646
Other financial income	16	346,751	65,561
Interest income (third parties)	16	8,942,083	9,381,909
Foreign exchange gains and gains on currency clause effect (third parties)	16	3,862,697	10,913,926
		<u>13,863,220</u>	<u>21,012,042</u>
Financial expenses			
Other financial expenses	17	(307,915)	(334,056)
Interest expense (third parties)	17	(1,413,111)	(1,460,177)
Foreign exchange losses and loss on currency clause effect (third parties)	17	(5,249,238)	(2,057,294)
		<u>(6,970,264)</u>	<u>(3,851,527)</u>
Gain/(loss) on financing activities		<u>6,892,956</u>	<u>17,160,515</u>
Income from adjustments of other assets carried at fair value through profit and loss	18	3,445,045	2,599,447
Expenses from adjustments of other assets carried at fair value through profit and loss	19	(9,767,184)	(17,167,041)
Other income	20	2,312,078	1,815,970
Other expenses	21	(8,238,144)	(8,819,233)
		<u>(12,248,205)</u>	<u>(21,570,857)</u>

CONSOLIDATED INCOME STATEMENT (continued)
For the period 1 January - 31 December 2018
In RSD thousand

	<u>Note</u>	<u>For the Year Ended 31 December 2018</u>	<u>For the Year Ended 31 December 2017</u> <i>Restated</i>
Operating profit/ (loss) before tax	22	299,925	8,123,473
Income tax			
Tax expense for the period	22	(3,983,935)	(4,529,626)
Deferred tax income /(expense) for the period	22	2,360,666	2,723,970
Net profit/ (loss)		<u>(1,323,344)</u>	<u>6,317,817</u>
Net profit/(loss) attribute to the majority owner		(1,205,757)	6,317,817
Net profit/ (loss) that belongs to minority investors		(117,587)	-

The notes on the following pages
form an integral part of these consolidated financial statements.

On behalf of the JP EPS

Milorad Grčić
Acting General Manager

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the period 1 January - 31 December 2018
In RSD thousand

	Note	For the Year Ended 31 December 2018	For the Year Ended 31 December 2017 <i>Restated</i>
Net operating income			
Net profit		(1,323,344)	6,317,817
Items that will not be reclassified to profit or loss			
Increase in revaluation reserves	33	5,178	16,416
		<u>5,178</u>	<u>16,416</u>
Items that will be reclassified to profit or loss			
Gains/(losses) on translating the results in the consolidated financial statements of foreign operations	33	(2,700)	(3,397)
Gains/(losses) on available-for-sale securities	33	6,500	150,878
		<u>3,800</u>	<u>147,481</u>
Other Comprehensive gain, gross		<u>8,978</u>	<u>163,897</u>
Tax on other comprehensive gain or loss	22	-	-
Other Comprehensive gain, net		<u>8,978</u>	<u>163,897</u>
Total comprehensive gain, net		<u>(1,314,366)</u>	<u>6,481,714</u>
Total comprehensive gain, net attributed to Majority owner		(1,196,779)	6,481,714
Total comprehensive gain, net attributed to Minority investors		(117,587)	-

The notes on the following pages
form an integral part of these consolidated financial statements

**PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE,
BELGRADE**

CONSOLIDATED BALANCE SHEET
As at 31 December 2018
In RSD thousand

	Note	31 December 2018	31 December 2017	1 January 2017
Assets			<i>restated</i>	<i>restated</i>
Non-current assets				
Intangible Assets				
Concessions, patents, licences, trademarks, software and similar rights	23	3,438,137	1,329,719	1,339,871
Other intangibles	23	91,591	118,945	28,592
Intangible Assets under construction	23	5,860,016	5,465,676	3,195,435
		<u>9,389,744</u>	<u>6,914,340</u>	<u>4,563,898</u>
Property, plant and equipment				
Land	23	59,217,196	59,051,477	58,653,163
Buildings	23	337,400,014	342,432,887	348,954,709
Machinery and equipment	23	503,867,104	513,817,849	522,236,828
Investment property	23	536,554	522,451	530,516
Other Property, Plant and Equipment	23	140,504	143,535	277,811
Construction in progress (CIP)	23	109,682,950	86,111,084	76,459,405
Investments in third party property, plant and equipment		979	993	1,007
Prepayments for property, plant and equipment	23	20,739,013	23,421,705	25,196,167
		<u>1,031,584,314</u>	<u>1,025,501,981</u>	<u>1,032,309,606</u>
Biological assets				
Forest farming	23	437,519	438,332	423,147
Long-term financial investments				
Investments in associates and joint ventures	24	406,457	406,457	406,457
Investments in other legal entities and other available for sale securities	24	3,624,238	5,240,308	381,259
Long-term financial investments in other related parties	24	306	972	3,037
Long term investments – domestic	24	181,581	195,388	609,638
Other long-term financial investments	24	6,881,489	6,948,375	6,897,907
		<u>11,094,071</u>	<u>12,791,500</u>	<u>8,298,298</u>
Long-term receivables				
Other long term receivables	25	461,879	692,945	2,157,526
Current assets				
Inventory				
Material, spare parts, tools and inventory	26	28,466,731	26,956,565	24,373,472
Work in progress and ongoing services	26	372,452	344,555	331,898
Finished goods	26	1,628,824	2,313,178	2,017,388
Merchandise	26	3,230	2,017	881
Non-current assets held for sale	26	4,812	1,825	1,825
Prepaid inventory and services	26	2,956,306	4,136,507	2,991,298
		<u>33,432,355</u>	<u>33,754,647</u>	<u>29,716,762</u>
Trade receivables				
Trade receivables – domestic	27	41,542,292	42,777,702	45,918,175
Trade receivables – foreign	27	53,010	241,384	125,519
Trade receivables – domestic – other related parties	27	152	-	-
Other trade receivables	27	148,382	129,358	293,907
		<u>41,743,836</u>	<u>43,148,444</u>	<u>46,337,601</u>
Receivables from specific operations	28	2,946,975	2,826,832	2,086,827
Other receivables	29	11,831,663	9,962,431	7,100,710

(continued)

**PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE,
BELGRADE**

CONSOLIDATED BALANCE SHEET (continued)
As at 31 December 2018
In RSD thousand

	Note	31 December 2018	31 December 2017	1 January 2017
			<i>restated</i>	<i>restated</i>
Short-term financial investments				
Short-term loans and borrowings - domestic	30	1,256	1,728	192,512
Other short term financial investments	30	289,219	1,891,755	1,093,785
		<u>290,475</u>	<u>1,893,483</u>	<u>1,286,297</u>
Cash and cash equivalents	31	27,281,100	39,699,986	55,297,089
Value added tax		-	-	-
Prepaid expenses and other accruals	32	3,589,393	1,730,703	1,351,070
Total assets		<u>1,174,083,324</u>	<u>1,179,355,624</u>	<u>1,190,928,831</u>
Off-balance sheet assets	43	<u>230,969,097</u>	<u>150,617,359</u>	<u>159,155,546</u>
Liabilities				
Equity				
Basic capital	33	360,141,927	360,141,927	360,141,927
Reserves	33	44,158	12,638	678
Revaluation reserves based on revaluation of intangible assets, property, plant and equipment	33	607,983,020	611,318,630	613,572,511
Unrealised gain/(loss) from securities and other comprehensive income items	33	(303,446)	(307,246)	(460,605)
Current year retained earnings	33	-	6,387,625	-
Participation without the right of control		(220,323)	-	-
Prior years loss	33	(121,531,096)	(124,278,115)	(107,203,351)
Current years loss		(1,323,344)	-	-
		<u>844,790,896</u>	<u>853,275,459</u>	<u>866,051,160</u>
Long-term provisions and liabilities				
Long-term provisions				
Provision for environmental restoration	34	3,229,148	2,962,777	2,744,881
Provisions for employee benefits	34	12,862,687	8,196,142	8,128,105
Provisions for litigations	34	3,730,152	4,015,140	4,037,686
Other long term provisions	34	24	60,025	112,207
		<u>19,822,011</u>	<u>15,234,084</u>	<u>15,022,879</u>
Long-term liabilities				
Liabilities convertible to equity	35	80,543	80,543	80,543
Long term loans and borrowings – domestic	35	24,695,020	27,433,028	27,005,809
Long-term loans and borrowings – foreign	35	89,259,891	87,524,019	92,226,279
Finance lease liabilities	35	215	10	-
Other long-term liabilities	35	96,030	524,595	6,620,579
		<u>114,131,699</u>	<u>115,562,195</u>	<u>125,933,210</u>
Deferred tax liabilities	22	<u>93,544,386</u>	<u>95,825,375</u>	<u>98,580,263</u>
Short-term liabilities				
Short-term financial liabilities				
Other short term financial liabilities	36	<u>14,103,724</u>	<u>12,171,010</u>	<u>10,607,727</u>

(continued)

**PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE,
BELGRADE**

CONSOLIDATED BALANCE SHEET (continued)
As at 31 December 2018
In RSD thousand

	Note	31 December 2018	31 December 2017 <i>restated</i>	1 January 2017 <i>Restated</i>
Customer prepayments, deposits and caution money	37	4,754,973	4,982,077	4,628,636
Operating liabilities				
Trade payables – domestic	38	21,338,900	16,233,007	15,385,350
Trade payables – foreign	38	7,637,311	4,757,144	4,940,118
Other operating liabilities	38	675,655	982,689	704,966
		<u>29,651,866</u>	<u>21,972,840</u>	<u>21,030,434</u>
Other current liabilities	39	13,660,635	24,040,941	8,284,742
Liabilities for VAT	40	4,677,845	4,039,292	4,581,267
Liabilities for other taxes, contributions and duties	41	8,457,174	7,737,521	13,593,192
Accrued expenses	42	26,488,115	24,514,830	22,615,321
		<u>53,283,769</u>	<u>60,332,584</u>	<u>49,074,522</u>
Total liabilities		<u>1,174,083,324</u>	<u>1,179,355,624</u>	<u>1,190,928,831</u>
Off-balance sheet liabilities	43	<u>230,969,097</u>	<u>150,617,359</u>	<u>159,155,546</u>

The notes on the following pages
form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
During the period from 1 January - 31 December 2018
In RSD thousand

	Items of equity			Items of other comprehensive income			Total equity
	Basic capital	Loss	Retained earnings	Revaluation reserves	Reserves	Gains/(losses) on available-for-sale securities	
Opening balance as at 1 January 2017							
a) debit balance	-	106,886,277	-	-	-	460,605	107,346,882
b) credit balance	360,141,927	-	-	613,462,182	678	-	973,604,787
	<u>360,141,927</u>	<u>(106,886,277)</u>	<u>-</u>	<u>613,462,182</u>	<u>678</u>	<u>(460,605)</u>	<u>866,257,905</u>
Restatement of opening balance							
a) debt balance	-	107,203,351	-	-	-	460,605	107,663,956
b) credit balance	360,141,927	-	-	613,572,511	678	-	973,715,116
Restated opening balance as at 1 January 2017	<u>360,141,927</u>	<u>(107,203,351)</u>	<u>-</u>	<u>613,572,511</u>	<u>678</u>	<u>(460,605)</u>	<u>866,051,160</u>
Movements in 2017							
a) debit turnover	-	22,924,666	-	2,270,297	-	31,767	25,226,730
b) credit turnover	-	5,849,902	6,387,625	16,416	11,960	185,126	12,451,029
Closing balance as at 31 December 2017							
a) debit balance	-	124,278,115	-	-	-	307,246	124,585,361
b) credit balance	360,141,927	-	6,387,625	611,318,630	12,638	-	977,860,820
	<u>360,141,927</u>	<u>(124,278,115)</u>	<u>6,387,625</u>	<u>611,318,630</u>	<u>12,638</u>	<u>-307,246</u>	<u>853,275,459</u>
Opening balance as at 1 January 2018							
a) debit balance	-	124,278,115	-	-	-	307,246	124,585,361
b) credit balance	360,141,927	-	6,387,625	611,318,630	12,638	-	977,860,820
	<u>360,141,927</u>	<u>(124,278,115)</u>	<u>6,387,625</u>	<u>611,318,630</u>	<u>12,638</u>	<u>(307,246)</u>	<u>853,275,459</u>
Movements in 2018							
a) debit turnover	220,323	7,340,993	6,387,625	4,485,023	-	2,700	18,436,664
b) credit turnover	-	8,764,668	-	1,149,413	31,520	6,500	9,952,101
Closing balance as at 31 December 2018							
a) debit balance	-	122,854,440	-	-	-	303,446	123,157,886
b) credit balance	359,921,604	-	-	607,983,020	44,158	-	967,948,782
	<u>359,921,604</u>	<u>(122,854,440)</u>	<u>-</u>	<u>607,983,020</u>	<u>44,158</u>	<u>(303,446)</u>	<u>844,790,896</u>

The notes on the following pages form an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT
During the period from 1 January - 31 December 2018
In RSD thousand

	For the Year Ended 31 December 2018	For the Year Ended 31 December 2017
Cash flows from operating activities		
Cash inflows from operating activities	223,357,473	219,501,740
Sales and advances received	221,554,086	206,848,374
Interests from operating activities	1,478,570	9,193,810
Other proceeds from operating activities	324,817	3,459,556
Cash outflows from operating activities	169,016,324	189,708,763
Payments and prepayments to suppliers	35,329,057	59,591,091
Salaries, fringe benefits and other personal expenses	67,626,974	66,238,597
Interests paid	3,159,726	2,561,490
Income tax	5,015,051	16,359,709
Charges for services that qualify as public revenues	57,885,516	44,957,876
Cash inflows/(outflow) from operating activities, Net	54,341,149	29,792,977
Cash flows from investing activities		
Cash inflows from investing activities	3,124,234	1,119,334
Sale of intangible assets, property, plant, equipment and biological assets	-	287,394
Other financial investments (net inflows)	771,039	-
Interests received from investing activities	2,353,195	831,940
Cash outflows from investing activities	47,066,749	45,023,247
Purchase of shares and stakes (outflows, net)	-	-
Purchase of intangible assets, property, plant, equipment and biological assets	47,066,749	41,857,566
Other financial outflows, Net	-	3,165,681
Cash inflows/(outflows) from investing activities, Net	(43,942,515)	(43,903,913)
Cash flows from financing activities		
Cash inflows from financing activities	-	2,452,461
Increase in share capital	-	40,063
Long-term borrowings (net proceeds)	-	2,412,398
Other short-term liabilities	-	-
Cash outflows from financing activities	22,866,046	3,293,268
Long-term loans (outflows)	8,989,502	-
Short-term loans (outflows)	-	176
Other liabilities	269	270,196
Finance lease	247	22,896
Dividends paid	13,876,028	3,000,000
Inflows/(outflows) from financing activities, Net	(22,866,046)	(840,807)
Total cash inflow	226,481,707	223,073,535
Total cash outflow	238,949,119	238,025,278
Net cash inflow/(outflow)	(12,467,412)	(14,951,743)
Cash at the beginning of the accounting period	39,699,986	55,297,089
Foreign exchange gains on translation of cash	90,203	154,424
Foreign exchange losses on translation of cash	(41,677)	(799,784)
Cash at the end of the accounting period	27,281,100	39,699,986

The notes on the following pages
form an integral part of these consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

1. GROUP ORGANISATION AND OPERATIONS

The Government of the Republic of Serbia, at its session held on 27 January 2005 (RS Official Gazette, No. 12/2005), passed Decision 05 No.023-396/2005 1 to establish Public Enterprise Elektroprivreda Srbije to be involved in the production, distribution and trade of electricity (the Company). Based on the Decision on Harmonising the Operations of PE Elektroprivreda Srbije with the Law on Public Enterprises (Official Gazette of RS, number 105/16), the Serbian Government harmonized the Articles of Association of PE Enterprise Elektroprivreda Srbije with the Law on Public Enterprises (RS Official Gazette No 15/16).

The address of the Company's registered office is in Belgrade, at 13 Balkanska Street. The Company's ID No. is: 20053658. The Company's tax identification number is 103920327. The Company began operations on 1 July 2015 based on Business Registers Agency Decision No. BD 80380/2005.

Public Enterprise Elektroprivreda Srbije, Beograd (the Company), as controlling company (i.e. parent company) and its subsidiaries constitute EPS Group (together: the Group).

The Company operates under the name: Public Enterprise Elektroprivreda Srbije, Beograd. The Company's abbreviated name is JP EPS, Beograd.

The Group's principal activity is energy supply - Code of Activity 3514. In addition to its principal activity, the Group is engaged in other operating activities such as electricity production, coal production, processing and transportation, steam and hot water production in combined processes, as well as in other activities.

Furthermore, on the Group level, the Group's principal activity includes electricity distribution and distribution system management. As of 1 July 2015, the distribution of electricity and the management of distribution systems have been performed by a Distribution System Operator, EPS Distribucija d.o.o., the Company's subsidiary.

The Decision on Harmonising the Operations of PE Elektroprivreda Srbije with the Law on Public Enterprises, specifies that the management of the Public Enterprise is organized on a bicameral basis.

The governing bodies of the Company are the Supervisory Board and the General Manager. Their competencies are prescribed by The Law on Public Enterprises, The Company's Articles of Association, and The Company's Statute.

Assets controlled by the Group are public property other than: Land, over which ownership rights have been established in accordance with the 2010 Government Decision to Amend the Decision on establishing the Group („RS Official Gazette" No. 54/10), Buildings, and Construction Land on which the buildings have been constructed, other than facilities legally designated either as a property of general interest or property that, by virtue of their nature, is intended for the use of all, and has been legally defined as such. The ownership rights of the Republic of Serbia, the autonomous province and the local self-government units over public property, and some other property rights are governed by Law on Public Property (RS Official Gazette Nos. 72/11,...113/17).

As at 31 December 2018, the Group had 29,736 employees (31 December 2017: 29,153).

Organisational structure

Besides the Company, there are four subsidiary companies operating within the Group:

- "EPS Distribucija" d.o.o., a distribution system operator engaged in the distribution of electricity and management of distribution systems,. The company was registered with the Business Registers Agency based on Decision BD 57192/2015 dated 1 July 2015.
- "EPS Trgovanje" d.o.o., engaged in the trade of electricity, headquartered in Ljubljana, the Republic of Slovenia, was established on 1 July 2014.
- "Elektrosever" d.o.o., the electricity trading company headquartered in Severna Mitrovica, Kosovo and Metohija, was established based on the Company's Supervisory Board Decision No 12.01.19169/3-2016 of 20 January 2016, which was in line with the Government Decision 05 No. 023-923/2016 dated 11 February 2016. The Company was registered on 7 November 2018.
- "Kolubara - Građevinar" d.o.o., Lazarevac, a company engaged in construction projects within the mining infrastructure, and in the exploitation of non-metallic substances. On 14 December 2017, the Company acquired a 71,90% stake.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

1. GROUP ORGANISATION AND OPERATIONS (continued)

Organisational structure (continued)

The stake has been acquired through a conversion of company receivables into basic capital that was in line with an already prepared plan for the reorganisation of „Kolubara - Građevinar“ d.o.o. Effective control over the said subsidiary was acquired during January 2018.

JP EPS is the founder of three public companies in Kosovo and Metohija, namely:

- Public company for the production of thermoelectric energy Kosovo, Obilić,
- Public company for the production, processing and transportation of coal Kosovo, Obilić, and
- Public company for Electricity distribution Elektrokosmet, Priština.

The Company has control over all of its subsidiaries, except over those in Kosovo and Metohija because Kosovo has been under the control of the International Community since June 1999, and the Company has lost its administrative and governing control over those companies.

In addition to the above, the Company has a significant share in the following companies:

- Company for combined production of thermoelectric and thermal energy “Energija Novi Sad“, a.d. Novi Sad (ENS), established together with the City of Novi Sad – a 50% stake in the company's share capital.
- “Ibarske hidroelektrane“ d.o.o. Kraljevo, established together with SECI ENERGIA S.p.A., Italy, Bologna, 6 Via Degli Agresti – a 49% share in the capital amounting to EUR 2,450,000. The Company began operations in order to establish ten cascade type hydro power plants with a total capacity 103 MW, as a facility for the production and sale of electricity from renewable sources.
- “Moravske hidroelektrane“ d.o.o., Beograd established together with RWE Innogy GmbH, Germany (RWE AG) – a 49 % share in the capital amounting to EUR 1,960,000. The Company was established with a view to building hydro power plants on the river Morava, comprising no less than five hydro power plants with a total capacity of 150 MW.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS
ACCOUNTING PRINCIPLES

2.1. Consolidation scope and basics

Consolidated financial statements include statements of the parent company JP "Elektroprivreda Srbije" Belgrade and other subsidiaries in Serbia and abroad:

Name	% stake	
	2018	2017
ODS "EPS Distribucija" d.o.o. Belgrade	100%	100%
"EPS Trgovanje" d.o.o. Ljubljana, Republic of Slovenia	100%	100%
"Elektroserver" d.o.o. Severna Mitrovica, Kosovo and Metohija	100%	100%
"Kolubara – Gradjevinar" d.o.o. Lazarevac	71.90%	-

Consolidated financial statements were prepared based on the full consolidation principle, including the consolidated financial statements' minority interest which concerns subsidiaries in whose equity the parent company participates with less than 100 percent.

Consolidated financial statements for 2018 include for the first time financial statements of "Kolubara – Gradjevinar" d.o.o. Lazarevac which the Group acquired during January 2018, as well as financial statements of "Elektrosever" d.o.o. Severna Mitrovica which was established in 2018.

All material transactions and balances which resulted from business relationships between the parent company and subsidiaries were eliminated during consolidation.

In consolidated financial statements, financial statements of the subsidiary "EPS Trgovanje" d.o.o. Ljubljana reported in subsidiary's functional currency (EUR) are expressed in parent company's reporting currency (Dinar). While assets and liabilities are calculated using the official exchange rate on the balance sheet day, revenue and expenses are calculated based on the average exchange rate during the year. Foreign exchange differences are recognized as a separate component of equity as reserves based on financial statements foreign currency recalculation.

2.2. Basis of preparation and presentation of financial statements

The Group's consolidated financial statements include its Consolidated balance sheet as of 31 December 2018, and the Consolidated income statement, Consolidated statement of other comprehensive income, Consolidated statement of changes in equity and Consolidated cash flow statement for year then ended, and a summary of the significant accounting policies and the notes to the consolidated financial statements.

The Group's consolidated financial statements for the period from 1 January to 31 December 2018 are presented in a form pursuant to the Law on Accounting (Official Gazette of the Republic of Serbia no. 62/2013) and "Guidelines on the Prescribed Form and Content of the Financial Statements of Enterprises, Cooperatives and Entrepreneurial Ventures" (Official Gazette of the Republic of Serbia, no. 95/2014, 144/2014).

Recognition and estimate of the line items included in the consolidated financial statements have been performed in accordance with the provisions of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as determined in the Decision enacted by the Ministry of Finance no. 401-00-896/2014-16 on 13 March 2014 (Official Gazette of the Republic of Serbia no.35/2014) officially issued in the Republic of Serbia, Rulebook on the Chart of Accounts and the Contents of Accounts in the Chart of Accounts (Official Gazette of RS number 95/2014), and other applicable Serbian regulation.

The consolidated financial statements were prepared based on the historical cost principle, unless otherwise stipulated in the accounting policies presented hereunder.

In the preparation of the accompanying consolidated financial statements, the Group adhered to the accounting policies described in Note 3.

The Group's consolidated financial statements are stated in RSD thousand. The dinar is the official reporting currency in the Republic of Serbia.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

**2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS
ACCOUNTING PRINCIPLES (continued)**

2.3. Standards and interpretations issued and effective in the past and current periods, which have not yet been officially translated

At the date of these financial statements, the standards and their amendments presented in the text below were issued by the International Accounting Standards Board (IASB), and the interpretations presented below were issued by the International Financial Reporting Interpretations Committee, but have not been officially approved in the Republic of Serbian:

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of interests in other entities" and IAS 27 "Separate Financial Statements" – Investment entities (effective for annual periods beginning on or after 1 January 2016);
- IAS-32 (Amended): "Financial Instruments: Presentation" - Offsetting financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2014);
- IAS 36 (Amended) – "Impairment of assets"- Recoverable amount disclosures for non-financial assets (effective for annual periods beginning on or after 1 January 2014);
- IAS 39 (Amended) – "Financial instruments: Recognition and measurement" Novation of derivatives and continuation of hedge accounting (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 11 "Joint Arrangements" – Accounting for acquisitions of interests in joint operations (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16: "Property, Plant and Equipment", IAS 38: "Intangible Assets" and IFRIC 12: "Service Concession Arrangements" - amended by Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture – Industrial crop (effective for annual periods beginning on or after 1 January 2016);
- IAS 19 "Employee Benefits" (Amended): Defined Benefit Plans: Contribution for employees (effective for annual periods beginning on or after 1 July 2014);
- IFRIC 21 "Levies" (effective for annual periods beginning on or after 1 January 2014);
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 1 "Presentation of Financial Statements" – Initiative for change of disclosures (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Application of equity methods in individual financial statements (effective for annual periods beginning on or after 1 January 2016);
- Annual improvements to IFRSs (IFRS 5, IFRS 7, IAS 19, IAS 34), arising as a result of the project Cycle of standard improvements for the period from 2012 to 2014, issued in December 2014 (effective for annual periods beginning on or after 1 January 2016);

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

**2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS
ACCOUNTING PRINCIPLES (continued)**

2.3. Standards and interpretations issued and effective in the past and current periods, which have not yet been officially translated (continued)

- Annual improvements to IFRSs (IFES 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38, IAS 24) resulting from Annual improvements for the period 2010 - 2012 issued in December 2013 (effective for annual periods beginning on or after 1 July 2014);
- Annual improvements for the period 2011 - 2013, resulting from Annual improvements to IFRS (IFRS 1, IFRS 3, IFRS 13, and IAS 40), issued in December 2013 (effective for annual periods beginning on or after 1 July 2014);
- Amendments to IAS 7 "Statement of Cash Flows" – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IAS 12 "Income Taxes" – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).
- IFRS 9 "Financial instruments" – Revised and issued during 2014 as complete (effective for annual periods beginning on or after 1 January 2018);
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018);
- IFRIC 22 "Foreign currency transactions and advance consideration" – Issued in December 2016 (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 2 "Share-based payment" – Classification and measurement of share-based payment transactions (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IAS 40 "Investment Property – Transfers of Investment Property" (issued in December 2016 and effective for annual periods beginning on or after 1 January 2018);
- "Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1" (issued in December 2016 and effective for annual periods beginning on or after 1 January 2018);
- "Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 12" (issued in December 2016).
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2.4. Standards and interpretations issued but not yet effective

At the date of these financial statements, the standards below, their amendments and interpretations have been issued but are not yet effective:

- IFRS 16 "Leases" – Issued during January 2016 (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or transfer of funds free of charge between the investor and its associate or joint venture (amendments made in September 2014, the application has been postponed indefinitely);
- IFRS 17 "Insurance Contracts" – Revised and issued during 2017 as complete (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRIC 23 "Uncertainty over Income Tax Treatments" (issued in June 2017 and effective for annual periods beginning on or after 1 January 2019);
- Annual Improvements to IFRS Standards 2015–2017 Cycle – Amended IFRS 3 „Business combinations“, IFRS 11 „Joint Arrangements“, IAS 12 „Income Taxes“, IAS 23 „Borrowing costs“ (issued in December 2017, effective for periods beginning on or after 1 January 2019);

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS
ACCOUNTING PRINCIPLES (continued)

2.4. Standards and interpretations issued but not yet effective (continued)

- Amendments to References to the Conceptual Framework in IFRS Standards - IAS 1 „Presentation of Financial Statements“, IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors“, (issued in December 2017, effective for periods beginning on or after 1 January 2020);
- Amendment to IAS 19, 'Employee Benefits' – The amendments in Plan Amendment, Curtailment or Settlement“ (issued in December 2018, effective for periods beginning on or after 1 January 2019);
- Amendments to IAS 28 „Investments in Associates and Joint Ventures - Long term interests in associates and joint ventures “ (issued in December 2017, effective for periods beginning on or after 1 January 2019).

2.5. Comparative figures

Comparative period includes Group consolidated financial statements on the day and for the year which ended on 31 December 2017, excluding financial statements of “Kolubara – Gradjevinar” d.o.o. Lazarevac which the Group acquired in January of 2018 and which are included in Group's consolidated financial statements beginning with 1 January 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with the generally accepted accounting principles, under the historical convention, with subsequent valuation of all relevant events affecting assets and liabilities as at the date of these consolidated financial statements.

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

3.1. Income and expenses

Income from sales of goods and services

Income and expenses are recognised on accrual basis, meaning that transactions and other events are recognised when incurred, regardless of when the money is actually received or paid.

Income from the sale of electricity is recognised when electricity is delivered

Income arising from the sale of goods is recognised when all the significant risks and rewards of ownership are transferred, which is as at the date when goods are delivered to the buyer.

Revenue is stated at fair value of the goods received or that will be received, net of rebates, excise and VAT.

Income from agreed services is recognised under the percentage of completion method.

Income from connections of new customers

Income from connection of new customers to distribution network are recognized in the amount of money received from the customers, when incurred – when customer is connected to distribution network or when the customer is provided with the ongoing access to a supply of services.

Donations received from customers are initially recognized as deferred income in the amount of fair value of received funds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1. Income and expenses (continued)

Deferred income on the basis of received grants is recognized in favour of income in the income statement in proportion to the estimated useful lives of the related assets.

Income from usage of finished goods and merchandises

Income from usage of finished goods and merchandises includes usage of finished goods, merchandises and services for intangible assets, property plant and equipment, material and for internal transportation services.

Expenses are recognized in income statement on accrual basis and are determined for the period when occurred.

3.2. Effects of Foreign Exchange Translation

Monetary and non-monetary items of assets and liabilities denominated in foreign currencies are translated at the official exchange rates published by the central bank, at the date of each transaction. As at the date of these financial statements, monetary items were presented at the middle exchange rate of the central bank, while adjustments were recognized in the income statement

3.3. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are measured at fair value and take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to the period in which they are incurred.

3.4. Employee benefits

Employee benefits, as well as all types of remuneration that the Group provides to employees pursuant to internal regulations and employment contract, are expensed in the period in which the employee worked and the respective liabilities are also recognized, upon the deduction of each amount that has already been paid.

The Group provides jubilee, retirement and other employee benefits in accordance with the Group's General Act, and the obligation to pay:

- retirement benefits to employees, amounting to three monthly salaries that would be earned in the month preceding the month in which retirement benefits are paid, or three average salaries paid by the entity, or in the amount prescribed by the law (if more favourable for the employee), and
- jubilee awards for 10, 20, 30, 35 and 40 years of service within the Group amounting to 1, 2, 3 and 4 average salaries in the previous three months preceding the month of payment, respectively.

The expected costs of the above benefits are accrued over the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds and treasury bills that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

3.5. Fair value

In the Republic of Serbia there is not enough market experience, stability or liquidity in the purchase and sale of loans and other financial assets and liabilities. Official market information is not always available. Therefore, the fair values cannot be determined reliably where there is no active market, as required by IAS and IFRS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5. Fair value (continued)

In the opinion of the Group's Management, the amounts disclosed in the consolidated financial statements represent the most valid and useful reporting values, given the existing market conditions. Provision is made when management estimates that the carrying value of assets will not be recovered due to identified risks.

3.6. Provisions

Provisions are recognised when the Company has an obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations; and when the amount of the obligation can be reliably measured. Provisions are created based on the management's best estimate of the expenditures required to satisfy the obligation at the balance sheet date. Where the effect of the time value of money is material, the provisions are discounted using a pre-tax rate that reflects the risks specific to the liability.

Litigations

Provisions for legal claims and other provisions are recognized when: a) the Group has a present legal or constructive obligation as a result of past events; b) it is probable that an outflow of resources will be required to settle the obligation, and; c) the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Management believes that there will not be any significant adjustments to current provisions for litigations.

Environmental restoration and environmental protection

The Management has established provisions for future costs of dismantling and removing the plant and restoring the site on which it is located, using the best estimate of the production asset's future cost and useful life. The Management has recognized provisions using the best estimate of cash outflow necessary to settle present obligation of future events at the balance sheet date. In accordance with applicable regulations, changes in provisions are subject to an amendments of regulations and their interpretation.

3.7. Donations

Funds received as grant are initially recorded as deferred income within liabilities. Deferred income is released over the period when expenses linked to grant are recognised in the income statement.

Cash grants covering the Group's expenses incurred in one period are recognized as income upon their receipt.

3.8. Taxes and contributions

Current income tax

Current income tax is calculated and paid in accordance with the Law on Income Tax applicable in the Republic of Serbia. Current income tax is paid at the rate of 15% on the tax base defined in the Group's tax return. The tax base presented in the tax return comprises profit as presented in the Group's income statement and any adjustments as defined by Serbian tax regulations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8. Taxes and contributions (continued)

Current income tax (continued)

The right to reduce the profit tax on the basis of investments in property, plant and equipment was withdrawn as of 1 January 2014, with the exception that a taxpayer who by 31 December 2013 realized the right to a tax incentive under Article 48 of the Corporate Income Tax Law (RS Official Gazette Nos. 25/01, 80/02, 80/02 – other law, 43/03, 84/04, 18/10, 101/11, 119/12 and 47/13) and declared it in its 2013 tax balance and tax return, may carry forward the unused portion of the tax credit to a future tax period, but not to exceed the limit of 33% of the tax liability calculated for that tax period, up to 10 years.

Serbian tax regulations do not envisage the possibility of using the current period tax loss as basis for the recovery of taxes paid in prior periods. However, current period losses may be used to reduce the future tax base for up to five years, starting from 2010 or, alternatively, 10 years for losses incurred by 2010.

Deferred income tax

Deferred tax liabilities are recognized in the amount of future income taxes payable based on the difference between the carrying value of property, plant and equipment and their values recorded in the tax balance sheet.

A deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Taxes and contributions not related to performance

Taxes and contributions not related to performance comprise property tax and other taxes and contributions under national and municipal regulations.

3.9. Property, plant and equipment

Property, plant and equipment is initially measured at cost. Cost comprises: Invoice value less any rebates, import duties and other non-refundable taxes, as well as all other directly attributable costs of bringing to asset to working condition for their intended use.

Spare parts intended as replacements of a specific part of a limited number of recognized assets, and where costs of replacement of such part are significant compared to the carrying value of such asset, are recognized as separate items of equipment if they meet the definition of property, plant and equipment.

After initial recognition, property, plant and equipment used in energy related activities is stated at fair value established by applying the market approach for land, administrative and other buildings used in performing office jobs, hospitality and tourism related activities, or by applying the cost approach (present replacement cost) for other assets. For subsidiaries of which registered activity is not energy-related, following the initial recognition, property, plant, and equipment is reported based on the revalued amount if and only if property, plant, and equipment are used for activities stated in subsidiaries' constitutional documents.

Vehicles, office equipment and equipment used in other premises, other equipment and tools and fixtures the useful life of which is longer than one year are stated at cost.

Self-constructed assets are stated at cost if it does not exceed their market value, and such assets are subsequently measured in accordance with the class to which assets belong.

Subsequent investments in the asset increase the asset's carrying value, where the investment is made: to upgrade the asset, to replace its part or service other than within the framework of regular maintenance, where it is probable that future economic benefits associated with such investment will flow into the company, and where the cost of the investment can be measured reliably.

Gains or losses on disposal of property, plant and equipment are determined as the difference between the expected net proceeds from sale and the carrying amount of an item adjusted for revaluation reserves, if they have been previously created for a particular asset, and are recognized in the income statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10. Property, plant and equipment (continued)

Subsequent investments in the asset increase the asset's carrying value, where the investment is made: to upgrade the asset, to replace its part or service other than within the framework of regular maintenance, where it is probable that future economic benefits associated with such investment will flow into the company, and where the cost of the investment can be measured reliably.

Gains or losses on disposal of property, plant and equipment are determined as the difference between the expected net proceeds from sale and the carrying amount of an item adjusted for revaluation reserves, if they have been previously created for a particular asset, and are recognized in the income statement.

3.11. Investment property

Investment property is property (land or a building or part of a building or both) held by the Group to earn rentals or for capital appreciation or both.

Investment property is initially measured at cost, which comprises its purchase price and any directly attributable expenditures. The carrying value of current investment property includes all replacement costs, provided that it is probable that the entity will obtain future economic benefits from the asset and that the cost of an asset can be reliably measured.

Subsequent to initial recognition, investment property is measured at cost, less total amortisation and total impairment.

Investment property is amortised over its useful life on a straight-line-basis or on an annual quota share basis for every item within investment property.

3.11. Depreciation

Property, plant and equipment are amortised over their useful lives on a straight-line-basis or on an annual quota share basis over their estimated useful lives. Exceptionally, land inclusive of costs of dismantling, removal and renewal are depreciated using the functional method, in other words expenses are recognized when costs are based on expected use or performance (over the period in which benefits are acquired through such costs).

Depreciation rates for major classes of property, plant and equipment are as presented below:

	Rate (%)
Thermal power plants buildings	1.30% - 4.00%
Hydro power plants buildings	1.30% - 4.00%
Coal mine buildings	0.68% - 16.67%
Electricity distribution buildings	1.25% - 4.00%
Commercial buildings	1.18% - 1.43%
Other buildings including investment properties	1.30% - 2.50%
Thermal power plants equipment	4.00% - 20.00%
Hydro power plants equipment	4.00% - 20.00%
Coal mine equipment	1.63% - 13.57%
Equipment for electricity distribution	4.00% - 20.00%
Transportation vehicles	6.67% - 20.00%
Equipment for decoration and maintenance of office and other premises	10.00% - 20.00%
Other equipment not mentioned	12.50% - 20.00%

The depreciation period is reviewed at the end of each accounting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12. Leases

A lease is classified as finance lease where all the risks and rewards of ownership are transferred substantially to the Group. Any other lease is classified as operating lease.

3.13. Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are stated at cost less accumulated amortization and any impairment losses.

The amortization of intangible assets is computed on a straight-line basis in order to fully write off the cost of the assets over their estimated useful lives. The estimated useful lives and amortization rates in for major classes of intangible assets, unless otherwise indicated in the contract, are as summarized below:

	Years	rate %
R&D Investments	4	25%
Patents, licenses and similar rights	5	20%
Other intangible assets	5	20%

Useful life is reviewed at the end of each reporting period.

3.14. Impairment of assets

At each balance sheet date, the Group's management assesses whether there are any indications of impairment of its tangible and intangible assets, based on the review and consideration of internal and external sources of information.

If there is any indication of impairment, the recoverable amount of the asset is estimated. If the recoverable amount of an asset cannot be estimated, the recoverable amount of the cash generating unit is estimated.

3.15. Inventory

Inventories are stated at the lower of cost and net realizable value. Cost includes purchase value, import duties and other non-refundable taxes, transport, handling and other expenses directly attributable to inventory acquisition, as decreased for trading discounts, rebates and similar items.

The net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost is computed using the weighted-average method. Tools and fixtures are fully written off when brought to use.

Provisions charged to other expenses are made where appropriate, and when the management estimates that the value of inventories needs to be adjusted to the net realizable value, i.e., based on the documented reduction of the inventories value in use.

3.16. Financial instruments

Each contractual right resulting in financial assets, financial liabilities or equity instruments is recognized in the Group's balance sheet as a financial instrument on the settlement date.

Financial assets and liabilities not designated at fair value through profit and loss are initially recognised at fair value plus transaction costs, which are directly attributable to the acquisition or issue of a financial asset or financial liability.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16. Financial instruments (continued)

Investments in related parties

Investments in related parties are stated at cost.

Other long-term investments

Investments in other legal entities and other long-term investments are initially measured at cost; Subsequently, they are measured at:

- Fair value, if they are held for trading or available for sale, and have a quoted market price in an active market;
- Cost, if they are held for trading or available for sale, and do not have a quoted market price in an active market;
- Amortised cost, if they have fixed maturities;
- Cost, if they do not have fixed maturities.

Any difference (increase or decrease) arising between the carrying value and the value of subsequent measurements is recognized as a separate item within equity – revaluation reserves, for instruments available for sale with quoted prices in an active market, except when there is an objective evidence of impairment, in which case any difference is recognised in the income statement. Any difference between the carrying value of other financial instruments and their subsequent measurements is recognised in profit or loss of the period in which it is incurred.

Short-term investments and accounts receivable

Short-term investments and accounts receivable comprise trade and other receivables, short-term investments in unconsolidated subsidiaries, short-term deposits held with banks and other short-term investments..

Receivables arising from the sale of electricity and other output are measured at the original invoice amount. The invoiced interest on goods and services is recognized within other receivables as income of the accounting periods to which it relates.

Other receivables and assets are measured at amortized cost.

Any difference between the carrying value and their subsequent measurements is recognised in profit or loss of the period in which it is incurred.

Impairment of financial assets

At each balance sheet date, the Group assesses whether there is an objective evidence of impairment by analysing the expected net cash flows in the following manner:

- Individually, for financial assets that are individually significant, or
- Collectively, for a group of similar financial assets that are not individually significant.

Impairment of receivables

Except for claims on the basis of turnover of electricity, receivables from households and legal entities for which the payment period has expired for at least 60 days, an allowance adjustment is made.

The impairment of receivables is not made for the customers which are at the same time owed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17. Financial instruments (continued)

Financial instruments (continued)

Impairment of receivables from the sales of electricity

Collection of receivables for electricity is assessed based on the following categories:

- Commercial supply
- Reserve supply
- Guaranteed supply including subcategories:
 1. Receivables from third parties ("companies")
 2. Receivables from households ("individuals")

Collection of receivables is assessed based on turnover (electricity sales), except for the receivables / customers that are assessed individually. Assessment is done for each group and sub-group of customers by applying collection rate on the total amount of receivables (invoiced receivables) in the reporting period:

- Collection rate is calculated as a difference between number 1 and collection ratio. Collection ratio is calculated as ratio between unpaid receivables and total receivables for current and previous reporting period,
- the Group is assessing all events after balance sheet date up to 31 January of the year after the reporting year.

Receivables from all customers with balances above RSD 200 million are assessed individually.

Receivables that are overdue for more than one year are impaired in the full amount.

Exceptionally, receivables from customers undergoing reconstruction, bankruptcy or liquidation, irrespective of their amount, may be assessed on an individual basis.

A direct write off of receivables is performed upon the conclusion of legal proceedings, or upon the decision adopted by competent authorities, in accordance with the Law and the Company's General Act.

Other receivables for interest, debt collection expenses and for other expenses that are related to the amount of main receivables are assessed as the main related receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits with banks..

Financial liabilities

Financial liabilities comprise long-term financial liabilities (long-term borrowings, long-term securities and other long-term liabilities), short-term financial liabilities (short-term borrowings and other short-term financial liabilities), short-term operating liabilities, liabilities from specific operations and other liabilities.

Financial liabilities are initially recognized at the value of the consideration received. Upon initial recognition, financial liabilities are measured at the initially recognized amount, less repayments of principal, increased for interest capitalized and decreased for any write-off approved by the creditor. Liabilities based on interest on financial liabilities are recorded at the expense of financial expenses in the period in which they relate and are presented within other short-term liabilities and accruals.

3.17. Significant accounting estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the balance sheet items within the next financial year are presented below.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17. Significant accounting estimates (continued)

Depreciation and depreciation rates

The assessment of the useful lives of intangible assets and property and equipment is based on historical experience with similar assets, as well as on any anticipation of technological development and change in economic or industry factors.

The adequacy of the estimated useful lives of fixed assets is analysed once a year based on current forecasts.

Additionally, due to a great portion of fixed assets found within the Company's total assets, any change in the assumptions may have a material effect on the the financial position of the Company and its financial results.

Provision for litigations

Generally, provisions are to a great degree subject to estimations. The Company assesses the probability of adverse events developing as a result of past events, and makes an assessment of the expenditure required to settle the obligations. Although the Company complies with the prudence principle when making estimates, in certain cases, due to significant uncertainties, the actual results may differ from these estimates.

Employee benefits

The present value of the obligation for retirement benefits, jubilee awards and accrued unused holidays is determined based on an actuarial valuation. The actuarial valuation involves assumptions relating to the discount rate, a forecaste salary increase, mortality rates and employee turnover. In determining the appropriate discount rate, Management considers interest rates equivalent to those applied to the Republic of Serbia bonds. The mortality rate is based on publicly available mortality tables. The future salary increase is based on expected inflation rates.

Fair value

The fair value of the financial instruments for which there is no active market is determined by applying appropriate evaluation methods. The Company uses its professional judgement to select appropriate methods and make assumptions.

It is the Company's policy to disclose the fair value information on those components of assets and liabilities for which the published market information is readily and reliably available, and the fair value of which is materially different from the asset's carrying value. In the Republic of Serbia, there is a lack of sufficient market experience, stability and liquidity regarding the purchase and sale of loans and other financial assets or liabilities since published market information is not readily available. As a result, the fair value cannot be determined reliably in the absence of an active market. The management of the Company assesses its overall risk exposure, and where it estimates that the value of assets stated in its books may not be realized, it recognizes a provision. In the opinion of the Company's Management, the amounts disclosed in these financial statements represent the most valid and useful reporting values, given the existing market conditions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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4. ADJUSTMENTS OF COMPARATIVE DATA

In 2018 the Entity implemented adjustments of relevant comparative period for 2017 and on 31 December 2017 and 1 January 2017.

a) Adjustment effects on the balance sheet

Adjustment effects on the balance sheet on December 31, 2017, as well as January 1, 2017 are as following:

Adjustment description	In RSD thousands	
	31 December 2017	1 January 2017
Balance of the accumulated loss, previously stated	<u>(117,503,608)</u>	<u>(106,886,277)</u>
Revalued reserves increase	(180,137)	(110,329)
Other short-term liabilities adjustment	<u>(206,745)</u>	<u>(206,745)</u>
Balance of the accumulated loss, adjusted	<u>(117,890,490)</u>	<u>(107,203,351)</u>

Adjustment of the opening balance of revalued reserves and accumulated loss amounting to RSD 180,137 thousands relates to the adjustment of the previously recognized revalued reserves reversal when property, plant, and equipment was derecognized.

Adjustment of the opening balance of short-term liabilities and accumulated loss amounting to RSD 206,745 thousands relates to the subsequently determined right of employees to increased insurance duration. The right refers to workers who perform particularly hard, dangerous and hazardous tasks.

b) Adjustment effects on the income statement

Adjustment effects on the income statement for the period from 1 January to 31 December 2017 are as following:

Adjustment description	<u>In RSD thousands</u>
Net profit for the year which ended on 31 December 2017 before adjustments	<u>6,387,625</u>
Revalued reserves increase as other expenses	<u>(69,808)</u>
Net profit for the year which ended on 31 December 2017 after adjustments	<u><u>6,317,817</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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5. OPERATING INCOME

	In RSD thousand	
	2018	Year ended 31 December 2017
Income from sales of goods and services PE "Електрокосмет", Priština	865,568	923,863
Income from sales of goods and services to other legal entities – on domestic market:		
- Sale of electricity to households	91,356,085	91,596,072
- Sale of electricity to third parties	13,367,420	17,629,941
- Sale of electricity to licensed customers	2,585,528	1,668,078
- Sale of electricity to qualified customers	95,821,816	82,988,289
- Sale to PE Elektromreža Srbije	11,853,765	11,483,453
- Income from sales of coal	3,652,736	4,362,605
- Sale of technological steam and gas	90,343	83,450
- Sale of electricity on commodity exchange	992,882	623,067
- Sale of heat energy	1,914,709	1,646,850
- Income from accessing and using the distribution system	966,875	1,299,394
- Income from sales of services	408,619	552,629
- Income from sales of products	562,128	270,472
- Income from Public Media Service tax	184,670	183,634
- Income from sales on domestic market	3,724	-
	<u>223,761,300</u>	<u>214,387,934</u>
Income from sales of goods and services – on foreign market	3,306,363	4,362,589
	<u>227,933,231</u>	<u>219,674,386</u>

Revenue from the sale of electricity to PE „Elektrokosmet“, Priština

In line with the Conclusion of the Government of the Republic of Serbia No: 021-6624/2009-002 of 30 November 2009, the Group engaged resources to provide electricity to the northern part of Kosovo and Metohija, on the basis of which revenue of RSD 865,568 thousand was recognised in 2018 (2017 – RSD 923,863 thousand).

Income from the sale of goods and services on domestic market

Income from the sale of electricity in domestic market was recognised based on the sale of electricity to end customers, namely to:

- Households and small clients holding the right to a guaranteed supply, at regulated rates,
- Other end customers purchasing electricity for own use, at rates generated based on the price mechanism,
- Customers holding a license for trade in electricity, at rates generated based on the price mechanism.

The Energy Law (RS Official Gazette No 145/14) prescribes that households and small clients have the right to a guaranteed supply, as a public service. A household is an end customer who buys electricity for own household's consumption, exclusive of consumption for commercial or professional operations.

Small clients are end customers (legal entities and entrepreneurs) who have no more than 50 employees, whose total annual revenue amounts to EUR 10 million in RSD equivalent, whose facilities are connected to the electricity distribution system with voltage level lower than 1 kV, and whose electricity consumption in the previous calendar year did not exceed 30,000 kWh. Under the Energy Law, a guaranteed supply at regulated rates is regarded as a public service. Energy supply is regarded as a market activity based on which the Group generates income to customers, which is based on the concept of lowest cost and principle to maximise income. All end customers have the right of free choice of electricity supplier.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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5. OPERATING INCOME (continued)

Income from the sale of goods and services on domestic market (continued)

By its Decision to assign an energy supplier to serve end customers with no right to a guaranteed supply, No: 312-11118 / 2016-1, dated 29 November 2016, the Serbian Government appointed the Company to be substitute suppliers over a two-year period, starting from the Decision's date, at a rate of 55,84 EUR / MWh, exclusive of excise and VAT. This Decision was applicable by 22 November 2018, when the Government of the Republic of Serbia passed a new Decision 05 No.: 312-11180/2018, appointing the Company to perform the last resort supply over a two year period starting from the Date of the New Decision through to 22 November 2020, at a rate of 70.33 EUR/MWh, exclusive of excise and VAT. The substitute supply price is the price that comprises the price of active energy and of balancing amounts to EUR/MWh. The price is exclusive of distribution use-of-system charges (access to the network) and the charge for privileged power producers.

Sales includes income from delivering energy to customers receiving substitute supplies, amounting to RSD 1,471,663 thousand (2017 – RSD 1,837,595 thousand). End customers not entitled to a guaranteed supply (public supply) under the Energy Law shall be entitled to a substitute supply of energy (last resort supply of energy) in the event of: bankruptcy or liquidation of the supplier that had supplied the customer until then; termination or revocation of the license held by the supplier that had supplied the customer until then; where the customer has not found a new supplier upon termination of the agreement on supply with the previous one, except if the termination of the agreement is a consequence of non-performance of the customer's payment obligations; where the customer has not found a new supplier upon termination of the agreement on supply with the previous one, and falls within the category of customers for which electricity delivery may not be suspended in the event of non-performance of obligations under the Law. Under the Energy Law, an uninterrupted back-up supply of energy (last resort supply of energy) may not exceed 60 days.

Furthermore, the Group is involved in trading electricity at the commodity exchange, which started operations on 17 February 2016 in Belgrade. In 2018, Income from trading electricity at the commodity exchange amounted to RSD 992,882 thousand (2017 – RSD 623,067 thousand)

Based on the Energy Law and the Rulebook on the Transmission System Operation, the Group entered into Agreements with Elektromreža Srbije, an entity responsible for transmission and the operation of the transmission system. These Agreements govern the manner of providing system services so as to enable the Transmission System Operator to: create conditions required for regular operation of the electricity supply system and mutual electricity deliveries; enable the supply of energy systems that are separated from other interconnections; and recover excessive power loss, i.e. loss of electricity that does not arise from power consumption i.e. the consumption of energy for heating elements in the transmission network due to active resistance present in such elements. Furthermore, for the purpose of balancing actions within the Serbian regulations or securing sufficient tertiary reserves, the Group agreed with PE EMS on the manner of mutual power deliveries in case of a major breakdown on a barter basis or commercial basis, depending on the terms agreed between PE EMS and operators of neighbouring transmission systems.

Income from the sale of coal for the year ended 31 December 2018 in the amount of RSD 3,652,736 thousand relate to the delivery of coal to third parties (Branch "RB Kolubara", Lazarevac in the amount of RSD 3,167,657 thousand and Branch "Termoelektrane i kopovi Kostolac" in the amount of RSD 485,079 thousand).

The Law on the Temporary Manner of Public Media Service Tax Collection, which was passed by the National Assembly of the Republic of Serbia on 29 December 2015 (RS Official Gazette No. 112/2015 and 108/2016), stipulates that the Public Media Service Tax of RSD 150, payable on a monthly basis per household over the period from 1 January 2018 through to 31 December 2018, is charged together with electricity charges, and collected by the Company and entities engaged in the supply of electricity to end customers. Users of electricity meters are charged with the tax along with their electricity bills, which are delivered by the electricity supplier. The supplier, the public broadcaster Radio Television of Serbia (RTS) and the public broadcaster Radio Television of Vojvodina (RTV) pay a monthly fee for Invoicing and Charges Collecting Services, amounting to 3% of the value of the charges collected and transferred to RTS and RTV. For this reason, on 28 January 2016, the Company, RTS and RTV concluded an Agreement governing their rights and obligations and the manner of tax collection.

At 2018 year end, the Law on the Amendment of the Law on the Temporary Manner of Public Media Service Tax Collection (The RS Official Gazette, No 95/2018) was passed, by which Public Media Service Tax Collection is extended to reach its end of service on 31 December 2020, and the monthly tax payable is defined to be RSD 220. These amendments have been effective since 16 December 2018.

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5. OPERATING INCOME (continued)

Income from accessing and using the distribution system is measured at regulated rates. Regulated prices are determined based on the methodology adopted by the Energy Agency, which specifies:

1. The terms and conditions for and the manner of establishing the maximum revenue for energy companies;
2. The criteria and the rules for revenue allocation between customer categories and groups;
3. The calculation elements, and the method of calculating the electricity or natural gas received and the services rendered.

The cap on income is determined in a manner to secure coverage for reasonable operating costs, adequate return on capital employed, and return on investment during the performance of regulated energy activities. The methodology may be used to set up different tariffs, based on, inter alia, the volume of the energy collected and the terms and conditions for energy collection, the electrical power or capacity, the seasonal and daily delivery dynamics, the points of collection and the ways of measuring energy.

Income from the sale of goods and services on foreign market

Income from the sale of goods and services to legal entities on foreign market in 2018, disclosed in the amount of RSD 3,306,363 thousand, relate to income from the sale of electricity and income from services in the amount of RSD 3,285,190 thousand and RSD 21,173 thousand, respectively.

Income from the sale of electricity relate to the sale of electricity to "Mješoviti holding Elektroprivreda Republike Srpske" amounting to RSD 403,448 thousand (2017 – RSD 399,537 thousand), and to income from the sale of electricity on foreign market through a subsidiary „EPS Trgovanje" d.o.o. Ljubljana, the Republic of Slovenia, amounting to RSD 2,881,742 thousand (2017 - RSD 3,804,741 thousand).

Income from the sale of services abroad primarily relates to income from services such as installations, production of spare parts and other metal structures in Kolubara Metal branch "Rudarski basen Kolubara", Lazarevac.

6. WORK PERFORMED BY THE ENTITY AND CAPITALISED

	2018	In RSD thousand Year ended 31 December 2017
Income from activation and consumption of goods for own use	1,323	151,465
Income from activation and consumption of products for own use	3,648,376	3,299,159
Income from activation of services for own use	174,037	1,562,797
	3,823,736	4,977,421

Income from work performed by the entity and capitalised is recognised based on the goods and services used for the purpose of plant and equipment revitalisation, and spare parts and material development.

7. INCOME FROM PREMIUMS, SUBVENTIONS, GRANTS, DONATIONS AND OTHER OPERATING INCOME

	2018	In RSD thousand Year ended 31 December 2017
Income from premiums, subventions, grants and donations	610,565	904,857
Income from connections of new customers	1,296,241	1,284,810
	1,906,806	2,189,667

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

7. INCOME FROM PREMIUMS, SUBVENTIONS, GRANTS, DONATIONS AND OTHER OPERATING INCOME (continued)

In 2018, Income from donations, premiums subventions and grants amounted to RSD 610,538 thousand, of which RSD 111, 444 thousand is relative to funds for environmental protection and the reconstruction of electrostatic precipitators TENT A4, B2, TEK A5 received from the Ministry of Environmental Protection; RSD 105.949 thousand was recognised based on the refund of excise duties paid on oil derivatives and bioliquids used in the production process; whereas the remaining RSD 393,145 thousand is relative to income recognised in the amount of the cost associated with the use of donations.

Revenue from new grid connections consists of revenue calculated based on issued approvals for first-time customers of the electric power distribution system. The Entity charges system and connection costs to these new customers. Connection cost (determined in accordance with Energy Agency of the Republic of Serbia methodology) bears the applicant (be it company or an individual). Following construction, the connection becomes a part of the distribution system. New customer connection revenue also includes revenue from previously-connected customers whose used electricity power increased and is above the previously negotiated, revenue from previously-connected customers to whom power grid separation was approved, et cetera.

8. OTHER OPERATING INCOME

	2018	In RSD thousand Year ended 31 December 2017
Income from compensations from insurance for damages	262,985	331,889
Income from rents	404,538	240,311
Other operating income	<u>1,115,255</u>	<u>1,041,317</u>
	<u><u>1,728,778</u></u>	<u><u>1,613,517</u></u>

Rental income, reported in 2018 amounting to RSD 404,538 thousands, primarily concerns rental income from cable operators' utility poles leasing.

Other operating income for 2018 mostly includes: revenues from recharged costs to end customers for engaging private executors in the process of forced collection in the amount of RSD 379,582 thousand (2017 – RSD 305,189 thousand) and; income from sales of secondary raw materials, ashes and waste iron, resulting from the revitalization of the plant and equipment and technological process in the amount of RSD 376,657 thousand (2017 – RSD 405,462 thousand).

9. COST OF MATERIAL

	2018	In RSD thousand Year ended 31 December 2017
Costs of basic materials	803,763	755,980
Cost of material for the maintenance and spare parts	9,827,878	9,709,719
Cost of small inventories and tyres	669,300	424,904
Materials for coal production	394,931	313,752
Cost of oil and lubricants	189,544	214,742
H&S equipment	582,696	285,890
Cost of office and other overheads material	434,745	477,266
Other	<u>755,202</u>	<u>216,306</u>
	<u><u>13,658,059</u></u>	<u><u>12,398,559</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

10. COST OF FUEL AND ENERGY

	In RSD thousand Year ended 31 December	
	2018	2017
Cost of electricity:		
- on domestic market	13,366,587	11,437,767
- on foreign market	314,367	280,435
Cost of transmission of electricity		
PE EMS, Beograd	20,653,660	21,073,686
Cost of other energy	79,395	66,445
Cost of coal purchased from third parties	1,032,923	1,218,251
Cost of oil and oil derivatives	4,558,732	3,780,371
Cost of gas used in production	3,584,440	2,564,720
	43,590,104	40,421,675

For the purpose of securing conditions for regular and safe supply of energy to tariff customers in the Republic of Serbia, the Group purchased electricity from entities operating in Serbia, and recorded an expense in the amount of RSD 13,366,587 thousand (2017 – RSD 11,437,767 thousand), out of which the amount of RSD 5,154,216 thousand relate to the purchase of electricity from third parties with a licence for electricity trading; amount of RSD 6,834,505 thousand relate to the purchase of electricity from privileged power producers; and the remaining amount of RSD 1,377,866 thousand relates to purchase of power via the commodity exchange.

The status of a privileged power producer, a temporarily privileged power producer, and a renewable energy producer is governed in by the Energy Law. Namely, the Law stipulates the following: incentive measures for privileged power producers inclusive of the obligation to purchase power from a privileged power producer; the price at which such power is purchased; the validity period of the obligation to purchase such power; the undertaking of the Balance Responsibility; and of other incentive measures prescribed by an enactment of this Law and of other regulations governing areas such as tax, customs and other dues, environmental protection and energy efficiency. Incentive measures may be used by a power company that has received the status of a Privileged Power Producer in the spirit of this law. In view of this, the Company, as a guaranteed supplier, has concluded power purchase agreements by which it has, inter alia, undertaken to:

- Purchase energy at purchase incentive prices depending on the type and the installed capacity of the power plant, and on the maximum effective working time that applies to the power plant type (form of a government grant provided to privileged power producers, and to temporarily privileged power producers);
- Give payment guarantees to a privileged power producer under the Power Purchase Agreement.

The purchase of electricity from non-residents in 2018 recognised in the amount of RSD 314,367 thousand (2017 – RSD 280,435 thousand) entirely relate to the purchase of electricity from the company Mješoviti holding Elektroprivreda Republike Srpske.

The Group concluded with PE Elektromreža Srbije, Beograd a contract on accessing and using the power transmission system by customers, as well as by power plants and pump-accumulating facilities. On such basis, the cost incurred in the reporting period, relate to the above mentioned transmission and purchase of energy, amounted to RSD 20,653,660 thousand (2017 – RSD 21,073,686 thousand). Prices for accessing the power transmission system are established by Elektromreža Srbije a.d., Beograd, the transmission system operator, with the consent of the Energy Agency of the Republic of Serbia.

Fee for accessing the system for electricity transmission, approved by the Energy Agency of Republic of Serbia, is set by the Decision for Setting Prices of Use of Electricity Transmission System (Official Gazette of the Republic of Serbia, No. 10/17) in accordance with the Decision on Determining Methodology for Setting Tariff Elements for Pricing Access to and Use of Electricity Transmission System (Official Gazette of the Republic of Serbia, No. 93/2012, 123/12, 116/14, 109/15, 98/16, 99/18 и 4/19). Council of Agency for energetic has given its consent to the Decision on the Pricing of Access to the electricity transmission system EMS a.d. Belgrade 14 February 2017, by letter no. 47/2017-D-02/1.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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10. COST OF FUEL AND ENERGY (continued)

The cost of coal in 2018 amounting to RSD 1,032,923 thousand (2017 – RSD 1,218,251 thousand) mostly relates to the coal used by a TENT branch in the production of energy in the amount of RSD 1,102,406 thousand purchased from PE PEU Resavica.

The cost of oil derivatives amounting to RSD 4,558,732 thousand is predominantly related to oil used in the production and operation of propulsion engines and machinery, largely at production branches.

The cost of natural gas in 2018 amounting to RSD 3,584,440 thousand relates to purchases for combined production of energy and heating.

11. WAGES AND SALARIES AND OTHER PERSONAL EXPENSES

	2018	In RSD thousand Year ended 31 December 2017
		<i>Restated</i>
Cost of gross salaries and salary compensation	44,987,492	43,197,533
Taxes and contributions on wages and salaries paid by employer	13,132,208	12,742,919
Cost of special service and temporary service Agreements	913,801	1,330,388
Fees paid based on other agreements	11,033	13,227
Fees paid to Supervisory and Managing Board members and other managing bodies	9,302	7,152
Cost of transportation of employees	1,505,279	1,427,401
Cost of per diem allowances and compensation of expenses on business trips	170,756	167,078
Cost of scholarship and loans	356,566	342,203
Cost of providing assistance to employees	325,686	291,242
Other personal expenses	4,191,576	7,895,295
	65,603,699	67,414,438

Since the companies within the Group are Public Enterprises, pursuant to the request on maximum salaries in public sector, salaries are not allowed to be higher than amount calculated by multiplying the maximum coefficient determined by the law regulating the salaries of employees in public sector and base salary determined by the Budget Law for the current year. Maximum salary for 2017 and 2018 was 153,911.61 RSD.

The Law on Temporary Regulation of Bases for Calculation and Payment of Salaries and Wages and Other Permanent Earnings Among Beneficiaries of Public Funds (Official Gazette of RS number 116/14 - in application dated 28 October 2014) specifies a 10% decrease in the base for calculation and payment of salaries of beneficiaries of public funds, defined by law, other regulation or other general and individual act which is in force at the time of adoption of this law. The beneficiary of public funds is required to pay the difference between the total amount of salaries calculated using the base which is not decreased in accordance with this law, with calculated contributions charged to the employer and the total amount of salaries calculated using the decreased base according to this law, with included contributions which are charged to the employer. By the Law on the Amendments to the Law on the Provisional Base for Calculating and Paying Wages, Salaries and Other Employee Benefits with the Users of Public Funds (RS Official Gazette No. 95/2018) the base for calculating and paying wages and salaries with the users of public funds has been reduced by 5%, starting from 1 January 2019.

Other personal expenses include an amount of RSD 2,063,635 thousand (2017 – RSD 3,520,783 thousand) which relate to stimulative redundancy payments for voluntary termination of employment (2018 – 812 employees; 2017 – 1,428 employees) for employees who accepted the consensual termination of employment in accordance with the adopted program of optimization of the number of employees in the EPS group adopted by the founders of the Company, while the remaining amount relate to obligations of the Group based on the Collective Agreement (labour disability prevention, cultural and sports activities of employees, expenses for providing assistance to employees for medical treatment, loan, etc.) which are, in accordance with tax regulations, treated as public revenue.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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12. COST OF PRODUCTION SERVICES

	In RSD thousand	
	2018	Year ended 31 December 2017
PTT services	1,388,248	1,332,570
Transportation services	111,851	129,777
Maintenance services	14,996,427	13,566,851
Cost of information system maintenance	1,179,918	881,283
Rental cost	261,807	529,366
Advertising, fairs and marketing costs	108,677	89,004
Cost of services for various tests, analysis, preparing technical and project documentation, reports and projects	1,050,078	1,002,709
Work safety cost	141,691	107,883
Cost of production services and assistance	298,957	290,256
Costs of meter reading services	1,577,719	1,264,076
Cost of services provided by student and youth organizations	1,998,702	914,578
Utility costs	581,555	596,299
Costs of other production services	735,215	371,073
Costs of environmental protection and site restoration from mining operation	465,932	114,042
	24,896,778	21,189,767

Maintenance costs which in 2018 amounted to RSD 14,996,427 thousands (2017: RSD 13,566,851 thousand) primarily refer to Entity's production facilities maintenance, as well as service expenses for production of electric power distribution system connectors.

PTT services include cost of preparation and sending electricity bills to end customers in the amount of RSD 905,547 thousand (2017 – RSD 859,681 thousand).

13. DEPRECIATION/AMORTISATION EXPENSE

	In RSD thousand	
	2018	Year ended 31 December 2017
Depreciation/amortization expense:		
- Intangible assets (note 23)	620,461	509,346
- Property, plant and equipment (note 23)	45,952,621	45,872,046
	46,573,082	46,381,392

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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14. COST OF LONG-TERM PROVISIONING

	In RSD thousand Year ended 31 December	
	2018	2017
Environmental restoration	268,624	404,306
Retirement benefits and jubilee awards	6,346,632	1,780,594
Cost of other long-term provisioning:		
- Litigations	1,038,422	968,557
- Environmental protection	-	5,454
- Other provisioning	3,069	-
	7,656,747	3,158,911

Cost of long-term provisions for retirement benefits and jubilee awards refers to provisions upon termination of employment and jubilee awards which the Group is obliged to pay in accordance with labour Law and General Acts of the Group.

Cost of long-term provisions for retirement benefits and jubilee awards in the amount of RSD 6,346,632 thousand relate to provisions upon termination of employment which will be paid upon termination of employment and remuneration for employees that include fees based on jubilee awards in the amount of current obligation based on past events, and which arise from the provisions of the Labour Law and General Acts of each company. (note 3.8 and 34).

Cost of provisions for litigations in the amount of RSD 1,038,422 thousand (2017 – RSD 968,557 thousand) are recognized using the best estimate of cost necessary to settle present obligation for legal claims against the Group.

15. OTHER OPERATING EXPENSES

	In RSD thousand Year ended 31 December	
	2018	2017
Water use charges	2,162,922	2,097,132
Use of public interest resources fee	143,610	115,383
Environmental fee	6,563,106	6,905,350
Property Tax	1,196,194	1,223,123
Other indirect taxes and contributions	4,570,308	4,030,067
Utilization of mineral resources	1,873,479	2,068,871
Entertainment expense	30,758	33,215
Cost of payment operations and banking services	241,584	321,455
Subscription cost	28,605	26,429
Legal and advocacy services	1,083,350	950,267
Other non-material services	1,676,679	1,183,490
Intellectual services	448,720	287,947
Other non-production services	1,975,130	1,676,949
Insurance costs	1,608,387	1,903,342
Costs of professional education	31,208	42,516
Health Service costs	211,624	233,582
Membership fees and contributions to the trade union	509,607	254,301
Security services, protection of buildings and work health and safety	1,955,543	1,598,645
	26,310,814	24,952,064

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

15. OTHER OPERATING EXPENSES (continued)

Cost of water use charges, environmental fee expense and cost of utilization of mineral resources are recorded in accordance with the Law on Waters, Law on Environment Protection and Law on Mining and Geological Explorations.

16. FINANCIAL INCOME

	In RSD thousand	
	2018	Year ended 31 December 2017
Financial income arising from related parties	711,689	650,646
Other financial income	346,751	65,561
Interest income:		
- Trade receivables for electricity sold	7,338,207	6,998,230
- Short-term financial investments	845,156	1,083,162
- Public Media Service tax	248,022	163,735
- Other interest income	510,698	1,136,782
	8,942,083	9,381,909
Foreign exchange gains and gains on currency clause effect		
- Foreign exchange gains	3,806,926	10,791,360
- Gains on currency clause effects	55,771	122,566
	3,862,697	10,913,926
	13,863,220	21,012,042

Interest income is recognized in the amount of statutory default interest calculated on unpaid debt obligations of the debtor.

Other interest income in the amount of RSD 510,698 thousand mostly relates to interest calculated on unpaid obligations of "RB Kolubara" branch's customers for sold coal, electricity, heat energy, products and services. Also, the mentioned income includes interest calculated on Government Bonds of the Republic of Serbia in the amount of RSD 105,000 thousand.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

17. FINANCIAL EXPENSES

	2018	In RSD thousand Year ended 31 December 2017
Other financial expenses	307,915	334,056
Interest expense		
- on liabilities toward PE EMS	6,148	10,144
- Paris and London clubs of creditors	576,642	535,429
- on renegotiated liability for loan from National Republic of China – Deposit Insurance Agency	30,538	33,947
- other interest expenses (on all other items)	622,682	640,247
- Interest expense related to late payment of public duties	177,101	240,410
	<u>1,413,111</u>	<u>1,460,177</u>
Foreign exchange losses and losses on currency clause effect:		
- Costs of effects of foreign currency clause	25,007	41,741
- Losses on currency clause effect	5,224,231	2,015,553
	<u>5,249,238</u>	<u>2,057,294</u>
	6,970,264	3,851,527

Financial expenses are recognized in the amount of interest agreed with creditors – financial institutions.

Other financial expenses in the amount of RSD 307,915 thousand (2017 – RSD 334,056 thousand) mostly in the amount of RSD 305,747 thousand, refer to Commitment fee and Management fee based on a loan arrangement with the foreign creditors.

For all monetary items for which settlement is required in foreign currency, the effects of changes in foreign exchange rates on the maturity date or on the date of balance sheet are recognized as income and/or expense, as well as by monetary items under which the contract defines the protection of receivables/liabilities with a currency clause, or collection/settlement in RSD equivalent of foreign currency.

18. INCOME FROM ADJUSTMENTS OF OTHER ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT AND LOSS

	2018	In RSD thousand Year ended 31 December 2017
Income from adjustment in value of long-term investments	1,427	2,592
Collection and reduction in allowances for impairment of accounts receivable	3,443,618	2,596,855
	3,445,045	2,599,447

Revenue from the adjustment of the value of trade receivables in the amount of RSD 3,443,618 thousand (2017 – RSD 2,595,811 thousand) mostly relate to collection of previously impaired receivables from sale of electricity, receivables from sale of coal and heat energy, and receivables from sales of goods and services – on foreign market in the amount of RSD 3,090,485 thousand, RSD 80,026 thousand and RSD 215,956 thousand, respectively.

The major portion of collected Trade receivables from the sale of electricity is relative to fulfilled obligations that have been envisaged in the adopted already prepared plans for the reorganisation of both RTB Bor Group, amounting to RSD 1,437,535 (Note 25), and PKB Korporacija, amounting to RSD 426,569 thousand.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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19. EXPENSES FROM ADJUSTMENTS OF OTHER ASSETS CARRIED AT FAIR VALUE THROUGH
PROFIT AND LOSS

	In RSD thousand	
	Year ended	
	31 December	
	2018	2017
Expenses from value adjustments of:		
- Advances given for inventories and services	200,914	44,743
- Trade receivables for electricity	8,473,082	15,641,510
- Other receivables	1,093,188	1,480,788
	<u>9,767,184</u>	<u>17,167,041</u>

Trade receivables for electricity that are overdue for a longer period of time are impaired and expensed in the amount of RSD 8,743,082 thousand (2017 – RSD 15,641,510 thousand), as disclosed in note 3.18. A decline in the cost arising from the impairment of Trade receivables (sale of electricity) derives from improved collection of trade receivables in 2018.

20. OTHER INCOME

	In RSD thousand	
	Year ended	
	31 December	
	2018	2017
		<i>Restated</i>
Gains on disposal of materials, investment in equity, intangible assets, properties and equipment	29,331	89,518
Income from reversal of provision for employee benefits (Note 34)	88,778	198,968
Income from collected written-off receivables and reversal of impairment of receivables and short-term financial placements	474,654	243,942
Income from the diminution of liabilities (Note 18)	141,071	12,738
Income from reversal of long-term provisions for the protection of the environment (Note 34)	40,054	40,554
Income from reversal of long-term provisions of litigations (Note 34)	559,959	340,216
Income from the contracted risk protection	102,295	19,764
Income from the diminution of liabilities for the protection of the environment	169,933	354,827
Surpluses	30,634	118,866
Income from the value adjustment of property, plant and equipment	72,140	72,507
Other income	603,229	324,070
	<u>2,312,078</u>	<u>1,815,970</u>

Revenue from collected written-off receivables and reversal of receivable impairment and short-term financial placement impairment in 2018 amounted to RSD 474,654 thousands of which RSD 466,998 thousand refer to collected, previously-impaired receivables from subsidiary "ODS EPS Distribucija" d.o.o. Belgrade. The receivable arose from delivered electricity to direct customers of Zijin Bor Copper (RTB Bor Group) basin for the period until 1 July 2013 (Note 25).

The revenues from the decrease in liabilities for the environmental protection in the amount of RSD 169,933 thousand mostly relate to diminution of liability to Environmental Protection Fund of the Republic of Serbia for environmental fee, resulting from a difference between advance payments in 2017 and final calculation amount established based on the environmental protection fee calculated under the administrative act of a competent body following the financial statements approval date for the previous reporting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

21. OTHER EXPENSES

	2018	In RSD thousand Year ended 31 December 2017 <i>Restated</i>
Losses on disposal of materials, intangible assets, property, plant and equipment and investments	599,657	1,222,171
Losses on disposal of inventory	101,814	129,864
Impairment losses from inventory	276,413	798,233
Shortages	22,541	376,400
Losses on write off of short-term receivables and rescheduled accounts receivable and:	22,040	43,758
Expenses for contributions paid to employees from public enterprises from Kosovo and Metohija	5,601,628	5,337,095
Sponsorships and donations	147,069	149,201
Other expenses	1,466,982	762,511
	8,238,144	8,819,233

Expense in the amount of RSD 5,601,628 thousand (2017 – RSD 5,337,095 thousand) is recognized for salaries and salaries contribution for employees in public enterprises from Kosovo and Metohija.

Other expenses are mainly recognised based on expenses, which have been taken over by the Company under contractually binding agreements, arising from open pit improvements and/or the construction of reservoirs and/or dams.

22. INCOME TAX EXPENSE

a) Current tax

	2018	In RSD thousand Year ended 31 December 2017
Tax expense for the period	3,983,935	4,529,626
Deferred tax income for the period	(2,360,666)	(2,723,970)
	1,623,269	1,805,656

b) Harmonization of taxes and products of business results before taxation and prescribed tax rates

	2018	In RSD thousand 2017 <i>restated</i>
Profit before tax	299,925	8,123,473
Tax on profit calculated at statutory tax rate - 15%	44,989	1,218,521
Tax effect on unrecognized expenses	2,742,811	1,975,993
Tax effect on expenses recognized on cash basis	(1,078,729)	(822,388)
Effect on capital gains	-	(50)
Tax effect on unrecognized revenues	(109,260)	(102,445)
Effect of transfer prices	151,433	126,993
Effects of different tax rate for non-residents	632	643
Tax effects of adjustments made in process of consolidation	2,524	(85,973)
Other	(131,131)	(505,638)
	1,623,269	1,805,656

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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22. INCOME TAX EXPENSE (continued)

c) Components of deferred tax liability

Deferred tax liabilities presented as at 31 December 2018 in the amount of RSD 93,544,386 thousand (2017 – RSD 95,825,375 thousand) relates to temporary differences between the carrying amount of property, plant and equipment and their tax base.

Movements on the deferred tax liabilities were as follows:

	<u>2018</u>	<u>2017</u>
Balance as at 1 January	95,825,375	98,580,263
Effects on income statement	(2,360,666)	(2,723,970)
Adjustments in respect to valuation of property, plant and equipment	79,677	-
Other	-	(30,918)
	<u>93,544,386</u>	<u>95,825,375</u>
Balance as at 31 December		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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23. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets

	In RSD thousand
Cost	
Cost amount at 1 January 2017	6,891,774
Additions	2,804,460
Impairment of the intangible assets	111,991
Disposals	(137,433)
Other changes	(2,819)
Closing cost amount as at 31 December 2017	<u>9,667,973</u>
Additions	3,120,546
Shortcomings	(545)
Disposals	(189,055)
Other changes	(74,071)
	<u>12,524,848</u>
Accumulated amortisation	
Accumulated amortisation amount at 1 January 2017	2,327,876
Amortisation charge (note 13)	509,346
Disposals	(84,382)
Other changes	793
Accumulated amortisation amount at 31 December 2017	<u>2,753,633</u>
Amortisation charge (note 13)	620,461
shortages in the list	(545)
Disposals	(163,487)
Other changes	(74,958)
Accumulated amortisation amount at 31 December 2018	<u>3,135,104</u>
Net book value	
Balance as at 31 December 2017	<u>6,914,340</u>
Balance as at 31 December 2018	<u>9,389,744</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

23. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (continued)

	In RSD thousands									
	Land	Buildings	Machinery and equipment	Investment property	Biological assets	Other property, plant and equipment	Construction in progress	Prepayments PP&E	Investments in third party PP&E	Total
Cost										
Balance at 31 December 2017	73,861,571	666,082,282	1,403,466,734	759,898	423,147	594,610	77,419,796	26,058,681	1,396	2,248,668,115
Increase/additions	3,928,267	164,450	4,452,775	-	9,822	268	32,947,244	5,885,753	-	47,388,579
Transfer from other accounts	-	(810,290)	1,609,710	-	8,788	(333,133)	(472,530)	(2,545)	-	-
Transfer from construction in progress (activation)	41,929	3,519,250	21,667,110	-	-	8,380	(25,236,669)	-	-	-
Investments conducted in own held (group account 62)	-	7,399	627,660	-	-	-	2,412,152	-	-	3,047,211
Transfer of funds with third parties (assignments without compensation)	-	-	(470,349)	-	-	-	-	-	-	(470,349)
Stockcount surpluses	-	250	55,686	-	9,934	-	-	-	-	65,870
Stockcount shortages	-	-	(596,167)	-	(3,248)	-	-	-	-	(599,415)
Sales	-	(3,520)	(537,659)	-	-	-	-	-	-	(541,179)
Disposals	(25,656)	(2,866,109)	(3,074,627)	-	(10,111)	(129)	(1,087)	(2,040)	-	(5,979,759)
Other	(14,926)	42,803	233,078	-	-	-	169,478	(7,657,671)	-	(7,277,239)
Balance at 31 December 2017	77,791,185	666,136,515	1,427,433,951	759,898	438,332	269,996	87,238,384	24,282,178	1,396	2,284,351,834
Acquisition of a subsidiary (Note 44)	471,525	399,115	642,742	24,037	-	-	-	-	-	1,537,419
Increase/additions	2,384,358	150,682	2,805,187	-	-	-	50,711,995	23,184,274	-	79,236,496
Transfer from other accounts	13,427	49,333	(28,496)	-	2,170	-	(78,537)	-	-	(42,103)
Transfer from construction in progress (activation)	261,971	2,633,456	24,235,999	-	-	-	(27,131,426)	-	-	-
Investments conducted in own held (group account 62)	376	-	-	-	-	-	357,668	-	-	358,044
Transfer of funds with third parties (assignments without compensation)	986	7,618	35,555	-	-	-	-	-	-	44,159
Transfer of funds with third parties	-	(67,235)	(85,102)	-	-	-	-	-	-	(152,337)
Stockcount surpluses	-	22,812	30,785	-	-	-	-	-	-	53,597
Stockcount shortages	-	(207,829)	(252,799)	-	(84)	(2,302)	(129)	-	-	(463,143)
Disposals	(339,444)	(656,331)	(13,258,881)	-	(288)	(394)	(251,490)	-	-	(14,506,828)
Other	(582,709)	(2,615)	33,131	-	(2,611)	2,252	(27,033)	(25,866,966)	-	(26,446,551)
Balance at 31 December 2018	80,001,674	668,465,521	1,441,592,072	783,935	437,519	269,552	110,819,432	21,599,486	1,396	2,323,970,587

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

23. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (continued)

	In RSD thousands									
	Land	Buildings	Machinery and equipment	Investment property	Biological assets	Other property, plant and equipment	Construction in progress	Prepayments for PP&E	Investments in third party PP&E	Total
Depreciation										
Balance at 1th January 2017	15,208,408	317,127,573	881,229,906	229,382	-	316,799	960,391	862,514	389	1,215,935,362
Depreciation charge (note 13)	3,387,309	7,867,547	34,606,919	8,200	-	2,057	-	-	14	45,872,046
Transfers from other group of accounts	-	(364,263)	566,475	-	-	(202,212)	-	-	-	-
Stockcount surplus	-	-	115	-	-	-	-	-	-	-
Stockcount shortage	-	-	(205,444)	-	-	-	-	-	-	-
Sales	-	(1,210)	(270,219)	-	-	-	-	-	-	-
Disposals	-	(980,352)	(2,252,076)	-	-	(122)	(721)	(2,040)	-	(3,235,311)
Other	143,991	54,333	(59,574)	(135)	-	9,939	167,630	(1)	-	316,182
Balance at 31 December 2017	18,739,708	323,703,628	913,616,102	237,447	-	126,461	1,127,300	860,473	403	1,258,411,521
Acquisition of a subsidiary (Note 44)	-	25,230	91,590	867	-	-	-	-	-	117,687
Depreciation charge (note 13)	2,939,883	7,900,176	35,103,482	9,066	-	-	-	-	14	45,952,621
Transfers from other group of accounts	-	563	1,638	-	-	-	-	-	-	2,201
Transfer of funds with third parties (assignments without compensation)	-	(43,254)	(50,478)	-	-	-	-	-	-	(93,732)
Stockcount surplus	-	14,747	23,562	-	-	-	-	-	-	38,309
Stockcount shortage	-	(120,731)	(10,190)	-	-	-	-	-	-	(130,921)
Disposals	(304,848)	(365,540)	(11,003,022)	-	-	(2,357)	(425)	-	-	(11,676,192)
Other	(590,264)	(49,312)	(47,716)	1	-	4,944	9,607	-	-	(672,740)
Balance at 31 December 2018	20,784,478	331,065,507	937,724,968	247,381	-	129,048	1,136,482	860,473	417	1,291,948,754
Net book value										
Balance at 31 December 2017	59,051,477	342,432,887	513,817,849	522,451	438,332	143,535	86,111,084	23,421,705	993	1,025,940,313
Balance at 31 December 2018	59,217,196	337,400,014	503,867,104	536,554	437,519	140,504	109,682,950	20,739,013	979	1,025,940,313

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

23. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (continued)

Advances given for property, plant and equipment, as at 31 December 2018 in the amount of RSD 20,739,013 thousand (2017 – RSD 23,421,705 thousand) mostly relate to the implementation of the second phase of the project "Kostolac B "implemented under an agreement concluded between the Enterprise and the China Machinery Engineering Corporation (" CMEC ") on 20 November 2013. The project is financed from loan agreement concluded, on 17 December 2014, between the Government of the Republic of Serbia, as a borrower, and Chinese Export-Import Bank, as the lender (note 35). As at 31 December 2017, the total amount of advances given on this basis amounts to RSD 17,436,226 thousand (2016 – RSD 20,689,797 thousand).

Additionally, part of the advances given, in the amount of RSD 2,638,034 thousand, relates to construction of desulphurisation of the exhaust gases facility for the Power Plant Nikola Tesla A, under an agreement concluded between the Company and Mitsubishi Hitachi Power Systems Ltd. and „Jedinstvo“ a.d. Sevojno consortium on 8 September 2017.

24. LONG-TERM FINANCIAL INVESTMENTS

	31 December 2018	In RSD thousand 31 December 2017
Investments in equity:		
- Investments in associates and joint ventures	406,457	406,457
- Investments in other legal entities	9,011,367	10,564,021
<i>Less: allowance for impairment of investments in other legal entities</i>	(5,387,129)	(5,323,713)
	3,624,238	5,240,308
 Long-term financial investments in other related parties:	 306	 972
 Long term loans given	 181,581	 195,388
	181,581	195,388
 Other long-term financial investments	 7,024,690	 7,077,433
<i>Less: allowance for impairment</i>	(143,201)	(129,058)
	6,881,489	6,948,375
	11,094,071	12,791,500

Share in capital of joined legal entities and joint ventures

Share in capital of joined legal entities and joint ventures disclosed at 31 December 2018 and 31 December 2017 in the amount of RSD 406,457 thousand relate to investment in equity of the following entities:

	% ownership	31 December 2018	In RSD thousand 31 December 2017
„Ibarske hidroelektrane" d.o.o., Kraljevo	49%	379,630	379,630
„Moravske hidroelektrane" d.o.o., Beograd	49%	26,267	26,267
„Energija Novi Sad" a.d., Novi Sad	50%	560	560
		406,457	406,457

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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24. LONG-TERM FINANCIAL INVESTMENTS (continued)

Share in capital of joined legal entities and joint ventures (continued)

Based on the closed international agreements, the Company and "SECI" from Italy entered into contractual arrangements on the establishment of the entity "Ibarske hidroelektrane" d.o.o., Kraljevo with the following equity interests:

- "SECI", Italy invested EUR 2,550,000.00 which gives it 51% equity share,
- JP EPS invested EUR 2,450,000.00 which gives it 49% equity share.

The founders undertook the obligation to pay in additional equity contributions totalling 25% of the investment value, in accordance with the investment and technical documentation for the construction of hydro power plants within the deadline set in the Company's management decisions. The work of the entity from the commencement of its registered activity will be financed from the equity and if it proves insufficient, the funds will be used from the borrowing that is to be approved by the Company and by "SECI". This does not apply to the construction of hydro power plants. 75% of investments into the hydro power plant construction will be funded from borrowings from a bank or another financial institution.

The objective of establishing this company is the construction of hydro power plants on the Ibar river, which will comprise ten hydro power plants with a total power of around 102 MW. The business entity "Ibarske hidroelektrane" d.o.o. was registered in the register with the competent authority on 3 December 2010.

In accordance with the Decision on additional capital dated 22 April 2014, the share capital has been increased in the amount of RSD 242,500 thousand, as follows:

- "SECI" Italy's share increased in the amount of RSD 123,675 thousand
- Company's share increased in the amount of RSD 118,825 thousand.

In addition, according to the Memorandum of Understanding concluded with RWE Innogy GmbH, Germany, (RWE AG), upon the RS Government approval (Conclusion 05 no. 018-7493/2009 dated 13 November 2009), JP EPS and RWE AG entered into an agreement on establishment of the company "Moravske hidroelektrane" d.o.o. with the following equity interests:

- RWE AG, Germany invested EUR 2,040,000 which gives it 51% equity share,
- JP EPS invested EUR 1,960,000 that gives it 49% equity share.

Once the arrangement was signed, the founders paid in their contributions as follows: RWE AG paid a RSD counter value of EUR 102,000 and JP EPS paid the RSD counter value of EUR 98,000. During the 2014 monetary capital was paid in as follows: JP EPS paid the RSD counter value of EUR 142,100, and RWE AG paid a RSD counter value of EUR 147,900. The balance of subscribed capital not paid in the amount of EUR 3,510,000 will be paid in the respective amounts determined by the Board of Directors' Decision thereon and within terms set in accordance with the prevailing legislation.

The goal of company establishment is the construction of the hydro power plant system on the Velika Morava River comprised of at least five hydro power plants with the total power of about 150 MW. The Public Company "Moravske hidroelektrane" d.o.o. was entered into the registry maintained by the competent body as 23 August 2011.

Pursuant to Article 15 of the Agreement on Company Establishment of the Entity for Combined Thermal and Heat Energy "Energija Novi Sad" a.d. Novi Sad closed between JP EPS and the City of Novi Sad, in 2009 the Company paid in EUR 6,000 which at the payment date totalled RSD 560 thousand and was recognized as an equity investment into a newly-founded entity.

Share in capital in other legal entities

Share in capital in other legal entities as at 31 December 2018 in the amount of RSD 9,011,367 thousand (2017 – RSD 10,564,021 thousand) relate to the share in equity of legal entities "HIP Azotara" d.o.o., Pancevo and "HIP - Petrohemija" a.d. Pancevo in the amount of RSD 982,401 thousand and RSD 2,716,906 thousand, respectively, related to the conversion of the receivables for electricity into capital. For these two parties, the Group formed a value impairment in its entirety

In addition, share in capital of other related parties in the amount of RSD 3,097,824 thousand relates to investment in Government Bonds of the Republic of Serbia. The Group acquired 300,000 bonds with nominal value of RSD 10,000 per bond and maturity date at 12 January 2019. Interest rate on acquired bonds at balance sheet date was 3.50%. Fair value changes of these securities are recognized directly in equity as revaluation reserves, through the consolidated statement of changes in equity and in consolidated statement of other comprehensive income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

24. LONG-TERM FINANCIAL INVESTMENTS (continued)

Share in capital of other legal entities (continued)

As at 31 December 2017, investments in „Kolubara - Građevinar“ d.o.o., Lazarevac of RSD 1,756,993 thousand were recorded within line item Investments in other legal entities and other available for sales securities. In the 2018 Financial statements, such investments were reclassified into line item Investments in subsidiaries because the Company had gained effective control of „Kolubara - Građevinar“ d.o.o., Lazarevac in 2018.

On 3 December 2018, Rudnik Kovin“ a.d. performed an increase in capital through issues of new shares. In accordance with the Conclusion of the Government of Serbia, the Company acquired on that occasion 86,376 ordinary shares with par value of RSD 1,000.00 per share, through a conversion of its receivables into capital. As at December 2018, total investments in „Rudnik Kovin“ a.d. amounted to RSD 86,376 thousand. These investments are fully impaired.

Additionally, in 2018, the Company's receivables were converted into the capital of Car Factory Priboj a.d., the adjudicated bankrupt, in accordance with the Pre-Prepared Plan for the Reorganization of the adjudicated bankrupt, which became effective as at 5 October 2017. On 22 March 2018, at the Central Register for Securities, the shares of Car Factory Priboj.a.d. amounting to RSD 261,910 thousand (261,910 shares with par value of RSD 1,000.00 per share) were transferred to the Company's Proprietary account. The Company recognised this investment within the books, and at the same time showed it as impaired.

Long-term loans

As at 31 December 2018 long-term loans in the amount of RSD 181,581 thousand entirely relate to receivables from EMS a.d. Beograd based on to the loan from the International Bank for Reconstruction and Development (2338-6).

Other long-term financial investments

Other long-term financial investments disclosed as of 31 December 2018 in the amount of RSD 6,881,489 thousand mostly relate to a guarantee deposit in the name of securing settlement of the obligation under the access service to the distribution system with the authorized bank in accordance with the signed agreement on access and use of the electricity distribution system. The guarantee deposit on this basis as at 31 December 2017 amounts to RSD 6,119,645 thousand. Those funds were deposited for period of 24 months with the annual interest rate of 3.9%

Other long-term financial investments also include the following:

- funds in the amount of RSD 118,194 thousand which relate to a guarantee deposit in the name of securing settlement of the obligation regarding balance responsibility which is the company obliged to deposit with the authorized bank in accordance with the signed balance responsibility agreement. These funds were deposited for period of 36 months with the annual interest rate of 1.25%;
- the funds in the amount of RSD 4,728 thousand related to the deposit placed in order to create the conditions for the start of operating of electricity market / power exchange SEEPEX.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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25. LONG-TERM RECEIVABLES

	31 December 2018	In RSD thousand 31 December 2017
Rescheduled trade receivables for electricity and services:		
- households	1,036,266	1,071,992
- legal entities	2,858,006	18,547,413
Loans to employees:		
- sold apartments	405,519	451,455
- housing loans	58,559	64,079
Receivables from the Privatization Agency of RS	57,391	57,489
Less: Allowance for impairment		
- rescheduled trade receivables for electricity and services from households	(1,036,266)	(1,071,992)
- rescheduled trade receivables for electricity and services from legal entities	(2,857,900)	(18,367,750)
- receivables from the Privatization Agency of RS	(57,391)	(57,489)
- sold apartments and housing loans	(2,305)	(2,252)
	461,879	692,945

Rescheduled trade receivables for electricity relate to receivables from households and legal entities for which an agreement on rescheduled receivables was concluded in line with the decisions by the Supervisory Board (number 860/4-13 dated 22 February 2013, number 1151/3-30 dated 2 April 2013 and number 2233/9-13 dated 25 July 2013). Namely, according to the aforementioned decisions, electricity customers with overdue liabilities as at 31 May 2013, and qualified customers who lost the right to public supply of electricity as at 31 December 2012, are allowed to repay the total debt in 120 instalments depending on the amount of the receivable and conditional write-off depending on the number of rescheduled instalments (up to 40% if one-off settlement of outstanding debt is paid, with no decrease if payment is in 60-120 instalments). In addition, no interest is charged on the outstanding amount owed during the duration of agreement, and in the event of two consecutive unpaid instalments, in spite of notice sent, the agreement shall be considered terminated.

Recognition of reversal of companies' rescheduled accounts receivable, and with it, its previously-recognized impairment was instated following fulfillment of conditions foreseen with pre-prepared electricity reorganization plan of electric power customers who faced financial difficulties, most of which were entities in RTB Bor Group. The total receivables amount (rescheduled accounts receivable and receivables for which no rescheduled receivables contract was signed) from the RTB Bor Group amounts to RSD 19,224,308 thousand. The pre-prepared reorganization plan established a conditional write-off of 90 percent for this class of receivables provided that 10 percent of receivables in this class are settled within 8 years, beginning in December 2017, in equal monthly installments. In December of 2018, bankruptcy debtor prematurely repaid 10 percent of its debt in the amount of RSD 1,899,542 thousand (Notes 18 and 20), thereby fulfilling the requirement for the 90 percent write-off valued at RSD 17,301,879 thousand.

Loans to employees that relate to the sale of apartments in the amount of RSD 405,519 thousand as at 31 December 2018 (2017 – RSD 451,455 thousand) refer to the solidarity apartments purchased by the employees of the Group. The Group has sold the solidarity apartments to employees for a period of 40 years and repayment is done through monthly instalments that are adjusted with the corresponding indices of retail prices, up to a rate of growth of average earnings in the Republic of Serbia.

Loans to employees for housing loans at 31 December 2018 in the amount of RSD 58,559 thousand (2017 – RSD 64,079 thousand) relate to loans for the housing needs of employees which are approved for a period of 20 or 40 years. Repayment of housing loans is linked to the EUR exchange rate and they were approved without interest or at a fixed interest rate of 1% per annum.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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26. INVENTORY

	In RSD thousand	
	31 December 2018	31 December 2017
Materials	15,302,194	14,515,299
<i>Less: Allowance for impairment</i>	<u>(3,037,860)</u>	<u>(2,806,746)</u>
	<u>12,264,334</u>	<u>11,708,553</u>
Spare parts	16,147,564	15,767,392
<i>Less: Allowance for impairment</i>	<u>(1,748,712)</u>	<u>(1,744,370)</u>
	<u>14,398,852</u>	<u>14,023,022</u>
Tools and inventory	1,866,749	1,311,694
<i>Less: Allowance for impairment</i>	<u>(63,204)</u>	<u>(86,704)</u>
	<u>1,803,545</u>	<u>1,224,990</u>
Total materials, spare parts, tools and inventory	<u>28,466,731</u>	<u>26,956,565</u>
Work in progress and ongoing services	372,452	344,555
Coal	1,628,824	2,313,178
Merchandise	<u>3,230</u>	<u>2,017</u>
	<u>2,004,506</u>	<u>2,659,750</u>
Fixed assets available for sale	4,812	1,825
Advances given for inventories and services	3,465,195	4,453,023
<i>Less: Allowance for impairment</i>	<u>(508,889)</u>	<u>(316,516)</u>
	<u>2,956,306</u>	<u>4,136,507</u>
	<u>33,432,355</u>	<u>33,754,647</u>

Advances given for inventories and services to third parties as at 31 December 2018 in the amount of RSD 3,465,195 thousand mostly relate to advances for motor fuel (natural gas) given to PC "Srbijagas" under their Agreement for the gas year October 2018 - September 2019 and amount to RSD 1,138,044 thousand.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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27. TRADE RECEIVABLES

	In RSD thousand	
	31 December 2018	31 December 2017
Customers – other related parties (PE "Elektrokosmet")	11,683,472	10,108,022
<i>Less: allowance for impairment</i>	<u>(11,683,320)</u>	<u>(10,108,022)</u>
	152	-
Customers on domestic market:		
- sale of electricity – households	76,255,099	75,281,640
- sale of electricity – legal entities	43,913,221	50,736,863
- sale of electricity - companies in restructuring	10,980,764	11,543,090
- other – companies under restructuring and in bankruptcy	1,289,246	1,291,829
- sale of electricity – licenced customers	22,719	19,438
- sale of electricity – qualified customers	30,887,082	27,120,635
- PE "Elektromreža Srbije"	1,442,293	1,460,134
- sale of coal	2,531,230	2,676,084
- sale of heat and process steam	541,560	497,159
- sale of heat energy	699,094	776,113
- trade receivables for services	1,204,166	1,286,793
	<u>169,766,474</u>	<u>172,689,778</u>
<i>Less: allowances for impairment</i>		
- sale of electricity – households	(59,462,744)	(56,323,004)
- sale of electricity – legal entities	(38,731,793)	(44,876,258)
- sale of electricity - companies in restructuring	(10,980,764)	(11,543,090)
- other – companies under restructuring and in bankruptcy	(1,289,246)	(1,291,829)
- sale of electricity – licenced customers	(7,072)	(7,072)
- sale of electricity – qualified customers	(14,253,795)	(12,477,072)
- sale of coal	(2,279,668)	(2,258,531)
- sale of heat and process steam	(360)	(2,012)
- sale of heat energy	(563,430)	(564,902)
- trade receivables for services	(655,310)	(568,306)
	<u>(128,224,182)</u>	<u>(129,912,076)</u>
Customers on domestic market, net	<u>41,542,292</u>	<u>42,777,702</u>
Customers – foreign	4,756,712	4,978,282
<i>Less: allowances for impairment</i>	<u>(4,703,702)</u>	<u>(4,736,898)</u>
	53,010	241,384
Other trade receivables	602,077	568,958
<i>Less: Allowances for impairment</i>	<u>(453,695)</u>	<u>(439,600)</u>
	148,382	129,358
	<u>41,743,836</u>	<u>43,148,444</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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27. TRADE RECEIVABLES (continued)

In accordance with the Conclusion of the Government of the Republic of Serbia, number 021-6624 / 2009-002, adopted at the Government session on 30 November 2009, the Company uses its available production capacity in order to provide with electricity to the majority Serb area in the north of AP of Kosovo and Metohija. On the above basis, the receivables from the delivered electricity to the Public Company "Elektrokosmet" Priština were recognized, in the amount of RSD 11,683,472 thousand (2017 – RSD 10,108,022 thousand). At the same time, the unpaid amount is recognized as an expense by indirect write-off.

Receivables from companies undergoing restructuring are receivables from industry customers for which public companies implemented write-off based on regulation on ownership transformation. Considering these are old claims for which settlement is uncertain, these receivables have been fully impaired.

28. RECEIVABLES FROM SPECIFIC OPERATIONS

	In RSD thousand	
	31 December 2018	31 December 2017
Other receivables from specific operations	43,523	366,698
Receivables for Public Media Service charge	2,946,975	2,497,220
<i>Less: Allowances for impairment</i>	<i>(43,523)</i>	<i>(37,086)</i>
	2,946,975	2,826,832

Receivables for Public Media Service charge as of 31 December 2018 in the amount of RSD 2,946,975 thousand (2017 – RSD 2,497,220 thousand) relate to receivables from end customers for the purpose of financing the public media service in accordance with the Law on the Temporary Regulation of the Method of Tax Collection for the Public Media Service.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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29. OTHER RECEIVABLES

	31 December 2018	In RSD thousand 31 December 2017
Receivables for interest:		
- for electricity – households	2,069,956	1,690,430
- for electricity – legal entities	6,891,013	3,984,320
- for electricity - companies in restructuring	2,864,063	2,864,063
- other legal entities (banks and sale of heat and process steam)	324,297	647,492
- for Public Service Media	304,985	170,071
Receivables from insurance companies	3,900	15,683
Receivables from billing	151,428	208,615
Receivables from employees	165,934	185,259
Receivables from customers financed from the budget and overpaid taxes and contributions	6,399,028	5,452,285
Other receivables	1,219,285	506,116
	<u>20,394,759</u>	<u>15,725,017</u>
<i>Less: allowance for impairment</i>		
- <i>Receivables from interest</i> for electricity – households	(362,176)	(374,498)
- <i>Receivables from interest</i> for electricity – legal entities	(4,800,824)	(1,759,437)
- <i>Receivables from interest</i> for electricity - companies in restructuring	(2,864,063)	(2,864,063)
- <i>Receivables from interest</i> for other receivables	(473,578)	(709,799)
Receivables from employees	(23,099)	(23,411)
Receivables for overpaid taxes and contributions	(39,356)	(31,378)
	<u>(8,563,096)</u>	<u>(5,762,586)</u>
	<u>11,831,663</u>	<u>9,962,431</u>

Receivables from customers financed from the budget and overpaid taxes and contributions as at 31 December 2018 in the amount of RSD 6,399,028 thousand mostly relate to prepaid income tax as a difference between calculated tax for 2017 and advance payments made in accordance with tax regulations which amounts to RSD 5,699,333 thousand.

30. SHORT-TERM FINANCIAL INVESTMENTS

	31 December 2018	In RSD thousand 31 December 2017
Short-term loans and borrowings – domestic	1,256	1,728
Short-term rescheduled receivables for electricity	1,386,493	1,319,853
Current portion of long-term financial investments	619,478	1,044,693
Short-term deposits in domestic banks	12,421	1,212,429
Other short-term financial investments	34,781	33,864
<i>Less: allowance for impairment</i>	<u>(1,763,954)</u>	<u>(1,719,084)</u>
	<u>290,475</u>	<u>1,893,483</u>

The reversal of short-term deposits with domestic banks was executed upon expiry of the contractual basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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31. CASH AND CASH EQUIVALENTS

	In RSD thousand	
	31 December 2018	31 December 2017
Current accounts:		
- in RSD	26,010,529	34,025,210
- in foreign currency	1,216,662	5,591,639
	27,227,191	39,616,849
Cash desk:	13,376	46,213
Special purpose cash funds	19,057	18,999
Securities – cash equivalents	16,376	17,925
Cash funds with limited use	682,457	677,900
<i>Less: allowance for impairment</i>	<i>(677,357)</i>	<i>(677,900)</i>
	27,281,100	39,699,986

An impairment of the value of cash assets refers to cash assets deposited with banks that have been subject to bankruptcy proceedings.

32. PREPAID EXPENSES AND OTHER ACCRUALS

	In RSD thousand	
	31 December 2018	31 December 2017
Prepaid expenses	131,953	146,922
Deferred expenses	1,428,054	77,817
Other accruals	2,029,386	1,505,964
	3,589,393	1,730,703

Deferred expenses stated in 2018 amounting to RSD 1,428,054 thousands mostly refer to property insurance costs and employee compensation for the period after the balance sheet date (amounts to RSD 1,427,353 thousands).

Other accruals include calculated and paid value added tax in cases when the Entity is a service recipient as a tax debtor.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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33. EQUITY

Non-controlling interest

As at 31 December 2018 non-controlling interest amounted to RSD 220,321 thousand, entirely relating to the net assets of the subsidiary "Kolubara - Građevinar" d.o.o., Lazarevac. It belongs to the minority owner Republic of Serbia, with the stake of 28.10%.

Profit distribution

At a session held on 28 November 2018, the Supervisory Board passed a decision on the distribution of part of the profit according to the financial statements of the Public Enterprise Elektroprivreda Srbije (JP EPS) and its subsidiary „EPS Distribucija“ d.o.o., Belgrade as follows:

- for the year ending on 31 December 2017, in the amount of RSD 1,698,192 thousand (50% of profit) for JP EPS to the founder on behalf of the participation in profit, in accordance with the Law on the Budget of the Republic of Serbia,
- for the year ending on 31 December 2017, in the amount of RSD 1,201,013 thousand (50% of profit) for EPS Distribution Ltd., to the founder on behalf of the participation in profit, in accordance with the Law on the Budget of the Republic of Serbia,
- the remaining amount of the result for the reporting years is retained as an undistributed profit.

Additionally, on 6 December, in the procedure of vote-taking outside the executive session, the Supervisory Board passed a Decision on Profit Sharing with Current and Former Employees based on the financial statements for the year ended 31 December 2015 in the amount of 35,000 thousand net per employee.

In 2018 the Group paid RSD 12,692,576 thousand to the founder on behalf of the participation in profit according to the financial statements of the Public Enterprise Elektroprivreda Srbije (JP EPS) and its subsidiary „EPS Distribucija“ d.o.o. for the years ending 31 December 2014, 31 December 2015, and 31 December 2016 based on the Decision of the Supervisory Board of 13 February 2017 and 27 November 2017 (Note 39).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

33. EQUITY (continued)

Changes in equity in 2018 and 2017 are disclosed below:

In RSD thousand

	Share capital	Legal reserves	Revaluation reserves	Translation reserves	Profit/ (losses) on securities available for sale	Retained earnings /(losses)	Owner's equity	Other capital	Total
Balance at 1 January 2017	360,141,927	678	613,462,182	1,866	(462,471)	(106,886,277)	866,257,905	-	866,257,905
Correction on the starting state	-	-	110,329	-	-	(317,074)	(206,745)	-	(206,745)
Corrected balance at 1 January 2017	360,141,927	678	613,572,511	1,866	(462,471)	(107,203,351)	866,051,160	-	866,051,160
Net income	-	-	-	-	-	6,317,817	6,317,817	-	6,317,817
Allocation of profit to the founder	-	-	-	-	-	(18,175,504)	(18,175,504)	-	(18,175,504)
Disposal of fixed assets	-	-	(2,270,297)	-	-	1,051,614	(1,218,683)	-	(1,218,683)
Effects of fair value change in financial Instruments	-	-	-	-	150,878	-	150,878	-	150,878
Share based payments	-	-	-	-	5,878	(5,878)	-	-	-
Foreign currency translation	-	-	-	(3,397)	-	-	(3,397)	-	(3,397)
Allocation of profit to reserves	-	11,960	-	-	-	(11,960)	-	-	-
Other	-	-	16,416	-	-	136,772	153,188	-	153,188
Balance at 31 December 2017	360,141,927	12,638	611,318,630	(1,531)	(305,715)	(117,890,490)	853,275,459	-	853,275,459
Acquisition of a subsidiary	-	54	1,144,235	-	-	(1,916,859)	(772,570)	(102,736)	(875,306)
Net loss	-	-	-	-	-	(1,323,344)	(1,323,344)	(117,587)	(1,440,931)
Allocation of profit to the founder	-	-	-	-	-	(2,899,204)	(2,899,204)	-	(2,899,204)
Allocation of profit to the employees	-	-	-	-	-	(1,170,120)	(1,170,120)	-	(1,170,120)
Disposal of fixed assets	-	-	(4,485,023)	-	-	2,105,824	(2,379,199)	-	(2,379,199)
Effects of fair value change in financial	-	-	-	-	6,500	-	6,500	-	6,500
Foreign currency translation	-	-	-	(2,700)	-	-	(2,700)	-	(2,700)
Allocation of profit to reserves	-	31,466	-	-	-	(31,466)	-	-	-
Other	-	-	5,178	-	-	271,219	276,397	-	276,397
Balance at 31 December 2018	360,141,927	44,158	607,983,020	(4,231)	(299,215)	(122,854,440)	845,011,219	(220,323)	844,790,896

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

34. LONG-TERM PROVISIONS

	31 December 2018	In RSD thousand 31 December 2017
Long-term provision for environmental restoration	3,229,148	2,962,777
Long-term provision for retirement benefits and jubilee rewards	12,862,687	8,196,142
Long-term provision for litigations	3,730,152	4,015,140
Long-term provision for protection of natural environment	-	60,001
Other long-term provisions	24	24
	19,822,011	15,234,084

As at 31 December 2018, Long term provisions for employee benefits amounting to RSD 12,862,687 thousand (31 December 2017: RSD 8,196,141 thousand), relate to provisions for retirement benefits and jubilee awards for 10, 20, 30, 35 and 40 years of service with the Company, recorded at the present value of estimated future payments. In determining the present value of estimated future payments to employees, the Company used a 5% discount rate and the assumption that the annual staff turnover is 1.5%, whereas a growth rate of salaries was zero. The liability for Long term employee benefits is established under current legal regulations and the Company's by-laws governing the rights of employees and the manner of their execution, as disclosed in Note 3.5. As at 31 December 2018, the increase in Long term provisions for employee benefits compared to 31 December 2017, arises from amendments made to the Special Collective Agreement.

Long-term provision for environmental restoration in 2018 in the amount of RSD 3,229,148 thousand were formed for the recultivation of the land or the bringing of the property in their original condition after the end of the exploitation.

As of 31 December 2018, the Group recognized provisions for potential losses that may arise on the basis of the likely negative outcome of litigations against the Group in the amount of RSD 3,730,152 thousand (31 December 2017 – RSD 4,015,140 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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34. LONG-TERM PROVISIONS (continued)

Changes on the long-term provisions in 2017 and 2016 are disclosed in the table below:

	In RSD thousand					
	Provision for retirement benefits and jubilee awards	Provision for litigations	Provision for environmental restoration	Provision for protection of natural environment	Other provision	Total
Balance at 1 January 2017	8,128,105	4,037,686	2,744,881	112,092	115	15,022,879
Provisions charged to current expenses (Note 14)	1,780,595	968,557	404,306	5,454	-	3,158,912
Used long-term provision	(1,513,591)	(650,887)	(186,410)	(16,991)	(91)	(2,367,969)
Reversal of provision (Note 20)	(198,968)	(340,216)	-	(40,554)	-	(579,738)
Balance at 31 December 2017	8,196,141	4,015,140	2,962,777	60,001	24	15,234,084
Provisions charged to current expenses (Note 14)	6,346,632	1,038,422	268,624	-	3,069	7,656,747
Used long-term provision	(1,591,309)	(765,627)	(2,253)	(19,947)	(3,069)	(2,382,204)
Reversal of provision (Note 20)	(88,778)	(559,959)	-	(40,054)	-	(688,791)
Acquisition of a subsidiary	-	2,176	-	-	-	2,176
Balance at 31 December 2018	12,862,687	3,730,152	3,229,148	-	24	19,822,011

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

35. LONG-TERM LIABILITIES

	31 December 2018	In RSD thousand 31 December 2017
Liabilities convertible to equity	80,543	80,543
Long-term borrowings: domestic	28,434,274	30,111,357
<i>Less: Current portion of long-term borrowings: domestic</i>	<i>(3,739,254)</i>	<i>(2,678,329)</i>
	24,695,020	27,433,028
Long-term borrowings – foreign	99,547,030	96,831,717
<i>Less: Current portion of long-term borrowings: foreign</i>	<i>(10,287,139)</i>	<i>(9,307,698)</i>
	89,259,891	87,524,019
Financial leasing liabilities	215	10
Rescheduled public revenues liabilities:	39	39
<i>Less: Current portion</i>	<i>(39)</i>	<i>(39)</i>
	-	-
Other long-term liabilities		
- Rescheduled liabilities toward suppliers	95,481	162,863
- Other	68,819	429,433
	(68,270)	(67,701)
<i>Less: Current portion of other long-term liabilities (Note 36)</i>	<i>(68,270)</i>	<i>(67,701)</i>
	96,030	524,595
	114,131,699	115,562,195

Long-term liabilities arising from domestic long-term borrowings, with maturity over 1 year, in amount of RSD 24,695,020 thousand comprise: loans granted by Paris club creditors in the amount of RSD 18,179,467 thousand; liabilities regarding other refinancing loans in the amount of RSD 6,513,267 thousand, and RSD 2,286 thousand regarding other liabilities.

Long-term liabilities arising from foreign long-term borrowings, with maturity over 1 year, in amount of RSD 89,259,891 thousand comprise: loans from international financial organisations in amount of RSD 49,777,840 thousand; loans granted by State Governments in amount of RSD 39,482,051 thousand.

I Refinanced borrowings realised prior to 1990 from the funds of

1. Paris Club of Creditors

The repayment of liabilities arising from the refinanced long-term borrowings from the Paris Club of Creditors realised through domestic banks was frozen upon the introduction of the United Nations' Sanctions in May 1992.

The liabilities arising from the debt to the Paris Creditor Club members were recognized, in accordance with the Reconciled Minutes of the FRY Debt Consolidation and the Law Governing the Relations between the Federal Republic of Yugoslavia and Legal Entities and Banks within the Territory of the Federal Republic of Yugoslavia (FRY Official Gazette No. 36/2002), who are the Original Debtors or Guarantors toward the Paris Club and London Club Creditors and the balance reconciled with the National bank of Serbia, in the amount of 49% of the relevant principal, based on the concluded bilateral agreements. The Law provided for the possibility of the additional write-off of liabilities in three years to the maximum amount of 66.67%.

In the course of 2006, with the Deposit Insurance Agency acting on behalf and for the account of the Republic of Serbia, and with Panonska banka a.d., Novi Sad, whose legal successor is Banca Intesa a.d. Beograd, the Company closed annexes to the original contracts approving an additional discount in the amount of 15% of the relevant principal.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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35. LONG-TERM LIABILITIES (continued)

1 Refinanced borrowings realised prior to 1990 from the funds of: (continued)

2. London Club of Creditors

In 2005 The Company wrote off 62% of new principal of the debt to the London Club of Creditors on 30 September 2004 and reconciled the amount of new principal based on the communication and annuity plans provided by the National Bank of Serbia. During 2006, an agreement regulating the liabilities to the Republic of Serbia was signed with the Deposit Insurance Agency. The newly determined principal is to be repaid in semi-annual annuities where the first and the last one are due on 1 May 2010 and 1 November 2024, respectively. The interest of 3.75% has been calculated to the newly determined principal as of 1 November 2005 until 1 November 2009, and as of 1 November 2009 until 1 November 2024 the interest charged to this principal will total 6.75% annually, and will be settled in semi-annual annuities.

3. International Banks for Reconstruction and Development

In accordance with the Agreement entered into between the Government of the Federal Republic of Yugoslavia and the IBRD dated 17 December 2001, the total amount of liabilities for principal, interest and other expenses accrued up to the end of 2001, represents the principal of a new loan which is to be repaid to the Government of the Republic of Serbia in semi-annual instalments in the period from 15 June 2005 to 15 December 2031 and carries a variable interest rate. On 17 May 2006, the Company entered into an agreement on rescheduled liabilities with the Deposit Insurance Agency governing the Company's liabilities to the Republic of Serbia arising from the rescheduled loans from the aforementioned creditor.

Borrowings realised in the period 1990 – 2001

4. Borrowings from the People's Republic of China through domestic banks

JP EPS recognized the liability arising from the borrowing facility used by JP EPS and PE EMS pursuant to the sub agreements no. 99012D, 99012E, 99012F and 99012G, as enacted with Beogradska banka a.d. Beograd and in accordance with the General Agreement dated 23 December 1999 signed between the borrower – Beogradska banka a.d., Beograd, and the lender, EXIM Bank of China, and endorsed by the state guarantee issued by SRY.

The Government of the Republic of Serbia, in its capacity of a guarantor, assumed the debt towards EXIM Bank of China from the People's Republic of China on 20 February 2009, by signing a Debt Restructuring Agreement. It has been agreed therein that 40% of debt be written off, so the new debt shall be determined as 60% of the total value of the sum of unpaid principal, accrued but unpaid interest and accrued penalty interest aggregated in the period ended 25 March 2009. Interest rate is contractually agreed as a six-month LIBOR further increased by 1.3%, shall be accrued as an actual number of days/360, and it shall be discharged semi-annually on 21 January and 21 July

In case of delay in settling liabilities matured, a penalty interest rate of 1% above the regular interest has been agreed.

Pursuant to Article 6 of the Law Governing Relations between the Republic of Serbia and Banks in Bankruptcy regarding foreign loans and borrowings (Official Gazette of RS number 45 as of 31 May 2005) on 28 June 2010, JP EPS closed with the Deposit Insurance Agency an Agreement regulating the liabilities thereof towards the Republic of Serbia under same terms as those applied to the agreement signed between the Republic of Serbia and Chinese party relevant to the portion used by the Company and its subsidiaries.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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35. LONG-TERM LIABILITIES (continued)

II Borrowings from foreign governments

1. Borrowings from the government of the Republic of Poland

The borrowing from the government of the Republic of Poland was approved during 2003 in the amount of USD 49,996,616.78 and was used in full by 31 December 2005. The agent is Vojvođanska banka a.d. Novi Sad. The borrowing is repaid in semi-annual instalments starting from 2005 and is to be completed in 2024. Interest is accrued semi-annually by applying the annual rate of 0.75 %.

2. Borrowings from the People's Republic of China through Export-Import Bank (EXIM Bank of China)

In accordance with the Agreement on Economic and Technical Cooperation in Infrastructure, signed on 20 August 2009 by and between the Government of the Republic of Serbia and the People's Republic of China, following Agreements have been concluded:

- Borrowing Agreement for subsidized buyer for stage I of the Kostolac-B Power Plant Projects Package, concluded on 26 December 2011 between the Government of the Republic of Serbia, as the Borrower, and Chinese Export-Import Bank, as the Creditor, in accordance with the Contractual Agreement as of 8 December 2010 for implementation of stage I of the Kostolac-B Power Plant Projects Package.

The borrowing was agreed in the amount of USD 293 million, for a period of 180 months, including grace period of 60 months, after coming into effect of Borrowing Agreement for subsidized buyer. Usage period of borrowing funds is 60 months after coming into effect of Borrowing Agreement for subsidized buyer, with possibility of extending. The instalments mature for repayment semi-annually, on 21 January and 21 July each calendar year. The principal is repaid in 20 equal semi-annual instalments over 120 months following the grace period. The agreed interest rate equals 3% annually, with the one-off loan origination fee of 1% of the agreed loan amount and the cost of financing of 0.75% annually.

- Borrowing Agreement for subsidized buyer for stage II of the Kostolac-B Power Plant Projects Package, concluded on 17 December 2014 between the Government of the Republic of Serbia, as the Borrower, and Chinese Export-Import Bank, as the Creditor, in accordance with the Contractual Agreement as of 20 November 2013 for implementation of stage II of the Kostolac-B Power Plant Projects Package.

The borrowing was agreed in amount of USD 608.26 million, for a period of 240 months, including grace period of 84 months. Usage period of loan funds is 25 May 2022, with possibility of extending. The instalments mature for repayment semi-annually, on 21 January and 21 July each calendar year. Repayment of the principals starts 21 July 2022, in 26 equal semi-annual instalments, ending 21 January 2035. The agreed interest rate equals 2.5% annually, with the one-off loan origination fee of 0.25% of the agreed borrowing amount and commission for the unused part of borrowing of 0.25% annually.

3. Borrowing from the Japanese Government through Japanese International Cooperation Agency (JICA)

The Government of Japan, is financing the project of flue gas desulphurization plant construction at "Nikola Tesla" Thermal Power Plant. Financing is done through the Japan International Cooperation Agency (JICA). The borrowing of JPY 28,252 billion was agree on 24 November 2011. Agreement is concluded for the period of 15 years and repayment period is 10 years following the five-year grace period. Utilization period of loan funds is 10 years after the Borrowing Agreement effectiveness, with possibility of extension. The interest rate is 0.6% annually, except for the borrowing portion used for payment of consultant services, where the interest is accrued at the rate of 0.01% annually. Maturity dates are 20 May and 20 November, whereby the repayment of the principal, according to the amortization plan in Appendix 3 and Annex 1 of the Loan Agreement, commences on 20 November, 2016 and completes on 20 November 2026. In November 2016 due principal I amounted to JPY 5,572,856 and principal II due amounted to JPY 50,340,000. From 20 May 2017 to 20 May 2022 due principal I and II will amount to JPY 5,562,000 and JPY 50,333,000 respectively. On 20 November 2022 due principal I and II will amount to JPY 3,014,253,144 and JPY 50,333,000 respectively. From May 2023 to the end of repayment period, 20 November 2026, due principal I and II will amount to JPY 3,014,249,000 and JPY 50,333,000 respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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35. LONG-TERM LIABILITIES (continued)

III Borrowings from International Financial Organizations

1. *KfW*

With the German financial organization KfW financial agreements were executed in the period from 2001 through 2017 as follows:

- EUR 30 million was borrowed on 9 September 2005. The final date for the availability of funds borrowed was extended to 31 March 2014, up to when all funds have been used in full. Pursuant to the provisions contained in the Agreement, the principal repayment has commenced on 30 December 2010 in 20 equal instalments of EUR 1,500,000. The final maturity date is 30 June 2020. The borrowing was agreed interest-free. Guarantee costs, which are calculated on the unpaid portion of the principal, amount to 0.75% annually, while commission for unused funds of borrowing amount to 0.25% annually.
- EUR 36 million (with the additional amount of EUR 10 million not to be repaid) was borrowed on 2 January 2008. Deadline for usage of borrowing funds is extended until 30 June 2017. According to the Agreement, repayment of principal commences on 30 June 2013, to be completed on 30 December 2019. The interest rate is determined two days prior to usage of each individual tranche and is fixed at that level until KfW informs the Company on the consolidated interest rate for the entire borrowing which will be determined upon the execution of the last disbursement of the subject borrowing and will remain constant throughout the entire repayment period. Interest rate of each tranche is defined as the rate determined by KfW two days prior to date of repayment of appropriate portion of the borrowing based on effective financing costs of KfW on EURO capital market in moment of payment for maturities which, as close as possible, match maturities of borrowing portions on which payments should be made plus mark-up of 1.75% annually. Commission on unused portion of borrowing amounts to 0.25% annually. Management fee amounts to 1% of total borrowing amount, and is paid once out of Borrowers own funds.
- EUR 70 million was agreed on 29 October 2010. As the final deadline for the use of borrowed funds has been set 31 December 2015 with the option of deadline extension. This deadline has been extended to 31 December 2018. According to the provisions of the Borrowing Agreement, the principal repayment should have commenced on 30 December 2015 in 20 equal semi-annual instalments. According to Amendment I to the Borrowing Agreement loan principal repayment terms have been changed such that principal is to be repaid in 14 equal semi-annual instalments starting on 31 December 2018. A fixed interest rate has been agreed and is to be determined by KfW annually two days before the disbursement for each portion of the borrowing received based on the expenses incurred by KfW on the EUR capital market under terms that best correspond to the fixed interest rate period decreased by 0.5% mark-up annually, given that the rate calculated in this manner cannot be below 1% annually. After each payment, KfW consolidates these rates into a uniform rate for the total borrowing. Commission for unused portion of the borrowing amounts to 0.25% annually, with the Company being freed from this expense in 2014. Management fee amounts to 1% of total loan amount and is paid once out of Borrowers own funds.
- EUR 65 million (with additional EUR 9 million of non-repayable funds) was agreed on 12 October 2012. As the final date for utilization of borrowing funds was set 30 December 2015, which has been extended to 20 December 2017. According to the provisions of the Borrowing Agreement, the principal repayment commenced on 30 December 2015 in 19 equal semi-annual instalments, where in the event of extension of date for utilization of borrowing funds, repayment would commence 2 years later, on 30 December 2016, in 15 equal semi-annual instalments. A fixed interest rate has been agreed and is to be determined by KfW annually two days before the disbursement for each portion of the borrowing received based on the expenses incurred by KfW on the EUR capital market under terms that best correspond to the fixed interest rate period increased by 0.4% for the portion of the loan of EUR 25 million, and by 1.15% for the portion of the borrowing of EUR 40 million. After each payment, KfW consolidates these rates into a uniform rate for the total borrowing amount, which is fixed to the end of the repayment period. Management fee amounts to 1% of total loan amount and is paid once out of Borrowers own funds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

35. LONG-TERM LIABILITIES (continued)

III Borrowings from International Financial Organizations (continued)

1. KfW (continued)

- EUR 45 million was agreed on 28 February 2017. As the final deadline for the use of borrowed funds is set 30 June 2022 with the option of deadline extension. According to the Borrowing Agreement loan principal repayment is to be repaid in 14 equal semi-annual instalments starting on 30 June 2022, ending to 30 December 2028. A Fixed interest rate has been agreed and amounts to 0.80% annually. Commission for unused portion of the borrowing amounts to 0.25% annually. Management fee amounts to 0.75% of total borrowing amount, and is paid once out of Borrowers own funds.
- EUR 80 million (with additional EUR 1 million of non-repayable funds) was agreed on 29 November 2017. As the final deadline for the use of borrowed funds is set 30 December 2021 with the option of deadline extension. According to the Borrowing Agreement loan principal repayment is to be repaid in 23 equal semi-annual instalments starting on 30 December 2021, ending to 30 December 2032. A Fixed interest rate has been agreed and amounts to 0.85% annually. Commission for unused portion of the borrowing amounts to 0.25% annually. Management fee amounts to 0.75% of total borrowing amount, and is paid once out of Borrowers own funds.

2. Borrowings from the European Bank for Reconstruction and Development (EBRD)

Financial agreements were concluded with the European Bank for Reconstruction and Development (EBRD) in period from 2001 to 2017 for the following amounts:

- EUR 39,6 million, was agreed on 25 October 2001, and was fully used until 25 February 2011, with a portion of borrowing canceled, totalling EUR 1,179. The initially agreed borrowing of EUR 100 million was divided between the Company (EUR 39.6 million) and the Public Enterprise "Elektromreža Srbije" (EUR 60.4 million). The redistribution of rights and liabilities between The Company and the Public Enterprise "Elektromreža Srbije" with the consent of the EBRD, as the concerned creditor, and the Republic of Serbia, as the guarantor, was executed on 27 May 2008 by closing the following: the Amended Borrowing Agreement between JP EPS and JP EMS Beograd and EBRD, the Amended Borrowing Agreement between the Public Enterprise "Elektromreža Srbije" and the EBRD and the Agreement on the Recognition, Consent and Reaffirmation signed between the Republic of Serbia, JP EPS, the Public Enterprise "Elektromreža Srbije" and the EBRD. The rights and liabilities for the portion of this borrowing amounting to EUR 60.4 million were transferred to the Public Enterprise "Elektromreža Srbije." The principal repayment commenced on 7 September 2005 and it has been completely repaid in 2016. The interest rate agreed is variable and corresponds the sum of EURIBOR and 1% annually mark-up.
- EUR 59,9 million, was agreed on 21 October 2003, and was fully used until 30 April 2010. EUR 60 million had been agreed, but a portion of borrowing of EUR 135,857.49 was cancelled. The repayment of the principal commenced from 7 March 2008 and will continue until 7 September 2018. The interest rate agreed is variable and consists of EURIBOR and 1% annually mark-up.
- EUR 40 million was agreed on 2 September 2010. On 22 December 2016 The Bank extended the ultimate date until which funds are available up to 2 September 2018. According to the provisions of the relevant Agreement, the principal repayment commenced on 2 September 2013 and is to be executed in 18 semi-annual instalments by 2 March 2022. The borrowing accrues variable interest rate, which consists of EURIBOR and mark-up of 1% annually, with the option to choose a fixed interest rate. Commission on unused portion of the loan amounts to 0.5% annually. Management fee amounts to 1% of total loan amount and is paid once out of borrowed funds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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35. LONG-TERM LIABILITIES (continued)

III Borrowings from International Financial Organizations (continued)

2. Borrowings from the European Bank for Reconstruction and Development (EBRD)

- UR 80 million was agreed on 28 July 2011. The ultimate date until which funds are available is set at 28 January 2015, where the bank extended the drawdown period up to 31 January 2017. According to the provisions of the relevant Agreement, the principal repayment commences as of 31 January 2015 and is to be executed in 17 equal semi-annual instalments by 31 January 2023. The borrowing accrues variable interest rate, which consists of EURBOR and mark-up of 1% annually, with the option to choose a fixed interest rate. Commission on unused portion of borrowing amounts to 0.5% annually. Management fee amounts to 1% of total borrowing amount, and is paid once out of borrowed funds.
- EUR 45 million was agreed on 7 December 2011. The ultimate date until which funds are available is set on 7 December 2014, where the drawdown period has been extended to 31 December 2018. The amount of EUR 12.3 million has been cancelled. According to the provisions of the relevant Agreement, the principal repayment commenced on 30 April 2015 and is to be executed in 18 equal semi-annual instalments until 31 October 2023. The borrowing accrues variable interest rate, which consists of EURBOR and mark-up in amount of 1% annually, with the option to choose a fixed interest rate. Commission on unused portion of borrowing amounts to 0.5% annually. Management fee amounts to 1% of total borrowing amount, and is paid once out of borrowing funds.
- EUR 200 million was agreed on 30 October 2015, for a period of 15 years, including grace period of 18 months. The ultimate date for usage of borrowing funds is to be determined as a date upon expiry of one year from date of effectiveness of borrowing funds, with the option of extension. Defined date of effectiveness of borrowing funds is 29 September 2016. The procedure of providing conditions for achieving of effectiveness of the borrowing funds is in progress. According to the terms of the Agreement, repayment of the principal will commence on 15 June 2017, in 27 equal semi-annual instalments, until 15 June 2030. The borrowing accrues variable interest rate, which consists of EURIBOR and mark-up in amount of 1% annually, with the option to choose a fixed interest rate. Commission on unused portion of borrowing amounts to 0.5% annually. Management fee amounts to 1% of total borrowing amount, and is paid once out of borrowing funds. The Company used granted funds for early repayment of loans with following banks:

3. Borrowings from the European Investment Bank (EIB)

Financial agreements concluded with the European Investment Bank (EIB) are as follows:

- Based on the borrowing on financing the project of managing the electric power system of Serbia and Montenegro entered by and between Serbia and Montenegro on one side and European Investment Bank on 30 October 2003, a loan of EUR 22 million was extended to the Company. The borrowing was fully drawn in 10 tranches in the period until 31 December 2008. The borrowing is repaid in semi-annual instalments, partly maturing on 25 May and 25 November, and in part these instalments fall due on 9 June and 9 December in the period from 2010 through 2027. The first instalment is due on 25 November 2010 and the last instalment is due on 9 December 2027. The applicable interest rate is set for each tranche individually and is fixed until the end of repayment period.
- Based on the Financial Agreement on financing the EPS Project – electricity meters, closed on 29 November 2010 between the Company and the European Investment Bank, the Company was approved a loan of EUR 40 million. The borrowing will be drawn in 10 tranches in the period ending 30 June 2015, with a commenced procedure to extend the borrowing usage deadline until 30 December 2018. The interest rate is defined as fixed or variable rate, of which the EIB will inform the Company within 10 days after the commencement of any referent period for variable interest rate. There is a possibility to convert variable into fixed interest rate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

35. LONG-TERM LIABILITIES (continued)

III Borrowings from International Financial Organizations (continued)

3. Borrowings from the European Investment Bank (EIB) (continued)

- The tranches will be repaid in equal annual, semi-annual and quarterly instalments or one-off. The date of maturity for the first instalment will be set at the date which immediately follows the expiry of three years from drawing the first tranche and the last date of tranche repayment will be set at the date that falls no earlier than four years and no later than twelve years from the tranche drawing date. If the tranche is repaid one-off and in full, the maturity date will be the date falling no earlier than three and no later than seven years from the tranche drawing date. The interest rate and terms of tranche repayment are determined for each tranche separately at the tranche disbursement date.

4. Borrowings from the World Bank (WB)

International Development Association (IDA)

Pursuant to the Agreement on a development borrowing (Serbia and Montenegro Component of the Program of Energy Community of South East Europe – Serbia Project - ECSEE) contracted on 8 September 2005 between the State Union of Serbia and Montenegro on one side and the International Development Association on the other, in the amount of SDR 13.9 million and a Borrowing Sub agreement signed between the Republic of Serbia and the State Union of Serbia and Montenegro and the Borrowing Sub agreement concluded between the Republic of Serbia and the Company, the Company can use the loan funds of SDR 12.24 million. Funds were drawn down up to 30 June 2012, with the exception that the amount of SDR 441,151.20 was cancelled. The borrowing is to be repaid in instalments maturing on 15 March and 15 September in the period from 2015 to 2025, free of interest. Service charge amounts to 0.75% annually, and is calculated on the unpaid portion of the principal. Fee for the commitment of funds on the principal amount of the principal amount which is not withdrawn amounts to no more than 0.5% annually.

International Bank for Reconstruction and Development (IBRD)

Based on Borrowing Agreement (Project of urgent recovery from floods) concluded on 9 October 2014, between the Republic of Serbia, as the Borrower, and the IBRD, as the Creditor, in amount of EUR 227.48 million, the Republic of Serbia has via Loan Subagreement, agreed on 19 February 2015, transferred to the Company rights to use a portion of the loan funds, in amount of EUR 157.11 million. Loan duration is 30 years, including grace period of 9 years. The borrowing is repaid in 42 sequential semi-annual instalments, on 1 May and 1 November, starting as of 1 November 2023 and 1 May 2044. Interest rate is the sum of 6M EURIBOR and variable mark-up which currently amounts to 0.8% annually. Commission for unused borrowing funds amounts to 0.25% annually, and is calculated on the amount of unused borrowing funds.

IV Liabilities and receivables based on Agreement between Republic of Serbia Government and Russian Federation Government

Based on the Conclusion of the Government of the Republic of Serbia 05 No. 312-11997 / 2016 from 15 December 2016 part of the debt in the amount of RSD 5,113,300 thousand, was released, on the basis of the Agreement between the Government of the Republic of Serbia and the Government of the Russian Federation on settling the obligations of the former USSR for calculations related to goods trading between the former USSR and the former SFRY, and on the basis of agreement on mutual settlement of liabilities and receivables arising from the agreement between the Government of the Republic of Serbia and the Government of the Russian Federation on regulating the obligations of the former USSR and the former SFRY dated 27 April 2007, No. 12.01.141486 / 7-17 from 16 May 2017. Remaining part of the debt, in the amount of RSD 5,406,534 thousand, was reclassified into domestic long-term borrowings.

The company is obligated to repay the remaining part of debt in amount of USD 54,547,812.55 to Republic of Serbia in dinar payments, using own funds, according to Annuity plan contained in Appendix 1 of the Agreement. The debt must be settled within 10 years including 2 years grace period. Interest will be calculated during the grace period and payments will be made on maturity date of first installment, precisely on 30 March 2019. Principal is to be repaid in 16 equal semi-annual instalments and nominal annual interest rate represents a sum of 6M LIBOR for American dollar and fixed mark-up of 1%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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35. LONG-TERM LIABILITIES (continued)

An overview of all borrowings as at 31 December 2018 is presented in the table below:

No.	BORROWING	Currency	ORIGINAL CURRENCY				Means of security	Equivalent value in thousands of RSD	
			Principal	Maturity date	Repayment schedule	Interest rate		31.12.2018.	01.01.2018.
	TOTAL LONG-TERM BORROWINGS (A+B)							127,981,304	126,943,074
A	FOREIGN CURRENCY BORROWINGS (I+II+III+IV)							127,981,304	126,943,074
I	REFINANCED BORROWINGS REALIZED FROM THE FUNDS OF: (1+2+3+4+5+6)							28,431,802	30,108,689
1	PARIS CLUB OF CREDITORS							20,440,186	21,955,688
1.1	AUSTRIA	EUR	2,163,137	30.09.2008.- 31.03.2024.	30.03. and 30.09.	Amarketrate/EUR+0, 6% pa,	Promissory notes	255,671	285,623
1.2	FRANCE	EUR	24,944,888	22.09.2008.- 22.03.2024.	22.03. and 22.09.	5,90% p.a.	Promissory notes	2,948,352	3,293,733
1.3	GERMANY	EUR	16,546,980	22.09.2008.- 22.03.2024.	22.03. and 22.09.	5,50% p.a.	Promissory notes	1,955,764	2,184,870
1.4	CANADA	EUR	36,218,088	22.09.2008.- 22.03.2024.	22.03. and 22.09.	EURIBOR/EUR +0,5% p.a.	Promissory notes	4,280,782	4,782,251
1.5	SWITZERLAND	CHF	50,071,948	22.09.2008.- 22.03.2024.	22.03. and 22.09.	6M LIBOR/ CHF+0,5% p.a.	Promissory notes	5,256,448	5,652,322
1.6	USA	USD	4,057,590	22.09.2008.- 22.03.2024.	22.03. and 22.09.	5,375% p.a.	Promissory notes	419,511	448,227
1.7	RUSSIA	USD	38,953,793	22.03.2006.- 22.03.2034.	22.03. and 22.09.	0,5517% p.a.	Promissory notes	4,027,405	3,952,646
1.8	JAPAN	JPY	1,384,048,879	22.09.2008.- 22.03.2024.	22.03. and 22.09.	2,8390% p.a.	Promissory notes	1,296,253	1,356,016
2	LONDON CLUB OF CREDITORS	USD	6,529,320	01.05.2010.- 01.11.2024.	01.05. and 01.11.	3,75% p.a.till 11/09 6,75% p.a. till 11/24	Promissory notes	675,062	755,016
3	IBRD	EUR	6,616,155	15.03.2005.- 15.12.2031.	15.03. and 15.09.15.06. and 15.12.	1/3-5,44 % и 2/3 EURIBOR p.a.	Promissory notes	781,994	807,516
4	EZ	EUR	426,596	17.10.2012.- 17.10.2016.	17.04.and 17.10.	6M EURIBOR p.a.		50,421	50,540
5	Chinese borrowing	USD	8,167,924	21.07.2010.- 21.01.2021.	21.01. and 21.07.	6M LIBOR+1,3% p.a.	Promissory notes	844,479	1,133,395
6	Russian borrowing	USD	54,547,812	18.05.2017.- 30.09.2026.	01.01. 30.03. and 30.09	6M LIBOR+1,3% p.a.	Promissory notes	5,639,660	5,406,534

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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35. LONG-TERM LIABILITIES (continued)

No.	BORROWING	Currency	ORIGINAL CURRENCY				Means of security	Equivalent value in thousands of RSD	
			Principal	Maturity date	Repayment schedule	Interest rate		31.12.2017.	01.01.2017.
IV LOANS GRANTED BY STATE GOVERNMENTS							42,935,239	39,810,941	
1	Polish borrowing	USD	7,758,418	2005.-2024.	15.06. and 15.12.	0.75% p.a.	Guarantee RS	802,138	1,102,998
2	Japanese – JICA	JPY	4,020,576,373	20.11.2016.-20.11.2026	20.05 and 20.11	0.6% p.a. 0.01% p.a.	Guarantee RS	3,765,535	3,402,542
3	Export-Import Bank of China	USD	248,642,029	21.07.2017-21.01.2027	21.01. and 21.07.	3% p.a.	Promissory notes	25,706,925	25,173,786
4	Export-Import Bank of China	USD	122,456,013	21.07.2022. 21.01.2035.	21.01. and 21.07.	2.5% p.a.	Promissory notes	12,660,641	10,131,615
V LOANS FROM INTERNATIONAL FINANCIAL ORGANIZATIONS							56,539,719	56,951,684	
1	KfW III (30 mil. EUR)	EUR	4,500,000	30.12.2010.-30.06.2020	30.06. and 30.12.	-	Guarantee RS	531,876	888,545
2	KfW IV (36 mil. EUR)	EUR	4,145,016	30.06.2013.-30.12.2019	30.06. and 30.12.	variable rate + mark-up of 1.75% p.a.	Guarantee RS	489,918	1,027,339
3	KfW V (70 mil. EUR)	EUR	44,026,668	31.12.2018.-30.06.2025	30.06. and 30.12.	variable rate + 0.5% p.a.	Guarantee RS	5,203,714	3,909,755
4	KfW VI (65 mil. EUR)	EUR	46,530,840	30.12.2017. 30.12.2024.	30.06. and 30.12.	variable rate + 0.4% p.a. for EUR 25 million and variable + 1.15% p.a. for EUR 40 million.	Guarantee RS	5,499,695	3,707,286
5	KfW VI (45 mil. EUR)	EUR	-	30.06.2022. 30.12.2028.	30.06. and 30.12.	0,80% p.a.		-	-
6	KfW VI (80 mil. EUR)	EUR	-	30.12.2021. 30.12.2032.	30.06. and 30.12.	0,85% p.a.		-	-
7	EBRD I (39,6 mil. EUR)	EUR	-	07.09.2005.-07.03.2016.	07.03. and 07.09	EURIBOR + 1% p.a.	Guarantee RS	-	-
8	EBRD II (60 mil. EUR)	EUR	0,00	07.03.2008.-07.09.2018.	07.03. and 07.09	6M EURIBOR + 1% p.a.	Guarantee RS	-	718,170
9	EBRD III (40 mil. EUR)	EUR	2,442,889	02.09.2013.-02.03.2022.	02.03. and 02.09	6M EURIBOR + 1% p.a.	Guarantee RS	288,736	361,980
10	EBRD IV(80 mil. EUR)	EUR	46,615,190	31.01.2015.-31.01.2023.	31.01. and 31.07	6M EURIBOR + 1% p.a.	Guarantee RS	5,509,664	6,749,878
11	EBRD V (45 mil. EUR)	EUR	6,454,458	30.04.2015.-31.10.2023.	30.04. and 31.10	6M EURIBOR + 1% p.a.	Guarantee RS	762,882	548,956
12	EBRD VI (200 mil. EUR)	EUR	170,370,370	15.06.2017.-15.06.2030.	15.06. and 15.12.	EURIBOR + 1% p.a.	Guarantee RS	20,136,858	21,939,389
13	EIB II (22 mil.EUR)	EUR	11,026,666	09.12.2010.-09.06.2027.	09.06. and 09.12; 25.05. and 25.11.	fixed for each tranche from 3.879% p.a. to 5.248% p.a.	Guarantee RS	1,303,292	1,480,119
14	Wb IDA (12,24 mil. SDR)	XDR	7,669,252	15.09.2015.-15.03.2025.	15.03. and 15.09	-	Guarantee RS	1,102,784	1,246,077
15	WB IBRD (157 mil.EUR)	EUR	132,918,931	01.11.2023. 01.05.2044.	01.05. and 01.11.	6M EURIBOR + variable mark-up which is currently 0.91%	Promissory notes	15,710,300	14,374,190
VI OTHER							74,544	71,760	
1	EMS a.d. - IBRD	EUR	20,913	15.03.2005.-15.12.2031.	15.03. and 15.09.15.06. and 15.12.	1/3-5,44i 2/3-euribor	Promissory notes	2,472	2,666
2	Tehnoexport	USD	697,086			-		72,072	69,094
CURRENT PORTION OF LONG TERM LOANS							14,026,393	11,986,027	
A	Foreign currency loans							14,026,393	11,986,027
B	Loans in RSD							-	-
TOTAL LONG TERM PORTION							113,954,911	114,957,047	
A	Foreign currency loans							113,954,911	114,957,047
B	Loans in RSD							-	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

35. LONG-TERM LIABILITIES (continued)

Analysis of approved loans withdrawals

In order to finance the specific projects to increase production capacities in thermo and hydro power plants, in the period from 2003 to 2018 the Group executed various loan agreements with international financial institutions, to which the Federal Republic of Yugoslavia and the State Union of Serbia and Montenegro or Republic of Serbia served as guarantors:

Creditor	Currency	Contracted Amount	Draw Down
EBRD II	EUR	59,864,143	59,864,143
EBRD III	EUR	4,898,666	4,898,666
EBRD IV	EUR	78,527,683	78,527,683
EBRD V	EUR	32,700,000	8,167,053
EBRD VI	EUR	200,000,000	200,000,000
EIB II	EUR	22,000,000	22,000,000
EIB III	EUR	40,000,000	-
KfW III	EUR	30,000,000	30,000,000
KfW IV	EUR	36,000,000	34,457,936
KfW V	EUR	70,000,000	49,026,668
KfW VI	EUR	65,000,000	51,530,851
KfW VII	EUR	45,000,000	-
KfW VIII	EUR	80,000,000	-
IDA	SDR	11,798,849	11,798,849
JICA	JPY	28,252,000,000	4,300,069,229
EXIM Bank of China I	USD	293,000,000	286,639,231
EXIM Bank of China II	USD	608,260,000	122,456,013
Borrowing from the Republic of Poland	USD	49,996,617	49,996,617
WB IBRD	EUR	139,743,296	132,918,931

Analysis of long term loans maturities

	In RSD thousand		
	As at 31 December 2018	As at 1 January 2017	Index
Less than one years	14,026,393	11,986,027	117,02
From one to five years	56,025,052	51,328,965	109,15
Over five years	57,929,859	63,628,082	91,04
Total	127,981,304	126,943,074	

Analysis of borrowings per requested discharging currency as at 31 December 2018

Currency	Amount in Currency	31 December 2018
EUR	555,967,796	65,712,395
USD	491,809,986	50,847,890
CHF	50,071,948	5,256,448
JPY	5,404,625,252	5,061,788
XDR	7,669,252	1,102,783
Total		127,981,304

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

36. SHORT-TERM FINANCIAL LIABILITIES

	31 December 2018	In RSD thousand 31 December 2017
<i>Liabilities in foreign currency</i>		
Current portion of long-term loans – foreign (Note 35)	10,287,139	9,307,698
Current portion of long term-loans – domestic (Note 35)	3,739,254	2,678,329
Other short-term financial liabilities	3,016	3,016
	<u>14,029,409</u>	<u>11,989,043</u>
<i>Liabilities in RSD</i>		
Current portion of rescheduled liabilities	39	39
Current portion of other long-term liabilities	68,270	67,701
Other short-term financial liabilities in RSD	6,045	114,227
	<u>74,315</u>	<u>181,967</u>
	<u>14,103,724</u>	<u>12,171,010</u>

Short-term liabilities arising from current portion of foreign long-term loans in amount of RSD 10,287,139 thousand comprise: loans from international financial organisations in amount of RSD 6,761,879 thousand; loans granted by State Governments in amount of RSD 3,453,188 thousand and RSD 72,072 thousand regarding other liabilities

Short-term liabilities arising from current portion of domestic long-term loans in foreign currency in amount of RSD 3,739,254 thousand comprise: loans granted by Paris club creditors in amount of RSD 2,260,720 thousand and liabilities regarding other refinancing loans in amount of RSD 1,478,346 thousand, while the amount of RSD 188 thousand relates to other liabilities..

37. CUSTOMER PREPAYMENTS, DEPOSITS AND CAUTION MONEY

	31 December 2018	In RSD thousand 31 December 2017
Customer prepayments:		
- In RSD	3,774,723	3,041,503
- In foreign currency	116	1,115,547
Received deposits and down payments	91,133	176,680
Received prepayments from individuals in RSD	889,001	648,347
	<u>4,754,973</u>	<u>4,982,077</u>

38. OPERATING LIABILITIES

	31 December 2018	In RSD thousand 31 December 2017
Trade payables:		
- Other related parties	19,045,774	14,102,374
- PE "Elektromreža Srbije"	2,293,126	2,130,633
	<u>21,338,900</u>	<u>16,233,007</u>
Trade payables - foreign	<u>7,637,311</u>	<u>4,757,144</u>
Other trade payables:		
- expropriation liabilities	7,633	123,985
- liabilities for compensation for damages from operations	8,201	9,365
- other	659,821	849,340
	<u>675,655</u>	<u>982,690</u>
	<u>29,651,866</u>	<u>21,972,841</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

39. OTHER CURRENT LIABILITIES

	31 December 2018	In RSD thousand 31 December 2017
Liabilities for fees for Public Media Service	948,554	1,303,570
Liabilities for unpaid wages and salaries, net	1,945,615	1,487,668
Liabilities for taxes and contributions:		
- charged to employee	858,356	600,376
- charged to employer	609,092	660,106
Other liabilities for wages and salaries	52,392	41,048
Liabilities for interests and financing costs	374,714	372,046
Liabilities for dividends and profit share	5,410,263	15,195,440
Other liabilities towards employees	2,375,101	3,378,862
Liabilities towards members of Executive and Supervisory board	737	371
Liabilities towards individuals	85,473	108,325
Liabilities for matured loans from Ministry of Finance of the Republic of Serbia	397,223	397,223
Other liabilities	603,115	495,906
	13,660,635	24,040,941

Other liabilities towards employees as at 31 December 2018 in the amount of RSD 2,375,101 thousand relate to liabilities towards employees based on the voluntarily termination programme (note 3.5 and 11) in the amount of RSD 2,139,068 thousand, liabilities for retirement benefits and jubilee awards in the amount of RSD 191,715 thousand and other liabilities in the amount of RSD 44,318 thousand, which were settled after the balance sheet date.

Liabilities for dividends and profit share relate to the declared allocation of part of the profit made by Supervisory Board (note 33).

40. LIABILITIES FOR VAT

	31 December 2018	In RSD thousand 31 December 2017
Deferred VAT	1,414,587	2,092,793
Liabilities for calculated VAT	3,263,258	1,946,499
	4,677,845	4,039,292

Deferred VAT relate to Group liability for VAT owed that is postponed to next tax period. The mentioned liability was paid after balance sheet date.

41. LIABILITIES FOR TAXES, CONTRIBUTIONS AND OTHER DUTIES

	31 December 2018	In RSD thousand 31 December 2017
Liabilities for taxes, customs and other duties charged to expenses	3,598,560	3,116,755
Water use charges (land)	719,144	676,658
Special charge for protection and improvement of environment	3,265,378	2,825,203
Other liabilities for taxes, customs and other duties charged to expenses	874,092	1,118,905
	8,457,174	7,737,521

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

41. LIABILITIES FOR TAXES, CONTRIBUTIONS AND OTHER DUTIES (continued)

Liabilities for taxes, customs and other duties charged to expenses as at 31 December 2018 in the amount of RSD 3,598,560 thousand (2017 – RSD 3,116,755 thousand), includes excise duty liabilities in the amount of RSD 3,143,774 thousand (2017 – RSD 3,020,926 thousand), which were paid after balance sheet date. Amendments to the Law on Excise Tax from 1 August 2015, introduced the obligation to calculate and pay excise tax on delivered and billed electricity intended for final consumption. Final consumption of electricity, in terms of this Act, is defined as delivered electricity to end customers in the Republic of Serbia, including the consumption of electricity by the supplier for its own purposes, calculated based on the reading of the consumption via the control devices on electricity delivery points, in accordance with the law. Only the supplier of electricity is obligated to pay the excise tax.

Other liabilities for taxes, customs and other duties include liabilities for taxes and contributions related to the voluntarily termination programme initiated by the management of the Group in order to optimize the number of employee on a Group level (note 11). These liabilities disclosed at 31 December 2018 in the amount of RSD 320,619 thousand (2017 – RSD 474,911 thousand) have been settled in accordance with tax regulations.

Obligations for environmental protection fees are calculated on the basis of the Law on Environmental Protection.

42. ACCRUED EXPENSES

	In RSD thousand	
	31 December 2018	31 December 2017
Received donations:		
- from the Government of RS and other state authority	1,530,713	1,644,968
- foreign	8,502,953	7,994,595
- domestic	14,987,707	13,147,289
	25,021,373	22,786,852
Other accruals	488,791	410,822
Accrued expenses	977,951	1,300,797
	26,488,115	24,514,830

The Group received funds for financial and technical support from agencies and similar authorities on an international level which were initially recognized as deferred revenue. All contracts and agreements are ratified by the National Assembly of the Republic of Serbia.

Accrued expenses disclosed at 31 December 2018 in the amount of RSD 977,951 thousand (2017 – RSD 1,317,156 thousand), mostly relate to accrued interest for loans received in the amount of RSD 894,921 thousand (2017 – RSD 730,988 thousand).

Changes in deferred revenue which pertain to received donations during 2018 and 2017 are as follows:

	In RSD thousand	
	31 December 2018	31 December 2017
Opening balance	22,786,852	20,490,875
Current year donations	3,842,659	3,554,511
Transfer to revenues	(1,906,806)	(1,557,499)
FX rate differences	-	(11,597)
Other	298,668	310,562
Closing balance	25,021,373	22,786,852

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

43. OFF BALANCE SHEET ASSETS AND LIABILITIES

	31 December 2018	In RSD thousand 31 December 2017
Liabilities for issued guarantees and other types of collateral for liabilities of the Group	178,798,975	93,455,334
Material for processing	17,743	38,414
Receivables for received guarantees and other types of collateral for receivables	51,767,042	56,738,274
Written off equity investments	385,337	385,337
	230,969,097	150,617,359

44. ACQUISITION OF A SUBSIDIARY

Kolubara - Građevinar d.o.o., Lazarevac

In 2017, the Company acquired a 71,90% stake in „Kolubara - Građevinar" d.o.o., Lazarevac, a company engaged in construction projects within the mining infrastructure, and in the exploitation of non-metallic substances. The stake has been acquired through a conversion of company receivables into basic capital under the RS Government Conclusion 05 No: 023-7443/2017 dated 17 August 2017 that was in line with an already prepared plan for the reorganisation of „Kolubara - Građevinar" d.o.o. The change was registered with the Business Register on December 14, 2017. Effective control over the company "Kolubara - Građevinar" doo, Lazarevac was acquired during January 2018.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

44. ACQUISITION OF A SUBSIDIARY (continued)

Acquired assets and recognized liabilities of the company "Kolubara - Građevinar" d.o.o. on 1 January 2018, the day of gaining effective control, are shown below:

	1. januar 2018.
	<u> </u>
Non-current assets	
Property, Plant and Equipment	1,419,732
Long-term financial investments	1,715
	<u>1,421,447</u>
Current assets	
Inventory	191,618
Trade receivables	54,262
Other receivables	69,755
Short-term financial investments	4,910
Cash and cash equivalents	4,038
Value added tax	20,078
Prepaid expenses and other accruals	33,119
	<u>377,780</u>
	<u>1,799,227</u>
Long-term provisions and liabilities	
Long-term provisions	2,176
Long-term liabilities	209,948
Deferred tax liabilities	79,677
	<u>291,801</u>
Short-term liabilities	
Short-term financial liabilities	208,088
Operating liabilities	445,121
Other current liabilities	56,326
Liabilities for VAT	1
Liabilities for other taxes, contributions and duties	16,394
Accrued expenses	2,783
	<u>728,713</u>
	<u>1,020,514</u>
Net value of assets acquired	<u>778,713</u>

The acquired amount of cash and cash equivalents in the amount of RSD 4,038 thousand is shown as inflow from other financial investments within the cash inflow from the investment activities in the consolidated cash flow statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

45. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

Debt indicators of the Group for the year then ended are the following:

	31 December 2018	In RSD thousand 31 December 2017
Indebtedness a)	128,235,423	127,733,205
Cash and cash equivalents	27,281,100	39,699,986
Net indebtedness	<u>100,954,323</u>	<u>88,033,219</u>
Capital b)	<u>844,790,896</u>	<u>853,275,459</u>
Total debt to equity ratio	<u>0,12</u>	<u>0.10</u>

a) Indebtedness pertains to long term and short-term liabilities from borrowings and other long term and short term financial liabilities.

b) Capital includes share capital, revaluation reserves, unrealized gains and losses from securities for sale, retained earnings and accumulated loss.

Significant accounting policies that pertain to financial instruments

Details on significant accounting policies, as well as criteria and basis for recognition of revenue and expenses for all financial assets and liabilities are disclosed in note 3.

Financial instruments categories

	31 December 2018	In RSD thousand 31 December 2017
Financial assets		
Equity investments	4,030,695	5,646,765
Long-term financial investments	7,063,376	7,144,735
Long-term receivables	461,879	692,945
Trade receivables	41,743,836	43,148,444
Short-term financial assets	290,475	1,893,483
Other receivables	8,276,131	7,206,507
Cash and cash equivalents	27,281,100	39,699,986
	<u>89,147,492</u>	<u>105,432,865</u>
Financial liabilities		
Long-term borrowings	114,035,669	115,037,600
Other long-term liabilities	96,030	524,595
Trade payables	29,651,866	21,972,840
Current portion of long-term borrowings	14,094,663	11,986,027
Short-term financial liabilities	9,061	184,983
Other liabilities	7,819,342	17,872,881
	<u>165,706,631</u>	<u>167,578,926</u>

Primary financial instruments of the Group are cash and cash equivalents, trade receivables, interest receivables and trade payables, whose primary purpose is financing current operations of the Group. In regular business conditions, the Group is exposed to risks stated below.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

45. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial risk management

Financial risks include market risk (foreign exchange risk and interest risk) and liquidity risk. Financial risks are reviewed on a timely basis and are primarily avoided by lowering the exposure of the Group to these risks. The Group does not use any financial instruments to avoid effects of financial risks on operations as such instruments are not widely used, nor are there organized markets for such instruments in the Republic of Serbia.

Market risk

In its regular business operations, the Group is exposed to financial risks from changes in exchange rates and changes in interest rates.

Exposure to market risk is reviewed with sensitivity analysis. There were no significant changes to Group's exposure to market risk, nor in the Group's approach to measure and manage aforementioned risk.

Currency risk

The Group is exposed to currency risk primarily through cash and cash equivalents and trade payables which are denominated in foreign currency. The Group does not use special financial instruments as a protection from risk, as such instruments are not common in the Republic of Serbia.

Stability of the Group's economic environment largely depends on government commerce measures, including establishing appropriate legal and regulatory framework.

Net book amount of Group's monetary assets and liabilities disclosed in foreign currency on reporting date were the following::

	Assets		Liabilities	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
EUR	6,987,251	6,692,867	73,861,990	70,878,506
JPY	348,455	-	5,436,043	4,792,630
SEK	6	7	-	-
CHF	9,419	8,385	5,263,776	5,652,322
GBP	249	56	177	-
USD	26,803,600	2,012,832	53,308,341	49,395,288
XDR	-	-	1,105,218	1,246,077

The Group is sensitive to changes in foreign exchange rates of currencies Euro and American dollar. The table below represents details of sensitivity analysis of the Group to increase and decrease of 10% in exchange rates of Serbian dinar to foreign currencies. The sensitivity rate of 10% is used for internal review of currency risk and represents an estimate of the Management of reasonably expected changes in foreign exchange rates. Sensitivity analysis includes only unsettled receivables and liabilities disclosed in foreign currency and harmonizes their translation at period end for change of 10% in foreign exchange rates. Positive number in the table below suggest a decrease in current year profit, when the Serbian dinar depreciates compared to foreign currency. In case of appreciation of Serbian dinar of 10% compared to foreign currency, the effect on the current year profit would be opposite of the result stated above, in the previous case.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

45. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market risk (continued)

Currency risk (continued)

	31 December 2018	In RSD thousand 31 December 2017
EUR	6,687,474	6,418,564
JPY	508,759	479,263
SEK	(1)	(1)
CHF	525,436	564,394
GBP	(7)	(6)
USD	2,650,474	4,738,246
XDR	110,522	124,608
Current year profit	10,482,657	12,325,068

Sensitivity of the Group to changes in foreign exchange increased in the current period, mostly due to effects of nominal increase of liabilities presented in Euro currency which mostly pertain to liabilities towards suppliers.

Interest rate risk

The Group is exposed to risk from changes in interest rates in assets and liabilities with variable interest rates. This risk depends on the financial market and the Group has no available instruments to lessen the effects of the risk.

Net book amount of financial assets at reporting date is grouped according to level of interest rate risk, and is presented in the following table:

	31 December 2018	In RSD thousand 31 December 2017
Financial assets		
<i>Interest-free</i>		
- Equity-investments	4,030,695	5,646,765
- Long-term financial assets	6,758,567	5,602,983
- Trade receivables	41,743,836	43,148,444
- Other receivables	662,140	676,335
- Cash and cash equivalents	204,206	192,835
	53,399,444	55,267,362
<i>Fixed interest-rate</i>		
- Long-term receivables	200,469	411,374
- Long-term financial investments	122,922	123,321
- Short-term financial investments	12,421	1,062,482
- Cash and cash equivalents	25,609,476	37,889,090
	25,945,288	39,486,267
<i>Variable interest-rate:</i>		
- Long-term financial investments	181,887	1,418,431
- Long-term receivables	261,410	281,571
- Short-term financial investments	278,054	831,001
- Other receivables	7,613,991	6,530,172
- Cash and cash equivalents	1,467,418	1,618,061
	9,802,760	10,679,236
	89,147,492	105,432,865

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

45. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

Net book amount of financial liabilities at reporting date is grouped according to level of interest rate risk, and is presented in the following table:

	31 December 2018	In RSD thousand 31 December 2017
Financial liabilities		
<i>Interest-free</i>		
- Trade payables	29,651,866	21,972,841
- Other liabilities	7,522,628	17,576,167
	<u>37,174,494</u>	<u>39,549,008</u>
<i>Fixed interest rate</i>		
- Long-term borrowings	19,016,117	20,942,104
- Current portion of long-term borrowings	2,810,532	1,893,887
- Short-term financial liabilities	927	358
	<u>21,827,576</u>	<u>22,836,349</u>
<i>Variable interest rate</i>		
- Long-term borrowings	95,019,552	94,014,943
- Other long-term liabilities	96,030	524,605
- Other liabilities	296,714	296,714
- Current portion of long-term borrowings	11,284,131	10,092,140
- Short-term financial liabilities	8,134	184,625
	<u>106,704,561</u>	<u>105,113,027</u>
	<u>165,706,631</u>	<u>167,498,384</u>

Sensitivity analysis presented is established based on exposure to changes in interest rates for non-derivative instruments at the balance sheet date. For liabilities with variable interest rate, analysis has been compiled under the assumption that the remaining amount of assets and liabilities on the balance sheet date remained the same during the business year. Increase or decrease of 1% represents, according to the Management, is an estimation of a realistically plausible change in interest rates. If the interest rates are 1% higher/lower, with all other variables unchanged, the Group would have sustained operating loss/realized profit for the year then ended 31 December 2018 in amount of RSD 969,018 thousand (31 December 2017: RSD 944,338 thousand). This situation is attributed to Group's exposure to interest rate risk, which is based on variable interest rates that are calculated on short-term borrowings.

Exposure of the Group to changes in interest rates is increased in the current period primarily due to nominal increase of liabilities from short-term borrowings.

Credit risk

Trade receivables management

The Group is exposed to credit risk which represents risk that debtors will not be able to settle their debts to the Group completely and timely, which would in turn result in financial losses for the Group. Group's exposure to this risk is limited to the amount of trade receivables at balance sheet date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

45. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

Trade receivables management (continued)

Structure of trade receivables as at 31 December 2018 is presented in the following table:

	Gross exposure	Provided amount	In RSD thousand Net exposure
Not due trade receivables	26,212,455	-	26,212,455
Overdue, provided trade receivables	145,064,899	(145,064,899)	-
Overdue, not provided trade receivables	15,531,381	-	15,531,381
	186,808,735	(145,064,899)	41,743,836

Structure of trade receivables as at 31 December 2017 is presented in the following table:

	Gross exposure	Provided amount	In RSD thousand Net exposure
Not due trade receivables	23,598,990	(521,162)	23,077,828
Overdue, provided trade receivables	144,675,434	(144,675,434)	-
Overdue, not provided trade receivables	20,070,616	-	20,070,616
	188,345,040	(145,196,596)	43,148,444

Not due trade receivables

Not due trade receivables disclosed as at 31 December 2018 in amount of RSD 26,212,455 thousand (31 December 2017: RSD 23,077,828 thousand).

Overdue, provided trade receivables

In previous periods, the Group has provided for receivables impairment for overdue receivables in amount of RSD 145,064,899 thousand (2017 – RSD 144,675,434 thousand), for which the Group has determined that there was a change in creditworthiness of the customers and that receivables will not be collected in original amounts.

Overdue, not provided trade receivables

Ageing structure of overdue, not provided receivables is presented in the table below:

	31 December 2018	In RSD thousand 31 December 2017
Less than 30 days	3,591,396	5,083,563
31 - 90 days	11,678,926	14,597,024
91 - 180 days	24,162	61,805
181-365 days	22,832	28,468
Over 365 days	214,065	299,756
	15,531,381	20,070,616

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

45. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

Trade receivables management (continued)

In RSD thousand

	Long-term investments	Lon-term receivables	Trade receivables	Receivables from specific operations	Other receivables	Short-term financial investments	Total
Balance at 01 January 2017	2,347,222	16,716,026	141,927,331	26,739	5,717,999	842,468	167,577,785
Allowances through Statement of profit and loss	424,961	3,571,333	11,666,043	1,248	445,178	969,765	17,078,528
Writte-off of receivables and investments	-	-	(1,431,759)	-	(8,159)	-	(1,439,918)
Income regarding to adjustment of allowance balance	(210,175)	(636,209)	(479,799)	-	(2,036)	(169,533)	(1,497,752)
Foreign exchange differences	-	-	(841,978)	-	(13,409)	-	(855,387)
Collection of previously impaired receivables	(9,297)	-	(880,218)	-	(746)	(451,740)	(1,342,001)
Transfers	2,915,369	(149,961)	(2,922,671)	9,099	(376,317)	524,481	-
Writte-off of receivables - „HIP-Petrohemija” a.d., Pančevo	-	-	(1,826,722)	-	-	-	(1,826,722)
Other	(15,308)	(1,706)	(13,631)	-	76	3,644	(26,925)
Balance at 31 December 2017	5,452,772	19,499,483	145,196,596	37,086	5,762,586	1,719,085	177,667,608
Acquisition of a subsidiary	14,143	3,953	15,464	6,420	7,889	111,616	159,485
Allowances through Statement of profit and loss	18,151	-	6,348,827	17	2,948,024	251,251	9,566,270
Writte-off of receivables and investments	-	(388,367)	(499,627)	-	(135,156)	(347,224)	(1,370,374)
Income regarding to adjustment of allowance balance	(1,427)	-	-	-	-	-	(1,427)
Foreign exchange differences	-	-	68,573	-	-	-	68,573
Collection of previously impaired receivables	-	(1,864,104)	(1,982,101)	-	-	(69,168)	(3,915,373)
Transfers	49,371	-	(300,145)	-	(20,247)	271,021	-
Writte-off of receivables - RTB Bor Group	-	(13,297,103)	(3,782,688)	-	-	(61,011)	(17,140,802)
Other	(2,680)	-	-	-	-	-	(2,680)
Balance at 31 December 2018	5,530,330	3,953,862	145,064,899	43,523	8,563,096	1,875,570	165,031,280

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

45. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued))

Credit risk (continued)

Trade payables management

Trade payables as at 31 December 2018 are disclosed in amount of RSD 29,651,866 thousand (2017 – RSD 21,972,841 thousand). Suppliers calculate penalty interest on overdue, unsettled liabilities, whereby the Group due trade payables, according to financial risks management policy, settles in agreed period.

Liquidity risk

Ultimate responsibility for liquidity risk management is on the Group's Management, which has established an appropriate managing system for utilization of short term, medium term and long term financing of the Group, as well as liquidity management. The Group manages liquidity risk maintaining appropriate monetary reserves continuously monitoring planned and actual cash flow, as well as maintaining appropriate ratio of maturity of financial assets and liabilities

Liquidity risk and credit risk tables

Presented in the following tables are details on remaining agreed maturities of Group's financial assets. Presented amounts are based on non-discounted cash flows which occurred from financial assets based on the earliest date on which the Group could collect funds.

Financial assets maturity

	In RSD thousand 31 December 2018					
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest-free						
Fixed interest rate	41,645,051	-	965,131	-	10,789,262	53,399,444
Variable interest rate	25,609,476	12,421	122,922	-	200,469	25,945,288
	301,278	8,482,300	575,884	181,887	261,411	9,802,760
	67,555,805	8,494,721	1,663,937	181,887	11,251,142	89,147,492

	In RSD thousand 31 December 2017					
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest-free						
Fixed interest rate	43,765,538	-	252,076	-	11,249,748	55,267,362
Variable interest rate	37,735,375	1,216,197	123,321	-	411,374	39,486,267
	8,307,500	32,666	815,792	19,636	1,503,642	10,679,236
	89,808,413	1,248,863	1,191,189	19,636	13,164,764	105,432,865

Presented in the following tables are details on remaining agreed maturities of Group's financial liabilities. Presented amounts are based on non-discounted cash flows that occurred from financial liabilities based on the earliest date on which the Group should settle liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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45. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk (continued)

Liquidity risk and credit risk tables (continued)

Financial liabilities maturity

	In RSD thousand					
	31 December 2018					
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest-free	952,359	36,062,129	160,006	-	-	37,174,494
Fixed interest rate	-	-	2,811,459	-	19,016,117	21,827,576
Variable interest rate	4,328,579	3,156,787	11,916,135	81,447,942	5,855,118	106,704,561
	<u>5,280,938</u>	<u>39,218,916</u>	<u>14,887,600</u>	<u>81,447,942</u>	<u>24,871,235</u>	<u>165,706,631</u>

	In RSD thousand					
	31 December 2017					
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest-free	20,449,973	5,896,023	13,203,012	-	-	39,549,008
Fixed interest rate	-	-	1,894,245	-	21,022,657	22,916,902
Variable interest rate	-	296,704	10,134,628	87,885,785	6,795,900	105,113,017
	<u>20,449,973</u>	<u>6,192,727</u>	<u>25,231,885</u>	<u>87,885,785</u>	<u>27,818,557</u>	<u>167,578,927</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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45. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair value of financial instruments

Presented in the following table are present values of financial assets and financial liabilities and their fair value as at 31 December 2018 and 31 December 2017

	31 December 2018		In RSD thousand 31 December 2017	
	Net book value	Fair value	Net book value	Fair value
Financial assets				
Equity investments	4,030,695	4,030,695	5,646,765	5,646,765
Long-term financial assets	7,063,376	7,063,376	7,144,735	7,144,735
Long-term receivables	461,879	461,879	692,945	692,945
Trade receivables	41,743,836	41,743,836	43,148,444	43,148,444
Short-term financial assets	290,475	290,475	1,893,483	1,893,483
Other receivables	8,276,131	8,276,131	7,206,507	7,206,507
Cash and cash equivalents	27,281,100	27,281,100	39,699,986	39,699,986
	89,147,492	89,147,492	105,432,865	105,432,865
Financial liabilities				
Long-term borrowings	114,035,669	114,035,669	115,037,600	115,037,600
Other long-term liabilities	96,030	96,030	524,595	524,595
Trade payables	29,651,866	29,651,866	21,972,840	21,972,840
Current portion of long-term loans	14,094,663	14,094,663	11,986,027	11,986,027
Short-term financial liabilities	9,061	9,061	184,983	184,983
Other liabilities	7,819,342	7,819,342	17,872,881	17,872,881
	165,706,631	165,706,631	167,578,926	67,578,926

Assumptions for estimation of fair value of financial instruments

Given the fact that there is insufficient market experience, stability and liquidity in purchase and sales of financial assets and liabilities, as well as the fact that there are no available market information which could be used for purposes of disclosure of fair value of financial assets and liabilities, method of discounting cash flows was utilized. Utilizing this value method, interest rates of similar financial instruments are applied, with the objective to acquire a relevant estimate of market value of financial instruments at reporting date.

46. CONTINGENCIES AND COMMITMENTS

Litigations

As at 31 December 2018, total estimated value of litigations against the Group amounted to RSD 5,611,214 thousand (2017 – RSD 5,182,005 thousand). The final outcome of these litigations is uncertain. As disclosed in Note 34, as at 31 December 2018, the Group made provision for potential losses that may arise out of those litigations in the total amount of RSD 3,730,152 thousand (2017 – RSD 4,015,140 thousand), based on the management's assessment. As for the remaining amount of legal disputes that are being conducted against the Group and for which no provision for potential losses has been made, the Group's management considers that there is no risk of material losses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

46. CONTINGENCIES AND COMMITMENTS (continued)

Commitments

For the purpose of acquiring property, plant and equipment, as at 31 December 2018, The Group has assumed a contractual obligation with the following suppliers in relation to production branches and the Group Management:

Supplier	Contractual amount	Realised as of 31.12.2018.	Branch
China national machinery & equipment import & export corporation (CMEC)	35,631,054	35,133,855	ТЕ КО Костолац
Voith Hydro GmbH & CoKG	7,514,281	5,886,735	Дринско-Лимске ХЕ
China Machinery Engineering Corporation (CMEC)	73,985,383	8,856,330	ТЕ КО Костолац
ABB Automation GmbH	587,578	428,139	РБ Колубара
Clyde Bergemann DRYCON GmbH	2,198,480	1,535,098	ТЕ КО Костолац
Konzorcijum Elnos BL Koessler GmbH & Co KG	965,862	703,906	Обновљиви извори
FAM Magdeburger Forderanlagen und Baumaschinen GmbH	3,486,120	3,350,837	РБ Колубара
Joint Venture Energoprojekt Oprema ad and GP			
Planum ad	1,933,984	1,368,462	РБ Колубара
Hidro-Tan	588,633	86,457	Обновљиви извори
Nari Group Corporation	1,535,470	0	Обновљиви извори
Konzorcijum Mitsubishi Hitachi Power Systems Ltd., Itochu Corporation, Mitsubishi Hitachi Power Systems Europe GmbH i Jedinstvo AD Sevojno	22,684,064	103,598	ТЕ Никола Тесла
	151,110,909	57,453,417	

As of 31 December 2017, the Group's commitments based on contracts for the purchase and reconstruction of property, plant and equipment in the estimated amount of RSD 172,306 thousand for "EPS Distribucija" d.o.o. subsidiary. The above mentioned amount refers to the contractual unrealized amount for purchases as of 31 December 2018, based on the contracts that have not yet been completed on that day.

47. TAX RISKS

The Serbian tax regulations are often subject to interpretations and various changes. Interpretations of tax regulations made by Tax Authorities regarding the Group's operations and transactions may differ from those made by Group management. The tax collection time-period is five years. This practically means that the Tax Authorities may assess unpaid liabilities within five years from the date such liabilities have been incurred.

48. EVENTS AFTER THE BALANCE SHEET DATE

Construction of flue-gas desulfurization (FGD) system in four blocks of Thermal Power Plant Nikola Tesla A

In February 2019, the construction of flue-gas desulfurization (FGD) plants in Thermal Power Plant "Nikola Tesla A" in Obrenovac began. This construction project is over EUR 167 million worth. The flue gas desulfurization (FGD) system will be constructed for four Thermal Power Plant "Nikola Tesla A blocks - A3, A4, A5 and A6, with 350 MW of power each. This facility will add at least 20 years to the thermal power plant's service life.

Borrowings from international financial institutions

KfW Bank

On 23 January 2019, KfW Bank approved an extension of the loan granted to the Company, namely a loan extension relating to the following:

- Funds approved under the Loan and Financing Agreement No. 23123, concluded on 2 January 2008 (KfW IV) to enable the completion of the Project for the reconstruction of the existing fly ash and cement slag transport system Pin TEKO A.

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31 December 2017

48. EVENTS AFTER THE BALANCE SHEET DATE (continued)

- Funds approved under the Loan and Financing Agreement No. 25792, concluded on 12 October 2012 (KfW VI) to enable the completion of the Project of achieving energy efficiency by environmental management of coal quality in the Branch „Rudarski basen Kolubara“.

In both cases, the KfW loan term was extended from 30 December 2018 to 31 December 2019.

EXIM Bank of China

On 27 March 2019, following the expiry of the loan term, under Article 3.3 of the Loan Agreement for Phase 1 of Project Kostolac Package -B Power Plant Projects, concluded on 26 December 2011, the undistributed balance of the loan amounting to USD 6,361 million was automatically cancelled.

The Law on the Charges for the Use of Public Goods

On 7 December 2018, the Serbian Parliament adopted the Law on the Charges for the Use of Public Goods. The Law was published in the RS Official Gazette No. 95/2018. The Law governs all charges for the use of public goods and introduces, inter alia, a fee for improving energy efficiency. The Charge payer (the payer of the charge for improving energy efficiency) is defined as a power company engaged in the delivery of energy.

The Law prescribes the charge for improving energy efficiency (RSD 0.015 per kWh). The charge base is the energy volume delivered to consumers based on kWh. The application of the Law, in this part, was postponed until 1 July 2019, as regulated by a sub-legal act, published in the "Official Gazette of the Republic of Serbia" No. 41/2019.

Termination of the right of use on unbuilt construction land

At its session held on 16 May 2019, the Government of the Republic of Serbia passed Conclusion 05 No. 464-6875/2019-1 on the termination of the parent company's right of use on unbuilt construction land with the value of RSD 4,006,765 thousand, as well as the entry of the right to public property. Also, the Government of the Republic of Serbia passed the Conclusion 05 number: 464-5615 / 2019 on 13 June 2019 on the termination of the rights of use of river banks and the entry of the right to public property.

It is expected that Owner's other acts on resolving the legal status of its property will be adopted in accordance with the Law on Public Property and other regulations.

48. FOREIGN EXCHANGE RATES

Foreign exchange rates determined in the interbank foreign exchange market, which have been used to translate FX items presented in the Consolidated Balance sheet into RSD, were as follows:

	31 December 2018	In RSD 31 December 2017
EUR	118,1946	118,4727
USD	103,3893	99,1155
CHF	104,9779	101,2847
JPY	0,9366	0,8791
XDR	143,7928	140,8134