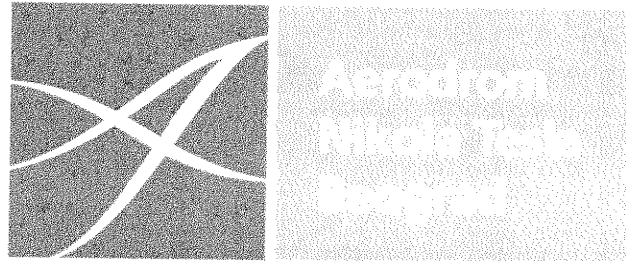


In accordance with Article 50 of the Capital Market Act (Official Gazette of RS No. 31/2011, 112/2015 and 108/2016) and in accordance with the Regulations on the content, form and manner of publication of annual, semi-annual and quarterly reports of public companies ("Official Gazette of RS", No. 14/2012, 5/2015 and 24/2017) Joint-Stock Company Belgrade Nikola Tesla Airport publishes:

ANNUAL BUSINESS REPORT FOR 2016



Content of the report:

1. Financial statements

- Income Sheet for 2016;
- Balance Sheet on 31.12.2016;
- Report on other results for 2016;
- Statement on changes in capital until 31.12.2016;
- Cash Flow Statement for 2016 and
- Notes to the financial statements with 31.12.2016 conclusive.

2. Independant Auditor's Report with financial statements for 2016;

3. Report on company operations for 2016;

4. Statement

5. Note

АКЦИОНАРСКО ДРУШТВО
АЕРОДРОМ "НИКОЛА ТЕСЛА"
БЕОГРАД
Бр. ГА-2026/2017
27.04.2017 год.

FINANCIAL STATEMENTS December 31, 2016

1. INCOME SHEET for the period I-XII 2016
2. BALANCE SHEET on December 31, 2016
3. REPORT ON OTHER RESULTS for the period I-XII 2016
4. STATEMENT ON CHANGES IN CAPITAL for the period I-XII 2016
5. CASH FLOW STATEMENT for the period I-XII 2016
6. NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

April 24, 2017

FINANCIAL STATEMENTS December 31, 2016

INCOME SHEET
 in the period from January 1 to December 31, 2016

INCOME SHEET

for the period from 01/01/2016 until 31/12/2016

- in thousand RSD -

Group of accounts - account	POSITION	ADP	Note No.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	REVENUES OF REGULAR BUSINESS				
60 to 65, except 62 & 63	A. OPERATING REVENUES (1002 + 1009 + 1016 + 1017)	1001		8,528,703	8,116,139
60	I REVENUES FROM SALE OF GOODS (1003 + 1004 + 1005 + 1006 + 1007+ 1008)	1002	5	57,397	140,435
600	1. Revenues from sale of goods to parent companies and subsidiaries in domestic market	1003			
601	2. Revenues from sale of goods to parent companies and subsidiaries in foreign markets	1004			
602	3. Revenues from sale of goods to other related parties in domestic market	1005			
603	4. Revenues from sale of goods to other related parties in foreign markets	1006			
604	5. Revenues from sale of goods in domestic market	1007	5	2,067	37,318
605	6. Revenues from sale of goods in foreign markets	1008	5	55,330	103,117
61	II REVENUES FROM SALE OF PRODUCTS AND SERVICES (1010 + 1011 + 1012 + 1013 + 1014 + 1015)	1009	6;7; 8;	7,552,237	7,152,278
610	1. Revenues from sale of products and services to parent com.and subsidiaries in domestic market	1010			
611	2. Revenues from sale of products and services to parent com.and subsidiaries in foreign markets	1011			
612	3. Revenues from sale of products and services to other related parties in domestic market	1012			
613	4. Revenues from sale of products and services to other related parties in foreign markets	1013			
614	5. Revenues from sale of products and services to other related parties in domestic market	1014	6	3,314,644	3,011,748
615	6. Revenues from sale of products and services in foreign markets	1015	7	4,237,593	4,140,530
64	III REVENUES FROM PREMIUMS, SUBSIDIES, GRANTS, DONATIONS ETC.	1016		285	0
65	IV OTHER OPERATING REVENUES	1017	9	918,784	823,426

FINANCIAL STATEMENTS December 31, 2016

INCOME SHEET (continued)
in the period from January 1 to December 31, 2016

INCOME SHEET					
for the period from 01/01/2016 until 31/12/2016					
- in thousand RSD -					
Group of accounts - account	POSITION	ADP	Note No.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	EXPENDITURES OF REGULAR BUSINESS				
50 to 55, except 62 & 63	B. OPERATING EXPENDITURES (1019 – 1020 – 1021 + 1022 + 1023 + 1024 + 1025 + 1026 + 1027 + 1028+ 1029) ≥ 0	1018		4,941,794	4,468,458
50	I. PURCHASE VALUE OF SOLD GOODS	1019	10	52,919	133,258
62	II. revenues from activation of use of own products and goods	1020		0	0
630	III. INCREASE OF STOCK VALUE OF UNFINISHED AND FINISHED PRODUCTS AND UNFINISHED SERVICES	1021			
631	IV. DECREASE OF STOCK VALUE OF UNFINISHED AND FINISHED PRODUCTS AND UNFINISHED SERVICES	1022			
51 except 513	V. COSTS OF MATERIALS	1023	11	175,073	162,971
513	VI. COSTS OF FUEL AND ENERGY	1024	12	258,963	275,494
52	VII. COSTS OF SALARIES, SALARY COMPENSATIONS AND OTHER PERSONAL EXPENSES	1025	13	2,821,301	2,414,173
53	VIII. COSTS OF PRODUCTION SERVICES	1026	14	336,036	368,161
540	IX. AMORTISATION COSTS	1027	15	884,949	767,878
541 to 549	X. COSTS OF LONG-TERM RESERVING	1028	16	36,817	69,447
55	XI. INTANGIBLE COSTS	1029	17	375,736	277,076
	V. OPERATING PROFIT (1001 – 1018) ≥ 0	1030		3,586,909	3,647,681
	G. OPERATING LOSS (1018 – 1001) ≥ 0	1031			
66	D. FINANCIAL REVENUES (1033 + 1038 + 1039)	1032		227,443	320,303
66 except 662, 663 & 664	I. FINANCIAL REVENUES FROM RELATED PARTIES AND OTHER FINANCIAL REVENUES (1034 + 1035 + 1036 + 1037)	1033		0	0
660	1. Financial revenues from parent company and subsidiaries	1034			
661	2. Financial revenues from other related parties	1035			
665	3. Revenues from participation in profit of associated legal entities and joint ventures	1036			
669	4. Other financial revenues	1037			
662	II. INTEREST REVENUE (FROM THIRD PARTIES)	1038	18	108,676	168,453

FINANCIAL STATEMENTS December 31, 2016

INCOME SHEET (continued)
in the period from January 1 to December 31, 2016

INCOME SHEET					
for the period from 01/01/2016 until 31/12/2016					
- in thousand RSD -					
663 & 664	III. FOREIGN EXCHANGE GAINS AND POS.EFFECTS OF CURRENCY CLAUSE (TOWARD THIRD PARTIES)	1039	19	118,767	151,850
56	Đ. FINANCIAL EXPENDITURES (1041 + 1046 + 1047)	1040		89,907	152,155
56 except 562, 563 & 564	I. FINANCIAL EXPENDITURES FROM RELATED PARTIES RELATION AND OTHER FIN.EXPENDITURES (1042 + 1043 + 1044 + 1045)	1041		0	0
560	1. Financial expenditures from relation with parent companies and subsidiaries	1042			
561	2. Financial expenditures from relation with other related parties	1043			
565	3. Expenditures from participation in the loss of associated legal entities and joint ventures	1044			
566 & 569	4. Other financial expenditures	1045			
562	II. INTEREST EXPENDITURES (TOWARD THIRD PERSONS)	1046	20	44,600	67,483
563 & 564	III. FOREIGN EXCHANGE LOSSES AND NEG.EFFECTS OF CURRENCY CLAUSE (TOWARD THIRD PARTIES)	1047	21	45,307	84,672
	E. PROFIT FROM FINANCING(1032 – 1040)	1048		137,536	168,148
	Ž. LOSS FROM FINANCING(1040 – 1032)	1049		0	0
683 & 685	Z. REVENUES FROM VALUATION ADJUSTMENTS OF OTHER ASSETS CARRIED AT FAIR VALUE THROUGH INCOME SHEET	1050	22	75,215	79,590
583 & 585	I. EXPENDITURES FROM VALUATION ADJUSTMENTS OF OTHER ASSETS CARRIED AT FAIR VALUE THROUGH INCOME SHEET	1051	23	165,133	40,100
67 & 68, except 683 & 685	J. OTHER REVENUES	1052	24	53,989	1,962,738
57 & 58, except 583 & 585	K. OTHER EXPENDITURES	1053	25	30,144	1,864,127
	L. OPERATING PROFIT BEFORE TAX (1030 – 1031 + 1048 – 1049 + 1050 – 1051 + 1052 – 1053)	1054		3,658,372	3,953,930

FINANCIAL STATEMENTS December 31, 2016

INCOME SHEET (continued)

in the period from January 1 to December 31, 2016

INCOME SHEET					
for the period from 01/01/2016 until 31/12/2016					
- in thousand RSD -					
Group of accounts - account	POSITION	ADP	Note No.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	LJ. OPERATING LOSS BEFORE TAX (1031 – 1030 + 1049 – 1048 + 1051 – 1050 + 1053 – 1052)	1055			
69-59	M. NET INCOME FROM DISCONTINUED OPERATIONS, THE EFFECT OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS FROM PREVIOUS PERIOD	1056	26	126,433	0
59-69	N. NET LOSS FROM DISCONTINUED OPERATIONS, EXPENSES CHANGE IN ACCOUNTING POLICIES AND CORRECTIONS FROM PREVIOUS PERIOD	1057			
	NJ. PROFIT BEFORE TAX (1054 – 1055 + 1056 – 1057)	1058	27;	3,784,805	3,953,930
	O. LOSS BEFORE TAX (1055 – 1054 + 1057 – 1056)	1059			
	p. INCOME TAX				
721	I. INCOME TAX EXPENDITURE	1060	27;	393,279	607,090
part 722	II. DEFERRED TAX EXPENDITURE	1061	27;	200,787	55,814
part 722	III. DEFERRED INCOME TAX	1062		0	0
723	R. EARNINGS PAID BY EMPLOYER	1063			
	S. NET PROFIT (1058 – 1059 – 1060 – 1061 + 1062)	1064	28	3,190,739	3,291,026
	T. NET LOSS (1059 – 1058 + 1060 + 1061 – 1062)	1065			
	I NET INCOME OF MINORITY SHAREHOLDERS	1066			
	II NET INCOME OF THE MAJORITY OWNER	1067			
	III PROFIT PER SHARE				
	1. Basic earning per share	1068	28		
	2. Reduced (diluted) earning per share	1069			
6	TOTAL REVENUES			9,016,436	10,478,770
5	TOTAL EXPENDITURES			5,231,631	6,524,840

FINANCIAL STATEMENTS December 31, 2016

BALANCE SHEET

On December 31, 2016

BALANCE SHEET

on 31/12 2016

- in thousand RSD -

Group of accounts - account	POSITION	ADP	Note No.	Amount		
				Current year 2016	Previous year	
					Final balance 31/12/2015	Initial balance 01/01/2015
1	2	3	4	5	6	7
	ASSETS					
0	A. NON-PAID UP SUBSCRIBED CAPITAL	1				
	B. FIXED ASSETS (0003 + 0010 + 0019 + 0024 + 0034)	2		23,895,702	21,730,626	0
1	I. INTANGIBLE ASSETS (0004 + 0005 + 0006 + 0008 + 0009)	3	29	135,730	80,523	0
010 & part 019	1. Investment in development	4				
011, 012 & part 019	2. Concessions, patents, licences, trade marks, software and other rights	5	29	135,730	80,523	
013 & part 019	3. Goodwill	6				
014 & part 019	4. Other intangible assets	7				
015 & part 019	5. Intangible assets in progress	8				
016 & part 019	6. Advances for intangible assets	9				
2	II. REAL ESTATES, PLANTS AND EQUIPMENT (0011 + 0012 + 0013 + 0014 + 0015 + 0016 + 0017 + 0018)	10	29	23,535,062	21,529,104	0
020, 021 & part 029	1. Land	11	29	9,416,290	9,120,668	
022 & part 029	2. Buildings	12	29	9,678,995	9,858,745	
023 & part 029	3. Plant and equipment	13	29	3,101,024	2,482,528	
024 & part 029	Investment property	14	29	26,525	26,073	
025 & part 029	5. Other property, plants and equipment	15	29	3,619	3,619	
026 & part 029	6. Property, plants, equipment in progress	16	29	1,188,102	20,236	
027 & part 029	7. Investments in some else's property, plant and equipment	17				
028 & part 029	8. Advances for property, plants and equipment	18	29	120,507	17,235	
3	III. BIOLOGICAL RESOURCES (0020 + 0021 + 0022 + 0023)	19		145	120	0
030, 031 & part 039	1. Forests and perennial plants	20				
032 & part 039	2. Livestock unit	21	29	145	120	
037 & part 039	3. Biological resources in progress	22				
038 & part 039	4. Advances for biological resources	23				
04. except 047	IV. LONG-TERM FINANCIAL INVESTMENTS (0025 + 0026 + 0027 + 0028 + 0029 + 0030 + 0031 + 0032 + 0033)	24		140,946	120,879	0
040 & part 049	1. Shares in subsidiaries	25				
041 & part 049	2. Shares in associated companies and joint ventures	26				
042 & part 049	3. Shares in other legal entities and other securities available for sale	27	30	1	1	
part 043, part 044 & part 049	4. Long-term investments to parent companies and subsidiaries	28				
part 043, part 044 & part 049	5. Long-term investments to other related parties	29				
part 045 & part 049	6. Long-term investments in the country	30				
part 045 & part 049	7. Long-term investments abroad	31				
046 & part 049	8. Securities hold to maturity	32				
048 & part 049	9. Other long-term financial investments	33	31	140,945	120,878	

FINANCIAL STATEMENTS December 31, 2016

BALANCE SHEET (continued)

On December 31, 2016

BALANCE SHEET						
on 31/12 2016						
- in thousand RSD -						
Group of accounts - account	POSITION	ADP	Note No.	Amount		
				Current year 2016	Previous year	
1	2	3	4	5	6	7
	ASSETS					
5	V. LONG-TERM RECEIVABLES (0035 + 0036 + 0037 + 0038 + 0039 + 0040 + 0041)	34		83,819	0	0
050 & part 059	1. Receivables from parent company and subsidiaries	35				
051 & part 059	2. Receivables from other related parties	36				
052 & part 059	3. Receivables from sale on trade credit	37				
053 & part 059	4. Receivables from sale per contracts on financial leasing	38				
054 & part 059	5. Receivables based on guarantees	39				
055 & part 059	6. Disputed and doubtful receivables	40				
056 & part 059	7. Other long-term receivables	41	31	83,819		
288	V. DEFERRED TAX ASSETS	42				
	G. TURNOVER ASSETS					
	(0044 + 0051 + 0059 + 0060 + 0061 + 0062 + 0068 + 0069 + 0070)	43		6,455,664	6,540,995	0
Class 1	I STOCKS (0045 + 0046 + 0047 + 0048 + 0049 + 0050)	44		85,637	141,272	0
10	1. Material, spare parts, tools and small inventory	45	32	62,272	94,820	
11	2. Unfinished production and unfinished services	46				
12	3. Ready products	47				
13	4. Goods	48	33	4,816	12,301	
14	5. Non-current assets intended for sale	49				
15	6. Advances paid for stock and services	50	34	18,549	34,151	
20	II RECEIVABLES FROM SALE (0052 + 0053 + 0054 + 0055 + 0056 + 0057 + 0058)	51		1,020,436	1,701,939	0
200 & part 209	1. Buyers in the country - parent companies and subsidiaries	52				
201 & part 209	2. Buyers abroad - parent companies and subsidiaries	53				
202 & part 209	3. Buyers in the country - other related parties	54				
203 & part 209	4. Buyers abroad - other related parties	55				
204 & part 209	5. Buyers in the country	56	35	360,511	1,069,267	
205 & part 209	6. Buyers abroad	57	36	659,925	632,672	
206 & part 209	7. Other receivables from sale	58				
21	III RECEIVABLES FROM SPECIFIC OPERATIONS	59				
22	IV OTHER RECEIVABLES	60	37	388,411	90,631	
236	V FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME SHEET	61				
23 except 236 & 237	VI SHOR-TERM INVESTMENT (0063 + 0064 + 0065 + 0066 + 0067)	62		3,985,447	3,876,640	0
230 & part 239	1. Short-term loans and invest.- parent companies and subsidiaries	63				
231 & part 239	2. Short-term loans and invest.- other related parties	64				
232 & part 239	3. Short-term credits and loans in the country	65	38	50,953	77,841	
233 & part 239	4. Short-term credits and loans abroad	66				
234, 235, 238 & part 239	5. Other short-term financial investments	67	39	3,934,494	3,798,799	
24	VII CASH AND CASH EQUIVALENTS	68	41	740,102	704,127	
27	VIII VALUE ADDED TAX	69				0
28 except 288	IX PREPAYMENTS AND ACCRUED INCOME	70	42	235,631	26,386	
	D. TOTAL ASSETS = BUSINESS ASSETS (0001 + 0002 + 0042 + 0043)	71		30,351,366	28,271,621	0
88	D. OFF-BALANCE SHEET ASSETS	72	62	524,556	320,491	

FINANCIAL STATEMENTS December 31, 2016

BALANCE SHEET (continued)

On December 31, 2016

BALANCE SHEET						
on 31/12 2016						
- in thousand RSD -						
Group of accounts - account	POSITION	ADP	Note No.	Amount		
				Current year 2016	Final balance 31/12/2015	Initial balance 01/01/2015
1	2	3	4	5	6	7
	LIABILITIES					
	A. CAPITAL (0402 + 0411 – 0412 + 0413 + 0414 + 0415 – 0416 + 0417 + 0420 – 0421) ≥ 0 = (0071 – 0424 – 0441 – 0442)	401	43	27,087,521	25,697,984	0
30	I CORE CAPITAL	402		20,573,610	20,573,610	
	(0403 + 0404 + 0405 + 0406 + 0407 + 0408 + 0409 + 0410)					
300	1. Share capital	403	44	20,573,610	20,573,610	
301	2. Shares of limited liability companies	404				
302	3. Stakes	405				
303	4. State capital	406				
304	5. Social capital	407				
305	6. Cooperative capital	408				
306	7. Share issue premium	409				
309	8. Other core capital	410				
31	II NON-PAID UP SUSCRIBED CAPITAL	411				
047 & 237	III REPURCHASED OWN SHARES	412				
32	IV RESERVES	413	45	4,120,259	2,842,810	
330	V. REVALUATION RESERVES BASED ON THE REVALUATION OF INTANGIBLE PROPERTY, PLANT AND EQUIPMENT	414	45	601,827	148,390	
33 except 330	VI. NON-REALISED INCOMES FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULTS (credit balance of group account 33 except 330)	415	45	16,590	12,788	
33 except 330	VII. NON-REALISED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULTS (debit balance of group account 33 except 330)	416				
34	VIII NON-DISTRIBUTED PROFIT	417	46	1,775,235	2,120,386	0
	(0418 + 0419)					
340	1. Non-distributed profit of previous years	418	46	303	144,356	
341	2. Non-distributed profit of the current year	419	46	1,774,932	1,976,030	
	IX. SHARE WITHOUT RIGHT OF CONTROL	420				
35	X. LOSS (0422 + 0423)	421		0	0	0
350	1. Loss of previous years	422				
351	2. Loss of the current year	423				
	B. LONG -TERM RESERVES AND LIABILITIES (0425 + 0432)	424		908,241	1,017,814	0
40	I LONG -TERM RESERVES	425	47;48	206,332	225,020	0
	(0426 + 0427 + 0428 + 0429 + 0430 + 0431)					
400	1. Reserves for cost within guarantee period	426				
401	2. Reserves for restoration of natural resources	427				
403	3. Reserves for restructuring costs	428				
404	4. Reserves fro retirement and other employee benefits	429	47;48;49	125,836	110,239	
405	5. Reserves for litigations	430	47;48;49	80,496	114,781	
402 & 409	6. Other long-term reserves	431				
41	II LONG-TERM LIABILITIES	432		701,909	792,794	0
	(0433 + 0434 + 0435 + 0436 + 0437 + 0438 + 0439 + 0440)					
410	1. Liabilities that may be converted into capital	433				
411	2. Liabilities toward parent companies and subsidiaries	434				
412	3. Liabilities toward other related parties	435				

FINANCIAL STATEMENTS December 31, 2016

BALANCE SHEET (continued)
On December 31, 2016

BALANCE SHEET						
on 31/12 2016						
- in thousand RSD -						
Group of accounts - account	POSITION	ADP	Note No.	Amount		
				Current year 2016	Previous year	
1	2	3	4	5	6	7
LIABILITIES						
413	4. Liabilities from securities for a period longer than one year	436				
414	5. Long-term credits and loans in the country	437				
415	6. Long-term credits and loans abroad	438	50;51	701,909	792,794	
416	7. Liabilities based on financial leasing	439				
419	8. Other long-term liabilities	440		0	0	0
498	V. DEFERRED TAX LIABILITIES	441	27	370,283	88,308	
42 to 49 (except 498)	G. SHORT-TERM LIABILITIES (0443 + 0450 + 0451 + 0459 + 0460 + 0461 + 0462)	442		1,985,321	1,467,515	0
42	I SHORT-TERM FINANCIAL OBLIGATIONS (0444 + 0445 + 0446 + 0447 + 0448 + 0449)	443		102,919	101,380	0
420	1. Short-term loans from parent company and subsidiaries	444				
421	2. Short-term loans from other related parties	445				
422	3. Short-term credits and loans in the country	446				
423	4. Short-term credits and loans abroad	447				
427	5. Liabilities on fixed assets and assets from discontinued operations intended for sale	448				
424, 425, 426 & 429	6. Other short-term financial obligations	449	52	102,919	101,380	
430	II RECEIVED PREPAYMENTS, DEPOSITS AND BAILS	450	53	82,663	62,361	
43 except 430	III BUSINESS LIABILITIES (0452 + 0453 + 0454 + 0455 + 0456 + 0457 + 0458)	451		462,702	240,783	0
431	1. Suppliers - parent comp. and subsidiaries in the country	452				
432	2. Suppliers - parent comp. and subsidiaries abroad	453				
433	3. Suppliers -other related in the country	454				
434	4. Suppliers -other related abroad	455				
435	5. Suppliers in the country	456	54	396,580	204,483	
436	6. Suppliers abroad	457	55	51,240	10,916	
439	7. Other business liabilities	458	56	14,882	25,384	
44, 45 & 46	IV OTHER SHORT-TERM LIABILITIES	459	57	1,138,394	858,225	
47	V LIABILITIES FROM VALUE ADDED TAX	460	58	57,398	25,809	
48	VI LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND FEES	461	59;60	1,936	96,616	
49 except 498	VII ACCRUALS AND DEFERRED INCOME	462	61	139,309	82,341	
	D. LOSS OVER CAPITAL (0412 + 0416 + 0421 - 0420 - 0417 - 0415 - 0414 - 0413 - 0411 - 0402) ≥ 0 = (0441 + 0424 + 0442 - 0071) ≥ 0	463		0	0	
	Đ. TOTAL LIABILITIES (0424 + 0442 + 0441 + 0401 - 0463) ≥ 0	464		30,351,366	28,271,621	0
89	E. OFF-BALANCE SHEET LIABILITIES	465	62	524,556	320,491	

FINANCIAL STATEMENTS December 31, 2016

REPORT ON OTHER RESULTS in the period from January 1 to December 31, 2016

REPORT ON OTHER RESULTS					
for the period from 01/01/2016 until 31/12/2016					
- in thousand RSD -					
Group accounts, account	POSITION	ADP	Notes no:	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A. NET RESULTS FROM OPERATIONS				
	I. NET PROFIT (ADP 1064)	2001	28;	3,190,739	3,291,026
	II. NET LOSS (ADP 1065)	2002			
	B. OTHER COMPREHENSIVE PROFITS AND LOSS				
	a) Items that will not be reclassified in income sheet n future periods				
	1. Changes in revaluation of intangible assets, property, plant and equipment				
330	a) increase in revaluation reserves	2003	45	536,780	0
	b) decrease in revaluation reserves	2004	45	2,170	
	2. Actuarial gains and losses on defined benefit plans				
331	a) gains	2005	45	4,473	8,954
	b) losses	2006			
	3. Gains and losses on investment in equity capital instruments				
332	a) gains	2007			
	b) losses	2008			
	4. Gains or losses on shares in other comprehensive profit or losses of associated companies				
333	a) gains	2009			
	b) losses	2010			
	a) Items that can subsequently be reclassified in income sheet n future periods				
	1. Gains or losses based on recalculation of financial statements of foreign operations				
334	a) gains	2011			
	b) losses	2012			
	2. Gains or losses on hedging instruments of net investment in a foreign operation				
335	a) gains	2013			
	b) losses	2014			
	3. Gains or losses on risk hedging instruments of cash flow				
336	a) gains	2015			
	b) losses	2016			
	4. Gains or losses on securities available for sale				
337	a) gains	2017			
	b) losses	2018			
	I. OTHER GROSS COMPREHENSIVE PROFIT				
	(2003 + 2005 + 2007 + 2009 + 2011 + 2013 + 2015 + 2017) - (2004 + 2006 + 2008 + 2010 + 2012 + 2014 + 2016 + 2018) ≥ 0	2019		539,083	8,954
	II. OTHER GROSS COMPREHENSIVE LOSS				
	(2004 + 2006 + 2008 + 2010 + 2012 + 2014 + 2016 + 2018) - (2003 + 2005 + 2007 + 2009 + 2011 + 2013 + 2015 + 2017) ≥ 0	2020			
	III. TAX ON OTHER COMPREHENSIVE PROFIT OF LOSS FOR THE PERIOD	2021	45	81,188	1,343
	IV. NET OTHER COMPREHENSIVE PROFIT				
	(2019 - 2020 - 2021) ≥ 0	2022	45	457,895	7,611
	V. NET OTHER COMPREHENSIVE LOSS				
	(2020 - 2019 + 2021) ≥ 0	2023			
	B. TOTAL NET COMPREHENSIVE RESULT OF THE PERIOD				
	I. TOTAL NET COMPREHENSIVE PROFIT				
	(2001 - 2002 + 2022 - 2023) ≥ 0	2024		3,648,634	3,298,637
	II. TOTAL NET COMPREHENSIVE LOSS				
	(2002 - 2001 + 2023 - 2022) ≥ 0	2025		0	0
	G. TOTAL NET COMPREHENSIVE PROFIT OF LOSS (2027 + 2028) = ADP 2024 ≥ 0 or ADP 2025 > 0	2026		0	0
	1. Attributable to majority owners of capital	2027			
	2. Attributable to owners who do not have control	2028			

FINANCIAL STATEMENTS December 31, 2016

CASH FLOW STATEMENT
for the period from 01/01 until 31/12/2016

CASH FLOW STATEMENT

in the period from 01/01/2016 until 31/12/2016

- in thousand RSD -

Position	ADP	Note No.	Amount	
			Current year	Previous year
1	2	3	4	5
A. CASH FLOW FROM BUSINESS ACTIVITY				
I. Cash inflow from business activities (1 to 3)	3001		10,335,407	8,689,539
1. Sale and received advance payments	3002		9,219,279	7,516,837
2. Interest received from business activity	3003		7,404	20,209
3. Other inflows from regular operations	3004		1,108,724	1,152,493
II. Cash outflow from business activities (1 to 5)	3005		5,901,306	5,612,535
1. Payments for suppliers and given advance payments	3006		1,569,954	1,381,019
2. Salaries, salary compensations and other personal expenses	3007		2,830,291	2,400,957
3. Paid interest	3008		62,716	42,948
4. Income tax	3009		766,395	1,005,682
5. Payment from other public revenues	3010		671,950	781,929
III. Net cash inflow from business activities (I-II)	3011		4,434,101	3,077,004
IV. Net cash outflow from business activities (II-I)	3012			
B. CASH FLOW FROM INVESTMENT ACTIVITY				
I. Cash inflow from investment activities (1 to 5)	3013		103,004	142,603
1. Sale of shares and portions (net inflows)	3014		0	0
2. Sale of intangible investments, properties, plants, equipment and biological agencies	3015		361	283
3. Other financial investments (net inflows)	3016		0	0
4. Interest received from investment activity	3017		102,643	142,320
5. Dividend received	3018		0	0
II. Cash outflow from investment activities (1 to 3)	3019		2,451,299	2,630,120
1. Purchase of shares and portions (net outflows)	3020		0	0
2. Purchase of intangible investments, properties, plants, equipment and biological agencies	3021		2,416,007	855,436
3. Other financial investments (net outflows)	3022		35,292	1,774,684
III. Cash net inflow from investment activities (I-II)	3023		0	0
IV. Cash net outflow from investment activities (II-I)	3024		2,348,295	2,487,517

FINANCIAL STATEMENTS December 31, 2016

CASH FLOW STATEMENT (cont'd)
for the period from 01/01 until 31/12/2016

CASH FLOW STATEMENT

in the period from 01/01/2016 until 31/12/2016

- in thousand RSD -

Position	ADP	Note No.	Amount	
			Current year	Previous year
1	2	3	4	5
V. CASH FLOW FROM FINANCING ACTIVITY				
I. Cash inflow from financing activities (1 to 5)	3025		0	0
1. Core capital increase	3026		0	0
2. Long-term loans (net inflows)	3027		0	0
3. Short-term loans (net inflows)	3028		0	0
4. Other long-term liabilities	3029		0	0
5. Other short-term liabilities	3030		0	0
II. Cash outflow from financing activities (1 to 6)	3031		2,060,669	2,712,032
1. Redemption of own shares and portions	3032		0	0
2. Long-term loans (outflows)	3033		102,738	101,035
3. Short-term loans (outflows)	3034		0	0
4. Other liabilities (outflows)	3035		0	0
5. Financial leasing	3036		0	0
6. Paid-up dividends	3037		1,957,931	2,610,997
III Cash net inflow from financing activities (I-II)	3038			
IV. Cash net outflow from financing activities (II-I)	3039		2,060,669	2,712,032
G. OVERALL CASH INFLOW (3001 + 3013 + 3025)	3040		10,438,411	8,832,142
D. OVERALL CASH OUTFLOW (3005 + 3019 + 3031)	3041		10,413,274	10,954,687
Đ. OVERALL CASH INFLOW (3040 – 3041)	3042		25,137	0
E. OVERALL CASH OUTFLOW (3041 – 3040)	3043			2,122,545
Ž. CASH AT THE BEGINNING OF ACCOUNTING PERIOD	3044		704,127	2,803,851
Z. POSITIVE EXCHANGE RATE DIFFERENCES FROM CASH CONVERSION	3045		22,768	53,351
I. NEGATIVE EXCHANGE RATE DIFFERENCES FROM CASH CONVERSION	3046		11,930	30,530
J. CASH AT THE END OF ACCOUNTING PERIOD	3047		740,102	704,127
(3042 – 3043 + 3044 + 3045 – 3046)				

JSC AIRPORT NIKOLA TESLA BELGRADE

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

1. FOUNDING AND OPERATION OF THE COMPANY**1.1. General data of the Company:**

The Joint Stock Company Airport Nikola Tesla Belgrade (hereinafter: the Company) has been established for provision of airport services (aircraft landing, take-off, taxing and parking and aircraft, passenger and cargo handling). Apart from the basic activity of rendering airport services, the Company, as side activities, provides other services at airport complex, satisfying the needs of service users, domestic and foreign air carriers.

Operation of the Airport dates back to March 25, 1928, at the location Bežanijska kosa, and operation on the current location (Surčin) started in 1962.

By a Decision of the Government of the Republic of Serbia of 1992, the Airport was re-registered as Javno preduzeće (public company) Aerodrom „Beograd“ and in 2006, also by a decision of the Government it got the name JP Aerodrom Nikola Tesla Beograd.

The Government of the Republic of Serbia on 17/06/2010 made the Decision No. 023-4432/2010 on change of legal form of JP Aerodrom "Nikola Tesla" Beograd from a public company into closed Joint Stock Company. The change of legal form is registered with the Business Registers Agency on 22/06/2010 by the Rescript No.BD 68460/2010.

After the change of legal form the company continued its business under the full name **Joint Stock Company Airport Nikola Tesla Belgrade**.

By the Rescript of the Registers Agency No: BD 7651/2011 dated on 24/01/2011, the Joint Stock Company Airport Nikola Tesla Belgrade was registered in Business Registers Agency as an open joint stock company.

<i>Head-office</i>	11180 Belgrade 59, Serbia
<i>Register number:</i>	07036540
<i>Tax identification number</i>	100000539
<i>Activity code and name</i>	5223 - Air-traffic services

According to the classification criteria from the Law on accounting and audit JSC Airport Nikola Tesla Belgrade is classified as a large legal person.

1.2. Number of employees and engaged persons

On Balance Sheet date on 31 December, 2016 the Company had 1,994 engaged workers of which 1,323 employees of the Company including 501 permanent employees, employees on a definite period of time 822, temporary workers 246, and 425 workers engaged through youth organizations (on 31 December 2015 there were 1,871 engaged workers, of which 491 permanent employees, 762 employed for a definite period of time, 454 workers engaged through youth organizations, and 164 workers engaged in temporary and occasional jobs).

In I-XII 2016, the average number of employees engaged by the Company at the end of each month was 1,916 of which average number of employees of the Company is 1,294 (496 permanent employees, 798 employees for a definite period of time), averagely 201 workers engaged in temporary and occasional jobs, 422 workers engaged through youth organizations (during 2015 there were on average 1,782 employees: 485 permanent employees, 617 employed for a definite period of time, 435 workers hired through youth organizations, 65 workers through OZB Komerc and 181 workers engaged in temporary and occasional jobs).

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

1. FOUNDING AND OPERATION OF THE COMPANY (cont'd)**1.3. Management structure**

The Company has established two-tier corporate system. The Bodies of the Company are the Assembly, the Supervisory Board and the Executive Board.

The Assembly comprises of the Company Shareholders entitled to participate in Assembly's work. The Shareholder in possession of 1% of ordinary shares (34,289 shares) is entitled to participate in Assembly work.

The Supervisory Board has 7 members assigned by the Assembly of the Company. The Supervisory Board may form different experts committees with at least three members, whereof one has to be an independent member of the Supervisory Board.

The Executive Board has 5 executive directors including the General Director. The Executive directors are assigned by the Supervisory Board of the Company.

1.4. Ownership structure

After change of legal form into a closed joint stock company, the Central depository and clearing house registered on 07.07.2010, 34,289,350 shares; 100% in ownership of the Republic of Serbia.

On 09/12/2010 the Government of the Republic Serbia made the Decision No. 023-9103/2010-1, by which citizens of the Republic of Serbia, the employees and former employees of the Company have acquired the right to 16.85% of ownership of the Company. After transfer of the right to free of charge shares to citizens, employees and former employees, the Republic of Serbia owns 28,511,988 ordinary shares, which represents 83.15% of the total share capital of the Company.

By the Decision on admission of shares to Prime Listing 04/4 No. 478/11 dated on 28/01/2011, the shares of the Company are accepted on 'A' Listing of the Belgrade Exchange Market. Stock trade on the Belgrade Exchange Market commenced on 07/02/2011.

2. BASIS FOR COMPOSITION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING METHOD**2.1 Basis for composition and presentation of financial statements**

Financial statements for the I-XII 2016 are prepared in a manner and in accordance with the legislation and approved at the meeting of the Supervisory Board on 27/04/2017.

Legal persons and entrepreneurs in the Republic of Serbia are obliged to perform recording of financial accounts, assessment of property and liabilities, revenues and expenditures, displaying, submission and disclosure of financial statements in accordance with the Law on Accounting (hereinafter "the Law", published in the "Official Gazette of RS " no. 62/2013), as well as in accordance with other applicable regulations. The Enterprise, as a large legal person, is obliged to apply International financial reporting standards (IFRS), which in terms of the said law, comprise of: Framework for preparation and disclosure of financial statements ("Framework"), International accounting standards ("IAS"), International financial reporting standards ("IFRS) and relevant interpretations, issued by the IFRS Interpretation Committee ("IFRIC"), subsequent amendments to the standards and relevant interpretations, approved by the International Accounting Standards Board (the "Board"), whose translation has been established and published by a ministry governing financial affairs.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

2. BASIS FOR COMPOSITION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING METHOD (CONT'D)**2.1 Basis for composition and presentation of financial statements (cont'd)**

By the Decision of the Ministry dated on March 13, 2014 and published in the "Official Gazette of RS", no. 35, on March 27, 2014 (hereinafter the "Decision on translation establishing") translations of basic texts of IAS and IFRS, the Conceptual framework for financial reporting ("Conceptual framework") adopted by the Board as well as translations of the relevant IFRIC interpretations were adopted and published. The said translations published in the Decision on translation establishing do not include basis for conclusion, illustrative examples, guidelines, comments, opposite opinions, elaborate examples, as well as other supplementary explanatory materials, which may be adopted in relation to standards, i.e. interpretations, unless it is clearly stated that such material is integral part of the standard, i.e. interpretation. Based on the Decision on translation establishing the Conceptual framework, IAS, IFRS, IFRIC and related interpretation have been translated and applied since the financial statements composed on December 31, 2014. Amended or IFRS and interpretations issued after this date have not been translated nor published, therefore they have not been applied in composition of the attached financial statements.

However, up to the date of composition of the attached financial statements not all amendments to IAS/IFRS and IFRIC interpretations, effective for annual periods starting from January 1, 2015, were translated. Besides, certain regulations and by-laws prescribe accounting procedures, evaluations and disclosing, which in certain cases derogate from the requirements of IAS/IFRS and IFRIC interpretations.

Beside the aforementioned, the attached financial statements derogate from IAS and IFRS in the following items:

- Derogations from IAS 1 "Presentation of financial statements" and IAS 16 "Real estate, plants and equipment" in treatment and evidence of the effects of value assessment of the capital, where the main part is value assessment of property, plants and investment property. Namely, in accordance with article 27 of independent articles of the Law on amendments on the Law on right to free shares and financial compensation realized by the citizens in the privatization procedure ("Official Gazette" no. 30/2010) the founder of the Company was obliged to ensure that up to June 30, 2010 the Company changes its legal form and expresses its basic capital in shares with defined nominal value based on corrected accounting value of the capital. Accordingly, after capital value assessment the assessed value of the property and liabilities was accounted in favour of revaluation reserves. Based on the Decision of the Board of Managers no. 04-100/1 dated May 31, 2010 on increase of the capital, and the Decision of the Government of the Republic of Serbia no. 023-4175/2010 dated June 4 2010 on approval for the said Decision on increase of the core capital from own resources by conversion of reserves and undistributed profit into the core capital of PE Airport Nikola Tesla Belgrade, the Company registered in its accounting records increase of the state capital on January 1, 2010, correcting of the initial balance by reduction of the other capital, reserves, revaluation reserves and undistributed profit. The mentioned accounting treatment derogates from the requirements of IAS 16 "Real estate, plants and equipment" according to which: 1) the result of revaluation is attributed directly to capital, within the position revaluation reserves, i.e. it is recognised as profit in income sheet up to the amount of returned revaluation reduction of the same resource, which had previously been recognised as expenditure, as well as in the part according to which 2) revaluation reserves which are an integral part of the capital related to property, plants and equipment, may be transferred directly to undistributed profit, when the resource is not recognised any more. Due to afore-mentioned recognition of value assessment in the attached financial statements in line with the mentioned documents is not in line with the requirements of IAS 1 "Presentation of financial statements" and IAS 16 "Property, plants and equipment"

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

2 BASIS FOR COMPOSITION AND PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**2.1 Basis for composition and presentation of financial statements (cont'd)**

- Derogation from IAS 12 "Income taxes", as a base for recognition of deferred tax liabilities or resources, arising from revaluation resources which are not depreciated in line with IAS 16 "Property, plants and equipment" and measures based on tax consequences which would arise from recovery of carrying value of such resource through sale, regardless of measuring of carrying value of that resource. Due to inability of clear interpretation of regulations in regard to tax treatment of possible sale, i.e. transfer of right of use of land, then determining certain rights to disposal and right to ownership over the land of the Company, and due to specific activity and regulations of airport operating in the Republic of Serbia, and specific provisions of the independent articles of the Law on amendments to the Law on right to free shares and financial compensation realized by the citizens in the privatization procedure ("Official Gazette" no. 30/2010), we consider that it is not possible to implement the said provisions of IAS 12 "Income taxes" in the given circumstances. With the assumption that in case of sale, i.e. transfer of the right to use land this transaction would be subject to capital gains tax and that the purchase value for tax purposes would be determined at the level of the purchase value expressed in accounting books of the Company on 31/12/2003, which was determined in line with the accounting regulations in effect at that time, which is regulated procedure for the real estate owned by legal persons in the Republic Serbia, according to the requirements of IAS 12 "Income taxes" deferred tax liabilities based on revaluation land on 31/12/2016 would amount to RSD 1,163,013 thousand, i.e. total liabilities of the Company would be increased and the capital would be decreased by the stated amount. If and when the right to use is converted to ownership right, the indicated deferred tax liabilities will undoubtedly exist and the Company will have to record and display them in its financial statements.
- In the opinion of the Ministry, participation of employees in profit is recorded as a decrease of undistributed profit and not at the cost of results of the current period, as it is required by IAS 19 "Employee benefits".

Accordingly and considering potential material effects that derogation of the accounting regulation of the Republic of Serbia from IFRS and IAS may have on reality and impartiality of the financial statements of the Company, the attached financial statements cannot be regarded as financial statements composed in accordance with IFRS and IAS.

The published standards and interpretations, which came into effect in the current period based on the Decision on translation establishing are disclosed in the note 2.2. The published standards and interpretations valid in the current period, which have not been officially translated and adopted are disclosed in the note 2.3. The published standards and interpretations which have not been implemented are disclosed in the note 2.4.

The financial statements are composed in line with the principle of historical cost, unless it is noted differently in accounting policies given hereinafter.

While composing these financial statements, the Company applied accounting policies explained in the Note 3.

In accordance with the Law on accounting the financial statements of the Company are expressed in thousands. Dinar is the official reporting currency in the Republic of Serbia.

2.2 Published standards and interpretations effective based on the Decision on translation establishing

- Amendments to IFRS 7 "Financial instruments: Disclosures" - Amendments improving disclosure of fair value and liquidity risks (revised in March 2009, effective for annual periods beginning on or after January 1, 2009);

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

2 BASIS FOR COMPOSITION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING METHOD (cont'd)**2.2 Published standards and interpretations effective based on the Decision on translation establishing (cont'd)**

- Amendments to IFRS 1 „First-time adoption of IFRS“ – Additional exemptions for persons who implement IFRS for the first time. Amendments refer to resources in oil and gas industry and confirmation whether contracts contain leasing provisions (revised July 2009, effective for annual periods beginning on or after January 1, 2010);
- Amendments to different standards and interpretations are a result of the Annual improvement project of IFRS published on April 16, 2009 (IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, IAS 39, IFRIC 16 primarily with the purpose of removal of inconsistency and clarification of text wording (amendments to standards became effective for annual periods beginning on or after January 1, 2010, and amendments to IFRIC on or after July 1, 2009).
- Amendments to IAS 38 „Intangible assets“ (effective for annual periods beginning on or after July 1, 2009);
- Amendments to IFRS 2 "Share-based payment": Amendments as a result of the Annual improvement project of IFRS (revised in April 2009, effective for annual periods beginning on or after July 1, 2009) and amendments referring to transactions of payment by shares of a group based on cash (revised in June 2009, effective for annual periods beginning on or after January 1, 2010);
- Amendments to IFRIC 9 „Reassessment of Embedded Derivatives“ effective for annual periods beginning on or after July 1, 2009 and IAS 39 "Financial instruments: Recognition and Measurement" - Embedded derivatives (effective for annual periods beginning on or after June 30, 2009);
- IFRIC 18 „Transfer of assets from customers" - Embedded derivatives (effective for annual periods beginning on or after July 1, 2009);
- "Conceptual Framework for Financial Reporting 2010" representing amendment of the „Framework for the Preparation and Presentation of Financial Statements" (effective for transfer of assets from customers received on or after September 2010).
- Amendments to IFRS 1 "First-time adoption of IFRS" – Limited exemption of comparative disclosures proscribed within IFRS 7 for the persons which adopt IFRS for the first time (effective for annual periods beginning on or after July 1, 2010);
- Amendments to IAS 24 "Related party disclosures" – Simplified requirements for disclosures for persons under (significant) control or influence of a Government and clarification of the definition of the related party (effective for annual periods beginning on or after January 1, 2011);
- Amendments to IAS 32 "Financial instruments: presentation" - Inclusion of the pre-emption right to new shares in accounting (effective for annual periods beginning on or after February 1, 2010);
- Amendments to different standards and interpretations "Improvements of IFRS (2010)" are a result of the Annual improvement project of IFRS published on May 6, 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with the purpose of removal of inconsistency and clarification of text wording (most of amendments will be effective for annual periods beginning on or after January 1, 2011);

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

**2 BASIS FOR COMPOSITION AND PRESENTATION OF FINANCIAL STATEMENTS
AND ACCOUNTING METHOD (cont'd)****2.2 Published standards and interpretations effective based on the Decision on translation establishing (cont'd)**

- Amendments to "IFRIC 14 - IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their Interaction" Advance payment of minimum assets necessary for funding (effective for annual periods beginning on or after January 1, 2011);
- IFRIC 19 "Extinguishing financial liabilities with equity instruments" (effective for annual periods beginning on or after July 1, 2010);
- Amendments to IFRS 1 "First-time adoption of IFRS" – Severe hyperinflation and removal of fixed dates for first-time adopters (effective for annual periods beginning on or after July 1, 2011);
- Amendments to IFRS 7 "Financial instruments: Disclosures" - Transfer of financial assets (effective for annual periods beginning on or after January 1, 2011);
- Amendments to IAS 12 „Income taxes“ – Deferred taxes recovery of assets used for tax calculation (effective for annual periods beginning on or after January 1, 2012);
- IFRS 10 "Consolidated financial statement" (effective for annual periods beginning on or after January 1, 2013);
- IFRS 11 "Joint arrangements" (effective for annual periods beginning on or after January 1, 2013);
- IFRS 12 "Disclosure of interests in other entities" (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 10, IFRS 11 and IFRS 12 „Consolidated financial statement, Joint arrangements and Disclosure of interests in other entities: Transition guidance" (effective for annual periods beginning on or after January 1, 2013);
- IAS 27 (revised in 2011) "Separate financial statements" (effective for annual periods beginning on or after January 1, 2013);
- IAS 28 (revised in 2011) "Investments in associates and joint ventures" (effective for annual periods beginning on or after January 1, 2013);
- IFRS 13 "Fair value measurement" (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 1 "First-time adoption of IFRS" – Government loans with interest rate below market rates (effective for annual periods beginning on or after July 1, 2013);
- Amendments to IFRS 7 "Financial instruments: Disclosures" - Offsetting financial assets and financial liabilities (effective for annual periods beginning on or after January 1, 2013);

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

2. BASIS FOR COMPOSITION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING METHOD (cont'd)**2.2 Published standards and interpretations effective based on the Decision on translation establishing (cont'd)**

- Amendments to IAS 1 "Presentation of financial statements" - Presentation of items of other comprehensive income (effective for annual periods beginning on or after July 1, 2012);
- Amendments to IAS 19 "Employee benefits" - Improvement of accounting requirements for benefits upon termination of employment (effective for annual periods beginning on or after January 1, 2013);
- Annual improvement for the period 2009-2011 published in May 2012 referring to different improvement projects of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily to removal of inconsistency and clarification of text wording (effective for annual periods beginning on or after January 1, 2013);
- IFRIC 20 "IFRIC 20 — Stripping costs in the production phase of a surface mine" (effective for annual periods beginning on or after January 1, 2013);

2.3 The published standards and interpretations valid in the current period, which have not been officially translated and adopted

On the date of disclosure of these financial statements, undermentioned standards and amendments to the standards had been published by the IAS Board and the following interpretations had been published by the IFRS Interpretations Committee, but they had not been adopted in the Republic of Serbia:

- Amendments to IAS 32 "Financial instruments: Presentation" - Offsetting financial assets and financial liabilities (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IFRS 10 "Consolidated financial statements", IFRS 12 „Disclosure of interests in other entities" and IAS 27 „Separate financial statements" – Exemption of depending persons from consolidation according to IFRS 10 (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IAS 36 "Impairment of assets" - Disclosure of recoverable amount for non-financial assets (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IAS 39 "Financial instruments" - Novation of derivatives and continuation of hedge accounting (effective for annual periods beginning on or after January 1, 2014);
- IFRS 21 "Levies" (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IAS 19 „Employee benefits" – Defined plans for benefits: Employee contributions (effective for annual periods beginning on or after July 1, 2014);
- Annual improvement for the period 2010-2012 as a result of the Annual improvement project for IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 13, IAS 16, IAS 24, IAS 38) in order to remove inconsistency and clarify text wording (effective for annual periods beginning on or after July 1, 2014);
- Annual improvements for the period 2011-2013, as a result of the Annual improvement projects for IFRS (IFRS 1, IFRS 3, IFRS 13 и IAS 40) for the purpose of

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

2 BASIS FOR COMPOSITION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING METHOD (cont'd)**2.3 The published standards and interpretations valid in the current period, which have not been officially translated and adopted (cont'd)**

removal of inconsistency and clarification of text wording (effective for annual periods beginning on or after July 1, 2014);

- Amendments to IFRS 11 "Joint arrangements" - accounting for acquiring participation in joint arrangements (effective for annual periods beginning on or after January 1, 2016);
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible assets" - Interpretation of acceptable methods of amortisation (effective for annual periods beginning on or after January 1, 2016).
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Bearer plants (effective for annual periods beginning on or after January 1, 2016).
- Amendments to IAS 27 "Separate financial statements" - 'Equity method in separate financial statements (effective for annual periods beginning on or after January 1, 2016);
- IFRS 10, IFRS 12 and IAS 28 „Investment entities: Applying the consolidation exception" Amendments clarify that parent company may be exempt from preparation of consolidated financial statements if it is simultaneously a depending entity of an investment entity, even in case that investment entity measures investments in all of its depending entities at fair value in accordance with IFRS 10. As a result of these amendments, IAS 28 has been changed with purpose of clarification of application of equity method (i.e. keeping fair-value measurement), which refers to investor into associate or their joint venture, if the investor is depending entity of investment company which measures all its investments into depending entities at fair value. (Amendments are applied retroactively for annual periods beginning on or after January 1, 2016 with permission to apply them earlier.)
- Amendments of different standards Annual improvement of IFRS (for the period 2012-2014) resulting from Annual improvement project for IFRS (IFRS 5, IFRS 7, IAS 19, IAS 34) in order to remove inconsistency and clarify text wording (effective for annual periods beginning on or after January 1, 2016);

2.4 The published standards and interpretations which has not come into effect

On the date of issuance of all financial statements the following standards, their amendments and interpretations had been published, but they had not come into effect (but their earlier application is supported) for the year ending on December 31, 2016:

- IFRS 9 "Financial instruments" and their subsequent amendments, replacing requirements from IAS 39 "Financial instruments: recognition and measurement", related to classification and measuring of financial assets. The standard eliminates the existing categories from IAS 39 - assets retained until maturity, available-for-sale assets, loans and receivables. IFRS 9 are effective for annual periods beginning on or after January 1, 2018 with permission to apply them earlier.)

In accordance with IFRS 9, financial assets will be classified into one out of two indicated categories upon initial recognition: Financial assets valued per depreciated cost or financial assets valued per fair value. Financial asset will be recognised per depreciated cost if the following two criteria are fulfilled: if assets relate to business model whose objective is to collect

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

2 BASIS FOR COMPOSITION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING METHOD (cont'd)**2.4 The published standards and interpretations which has not come into effect (cont'd)**

contractual cash flows and if the contracted terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All other financial assets will be valued per fair value. Gains and losses based on measurement of financial assets per fair value will be recognised in an Income sheet, except for investment in equity instruments which is not held for trade, where IFRS 9 allows, on initial recognition, subsequently unchangeable choice that all changes of fair value are recognised within other gains and losses in a statement on comprehensive income. Amount recognised in such manner within the statement on comprehensive income cannot be later recognised in a Balance sheet;

- IFRS 15 "Revenue from contracts with customers", which defines a framework for revenue recognition. IFRS 15 substitutes IAS 18 "Revenues", IAS 11 "Construction contracts", IFRIC13 "Customer loyalty programmes", IFRIC 15 "Agreements for the construction of real estate" and IFRIC 18 "Transfers of assets from customers". IFRS 15 are effective for annual periods beginning on or after January 1, 2018 with permission to apply them earlier.)
- IFRS 16 "Leases", ensures comprehensive model for identification of lease arrangements and their treatment in financial statements of both lessors and lessees. On the date when it comes into effect, January 1, 2019, this standard will substitute the following lease standards and interpretations: IAS 17 "Lease", IFRIC 4 "Determining whether an arrangement contains a lease", SIC 15 "Operating leases – incentive references" and SIC 27 "Evaluating the substance of transactions in the legal form of a lease";
- Amendments to IFRS 2 "Share-based payment– classification and measurement of transactions", effective for annual report period beginning on January 1, 2018 or later, with supported earlier application;
- Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investment into associates and joint ventures" - Sale or contribution of assets between and investor and its associate or joint venture. Standard should come into effect for annual periods beginning on or after January 1, 2016, but in December 2015 IASB postponed effectiveness to a future date , but its earlier application is allowed;
- Amendment to IAS 7 – "Disclosure initiative" require from entities disclosure of such information that provide to users of financial statements to estimate the changes in obligations resulting from an entity's financing activities, including changes resulting from cash changes and non-cash changes. Amendments to IAS 7 are effective for annual periods beginning on or after January 1, 2017 with earlier application being permitted.)
- Amendments to IAS 12 "Income taxes" related to identification of deferred tax assets for non-realised losses is applied retrospectively for annual periods beginning on or after January 1, 2017 with earlier application being permitted.)

3 PREVIEW OF IMPORTANT ACCOUNTING POLICIES**3.1 Incomes and outcomes**

Sales revenue is recognized when the risks and benefits associated with the right of ownership is transferred to the customer, and that includes the date of delivery to the customer.

Revenue from services is recognized when the service is rendered, or proportionately during the performance of services if it lasts for more than one accounting period.

Revenue from lease based on operational leasing are recognized evenly over the leasing period.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

3 PREVIEW OF IMPORTANT ACCOUNTING POLICIES (cont'd)**3.1 Incomes and outcomes (cont'd)**

Revenue is measured at the fair value of the funds received or receivable, in net amount after deduction of discounts and value added tax.

Revenue from interest and dividends are recognized in accordance with the principle of the formation in favour of the accounting period to which they relate, using the effective interest method.

With the date on which revenues are recognized there are also recognized corresponding expenditures (principle of causality of revenue and expenditure).

Operating expenditures are recognized in the income statement according to utilization of acquired services or as they are incurred.

Expenditures are accounted for on an accrual basis of revenue and expenditure.

Maintenance and repair of fixed assets are recorded in the income statement in the accounting period when they arise.

3.2 Costs of borrowings

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, are included in the purchase value of the asset and until that period when all the activities are essentially completed, necessary to prepare the asset for the intended use or sale. Assets being qualified relate to the assets which required a significant period of time to get ready for its intended use.

Income from investments realized on the basis of the temporary investment of borrowed funds is deducted from the borrowing costs incurred intended to finance assets that qualify.

All other borrowing costs are recognized in the income statement in the period to which they relate.

3.3 Conversion of assets and liabilities in foreign currencies

Transactions incurred in foreign currencies are converted into dinars at the middle exchange rates established on the Interbank Exchange Market, valid at the transaction date.

Transactions denominated in foreign currencies on the date of the balance sheet are converted into dinars at the middle exchange rates established on the Interbank Exchange Market, valid at that date.

Gains and losses arising from transactions in foreign currencies and from the recalculation of monetary items in the balance sheet items denominated in foreign currencies are credited or charged to the income statement as gains or losses from exchange rate differences.

Non-monetary items in the balance sheet are not recalculated at the balance sheet date but are carried at historical cost, calculated at the exchange rate on the date of transaction, except for non-monetary items that are measured at fair value, in which case they are recalculated at the exchange rate on the date of determination of fair value. Revenues and Expenditures based on exchange rate differences and currency clause effects are recorded in the income statement of the recorded period.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

3 PREVIEW OF IMPORTANT ACCOUNTING POLICIES (cont'd)

3.3 Conversion of foreign exchange amount (cont'd.)

Middle foreign exchange rates, determined at the interbank foreign exchange market, used in the conversion of foreign currency balance sheet positions into dinars, for the major currencies were as follows:

Description	31/12/2016	31/12/2015
Middle exchange rate of NBS:	Value in RSD	
EUR	123.4723	121.6261
USD	117.1353	111.2468
CHF	114.8473	112.5230
GBP	143.8065	164.9391

Liabilities based on long-term loans from the EIB are converted into RSD counter value at an agreed selling rate of the bank.

Selling rate of the bank on the date of financial statements preparation is presented in the following table:

Description	31/12/2016	31/12/2015
Contracted exchange rate:	Value in RSD	
EUR - for EIB loan	123.8427	121.9910

3.4 Intangible investment

Intangible investment relate to purchased software and licenses and are carried at purchase cost less accumulated amortization and are written-off by straight-line method over a period of two to ten years.

3.5 Property, plants, equipment, biological resources

Property, plant and equipment that meet the requirements for recognition of assets are carried at their purchase price or cost. Purchase price represents the invoiced amount plus all expenses incurred to its intended use.

After initial recognition, property, plant and equipment (except tools and inventory for which purchase price model is implemented) are presented at revalued amount that reflects their fair value at the date of revaluation, less the total amount of the value correction based on amortization and total amount of value correction for impairment loss.

The fair value of real estate makes their market value, which is determined by the assessment. Revaluation is carried out only when the fair value of a revalued asset differs materially from its carrying amount. Gains from revaluation are recognized in other gains and losses in favour of the revaluation reserve in equity. Up to the amounts of previously recognized losses from the revaluation or impairment recognized in the income statement, gains from revaluation are recognized in the income statement, and the rest of gains are recognized in other gains and losses. Losses on revaluation are recognized after valuation or testing for impairment, and are recognized in other gains and losses up to the amount of previously recognized revaluation reserve in equity and the remainder of losses are recognized in the income statement. At expenditure or disposal of assets related revaluation reserve is transferred directly to undistributed profit.

The last assessment of the value of property, plant and equipment was made on 31/12/2016.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

3 PREVIEW OF IMPORTANT ACCOUNTING POLICIES (cont'd)

3.5 Property, plants, equipment, biological resources (cont'd)

Tools and supplies, whose useful life is longer than one year are from 01/01/2016 recognized as fixed assets notwithstanding their individual purchase cost. These assets are amortized according to the estimated useful life.

Gains or losses arising from write-off or alienation are recognized as revenue or expenditure in the income statement.

3.6 Amortisation

Depreciation of property, plant and equipment is calculated using straight-line method over the estimated useful life. The depreciation rates that were used in the 2015 business year, as well as the rate of amortization calculated based on the useful life of the assets applied in 2016 are given in the following table:

DESCRIPTION	2016	2015
Buildings	%	%
Water and electricity facilities	2,27 - 7,14	2,27 - 7,14
Roads, airports and parking lots	2,22 - 33,33	2,22 - 33,33
Other buliding facilities	5,00 - 25,00	5,00 - 50,00
Flats given to employees for use	1.49	1.49
Equipment	%	%
New specific equipment	6,67 - 50,00	6,67 - 50,00
Equipment for road traffic	5- 50,00	6,67 - 33,33
Equipment for PTT and TV	7,14 - 50,00	10 - 50,00
Equipment for air-traffic	4 - 50,00	4 - 50,00
Measuring and control devices and specific devices	4.00 - 33,33	4,00 - 33,33
Labor.equipment, teaching aids and med. devices	20,00 - 25	20,00 - 25
Electronic, calculating machines and computers	10- 50,00	16,67 - 33,33
Furniture and equipment for general purpose	4- 50,00	4,00 - 50,00
Equipment for road traffic under financial leasing	8,33 - 33,33	8,33 - 33,33
Equipment and plants	10,00 - 25,00	10,00 - 25,00
Tools and inventory	20,00 - 100,00	25,00 - 100,00
Intangible investments	%	%
Software and licences	10,00 - 50,00	10,00 - 50,00

3.7 Investment property

Investment properties are properties that the Company, as the owner, holds to earn rentals or for capital appreciation or for both of them, and not for use in the provision of services or for administrative purpose or sale in the ordinary course of business. Initial measurement of investment property during the acquisition is carried at purchase value or cost price. After initial recognition, valuation of investment property is carried at fair value at the end of each business year. Positive and negative effects from changes in fair value of investment property are recognized through the income statement.

The Company has engaged a certified appraiser - Belgrade, to assess the value of investment property as on 31.12.2016. In the report on assessment, the fair value of the investment property is determined by the weight of probability of estimated value using the replacement cost method and the yield method.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

3 PREVIEW OF IMPORTANT ACCOUNTING POLICIES (cont'd)**3.8 Impairment**

At each balance sheet date the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that there has been a loss due to the impairment of such assets. If any such indication exists, the recoverable amount of assets is estimated so that the extent of the impairment loss could be determined. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit, to which the asset belongs.

The recoverable amount is net selling price or value in use, whichever is higher. For the purposes of assessing value in use, the estimated future cash flows are discounted to their present value using the discount rate before tax that reflects current market assessments of the time value of money and the risks specific to the asset.

If the estimated recoverable amount of the asset (or cash generating unit) is less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Losses from impairment are recognized as an expense immediately, unless the relevant asset is land or buildings that are not used as investment property carried at a revalued amount, in which case the impairment loss is treated as a reduction in the value of revaluation.

With the subsequent reversal of the impairment, the carrying amount of the asset (cash generating unit) is increased to the revised estimated recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined in previous years if there were no losses recognized in this asset (cash generating unit) due to impairment. A reversal of an impairment loss is recognized immediately in income, unless the relevant asset is carried at appraised value, in which case the reversal of the impairment loss is treated as an increase due to revaluation.

On 31 December, 2016, based on the Company's management estimates there are no indications that the value of the assets is impaired.

3.9 Stocks

Stocks are disclosed per purchase value, i.e. cost value or net sale value, whichever is lower.

Net sale value is price for sale of stocks in nominal operation conditions after price decrease by sale costs. Cost includes the invoiced value, transport and acquisition costs.

Calculation of stock output is determined by the method of average weighed purchase price.

Inventories are recorded at the sales price. At the end of the accounting period, their value is adjusted to cost by allocation of price differences, calculated on an average basis between the purchase cost of realized goods and supplies in stock at the end of the year.

Charging to other expenses inventory value correction is done in cases where it is determined that it is necessary to resume the value to their net estimated realizable value (including inventories with slow turnover, excess and obsolete inventories). Damaged inventory and inventory that does not meet the standards are written off.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

3 PREVIEW OF IMPORTANT ACCOUNTING POLICIES (cont'd)**3.10 Taxes and contributions****Income tax**

Income tax expense in the income statement represents the sum of current income tax expense and deferred income tax expense not recognized within other gains and losses or directly in equity.

Receivables and liabilities in respect of current income tax or deferred tax assets and liabilities are offset only when the Company has a legally enforceable right to offset the recognized amounts and if it intends to settle on a net basis or simultaneously realize the asset and settle the liability.

Current income tax

Assets and liabilities arising from current income taxes represent liabilities or receivables from the fiscal authorities in connection with the current or prior periods that are not implemented on the date of these financial statements.

Current income tax represents an amount calculated by applying the statutory income tax rate of 15% on the tax base determined in the tax balance, which represents the amount of profit before tax after deduction of the effects of adjusting income and expenses, in accordance with the tax regulations of the Republic of Serbia, with the decrease in the statutory tax credits.

The Law on Corporate Income Tax of the Republic of Serbia does not envisage that any tax losses of the current period may be used to recover taxes paid in previous years. However, losses which are included in the tax balance until 2009, can be used to reduce the tax base in future periods over the next ten years from the vesting date, and the losses realized and recognized in the tax statement for 2010 and beyond, can be used to reduce the tax base in future periods, but not longer than five years.

The Law on Corporate Income Tax of the Republic of Serbia in the part relating to tax credit provides that taxpayers who have until December 31, 2013 acquired the right to a tax incentive under Art. 48 of the previous law and expressed information in Tax balance and Tax return for 2013 may exercise that right up to the deadline and in the manner provided by that previous law. According to Art. 48 Paragraph 5 of the previous law, "unused tax credits can be offset against income tax in future periods up to the prescribed limit of 33% (for large and medium-sized enterprises), but not longer than ten (10) years that you apply as of the tax balance sheet for the year 2003 ". In determining the income tax for 2016, the earliest previous tax period from which they can use unused tax credit is the tax account or PK form in 2006. Transferred tax credit is used in the order of investment.

Deferred income tax

Deferred tax effects arise as a consequence of difference between basis for amortization calculation according to accounting and tax regulations. Also, this difference accrues on basis of existence of equipment with purchase value in the moment of purchase lower than average gross salary in RS, on basis of non-used tax loan and in other cases when there is time difference between tax liability arising and tax payment due date. Deferred tax liabilities are recognized for all chargeable temporary differences, while deferred tax resources are recognized in extent in which it is possible for chargeable profits to be available for usage of deducting temporary differences. The carrying value of deferred tax assets is examined on the financial statement date and adjusted if necessary to comply with the current assessment of the taxable profits of future periods.

Deferred tax resources and liabilities are calculated at the tax rate of 15% whose use is expected in the period when the asset is realized or the liability settled.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

3. PREVIEW OF IMPORTANT ACCOUNTING POLICIES (cont'd)**3.10 Taxes and contributions (cont'd)*****Deferred income tax (cont'd)***

Deferred tax is accounted in balance sheet, except when it refers to the positions accounted directly in the equity, in which case deferred tax is allocated within equity.

Taxes and contributions independent of results

Taxes and contributions independent of results include real estate and other taxes and contributions in line with republic, tax and general regulations. These taxes and contributions are disclosed within other business expenditures.

Tax risks

The tax laws of the Republic of Serbia are often differently interpreted and are subject to frequent changes. The interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Company may differ from the management interpretations. As a result of the foregoing, transactions may be challenged by tax authorities and the Company could be assessed additional taxes, penalties and interest. Period of obsolescence of tax liability is five years. This practically means that tax authorities could determine payment of outstanding liabilities within five years from the origination of the liability.

3.11 Benefits for employees***Taxes and contributions to funds for social security of employees***

In line with regulations applicative in the Republic of Serbia, the Company pays contributions to state funds which provide social security of employees. Such obligations include contributions for employees at cost of employer in amounts calculated at rates proscribed by relevant regulations. The company is, also obliged to suspend contributions from gross salaries of employees and pay that, in name of employees, to those funds. Contributions at cost of employer and contributions at cost of employees are booked as expenditures of related period.

Reserving for terminal wages and jubilee bonuses

Based on the Collective Bargaining Agreement adopted on 12.02.2015 the Company is obliged to pay to the employees:

- Terminal wage for retirement in amount of 4 average month salaries without tax and contributions paid at the employer's in the very month before payment of terminal wage
- Jubilee awards for total time spent in employment with the employer in the amount of the average monthly salary without tax and contributions paid by the employer for the month preceding the month in which the employee is entitled to jubilee awards as follows:
 - 10 years – one average month salary
 - 20 years – two average month salaries
 - 30 years – three average month salaries
 - 35 years for women and men - four average month salaries.

Because of the obligations regulated by the Collective Bargaining Agreement, the Company at the end of each business year assesses reserving for terminal wages and jubilee bonuses in accordance with the requirements of standard IAS 19- Employee Benefits.

The Company has engaged an authorized actuary to assess provisions for retirement benefits and jubilee awards on 31 December 2016. The assumptions used for the actuarial calculation and changes in provisions in the current period are disclosed in Note 49.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

3 PREVIEW OF IMPORTANT ACCOUNTING POLICIES (cont'd)**3.12 Leasing**

Leasing is classified as financial leasing whenever all the risks and benefits arising from ownership of assets are transferred to the fullest extent to the lessee by lease. All other leases are classified as operating leases.

The Company as lessor

Revenues based on operating leases (income from rents) are recognized using the straight-line method over the lease period. Indirect costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Company as lessee

Assets held by financial leasing contracts are initially recognized as assets of the Company at the present value of the minimum lease payments determined at the beginning of the lease period. The corresponding liability to the lessor is included in the balance sheet as a liability from financial leasing.

Payment of lease instalments is allocated between financial expenses and reduction of the lease liability in order to achieve a constant rate of participation in the outstanding amount of the obligation. Financial expenses are recognized immediately in the income statement, except if directly attributable to assets being qualified for use, in which case they are capitalized in accordance with the general policy of the Company's borrowing costs.

Instalments of operating leases are recognized as an expense on a straight-line basis during the lease term, unless there is another systematic basis that better reflects the time pattern of consumption economic benefits from the leased asset.

In the event that lease incentives are granted, those are included in the operational leasing and are recognized as a liability. The total benefit of incentives is recognized as a reduction in expenses for rent on a straight-line basis, unless there is another systematic basis that better reflects the time structure of consumption of economic benefits from the leased asset.

3.13 Information on business segments

The Company performs business activity as single business segment, provision of airport services. Accordingly, information relating to sales income per products and services, geographical information on income from sales, represent disclosure at company level.

3.14 Financial instruments

Any contractual right from which arises a financial asset and a financial liability or equity instrument is recognized as a financial instrument on the settlement date.

Upon initial recognition, financial assets and financial liabilities are measured at cost, being the fair value of compensation given (in the case of assets) or received (in the case of liabilities).

De-recognition of financial assets is when the contractual rights to the cash flows arising from the financial asset expire or when substantially all the risks and rewards are transferred. De-recognition of financial liabilities is when the obligation is extinguished, settled, cancelled or expired.

Long term investments

Long-term investments after initial recognition are measured by:

- Fair values, if held for trading,
- Amortized cost, if you have a fixed maturity date,
- Cost, if they do not have a fixed maturity date.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

3 PREVIEW OF IMPORTANT ACCOUNTING POLICIES (cont'd)**3.14 Financial instruments (cont'd)**

Long-term investments held for trading and for which, due to the lack of an active market, it is not possible to determine a market value, are carried at purchase cost.

Long-term loans granted to employees are measured at fair value discounted by applying market interest rates.

Short-term receivables and investments

Short-term receivables and investments include receivables from sales and other receivables, as well as short-term loans to employees.

Receivables from sales of goods and services are measured by the cost of the original invoice. Invoiced interest related to the sale of goods and services are recognized as other receivables and are recorded in income in the period in which they arise.

Other receivables and investments originated by the company are measured at amortized cost.

Any difference between the carrying amount and subsequent measurement is recognized as a gain or loss in the period in which incurred.

Devaluation of funds

At each balance date, objective evidences of the value of assets are evaluated, by analysis of expected net cash inflows.

For all receivables for which there is reasonable doubt that they will not be collected in a nominal amount, corrections shall be made. Direct write-off shall be made only after the end of the litigation or by decision of the management body.

Cash and cash equivalents

Cash and cash equivalents include cash on current accounts at banks and in hand and highly liquid investments with maturity up to three months after the acquisition, which can be quickly converted to known amounts of cash, and which is not subject to significant risk of changes in value.

Financial liabilities

Financial liabilities include long-term liabilities (long-term loans and other long-term liabilities), short-term financial liabilities (short-term loans and other short-term liabilities), short-term operating liabilities and other liabilities.

Financial liabilities are initially recognized at the proceeds received. After initial recognition, financial liabilities are measured at the amount of initially recognized liabilities, reduced by repayments of principal, increased by the amount of capitalized interest and reduced by any write-off approved by the creditor. Interest payable on financial liabilities is charged to financial expenses in the related period, and presented within other short-term liabilities and accruals and deferred income.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

3 PREVIEW OF IMPORTANT ACCOUNTING POLICIES (cont'd)**3.15. The capital, reserves and payment of profits (dividends)**

The basic capital consists of the nominal value of the issued shares.

Other components of the capital include:

- Revaluation reserves based on the revaluation of property, plant and equipment
- Actuarial gains and losses on defined benefit plans
- Other reserves

All retained gains and accumulated losses in this and prior periods are recognized in undistributed profit and loss.

Distributed profits (dividends) are recognized under liabilities when the Assembly of the Company adopts a decision on profit distribution.

3.16. Provisions, contingent assets and contingent liabilities

Provision for legal disputes, harmful contracts or other requirements towards the Company is recognized when for the Company's performance arise a legal or constructive obligation as a result of past events, when there is a certain outflow of economic benefits from the Company and when amounts of these outflows can be reliably estimated. Time or the exact amount of the outflow may still be uncertain.

Restructuring costs are recognized only when there is a detailed formal plan for the restructuring and the management has announced the main features of the plan to everyone a plan has influence to or the execution of the plan has already begun. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available on the date of adoption of the report, including the risks and uncertainties associated with the present obligation. For a number of similar obligations, the likelihood of outflow for settling is determined at the level of obligations class. Provisions are discounted to present value, in the event that the amount of discounting is materially significant.

Any remuneration in connection with the obligations for which it is certain that the Company will realize from third parties are recognized as a separate asset. However, this asset cannot be a larger amount than the related provision.

No obligation, that is, no provision is recognized if there is not a certain outflow of economic benefits arising from present obligations. Such situations are disclosed as a contingent liability, except in cases where the possibility of outflow is small.

3.17. Preview of important accounting estimates

Presentation of financial statements requires the Company management to use the best possible estimates and reasonable assumptions that have effect to the reported amounts of assets and liabilities and disclosure of contingent receivables and liabilities at the financial statements date, as well as revenues and expenditures during the reporting period. These estimates and assumptions are based on information available at the date of the financial statements. Actual results may differ from the estimated.

Shown below are the key assumptions concerning the future and other key sources of estimating uncertainty at the balance sheet date, which represent a significant risk for material adjustments to the balance sheet items in the following financial year.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

3. PREVIEW OF IMPORTANT ACCOUNTING POLICIES (cont'd)**3.17 Preview of important accounting estimates (cont'd)****3.17.1. Amortisation and amortisation rate**

Calculation of amortization and amortization rates are based on projected economic useful life of property, plant and equipment. Once a year, the Company assesses the economic useful life based on current forecasts.

In addition, due to the significance of fixed assets in the total assets of the Company, any change in the aforementioned assumptions may lead to material effects on the financial position of the Company as well as the financial result. As an example, if the Company shorten the average useful life by 10%, this would result in additional amortization charges for the year ended on 31 December, 2016 for about RSD 88.495 thousand (year ended on 31 December 2015: RSD 76.788 thousand).

3.17.2. Correction of values of uncollectable receivables

We calculated value correction for receivables older than 60 days, based on the estimated losses due to customer inability to fulfil the obligations. Our estimate is based on the ageing analysis of receivables, historical write-offs, credit worthiness of our customers and changes in the conditions of sale, in determining the adequacy of the value correction of doubtful and disputed receivables. This also includes assumptions about future customer behaviour and the resulting future collections. The management believes that no additional value correction of receivables is necessary, with the exception of value correction already reported in the financial statements.

3.17.3. Litigations

Overall, provisions have largely been subject to estimates. The Company assesses the likelihood of adverse cases may occur as a result of past events and assesses the amount required to settle the obligation. Assessment of potential liabilities arising from legal disputes is carried out by internal expert services or external advisers.

Although the Company respects the precautionary principle when evaluating, considering that there is a large dose of uncertainty, in some cases actual results may differ from these estimates.

3.17.4. Fair value

The fair value for the purposes of disclosure under the requirements of IFRS 13 is defined as the price that would be received for the sale of assets, or paid to transfer obligations in a regular transaction between market participants on the measurement date.

Business policy of the Company is to disclose information about the fair (fair) value of assets and liabilities for which official market information exist and when fair value is materially different from the carrying value. In the Republic of Serbia there is no sufficient market experience, stability and liquidity for the purchase and sale of receivables and other financial assets or liabilities, given that published market information is not readily available. Hence, fair value can not be reliably determined in the absence of an active market. The Company's management assesses risk and when it estimates that the value of assets stated in its books may not be realized, it makes value corrections. In the opinion of the company management, the amounts in these financial statements reflect the value that is, in the circumstances, the most valid and useful for reporting purposes.

The Company measures the fair value of assets and liabilities using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest. The fair value is the price that would be charged or paid for the transfer of responsibilities in a regular transaction at the primary or most favourable market on the date of measurement, the current market conditions, and regardless of whether that price is directly observable or estimated using other valuation techniques.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

3 PREVIEW OF IMPORTANT ACCOUNTING POLICIES (cont'd)**3.17 Preview of important accounting estimates (cont'd)****3.17.4. Fair value (cont'd)**

Valuation techniques that are applied for measuring fair value, should make maximum use of relevant observable inputs and minimize the use of unobservable inputs.

To increase consistency and comparability in fair value measurements and related disclosures the fair value hierarchy shall be determined, which classifies into three levels inputs for valuation techniques that are used in determining the fair value according to the structure below:

Inputs Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities to which the entity has access at the date of weighing. Assumptions of level 1 inputs relate to the existence of the primary market for the asset or liability or, in the absence of the primary market, the most advantageous market for the asset or liability; and whether the entity can realize the transaction for the asset or liability based on market price at the date of measurement.

Inputs Level 2 - inputs that are not quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include the following: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs that are not quoted prices, if they are visible for assets or liabilities and inputs supported by market.

Inputs Level 3 - unobservable inputs for the asset or liability that entity develops using the best information available in the circumstances. So, all reasonably available information about the market participants assumptions are considered. Unobservable inputs are considered market participant assumptions and meet the objective of fair value measurement.

4 SEPARATION OF REVENUE AND EXPENDITURE OF THE GROUND HANDLING ACTIVITY FROM THE REVENUE AND EXPENDITURE OF AIRPORT OPERATOR'S ACTIVITIES

Art 4 of the Rule book on the provision of ground handling services at airports - Official Gazette of RS No. 61/2015, stipulates that the airport operator and provider of ground handling services separate accounts (accounts) for the provision of ground handling services from the accounts for other activities, in accordance with applicable accounting standards. In the annual financial statements of the airport operator shall be visible absence of any related financial flows between provision of ground handling services and its activities as airport operator.

From 01/07/2016 started separate billing of ground handling services from other services of the airport operator, then determining attributable direct expenditures on the accounting documents of the airport operator and ground handling activities, as well as allocation of indirect expenditures on airport operators and ground handling activities on the basis of the adopted keys for allocation of indirect expenditures. Based on the above, the separation of business results of ground handling activities from airport operator's activities will in the future be made on the basis of recorded exact data on revenues and expenditures.

Separation of business operations, i.e. realized revenues and expenditures of the Airport for the period I-XII 2016, to business activities of the airport operator and the business activities of ground handling services was carried out on the basis of the adopted Amended Business Plan for 2016 by the Supervisory Board (Decision No.33 -179/1 dated 24/06/2016), that is on the basis of by plan adopted parameters for separation of ground handling services from the airport operator's activities and defined planned participation of related expenditures, and according to the Rule book on the provision of ground handling services at airports. Based on the above and on the realised business results is compiled Income Sheet for the period I-XII 2016 in which financial results of the airport operator's activities and activities of ground handling services are shown separately, as follows:

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

4 SEPARATION OF REVENUE AND EXPENDITURE OF THE GROUND HANDLING ACTIVITY FROM THE REVENUE AND EXPENDITURE OF AIRPORT OPERATOR'S ACTIVITIES (cont'd)

- in 000 RSD -

Group of accounts-account	POSITION	ADP	Note no	Amount		
				Current year		
				AIRPORT OPERATOR (01/01-31/12/2016)	GROUND HANDLING (01.01-31.12.2016.)	TOTALAIRPORT (01/01-31/12/2016)
1	2	3	4	5	6	7(5+6)
	REVENUES FROM SCHEDULED OPERATIONS					
60 to 65, except 62 and 63	A. REVENUES FROM OPERATIONS (1002 + 1009 + 1016 + 1017)	1001		7,045,301	1,483,402	8,528,703
60	I REVENUES FROM SALE OF GOODS (1003 + 1004 + 1005 + 1006 + 1007+ 1008)	1002	5	57,397	0	57,397
604	5. Revenues from sale of goods in domestic market	1007	5	2,067	0	2,067
605	6. Revenues from sale of goods in foreign market	1008	5	55,330	0	55,330
61	II REVENUES FROM SALE OF GOODS AND SERVICES (1010 + 1011 + 1012 + 1013 + 1014 + 1015)	1009	6,7,8	6,068,835	1,483,402	7,552,237
614	5. Revenues from sale of goods and services in domestic market	1014	6	2,685,178	629,466	3,314,644
615	6. Revenues from sale of products and services in domestic market	1015	7	3,383,657	853,936	4,237,593
64	III REVENUES FROM PREMIUMS, SUBSIDIES, SUBVENTIONS AND DONATIONS AND SIMILAR	1016		285	0	285
65	IV OTHER REVENUES FROM OPERATIONS	1017	9	918,784	0	918,784
	EXPENDITURES FROM SCHEDULED OPERATIONS					
50 to 55, 62 and 63	B. EXPENDITURES FROM OPERATIONS (1019 – 1020 – 1021 + 1022 + 1023 + 1024 + 1025 + 1026 + 1027 + 1028+ 1029) ≥ 0	1018		3,567,282	1,374,512	4,941,794
50	I. PROCUREMENT VALUE OF SOLD GOODS	1019	10	52,919	0	52,919
51 except 513	V. COSTS OF MATERIALS	1023	11	114,539	60,534	175,073
513	VI. COSTS OF FUEL AND ENERGY	1024	12	187,587	71,376	258,963
52	VII. COSTS OF SALARIES, SALARY COMPENSATIONS AND OTHER PERSONAL EXPENDITURES	1025	13	1,813,777	1,007,524	2,821,301
53	VIII. COSTS OF PRODUCTION SERVICES	1026	14	276,697	59,339	336,036
540	IX . COSTS OF AMORTISATION	1027	15	742,884	142,065	884,949
541 to 549	X. COSTS OF LONG-TERM RESERVING	1028	16	29,858	6,959	36,817
55	XI. INTANGIBLE COSTS	1029	17	349,021	26,715	375,736
	V. PROFIT FROM OPERATIONS (1001 – 1018) ≥ 0	1030		3,478,019	108,890	3,586,909

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

5 SEPARATION OF REVENUE AND EXPENDITURE OF THE GROUND HANDLING ACTIVITY FROM THE REVENUE AND EXPENDITURE OF AIRPORT OPERATOR'S ACTIVITIES (cont'd)

Group of accounts-account	POSITION	ADP	Note no	Amount		
				Current year		
				AIRPORT OPERATOR (01/01-31/12/2016)	GROUND HANDLING (01.01-31.12.2016.)	TOTAL AIRPORT (01/01-31/12/2016)
1	2	3	4	5	6	7(5+6)
66	D. FINANCIAL REVENUES (1033 + 1038 + 1039 + 1017)	1032		227,295	148	227,443
662	II. REVENUES FROM INTEREST (FROM THIRD PERSONS)	1038	18	108,676	0	108,676
663 and 664	III. POSITIVE EXCHANGE RATE DIFFERENCES AND POSITIVE EFFECTS OF CURRENCY CLAUSE (TOWARD THIRD PERSONS)	1039	19	118,619	148	118,767
56	DJ. FINANCIAL EXPENDITURES (1041 + 1046 + 1047)	1040		89,727	180	89,907
562	II. EXPENDITURES FROM INTEREST (TOWARD THIRD PERSONS)	1046	20	44,600	0	44,600
563 and 564	III. NEGATIVE EXCHANGE RATE DIFFERENCES AND NEGATIVE EFFECTS OF CURRENCY CLAUSE (TOWARD THIRD PERSONS)	1047	21	45,127	180	45,307
	E. PROFIT FROM FINANCING (1032 – 1040)	1048		137,568	-32	137,536
683 and 685	Z. REVENUES FROM VALUE ADJUSTMENT OF OTHER PROPERTY EXPRESSED AT FAIR VALUE THROUGH INCOME SHEET	1050	22	75,215	0	75,215
583 and 585	I. EXPENDITURES FROM VALUE ADJUSTMENT OF OTHER PROPERTY EXPRESSED AT FAIR VALUE THROUGH INCOME SHEET	1051	23	165,133	0	165,133
67 and 68, except 683 and 685	J. OTHER REVENUES	1052	24	53,440	549	53,989
57 and 58, except 583 and 585	K. OTHER EXPENDITURES	1053	25	28,100	2,044	30,144
	L. PROFIT FROM SCHEDULED OPERATIONS BEFORE TAXING (1030 – 1031 + 1048 – 1049 + 1050 – 1051 + 1052 – 1053)	1054		3,551,009	107,363	3,658,372
	M. NET PROFIT FROM CORRECTION OF MISTAKES FROM EARLIER PERIOD	1056	26	126,433	0	126,433
	NJ. PROFIT BEFORE TAXING (1054 – 1055 + 1056 – 1057)	1058	27	3,677,442	107,363	3,784,805
	P. PROFIT TAX					
721	I. TAXABLE EXPENSES FOR THE PERIOD	1060	27	377,175	16,104	393,279
part 722	II. DEFERRED TAXABLE EXPENSES FOR THE PERIOD	1061	27	200,787	0	200,787
part 722	III. DEFERRED TAXABLE REVENUES FOR THE PERIOD	1062		0		
	S. NET PROFIT 1058, 21, 1059, 23, 1060, 1061, 1062	1064	27	3,099,480	91,259	3,190,739
6	TOTAL REVENUES (1001 + +1032 + +1050 + +1052)			7,532,337	1,484,099	9,016,436
5	TOTAL EXPENDITURES (1018 + +1040 + +1051 + +1053)			3,854,895	1,376,736	5,231,631

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

5. REVENUES FROM SALE OF GOODS	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Revenues from sale of beverages in catering facilities	1,084	837
Revenues from sale of fuel in domestic market	983	1,016
Revenues from sale of crude oil	0	35,465
Revenues from sale of goods in domestic market	2,067	37,318
Revenues from sale of goods - kerosene (re-export)	55,330	103,098
Revenues from sale of fuel in foreign market	0	19
Revenues from sale of goods in foreign market	55,330	103,117
	57,397	140,435

6. REVENUES FROM THE SALE OF SERVICES of the Airport in domestic and foreign markets in the period I-XII 2016 were separated on revenues from services provided by the airport operator's activities and revenues made by the activity of ground handling services on the basis of real income and by the plan adopted parameters for the separation of ground handling services from the airport operator's activities, as shown in the following table:

6. REVENUES FROM SALE OF SERVICES IN DOMESTIC MARKET WITH REVENUES OF GROUND HANDLING SERVICES	I-XII 2016					I-XII 2015			
	Revenues of airport operator	Revenues of ground-handling	Total revenues of Airport (with for. buyer branches)	Revenues from foreign buyer branches	Revenues without foreign buyer branches	Total revenues of Airport (with for. buyer branches)	Revenues from foreign buyer branches	Revenues without foreign buyer branches	
	1	2	3	4 (2+3)	5	6 (4-5)	7	8	9(7-8)
	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD
Passenger service *	1,320,893	57,518	1,378,411	103,128	1,275,283	1,224,724	98,182	1,126,542	
Security fee	472,559	0	472,559	20,479	452,080	445,614	19,875	425,739	
Landing	225,634	0	225,634	39,062	186,572	215,990	34,695	181,295	
Aircraft handling *	-	250,894	250,894	48,620	202,274	240,883	48,837	192,046	
Infrastructure	140,919	0	140,919	29,353	111,566	133,790	27,619	106,171	
Air-bridges *	9,622	1,069	10,691	10,641	50	9,140	9,140	0	
Lighting	65,333	0	65,333	1,548	63,785	61,955	1,433	60,522	
Aircraft abode tax	4,416	0	4,416	32	4,384	4,794	32	4,762	
Aircraft de-icing services *	0	62,628	62,628	3,434	59,194	39,311	1,203	38,108	
Commercial use of apron	60,656	0	60,656	1	60,655	60,812	-	60,812	
Usage of the CUTE system	81,663	0	81,663	5,151	76,512	76,504	5,034	71,470	
Services on special request *	17,578	106,977	124,555	652	123,903	102,563	846	101,717	
Renting of advertisement space	62,288	0	62,288	-	62,288	42,278	-	42,278	
Public services	163,173	0	163,173	917	162,256	160,177	1,099	159,078	
Cargo-custom services *	0	146,938	146,938	665	146,273	137,156	567	136,589	
DCS services *	0	0	-	-	-	-	-	-	
Lost and found services *	0	1,126	1,126	1,126	0	1,024	1,024	-	
Use of parking lots	51,494	0	51,494	600	50,894	16,476	321	16,155	
Other services *	8,950	2,316	11,266	726	10,540	38,557	414	38,143	
I Total services in domestic market	2,685,178	629,466	3,314,644	266,135	3,048,509	3,011,748	250,321	2,761,427	

Revenue from services realized by foreign companies that were registered in the Republic of Serbia as a "branch", are recorded in the books in line with legislation as income from domestic customers. Since the physical scope of services of specified branches is recorded in the Company as a physical volume of services of foreign companies, said revenue are shown in Note 6 and 7 in the way they are recorded in accounting, and also in a separate column as revenues from sales of goods and services from registered branches, for insight in the amount and participation of these revenues, which are recorded as revenues generated in the domestic market, but the essence is that the origin of these revenues is the foreign market.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

7. REVENUES FROM SALE OF SERVICES IN DOMESTIC MARKET WITH REVENUES OF GROUND HANDLING SERVICES	I-XII 2016					I-XII 2015			
	Revenues of airport operator	Revenues of ground-handling	Total revenues of Airport (w/o for. buyer branches)	Revenues from foreign buyer branches	Revenues with foreign buyer branches	Total revenues of Airport (w/o for. buyer branches)	Revenues from foreign buyer branches	Revenues with foreign buyer branches	
	1	2	3	4 (2+3)	5	6 (4+5)	7	8	9(7+8)
	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD
Passenger service *	1,587,433	52,020	1,639,453	103,128	1,742,581	1,528,179	98,182	1,626,361	
Security fee	351,329	0	351,329	20,479	371,808	335,668	19,875	355,543	
Landing	641,999	0	641,999	39,062	681,061	624,859	34,696	659,555	
Aircraft handling *	0	655,930	655,930	48,620	704,550	718,614	48,837	767,451	
Infrastructure	421,690	0	421,690	29,353	451,043	417,743	27,618	445,361	
Air-bridges *	170,321	18,926	189,247	10,641	199,888	183,785	9,140	192,925	
Lighting	72,552	0	72,552	1,548	74,100	72,241	1,433	73,674	
Aircraft abode tax	26,363	0	26,363	32	26,395	27,746	32	27,778	
Aircraft de-icing services *	0	42,507	42,507	3,434	45,941	25,780	1,203	26,983	
Commercial use of apron	0	0	0	1	1	0	0	0	
Usage of the CUTE system	89,084	0	89,084	5,151	94,235	85,370	5,034	90,404	
Services on special request *	3,151	26,843	29,994	652	30,646	29,662	846	30,508	
Renting of advertisement space	1,452	0	1,452	-	1,452	55	0	55	
Public services	5,287	0	5,287	917	6,204	2,104	1,099	3,203	
Cargo-custom services *	0	12,461	12,461	665	13,126	13,694	567	14,261	
Consulting services	0	0	0	-	-	12,096	0	12,096	
DCS services *	0	22,098	22,098	-	22,098	30,475	0	30,475	
Lost and found services *	0	16,861	16,861	1,126	17,987	17,995	1,024	19,019	
Use of parking lots			0	600	600				
Other services *	12,996	6,290	19,286	726	20,012	14,464	735	15,199	
II Total services in foreign market	3,383,657	853,936	4,237,593	266,135	4,503,728	4,140,530	250,321	4,390,851	
III Total revenues from the sale of products and services (I+II)	6,068,835	1,483,402	7,552,237	-	7,552,237	7,152,278	-	7,152,278	

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

8. Revenues from sale of services per geograph.region	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Serbia	3,048,509	2,761,278
Germany (Lufthansa+Germanwings +Europi.+Air Berlin+Eurojet)	660,593	655,126
Montenegro (Montenegro+other buyers in MN)	534,477	522,175
Austria (branch of Austrian Airlines +Niki)	247,257	249,435
Switzerland (Swis Air)	335,220	345,659
Russia (Aeroflot)	349,895	333,075
Turkey (Turkish +Pegasus)	477,797	524,493
France (Air France)	165	560
Italy (Al italia)	159,927	156,488
Abu Dhabi (branch Etihad Air+Etihad Air)	160,205	150,427
Hungary (Wizz air+Cityline)	628,909	650,260
Romania (Tarom)	48,596	39,622
Tunisia (Tunis Air)	33,956	35,368
Greece (Aegean)	124,118	102,267
England (Easyjet)	70,007	83,349
Norway (Norwegian)	108,660	83,472
Poland (Polskie linie)	79,008	33,443
Dubai (Fly Dubai)	92,405	74,091
Qatar (Qatar Airways)	98,831	97,269
Slovenia (Adria Airways+Fenixsped branch)	1,202	11,545
Other foreign buyers	292,500	642,835
	7,552,237	7,152,278

Revenues from sale of services per buyers	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Air Serbia-Serbia	2,506,992	2,251,424
Deutsche Lufthansa-Germany	583,633	590,657
Montenegro Airlines-Montenegro	530,760	519,397
Austrian Airlines branch-Austria	246,207	248,743
Swiss Air-Switzerland	335,220	345,659
Turkish Airlines-Turkey	383,882	411,715
Aeroflot-Russia	349,895	333,075
LOT-Poland	79,008	33,443
Alitalia-Italy	159,927	156,488
Air France-France	165	560
Germanwings-Germany	-	6,473
Norwegian-Norway	108,660	83,472
Easyjet-England	70,007	83,349
Wizz Air+branch (Hungary)	628,909	650,260
Tarom-Romania	48,596	39,622
Pegasus-Turkey	93,915	87,862
Tunis Air-Tunisia	33,956	35,368
Fly Dubai-Dubai	92,405	74,091
Aegean	124,118	102,267
Iran Air-Iran	3,003	61,117
Qatar Airways-Qatar	98,831	97,269
Etihad Airways PJSC+branch - Abu Dhabi	160,205	150,427
NIS AD - Serbia	52,640	49,966
JAT Tehnika -Serbia	20,263	23,748
Parking servise - Serbia	28,673	28,585
Alma Quatro - Serbia	21,439	20,039
Dufry Ltd Belgrade - Serbia	56,868	55,846
Mondial Bodrum -for consultancy services-Turkey	0	12,096
Other domestic buyers - Serbia	361,634	331,670
Other foreign buyers	372,426	267,590
	7,552,237	7,152,278

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

9. OTHER BUSINESS REVENUES	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Revenues from lease to domestic legal persons	911,900	816,244
Revenues from lease to foreign legal persons	6,884	7,182
	918,784	823,426

10. PURCHASE VALUE OF SOLD GOODS	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Purchase value of sold retail goods	836	576
Purchase value of sold kerosene - re-export	51,075	97,220
Purchase value of sold crude oil	-	35,462
Purchase value of sold fuel	1,008	-
	52,919	133,258

11. COSTS OF MATERIALS	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Costs of production material (basic materials, tools and inventory, working and official clothing and footwear)	115,020	74,418
Overhead costs of material (office material)	11,735	18,141
Costs of spare parts	44,133	31,577
Costs of tools and inventory	4,185	38,835
	175,073	162,971

12. COSTS OF FUEL AND ENERGY	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Costs of gasoline and diesel fuel	62,127	63,746
Costs of oil fuel for heating	22,013	35,075
Costs of electric energy	174,823	176,673
	258,963	275,494

13. COSTS OF SALARIES, SALARY COMPENSATIONS AND OTHER PERSONAL EXPENSES	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Gross salaries and salary reimbursements - employees	1,588,173	1,342,598
Gross salaries and salary reimbursements - management	32,167	30,841
Taxes and contributions at cost of employer	290,041	245,846
Costs of reimburs. per service contract and royalties	320	211
Costs of reimbursement for youth organisations etc.	558,810	542,414
Costs of reimburs. for member of SB, SA, rev. committee	8,165	8,157
Transport of employees	68,520	60,374
Cots of business trip	10,684	10,796
Terminal wages and jubilee bonuses	1,255	729
Difference for payment to the budget of RS, based on the Law on reduction of public sector wages	148,901	131,738
Premiums for voluntary pension insurance	85,524	20,217
New Year presents for children of employees - not subject to taxa	3,758	7,765
Compensation on Contracts for professional development	5,984	3,907
Solidarity allowance (newborns, treatment, natural disasters etc.)	16,761	8,122
Other personal expenditures	2,238	458
	2,821,301	2,414,173

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

14. COSTS OF PRODUCTION SERVICES	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Costs of engagement of employees through OZB for:		
- aircraft ground handling	-	25,232
- guarding etc.	-	23,559
IT services on passenger and baggage check-in	45,862	63,916
Costs of phone and other PTT services	28,517	24,460
Costs of maintenance services	148,445	155,578
Lease costs	36,896	33,350
Advertising costs	35,366	5,943
Costs of catering services of tenants - (re-invoiced to airlines)	2,010	1,854
Costs of utilities	31,123	26,688
Costs of production services	7,817	7,581
	336,036	368,161

15. AMORTISATION COSTS	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Amortisation costs for intangible investments	28,964	12,982
Amortisation costs for property	437,768	428,134
Amortisation costs for equipment	418,217	326,762
	884,949	767,878

16. COSTS OF LONG-TERM RESERVING	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Costs of reserving for terminal wages	7,133	7,189
Costs of reserving for jubilee awards	21,384	9,258
Costs of reserving for litigations	8,300	53,000
	36,817	69,447

17. INTANGIBLE COSTS	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Costs of health services	15,709	17,095
Costs of cleaning services	53,114	50,809
Costs of engagement of employees through OZB for:		
- technical maintenance support	-	4,506
- administrative jobs (econ. and legal)	-	17,294
Costs of consulting services	64,165	-
Costs of different kinds of assessments	32,532	2,635
Costs of professional development	19,661	8,066
Costs of services for the current accounting software	7,518	6,464
Costs of other non-production services	30,371	27,784
Costs of representation	7,392	8,616
Costs of insurance	25,285	24,206
Costs of payment system	5,132	5,719
Memberships	9,568	7,565
Property tax and other reimbursements	80,025	79,009
Other intangible costs	25,264	17,308
	375,736	277,076

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18. INTEREST INCOME	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Interest in term deposits in RSD	33,783	78,541
Interest for RSD deposits in current accounts	3,088	24,956
Interest in term deposits in foreign currency	53,069	49,846
Interest for foreign currency deposits in current accounts	4,898	8,943
Interest on housing loans	1,342	1,536
Interests upon court decisions	9,782	620
Interest on arrears for untimely payment of buyers	2,638	3,946
Other interests	76	65
	108,676	168,453

The decline in interest revenues on dinar assets was a result of declining state of the amount of time and "a vista" local currency funds in reported current period compared to the same period previous year, as well as a significant drop in interest rates in both time and 'a vista' funds.

19. POSITIVE EXCHANGE RATE DIFFERENCES AND POSITIVE EFFECTS OF CURRENCY CLAUSE TOWARD THIRD PARTIES)	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Revenues from realized exchange rate differences	77,102	100,939
Revenues from non-realized exchange rate differences	38,617	49,650
Revenues from effects of contracted currency clause (realized)	138	173
Revenues from effects of contracted currency clause (non-realized)	2,910	1,088
	118,767	151,850

20. INTEREST EXPENDITURES	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Interests for long-term EIB loan	38,564	42,390
Interest for financial leasing	-	-
Default interest in the country	4,286	392
Interest for untimely paid public revenues	1,750	24,701
	44,600	67,483

21. NEGATIVE EXCHANGE RATE DIFFERENCES AND NEGATIVE EFFECTS OF CURRENCY CLAUSE	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Negative exchange rate differences-realized	32,319	78,124
Negative exchange rate differences - non-realized	12,816	6,173
Expenditures from effects of contr. currency clause - realised	172	375
Expenditures from effects of contr. currency clause - non-realised	-	-
	45,307	84,672

22. INCOME FROM VALUE ADJUSTMENT OF OTHER ASSETS	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Value adjustment of receivables:		
- from buyers for services	43,410	38,688
- from buyers for interests	-	-
- from natural persons for housing loans (cancellation of impairment on collection basis and fair value basis)	31,805	40,902
Other non-mentioned revenues	-	-
	75,215	79,590

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

23. EXPENDITURES FROM VALUE ADJUSTMENT OF OTHER

ASSETS	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Impairment of receivables from housing loans	3,112	408
Value adjustment of receivables from buyers	162,021	39,648
Value adjustment of receivables from employees	-	44
Other expenditures from impairment	-	-
	165,133	40,100

24. OTHER REVENUES

	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Revenues from sale of equipment and materials	450	919
Revenues of collected, corrected receivables from buyers	258	1,946,330
Revenues from cancel.of reserv. for litigations and empl.benefits	909	595
Revenues from indemnity from legal and natural persons	8,808	3,740
Revenues from charged court costs	2,424	929
Revenues of previous years	-	3,202
Positive effects of contracted revaluation	1,394	1,492
Revenues from value adjustment for property and equipment	34,810	-
Revenues from adjust.value of investment property "Borik"	451	4,606
Other non-mentioned revenues	4,485	925
	53,989	1,962,738

Revenue realized in the period I-XII 2016, on the position "other revenues" in the amount of RSD 53.989 thousand is significantly lower compared to realized other revenues in the previous year (RSD 1.962.738 thousand). Other revenues from 2015 in the largest part (in the amount of RSD 1.897.107 thousand) is a result of payment of the second and last debt instalment, that Public Debt Administration of the Republic of Serbia has taken over, for corrected and uncollected receivables from 2012 and 2013. As above receivables are fully settled on 31/03/2015 and in the balance of receivables from buyers on 31/12/2015 there is no more significant amount of outstanding corrected receivables, in business operations of 2016 there is no longer expected significant level of realized revenues on the position "other revenues".

25. OTHER EXPENDITURES

	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Loss from sale and write-off of equipment	908	77
Loss from sale and write-off of biological resources	15	5
Costs from carried deficits	270	190
Expenditures from direct write-off	335	1,830,396
Expenditures of materials per inventory	-	-
Litigation costs	2,595	339
Costs for humanitarian, health and scientific purposes	14,125	11,638
Expenditures of previous years	-	13,334
Other non-mentioned expenditures	5,647	2,417
Impairment of property and equipment	334	-
Impairment of livestock units	15	40
Expenditures from advances impairment	-	41
Expenditures from trade unions	5,900	5,650
	30,144	1,864,127

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

26. NET PROFIT FROM CORRECTION OF MISTAKS FROM PREVIOUS PERIODS	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Reimbursement for higher interest for financial leasing from previous years	48,959	-
Subsequently established revenues from previous years	50,197	-
Cancellation of reserving for litigations	31,930	-
Total established revenues from previous years	131,086	-
Subsequently established expenditures from previous years	(4,653)	-
Total established expenditures from previous years	(4,653)	-
NET profit from correction of mistakes from previous periods	126,433	-

27. PROFIT TAX AND DEFERRED PERIOD TAX REVENUES AND EXPENDITURES

27. PROFIT TAX		
<i>a) Components of profit tax</i>	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Period tax expenditure	393,279	607,090
Correction of period tax expenditure	-	-
Period tax expenditure after correction	393,279	607,090
Deferred period tax expenditure	200,787	55,814
	594,066	662,904
Effective tax rate	15.70%	16.77%

<i>b) Reconciliation of profit tax and product of result from operation before tax and prescribed tax rate</i>	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Profit before tax	3,784,805	3,953,930
Profit tax calculated at rate of 15%	567,722	593,090
Tax effect of expenditures not acknowledged in tax balance	5,991	300,987
Correction in tax effect of amortisation expenditures not acknowledged in tax balance	13,271	12,028
Tax credit for investment in fixed assets of previous years	(193,705)	(299,015)
Correction of using tax credits from previous years	-	-
Period tax expenditure	393,279	607,090

<i>v) Achieved, unused and unrecognised tax credit (TC)</i>					in 000 RSD	
	Year of expiry	Amount of transferred TC	Correction of TC	Used TC	Outstanding TC for transfer	
Year of recognition of tax credit		from 2015		in 2016	12/31/2016	
2012	2022	32,304	0	32,304	-	
2013	2023	184,137	0	161,401	22,736	
Balance of tax credit		216,441	0	193,705	22,736	

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27. PROFIT TAX AND DEFERRED PERIOD TAX REVENUES AND EXPENDITURES

Changes on account of deferred tax liabilities and deferred tax assets as of 31/12/2016 and as of 31.12.2015 are shown in the following table:

in 000 RSD

<u>g) Deferred tax assets (deferred tax liabilities) 2015</u>	01/01/2015	Recognised in other gains & losses 2015	Recognised in income sheet 2015	31/12/2015
Long-term assets				
Intangible assets, property, plant, equipment and investment property	(276,056)	-	8,981	(267,075)
Long-term liabilities				
Provisions for retirement and other employee benefits	7,039	(1,343)	10,840	16,536
Provisions for litigations	-	-	17,312	17,312
Short-term liabilities				
Liabilities for taxes, contributions and fees	665	-	(479)	186
Other				
Unused tax credits	237,201	-	(92,468)	144,733
Total	(31,151)	(1,343)	(55,814)	(88,308)

<u>g) Deferred tax assets (deferred tax liabilities) 2016</u>	01/01/2016	Recognised in other gains & losses I-XI 2016	Recognised in income sheet I-XI 2016	31/12/2016
Long-term assets				
Intangible assets, property, plant, equipment and investment property	(267,075)	(80,517)	(79,326)	(426,918)
Long-term liabilities				
Provisions for retirement and other employee benefits	16,536	(671)	3,682	19,547
Provisions for litigations	17,312	-	(5,237)	12,075
Short-term liabilities				
Liabilities for taxes, contributions and fees	186	-	12	198
Calculated, but not paid employee earnings, art 9, paragraph 2 of the Law	-	-	2,079	2,079
Other				
Unused tax losses	-	-	-	-
Unused tax credits	144,733	-	(121,997)	22,736
	(88,308)	(81,188)	(200,787)	(370,283)

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

27. PROFIT TAX AND DEFERRED PERIOD TAX REVENUES AND EXPENDITURES (cont'd)

Balance of recognized deferred tax assets as of 31/12/2016 amounts to RSD 56,635 thousand, of which RSD 22,736 thousand relates to the recognition of the remaining planned amount of the use of transferred tax credit in the future tax period. Other recognized deferred tax assets as of 31/12/2016 is done based on the applicable corporate income tax rate of 15% on the balance of the provisions for retirement provisions for jubilee benefits, provisions for litigation and on the balance of unpaid public revenues, as well as for the amount of unpaid and recognized expenditures for employees' salaries from article 9, paragraph 2 of the Law on corporate income tax, as the same relate to temporary differences that will be recognized in tax period in which the same are paid. The balance of recognized deferred tax liabilities as of 31/12/2016 amounts to RSD 426.918 thousand.

After application of the requirements of IAS 12 that is offsetting of deferred tax assets and deferred tax liabilities on the balancing date, the balance of deferred tax liabilities as of 31/12/2016 amounts to RSD 370.283 thousand (on 31/12/2015 RSD 88.308 thousand).

Effects from changes in deferred tax assets and liabilities in relation to the initial balance, in the amount of RSD 281.975 thousand, are recognized at the expense of revaluation reserves in the amount of RSD 81.188 thousand and at the expense of the period deferred tax expenditures in the amount of RSD 200.787 thousand.

28. PROFIT PER SHARE	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Net profit for owners	3,190,739	3,291,026
Net profit correction	-	-
Net profit after correction	3,190,739	3,291,026
Averaged weighted number of shares	34,289,350	34,289,350
Basic earnings per share <u>in RSD</u>	93.05	95.98

29.a. INTANGIBLE INVESTMENTS

in 000 RSD

DESCRIPTION	31/12/2016	31/12/2015
Purchase value		
Initial balance,	102,871	35,289
Procurements during the year	84,171	67,582
Alienation, removal from inventory and sale	-	-
Final balance	187,042	102,871
Value correction		
Initial balance	22,348	9,366
Amortisation in current year	28,964	12,982
Alienation, removal from inventory and sale	-	-
Final balance	51,312	22,348
Net present value	135,730	80,523

Total investment into intangible assets amounts RSD 84.171 thousand.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

29.b. PROPERTY, PLANTS, EQUIPMENT, BIOLOGICAL RESOURCES (cont'd)										in 000 RSD
DESCRIPTION	Land	Buildings	Equipment	Investment property	Other property, plants and equipment	Current investments	Advances	Total-property, plants and equipment	Biological resources - Basic livestock unit	
Purchase value										
Initial balance 01/01/2015	9,120,668	10,102,565	2,320,426	21,467	3,619	5,768	31,265	21,605,778	165	
Initial balance correction based on estimate	-	-	-	-	-	-	-	-	-	
Balance on 01/01/2015 after correction	9,120,668	10,102,565	2,320,426	21,467	3,619	5,768	31,265	21,605,778	165	
Procurements during the year	-	-	-	-	-	693,953	-	693,953	-	
Transfer from current investments	-	184,331	495,154	-	-	(679,485)	-	-	-	
Alienation, removal from inventory and sale	-	(42)	(2,978)	-	-	-	-	(3,020)	(5)	
Other	-	-	-	-	-	-	1,782	1,782	-	
Assets fair value estimation										
Revaluation revenues	-	-	-	4,606	-	-	-	4,606	-	
Revaluation expenditures	-	-	-	-	-	-	-	-	(40)	
Final balance 31/12/2015	9,120,668	10,286,854	2,812,602	26,073	3,619	20,236	33,047	22,303,099	120	
Value correction										
Initial balance 01/01/2015	-	-	4,268	-	-	-	15,812	20,080	-	
Initial balance correction based on estimate	-	-	-	-	-	-	-	-	-	
Balance on 01/01/2015 after correction	-	-	4,268	-	-	-	15,812	20,080	-	
Amortisation in current year	-	428,134	326,762	-	-	-	-	754,896	-	
Alienation, disbursement and sale	-	(25)	(956)	-	-	-	-	(981)	-	
Final balance 31/12/2015	-	428,109	330,074	-	-	-	15,812	773,995	-	
Net present value, 31/12/2015	9,120,668	9,858,745	2,482,528	26,073	3,619	20,236	17,235	21,529,104	120	
Net present value, 31/12/2014	9,120,668	10,102,565	2,316,158	21,467	3,619	5,768	15,453	21,585,698	165	

Total investment into property, plants and equipment in the period I-XII 2015 amounts RSD 693,953 thousand. In reported period RSD 679,485 thousand for property, plants and equipment is activated, as follows: for equipment in the amount of RSD 495,154 thousand, increase of construction facility value in the amount of RSD 184,331 thousand. The balance of non-activated investments on 31/12/2015 amounts RSD 20,236 thousand.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

29.c. PROPERTY, PLANTS, EQUIPMENT, BIOLOGICAL RESOURCES (cont'd)										in 000 RSD
DESCRIPTION	Land	Buildings	Equipment	Investment property	Other property, plants and equipment	Current investments	Advances	Total-property, plants and equipment	Biological resources - Basic livestock unit	
Purchase value										
Initial balance 01/01/2016	9,120,668	10,286,854	2,812,602	26,073	3,619	20,236	33,047	22,303,099	120	
Initial balance correction based on estimate	-	-	-	-	-	-	-	-	-	
Balance on 01/01/2016 after correction	9,120,668	10,286,854	2,812,602	26,073	3,619	20,236	33,047	22,303,099	120	
Procurements during the year	-	-	-	-	-	2,193,642	-	2,193,642	55	
Transfer from current investments	17,274	189,371	816,489	-	-	(1,023,134)	-	-	-	
Alienation, disbursement and sale	-	(153)	(4,707)	-	-	(2,642)	-	(7,502)	(15)	
Other	-	-	-	-	-	-	103,272	103,272	-	
Assets fair value estimation										
Revaluation reserves	278,348	59,468	198,964	-	-	-	-	536,780	-	
Reduction on account of revaluation reserves	-	(1,198)	(972)	-	-	-	-	(2,170)	-	
Revaluation revenues	-	10,472	24,337	452	-	-	-	35,261	-	
Revaluation expenditures	-	-	(334)	-	-	-	-	(334)	(15)	
Reduction of net present value for amort. accumulation	-	(865,819)	(741,025)	-	-	-	-	(1,606,844)	-	
Final balance 31/12/2016	9,416,290	9,678,995	3,105,354	26,525	3,619	1,188,102	136,319	23,555,204	145	
Value correction										
Initial balance 01/01/2016	-	428,109	330,074	-	-	-	15,812	773,995	-	
Initial balance correction based on estimate	-	-	-	-	-	-	-	-	-	
Balance on 01/01/2016 after correction	-	428,109	330,074	-	-	-	15,812	773,995	-	
Amortisation in current year	-	437,768	418,217	-	-	-	-	855,985	-	
Alienation, disbursement and sale	-	(58)	(2,936)	-	-	-	-	(2,994)	-	
Cancellation of property value per fair value of the property 31/12/2016	-	(865,819)	(741,025)	-	-	-	-	(1,606,844)	-	
Value correction of advanced payments	-	-	-	-	-	-	-	-	-	
Final balance 31/12/2016	-	-	4,330	-	-	-	15,812	20,142	-	
Net present value, 31/12/2016	9,416,290	9,678,995	3,101,024	26,525	3,619	1,188,102	120,507	23,535,062	145	
Net present value, 01/01/2016	9,120,668	9,858,745	2,482,528	26,073	3,619	20,236	17,235	21,529,104	120	

Total investment into property, plants and equipment in the period I-XII 2016 amounts RSD 2,193,642 thousand. In the reported period RSD 1,023,134 thousand for property, plants and equipment is activated, as follows: for equipment in the amount of RSD 816,489 thousand, increase of construction facility value in the amount of RSD 189,371 thousand and land in the amount of RSD 17,274 thousand. Ongoing investments from previous years in the amount of RSD 2,642 thousand were annulled. The balance of non-activated investments on 31/12/2016 amounts RSD 1,188,102 thousand. On 31/12/2016 assessment of fair value of the property, plants and equipment was made by a certified assessor. The effects of the assessment are shown in the table:

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

30. SHARES IN CAPITAL OF OTHER LEGAL ENTITIES AND OTHER SECURITIES	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Privredna banka a.d. Belgrade	392	392
<i>Minus: value correc.of partic. in capital of banks in bankruptcy</i>	<i>(392)</i>	<i>(392)</i>
	-	-
<i>Participation in capital of banks in liquidation</i>		
Union banka a.d. Belgrade - in liquidation	667	667
Beogradska banka a.d. Belgrade - in liquidation	18,988	18,988
Beobanka a.d. Belgrade - in liquidation	38	38
	19,693	19,693
Minus: value correc.of partic. in capital of banks in liquidation	(19,693)	(19,693)
	-	-
<i>Participation in capital of foreign legal entities</i>		
Mondial Bodrum - Turkey	358,598	358,598
Societe International de Telecommunic. Aeronautiques Swisse (SITA)	1	1
Minus: value corr.of particip. in capital of Mondial Bodrum - Turkey	(358,598)	(358,598)
	1	1
	1	1

31.a. OTHER LONG-TERM FINANCIAL INVESTMENTS	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Membership in Societe International de Telecommunications Aeronautiques Swisse (SITA)	6,360	6,161
Long-term loans to employees	284,552	296,817
Receivables for sold socially owed housing	1,168	1,201
Receivables for purchase of solidarity housing	2,196	2,686
Total gross	294,276	306,865
Current maturities of long-term investments in SITA	(698)	(614)
Current maturities of long-term loans to employees	(14,233)	(15,595)
Adjustment of fair value of long-term loans to employees	(138,400)	(169,778)
	140,945	120,878

Receivables from employees for long-term loans for purchase and tenant purchaser of apartments as of 31/12/2016 amount to RSD 287.916 thousand ((including current maturities in the amount of RSD 14,233 thousand). Effects of adjustment to fair value amount to total of RSD 138.864 thousand (RSD 138.400 thousand for the part of long-term receivables from employees and RSD 464 thousand for the part referring to current maturities of long-term receivables). The aforementioned relates to loans to employees for meeting the housing needs granted for a period of 20-40 years. The estimate of the fair value of housing loans as of 31/12/2016 is performed by a certified assessor by projection of future cash flows from collection of receivables for housing loans using discount rates (built-up method): from 5,5% to 20%, depending on whether and in what intervals housing loans are revalued or contracted with currency clause, whether they have contracted interest rate or are contracted without interest rate.

31 b. OTHER LONG-TERM RECEIVABLES - ADP 0041	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Receivables from buyers based on an Agreement on debt rescheduling	83,819	-
	83,819	-

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32. MATERIAL, SPARE PARTS, TOOLS AND SUPPLIES - ADP 0045	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Basic material	46,906	62,052
Spare parts	10,502	17,738
Tools and supplies	4,926	15,092
Value correction of material and spare parts stock	(62)	(62)
	62,272	94,820

33. GOODS-ADP 0048	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Goods in warehouse-kerosene	4,786	12,236
Goods in retail trade	30	65
	4,816	12,301

34. ADVANCES FOR SUPPLIES AND SERVICES ADP 0050	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Advances for services in the country	17,603	34,627
Advances for foreign services	946	644
Advance value correction	-	(1,120)
	18,549	34,151

35. BUYERS IN THE COUNTRY	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Total balance of receivables from buyers in the country-gross	638,795	1,228,157
-Value correction of the previous period	(116,263)	(129,497)
-Value correction of the current period	(162,021)	(29,393)
Total balance of value correction	(278,284)	(158,890)
	360,511	1,069,267

Receivables from the buyers in the country on 31/12/2016 amount RSD 638.795 thousand, of which to undue receivables refer RSD 247.638 thousand, due receivables up to 30 days RSD 11.747 thousand and due receivables over 30 days RSD 379.410 thousand.

Total value correction of receivables from buyers in the country in the amount of RSD 278.284 thousand mainly relates to value correction of receivables from sued domestic buyers in the amount of RSD 176.529 thousand and other domestic buyers RSD 101.755 thousand.

36. BUYERS ABROAD	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Total balance of receivables from foreign buyers-gross	672,826	657,300
-Value correction of the previous period	(12,411)	(14,373)
-Value correction of the previous period	(490)	(10,255)
Total balance of value correction	(12,901)	(24,628)
	659,925	632,672

Receivables from foreign buyers on 31/12/2016 amount RSD 672.826 thousand (undue receivables RSD 480.886 thousand, due receivables up to 30 days RSD 103.210 thousand and due receivables over 30 days RSD 88.730 thousand). Total value correction of receivables from foreign buyers in the amount of RSD 12.901 thousand relates to value correction of receivables from sued domestic buyers in the amount of RSD 6.707 thousand and other foreign buyers RSD 6.194 thousand.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

37. OTHER RECEIVABLES	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Receivables from buyers in the country for default interest	24,905	3,538
Receivables for interest on term deposit	42,136	53,939
Receivables from employees	1,347	1,398
Other receivables	84,518	35,507
Receivables for overpaid income tax	238,912	-
Total receivables - gross	391,818	94,382
- Value corr.from buyers for default interest of previous years	(385)	(467)
- Value corr.from buyers for default interest of the current year	-	-
-Value correction of the earlier period	(570)	(788)
-Value correction of the current period	-	(44)
- Value corr.of other receivables	(2,452)	(2,452)
Total balance of value correction	(3,407)	(3,751)
	388,411	90,631

38. SHORT-TERM CREDITS AND LOANS IN THE COUNTRY	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Short-term loans to employees (wint .stores, heating means - 6 mon	50,953	77,841
	50,953	77,841

39. OTHER SHORT-TERM FINANCIAL INVESTMENTS	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Short-term time deposits	3,920,027	3,783,133
Current maturities of long-term loans to employees	14,233	15,595
Current maturities of long-term investment in SITA	698	614
	3,934,958	3,799,342
Adjustment of fair value of loans to employees	(464)	(543)
	3,934,494	3,798,799

Short-term time deposits with balance on 31/12/2016 are disclosed in the amount of RSD 3,920,027 thousand, and relate to foreign currency and dinar deposits, for the period of six months.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

40. CHANGES ON VALUE CORRECTION till 31/12/2016							in 000 RSD
Description of change on value correction	Long-term financial investments (Note 31)	Stock material and spare parts (Note 32)	Advances for materials and services (Note 34)	Receivables from buyers for goods, services and default interest (Notes 35, 36,37)	Short-term financial investments (Notes 39)	Total	
Initial balance 01/01/2015	210,168	62	1,079	2,654,123	647	2,866,079	
Correction at cost of current period	-	-	41	39,692	-	39,733	
Devaluation of long-term finan.invest. and securities	-	-	-	-	-	-	
Charged corrected receivables	(9,249)	-	-	(1,946,330)	(512)	(1,956,091)	
Value reconciliation	(31,141)	-	-	(38,688)	408	(69,421)	
Write-off	-	-	-	(521,960)	-	(521,960)	
Exchange rate differences	-	-	-	432	-	432	
Other	-	-	-	-	-	-	
Final balance 31/12/2015	169,778	62	1,120	187,269	543	358,772	
Correction at cost of current period	-	-	-	162,021	-	162,021	
Devaluation of long-term finan.invest. and securities	-	-	-	-	-	-	
Charged corrected receivables	(122)	-	-	(258)	(372)	(752)	
Value reconciliation	(28,083)	-	-	(43,410)	343	(71,150)	
Write-off	(3,173)	-	(1,120)	(11,520)	(50)	(15,863)	
Exchange rate differences	-	-	-	490	-	490	
Other	-	-	-	-	-	-	
Final balance 31/12/2016	138,400	62	-	294,592	464	433,518	

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

41. CASH AND CASH EQUIVALENTS	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Current account - in RSD	158,629	46,539
Current account - in foreign currency	578,893	652,584
Treasury	13	890
Other funds	2,567	4,114
Total cash-balance	740,102	704,127

42. PREPAYMENTS AND ACCRUED INCOME	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Prepaid VAT + overpaid VAT	33,856	5,054
Prepaid insurance costs for the future period	21,680	8,836
Prepaid other costs for the future period Consult.services for the futu	93,682	
Prepaid other costs for the future period	34,286	5,939
Calculated and non-invoiced revenues fot the current period	51,957	6,461
Pre-calculated costs	170	96
	235,631	26,386

43. CAPITAL	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Share capital	20,573,610	20,573,610
Reserves	4,120,259	2,842,810
Revaluation reserves	601,827	148,390
Actuarial gains	16,590	12,788
Non-distributed profit of previous years	303	144,356
Non-distributed profit of the current year	1,774,932	1,976,030
	27,087,521	25,697,984

44. SHARE CAPITAL

On the basis of the Law on amendments and supplements to the Law on right to free shares and financial compensation realized by the citizens in the privatization process, the Company was obliged to carry out a change of legal form until 30 September 2010 and disclose its capital in shares of a certain nominal value of the based on the adjusted carrying value of equity. In 2010, on the basis of Resolution of the Government of the Republic of Serbia No.023-448/2010-1, recommendations were made to the Company, to make a selection of the best consultant who will assess the market value of equity and provide assistance in preparing and carrying out the legal changes of the form from a public company into a stock company.

The Government of the Republic of Serbia on 17 June 2010 adopted the Decision No.023-4432/2010 on the legal form of the Company from a public company into a closed joint stock company.

The change is registered at the Business Registers Agency by Decision No. BD 68460/2010 dated 22 June 2010, subscribing capital in total amount of EUR 214,556,965, which on the date of entry was RSD 20,573,610 thousand.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

44. SHARE CAPITAL (cont'd)

In the Central Securities Depository, on 7 July 2010, was registered 34,289,350 shares with a nominal value of RSD 600 per share, which were on 31.12.2010 in the property of the Republic of Serbia.

In accordance with the Law on right to free shares and financial compensation realized by the citizens in the privatization procedure ("Official Gazette" no. 123/07 and 30/10) on 09 December 2010 based on the Decision of the Government of the Republic of Serbia No. 023- 9103/2010-1, right to transfer 16.85% of the Company ownership acquired citizens of the Republic of Serbia, employees and ex-employees of the Company.

On 21 January 2011, the Company's Assembly adopted the Decision No. 21-2/1 on the conversion of the Company from closed into open joint stock company. The change was registered at the Business Registers Agency by Decision No. BD 765/2011 dated 24 January 2011.

The capital structure after the transfer of ownership of the data from the Central Securities Depository and Clearing House on 25 January 2011, was as follows:

44. SHARE CAPITAL

<u>Share capital 25/01/2011 (transition to open joint stock company)</u>	Value in thousand RSD	Number of shares	% of particip.
Republic of Serbia	17,107,193	28,511,988	83.15%
Employees and ex-employees of the Company	574,004	956,673	2.79%
Citizens of the Republic of Serbia	2,892,413	4,820,689	14.06%
	20,573,610	34,289,350	100.00%

The capital structure on 31/12/2016 and 31/12/2015 was as following:

Shareholder	31/12/2016			31/12/2015		
	Value in thousand RSD	Number of shares	% of particip.	Value in thousand RSD	Number of shares	% of particip.
Republic of Serbia	17,106,321	28,510,535	83.15%	17,106,319	28,510,532	83.15%
Domestic natural persons	2,016,599	3,360,999	9.80%	2,029,496	3,382,493	9.86%
Domestic legal persons	108,772	181,287	0.53%	96,263	160,438	0.47%
Foreign natural persons	23,653	39,422	0.11%	18,950	31,583	0.09%
Foreign legal persons	607,961	1,013,268	2.96%	611,380	1,018,966	2.97%
Custody entities	710,303	1,183,839	3.45%	711,203	1,185,338	3.46%
	20,573,610	34,289,350	100.00%	20,573,610	34,289,350	100.00%

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

45. OTHER COMPONENTS OF THE CAPITAL	Reserves	Revaluation reserves based on the revaluation of property, plant and equipment	Actuarial gains
Balance on 01/01/2015	1,534,430	148,569	5,177
Legal reserves	-	-	-
Statutory reserves	1,308,380	-	-
Revaluation reserves for land	-	-	-
Revaluation reserves for buildings	-	-	-
Revaluation reserves for equipment	-	-	-
Decrease in revaluation reserves for equipment	-	(179)	-
Actuarial gains on reserves for retirement benefits	-	-	8,954
Recognition of DTL (deferred tax liabilities) charged to revaluation reserves	-	-	(1,343)
Balance on 31/12/2015	2,842,810	148,390	12,788
Legal reserves	-	-	-
Statutory reserves	1,277,449	-	-
Revaluation reserves for land	-	278,348	-
Revaluation reserves for buildings	-	59,468	-
Revaluation reserves for equipment	-	198,964	-
Decrease of revaluation reserves based on estimation	-	(2,170)	-
Decrease of revaluation reserves based on alienation of supplies	-	(656)	-
Actuarial gains on reserves for retirement benefits	-	-	4,473
Recognition of DTL (deferred tax liabilities) charged to revaluation reserves	-	(80,517)	(671)
Balance on 31/12/2016	4,120,259	601,827	16,590

Reserves are created in accordance with the Company Articles of Association.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

46. NON-DISTRIBUTED PROFIT	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Initial balance 01/01	2,120,386	2,695,507
Correction of initial balance	-	144,353
Corrected initial balance 01/01	2,120,386	2,839,860
Distribution of undistributed profit for dividend	(750,937)	(1,333,170)
Transfer to statutory reserves	(1,277,449)	(1,308,380)
Participation of employees in profit distribution	(92,000)	(53,957)
Net profit of the current period	3,190,739	3,291,026
Net profit correction	-	-
Total net profit of the current period	3,190,739	3,291,026
Decision on distribution of interim dividend	1,415,807	1,314,996
Undistributed profit of the current period	1,774,932	1,976,030
Profit of the previous years, resulting from transfer of revaluation reserves into profit at selling fixed assets in the current year	303	3
Correction of undistributed profit of earlier period	0	144,353
Total undistributed profit of earlier years	303	144,356
Undistributed profit	1,775,235	2,120,386

At the regular session of the Assembly of the Company on 27.06.2016 is made Decision on the distribution of the total undistributed profit as of 01/01/2016 in the amount of RSD 2,120,386 thousand as follows:

- Gross dividend RSD 750,937 thousand;
- Company reserves RSD 1,277,449 thousand;
- Participation of employees in the profit RSD 92,000 thousand;

Amount of distributed profit for gross dividend and participation of employees in the profit is paid out in full in 2016.

Total undistributed profit on 30/09/2016 in the amount of RSD 1.775.235 thousand is the result of the realized net profit in the period I-XII 2016 in the amount of RSD 3.190.739 thousand, reduced for the part of the profit, distributed for interim-dividend for 2016 in the amount of RSD 415.807 thousand (Decision of the SB no. 33-332/1 dated 14/11/2016), increased for RSD 303 thousand of revaluation reserves transferred into revenue from previous years, for alienated fixed assets out of use in 2016.

In 2016, a part of interim-dividend of RS for 2016 was paid in the amount of RSD 300.000 thousand.

47. LONG-TERM RESERVES	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Reserves for terminal wages	42,946	41,934
Reserves for jubilee awards	82,890	68,305
Reserves for litigations	80,496	114,781
	206,332	225,020

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

48. CHANGES ON LONG-TERM RESERVES

Changes in long-term provisions for retirement benefits, jubilee awards and litigations in the period I-XII of 2016, compared to 31.12.2015 are shown in the following table:

in 000 RSD				
CHANGES ON LONG-TERM RESERVES	Terminal wages	Jubilee bonuses	Total	Litigations
Balance on 01/01/2015	46,924	64,313	111,237	74,090
Reserves during the year	7,189	13,055	20,244	53,000
Actuarial gains	(8,954)	(3,797)	(12,751)	-
Cancellation during the year	(64)	(33)	(97)	(498)
Pay-off during the year	(3,161)	(5,233)	(8,394)	(11,811)
Balance on 31/12/2015	41,934	68,305	110,239	114,781
Balance on 01/01/2016	41,934	68,305	110,239	114,781
Reserves during the year	7,133	21,384	28,517	8,300
Actuarial gains	(4,473)	-	(4,473)	-
Cancellation during the year	(340)	(364)	(704)	(32,824)
Pay-off during the year	(1,308)	(6,435)	(7,743)	(9,761)
Balance on 31/12/2016	42,946	82,890	125,836	80,496

49. THE ASSUMPTIONS USED WHEN MAKING CALCULATION OF RESERVES FOR RETIREMENT BENEFITS AND JUBILEE BONUSES AND CALCULATION OF RESERVES

<u>a) The assumptions used when making calculation of reserves for retirement benefits and jubilee bonuses</u>	2016	2015
Discount rate	4.50%	5.50%
Estimated growth rate of average earnings	1.00%	2.00%
Fluctuation percentage	1.50%	3.00%
Amount of the net earning XI/.....	73,724	76,360
Total number of employees on 31/12	1323	1253
Number of retired workers who received terminal wage at retirement	5	11

in 000 RSD		
<u>b) The calculation of the reserves for employee benefits on 31/12/2016</u>	Retirement bonuses	Jubilee bonuses
	in 000 RSD	in 000 RSD
1. Reserves on 31/12/2015	41,934	68,305
2. Interest expense	2,307	3,757
3. Cost of current work	4,826	11,521
4. Cost of past work	-	-
5. Actuarial (gain)/loss	(4,473)	6,106
6. Cancellation of provisions during 2015 in the business books of the Company	(1,648)	(6,799)
7. Total net change in the amount reserved in 2016 (1+2+3+4+5+6)	1,012	14,585
8. Balance of reserving on 31/12/ 2016 (1+7)	42,946	82,890

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

50. LONG-TERM LOANS	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Abroad	804,828	894,174
Current maturities	(102,919)	(101,380)
	701,909	792,794

51. LONG-TERM LOANS	Annual interest rates	Date of maturity	Remaining amount 31/12/2016 (EUR)	31/12/2016	31/12/2015
				in 000 RSD	in 000 RSD
<u>Long-term credits abroad</u>					
European Investment Bank	4,07-5,16%	2025	6,498,790.38	804,828	894,174
Total long-term credits (a+b)			6,498,790.38	804,828	894,174
Current maturities of long-term credits:			-831,048.38	-102,919	-101,380
			5,667,742.00	701,909	792,794

Long-term loans abroad reported on 31/12/2016 in the amount of RSD 802,828 thousand (EUR 6.498.790,38, of which in 2017 mature for payment EUR 831.048,38 or RSD 102.919 thousand), relate to the remaining obligations under the Agreement on financing the project of urgent rehabilitation of transport concluded on 13.12.2001 between the EIB and the Republic of Serbia. By the said contract, the Company was granted a loan in the amount of EUR 13,000,000 for investment and rehabilitation of airport infrastructure. The loan was granted with a repayment period up to 2025, with an interest rate of 5.16% for the first tranche of 3,000,000.00 EUR, 4.85% for the second tranche of EUR 3,000,000.00 and 4.07% for the third tranche of 7,000,000.00 EUR. Repayment of the first tranche of the loan shall be made in 31 equal semi-annual instalments starting from 05/12/2007; the second tranche is repayable in 30 equal semi-annual instalments starting from 20/02/2009, while the third tranche began to be repaid from 20/06/2010 in 32 instalments.

<i>Receivable maturity from long-term loans</i>	Principle		Non-booked interest	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD
up to one year	102,919	101,380	34,506	38,563
one to two years	102,919	101,380	29,864	33,990
two to three years	102,919	101,380	25,222	29,418
three to four years	102,919	101,380	20,580	24,845
four to five years	102,919	101,380	15,937	20,272
five to ten years	290,233	387,274	23,767	39,111
over ten years	-	-	-	-
	804,828	894,174	149,876	186,199

52. OTHER SHORT-TERM FINANCIAL LIABILITIES	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Current maturities of long-term loan EIN	102,919	101,380
	102,919	101,380

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

53. RECEIVED ADVANCES, DEPOSITS AND BAILS	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Advances received from domestic buyers	44,216	32,983
Advances received from foreign buyers	14,669	13,025
Subscriptions from domestic buyers	5,774	5,470
Subscriptions from foreign buyers	18,004	10,883
	82,663	62,361

54. SUPPLIERS IN THE COUNTRY	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Suppliers in the country-for services	132,618	95,434
Suppliers in the country- for investments in progress	94,596	9,962
Suppliers in the country-for equipment	169,366	99,087
	396,580	204,483

55. SUPPLIERS ABROAD	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Suppliers abroad-for services	2,278	10,916
Suppliers abroad-for equipment	48,962	-
	51,240	10,916

56. OTHER LIABILITIES FROM OPERATION	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Liabilities for charged purchase on behalf of other companies	14,219	24,846
Other liabilities from operation	663	538
	14,882	25,384

57. OTHER SHORT-TERM LIABILITIES	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Liabilities from salaries	316	-
Liabilities from interest	-	-
Liabilities for interim dividend of 2015	-	814,997
Liabilities from participation in the profits-gross	3	3
Liabilities from interim dividend of RS for 2016	877,200	
Liabilities from interim dividend of other shareholders for 2016	238,607	
Other short-term liabilities	22,268	43,225
	1,138,394	858,225

58. LIABILITIES FOR VAT	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Liabilities for VAT	57,398	25,809
	57,398	25,809

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

59. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND FEES	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Liabilities for income tax	0	59,744
Correction of liabilities for income tax from 2010-2014	0	35,106
Liabilities for taxes, custom duties and other levies	721	720
Taxes, contributions and other levies	1,215	1,046
	1,936	96,616

60. LIABILITIES FOR INCOME TAX - structure	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Balance on 01/01 of the current year	94,850	458,336
Correction of income tax	0	35,106
Corrected initial balance	94,850	493,442
Specified income tax liabilities for the current year	393,279	607,090
Correction of income tax liabilities	-	-
Specified income tax liabilities for the current year-total	393,279	607,090
Paid income tax liabilities	(94,850)	(458,336)
Pre-payment of income tax	238,912	-
Advance payment of income tax until 31/12	(632,191)	(547,346)
Liability for payment of income tax or overpaid tax	-	94,850

61. ACCRUALS AND DEFERRED INCOME	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Accrued expenses for the reporting period	71,446	56,087
Accrued acquisition of software and equipment for which invoice is	47,885	-
Calculated revenues for the future period	17,241	19,999
Other accruals and deferred income	2,503	6,065
Taxes, contributions and other levies	234	190
	139,309	82,341

62. OFF-BALANCE REGISER	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Received blank bills - piece	1,922	1,625
Given blank bills domestic - pieces	13	42
Received guarantees - RSD	357,885	257,732
Received guarantees - foreign currency	158,544	54,632
Given guarantees - RSD	7,500	7,500
Given guarantees - foreign currency	-	-
Solidarity funds from employee salaries	625	627
Total off-balance assets and liabilities	524,556	320,491

Dinar received guarantees in the amount of RSD 357.885 thousand mainly relate to guarantees received from suppliers for good performance or guarantee for fault repair within the warranty period. Received foreign currency guarantees in the amount of RSD 158.544 thousand mainly relate to guarantees received from foreign suppliers for good performance, for fault repair within the warranty period or for recovery of advance payments as well as to guarantees received from foreign buyers for the safety.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

63. FAIR VALUE OF ASSETS

ASSETS	Accounting value in 000 RSD 31/12/2016	Fair value in 000 RSD 31/12/2016	Accounting value in 000 RSD 31/12/2015	Fair value in 000 RSD 31/12/2015	Hierarchy of fair value- Levels	Valuation techniques and inputs
1	2	3	4	5	6	7
Fixed assets	22,199,928	22,199,928	21,465,560	21,465,560	Level 3	Assessment was carried out by certified assessor with balance on 31/12/2016 (the Institute for economic research-Belgrade). During assessment of the property the following methodology were used: for apartments - methodology of direct price comparison; for properties of specific purpose, functionally connected and used for business activity - cost method, i.e. substitution method, for the objects built in recent years-construction costs; for older buildings-experience method depending on construction type and level of equipment. Equipment is assessed by market method and by a method of substitution of amortised value. For the equipment of with reliably indicated market value by direct comparison with achieved sale prices in the market, assessment is made by market method, i.e. by a method of direct price comparison;
Investment property	26,525	26,525	26,073	26,073	Level 3	Assessment of a certified assessor 31/12/2016 (the Institute for economic research-Belgrade)
Participation in capital of other legal persons	1	1	1	1	Level 2	Estimation the management is that they are not refundable-banks in bankruptcy
Long-term and short-term financial investments - housing loans	149,052	149,052	130,384	130,384	Level 3	Assessment of a certified actuary with a balance on 31/12/2016 - Discounting of cash flows as follows: 20% for housing loans which are not being revalued ; 7% for housing loans with value adjusted annually and with interest rate 0,5%, 5,5% for housing loans with currency clause and interest rate 0,5%; 7,25% for housing loans with value adjusted semi-annually and 7,5% for housing loans with value adjusted annually
Other long-term receivables	83,819	83,819	0	0	Level 3	Estimation of collectibility by management according to IAS 39
Receivables from buyers	1,020,436	1,020,436	1,701,939	1,701,939	Level 3	Estimation of collectibility by management according to IAS 39
Other receivables	149,499	149,499	90,631	90,631	Level 3	Estimation of collectibility by management according to IAS 39

The above table includes only financial resources, because the Company has no financial liabilities that are disclosed after initial recognition at fair value.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

64. FINANCIAL INSTRUMENTS AND AIMS OF FINANCIAL RISK MANAGEMENT

in 000 RSD

Financial instrument categories	31/12/2016		31/12/2015			
	Total	val.correction	net amount	Total	val.correction	net amount
1 Long term investments	741,848	(517,083)	224,765	669,340	(548,461)	120,879
- Long-term time deposits	5,662	-	5,662	5,547	-	5,547
- Participation in bank capital	20,085	(20,085)	0	20,085	(20,085)	0
- Participation in capital of foreign legal entities	358,599	(358,598)	1	358,599	(358,598)	1
- Long-term housing loans to employees	273,683	(138,400)	135,283	285,109	(169,778)	115,331
- Other long-term receivables	83,819	-	83,819	0	-	0
2 Receivables expressed at nominal. value	5,450,438	(295,056)	5,155,382	5,857,022	(187,812)	5,669,210
- Receivables from buyers	1,311,621	(291,185)	1,020,436	1,885,457	(183,518)	1,701,939
- Short-term financial investments	3,985,911	(464)	3,985,447	3,877,183	(543)	3,876,640
- Receivables for interests	67,041	(385)	66,656	57,828	(467)	57,361
- Other receivables	85,865	(3,022)	82,843	36,554	(3,284)	33,270
3 Cash and cash equivalents	740,102	-	740,102	704,127	-	704,127
	6,932,388	(812,139)	6,120,249	7,230,489	(736,273)	6,494,216
Financial liabilities						
1 - Long-term loans	701,909	0	701,909	792,794	0	792,794
2 - Current maturities of l-term loans	102,919	-	102,919	101,380	-	101,380
3 - Curr. maturities of l-term fin.lease	0	0	0	0	0	0
4 - Short-term liabilities	462,702	-	462,702	240,783	-	240,783
	1,267,530	-	1,267,530	1,134,957	-	1,134,957

Basic financial instruments of the Company are cash and cash equivalents, accounts receivable, financial investments that arise directly from the Company operation, as well as long-term loans, liabilities to suppliers and other liabilities which main purpose is the financing of the current operations of the company.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

64. FINANCIAL INSTRUMENTS AND AIMS OF FINANCIAL RISK MANAGEMENT (cont'd)**Financial risk management objectives**

Financial risks include market risk (foreign exchange, interest rate and price change risk), credit risk and liquidity risk.

Financial risks are reviewed on a timely basis and are preferably avoided by reducing the Company's exposure to these risks. The Company does not use any financial instruments to avoid the impact of financial risk to the business operations because such instruments are not widely used, and there is no organized market for such instruments in the the Republic of Serbia.

I - MARKET RISK

In its operations, the Company is exposed to financial risks from changes in foreign exchange rates and changes in interest rates. Market risk exposures are examined through sensitivity analysis. There were no significant changes in the Company's exposure to market risk, or in the manner in which the Company operates or measure this risk.

a) Currency risk (foreign exchange risk)

The Company is exposed to foreign currency risk primarily through cash and cash equivalents, short-term financial investments, accounts receivable from buyers, liabilities from long-term loans and liabilities to foreign suppliers.

The Company does not use special financial instruments to protect against risk, considering that in Serbia such instruments are not in common use.

The stability of the economic environment in which the Company operates, largely depends on the measures of government in the economy, including the establishment of appropriate legal and regulatory framework.

Accounting values of financial resources and liabilities in RSD thousand, disclosed in foreign currency on date of reporting in the Company are the following:

in 000 RSD

Currency description	Total assets				Total liabilities	
	31/12/2016		31/12/2015		31/12/2016	31/12/2015
	gross	net	gross	net		
EUR	3,979,299	3,827,535	3,904,003	3,709,037	854,799	896,088
USD	626,857	626,857	570,872	570,872	160	6,908
CHF	363	363	356	356	0	0
GBP	9	9	13	13	66	0
Total dinar counter-val.of assets and liab. stated in for.currency	4,606,528	4,454,764	4,475,244	4,280,278	855,025	902,996
Value of assets and liab. stated in dinars	2,325,860	1,665,485	2,755,245	2,213,938	412,505	231,961
Total	6,932,388	6,120,249	7,230,489	6,494,216	1,267,530	1,134,957

By analysis of the currency structure of financial assets and liabilities as of 31/12/2016, along with the balance as of 31.12.2015, it can be concluded that currency clause are higher than the contracted

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

64. FINANCIAL INSTRUMENTS AND AIMS OF FINANCIAL RISK MANAGEMENT (cont'd)**a) Currency risk (foreign exchange risk) (cont'd)**

financial liabilities in foreign currencies Financial liabilities contracted in foreign currency are generally of long-term nature.

The Company is sensitive mainly to changes in the exchange rate of the Euro (EUR) and U.S. Dollar (USD).

The following table presents a sensitivity analysis of the Company to increase and decrease in RSD rate of 10%, in comparison to the foreign currency. The sensitivity analysis includes only outstanding receivables and liabilities in foreign currency and shows their change of 10% at the end of the reporting period in exchange rates. A positive number in the table indicates an increase of the result in the current period when RSD strengthens against the currency in question. In the case of weakening of RSD by 10% compared to the foreign currency, the effect on the current period would be negative.

in 000 RSD

31/12/2016

Changes	EUR impact		USD impact		CHF impact		GBP impact	
	10.00%	-10.00%	10.00%	-10.00%	10.00%	-10.00%	10.00%	-10.00%
Gain/loss	297,274	-297,274	62,670	-62,670	36	-36	-6	6

in 000 RSD

31/12/2015

Changes	EUR impact		USD impact		CHF impact		GBP impact	
	10.00%	-10.00%	10.00%	-10.00%	10.00%	-10.00%	10.00%	-10.00%
Gain/loss	281,295	-281,295	56,396	-56,396	36	-36	1	-1

b) Risk of interest rate change

The Company is exposed to interest rate risk on assets and liabilities with floating interest rate.

The Company has placed cash and cash equivalents in the group of interest-bearing financial assets with variable interest rates, because it contracted with banks "a vista" interest of variable character, depending on the amount in current accounts and the reference interest rate.

The risk of changes in interest rates on the Company does not represent a significant risk, because the categories of financial instruments that have contractual interest are generally defined with fixed interest rate.

Financial instruments classified by categories of interest and non-interest resources are disclosed in the following summary:

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

64. FINANCIAL INSTRUMENTS AND AIMS OF FINANCIAL RISK MANAGEMENT (cont'd)

b) Risk of interest rate change (cont'd)

in 000 RSD

Financial assets-net	31/12/2016			31/12/2015		
	Total	val.correction	net amount	Total	val.correction	net amount
Non-interest						
Share in capital of oth.leg.entities	378,684	(378,683)	1	378,684	(378,683)	1
Other long-term receivables	83,819	-	83,819	0	-	-
Receivables from buyers	1,311,621	(291,185)	1,020,436	1,885,457	(183,518)	1,701,939
Receivables for interests and oth.receiv.	152,906	(3,407)	149,499	94,382	(3,751)	90,631
Short-term fin. invest.	50,953	-	50,953	77,841	-	77,841
Non-interest-total	1,977,983	(673,275)	1,304,708	2,436,364	(565,952)	1,870,412
Fixed interest rate						
Long term fin.investments	279,345	(138,400)	140,945	290,656	(169,778)	120,878
Short term fin.investments	3,934,958	(464)	3,934,494	3,799,342	(543)	3,798,799
Fixed-total	4,214,303	(138,864)	4,075,439	4,089,998	(170,321)	3,919,677
Floating interest rate						
Cash and cash equiv.	740,102	-	740,102	704,127	-	704,127
Floating-total	740,102	0	740,102	704,127	0	704,127
	6,932,388	(812,139)	6,120,249	7,230,489	(736,273)	6,494,216
Financial liabilities						
Non-interest						
Liabilities from operation	462,702	0	462,702	240,783	0	240,783
Non-interest-total	462,702	0	462,702	240,783	0	240,783
Fixed interest rate						
Long-term loans	701,909	0	701,909	792,794	0	792,794
Current maturities of long-t. liab.	102,919	0	102,919	101,380	0	101,380
Fixed-total	804,828	0	804,828	894,174	0	894,174
Floating interest rate						
Current maturities of long-t. liab.	0	0	0	0	0	0
Floating-total	0	0	0	0	0	0
	1,267,530	0	1,267,530	1,134,957	0	1,134,957

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

64. FINANCIAL INSTRUMENTS AND AIMS OF FINANCIAL RISK MANAGEMENT (cont'd)**v) Risk of price change**

The Company estimates that there is no risk of price change, because financial instruments of the Company are not subject to price change on the market.

The Company does not operate with securities that are subject to price change in securities market. Furthermore, the Company has no turnover of goods subject to price change. The greatest item in turnover of goods is kerosene which has a transit goods treatment.

II - CREDIT RISK

The Company estimates that the greatest of the risks affecting financial instruments is credit risk, representing the risk that debtors will not be in position to settle their debts in full and in due time, which would result in the financial loss for the Company. The Company's exposure to this risk is limited to the amount of receivables from buyers at the balance sheet date.

The Company performs the reconciliation of assets and liabilities annually, with balance as of 30/11 of the current year, or more times during the year for specific clients, if the need arises.

The Company has reconciled receivables with buyers on 30/11/2016 for 64.33% of receivables. . Out of 35.67% of non-reconciled receivables of domestic clients on 30/11/2016, 13.04% refers to undisputed receivables and 22.63% to OIS without response (of which 11.22% refers to sued clients with no answer to OIS).

As for foreign client receivables, the Company reconciled 80.95% of foreign receivables as of 30/11/2016. Unreconciled receivables mainly refer to receivables with sent and not responded OIS.

At the end of the business year, with the balance on 31/12/2016, receivables with Air Serbia and Montenegro Airlines were reconciled.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

64. FINANCIAL INSTRUMENTS AND AIMS OF FINANCIAL RISK MANAGEMENT (cont'd)

II - CREDIT RISK (cont'd)

Structure of receivables from buyers	31/12/2016	participa	31/12/2015	participat
	in 000 RSD	tion	in 000 RSD	ion
Air Serbia	147,816	11.27%	722,881	38.34%
Jat Tehnika	157,448	12.00%	204,979	10.87%
Dufry doo	65,347	4.98%	58,646	3.11%
International CG	41,492	3.16%	41,492	2.20%
Air Serbia-Catering ltd	45,561	3.47%	35,883	1.90%
Aviogenex ltd.	50,820	3.87%	44,066	2.34%
Austrian-branch	14,172	1.08%	25,845	1.37%
Other domestic buyers	116,139	8.85%	94,365	5.00%
Total domestic buyers	638,795	48.70%	1,228,157	65.14%
Montenegro Airlines	193,036	14.72%	207,751	11.02%
Wizz Air	87,603	6.68%	140,017	7.43%
Deutsche Lufthansa	59,160	4.51%	46,523	2.47%
Turkish Airlines	34,942	2.66%	34,663	1.84%
Etihad Airlines	44,667	3.41%	33,838	1.79%
Aeroflot	33,341	2.54%	27,268	1.45%
Allitalia	20,599	1.57%	20,596	1.09%
Qatar Airways	10,703	0.82%	16,165	0.86%
Swiss Air	29,094	2.22%	19,357	1.03%
Fly Dubai	23,440	1.79%	14,354	0.76%
Pegasus	20,125	1.53%	10,270	0.54%
LOT Polskie Linie	16,363	1.25%	0	0.00%
Other foreign buyers	99,753	7.61%	86,497	4.59%
Total foreign buyers	672,826	51.30%	657,300	34.86%
Total gross receivables from domestic and foreign buy	1,311,621	100.00%	1,885,457	100.00%
Total value correction	291,185		183,518	
Total net receivables	1,020,436		1,701,939	

The Company has large receivables from domestic and foreign buyers on 31/12/2016 (RSD 1.311.621 thousand), so that the credit risk is constantly there. To reduce this risk, the Company regularly monitors the realisation of the collection, analyses the value of the collection achieved within the contracted period, collection with exceeded contracted period, and the balance and age structure of outstanding receivables as per buyers.

The greater the percentage share of individual buyers in total receivables the higher credit risk, especially if these buyers have unstable liquidity and on that basis, exceeded contracted payment deadline.

Receivables from domestic buyers for goods and services on 31/12/2016 in the amount of RSD 638.795 thousand, accounted for 48,70% of total receivables from buyers for goods and services. Total balance of value adjustment of receivables from domestic buyers was RSD 278.284 thousand (charged to results of previous years RSD 116.263 thousand and charged to result of the current year RSD 162.021 thousand), so the net value of receivables from domestic buyers amounts to RSD 360.511 thousand.

Receivables from foreign buyers for goods and services amounted to RSD 672.826 thousand, which makes 51.30% of total receivables for goods and services. Total balance of value adjustment of receivables from foreign buyers was RSD 12.901 thousand (all charged to results of previous years), so the net value of receivables from foreign buyers amounts to RSD 659.925 thousand.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

64. FINANCIAL INSTRUMENTS AND AIMS OF FINANCIAL RISK MANAGEMENT (cont'd)

II - CREDIT RISK (cont'd)

Age structure of receivables	31/12/2016	participati	31/12/2015	participat
	in 000 RSD	on	in 000 RSD	ion
Undue receivables from buyers-uncorrected	728,524	55.54%	1,453,062	77.07%
Undue receivables from buyers-corrected	0	0.00%	6,868	0.36%
Total undue receivables	728,524	55.54%	1,459,930	77.43%
Due receivables up to 60 days-uncorrected	144,110	10.99%	175,627	9.31%
Due receivables up to 69 days-corrected	0	0.00%	2,494	0.13%
Total due receivables up to 60 days	144,110	10.99%	178,121	9.45%
Due receivables over 60 days-uncorrected	147,802	11.27%	73,250	3.88%
Due receivables over 60 days-corrected	291,185	22.20%	174,156	9.24%
Total due receivables over 60 days	438,987	33.47%	247,406	13.12%
Total receivables-gross	1,311,621	100.00%	1,885,457	100.00%
Total value correction	291,185		183,518	
Total receivables - net (gross-correction)	1,020,436		1,701,939	

Undue receivables from domestic and foreign buyers for goods and services, on 31/12/2016, amounted to RSD 728.524 thousand (and on 31/12/2015 they amounted to RSD 1.459.930 thousand).

Due receivables from domestic and foreign buyers for goods and services, on 31/12/2016 not older than 60 days, amounted to RSD 114.110 thousand (and on 31/12/2015 they amounted to RSD 178.121 thousand).

Due receivables from domestic and foreign buyers for goods and services, on 31/12/2016 older than 60 days, amounted to RSD 438.987 thousand (and on 31/12/2015 they amounted to RSD 247.406 thousand).

Due corrected receivables from domestic and foreign buyers for goods and services older than 60 days as at 31/12/2016 amounted to RSD 291.185 thousand, of which for value correction of receivables of the current period was placed RSD 162.511 thousand, and at the cost of the results of previous years RSD 128.674 thousand (due corrected receivables from domestic and foreign buyers for goods and services older than 60 days on 31.12.2015 amounted to RSD 174,156 thousand).

Due uncorrected receivables from domestic and foreign buyers for goods and services older than 60 days, on 31/12/2016, amounted to RSD 147.802 thousand (and on 31/12/2015 they amounted to RSD 73.250 thousand). These receivables are not corrected due to the assessment of certainty of collection of those receivables.

III - LIQUIDITY AND CASH FLOW RISK

Liquidity is the ability of the Company to settle its liabilities on the terms of their maturity.

The ultimate responsibility for liquidity risk management is on the management of the company, which has established appropriate management system for short-term, medium-term and long-term financing of the Company as well as liquidity management. By continuous monitoring of planned and actual cash flows, the Company maintains adequate cash reserves, and also maintains adequate maturities of financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

64. FINANCIAL INSTRUMENTS AND AIMS OF FINANCIAL RISK MANAGEMENT (cont'd)

III - LIQUIDITY AND CASH FLOW RISK (cont'd)

The following tables present details of outstanding contractual maturities of financial resources. The amounts shown are based on the undiscounted cash flows arising on the basis of financial resources based on the earliest date on which the Company will be able to collect receivables.

Maturity of financial assets	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Less than 30 days	1,754,695	1,558,930
1 - 3 months	2,224,243	2,440,280
3-12 months	1,897,689	2,319,613
1 - 5 years	130,547	78,527
over five years	113,075	96,866
	6,120,249	6,494,216

The average time to collect receivables from customers in the period I-XII 2016 amounted to 62 days (2015: 111 days). Shortening of the average time to collect receivables from buyers in the period I-XII 2016, compared to 2015 is influenced by regular collection of accounts receivable maturities, by our largest customer Air Serbia, as well as the collection of receivables from 2015 in accordance with the concluded reprograms which define new terms of payment of receivables incurred in 2015 and earlier years.

Maturity of receivables for interests	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Less than 30 days	3,983	4,060
1 - 3 months	30,464	37,743
3-12 months	32,209	16,025
	66,656	57,828

The stated maturity of interest receivables are contained within disclosure of maturity of financial assets.

The following tables present details of outstanding contractual maturities of the Company. The amounts shown are based on the undiscounted cash flows arising on the basis of financial liabilities based on the earliest date on which the Company will be required to settle such obligations.

	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Less than 30 days	462,702	240,783
1 - 3 months	12,384	12,199
3-12 months	90,535	89,181
1 - 5 years	411,677	405,522
over five years	290,232	387,272
	1,267,530	1,134,957

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

64. FINANCIAL INSTRUMENTS AND AIMS OF FINANCIAL RISK MANAGEMENT (cont'd)**III - LIQUIDITY AND CASH FLOW RISK (cont'd)**

In the total liabilities of the Company the largest share have liabilities based on long-term loans in the amount of RSD 804.828 thousand, of which in 2017 becomes due RSD 102.919 thousand.

Liabilities towards suppliers on December 31, 2016 are disclosed in the amount of RSD 462.702 thousand (December 31, 2015: RSD 240,783 thousand). Suppliers do not charge interest on arrears to due liabilities, whereby the Company, in accordance with the policy of financial risk management, settles due liabilities to suppliers within the agreed period. Average time of settlement of liabilities towards suppliers in the period I- XII 2016 is 46 days (in 2015 it was 48 days).

Maturity of liabilities for interests (for loans)	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Less than 30 days	-	-
1 - 3 months	4,204	4,733
3-12 months	30,302	33,830
1 - 5 years	91,603	108,524
over five years	23,768	39,112
	149,877	186,199

Capital risk management

The aim of capital risk management is provision of such a structure of capital that will secure safety in operating, liquidity and solvency, at the same time maximizing profit increase of the owner, through the optimization of debt and equity. In addition to its own capital, which consists of core capital, reserves and undistributed profit, the Company uses the borrowed funds in the form of long-term loans. Free cash flow from current accounts, the Company invests in the form of short-term deposits.

Indicators of indebtedness of the Company as at the end of the reporting current period of 2016 and the end of 2015 were as follows:

	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
I Indebtedness (ADP 432 + ADP 443)	804,828	894,174
2 Cash and cash equivalents (ADP 068)	740,102	704,127
I GROSS INDEBTEDNESS (1-2)	64,726	190,047
3 Ratio indebtedness/capital (I/5)	0.0024	0.0074
4 Short-term financial investment (ADP 062)	3,985,447	3,876,640
II NET INDEBTEDNESS (I - 4)	(3,920,721)	(3,686,593)
5 Capital (ADP 401)	27,087,521	25,697,984
6 Ratio indebtedness/capital (II/5)	-0.1447	-0.1435

65. MANAGEMENT EARNINGS

The Company paid remuneration (salaries and share in profit) to key management, including members of the Supervisory Board, the Audit Commission and the General Assembly of Shareholders and Executive directors and Department directors (on 31/12/2016: 23; on 31/12/2015: 21). In the period I - XII 2016 was paid in the gross amount RSD 41.784 thousand (in the period I- XII 2015: RSD 43.171 thousand).

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

65. MANAGEMENT EARNINGS (cont'd)

Management earnings	31/12/2016	I-XII 2016	31/12/2015	I-XII 2015
Management	Number	Amount in 000 RSD	Number	Amount in 000 RSD
Earnings	14	32,167	12	30,841
Participation in profit distribution		1,452		4,173
Total management	14	33,619	12	35,014
Compensations to members of the Supervisory Board	7	6,316	7	6,332
Compensations to members of the Commission for Revision	1	673	1	615
Compensations to members of the Shareholders Assembly	1	1,176	1	1,210
Total for members of the Supervisory Board, the Commission for Revision and the Shareholders Assembly.	9	8,165	9	8,157
TOTAL:	23	41,784	21	43,171

66. TAX RISKS

The tax laws of the Republic of Serbia are often differently interpreted and are subject to frequent changes. The interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Company may differ from the management interpretations. The management believes that tax liabilities are adequately calculated and recorded.

67. LITIGATIONS

On December 31, 2016, against the Company there are litigations in the amount of RSD 118.851 thousand (excluding the effects of default interest). Amounts of final losses on litigations can be increased on the basis of default interest up to the completion of the settlement, or until the date of final payment by disputes. On December 31 2016 the Company has made provisions for potential losses on these litigations in the amount of RSD 80.496 thousand (on 31.12.2015 it was RSD 114,781 thousand) (Notes 47 and 48). According to the assessment of the Company's management on this basis they does not expect additional significant losses in the future period.

68. EVENTS AFTER THE REPORTING PERIOD

In accordance with IAS 10 "Events after the reporting period", we found no existence of other events that may influence or affect the truthfulness and objectivity of the financial statements for the period that ended on December 31 2016, or would require adjustment of the financial statements.

Belgrade, April 24, 2017



Legal representative

АЕРОДРОМ "НИКОЛА ТЕСЛА"
БЕОГРАД

ПРИМЉЕНО	28.09.2017	ГРУПОГА
АРХОВИ	БРЧЈ	
10	ГД-2048	2017

„AERODROM NIKOLA TESLA“ a.d., Belgrade

**Independent Auditor's Report
and financial statements for the Year 2016**

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND GENERAL MANAGER OF THE COMPANY „AERODROM NIKOLA TESLA“ AD, BELGRADE

We have audited the accompanying financial statements of the company “AERODROM NIKOLA TESLA” a.d., Belgrade, (hereinafter referred to as the „Company“) which comprise the balance sheet for the year ending December 31st 2016, and the income statement, statement of other results, statement of changes in equity, cash flow statement and a summary of significant accounting policies and notes to the financial report.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND GENERAL MANAGER OF THE COMPANY „AERODROM NIKOLA TESLA“ AD, BELGRADE

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group "AERODROM NIKOLA TESLA" a.d., Belgrade as of December 31st 2016, and its financial performance for the year ended, in accordance with the accounting policies disclosed in the notes to financial statements and Accounting Law of the Republic of Serbia.

Emphasis of matter

- For the purpose of preparing the financial statements for 2016, Company performed a review of the estimated value of property, plant and equipment in accordance with IAS 16 - *Property, plant and equipment*. Previous assessments done by the Company did not contain all the necessary elements in accordance with IAS 16. Evaluation of fair value of property, plant and equipment was carried out at December 31st 2016, by an authorized independent appraiser. After valuation, the total value of the revalued assets amounted to RSD 22,195,352 thousand as follows: land in the estimated amount of RSD 9,416,290 thousand, buildings in the estimated amount of RSD 9,678,995 thousand and equipment in the estimated amount of RSD 3,100,067 thousand. Effects of valuation are recorded in the revaluation reserves in the amount of RSD 534,610 thousand, as well as in income for impaired assets in the previous assessment in the amount of 35,260 thousand and in expenses for the impaired assets in the amount of RSD 334 thousand. Company also made correction of the position – revaluation reserves for deferred tax assets in accordance with IAS 12 – *Income taxes* in the amount of RSD 80,517 thousand.
- We draw your attention to Note 2.1. to the financial statements, in which is stated that the Company did not calculate deferred tax liabilities based on the revalued land, because as the Company does not consider it possible to apply the provisions of IAS 12 - *Income taxes*, for the following reasons: inability of clear interpretation of regulations regarding the tax treatment of any sale or transfer of rights of use land, then determining the right of disposal and land ownership of the Company. Also, in favor of this decision goes and specificity of activities and business regulation of airports in the Republic of Serbia, as well as the specific provisions of Independent members of the Law on Amendments to the Law on the right to free shares and financial compensation realized by the citizens in the privatization process (Official Gazette of RS No. 30/2010).

Our opinion is not qualified in relation to the above mentioned issues.

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www.pkf.rs | mat.br. 08752524 | PIB 102397694 | t.r. 285-201100000084-52 Sberbank a.d. | šifra delatnosti 6920

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS AND GENERAL MANAGER OF THE COMPANY „AERODROM NIKOLA TESLA“ AD, BELGRADE

Report on other legal and regulatory requirements

The Company is responsible for preparing the annual report on the operations of a reconciliation with the requirement of the Accounting Act of the Republic of Serbia (Official Gazette of the Republic of Serbia No. 62/2013). Our responsibility is to express an opinion on the compliance of the annual report on the operations of the financial statements for the business in 2016. In this regard, our procedures are conducted in accordance with International Standards on Auditing 720 - Liability of auditors in relation to other information in documents containing financial statements, which were audited and we are limited in the conformity assessment reports on the operations of the financial statements.

In our opinion, the annual report on operations is consistent with the financial statements that were audited.

Report on the activities of separation airport operator and activities of ground handling services

In accordance with Article 4. of the Rule book on ground handling services at airports (Official Gazette of the Republic of Serbia No. 61/2015), Company is responsible for the business activities of the airport operator and industry ground handling services accounted for on a way to ensure a complete separation of these activities into accounts, as well as that annual financial statements does not contain any associated financial flows between these activities. From July 01st 2016, Company separated these activities as follows: invoicing groundhandling services from other airport operators, determining the affiliation of direct expenses, as well as the allocation of indirect expenditures on airport operators and ground handling activities based on the adopted keys for allocation of indirect costs. Based on the above, the separation of the operating result of the aforementioned activities will in future be made on the basis of precisely recorded data on revenues and expenditures.

Separation of business revenues and expenditures Company for 2016 is carried out on the basis of the adopted Amended Plan of operations for 2016 by the Supervisory Board (Decision No.33-17/1 of 24. 06. 2016), i.e on the basis of a adopted parameters for the separation of the services provided to the groundhandling activities of the airport operator and defined the planned participation of the related expenditure, according to the Rule book on the ground handling services on aerodromes (Note 4 to the financial statements).

In accordance with the same regulation, our responsibility is to express an opinion whether the accounts in 2016 were separated to abovementioned activities.

In our opinion, the accounts of activity of the airport operator and activities of ground handling services were separated as of December 31st 2016 (Note 4 to the financial statements).

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FINANCIAL STATEMENTS December 31, 2016

FA - 2026/2017
27.04.2017

FINANCIAL STATEMENTS December 31, 2016

1. INCOME SHEET for the period I-XII 2016
2. BALANCE SHEET on December 31, 2016
3. REPORT ON OTHER RESULTS for the period I-XII 2016
4. STATEMENT ON CHANGES IN CAPITAL for the period I-XII 2016
5. CASH FLOW STATEMENT for the period I-XII 2016
6. NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

April 24, 2017

FINANCIAL STATEMENTS December 31, 2016

INCOME SHEET
 in the period from January 1 to December 31, 2016

INCOME SHEET
 for the period from 01/01/2016 until 31/12/2016

- in thousand RSD -

Group of accounts - account	POSITION	ADP	Note No.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	REVENUES OF REGULAR BUSINESS				
60 to 65, except 62 & 63	A. OPERATING REVENUES (1002 + 1009 + 1016 + 1017)	1001		8,528,703	8,116,139
60	I REVENUES FROM SALE OF GOODS (1003 + 1004 + 1005 + 1006 + 1007 + 1008)	1002	5	57,397	140,435
600	1. Revenues from sale of goods to parent companies and subsidiaries in domestic market	1003			
601	2. Revenues from sale of goods to parent companies and subsidiaries in foreign markets	1004			
602	3. Revenues from sale of goods to other related parties in domestic market	1005			
603	4. Revenues from sale of goods to other related parties in foreign markets	1006			
604	5. Revenues from sale of goods in domestic market	1007	5	2,067	37,318
605	6. Revenues from sale of goods in foreign markets	1008	5	55,330	103,117
61	II REVENUES FROM SALE OF PRODUCTS AND SERVICES (1010 + 1011 + 1012 + 1013 + 1014 + 1015)	1009	6; 7; 8;	7,552,237	7,152,278
610	1. Revenues from sale of products and services to parent com. and subsidiaries in domestic market	1010			
611	2. Revenues from sale of products and services to parent com. and subsidiaries in foreign markets	1011			
612	3. Revenues from sale of products and services to other related parties in domestic market	1012			
613	4. Revenues from sale of products and services to other related parties in foreign markets	1013			
614	5. Revenues from sale of products and services to other related parties in domestic market	1014	6	3,314,644	3,011,748
615	6. Revenues from sale of products and services in foreign markets	1015	7	4,237,593	4,140,530
64	III REVENUES FROM PREMIUMS, SUBSIDIES, GRANTS, DONATIONS ETC.	1016		285	0
65	IV OTHER OPERATING REVENUES	1017	9	918,784	823,426

FINANCIAL STATEMENTS December 31, 2016

INCOME SHEET (continued)
in the period from January 1 to December 31, 2016

INCOME SHEET					
for the period from 01/01/2016 until 31/12/2016					
- in thousand RSD -					
Group of accounts account	POSITION	ADP	Note No.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	EXPENDITURES OF REGULAR BUSINESS				
	B. OPERATING EXPENDITURES				
50 to 55, except 62 & 63	{1019 – 1020 – 1021 + 1022 + 1023 + 1024 + 1025 + 1026 + 1027 + 1028+ 1029} ≥ 0	1018		4,941,794	4,468,458
50	I. PURCHASE VALUE OF SOLD GOODS	1019	10	52,919	133,258
62	II. revenues from activation of use of own products and goods	1020		0	0
630	III. INCREASE OF STOCK VALUE OF UNFINISHED AND FINISHED PRODUCTS AND UNFINISHED SERVICES	1021			
631	IV. DECREASE OF STOCK VALUE OF UNFINISHED AND FINISHED PRODUCTS AND UNFINISHED SERVICES	1022			
51 except 513	V. COSTS OF MATERIALS	1023	11	175,073	162,971
513	VI. COSTS OF FUEL AND ENERGY	1024	12	258,963	275,494
52	VII. COSTS OF SALARIES, SALARY COMPENSATIONS AND OTHER PERSONAL EXPENSES	1025	13	2,821,301	2,414,173
53	VIII. COSTS OF PRODUCTION SERVICES	1026	14	336,036	368,161
540	IX. AMORTISATION COSTS	1027	15	884,949	767,878
541 to 549	X. COSTS OF LONG-TERM RESERVING	1028	16	36,817	69,447
55	XI. INTANGIBLE COSTS	1029	17	375,736	277,076
	V. OPERATING PROFIT (1001 – 1018) ≥ 0	1030		3,586,909	3,647,681
	G. OPERATING LOSS (1018 – 1001) ≥ 0	1031			
66	D. FINANCIAL REVENUES (1033 + 1038 + 1039)	1032		227,443	320,303
66 except 662, 663 & 664	I. FINANCIAL REVENUES FROM RELATED PARTIES AND OTHER FINANCIAL REVENUES (1034 + 1035 + 1036 + 1037)	1033		0	0
660	1. Financial revenues from parent company and subsidiaries	1034			
661	2. Financial revenues from other related parties	1035			
665	3. Revenues from participation in profit of associated legal entities and joint ventures	1036			
669	4. Other financial revenues	1037			
662	II. INTEREST REVENUE (FROM THIRD PARTIES)	1038	18	108,676	168,453

FINANCIAL STATEMENTS December 31, 2016

INCOME SHEET (continued)
in the period from January 1 to December 31, 2016

INCOME SHEET					
for the period from 01/01/2016 until 31/12/2016					
- in thousand RSD -					
663 & 664	III. FOREIGN EXCHANGE GAINS AND POS.EFFECTS OF CURRENCY CLAUSE (TOWARD THIRD PARTIES)	1039	19	118,767	151,850
56	D. FINANCIAL EXPENDITURES (1041 + 1046 + 1047)	1040		89,907	152,155
56 except 562, 563 & 564	I. FINANCIAL EXPENDITURES FROM RELATED PARTIES RELATION AND OTHER FIN.EXPENDITURES (1042 + 1043 + 1044 + 1045)	1041		0	0
560	1. Financial expenditures from relation with parent companies and subsidiaries	1042			
561	2. Financial expenditures from relation with other related parties	1043			
565	3. Expenditures from participation in the loss of associated legal entities and joint ventures	1044			
566 & 569	4. Other financial expenditures	1045			
562	II. INTEREST EXPENDITURES (TOWARD THIRD PERSONS)	1046	20	44,600	67,483
563 & 564	III. FOREIGN EXCHANGE LOSSES AND NEG.EFFECTS OF CURRENCY CLAUSE (TOWARD THIRD PARTIES)	1047	21	45,307	84,672
	E. PROFIT FROM FINANCING(1032 – 1040)	1048		137,536	168,148
	Ž. LOSS FROM FINANCING(1040 – 1032)	1049		0	0
683 & 685	Z. REVENUES FROM VALUATION ADJUSTMENTS OF OTHER ASSETS CARRIED AT FAIR VALUE THROUGH INCOME SHEET	1050	22	75,215	79,590
583 & 585	I. EXPENDITURES FROM VALUATION ADJUSTMENTS OF OTHER ASSETS CARRIED AT FAIR VALUE THROUGH INCOME SHEET	1051	23	165,133	40,100
67 & 68, except 683 & 685	J. OTHER REVENUES	1052	24	53,989	1,962,738
57 & 58, except 583 & 585	K. OTHER EXPENDITURES	1053	25	30,144	1,864,127
	L. OPERATING PROFIT BEFORE TAX (1030 – 1031 + 1048 – 1049 + 1050 – 1051 + 1052 – 1053)	1054		3,658,372	3,953,930

FINANCIAL STATEMENTS December 31, 2016

INCOME SHEET (continued)
in the period from January 1 to December 31, 2016

INCOME SHEET						
for the period from 01/01/2016 until 31/12/2016						
- in thousand RSD -						
Group of accounts - account	POSITION	ADP	Note No	Amount		
				Current year	Previous year	
1	2	3	4	5	6	
	LJ. OPERATING LOSS BEFORE TAX (1031 – 1030 + 1049 – 1048 + 1051 – 1050 + 1053 – 1052)	1055				
69-59	M. NET INCOME FROM DISCONTINUED OPERATIONS, THE EFFECT OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS FROM PREVIOUS PERIOD	1056	26	126,433	0	
59-69	N. NET LOSS FROM DISCONTINUED OPERATIONS, EXPENSES CHANGE IN ACCOUNTING POLICIES AND CORRECTIONS FROM PREVIOUS PERIOD	1057				
	NJ. PROFIT BEFORE TAX (1054 – 1055 + 1056 – 1057)	1058	27;	3,784,805	3,953,930	
	O. LOSS BEFORE TAX (1055 – 1054 + 1057 – 1056)	1059				
	p. INCOME TAX					
721	I. INCOME TAX EXPENDITURE	1060	27;	393,279	607,090	
part 722	II. DEFERRED TAX EXPENDITURE	1061	27;	200,787	55,814	
part 722	III. DEFERRED INCOME TAX	1062		0	0	
723	R. EARNINGS PAID BY EMPLOYER	1063				
	S. NET PROFIT	1064	28	3,190,739	3,291,026	
	(1058 – 1059 – 1060 – 1061 + 1062)					
	T. NET LOSS	1065				
	(1059 – 1058 + 1060 + 1061 – 1062)					
	I NET INCOME OF MINORITY SHAREHOLDERS	1066				
	II NET INCOME OF THE MAJORITY OWNER	1067				
	III PROFIT PER SHARE					
	1. Basic earning per share	1068	28			
	2. Reduced (diluted) earning per share	1069				
6	TOTAL REVENUES			9,016,436	10,478,770	
5	TOTAL EXPENDITURES			5,231,631	6,524,840	

FINANCIAL STATEMENTS December 31, 2016

BALANCE SHEET

On December 31, 2016

BALANCE SHEET							
on 31/12 2016							
- in thousand RSD -							
Group of accounts account	POSITION	ADP	Note No.	Amount			
				Current year 2016	Previous year		
1	2	3	4	5	6	7	
	ASSETS						
0	A. NON-PAID UP SUBSCRIBED CAPITAL	1					
	B. FIXED ASSETS (0003 + 0010 + 0019 + 0024 + 0034)	2		23,895,702	21,730,626		0
1	I. INTANGIBLE ASSETS (0004 + 0005 + 0006 + 0008 + 0009)	3	29	135,730	80,523		0
010 & part 019	1. Investment in development	4					
011, 012 & part 019	2. Concessions, patents, licences, trade marks, software and other rights	5	29	135,730	80,523		
013 & part 019	3. Goodwill	6					
014 & part 019	4. Other intangible assets	7					
015 & part 019	5. Intangible assets in progress	8					
016 & part 019	6. Advances for intangible assets	9					
2	II. REAL ESTATES, PLANTS AND EQUIPMENT (0011 + 0012 + 0013 + 0014 + 0015 + 0016 + 0017 + 0018)	10	29	23,535,062	21,529,104		0
020, 021 & part 029	1. Land	11	29	9,416,290	9,120,668		
022 & part 029	2. Buildings	12	29	9,678,995	9,858,745		
023 & part 029	3. Plant and equipment	13	29	3,101,024	2,482,528		
024 & part 029	Investment property	14	29	26,525	26,073		
025 & part 029	5. Other property, plants and equipment	15	29	3,619	3,619		
026 & part 029	6. Property, plants, equipment in progress	16	29	1,188,102	20,236		
027 & part 029	7. Investments in some else's property, plant and equipment	17					
028 & part 029	8. Advances for property, plants and equipment	18	29	120,507	17,235		
3	III. BIOLOGICAL RESOURCES (0020 + 0021 + 0022 + 0023)	19		145	120		0
030, 031 & part 039	1. Forests and perennial plants	20					
032 & part 039	2. Livestock unit	21	29	145	120		
037 & part 039	3. Biological resources in progress	22					
038 & part 039	4. Advances for biological resources	23					
04. except 047	IV. LONG-TERM FINANCIAL INVESTMENTS (0025 + 0026 + 0027 + 0028 + 0029 + 0030 + 0031 + 0032 + 0033)	24		140,946	120,879		0
040 & part 049	1. Shares in subsidiaries	25					
041 & part 049	2. Shares in associated companies and joint ventures	26					
042 & part 049	3. Shares in other legal entities and other securities available for sale	27	30	1	1		
part 043, part 044 & part 049	4. Long-term investments to parent companies and subsidiaries	28					
part 043, part 044 & part 049	5. Long-term investments to other related parties	29					
part 045 & part 049	6. Long-term investments in the country	30					
part 045 & part 049	7. Long-term investments abroad	31					
046 & part 049	8. Securities hold to maturity	32					
048 & part 049	9. Other long-term financial investments	33	31	140,945	120,878		

FINANCIAL STATEMENTS December 31, 2016

BALANCE SHEET (continued)

On December 31, 2016

BALANCE SHEET						
on 31/12 2016						
- in thousand RSD -						
Group of accounts - account	POSITION	ADP	Note No.	Amount		
				Current year 2016	Previous year	
					Final balance 31/12/2015	Initial balance 01/01/2015
1	2	3	4	5	6	7
	ASSETS					
5	V. LONG-TERM RECEIVABLES (0035 + 0036 + 0037 + 0038 + 0039 + 0040 + 0041)	34		83,819	0	0
050 & part 059	1. Receivables from parent company and subsidiaries	35				
051 & part 059	2. Receivables from other related parties	36				
052 & part 059	3. Receivables from sale on trade credit	37				
053 & part 059	4. Receivables from sale per contracts on financial leasing	38				
054 & part 059	5. Receivables based on guarantees	39				
055 & part 059	6. Disputed and doubtful receivables	40				
056 & part 059	7. Other long-term receivables	41	31	83,819		
288	V. DEFERRED TAX ASSETS	42				
	G. TURNOVER ASSETS					
	(0044 + 0051 + 0059 + 0060 + 0061 + 0062 + 0068 + 0069 + 0070)	43		6,455,664	6,540,995	0
Class 1	I STOCKS (0045 + 0046 + 0047 + 0048 + 0049 + 0050)	44		85,637	141,272	0
10	1. Material, spare parts, tools and small inventory	45	32	62,272	94,820	
11	2. Unfinished production and unfinished services	46				
12	3. Ready products	47				
13	4. Goods	48	33	4,816	12,301	
14	5. Non-current assets intended for sale	49				
15	6. Advances paid for stock and services	50	34	18,549	34,151	
	II RECEIVABLES FROM SALE					
20	(0052 + 0053 + 0054 + 0055 + 0056 + 0057 + 0058)	51		1,020,436	1,701,939	0
200 & part 209	1. Buyers in the country - parent companies and subsidiaries	52				
201 & part 209	2. Buyers abroad - parent companies and subsidiaries	53				
202 & part 209	3. Buyers in the country - other related parties	54				
203 & part 209	4. Buyers abroad - other related parties	55				
204 & part 209	5. Buyers in the country	56	35	360,511	1,069,267	
205 & part 209	6. Buyers abroad	57	36	659,925	632,672	
206 & part 209	7. Other receivables from sale	58				
21	III RECEIVABLES FROM SPECIFIC OPERATIONS	59				
22	IV OTHER RECEIVABLES	60	37	388,411	90,631	
236	V FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME SHEET	61				
23 except 236 & 237	VI SHOR-TERM INVESTMENT (0063 + 0064 + 0065 + 0066 + 0067)	62		3,985,447	3,876,640	0
230 & part 239	1. Short-term loans and invest.- parent companies and subsidiaries	63				
231 & part 239	2. Short-term loans and invest.- other related parties	64				
232 & part 239	3. Short-term credits and loans in the country	65	38	50,953	77,841	
233 & part 239	4. Short-term credits and loans abroad	66				
234, 235, 238 & part 239	5. Other short-term financial investments	67	39	3,934,494	3,798,799	
24	VII CASH AND CASH EQUIVALENTS	68	41	740,102	704,127	
27	VIII VALUE ADDED TAX	69				0
28 except 288	IX PREPAYMENTS AND ACCRUED INCOME	70	42	235,631	26,386	
	D. TOTAL ASSETS = BUSINESS ASSETS (0001 + 0002 + 0042 + 0043)	71		30,351,366	28,271,621	0
88	D. OFF-BALANCE SHEET ASSETS	72	62	524,556	320,491	

FINANCIAL STATEMENTS December 31, 2016

BALANCE SHEET (continued)

On December 31, 2016

BALANCE SHEET						
on 31/12 2016						
- in thousand RSD -						
Group of accounts - account	POSITION	ADP	Note No.	Amount		
				Current year 2016	Previous year Final balance 31/12/2015	Previous year Initial balance 01/01/2015
1	2	3	4	5	6	7
	LIABILITIES					
	A. CAPITAL (0402 + 0411 - 0412 + 0413 + 0414 + 0415 - 0416 + 0417 + 0420 - 0421) ≥ 0 = (0071 - 0424 - 0441 - 0442)	401	43	27,087,521	25,697,984	0
30	I CORE CAPITAL (0403 + 0404 + 0405 + 0406 + 0407 + 0408 + 0409 + 0410)	402		20,573,610	20,573,610	
300	1. Share capital	403	44	20,573,610	20,573,610	
301	2. Shares of limited liability companies	404				
302	3. Stakes	405				
303	4. State capital	406				
304	5. Social capital	407				
305	6. Cooperative capital	408				
306	7. Share issue premium	409				
309	8. Other core capital	410				
31	II NON-PAID UP SUBSCRIBED CAPITAL	411				
047 & 237	III REPURCHASED OWN SHARES	412				
32	IV RESERVES	413	45	4,120,259	2,842,810	
330	V. REVALUATION RESERVES BASED ON THE REVALUATION OF INTANGIBLE PROPERTY, PLANT AND EQUIPMENT	414	45	601,827	148,390	
33 except 330	VI. NON-REALISED INCOMES FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULTS (credit balance of group account 33 except 330)	415	45	16,590	12,788	
33 except 330	VII. NON-REALISED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULTS (debit balance of group account 33 except 330)	416				
34	VIII NON-DISTRIBUTED PROFIT (0418 + 0419)	417	46	1,775,235	2,120,386	0
340	1. Non-distributed profit of previous years	418	46	303	144,356	
341	2. Non-distributed profit of the current year	419	46	1,774,932	1,976,030	
	IX. SHARE WITHOUT RIGHT OF CONTROL	420				
35	X. LOSS (0422 + 0423)	421		0	0	0
350	1. Loss of previous years	422				
351	2. Loss of the current year	423				
	B. LONG -TERM RESERVES AND LIABILITIES (0425 + 0432)	424		908,241	1,017,814	0
40	I LONG -TERM RESERVES (0426 + 0427 + 0428 + 0429 + 0430 + 0431)	425	47;48	206,332	225,020	0
400	1. Reserves for cost within guarantee period	426				
401	2. Reserves for restoration of natural resources	427				
403	3. Reserves for restructuring costs	428				
404	4. Reserves fro retirement and other employee benefits	429	47;48;49	125,836	110,239	
405	5. Reserves for litigations	430	47;48;49	80,496	114,781	
402 & 409	6. Other long-term reserves	431				
41	II LONG-TERM LIABILITIES (0433 + 0434 + 0435 + 0436 + 0437 + 0438 + 0439 + 0440)	432		701,909	792,794	0
410	1. Liabilities that may be converted into capital	433				
411	2. Liabilities toward parent companies and subsidiaries	434				
412	3. Liabilities toward other related parties	435				

FINANCIAL STATEMENTS December 31, 2016

BALANCE SHEET (continued)
On December 31, 2016

BALANCE SHEET						
on 31/12 2016						
- in thousand RSD -						
Group of accounts - account	POSITION	ADP	Note No	Amount		
				Current year 2016	Previous year	
1	2	3	4	5	6	7
	LIABILITIES					
413	4. Liabilities from securities for a period longer than one year	436				
414	5. Long-term credits and loans in the country	437				
415	6. Long-term credits and loans abroad	438	50;51	701,909	792,794	
416	7. Liabilities based on financial leasing	439				
419	8. Other long-term liabilities	440		0	0	0
498	V. DEFERRED TAX LIABILITIES	441	27	370,283	88,308	
42 to 49 (except 498)	G. SHORT-TERM LIABILITIES (0443 + 0450 + 0451 + 0459 + 0460 + 0461 + 0462)	442		1,985,321	1,467,515	0
42	I SHORT-TERM FINANCIAL OBLIGATIONS (0444 + 0445 + 0446 + 0447 + 0448 + 0449)	443		102,919	101,380	0
420	1. Short-term loans from parent company and subsidiaries	444				
421	2. Short-term loans from other related parties	445				
422	3. Short-term credits and loans in the country	446				
423	4. Short-term credits and loans abroad	447				
427	5. Liabilities on fixed assets and assets from discontinued operations intended for sale	448				
424, 425, 426 & 429	6. Others short-term financial obligations	449	52	102,919	101,380	
430	II RECEIVED PREPAYMENTS, DEPOSITS AND BAILS	450	53	82,663	62,361	
43 except 430	III BUSINESS LIABILITIES (0452 + 0453 + 0454 + 0455 + 0456 + 0457 + 0458)	451		462,702	240,783	0
431	1. Suppliers - parent comp. and subsidiaries in the country	452				
432	2. Suppliers - parent comp. and subsidiaries abroad	453				
433	3. Suppliers -other related in the country	454				
434	4. Suppliers -other related abroad	455				
435	5. Suppliers in the country	456	54	396,580	204,483	
436	6. Suppliers abroad	457	55	51,240	10,916	
439	7. Other business liabilities	458	56	14,882	25,384	
44, 45 & 46	IV OTHER SHORT-TERM LIABILITIES	459	57	1,138,394	858,225	
47	V LIABILITIES FROM VALUE ADDED TAX	460	58	57,398	25,809	
48	VI LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND FEES	461	59;60	1,936	96,616	
49 except 498	VII ACCRUALS AND DEFERRED INCOME	462	61	139,309	82,341	
	D. LOSS OVER CAPITAL (0412 + 0416 + 0421 - 0420 - 0417 - 0415 - 0414 - 0413 - 0411 - 0402) ≥ 0 = (0441 + 0424 + 0442 - 0071) ≥ 0	463		0	0	
	D. TOTAL LIABILITIES (0424 + 0442 + 0441 + 0401 - 0463) ≥ 0	464		30,351,366	28,271,621	0
89	E. OFF-BALANCE SHEET LIABILITIES	465	62	524,556	320,491	

FINANCIAL STATEMENTS December 31, 2016

REPORT ON OTHER RESULTS in the period from January 1 to December 31, 2016

for the period from 01/01/2016 until 31/12/2016

Group		POSITION	ADP	Notes no.	Amount	
accounts	account				Current year	Previous year
1	2	3	4	5	6	
		A. NET RESULTS FROM OPERATIONS				
		I. NET PROFIT (ADP 1064)	2001	28;	3,190,739	3,291,026
		II. NET LOSS (ADP 1065)	2002			
		B. OTHER COMPREHENSIVE PROFITS AND LOSS				
		a) Items that will not be reclassified in income sheet in future periods				
		1. Changes in revaluation of intangible assets, property, plant and equipment				
330		a) increase in revaluation reserves	2003	45	536,780	0
		b) decrease in revaluation reserves	2004	45	2,170	
		2. Actuarial gains and losses on defined benefit plans				
331		a) gains	2005	45	4,473	8,954
		b) losses	2006			
		3. Gains and losses on investment in equity capital instruments				
332		a) gains	2007			
		b) losses	2008			
		4. Gains or losses on shares in other comprehensive profit or losses of associated companies				
333		a) gains	2009			
		b) losses	2010			
		a) Items that can subsequently be reclassified in income sheet in future periods				
		1. Gains or losses based on recalculation of financial statements of foreign operations				
334		a) gains	2011			
		b) losses	2012			
		2. Gains or losses on hedging instruments of net investment in a foreign operation				
335		a) gains	2013			
		b) losses	2014			
		3. Gains or losses on risk hedging instruments of cash flow				
336		a) gains	2015			
		b) losses	2016			
		4. Gains or losses on securities available for sale				
337		a) gains	2017			
		b) losses	2018			
		I. OTHER GROSS COMPREHENSIVE PROFIT				
		(2003 + 2005 + 2007 + 2009 + 2011 + 2013 + 2015 + 2017) - (2004 + 2006 + 2008 + 2010 + 2012 + 2014 + 2016 + 2018) ≥ 0	2019		539,083	8,954
		II. OTHER GROSS COMPREHENSIVE LOSS				
		(2004 + 2006 + 2008 + 2010 + 2012 + 2014 + 2016 + 2018) - (2003 + 2005 + 2007 + 2009 + 2011 + 2013 + 2015 + 2017) ≥ 0	2020			
		III. TAX ON OTHER COMPREHENSIVE PROFIT OF LOSS FOR THE PERIOD	2021	45	81,188	1,343
		IV. NET OTHER COMPREHENSIVE PROFIT				
		(2019 - 2020 - 2021) ≥ 0	2022	45	457,895	7,611
		V. NET OTHER COMPREHENSIVE LOSS				
		(2020 - 2019 + 2021) ≥ 0	2023			
		B. TOTAL NET COMPREHENSIVE RESULT OF THE PERIOD				
		I. TOTAL NET COMPREHENSIVE PROFIT				
		(2001 - 2002 + 2022 - 2023) ≥ 0	2024		3,648,634	3,298,637
		II. TOTAL NET COMPREHENSIVE LOSS				
		(2002 - 2001 + 2023 - 2022) ≥ 0	2025		0	0
		G. TOTAL NET COMPREHENSIVE PROFIT OF LOSS (2027 + 2028) = ADP 2024 ≥ 0 or ADP 2025 > 0	2026		0	0
		1. Attributable to majority owners of capital	2027			
		2. Attributable to owners who do not have control	2028			

JSC AIRPORT NIKOLA TESLA BELGRADE

FINANCIAL STATEMENTS December 31, 2016
STATEMENT ON CHANGES IN CAPITAL
for the period from 01/01 until 31/12/2016

No.	Capital Components											In thousand RSD					
	9	10	11	12	13	14	15	16	17	18	19						
1	Opening balance on 01/01/2015																
a)	4001	4009	4027	4055	4073	4091	4109	4127	4145	4163	4181	4199	4217	4235	0	4244	
b)	4002	4010	4028	4056	4074	4092	4110	4128	4146	4164	4182	4200	4218	0	25,111,848		
Correction of materiality significant errors and changes of accounting policies																	
a)	4003	0	4021	0	4039	0	4111	0	4147	0	4183	0	4219	0	4236	0	4245
b)	4004	0	4022	0	4040	0	4112	0	4148	0	4184	0	4220	0	0	0	0
Unaudited opening balance on 01/01/2015																	
a)	4005	0	4023	0	4041	0	4113	0	4149	0	4185	0	4221	0	4237	0	4246
b)	4006	0	4024	0	4042	0	4114	0	4150	0	4186	0	4222	0	25,111,848		0
Changes in the previous 2015																	
a)	4007	0	4043	0	4081	0	4115	0	4151	0	4187	0	4223	0	4239	0	4247
b)	4008	0	4044	0	4082	0	4116	0	4152	0	4188	0	4224	0	5,699,308		0
Balance at the end of previous year on 31/12/2015																	
a)	4009	0	4027	0	4045	0	4117	0	4153	0	4189	0	4225	0	4241	0	4249
b)	4010	0	4028	0	4046	0	4118	0	4154	0	4190	0	4226	0	25,887,884		0
Correction of materiality significant errors and changes of accounting policies																	
a)	4011	0	4029	0	4047	0	4119	0	4155	0	4191	0	4227	0	4243	0	4251
b)	4012	0	4030	0	4048	0	4120	0	4156	0	4192	0	4228	0	0	0	0
Corrected opening balance on 01/01/2016																	
a)	4013	0	4031	0	4049	0	4121	0	4157	0	4193	0	4229	0	4245	0	4253
b)	4014	0	4032	0	4050	0	4122	0	4158	0	4194	0	4230	0	26,887,884		0
Changes in the current 2016																	
a)	4015	0	4033	0	4051	0	4123	0	4159	0	4195	0	4231	0	4247	0	4255
b)	4016	0	4034	0	4052	0	4124	0	4160	0	4196	0	4232	0	5,699,748		0
Balance at the end of the current year on 31/12/2016																	
a)	4017	0	4035	0	4053	0	4125	0	4161	0	4197	0	4233	0	4249	0	4257
b)	4018	0	4036	0	4054	0	4126	0	4162	0	4198	0	4234	0	27,887,884		0

FINANCIAL STATEMENTS December 31, 2016

CASH FLOW STATEMENT
 for the period from 01/01 until 31/12/2016

CASH FLOW STATEMENT

in the period from 01/01/2016 until 31/12/2016

- in thousand RSD -

Position	ADP	Note No	Amount	
			Current year	Previous year
1	2	3	4	5
A. CASH FLOW FROM BUSINESS ACTIVITY				
I. Cash inflow from business activities (1 to 3)	3001		10,335,407	8,689,539
1. Sale and received advance payments	3002		9,219,279	7,516,837
2. Interest received from business activity	3003		7,404	20,209
3. Other inflows from regular operations	3004		1,108,724	1,152,493
II. Cash outflow from business activities (1 to 5)	3005		5,901,306	5,612,535
1. Payments for suppliers and given advance payments	3006		1,569,954	1,381,019
2. Salaries, salary compensations and other personal expenses	3007		2,830,291	2,400,957
3. Paid interest	3008		62,716	42,948
4. Income tax	3009		766,395	1,005,682
5. Payment from other public revenues	3010		671,950	781,929
III. Net cash inflow from business activities (I-II)	3011		4,434,101	3,077,004
IV. Net cash outflow from business activities (II-I)	3012			
B. CASH FLOW FROM INVESTMENT ACTIVITY				
I. Cash inflow from investment activities (1 to 5)	3013		103,004	142,603
1. Sale of shares and portions (net inflows)	3014		0	0
2. Sale of intangible investments, properties, plants, equipment and biological agencies	3015		361	283
3. Other financial investments (net inflows)	3016		0	0
4. Interest received from investment activity	3017		102,643	142,320
5. Dividend received	3018		0	0
II. Cash outflow from investment activities (1 to 3)	3019		2,451,299	2,630,120
1. Purchase of shares and portions (net outflows)	3020		0	0
2. Purchase of intangible investments, properties, plants, equipment and biological agencies	3021		2,416,007	855,436
3. Other financial investments (net outflows)	3022		35,292	1,774,684
III. Cash net inflow from investment activities (I-II)	3023		0	0
IV. Cash net outflow from investment activities (II-I)	3024		2,348,295	2,487,517

FINANCIAL STATEMENTS December 31, 2016

CASH FLOW STATEMENT (cont'd)
for the period from 01/01 until 31/12/2016

CASH FLOW STATEMENT				
in the period from 01/01/2016 until 31/12/2016				
- in thousand RSD -				
Position	ADP	Note No	Amount	
			Current year	Previous year
1	2	3	4	5
V. CASH FLOW FROM FINANCING ACTIVITY				
I. Cash inflow from financing activities (1 to 5)	3025		0	0
1. Core capital increase	3026		0	0
2. Long-term loans (net inflows)	3027		0	0
3. Short-term loans (net inflows)	3028		0	0
4. Other long-term liabilities	3029		0	0
5. Other short-term liabilities	3030		0	0
II. Cash outflow from financing activities (1 to 6)	3031		2,060,669	2,712,032
1. Redemption of own shares and portions	3032		0	0
2. Long-term loans (outflows)	3033		102,738	101,035
3. Short-term loans (outflows)	3034		0	0
4. Other liabilities (outflows)	3035		0	0
5. Financial leasing	3036		0	0
6. Paid-up dividends	3037		1,957,931	2,610,997
III. Cash net inflow from financing activities (I-II)	3038			
IV. Cash net outflow from financing activities (II-I)	3039		2,060,669	2,712,032
G. OVERALL CASH INFLOW (3001 + 3013 + 3025)	3040		10,438,411	8,832,142
D. OVERALL CASH OUTFLOW (3005 + 3019 + 3031)	3041		10,413,274	10,954,687
Đ. OVERALL CASH INFLOW (3040 – 3041)	3042		25,137	0
E. OVERALL CASH OUTFLOW (3041 – 3040)	3043			2,122,545
Ž. CASH AT THE BEGINNING OF ACCOUNTING PERIOD	3044		704,127	2,803,851
Z. POSITIVE EXCHANGE RATE DIFFERENCES FROM CASH CONVERSION	3045		22,768	53,351
I. NEGATIVE EXCHANGE RATE DIFFERENCES FROM CASH CONVERSION	3046		11,930	30,530
J. CASH AT THE END OF ACCOUNTING PERIOD	3047		740,102	704,127
(3042 – 3043 + 3044 + 3045 – 3046)				

JSC AIRPORT NIKOLA TESLA BELGRADE

**NOTES TO THE FINANCIAL STATEMENTS
31 December 2016**

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

1. FOUNDING AND OPERATION OF THE COMPANY**1.1. General data of the Company:**

The Joint Stock Company Airport Nikola Tesla Belgrade (hereinafter: the Company) has been established for provision of airport services (aircraft landing, take-off, taxing and parking and aircraft, passenger and cargo handling). Apart from the basic activity of rendering airport services, the Company, as side activities, provides other services at airport complex, satisfying the needs of service users, domestic and foreign air carriers.

Operation of the Airport dates back to March 25, 1928, at the location Bežanijska kosa, and operation on the current location (Surčin) started in 1962.

By a Decision of the Government of the Republic of Serbia of 1992, the Airport was re-registered as Javno preduzeće (public company) Aerodrom „Beograd" and in 2006, also by a decision of the Government it got the name JP Aerodrom Nikola Tesla Beograd.

The Government of the Republic of Serbia on 17/06/2010 made the Decision No. 023-4432/2010 on change of legal form of JP Aerodrom "Nikola Tesla" Beograd from a public company into closed Joint Stock Company. The change of legal form is registered with the Business Registers Agency on 22/06/2010 by the Rescript No.BD 68460/2010.

After the change of legal form the company continued its business under the full name **Joint Stock Company Airport Nikola Tesla Belgrade**.

By the Rescript of the Registers Agency No: BD 7651/2011 dated on 24/01/2011, the Joint Stock Company Airport Nikola Tesla Belgrade was registered in Business Registers Agency as an open joint stock company.

<i>Head-office</i>	11180 Belgrade 59, Serbia
<i>Register number:</i>	07036540
<i>Tax identification number</i>	100000539
<i>Activity code and name</i>	5223 - Air-traffic services

According to the classification criteria from the Law on accounting and audit JSC Airport Nikola Tesla Belgrade is classified as a large legal person.

1.2. Number of employees and engaged persons

On Balance Sheet date on 31 December, 2016 the Company had 1,994 engaged workers of which 1,323 employees of the Company including 501 permanent employees, employees on a definite period of time 822, temporary workers 246, and 425 workers engaged through youth organizations (on 31 December 2015 there were 1,871 engaged workers, of which 491 permanent employees, 762 employed for a definite period of time, 454 workers engaged through youth organizations, and 164 workers engaged in temporary and occasional jobs).

In I-XII 2016, the average number of employees engaged by the Company at the end of each month was 1,916 of which average number of employees of the Company is 1,294 (496 permanent employees, 798 employees for a definite period of time), averagely 201 workers engaged in temporary and occasional jobs, 422 workers engaged through youth organizations (during 2015 there were on average 1,782 employees: 485 permanent employees, 617 employed for a definite period of time, 435 workers hired through youth organizations, 65 workers through OZB Komerc and 181 workers engaged in temporary and occasional jobs).

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

1. FOUNDING AND OPERATION OF THE COMPANY (cont'd)**1.3. Management structure**

The Company has established two-tier corporate system. The Bodies of the Company are the Assembly, the Supervisory Board and the Executive Board.

The Assembly comprises of the Company Shareholders entitled to participate in Assembly's work. The Shareholder in possession of 1% of ordinary shares (34,289 shares) is entitled to participate in Assembly work.

The Supervisory Board has 7 members assigned by the Assembly of the Company. The Supervisory Board may form different experts committees with at least three members, whereof one has to be an independent member of the Supervisory Board.

The Executive Board has 5 executive directors including the General Director. The Executive directors are assigned by the Supervisory Board of the Company.

1.4. Ownership structure

After change of legal form into a closed joint stock company, the Central depository and clearing house registered on 07.07.2010, 34,289,350 shares; 100% in ownership of the Republic of Serbia.

On 09/12/2010 the Government of the Republic Serbia made the Decision No. 023-9103/2010-1, by which citizens of the Republic of Serbia, the employees and former employees of the Company have acquired the right to 16.85% of ownership of the Company. After transfer of the right to free of charge shares to citizens, employees and former employees, the Republic of Serbia owns 28,511,988 ordinary shares, which represents 83.15% of the total share capital of the Company.

By the Decision on admission of shares to Prime Listing 04/4 No. 478/11 dated on 28/01/2011, the shares of the Company are accepted on 'A' Listing of the Belgrade Exchange Market. Stock trade on the Belgrade Exchange Market commenced on 07/02/2011.

2. BASIS FOR COMPOSITION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING METHOD**2.1 Basis for composition and presentation of financial statements**

Financial statements for the I-XII 2016 are prepared in a manner and in accordance with the legislation and approved at the meeting of the Supervisory Board on 27/04/2017.

Legal persons and entrepreneurs in the Republic of Serbia are obliged to perform recording of financial accounts, assessment of property and liabilities, revenues and expenditures, displaying, submission and disclosure of financial statements in accordance with the Law on Accounting (hereinafter "the Law", published in the "Official Gazette of RS " no. 62/2013), as well as in accordance with other applicable regulations. The Enterprise, as a large legal person, is obliged to apply International financial reporting standards (IFRS), which in terms of the said law, comprise of: Framework for preparation and disclosure of financial statements ("Framework"), International accounting standards ("IAS"), International financial reporting standards ("IFRS) and relevant interpretations, issued by the IFRS Interpretation Committee ("IFRIC"), subsequent amendments to the standards and relevant interpretations, approved by the International Accounting Standards Board (the "Board"), whose translation has been established and published by a ministry governing financial affairs.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

2. BASIS FOR COMPOSITION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING METHOD (CONT'D)

2.1 Basis for composition and presentation of financial statements (cont'd)

By the Decision of the Ministry dated on March 13, 2014 and published in the "Official Gazette of RS", no. 35, on March 27, 2014 (hereinafter the "Decision on translation establishing") translations of basic texts of IAS and IFRS, the Conceptual framework for financial reporting ("Conceptual framework") adopted by the Board as well as translations of the relevant IFRIC interpretations were adopted and published. The said translations published in the Decision on translation establishing do not include basis for conclusion, illustrative examples, guidelines, comments, opposite opinions, elaborate examples, as well as other supplementary explanatory materials, which may be adopted in relation to standards, i.e. interpretations, unless it is clearly stated that such material is integral part of the standard, i.e. interpretation. Based on the Decision on translation establishing the Conceptual framework, IAS, IFRS, IFRIC and related interpretation have been translated and applied since the financial statements composed on December 31, 2014. Amended or IFRS and interpretations issued after this date have not been translated nor published, therefore they have not been applied in composition of the attached financial statements.

However, up to the date of composition of the attached financial statements not all amendments to IAS/IFRS and IFRIC interpretations, effective for annual periods starting from January 1, 2015, were translated. Besides, certain regulations and by-laws prescribe accounting procedures, evaluations and disclosing, which in certain cases derogate from the requirements of IAS/IFRS and IFRIC interpretations.

Beside the aforementioned, the attached financial statements derogate from IAS and IFRS in the following items:

- Derogations from IAS 1 "Presentation of financial statements" and IAS 16 "Real estate, plants and equipment" in treatment and evidence of the effects of value assessment of the capital, where the main part is value assessment of property, plants and investment property. Namely, in accordance with article 27 of independent articles of the Law on amendments on the Law on right to free shares and financial compensation realized by the citizens in the privatization procedure ("Official Gazette" no. 30/2010) the founder of the Company was obliged to ensure that up to June 30, 2010 the Company changes its legal form and expresses its basic capital in shares with defined nominal value based on corrected accounting value of the capital. Accordingly, after capital value assessment the assessed value of the property and liabilities was accounted in favour of revaluation reserves. Based on the Decision of the Board of Managers no. 04-100/1 dated May 31, 2010 on increase of the capital, and the Decision of the Government of the Republic of Serbia no. 023-4175/2010 dated June 4 2010 on approval for the said Decision on increase of the core capital from own resources by conversion of reserves and undistributed profit into the core capital of PE Airport Nikola Tesla Belgrade, the Company registered in its accounting records increase of the state capital on January 1, 2010, correcting of the initial balance by reduction of the other capital, reserves, revaluation reserves and undistributed profit. The mentioned accounting treatment derogates from the requirements of IAS 16 "Real estate, plants and equipment" according to which: 1) the result of revaluation is attributed directly to capital, within the position revaluation reserves, i.e. it is recognised as profit in income sheet up to the amount of returned revaluation reduction of the same resource, which had previously been recognised as expenditure, as well as in the part according to which 2) revaluation reserves which are an integral part of the capital related to property, plants and equipment, may be transferred directly to undistributed profit, when the resource is not recognised any more. Due to afore-mentioned recognition of value assessment in the attached financial statements in line with the mentioned documents is not in line with the requirements of IAS 1 "Presentation of financial statements" and IAS 16 "Property, plants and equipment"

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

2 BASIS FOR COMPOSITION AND PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**2.1 Basis for composition and presentation of financial statements (cont'd)**

- Derogation from IAS 12 "Income taxes", as a base for recognition of deferred tax liabilities or resources, arising from revaluation resources which are not depreciated in line with IAS 16 "Property, plants and equipment" and measures based on tax consequences which would arise from recovery of carrying value of such resource through sale, regardless of measuring of carrying value of that resource. Due to inability of clear interpretation of regulations in regard to tax treatment of possible sale, i.e. transfer of right of use of land, then determining certain rights to disposal and right to ownership over the land of the Company, and due to specific activity and regulations of airport operating in the Republic of Serbia, and specific provisions of the independent articles of the Law on amendments to the Law on right to free shares and financial compensation realized by the citizens in the privatization procedure ("Official Gazette" no. 30/2010), we consider that it is not possible to implement the said provisions of IAS 12 "Income taxes" in the given circumstances. With the assumption that in case of sale, i.e. transfer of the right to use land this transaction would be subject to capital gains tax and that the purchase value for tax purposes would be determined at the level of the purchase value expressed in accounting books of the Company on 31/12/2003, which was determined in line with the accounting regulations in effect at that time, which is regulated procedure for the real estate owned by legal persons in the Republic Serbia, according to the requirements of IAS 12 "Income taxes" deferred tax liabilities based on revaluation land on 31/12/2016 would amount to RSD 1,163,013 thousand, i.e total liabilities of the Company would be increased and the capital would be decreased by the stated amount. If and when the right to use is converted to ownership right, the indicated deferred tax liabilities will undoubtedly exist and the Company will have to record and display them in its financial statements.

- In the opinion of the Ministry, participation of employees in profit is recorded as a decrease of undistributed profit and not at the cost of results of the current period, as it is required by IAS 19 "Employee benefits".

Accordingly and considering potential material effects that derogation of the accounting regulation of the Republic of Serbia from IFRS and IAS may have on reality and impartiality of the financial statements of the Company, the attached financial statements cannot be regarded as financial statements composed in accordance with IFRS and IAS.

The published standards and interpretations, which came into effect in the current period based on the Decision on translation establishing are disclosed in the note 2.2. The published standards and interpretations valid in the current period, which have not been officially translated and adopted are disclosed in the note 2.3. The published standards and interpretations which have not been implemented are disclosed in the note 2.4.

The financial statements are composed in line with the principle of historical cost, unless it is noted differently in accounting policies given hereinafter.

While composing these financial statements, the Company applied accounting policies explained in the Note 3.

In accordance with the Law on accounting the financial statements of the Company are expressed in thousands. Dinar is the official reporting currency in the Republic of Serbia.

2.2 Published standards and interpretations effective based on the Decision on translation establishing

- Amendments to IFRS 7 "Financial instruments: Disclosures" - Amendments improving disclosure of fair value and liquidity risks (revised in March 2009, effective for annual periods beginning on or after January 1, 2009);

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

2 BASIS FOR COMPOSITION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING METHOD (cont'd)**2.2 Published standards and interpretations effective based on the Decision on translation establishing (cont'd)**

- Amendments to IFRS 1 „First-time adoption of IFRS“ – Additional exemptions for persons who implement IFRS for the first time. Amendments refer to resources in oil and gas industry and confirmation whether contracts contain leasing provisions (revised July 2009, effective for annual periods beginning on or after January 1, 2010);
- Amendments to different standards and interpretations are a result of the Annual improvement project of IFRS published on April 16, 2009 (IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, IAS 39, IFRIC 16 primarily with the purpose of removal of inconsistency and clarification of text wording (amendments to standards became effective for annual periods beginning on or after January 1, 2010, and amendments to IFRIC on or after July 1, 2009).
- Amendments to IAS 38 „Intangible assets“ (effective for annual periods beginning on or after July 1, 2009);
- Amendments to IFRS 2 "Share-based payment": Amendments as a result of the Annual improvement project of IFRS (revised in April 2009, effective for annual periods beginning on or after July 1, 2009) and amendments referring to transactions of payment by shares of a group based on cash (revised in June 2009, effective for annual periods beginning on or after January 1, 2010);
- Amendments to IFRIC 9 „Reassessment of Embedded Derivatives“ effective for annual periods beginning on or after July 1, 2009 and IAS 39 "Financial instruments: Recognition and Measurement" - Embedded derivatives (effective for annual periods beginning on or after June 30, 2009);
- IFRIC 18 „Transfer of assets from customers" - Embedded derivatives (effective for annual periods beginning on or after July 1, 2009);
- "Conceptual Framework for Financial Reporting 2010" representing amendment of the „Framework for the Preparation and Presentation of Financial Statements" (effective for transfer of assets from customers received on or after September 2010).
- Amendments to IFRS 1 "First-time adoption of IFRS" – Limited exemption of comparative disclosures proscribed within IFRS 7 for the persons which adopt IFRS for the first time (effective for annual periods beginning on or after July 1, 2010);
- Amendments to IAS 24 "Related party disclosures" – Simplified requirements for disclosures for persons under (significant) control or influence of a Government and clarification of the definition of the related party (effective for annual periods beginning on or after January 1, 2011);
- Amendments to IAS 32 "Financial instruments: presentation" - Inclusion of the pre-emption right to new shares in accounting (effective for annual periods beginning on or after February 1, 2010);
- Amendments to different standards and interpretations "Improvements of IFRS (2010)" are a result of the Annual improvement project of IFRS published on May 6, 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with the purpose of removal of inconsistency and clarification of text wording (most of amendments will be effective for annual periods beginning on or after January 1, 2011);

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

**2 BASIS FOR COMPOSITION AND PRESENTATION OF FINANCIAL STATEMENTS
AND ACCOUNTING METHOD (cont'd)****2.2 Published standards and interpretations effective based on the Decision on translation establishing (cont'd)**

- Amendments to "IFRIC 14 - IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their Interaction" Advance payment of minimum assets necessary for funding (effective for annual periods beginning on or after January 1, 2011);
- IFRIC 19 "Extinguishing financial liabilities with equity instruments" (effective for annual periods beginning on or after July 1, 2010);
- Amendments to IFRS 1 "First-time adoption of IFRS" – Severe hyperinflation and removal of fixed dates for first-time adopters (effective for annual periods beginning on or after July 1, 2011);
- Amendments to IFRS 7 "Financial instruments: Disclosures" - Transfer of financial assets (effective for annual periods beginning on or after January 1, 2011);
- Amendments to IAS 12 „Income taxes“ – Deferred taxes recovery of assets used for tax calculation (effective for annual periods beginning on or after January 1, 2012);
- IFRS 10 "Consolidated financial statement" (effective for annual periods beginning on or after January 1, 2013);
- IFRS 11 "Joint arrangements" (effective for annual periods beginning on or after January 1, 2013);
- IFRS 12 "Disclosure of interests in other entities" (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 10, IFRS 11 and IFRS 12 „Consolidated financial statement, Joint arrangements and Disclosure of interests in other entities: Transition guidance" (effective for annual periods beginning on or after January 1, 2013);
- IAS 27 (revised in 2011) "Separate financial statements" (effective for annual periods beginning on or after January 1, 2013);
- IAS 28 (revised in 2011) "Investments in associates and joint ventures" (effective for annual periods beginning on or after January 1, 2013);
- IFRS 13 "Fair value measurement" (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 1 "First-time adoption of IFRS" – Government loans with interest rate below market rates (effective for annual periods beginning on or after July 1, 2013);
- Amendments to IFRS 7 "Financial instruments: Disclosures" - Offsetting financial assets and financial liabilities (effective for annual periods beginning on or after January 1, 2013);

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

2. BASIS FOR COMPOSITION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING METHOD (cont'd)**2.2 Published standards and interpretations effective based on the Decision on translation establishing (cont'd)**

- Amendments to IAS 1 "Presentation of financial statements" - Presentation of items of other comprehensive income (effective for annual periods beginning on or after July 1, 2012);
- Amendments to IAS 19 "Employee benefits" - Improvement of accounting requirements for benefits upon termination of employment (effective for annual periods beginning on or after January 1, 2013);
- Annual improvement for the period 2009-2011 published in May 2012 referring to different improvement projects of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily to removal of inconsistency and clarification of text wording (effective for annual periods beginning on or after January 1, 2013);
- IFRIC 20 "IFRIC 20 — Stripping costs in the production phase of a surface mine" (effective for annual periods beginning on or after January 1, 2013);

2.3 The published standards and interpretations valid in the current period, which have not been officially translated and adopted

On the date of disclosure of these financial statements, undermentioned standards and amendments to the standards had been published by the IAS Board and the following interpretations had been published by the IFRS Interpretations Committee, but they had not been adopted in the Republic of Serbia:

- Amendments to IAS 32 "Financial instruments: Presentation" - Offsetting financial assets and financial liabilities (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IFRS 10 "Consolidated financial statements", IFRS 12 „Disclosure of interests in other entities“ and IAS 27 „Separate financial statements“ – Exemption of depending persons from consolidation according to IFRS 10 (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IAS 36 "Impairment of assets" - Disclosure of recoverable amount for non-financial assets (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IAS 39 "Financial instruments" - Novation of derivatives and continuation of hedge accounting (effective for annual periods beginning on or after January 1, 2014);
- IFRS 21 "Levies" (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IAS 19 „Employee benefits“ – Defined plans for benefits: Employee contributions (effective for annual periods beginning on or after July 1, 2014);
- Annual improvement for the period 2010-2012 as a result of the Annual improvement project for IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 13, IAS 16, IAS 24, IAS 38) in order to remove inconsistency and clarify text wording (effective for annual periods beginning on or after July 1, 2014);
- Annual improvements for the period 2011-2013, as a result of the Annual improvement projects for IFRS (IFRS 1, IFRS 3, IFRS 13 и IAS 40) for the purpose of

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

2 BASIS FOR COMPOSITION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING METHOD (cont'd)**2.3 The published standards and interpretations valid in the current period, which have not been officially translated and adopted (cont'd)**

removal of inconsistency and clarification of text wording (effective for annual periods beginning on or after July 1, 2014);

- Amendments to IFRS 11 "Joint arrangements" - accounting for acquiring participation in joint arrangements (effective for annual periods beginning on or after January 1, 2016);
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible assets" - Interpretation of acceptable methods of amortisation (effective for annual periods beginning on or after January 1, 2016).
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Bearer plants (effective for annual periods beginning on or after January 1, 2016).
- Amendments to IAS 27 "Separate financial statements" - 'Equity method in separate financial statements (effective for annual periods beginning on or after January 1, 2016);
- IFRS 10, IFRS 12 and IAS 28 „Investment entities: Applying the consolidation exception" Amendments clarify that parent company may be exempt from preparation of consolidated financial statements if it is simultaneously a depending entity of an investment entity, even in case that investment entity measures investments in all of its depending entities at fair value in accordance with IFRS 10. As a result of these amendments, IAS 28 has been changed with purpose of clarification of application of equity method (i.e. keeping fair-value measurement), which refers to investor into associate or their joint venture, if the investor is depending entity of investment company which measures all its investments into depending entities at fair value. (Amendments are applied retroactively for annual periods beginning on or after January 1, 2016 with permission to apply them earlier.)
- Amendments of different standards Annual improvement of IFRS (for the period 2012-2014) resulting from Annual improvement project for IFRS (IFRS 5, IFRS 7, IAS 19, IAS 34) in order to remove inconsistency and clarify text wording (effective for annual periods beginning on or after January 1, 2016);

2.4 The published standards and interpretations which has not come into effect

On the date of issuance of all financial statements the following standards, their amendments and interpretations had been published, but they had not come into effect (but their earlier application is supported) for the year ending on December 31, 2016:

- IFRS 9 "Financial instruments" and their subsequent amendments, replacing requirements from IAS 39 "Financial instruments: recognition and measurement", related to classification and measuring of financial assets. The standard eliminates the existing categories from IAS 39 - assets retained until maturity, available-for-sale assets, loans and receivables. IFRS 9 are effective for annual periods beginning on or after January 1, 2018 with permission to apply them earlier.)

In accordance with IFRS 9, financial assets will be classified into one out of two indicated categories upon initial recognition: Financial assets valued per depreciated cost or financial assets valued per fair value. Financial asset will be recognised per depreciated cost if the following two criteria are fulfilled: if assets relate to business model whose objective is to collect

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

**2 BASIS FOR COMPOSITION AND PRESENTATION OF FINANCIAL STATEMENTS
AND ACCOUNTING METHOD (cont'd)**

2.4 The published standards and interpretations which has not come into effect (cont'd)

contractual cash flows and if the contracted terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All other financial assets will be valued per fair value. Gains and losses based on measurement of financial assets per fair value will be recognised in an Income sheet, except for investment in equity instruments which is not held for trade, where IFRS 9 allows, on initial recognition, subsequently unchangeable choice that all changes of fair value are recognised within other gains and losses in a statement on comprehensive income. Amount recognised in such manner within the statement on comprehensive income cannot be later recognised in a Balance sheet;

- IFRS 15 "Revenue from contracts with customers", which defines a framework for revenue recognition. IFRS 15 substitutes IAS 18 "Revenues", IAS 11 "Construction contracts", IFRIC13 "Customer loyalty programmes", IFRIC 15 "Agreements for the construction of real estate" and IFRIC 18 "Transfers of assets from customers". IFRS 15 are effective for annual periods beginning on or after January 1, 2018 with permission to apply them earlier.)

- IFRS 16 "Leases", ensures comprehensive model for identification of lease arrangements and their treatment in financial statements of both lessors and lessees. On the date when it comes into effect, January 1, 2019, this standard will substitute the following lease standards and interpretations: IAS 17 "Lease", IFRIC 4 "Determining whether an arrangement contains a lease", SIC 15 "Operating leases – incentive references" and SIC 27 "Evaluating the substance of transactions in the legal form of a lease";

- Amendments to IFRS 2 "Share-based payment– classification and measurement of transactions", effective for annual report period beginning on January 1, 2018 or later, with supported earlier application;

- Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investment into associates and joint ventures" - Sale or contribution of assets between and investor and its associate or joint venture. Standard should come into effect for annual periods beginning on or after January 1, 2016, but in December 2015 IASB postponed effectiveness to a future date , but its earlier application is allowed;

- Amendment to IAS 7 – "Disclosure initiative" require from entities disclosure of such information that provide to users of financial statements to estimate the changes in obligations resulting from an entity's financing activities, including changes resulting from cash changes and non-cash changes. Amendments to IAS 7 are effective for annual periods beginning on or after January 1, 2017 with earlier application being permitted.)

- Amendments to IAS 12 "Income taxes" related to identification of deferred tax assets for non-realised losses is applied retrospectively for annual periods beginning on or after January 1, 2017 with earlier application being permitted.)

3 PREVIEW OF IMPORTANT ACCOUNTING POLICIES

3.1 Incomes and outcomes

Sales revenue is recognized when the risks and benefits associated with the right of ownership is transferred to the customer, and that includes the date of delivery to the customer.

Revenue from services is recognized when the service is rendered, or proportionately during the performance of services if it lasts for more than one accounting period.

Revenue from lease based on operational leasing are recognized evenly over the leasing period.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

3 PREVIEW OF IMPORTANT ACCOUNTING POLICIES (cont'd)

3.3 Conversion of foreign exchange amount (cont'd.)

Middle foreign exchange rates, determined at the interbank foreign exchange market, used in the conversion of foreign currency balance sheet positions into dinars, for the major currencies were as follows:

Description	31/12/2016	31/12/2015
Middle exchange rate of NBS:	Value in RSD	
EUR	123.4723	121.6261
USD	117.1353	111.2468
CHF	114.8473	112.5230
GBP	143.8065	164.9391

Liabilities based on long-term loans from the EIB are converted into RSD counter value at an agreed selling rate of the bank.

Selling rate of the bank on the date of financial statements preparation is presented in the following table:

Description	31/12/2016	31/12/2015
Contracted exchange rate:	Value in RSD	
EUR - for EIB loan	123.8427	121.9910

3.4 Intangible investment

Intangible investment relate to purchased software and licenses and are carried at purchase cost less accumulated amortization and are written-off by straight-line method over a period of two to ten years.

3.5 Property, plants, equipment, biological resources

Property, plant and equipment that meet the requirements for recognition of assets are carried at their purchase price or cost. Purchase price represents the invoiced amount plus all expenses incurred to its intended use.

After initial recognition, property, plant and equipment (except tools and inventory for which purchase price model is implemented) are presented at revalued amount that reflects their fair value at the date of revaluation, less the total amount of the value correction based on amortization and total amount of value correction for impairment loss.

The fair value of real estate makes their market value, which is determined by the assessment. Revaluation is carried out only when the fair value of a revalued asset differs materially from its carrying amount. Gains from revaluation are recognized in other gains and losses in favour of the revaluation reserve in equity. Up to the amounts of previously recognized losses from the revaluation or impairment recognized in the income statement, gains from revaluation are recognized in the income statement, and the rest of gains are recognized in other gains and losses. Losses on revaluation are recognized after valuation or testing for impairment, and are recognized in other gains and losses up to the amount of previously recognized revaluation reserve in equity and the remainder of losses are recognized in the income statement. At expenditure or disposal of assets related revaluation reserve is transferred directly to undistributed profit.

The last assessment of the value of property, plant and equipment was made on 31/12/2016.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

3 PREVIEW OF IMPORTANT ACCOUNTING POLICIES (cont'd)

3.5 Property, plants, equipment, biological resources (cont'd)

Tools and supplies, whose useful life is longer than one year are from 01/01/2016 recognized as fixed assets notwithstanding their individual purchase cost. These assets are amortized according to the estimated useful life.

Gains or losses arising from write-off or alienation are recognized as revenue or expenditure in the income statement.

3.6 Amortisation

Depreciation of property, plant and equipment is calculated using straight-line method over the estimated useful life. The depreciation rates that were used in the 2015 business year, as well as the rate of amortization calculated based on the useful life of the assets applied in 2016 are given in the following table:

DESCRIPTION	2016	2015
Buildings	%	%
Water and electricity facilities	2,27 - 7,14	2,27 - 7,14
Roads, airports and parking lots	2,22 - 33,33	2,22 - 33,33
Other buliding facilities	5,00 - 25,00	5,00 - 50,00
Flats given to employees for use	1,49	1,49
Equipment	%	%
New specific equipment	6,67 - 50,00	6,67 - 50,00
Equipment for road traffic	5- 50,00	6,67 - 33,33
Equipment for PTT and TV	7,14 - 50,00	10 - 50,00
Equipment for air-traffic	4 - 50,00	4 - 50,00
Measuring and control devices and specific devices	4,00 - 33,33	4,00 - 33,33
Labor.equipment, teaching aids and med. devices	20,00 - 25	20,00 - 25
Electronic, calculating machines and computers	10- 50,00	16,67 - 33,33
Furniture and equipment for general purpose	4- 50,00	4,00 - 50,00
Equipment for road traffic under financial leasing	8,33 - 33,33	8,33 - 33,33
Equipment and plants	10,00 - 25,00	10,00 - 25,00
Tools and inventory	20,00 - 100,00	25,00 - 100,00
Intangible investments	%	%
Software and licences	10,00 - 50,00	10,00 - 50,00

3.7 Investment property

Investment properties are properties that the Company, as the owner, holds to earn rentals or for capital appreciation or for both of them, and not for use in the provision of services or for administrative purpose or sale in the ordinary course of business. Initial measurement of investment property during the acquisition is carried at purchase value or cost price. After initial recognition, valuation of investment property is carried at fair value at the end of each business year. Positive and negative effects from changes in fair value of investment property are recognized through the income statement.

The Company has engaged a certified appraiser - Belgrade, to assess the value of investment property as on 31.12.2016. In the report on assessment, the fair value of the investment property is determined by the weight of probability of estimated value using the replacement cost method and the yield method.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

3 PREVIEW OF IMPORTANT ACCOUNTING POLICIES (cont'd)**3.8 Impairment**

At each balance sheet date the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that there has been a loss due to the impairment of such assets. If any such indication exists, the recoverable amount of assets is estimated so that the extent of the impairment loss could be determined. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit, to which the asset belongs.

The recoverable amount is net selling price or value in use, whichever is higher. For the purposes of assessing value in use, the estimated future cash flows are discounted to their present value using the discount rate before tax that reflects current market assessments of the time value of money and the risks specific to the asset.

If the estimated recoverable amount of the asset (or cash generating unit) is less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Losses from impairment are recognized as an expense immediately, unless the relevant asset is land or buildings that are not used as investment property carried at a revalued amount, in which case the impairment loss is treated as a reduction in the value of revaluation.

With the subsequent reversal of the impairment, the carrying amount of the asset (cash generating unit) is increased to the revised estimated recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined in previous years if there were no losses recognized in this asset (cash generating unit) due to impairment. A reversal of an impairment loss is recognized immediately in income, unless the relevant asset is carried at appraised value, in which case the reversal of the impairment loss is treated as an increase due to revaluation.

On 31 December, 2016, based on the Company's management estimates there are no indications that the value of the assets is impaired.

3.9 Stocks

Stocks are disclosed per purchase value, i.e. cost value or net sale value, whichever is lower.

Net sale value is price for sale of stocks in nominal operation conditions after price decrease by sale costs. Cost includes the invoiced value, transport and acquisition costs.

Calculation of stock output is determined by the method of average weighed purchase price.

Inventories are recorded at the sales price. At the end of the accounting period, their value is adjusted to cost by allocation of price differences, calculated on an average basis between the purchase cost of realized goods and supplies in stock at the end of the year.

Charging to other expenses inventory value correction is done in cases where it is determined that it is necessary to resume the value to their net estimated realizable value (including inventories with slow turnover, excess and obsolete inventories). Damaged inventory and inventory that does not meet the standards are written off.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

3 PREVIEW OF IMPORTANT ACCOUNTING POLICIES (cont'd)**3.10 Taxes and contributions****Income tax**

Income tax expense in the income statement represents the sum of current income tax expense and deferred income tax expense not recognized within other gains and losses or directly in equity.

Receivables and liabilities in respect of current income tax or deferred tax assets and liabilities are offset only when the Company has a legally enforceable right to offset the recognized amounts and if it intends to settle on a net basis or simultaneously realize the asset and settle the liability.

Current income tax

Assets and liabilities arising from current income taxes represent liabilities or receivables from the fiscal authorities in connection with the current or prior periods that are not implemented on the date of these financial statements.

Current income tax represents an amount calculated by applying the statutory income tax rate of 15% on the tax base determined in the tax balance, which represents the amount of profit before tax after deduction of the effects of adjusting income and expenses, in accordance with the tax regulations of the Republic of Serbia, with the decrease in the statutory tax credits.

The Law on Corporate Income Tax of the Republic of Serbia does not envisage that any tax losses of the current period may be used to recover taxes paid in previous years. However, losses which are included in the tax balance until 2009, can be used to reduce the tax base in future periods over the next ten years from the vesting date, and the losses realized and recognized in the tax statement for 2010 and beyond, can be used to reduce the tax base in future periods, but not longer than five years.

The Law on Corporate Income Tax of the Republic of Serbia in the part relating to tax credit provides that taxpayers who have until December 31, 2013 acquired the right to a tax incentive under Art. 48 of the previous law and expressed information in Tax balance and Tax return for 2013 may exercise that right up to the deadline and in the manner provided by that previous law. According to Art. 48 Paragraph 5 of the previous law, "unused tax credits can be offset against income tax in future periods up to the prescribed limit of 33% (for large and medium-sized enterprises), but not longer than ten (10) years that you apply as of the tax balance sheet for the year 2003". In determining the income tax for 2016, the earliest previous tax period from which they can use unused tax credit is the tax account or PK form in 2006. Transferred tax credit is used in the order of investment.

Deferred income tax

Deferred tax effects arise as a consequence of difference between basis for amortization calculation according to accounting and tax regulations. Also, this difference accrues on basis of existence of equipment with purchase value in the moment of purchase lower than average gross salary in RS, on basis of non-used tax loan and in other cases when there is time difference between tax liability arising and tax payment due date. Deferred tax liabilities are recognized for all chargeable temporary differences, while deferred tax resources are recognized in extent in which it is possible for chargeable profits to be available for usage of deducting temporary differences. The carrying value of deferred tax assets is examined on the financial statement date and adjusted if necessary to comply with the current assessment of the taxable profits of future periods.

Deferred tax resources and liabilities are calculated at the tax rate of 15% whose use is expected in the period when the asset is realized or the liability settled.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

3. PREVIEW OF IMPORTANT ACCOUNTING POLICIES (cont'd)**3.10 Taxes and contributions (cont'd)*****Deferred income tax (cont'd)***

Deferred tax is accounted in balance sheet, except when it refers to the positions accounted directly in the equity, in which case deferred tax is allocated within equity.

Taxes and contributions independent of results

Taxes and contributions independent of results include real estate and other taxes and contributions in line with republic, tax and general regulations. These taxes and contributions are disclosed within other business expenditures.

Tax risks

The tax laws of the Republic of Serbia are often differently interpreted and are subject to frequent changes. The interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Company may differ from the management interpretations. As a result of the foregoing, transactions may be challenged by tax authorities and the Company could be assessed additional taxes, penalties and interest. Period of obsolescence of tax liability is five years. This practically means that tax authorities could determine payment of outstanding liabilities within five years from the origination of the liability.

3.11 Benefits for employees***Taxes and contributions to funds for social security of employees***

In line with regulations applicative in the Republic of Serbia, the Company pays contributions to state funds which provide social security of employees. Such obligations include contributions for employees at cost of employer in amounts calculated at rates proscribed by relevant regulations. The company is, also obliged to suspend contributions from gross salaries of employees and pay that, in name of employees, to those funds. Contributions at cost of employer and contributions at cost of employees are booked as expenditures of related period.

Reserving for terminal wages and jubilee bonuses

Based on the Collective Bargaining Agreement adopted on 12.02.2015 the Company is obliged to pay to the employees:

- Terminal wage for retirement in amount of 4 average month salaries without tax and contributions paid at the employer's in the very month before payment of terminal wage
- Jubilee awards for total time spent in employment with the employer in the amount of the average monthly salary without tax and contributions paid by the employer for the month preceding the month in which the employee is entitled to jubilee awards as follows:
 - 10 years – one average month salary
 - 20 years – two average month salaries
 - 30 years – three average month salaries
 - 35 years for women and men - four average month salaries.

Because of the obligations regulated by the Collective Bargaining Agreement, the Company at the end of each business year assesses reserving for terminal wages and jubilee bonuses in accordance with the requirements of standard IAS 19- Employee Benefits.

The Company has engaged an authorized actuary to assess provisions for retirement benefits and jubilee awards on 31 December 2016. The assumptions used for the actuarial calculation and changes in provisions in the current period are disclosed in Note 49.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

3 PREVIEW OF IMPORTANT ACCOUNTING POLICIES (cont'd)**3.12 Leasing**

Leasing is classified as financial leasing whenever all the risks and benefits arising from ownership of assets are transferred to the fullest extent to the lessee by lease. All other leases are classified as operating leases.

The Company as lessor

Revenues based on operating leases (income from rents) are recognized using the straight-line method over the lease period. Indirect costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Company as lessee

Assets held by financial leasing contracts are initially recognized as assets of the Company at the present value of the minimum lease payments determined at the beginning of the lease period. The corresponding liability to the lessor is included in the balance sheet as a liability from financial leasing.

Payment of lease instalments is allocated between financial expenses and reduction of the lease liability in order to achieve a constant rate of participation in the outstanding amount of the obligation. Financial expenses are recognized immediately in the income statement, except if directly attributable to assets being qualified for use, in which case they are capitalized in accordance with the general policy of the Company's borrowing costs.

Instalments of operating leases are recognized as an expense on a straight-line basis during the lease term, unless there is another systematic basis that better reflects the time pattern of consumption economic benefits from the leased asset.

In the event that lease incentives are granted, those are included in the operational leasing and are recognized as a liability. The total benefit of incentives is recognized as a reduction in expenses for rent on a straight-line basis, unless there is another systematic basis that better reflects the time structure of consumption of economic benefits from the leased asset.

3.13 Information on business segments

The Company performs business activity as single business segment, provision of airport services. Accordingly, information relating to sales income per products and services, geographical information on income from sales, represent disclosure at company level.

3.14 Financial instruments

Any contractual right from which arises a financial asset and a financial liability or equity instrument is recognized as a financial instrument on the settlement date.

Upon initial recognition, financial assets and financial liabilities are measured at cost, being the fair value of compensation given (in the case of assets) or received (in the case of liabilities).

De-recognition of financial assets is when the contractual rights to the cash flows arising from the financial asset expire or when substantially all the risks and rewards are transferred. De-recognition of financial liabilities is when the obligation is extinguished, settled, cancelled or expired.

Long term investments

Long-term investments after initial recognition are measured by:

- Fair values, if held for trading,
- Amortized cost, if you have a fixed maturity date,
- Cost, if they do not have a fixed maturity date.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

3 PREVIEW OF IMPORTANT ACCOUNTING POLICIES (cont'd)

3.14 Financial instruments (cont'd)

Long-term investments held for trading and for which, due to the lack of an active market, it is not possible to determine a market value, are carried at purchase cost.

Long-term loans granted to employees are measured at fair value discounted by applying market interest rates.

Short-term receivables and investments

Short-term receivables and investments include receivables from sales and other receivables, as well as short-term loans to employees.

Receivables from sales of goods and services are measured by the cost of the original invoice. Invoiced interest related to the sale of goods and services are recognized as other receivables and are recorded in income in the period in which they arise.

Other receivables and investments originated by the company are measured at amortized cost.

Any difference between the carrying amount and subsequent measurement is recognized as a gain or loss in the period in which incurred.

Devaluation of funds

At each balance date, objective evidences of the value of assets are evaluated, by analysis of expected net cash inflows.

For all receivables for which there is reasonable doubt that they will not be collected in a nominal amount, corrections shall be made. Direct write-off shall be made only after the end of the litigation or by decision of the management body.

Cash and cash equivalents

Cash and cash equivalents include cash on current accounts at banks and in hand and highly liquid investments with maturity up to three months after the acquisition, which can be quickly converted to known amounts of cash, and which is not subject to significant risk of changes in value.

Financial liabilities

Financial liabilities include long-term liabilities (long-term loans and other long-term liabilities), short-term financial liabilities (short-term loans and other short-term liabilities), short-term operating liabilities and other liabilities.

Financial liabilities are initially recognized at the proceeds received. After initial recognition, financial liabilities are measured at the amount of initially recognized liabilities, reduced by repayments of principal, increased by the amount of capitalized interest and reduced by any write-off approved by the creditor. Interest payable on financial liabilities is charged to financial expenses in the related period, and presented within other short-term liabilities and accruals and deferred income.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

3 PREVIEW OF IMPORTANT ACCOUNTING POLICIES (cont'd)**3.15. The capital, reserves and payment of profits (dividends)**

The basic capital consists of the nominal value of the issued shares.

Other components of the capital include:

- Revaluation reserves based on the revaluation of property, plant and equipment
- Actuarial gains and losses on defined benefit plans
- Other reserves

All retained gains and accumulated losses in this and prior periods are recognized in undistributed profit and loss.

Distributed profits (dividends) are recognized under liabilities when the Assembly of the Company adopts a decision on profit distribution.

3.16. Provisions, contingent assets and contingent liabilities

Provision for legal disputes, harmful contracts or other requirements towards the Company is recognized when for the Company's performance arise a legal or constructive obligation as a result of past events, when there is a certain outflow of economic benefits from the Company and when amounts of these outflows can be reliably estimated. Time or the exact amount of the outflow may still be uncertain.

Restructuring costs are recognized only when there is a detailed formal plan for the restructuring and the management has announced the main features of the plan to everyone a plan has influence to or the execution of the plan has already begun. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available on the date of adoption of the report, including the risks and uncertainties associated with the present obligation. For a number of similar obligations, the likelihood of outflow for settling is determined at the level of obligations class. Provisions are discounted to present value, in the event that the amount of discounting is materially significant.

Any remuneration in connection with the obligations for which it is certain that the Company will realize from third parties are recognized as a separate asset. However, this asset cannot be a larger amount than the related provision.

No obligation, that is, no provision is recognized if there is not a certain outflow of economic benefits arising from present obligations. Such situations are disclosed as a contingent liability, except in cases where the possibility of outflow is small.

3.17. Preview of important accounting estimates

Presentation of financial statements requires the Company management to use the best possible estimates and reasonable assumptions that have effect to the reported amounts of assets and liabilities and disclosure of contingent receivables and liabilities at the financial statements date, as well as revenues and expenditures during the reporting period. These estimates and assumptions are based on information available at the date of the financial statements. Actual results may differ from the estimated.

Shown below are the key assumptions concerning the future and other key sources of estimating uncertainty at the balance sheet date, which represent a significant risk for material adjustments to the balance sheet items in the following financial year.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

3. PREVIEW OF IMPORTANT ACCOUNTING POLICIES (cont'd)**3.17 Preview of important accounting estimates (cont'd)****3.17.1. Amortisation and amortisation rate**

Calculation of amortization and amortization rates are based on projected economic useful life of property, plant and equipment. Once a year, the Company assesses the economic useful life based on current forecasts.

In addition, due to the significance of fixed assets in the total assets of the Company, any change in the aforementioned assumptions may lead to material effects on the financial position of the Company as well as the financial result. As an example, if the Company shorten the average useful life by 10%, this would result in additional amortization charges for the year ended on 31 December, 2016 for about RSD 88.495 thousand (year ended on 31 December 2015: RSD 76.788 thousand).

3.17.2. Correction of values of uncollectable receivables

We calculated value correction for receivables older than 60 days, based on the estimated losses due to customer inability to fulfil the obligations. Our estimate is based on the ageing analysis of receivables, historical write-offs, credit worthiness of our customers and changes in the conditions of sale, in determining the adequacy of the value correction of doubtful and disputed receivables. This also includes assumptions about future customer behaviour and the resulting future collections. The management believes that no additional value correction of receivables is necessary, with the exception of value correction already reported in the financial statements.

3.17.3. Litigations

Overall, provisions have largely been subject to estimates. The Company assesses the likelihood of adverse cases may occur as a result of past events and assesses the amount required to settle the obligation. Assessment of potential liabilities arising from legal disputes is carried out by internal expert services or external advisers.

Although the Company respects the precautionary principle when evaluating, considering that there is a large dose of uncertainty, in some cases actual results may differ from these estimates.

3.17.4. Fair value

The fair value for the purposes of disclosure under the requirements of IFRS 13 is defined as the price that would be received for the sale of assets, or paid to transfer obligations in a regular transaction between market participants on the measurement date.

Business policy of the Company is to disclose information about the fair (fair) value of assets and liabilities for which official market information exist and when fair value is materially different from the carrying value. In the Republic of Serbia there is no sufficient market experience, stability and liquidity for the purchase and sale of receivables and other financial assets or liabilities, given that published market information is not readily available. Hence, fair value can not be reliably determined in the absence of an active market. The Company's management assesses risk and when it estimates that the value of assets stated in its books may not be realized, it makes value corrections. In the opinion of the company management, the amounts in these financial statements reflect the value that is, in the circumstances, the most valid and useful for reporting purposes.

The Company measures the fair value of assets and liabilities using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest. The fair value is the price that would be charged or paid for the transfer of responsibilities in a regular transaction at the primary or most favourable market on the date of measurement, the current market conditions, and regardless of whether that price is directly observable or estimated using other valuation techniques.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

3 PREVIEW OF IMPORTANT ACCOUNTING POLICIES (cont'd)**3.17 Preview of important accounting estimates (cont'd)****3.17.4. Fair value (cont'd)**

Valuation techniques that are applied for measuring fair value, should make maximum use of relevant observable inputs and minimize the use of unobservable inputs.

To increase consistency and comparability in fair value measurements and related disclosures the fair value hierarchy shall be determined, which classifies into three levels inputs for valuation techniques that are used in determining the fair value according to the structure below:

Inputs Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities to which the entity has access at the date of weighing. Assumptions of level 1 inputs relate to the existence of the primary market for the asset or liability or, in the absence of the primary market, the most advantageous market for the asset or liability; and whether the entity can realize the transaction for the asset or liability based on market price at the date of measurement.

Inputs Level 2 - inputs that are not quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include the following: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs that are not quoted prices, if they are visible for assets or liabilities and inputs supported by market.

Inputs Level 3 - unobservable inputs for the asset or liability that entity develops using the best information available in the circumstances. So, all reasonably available information about the market participants assumptions are considered. Unobservable inputs are considered market participant assumptions and meet the objective of fair value measurement.

4 SEPARATION OF REVENUE AND EXPENDITURE OF THE GROUND HANDLING ACTIVITY FROM THE REVENUE AND EXPENDITURE OF AIRPORT OPERATOR'S ACTIVITIES

Art 4 of the Rule book on the provision of ground handling services at airports - Official Gazette of RS No. 61/2015, stipulates that the airport operator and provider of ground handling services separate accounts (accounts) for the provision of ground handling services from the accounts for other activities, in accordance with applicable accounting standards. In the annual financial statements of the airport operator shall be visible absence of any related financial flows between provision of ground handling services and its activities as airport operator.

From 01/07/2016 started separate billing of ground handling services from other services of the airport operator, then determining attributable direct expenditures on the accounting documents of the airport operator and ground handling activities, as well as allocation of indirect expenditures on airport operators and ground handling activities on the basis of the adopted keys for allocation of indirect expenditures. Based on the above, the separation of business results of ground handling activities from airport operator's activities will in the future be made on the basis of recorded exact data on revenues and expenditures.

Separation of business operations, i.e. realized revenues and expenditures of the Airport for the period I-XII 2016, to business activities of the airport operator and the business activities of ground handling services was carried out on the basis of the adopted Amended Business Plan for 2016 by the Supervisory Board (Decision No.33 -179/1 dated 24/06/2016), that is on the basis of by plan adopted parameters for separation of ground handling services from the airport operator's activities and defined planned participation of related expenditures, and according to the Rule book on the provision of ground handling services at airports. Based on the above and on the realised business results is compiled Income Sheet for the period I-XII 2016 in which financial results of the airport operator's activities and activities of ground handling services are shown separately, as follows:

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

4 SEPARATION OF REVENUE AND EXPENDITURE OF THE GROUND HANDLING ACTIVITY FROM THE REVENUE AND EXPENDITURE OF AIRPORT OPERATOR'S ACTIVITIES (cont'd)

- in 000 RSD -

Group of accounts-account	POSITION	ADP	Note no	Amount		
				Current year		
				AIRPORT OPERATOR (01/01-31/12/2016)	GROUND HANDLING (01.01-31.12.2016.)	TOTAL AIRPORT (01/01-31/12/2016)
1	2	3	4	5	6	7(5+6)
REVENUES FROM SCHEDULED OPERATIONS						
60 to 65, except 62 and 63	A. REVENUES FROM OPERATIONS (1002 + 1009 + 1016 + 1017)	1001		7,045,301	1,483,402	8,528,703
60	I REVENUES FROM SALE OF GOODS (1003 + 1004 + 1005 + 1006 + 1007+ 1008)	1002	5	57,397	0	57,397
604	5. Revenues from sale of goods in domestic market	1007	5	2,067	0	2,067
605	6. Revenues from sale of goods in foreign market	1008	5	55,330	0	55,330
61	II REVENUES FROM SALE OF GOODS AND SERVICES (1010 + 1011 + 1012 + 1013 + 1014 + 1015)	1009	6,7,8	6,068,835	1,483,402	7,552,237
614	5. Revenues from sale of goods and services in domestic market	1014	6	2,685,178	629,466	3,314,644
615	6. Revenues from sale of products and services in domestic market	1015	7	3,383,657	853,936	4,237,593
64	III REVENUES FROM PREMIUMS, SUBSIDIES, SUBVENTIONS AND DONATIONS AND SIMILAR	1016		285	0	285
65	IV OTHER REVENUES FROM OPERATIONS	1017	9	918,784	0	918,784
EXPENDITURES FROM SCHEDULED OPERATIONS						
50 to 55, 62 and 63	B. EXPENDITURES FROM OPERATIONS (1019 – 1020 – 1021 + 1022 + 1023 + 1024 + 1025 + 1026 + 1027 + 1028+ 1029) ≥ 0	1018		3,567,282	1,374,512	4,941,794
50	I. PROCUREMENT VALUE OF SOLD GOODS	1019	10	52,919	0	52,919
51 except 612	V. COSTS OF MATERIALS	1023	11	114,539	60,534	175,073
513	VI. COSTS OF FUEL AND ENERGY	1024	12	187,587	71,376	258,963
52	VII. COSTS OF SALARIES, SALARY COMPENSATIONS AND OTHER PERSONAL EXPENDITURES	1025	13	1,813,777	1,007,524	2,821,301
53	VIII. COSTS OF PRODUCTION SERVICES	1026	14	276,697	59,339	336,036
540	IX . COSTS OF AMORTISATION	1027	15	742,884	142,065	884,949
541 to 549	X. COSTS OF LONG-TERM RESERVING	1028	16	29,858	6,959	36,817
55	XI. INTANGIBLE COSTS	1029	17	349,021	26,715	375,736
	V PROFIT FROM OPERATIONS (1001 – 1018) ≥ 0	1030		3,478,019	108,890	3,586,909

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

5 SEPARATION OF REVENUE AND EXPENDITURE OF THE GROUND HANDLING ACTIVITY FROM THE REVENUE AND EXPENDITURE OF AIRPORT OPERATOR'S ACTIVITIES (cont'd)

Group of accounts - account	POSITION	ADP	Note no	Amount		
				Current year		
				AIRPORT OPERATOR (01/01-31/12/2016)	GROUND HANDLING (01.01-31.12.2016.)	TOTAL AIRPORT (01/01-31/12/2016)
1	2	3	4	5	6	7(5+6)
66	D. FINANCIAL REVENUES (1033 + 1038 + 1039 + 1017)	1032		227,295	148	227,443
662	II. REVENUES FROM INTEREST (FROM THIRD PERSONS)	1038	18	108,676	0	108,676
663 and 664	III. POSITIVE EXCHANGE RATE DIFFERENCES AND POSITIVE EFFECTS OF CURRENCY CLAUSE (TOWARD THIRD PERSONS)	1039	19	118,619	148	118,767
56	DJ. FINANCIAL EXPENDITURES (1041 + 1046 + 1047)	1040		89,727	180	89,907
562	II. EXPENDITURES FROM INTEREST (TOWARD THIRD PERSONS)	1046	20	44,600	0	44,600
563 and 564	III. NEGATIVE EXCHANGE RATE DIFFERENCES AND NEGATIVE EFFECTS OF CURRENCY CLAUSE (TOWARD THIRD PERSONS)	1047	21	45,127	180	45,307
	E. PROFIT FROM FINANCING (1032 – 1040)	1048		137,568	-32	137,536
683 and 685	Z. REVENUES FROM VALUE ADJUSTMENT OF OTHER PROPERTY EXPRESSED AT FAIR VALUE THROUGH INCOME SHEET	1050	22	75,215	0	75,215
583 and 585	I. EXPENDITURES FROM VALUE ADJUSTMENT OF OTHER PROPERTY EXPRESSED AT FAIR VALUE THROUGH INCOME SHEET	1051	23	165,133	0	165,133
67 and 68, except 683 and 685	J. OTHER REVENUES	1052	24	53,440	549	53,989
57 and 58, except 583 and 585	K. OTHER EXPENDITURES	1053	25	28,100	2,044	30,144
	L. PROFIT FROM SCHEDULED OPERATIONS BEFORE TAXING (1030 – 1031 + 1048 – 1049 + 1050 – 1051 + 1052 – 1053)	1054		3,551,009	107,363	3,658,372
	M. NET PROFIT FROM CORRECTION OF MISTAKES FROM EARLIER PERIOD	1056	26	126,433	0	126,433
	NJ. PROFIT BEFORE TAXING (1054 – 1055 + 1056 – 1057)	1058	27	3,677,442	107,363	3,784,805
	P. PROFIT TAX					
721	I. TAXABLE EXPENSES FOR THE PERIOD	1060	27	377,175	16,104	393,279
part 722	II. DEFERRED TAXABLE EXPENSES FOR THE PERIOD	1061	27	200,787	0	200,787
part 722	III. DEFERRED TAXABLE REVENUES FOR THE PERIOD	1062		0		
	S. NET PROFIT 1058, 21, 1059, 23, 1060, 1061, 1062	1064	27	3,099,480	91,259	3,190,739
6	TOTAL REVENUES (1001 + +1032 + +1050 + +1052)			7,532,337	1,484,099	9,016,436
5	TOTAL EXPENDITURES (1018 + +1040 + +1051 + +1053)			3,854,895	1,376,736	5,231,631

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

5. REVENUES FROM SALE OF GOODS

	I-XII 2016 in 000 RSD	I-XII 2015 in 000 RSD
Revenues from sale of beverages in catering facilities	1,084	837
Revenues from sale of fuel in domestic market	983	1,016
Revenues from sale of crude oil	0	35,465
Revenues from sale of goods in domestic market	2,067	37,318
Revenues from sale of goods - kerosene (re-export)	55,330	103,098
Revenues from sale of fuel in foreign market	0	19
Revenues from sale of goods in foreign market	55,330	103,117
	57,397	140,435

6. REVENUES FROM THE SALE OF SERVICES of the Airport in domestic and foreign markets in the period I-XII 2016 were separated on revenues from services provided by the airport operator's activities and revenues made by the activity of ground handling services on the basis of real income and by the plan adopted parameters for the separation of ground handling services from the airport operator's activities, as shown in the following table:

6. REVENUES FROM SALE OF SERVICES IN DOMESTIC MARKET WITH REVENUES OF GROUND HANDLING SERVICES	I-XII 2016					I-XII 2015			
	Revenues of airport operator	Revenues of ground-handling	Total revenues of Airport (with for. buyer branches)	Revenues from foreign buyer branches	Revenues without foreign buyer branches	Total revenues of Airport (with for. buyer branches)	Revenues from foreign buyer branches	Revenues without foreign buyer branches	
	1	2	3	4 (2+3)	5	6 (4-5)	7	8	9(7-8)
	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD
Passenger service *	1,320,893	57,518	1,378,411	103,128	1,275,283	1,224,724	98,182	1,126,542	
Security fee	472,559	0	472,559	20,479	452,080	445,614	19,875	425,739	
Landing	225,634	0	225,634	39,062	186,572	215,990	34,695	181,295	
Aircraft handling *	-	250,894	250,894	48,620	202,274	240,883	48,837	192,046	
Infrastructure	140,919	0	140,919	29,353	111,566	133,790	27,619	106,171	
Air-bridges *	9,622	1,069	10,691	10,641	50	9,140	9,140	0	
Lighting	65,333	0	65,333	1,548	63,785	61,955	1,433	60,522	
Aircraft abode tax	4,416	0	4,416	32	4,384	4,794	32	4,762	
Aircraft de-icing services *	0	62,628	62,628	3,434	59,194	39,311	1,203	38,108	
Commercial use of apron	60,656	0	60,656	1	60,655	60,812	-	60,812	
Usage of the CUTE system	81,663	0	81,663	5,151	76,512	76,504	5,034	71,470	
Services on special request *	17,578	106,977	124,555	652	123,903	102,563	846	101,717	
Renting of advertisement space	62,288	0	62,288	-	62,288	42,278	-	42,278	
Public services	163,173	0	163,173	917	162,256	160,177	1,099	159,078	
Cargo-custom services *	0	146,938	146,938	665	146,273	137,156	567	136,589	
DCS services *	0	0	-	-	-	-	-	-	
Lost and found services *	0	1,126	1,126	1,126	0	1,024	1,024	-	
Use of parking lots	51,494	0	51,494	600	50,894	16,476	321	16,155	
Other services *	8,950	2,316	11,266	726	10,540	38,557	414	38,143	
I Total services in domestic market	2,685,178	629,466	3,314,644	266,135	3,048,509	3,011,748	250,321	2,761,427	

Revenue from services realized by foreign companies that were registered in the Republic of Serbia as a "branch", are recorded in the books in line with legislation as income from domestic customers. Since the physical scope of services of specified branches is recorded in the Company as a physical volume of services of foreign companies, said revenue are shown in Note 6 and 7 in the way they are recorded in accounting, and also in a separate column as revenues from sales of goods and services from registered branches, for insight in the amount and participation of these revenues, which are recorded as revenues generated in the domestic market, but the essence is that the origin of these revenues is the foreign market.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

7. REVENUES FROM SALE OF SERVICES IN DOMESTIC MARKET WITH REVENUES OF GROUND HANDLING SERVICES	I-XII 2016						I-XII 2015		
	Revenues of airport operator	Revenues of ground-handling	Total revenues of Airport (w/o for. buyer branches)	Revenues from foreign buyer branches	Revenues with foreign buyer branches	Total revenues of Airport (w/o for. buyer branches)	Revenues from foreign buyer branches	Revenues with foreign buyer branches	
	1	2	3	4 (2+3)	5	6 (4+5)	7	8	9(7+8)
	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD
Passenger service *	1,587,433	52,020	1,639,453	103,128	1,742,581	1,528,179	98,182	1,626,361	
Security fee	351,329	0	351,329	20,479	371,808	335,668	19,875	355,543	
Landing	641,999	0	641,999	39,062	681,061	624,859	34,696	659,555	
Aircraft handling *	0	655,930	655,930	48,620	704,550	718,614	48,837	767,451	
Infrastructure	421,690	0	421,690	29,353	451,043	417,743	27,618	445,361	
Air-bridges *	170,321	18,926	189,247	10,641	199,888	183,785	9,140	192,925	
Lighting	72,552	0	72,552	1,548	74,100	72,241	1,433	73,674	
Aircraft abode tax	26,363	0	26,363	32	26,395	27,746	32	27,778	
Aircraft de-icing services *	0	42,507	42,507	3,434	45,941	25,780	1,203	26,983	
Commercial use of apron	0	0	0	1	1	0	0	0	
Usage of the CUTE system	89,084	0	89,084	5,151	94,235	85,370	5,034	90,404	
Services on special request *	3,151	26,843	29,994	652	30,646	29,662	846	30,508	
Renting of advertisement space	1,452	0	1,452	-	1,452	55	0	55	
Public services	5,287	0	5,287	917	6,204	2,104	1,099	3,203	
Cargo-custom services *	0	12,461	12,461	665	13,126	13,694	567	14,261	
Consulting services	0	0	0	-	-	12,096	0	12,096	
DCS services *	0	22,098	22,098	-	22,098	30,475	0	30,475	
Lost and found services *	0	16,861	16,861	1,126	17,987	17,995	1,024	19,019	
Use of parking lots			0	600	600				
Other services *	12,996	6,290	19,286	726	20,012	14,464	735	15,199	
II Total services in foreign market	3,383,657	853,936	4,237,593	266,135	4,503,728	4,140,530	250,321	4,390,851	
III Total revenues from the sale of products and services (I+II)	6,068,835	1,483,402	7,552,237	-	7,552,237	7,152,278	-	7,152,278	

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

8. Revenues from sale of services per gegraph.region

	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Serbia	3,048,509	2,761,278
Germany (Lufthansa+Germanwings +Europi.+Air Berlin+Eurojet)	660,593	655,126
Montenegro (Montenegro+other buyers in MN)	534,477	522,175
Austria (branch of Austrian Airlines +Niki)	247,257	249,435
Switzerland (Swis Air)	335,220	345,659
Russia (Aeroflot)	349,895	333,075
Turkey (Turkish +Pegasus)	477,797	524,493
France (Air France)	165	560
Italy (Al italia)	159,927	156,488
Abu Dhabi (branch Etihad Air+Etihad Air)	160,205	150,427
Hungary (Wizz air+Cityline)	628,909	650,260
Romania (Tarom)	48,596	39,622
Tunisia (Tunis Air)	33,956	35,368
Greece (Aegean)	124,118	102,267
England (Easyjet)	70,007	83,349
Norway (Norwegian)	108,660	83,472
Poland (Polskie linie)	79,008	33,443
Dubai (Fly Dubai)	92,405	74,091
Qatar (Qatar Airways)	98,831	97,269
Slovenia (Adria Airways+Fenixsped branch)	1,202	11,545
Other foreign buyers	292,500	642,835
	7,552,237	7,152,278

Revenues from sale of services per buyers

	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Air Serbia-Serbia	2,506,992	2,251,424
Deutsche Lufthansa-Germany	583,633	590,657
Montenegro Airlines-Montenegro	530,760	519,397
Austrian Airlines branch-Austria	246,207	248,743
Swiss Air-Switzerland	335,220	345,659
Turkish Airlines-Turkey	383,882	411,715
Aeroflot-Russia	349,895	333,075
LOT-Poland	79,008	33,443
Alitalia-Italy	159,927	156,488
Air France-France	165	560
Germanwings-Germany	-	6,473
Norwegian-Norway	108,660	83,472
Easyjet-England	70,007	83,349
Wizz Air+branch (Hungary)	628,909	650,260
Tarom-Romania	48,596	39,622
Pegasus-Turkey	93,915	87,862
Tunis Air-Tunisia	33,956	35,368
Fly Dubai-Dubai	92,405	74,091
Aegean	124,118	102,267
Iran Air-Iran	3,003	61,117
Qatar Airways-Qatar	98,831	97,269
Etihad Airways PJSC+branch - Abu Dhabi	160,205	150,427
NIS AD - Serbia	52,640	49,966
JAT Tehnika -Serbia	20,263	23,748
Parking servise - Serbia	28,673	28,585
Alma Quatro - Serbia	21,439	20,039
Dufry Ltd Belgrade - Serbia	56,868	55,846
Mondial Bodrum -for consultancy services-Turkey	0	12,096
Other domestic buyers - Serbia	361,634	331,670
Other foreign buyers	372,426	267,590
	7,552,237	7,152,278

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

9. OTHER BUSINESS REVENUES	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Revenues from lease to domestic legal persons	911,900	816,244
Revenues from lease to foreign legal persons	6,884	7,182
	918,784	823,426
10. PURCHASE VALUE OF SOLD GOODS	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Purchase value of sold retail goods	836	576
Purchase value of sold kerosene - re-export	51,075	97,220
Purchase value of sold crude oil	-	35,462
Purchase value of sold fuel	1,008	-
	52,919	133,258
11. COSTS OF MATERIALS	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Costs of production material (basic materials, tools and inventory, working and official clothing and footwear)	115,020	74,418
Overhead costs of material (office material)	11,735	18,141
Costs of spare parts	44,133	31,577
Costs of tools and inventory	4,185	38,835
	175,073	162,971
12. COSTS OF FUEL AND ENERGY	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Costs of gasoline and diesel fuel	62,127	63,746
Costs of oil fuel for heating	22,013	35,075
Costs of electric energy	174,823	176,673
	258,963	275,494
13. COSTS OF SALARIES, SALARY COMPENSATIONS AND OTHER PERSONAL EXPENSES	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Gross salaries and salary reimbursements - employees	1,588,173	1,342,598
Gross salaries and salary reimbursements - management	32,167	30,841
Taxes and contributions at cost of employer	290,041	245,846
Costs of reimburs. per service contract and royalties	320	211
Costs of reimbursement for youth organisations etc.	558,810	542,414
Costs of reimburs. for member of SB, SA, rev. committee	8,165	8,157
Transport of employees	68,520	60,374
Cots of business trip	10,684	10,796
Terminal wages and jubilee bonuses	1,255	729
Difference for payment to the budget of RS, based on the Law on reduction of public sector wages	148,901	131,738
Premiums for voluntary pension insurance	85,524	20,217
New Year presents for children of employees - not subject to taxa	3,758	7,765
Compensation on Contracts for professional development	5,984	3,907
Solidarity allowance (newborns, treatment, natural disasters etc.)	16,761	8,122
Other personal expenditures	2,238	458
	2,821,301	2,414,173

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

14. COSTS OF PRODUCTION SERVICES

	<u>I-XII 2016</u>	<u>I-XII 2015</u>
	in 000 RSD	in 000 RSD
Costs of engagement of employees through OZB for:		
- aircraft ground handling	-	25,232
- guarding etc.	-	23,559
IT services on passenger and baggage check-in	45,862	63,916
Costs of phone and other PTT services	28,517	24,460
Costs of maintenance services	148,445	155,578
Lease costs	36,896	33,350
Advertising costs	35,366	5,943
Costs of catering services of tenants - (re-invoiced to airlines)	2,010	1,854
Costs of utilities	31,123	26,688
Costs of production services	7,817	7,581
	<u>336,036</u>	<u>368,161</u>

15. AMORTISATION COSTS

	<u>I-XII 2016</u>	<u>I-XII 2015</u>
	in 000 RSD	in 000 RSD
Amortisation costs for intangible investments	28,964	12,982
Amortisation costs for property	437,768	428,134
Amortisation costs for equipment	418,217	326,762
	<u>884,949</u>	<u>767,878</u>

16. COSTS OF LONG-TERM RESERVING

	<u>I-XII 2016</u>	<u>I-XII 2015</u>
	in 000 RSD	in 000 RSD
Costs of reserving for terminal wages	7,133	7,189
Costs of reserving for jubilee awards	21,384	9,258
Costs of reserving for litigations	8,300	53,000
	<u>36,817</u>	<u>69,447</u>

17. INTANGIBLE COSTS

	<u>I-XII 2016</u>	<u>I-XII 2015</u>
	in 000 RSD	in 000 RSD
Costs of health services	15,709	17,095
Costs of cleaning services	53,114	50,809
Costs of engagement of employees through OZB for:		
- technical maintenance support	-	4,506
- administrative jobs (econ. and legal)	-	17,294
Costs of consulting services	64,165	-
Costs of different kinds of assessments	32,532	2,635
Costs of professional development	19,661	8,066
Costs of services for the current accounting software	7,518	6,464
Costs of other non-production services	30,371	27,784
Costs of representation	7,392	8,616
Costs of insurance	25,285	24,206
Costs of payment system	5,132	5,719
Memberships	9,568	7,565
Property tax and other reimbursements	80,025	79,009
Other intangible costs	25,264	17,308
	<u>375,736</u>	<u>277,076</u>

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

18. INTEREST INCOME

	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Interest in term deposits in RSD	33,783	78,541
Interest for RSD deposits in current accounts	3,088	24,956
Interest in term deposits in foreign currency	53,069	49,846
Interest for foreign currency deposits in current accounts	4,898	8,943
Interest on housing loans	1,342	1,536
Interests upon court decisions	9,782	620
Interest on arrears for untimely payment of buyers	2,638	3,946
Other interests	76	65
	108,676	168,453

The decline in interest revenues on dinar assets was a result of declining state of the amount of time and "a vista" local currency funds in reported current period compared to the same period previous year, as well as a significant drop in interest rates in both time and 'a vista' funds.

19. POSITIVE EXCHANGE RATE DIFFERENCES AND POSITIVE EFFECTS OF CURRENCY CLAUSE TOWARD THIRD PARTIES)

	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Revenues from realized exchange rate differences	77,102	100,939
Revenues from non-realized exchange rate differences	38,617	49,650
Revenues from effects of contracted currency clause (realized)	138	173
Revenues from effects of contracted currency clause (non-realized)	2,910	1,088
	118,767	151,850

20. INTEREST EXPENDITURES

	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Interests for long-term EIB loan	38,564	42,390
Interest for financial leasing	-	-
Default interest in the country	4,286	392
Interest for untimely paid public revenues	1,750	24,701
	44,600	67,483

21. NEGATIVE EXCHANGE RATE DIFFERENCES AND NEGATIVE EFFECTS OF CURRENCY CLAUSE

	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Negative exchange rate differences-realized	32,319	78,124
Negative exchange rate differences - non-realized	12,816	6,173
Expenditures from effects of contr. currency clause - realised	172	375
Expenditures from effects of contr. currency clause - non-realised	-	-
	45,307	84,672

22. INCOME FROM VALUE ADJUSTMENT OF OTHER ASSETS

	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Value adjustment of receivables:		
- from buyers for services	43,410	38,688
- from buyers for interests	-	-
- from natural persons for housing loans (cancellation of impairment on collection basis and fair value basis)	31,805	40,902
Other non-mentioned revenues	-	-
	75,215	79,590

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

23. EXPENDITURES FROM VALUE ADJUSTMENT OF OTHER ASSETS

	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Impairment of receivables from housing loans	3,112	408
Value adjustment of receivables from buyers	162,021	39,648
Value adjustment of receivables from employees	-	44
Other expenditures from impairment	-	-
	165,133	40,100

24. OTHER REVENUES

	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Revenues from sale of equipment and materials	450	919
Revenues of collected, corrected receivables from buyers	258	1,946,330
Revenues from cancel.of reserv. for litigations and empl.benefits	909	595
Revenues from indemnity from legal and natural persons	8,808	3,740
Revenues from charged court costs	2,424	929
Revenues of previous years	-	3,202
Positive effects of contracted revaluation	1,394	1,492
Revenues from value adjustment for property and equipment	34,810	-
Revenues from adjust.value of investment property "Borik"	451	4,606
Other non-mentioned revenues	4,485	925
	53,989	1,962,738

Revenue realized in the period I-XII 2016, on the position "other revenues" in the amount of RSD 53.989 thousand is significantly lower compared to realized other revenues in the previous year (RSD 1.962.738 thousand). Other revenues from 2015 in the largest part (in the amount of RSD 1.897.107 thousand) is a result of payment of the second and last debt instalment, that Public Debt Administration of the Republic of Serbia has taken over, for corrected and uncollected receivables from 2012 and 2013. As above receivables are fully settled on 31/03/2015 and in the balance of receivables from buyers on 31/12/2015 there is no more significant amount of outstanding corrected receivables, in business operations of 2016 there is no longer expected significant level of realized revenues on the position "other revenues".

25. OTHER EXPENDITURES

	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Loss from sale and write-off of equipment	908	77
Loss from sale and write-off of biological resources	15	5
Costs from carried deficits	270	190
Expenditures from direct write-off	335	1,830,396
Expenditures of materials per inventory	-	-
Litigation costs	2,595	339
Costs for humanitarian, health and scientific purposes	14,125	11,638
Expenditures of previous years	-	13,334
Other non-mentioned expenditures	5,647	2,417
Impairment of property and equipment	334	-
Impairment of livestock units	15	40
Expenditures from advances impairment	-	41
Expenditures from trade unions	5,900	5,650
	30,144	1,864,127

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

26. NET PROFIT FROM CORRECTION OF MISTAKS FROM PREVIOUS PERIODS

	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Reimbursement for higher interest for financial leasing from previous years	48,959	-
Subsequently established revenues from previous years	50,197	-
Cancellation of reserving for litigations	31,930	-
Total established revenues from previous years	131,086	-
Subsequently established expenditures from previous years	(4,653)	-
Total established expenditures from previous years	(4,653)	-
NET profit from correction of mistakes from previous periods	126,433	-

27. PROFIT TAX AND DEFERRED PERIOD TAX REVENUES AND EXPENDITURES

27. PROFIT TAX

a) Components of profit tax

	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Period tax expenditure	393,279	607,090
Correction of period tax expenditure	-	-
Period tax expenditure after correction	393,279	607,090
Deferred period tax expenditure	200,787	55,814
	594,066	662,904
Effective tax rate	15.70%	16.77%

b) Reconciliation of profit tax and product of result from operation before tax and prescribed tax rate

	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Profit before tax	3,784,805	3,953,930
Profit tax calculated at rate of 15%	567,722	593,090
Tax effect of expenditures not acknowledged in tax balance	5,991	300,987
Correction in tax effect of amortisation expenditures not acknowledged in tax balance	13,271	12,028
Tax credit for investment in fixed assets of previous years	(193,705)	(299,015)
Correction of using tax credits from previous years	-	-
Period tax expenditure	393,279	607,090

v) Achieved, unused and unrecognised tax credit (TC)

					in 000 RSD
	Year of expiry	Amount of transferred TC	Correction of TC	Used TC	Outstanding TC for transfer
Year of recognition of tax credit		from 2015		in 2016	12/31/2016
2012	2022	32,304	0	32,304	-
2013	2023	184,137	0	161,401	22,736
Balance of tax credit		216,441	0	193,705	22,736

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

27. PROFIT TAX AND DEFERRED PERIOD TAX REVENUES AND EXPENDITURES

Changes on account of deferred tax liabilities and deferred tax assets as of 31/12/2016 and as of 31.12.2015 are shown in the following table:

in 000 RSD

<u><i>g) Deferred tax assets (deferred tax liabilities)</i></u> <u><i>2015</i></u>	01/01/2015	Recognised in other gains & losses 2015	Recognised in income sheet 2015	31/12/2015
Long-term assets				
Intangible assets, property, plant, equipment and investment property	(276,056)	-	8,981	(267,075)
Long-term liabilities				
Provisions for retirement and other employee benefits	7,039	(1,343)	10,840	16,536
Provisions for litigations	-	-	17,312	17,312
Short-term liabilities				
Liabilities for taxes, contributions and fees	665	-	(479)	186
Other				
Unused tax credits	237,201	-	(92,468)	144,733
Total	(31,151)	(1,343)	(55,814)	(88,308)
<u><i>g) Deferred tax assets (deferred tax liabilities)</i></u> <u><i>2016</i></u>	01/01/2016	Recognised in other gains & losses I-XII 2016	Recognised in income sheet I-XII 2016	31/12/2016
Long-term assets				
Intangible assets, property, plant, equipment and investment property	(267,075)	(80,517)	(79,326)	(426,918)
Long-term liabilities				
Provisions for retirement and other employee benefits	16,536	(671)	3,682	19,547
Provisions for litigations	17,312	-	(5,237)	12,075
Short-term liabilities				
Liabilities for taxes, contributions and fees	186	-	12	198
Calculated, but not paid employee earnings, art 9, paragraph 2 of the Law	-	-	2,079	2,079
Other				
Unused tax losses	-	-	-	-
Unused tax credits	144,733	-	(121,997)	22,736
Total	(88,308)	(81,188)	(200,787)	(370,283)

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

27. PROFIT TAX AND DEFERRED PERIOD TAX REVENUES AND EXPENDITURES (cont'd)

Balance of recognized deferred tax assets as of 31/12/2016 amounts to RSD 56,635 thousand, of which RSD 22,736 thousand relates to the recognition of the remaining planned amount of the use of transferred tax credit in the future tax period. Other recognized deferred tax assets as of 31/12/2016 is done based on the applicable corporate income tax rate of 15% on the balance of the provisions for retirement provisions for jubilee benefits, provisions for litigation and on the balance of unpaid public revenues, as well as for the amount of unpaid and recognized expenditures for employees' salaries from article 9, paragraph 2 of the Law on corporate income tax, as the same relate to temporary differences that will be recognized in tax period in which the same are paid. The balance of recognized deferred tax liabilities as of 31/12/2016 amounts to RSD 426.918 thousand.

After application of the requirements of IAS 12 that is offsetting of deferred tax assets and deferred tax liabilities on the balancing date, the balance of deferred tax liabilities as of 31/12/2016 amounts to RSD 370.283 thousand (on 31/12/2015 RSD 88.308 thousand).

Effects from changes in deferred tax assets and liabilities in relation to the initial balance, in the amount of RSD 281.975 thousand, are recognized at the expense of revaluation reserves in the amount of RSD 81.188 thousand and at the expense of the period deferred tax expenditures in the amount of RSD 200.787 thousand.

28. PROFIT PER SHARE

	I-XII 2016	I-XII 2015
	in 000 RSD	in 000 RSD
Net profit for owners	3,190,739	3,291,026
Net profit correction	-	-
Net profit after correction	3,190,739	3,291,026
Averaged weighted number of shares	34,289,350	34,289,350
Basic earnings per share <u>in RSD</u>	93.05	95.98

29.a. INTANGIBLE INVESTMENTS

	in 000 RSD	
DESCRIPTION	31/12/2016	31/12/2015
Purchase value		
Initial balance,	102,871	35,289
Procurements during the year	84,171	67,582
Alienation, removal from inventory and sale	-	-
Final balance	187,042	102,871
Value correction		
Initial balance	22,348	9,366
Amortisation in current year	28,964	12,982
Alienation, removal from inventory and sale	-	-
Final balance	51,312	22,348
Net present value	135,730	80,523

Total investment into intangible assets amounts RSD 84.171 thousand.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

29.b. PROPERTY, PLANTS, EQUIPMENT, BIOLOGICAL RESOURCES (cont'd)

in 000 RSD

DESCRIPTION	Land	Buildings	Equipment	Investment property	Other property, plants and equipment	Current investments	Advances	Total property, plants and equipment	Biological resources - Basic livestock unit
Purchase value									
Initial balance 01/01/2015	9,120,668	10,102,565	2,320,426	21,467	3,619	5,768	31,265	21,605,778	165
Initial balance correction based on estimate	-	-	-	-	-	-	-	-	-
Balance on 01/01/2015 after correction	9,120,668	10,102,565	2,320,426	21,467	3,619	5,768	31,265	21,605,778	165
Procurements during the year	-	-	-	-	-	693,953	-	693,953	-
Transfer from current investments	-	184,331	495,154	-	-	(679,485)	-	-	-
Alienation, removal from inventory and sale	-	(42)	(2,978)	-	-	-	-	(3,020)	(5)
Other	-	-	-	-	-	-	1,782	1,782	-
Assets fair value estimation									
Revaluation revenues	-	-	-	4,606	-	-	-	4,606	-
Revaluation expenditures	-	-	-	-	-	-	-	-	(40)
Final balance 31/12/2015	9,120,668	10,286,854	2,812,602	26,073	3,619	20,236	33,047	22,303,099	120
Value correction									
Initial balance 01/01/2015	-	-	4,268	-	-	-	15,812	20,080	-
Initial balance correction based on estimate	-	-	-	-	-	-	-	-	-
Balance on 01/01/2015 after correction	-	-	4,268	-	-	-	15,812	20,080	-
Amortisation in current year	-	428,134	326,762	-	-	-	-	754,896	-
Alienation, disbursement and sale	-	(25)	(956)	-	-	-	-	(981)	-
Final balance 31/12/2015	-	428,109	330,074	-	-	-	15,812	773,995	-
Net present value, 31/12/2015	9,120,668	9,858,745	2,482,528	26,073	3,619	20,236	17,235	21,529,104	120
Net present value, 31/12/2014	9,120,668	10,102,565	2,316,158	21,467	3,619	5,768	15,453	21,585,698	165

Total investment into property, plants and equipment in the period I-XII 2015 amounts RSD 693,953 thousand. In reported period RSD 679,485 thousand for property, plants and equipment is activated, as follows: for equipment in the amount of RSD 495,154 thousand, increase of construction facility value in the amount of RSD 184,331 thousand. The balance of non-activated investments on 31/12/2015 amounts RSD 20,236 thousand.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

DESCRIPTION	29.c. PROPERTY, PLANTS, EQUIPMENT, BIOLOGICAL RESOURCES (cont'd)										Biological resources - Basic livestock unit	
	Land	Buildings	Equipment	Investment property	Other property, plants and equipment	Current investments	Advances	Total-property, plants and equipment	in 000 RSD			
Purchase value												
Initial balance 01/01/2016	9,120,668	10,286,854	2,812,602	26,073	3,619	20,236	33,047	22,303,099			120	
Initial balance correction based on estimate	-	-	-	-	-	-	-	-	-	-	-	
Balance on 01/01/2016 after correction	9,120,668	10,286,854	2,812,602	26,073	3,619	20,236	33,047	22,303,099			120	
Procurements during the year	-	-	-	-	-	2,193,642	-	2,193,642			55	
Transfer from current investments	17,274	189,371	816,489	-	-	(1,023,134)	-	-			-	
Alienation, disbursement and sale	-	(153)	(4,707)	-	-	(2,642)	-	(7,502)			(15)	
Other	-	-	-	-	-	-	103,272	103,272			-	
Assets fair value estimation												
Revaluation reserves	278,348	59,468	198,964	-	-	-	-	536,780			-	
Reduction on account of revaluation reserves	-	(1,198)	(972)	-	-	-	-	(2,170)			-	
Revaluation revenues	-	10,472	24,337	452	-	-	-	35,261			-	
Revaluation expenditures	-	-	(334)	-	-	-	-	(334)			(15)	
Reduction of net present value for amort. accumulation	-	(865,819)	(741,025)	-	-	-	-	(1,606,844)			-	
Final balance 31/12/2016	9,416,290	9,678,995	3,105,354	26,525	3,619	1,188,102	136,319	23,555,204			145	
Value correction												
Initial balance 01/01/2016	-	428,109	330,074	-	-	-	15,812	773,995			-	
Initial balance correction based on estimate	-	-	-	-	-	-	-	-			-	
Balance on 01/01/2016 after correction	-	428,109	330,074	-	-	-	15,812	773,995			-	
Amortisation in current year	-	437,768	418,217	-	-	-	-	855,985			-	
Alienation, disbursement and sale	-	(58)	(2,936)	-	-	-	-	(2,994)			-	
Cancellation of property value per fair value of the property 31/12/2016	-	(865,819)	(741,025)	-	-	-	-	(1,606,844)			-	
Value correction of advanced payments	-	-	-	-	-	-	-	-			-	
Final balance 31/12/2016	-	-	4,330	-	-	-	15,812	20,142			-	
Net present value, 31/12/2016	9,416,290	9,678,995	3,101,024	26,525	3,619	1,188,102	120,507	23,535,062			145	
Net present value, 01/01/2016	9,120,668	9,858,745	2,482,528	26,073	3,619	20,236	17,235	21,529,104			120	

Total investment into property, plants and equipment in the period I-XII 2016 amounts RSD 2,193,642 thousand. In the reported period RSD 1,023,134 thousand for property, plants and equipment is activated, as follows: for equipment in the amount of RSD 816,489 thousand, increase of construction facility value in the amount of RSD 189,371 thousand and land in the amount of RSD 17,274 thousand. Ongoing investments from previous years in the amount of RSD 2,642 thousand were annulled. The balance of non-activated investments on 31/12/2016 amounts RSD 1,188,102 thousand. On 31/12/2016 assessment of fair value of the property, plants and equipment was made by a certified assessor. The effects of the assessment are shown in the table:

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

30. SHARES IN CAPITAL OF OTHER LEGAL ENTITIES AND OTHER SECURITIES	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Privredna banka a.d. Belgrade	392	392
<i>Minus: value correc.of partic. in capital of banks in bankruptcy</i>	<i>(392)</i>	<i>(392)</i>
<u>Participation in capital of banks in liquidation</u>		
Union banka a.d. Belgrade - in liquidation	667	667
Beogradska banka a.d. Belgrade - in liquidation	18,988	18,988
Beobanka a.d. Belgrade - in liquidation	38	38
	19,693	19,693
Minus: value correc.of partic. in capital of banks in liquidation	<i>(19,693)</i>	<i>(19,693)</i>
<u>Participation in capital of foreign legal entities</u>		
Mondial Bodrum - Turkey	358,598	358,598
Societe International de Telecommun. Aeronautiques Swisse (SITA)	1	1
Minus: value corr.of particip. in capital of Mondial Bodrum - Turkey	<i>(358,598)</i>	<i>(358,598)</i>
	1	1
	1	1
31.a. OTHER LONG-TERM FINANCIAL INVESTMENTS	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Membership in Societe International de Telecommunications Aeronautiques Swisse (SITA)	6,360	6,161
Long-term loans to employees	284,552	296,817
Receivables for sold socially owed housing	1,168	1,201
Receivables for purchase of solidarity housing	2,196	2,686
Total gross	294,276	306,865
Current maturities of long-term investments in SITA	(698)	(614)
Current maturities of long-term loans to employees	(14,233)	(15,595)
Adjustment of fair value of long-term loans to employees	<i>(138,400)</i>	<i>(169,778)</i>
	140,945	120,878
<p>Receivables from employees for long-term loans for purchase and tenant purchaser of apartments as of 31/12/2016 amount to RSD 287.916 thousand ((including current maturities in the amount of RSD 14,233 thousand). Effects of adjustment to fair value amount to total of RSD 138.864 thousand (RSD 138.400 thousand for the part of long-term receivables from employees and RSD 464 thousand for the part referring to current maturities of long-term receivables). The aforementioned relates to loans to employees for meeting the housing needs granted for a period of 20-40 years. The estimate of the fair value of housing loans as of 31/12/2016 is performed by a certified assessor by projection of future cash flows from collection of receivables for housing loans using discount rates (built-up method): from 5,5% to 20%, depending on whether and in what intervals housing loans are revalued or contracted with currency clause, whether they have contracted interest rate or are contracted without interest rate.</p>		
31 b. OTHER LONG-TERM RECEIVABLES - ADP 0041	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Receivables from buyers based on an Agreement on debt rescheduling	83,819	-
	83,819	-

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

32. MATERIAL, SPARE PARTS, TOOLS AND SUPPLIES - ADP 0045	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Basic material	46,906	62,052
Spare parts	10,502	17,738
Tools and supplies	4,926	15,092
Value correction of material and spare parts stock	(62)	(62)
	62,272	94,820
33. GOODS-ADP 0048	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Goods in warehouse-kerosene	4,786	12,236
Goods in retail trade	30	65
	4,816	12,301
34. ADVANCES FOR SUPPLIES AND SERVICES ADP 0050	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Advances for services in the country	17,603	34,627
Advances for foreign services	946	644
Advance value correction	-	(1,120)
	18,549	34,151
35. BUYERS IN THE COUNTRY	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Total balance of receivables from buyers in the country-gross	638,795	1,228,157
-Value correction of the previous period	(116,263)	(129,497)
-Value correction of the current period	(162,021)	(29,393)
Total balance of value correction	(278,284)	(158,890)
	360,511	1,069,267

Receivables from the buyers in the country on 31/12/2016 amount RSD 638.795 thousand, of which to undue receivables refer RSD 247.638 thousand, due receivables up to 30 days RSD 11.747 thousand and due receivables over 30 days RSD 379.410 thousand.

Total value correction of receivables from buyers in the country in the amount of RSD 278.284 thousand mainly relates to value correction of receivables from sued domestic buyers in the amount of RSD 176.529 thousand and other domestic buyers RSD 101.755 thousand.

36. BUYERS ABROAD	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Total balance of receivables from foreign buyers-gross	672,826	657,300
-Value correction of the previous period	(12,411)	(14,373)
-Value correction of the previous period	(490)	(10,255)
Total balance of value correction	(12,901)	(24,628)
	659,925	632,672

Receivables from foreign buyers on 31/12/2016 amount RSD 672.826 thousand (undue receivables RSD 480.886 thousand, due receivables up to 30 days RSD 103.210 thousand and due receivables over 30 days RSD 88.730 thousand). Total value correction of receivables from foreign buyers in the amount of RSD 12.901 thousand relates to value correction of receivables from sued domestic buyers in the amount of RSD 6.707 thousand and other foreign buyers RSD 6.194 thousand.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

<u>37. OTHER RECEIVABLES</u>	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Receivables from buyers in the country for default interest	24,905	3,538
Receivables for interest on term deposit	42,136	53,939
Receivables from employees	1,347	1,398
Other receivables	84,518	35,507
Receivables for overpaid income tax	238,912	-
Total receivables - gross	391,818	94,382
- Value corr.from buyers for default interest of previous years	(385)	(467)
- Value corr.from buyers for default interest of the current year	-	-
-Value correction of the earlier period	(570)	(788)
-Value correction of the current period	-	(44)
- Value corr.of other receivables	(2,452)	(2,452)
Total balance of value correction	(3,407)	(3,751)
	388,411	90,631
<u>38. SHORT-TERM CREDITS AND LOANS IN THE COUNTRY</u>	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Short-term loans to employees (wint .stores , heating means - 6 mon	50,953	77,841
	50,953	77,841
<u>39. OTHER SHORT-TERM FINANCIAL INVESTMENTS</u>	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Short-term time deposits	3,920,027	3,783,133
Current maturities of long-term loans to employees	14,233	15,595
Current maturities of long-term investment in SITA	698	614
	3,934,958	3,799,342
Adjustment of fair value of loans to employees	(464)	(543)
	3,934,494	3,798,799

Short-term time deposits with balance on 31/12/2016 are disclosed in the amount of RSD 3,920,027 thousand, and relate to foreign currency and dinar deposits, for the period of six months.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

40. CHANGES ON VALUE CORRECTION till 31/12/2016

in 000 RSD

Description of change on value correction	Long-term financial investments (Note 31)	Stock material and spare parts (Note 32)	Advances for materials and services (Note 34)	Receivables from buyers for goods, services and default interest (Notes 35, 36, 37)	Short-term financial investments (Notes 39)	Total
Initial balance 01/01/2015	210,168	62	1,079	2,654,123	647	2,866,079
Correction at cost of current period	-	-	41	39,692	-	39,733
Devaluation of long-term finan.invest. and securities	-	-	-	-	-	-
Charged corrected receivables	(9,249)	-	-	(1,946,330)	(512)	(1,956,091)
Value reconciliation	(31,141)	-	-	(38,688)	408	(69,421)
Write-off	-	-	-	(521,960)	-	(521,960)
Exchange rate differences	-	-	-	432	-	432
Other	-	-	-	-	-	-
Final balance 31/12/2015	169,778	62	1,120	187,269	543	358,772
Correction at cost of current period	-	-	-	162,021	-	162,021
Devaluation of long-term finan.invest. and securities	-	-	-	-	-	-
Charged corrected receivables	(122)	-	-	(258)	(372)	(752)
Value reconciliation	(28,083)	-	-	(43,410)	343	(71,150)
Write-off	(3,173)	-	(1,120)	(11,520)	(50)	(15,863)
Exchange rate differences	-	-	-	490	-	490
Other	-	-	-	-	-	-
Final balance 31/12/2016	138,400	62	-	294,592	464	433,518

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

41. CASH AND CASH EQUIVALENTS

	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Current account - in RSD	158,629	46,539
Current account - in foreign currency	578,893	652,584
Treasury	13	890
Other funds	2,567	4,114
Total cash-balance	740,102	704,127

42. PREPAYMENTS AND ACCRUED INCOME

	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Prepaid VAT + overpaid VAT	33,856	5,054
Prepaid insurance costs for the future period	21,680	8,836
Prepaid other costs for the future period Consult.services for the futu	93,682	
Prepaid other costs for the future period	34,286	5,939
Calculated and non-invoiced revenues for the current period	51,957	6,461
Pre-calculated costs	170	96
	235,631	26,386

43. CAPITAL

	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Share capital	20,573,610	20,573,610
Reserves	4,120,259	2,842,810
Revaluation reserves	601,827	148,390
Actuarial gains	16,590	12,788
Non-distributed profit of previous years	303	144,356
Non-distributed profit of the current year	1,774,932	1,976,030
	27,087,521	25,697,984

44. SHARE CAPITAL

On the basis of the Law on amendments and supplements to the Law on right to free shares and financial compensation realized by the citizens in the privatization process, the Company was obliged to carry out a change of legal form until 30 September 2010 and disclose its capital in shares of a certain nominal value of the based on the adjusted carrying value of equity. In 2010, on the basis of Resolution of the Government of the Republic of Serbia No.023-448/2010-1, recommendations were made to the Company, to make a selection of the best consultant who will assess the market value of equity and provide assistance in preparing and carrying out the legal changes of the form from a public company into a stock company.

The Government of the Republic of Serbia on 17 June 2010 adopted the Decision No.023-4432/2010 on the legal form of the Company from a public company into a closed joint stock company.

The change is registered at the Business Registers Agency by Decision No. BD 68460/2010 dated 22 June 2010, subscribing capital in total amount of EUR 214,556,965, which on the date of entry was RSD 20,573,610 thousand.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

44. SHARE CAPITAL (cont'd)

In the Central Securities Depository, on 7 July 2010, was registered 34,289,350 shares with a nominal value of RSD 600 per share, which were on 31.12.2010 in the property of the Republic of Serbia.

In accordance with the Law on right to free shares and financial compensation realized by the citizens in the privatization procedure ("Official Gazette" no. 123/07 and 30/10) on 09 December 2010 based on the Decision of the Government of the Republic of Serbia No. 023- 9103/2010-1, right to transfer 16.85% of the Company ownership acquired citizens of the Republic of Serbia, employees and ex-employees of the Company.

On 21 January 2011, the Company's Assembly adopted the Decision No. 21-2/1 on the conversion of the Company from closed into open joint stock company. The change was registered at the Business Registers Agency by Decision No. BD 765/2011 dated 24 January 2011.

The capital structure after the transfer of ownership of the data from the Central Securities Depository and Clearing House on 25 January 2011, was as follows:

44. SHARE CAPITAL

<u>Share capital 25/01/2011 (transition to open joint stock company)</u>	Value in thousand RSD	Number of shares	% of particip.
Republic of Serbia	17,107,193	28,511,988	83.15%
Employees and ex-employees of the Company	574,004	956,673	2.79%
Citizens of the Republic of Serbia	2,892,413	4,820,689	14.06%
	20,573,610	34,289,350	100.00%

The capital structure on 31/12/2016 and 31/12/2015 was as following:

Shareholder	31/12/2016			31/12/2015		
	Value in thousand RSD	Number of shares	% of particip.	Value in thousand RSD	Number of shares	% of particip.
Republic of Serbia	17,106,321	28,510,535	83.15%	17,106,319	28,510,532	83.15%
Domestic natural persons	2,016,599	3,360,999	9.80%	2,029,496	3,382,493	9.86%
Domestic legal persons	108,772	181,287	0.53%	96,263	160,438	0.47%
Foreign natural persons	23,653	39,422	0.11%	18,950	31,583	0.09%
Foreign legal persons	607,961	1,013,268	2.96%	611,380	1,018,966	2.97%
Custody entities	710,303	1,183,839	3.45%	711,203	1,185,338	3.46%
	20,573,610	34,289,350	100.00%	20,573,610	34,289,350	100.00%

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

45. OTHER COMPONENTS OF THE CAPITAL	Reserves	Revaluation reserves based on the revaluation of property, plant and equipment	Actuarial gains
Balance on 01/01/2015	1,534,430	148,569	5,177
Legal reserves	-	-	-
Statutory reserves	1,308,380	-	-
Revaluation reserves for land	-	-	-
Revaluation reserves for buildings	-	-	-
Revaluation reserves for equipment	-	-	-
Decrease in revaluation reserves for equipment	-	(179)	-
Actuarial gains on reserves for retirement benefits	-	-	8,954
Recognition of DTL (deferred tax liabilities) charged to revaluation reserves	-	-	(1,343)
Balance on 31/12/2015	2,842,810	148,390	12,788
Legal reserves	-	-	-
Statutory reserves	1,277,449	-	-
Revaluation reserves for land	-	278,348	-
Revaluation reserves for buildings	-	59,468	-
Revaluation reserves for equipment	-	198,964	-
Decrease of revaluation reserves based on estimation	-	(2,170)	-
Decrease of revaluation reserves based on alienation of supplies	-	(656)	-
Actuarial gains on reserves for retirement benefits	-	-	4,473
Recognition of DTL (deferred tax liabilities) charged to revaluation reserves	-	(80,517)	(671)
Balance on 31/12/2016	4,120,259	601,827	16,590

Reserves are created in accordance with the Company Articles of Association.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

46. NON-DISTRIBUTED PROFIT	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Initial balance 01/01	2,120,386	2,695,507
Correction of initial balance	-	144,353
Corrected initial balance 01/01	2,120,386	2,839,860
Distribution of undistributed profit for dividend	(750,937)	(1,333,170)
Transfer to statutory reserves	(1,277,449)	(1,308,380)
Participation of employees in profit distribution	(92,000)	(53,957)
Net profit of the current period	3,190,739	3,291,026
Net profit correction	-	-
Total net profit of the current period	3,190,739	3,291,026
Decision on distribution of interim dividend	1,415,807	1,314,996
Undistributed profit of the current period	1,774,932	1,976,030
Profit of the previous years, resulting from transfer of revaluation reserves into profit at selling fixed assets in the current year	303	3
Correction of undistributed profit of earlier period	0	144,353
Total undistributed profit of earlier years	303	144,356
Undistributed profit	1,775,235	2,120,386

At the regular session of the Assembly of the Company on 27.06.2016 is made Decision on the distribution of the total undistributed profit as of 01/01/2016 in the amount of RSD 2,120,386 thousand as follows:

- Gross dividend RSD 750,937 thousand;
- Company reserves RSD 1,277,449 thousand;
- Participation of employees in the profit RSD 92,000 thousand;

Amount of distributed profit for gross dividend and participation of employees in the profit is paid out in full in 2016.

Total undistributed profit on 30/09/2016 in the amount of RSD 1,775.235 thousand is the result of the realized net profit in the period I-XII 2016 in the amount of RSD 3.190.739 thousand, reduced for the part of the profit, distributed for interim-dividend for 2016 in the amount of RSD 415.807 thousand (Decision of the SB no. 33-332/1 dated 14/11/2016), increased for RSD 303 thousand of revaluation reserves transferred into revenue from previous years, for alienated fixed assets out of use in 2016.

In 2016, a part of interim-dividend of RS for 2016 was paid in the amount of RSD 300.000 thousand.

47. LONG - TERM RESERVES	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Reserves for terminal wages	42,946	41,934
Reserves for jubilee awards	82,890	68,305
Reserves for litigations	80,496	114,781
	206,332	225,020

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

48. CHANGES ON LONG-TERM RESERVES

Changes in long-term provisions for retirement benefits, jubilee awards and litigations in the period I-XII of 2016, compared to 31.12.2015 are shown in the following table:

CHANGES ON LONG-TERM RESERVES	in 000 RSD			
	Terminal wages	Jubilee bonuses	Total	Litigations
Balance on 01/01/2015	46,924	64,313	111,237	74,090
Reserves during the year	7,189	13,055	20,244	53,000
Actuarial gains	(8,954)	(3,797)	(12,751)	-
Cancellation during the year	(64)	(33)	(97)	(498)
Pay-off during the year	(3,161)	(5,233)	(8,394)	(11,811)
Balance on 31/12/2015	41,934	68,305	110,239	114,781
Balance on 01/01/2016	41,934	68,305	110,239	114,781
Reserves during the year	7,133	21,384	28,517	8,300
Actuarial gains	(4,473)	-	(4,473)	-
Cancellation during the year	(340)	(364)	(704)	(32,824)
Pay-off during the year	(1,308)	(6,435)	(7,743)	(9,761)
Balance on 31/12/2016	42,946	82,890	125,836	80,496

49. THE ASSUMPTIONS USED WHEN MAKING CALCULATION OF RESERVES FOR RETIREMENT BENEFITS AND JUBILEE BONUSES AND CALCULATION OF RESERVES

a) The assumptions used when making calculation of reserves for retirement benefits and jubilee bonuses

	2016	2015
Discount rate	4.50%	5.50%
Estimated growth rate of average earnings	1.00%	2.00%
Fluctuation percentage	1.50%	3.00%
Amount of the net earning XI/.....	73,724	76,360
Total number of employees on 31/12	1323	1253
Number of retired workers who received terminal wage at retirement	5	11

	in 000 RSD	
	Retirement bonuses	Jubilee bonuses
	in 000 RSD	in 000 RSD
b) The calculation of the reserves for employee benefits on 31/12/2016		
1. Reserves on 31/12/2015	41,934	68,305
2. Interest expense	2,307	3,757
3. Cost of current work	4,826	11,521
4. Cost of past work	-	-
5. Actuarial (gain)/loss	(4,473)	6,106
6. Cancellation of provisions during 2015 in the business books of the Company	(1,648)	(6,799)
7. Total net change in the amount reserved in 2016 (1+2+3+4+5+6)	1,012	14,585
8. Balance of reserving on 31/12/ 2016 (1+7)	42,946	82,890

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

50. LONG-TERM LOANS	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Abroad	804,828	894,174
Current maturities	(102,919)	(101,380)
	701,909	792,794

51. LONG-TERM LOANS	Annual interest rates	Date of maturity	Remaining amount 31/12/2016 (EUR)	31/12/2016 in 000 RSD	31/12/2015 in 000 RSD
<u>Long-term credits abroad</u>					
European Investment Bank	4,07-5,16%	2025	6,498,790.38	804,828	894,174
Total long-term credits (a+b)			6,498,790.38	804,828	894,174
Current maturities of long-term credits:			-831,048.38	-102,919	-101,380
			5,667,742.00	701,909	792,794

Long-term loans abroad reported on 31/12/2016 in the amount of RSD 802,828 thousand (EUR 6.498.790,38, of which in 2017 mature for payment EUR 831.048,38 or RSD 102.919 thousand), relate to the remaining obligations under the Agreement on financing the project of urgent rehabilitation of transport concluded on 13.12.2001 between the EIB and the Republic of Serbia. By the said contract, the Company was granted a loan in the amount of EUR 13,000,000 for investment and rehabilitation of airport infrastructure. The loan was granted with a repayment period up to 2025, with an interest rate of 5.16% for the first tranche of 3,000,000.00 EUR, 4.85% for the second tranche of EUR 3,000,000.00 and 4.07% for the third tranche of 7,000,000.00 EUR. Repayment of the first tranche of the loan shall be made in 31 equal semi-annual instalments starting from 05/12/2007; the second tranche is repayable in 30 equal semi-annual instalments starting from 20/02/2009, while the third tranche began to be repaid from 20/06/2010 in 32 instalments.

<u>Receivable maturity from long-term loans</u>	Principle		Non-booked interest	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD	in 000 RSD	in 000 RSD
up to one year	102,919	101,380	34,506	38,563
one to two years	102,919	101,380	29,864	33,990
two to three years	102,919	101,380	25,222	29,418
three to four years	102,919	101,380	20,580	24,845
four to five years	102,919	101,380	15,937	20,272
five to ten years	290,233	387,274	23,767	39,111
over ten years	-	-	-	-
	804,828	894,174	149,876	186,199

52. OTHER SHORT-TERM FINANCIAL LIABILITIES	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Current maturities of long-term loan EIN	102,919	101,380
	102,919	101,380

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

53. RECEIVED ADVANCES, DEPOSITS AND BAILS	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Advances received from domestic buyers	44,216	32,983
Advances received from foreign buyers	14,669	13,025
Subscriptions from domestic buyers	5,774	5,470
Subscriptions from foreign buyers	18,004	10,883
	82,663	62,361

54. SUPPLIERS IN THE COUNTRY	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Suppliers in the country-for services	132,618	95,434
Suppliers in the country- for investments in progress	94,596	9,962
Suppliers in the country-for equipment	169,366	99,087
	396,580	204,483

55. SUPPLIERS ABROAD	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Suppliers abroad-for services	2,278	10,916
Suppliers abroad-for equipment	48,962	-
	51,240	10,916

56. OTHER LIABILITIES FROM OPERATION	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Liabilities for charged purchase on behalf of other companies	14,219	24,846
Other liabilities from operation	663	538
	14,882	25,384

57. OTHER SHORT-TERM LIABILITIES	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Liabilities from salaries	316	-
Liabilities from interest	-	-
Liabilities for interim dividend of 2015	-	814,997
Liabilities from participation in the profits-gross	3	3
Liabilities from interim dividend of RS for 2016	877,200	-
Liabilities from interim dividend of other shareholders for 2016	238,607	-
Other short-term liabilities	22,268	43,225
	1,138,394	858,225

58. LIABILITIES FOR VAT	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Liabilities for VAT	57,398	25,809
	57,398	25,809

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

59. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND FEES	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Liabilities for income tax	0	59,744
Correction of liabilities for income tax from 2010-2014	0	35,106
Liabilities for taxes, custom duties and other levies	721	720
Taxes, contributions and other levies	1,215	1,046
	1,936	96,616
60. LIABILITIES FOR INCOME TAX - structure	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Balance on 01/01 of the current year	94,850	458,336
Correction of income tax	0	35,106
Corrected initial balance	94,850	493,442
Specified income tax liabilities for the current year	393,279	607,090
Correction of income tax liabilities	-	-
Specified income tax liabilities for the current year-total	393,279	607,090
Paid income tax liabilities	(94,850)	(458,336)
Pre-payment of income tax	238,912	-
Advance payment of income tax until 31/12	(632,191)	(547,346)
Liability for payment of income tax or overpaid tax	-	94,850
61. ACCRUALS AND DEFERRED INCOME	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Accrued expenses for the reporting period	71,446	56,087
Accrued acquisition of software and equipment for which invoice is	47,885	-
Calculated revenues for the future period	17,241	19,999
Other accruals and deferred income	2,503	6,065
Taxes, contributions and other levies	234	190
	139,309	82,341
62. OFF-BALANCE REGISTER	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Received blank bills - piece	1,922	1,625
Given blank bills domestic - pieces	13	42
Received guarantees - RSD	357,885	257,732
Received guarantees - foreign currency	158,544	54,632
Given guarantees - RSD	7,500	7,500
Given guarantees - foreign currency	-	-
Solidarity funds from employee salaries	625	627
Total off-balance assets and liabilities	524,556	320,491

Dinar received guarantees in the amount of RSD 357.885 thousand mainly relate to guarantees received from suppliers for good performance or guarantee for fault repair within the warranty period. Received foreign currency guarantees in the amount of RSD 158.544 thousand mainly relate to guarantees received from foreign suppliers for good performance, for fault repair within the warranty period or for recovery of advance payments as well as to guarantees received from foreign buyers for the safety.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

63. FAIR VALUE OF ASSETS

ASSETS	Accounting value in 000 RSD 31/12/2016	Fair value in 000 RSD 31/12/2016	Accounting value in 000 RSD 31/12/2015	Fair value in 000 RSD 31/12/2015	Hierarchy of fair value- Levels	Valuation techniques and inputs
1	2	3	4	5	6	7
Fixed assets	22,199,928	22,199,928	21,465,560	21,465,560	Level 3	Assessment was carried out by certified assessor with balance on 31/12/2016 (the Institute for economic research-Belgrade). During assessment of the property the following methodology were used: for apartments - methodology of direct price comparison; for properties of specific purpose, functionally connected and used for business activity - cost method, i.e. substitution method, for the objects built in recent years-construction costs; for older buildings-experience method depending on construction type and level of equipment. Equipment is assessed by market method and by a method of substitution of amortised value. For the equipment of with reliably indicated market value by direct comparison with achieved sale prices in the market, assessment is made by market method, i.e. by a method of direct price comparison;
Investment property	26,525	26,525	26,073	26,073	Level 3	Assessment of a certified assessor 31/12/2016 (the Institute for economic research-Belgrade)
Participation in capital of other legal persons	1	1	1	1	Level 2	Estimation the management is that they are not refundable-banks in bankruptcy
Long-term and short-term financial investments - housing loans	149,052	149,052	130,384	130,384	Level 3	Assessment of a certified actuary with a balance on 31/12/2016 - Discounting of cash flows as follows: 20% for housing loans which are not being revalued ; 7% for housing loans with value adjusted annually and with interest rate 0,5%, 5,5% for housing loans with currency clause and interest rate 0,5%; 7,25% for housing loans with value adjusted semi-annually and 7,5% for housing loans with value adjusted annually
Other long-term receivables	83,819	83,819	0	0	Level 3	Estimation of collectibility by management according to IAS 39
Receivables from buyers	1,020,436	1,020,436	1,701,939	1,701,939	Level 3	Estimation of collectibility by management according to IAS 39
Other receivables	149,499	149,499	90,631	90,631	Level 3	Estimation of collectibility by management according to IAS 39

The above table includes only financial resources, because the Company has no financial liabilities that are disclosed after initial recognition at fair value.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

64. FINANCIAL INSTRUMENTS AND AIMS OF FINANCIAL RISK MANAGEMENT

Financial instrument categories	31/12/2016		31/12/2015		in 000 RSD net amount
	Total	val. correction	net amount	Total	
Financial assets	741,848	(517,083)	224,765	669,340	120,879
1 Long term investments	5,662	-	5,662	5,547	5,547
- Long-term time deposits	20,085	(20,085)	0	20,085	0
- Participation in bank capital	358,599	(358,598)	1	358,599	(358,598)
- Participation in capital of foreign legal entities	273,683	(138,400)	135,283	285,109	(169,778)
- Long-term housing loans to employees	83,819	-	83,819	0	115,331
- Other long-term receivables					0
2 Receivables expressed at nominal value	5,450,438	(295,056)	5,155,382	5,857,022	(187,812)
- Receivables from buyers	1,311,621	(291,185)	1,020,436	1,885,457	(183,518)
- Short-term financial investments	3,985,911	(464)	3,985,447	3,877,183	(543)
- Receivables for interests	67,041	(385)	66,656	57,828	(467)
- Other receivables	85,865	(3,022)	82,843	36,554	(3,284)
3 Cash and cash equivalents	740,102	-	740,102	704,127	-
	6,932,388	(812,139)	6,120,249	7,230,489	(736,273)
Financial liabilities					
1 - Long-term loans	701,909	0	701,909	792,794	0
2 - Current maturities of l-term loans	102,919	-	102,919	101,380	-
3 - Curr. maturities of l-term fin. lease	0	0	0	0	0
4 - Short-term liabilities	462,702	-	462,702	240,783	-
	1,267,530	-	1,267,530	1,134,957	-

Basic financial instruments of the Company are cash and cash equivalents, accounts receivable, financial investments that arise directly from the Company operation, as well as long-term loans, liabilities to suppliers and other liabilities which main purpose is the financing of the current operations of the company.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

64. FINANCIAL INSTRUMENTS AND AIMS OF FINANCIAL RISK MANAGEMENT (cont'd)**Financial risk management objectives**

Financial risks include market risk (foreign exchange, interest rate and price change risk), credit risk and liquidity risk.

Financial risks are reviewed on a timely basis and are preferably avoided by reducing the Company's exposure to these risks. The Company does not use any financial instruments to avoid the impact of financial risk to the business operations because such instruments are not widely used, and there is no organized market for such instruments in the the Republic of Serbia.

I - MARKET RISK

In its operations, the Company is exposed to financial risks from changes in foreign exchange rates and changes in interest rates. Market risk exposures are examined through sensitivity analysis. There were no significant changes in the Company's exposure to market risk, or in the manner in which the Company operates or measure this risk.

a) Currency risk (foreign exchange risk)

The Company is exposed to foreign currency risk primarily through cash and cash equivalents, short-term financial investments, accounts receivable from buyers, liabilities from long-term loans and liabilities to foreign suppliers.

The Company does not use special financial instruments to protect against risk, considering that in Serbia such instruments are not in common use.

The stability of the economic environment in which the Company operates, largely depends on the measures of government in the economy, including the establishment of appropriate legal and regulatory framework.

Accounting values of financial resources and liabilities in RSD thousand, disclosed in foreign currency on date of reporting in the Company are the following:

Currency description	Total assets				Total liabilities	
	31/12/2016		31/12/2015		31/12/2016	31/12/2015
	gross	net	gross	net		
EUR	3,979,299	3,827,535	3,904,003	3,709,037	854,799	896,088
USD	626,857	626,857	570,872	570,872	160	6,908
CHF	363	363	356	356	0	0
GBP	9	9	13	13	66	0
Total dinar counter-val.of assets and liab. stated in for.currency	4,606,528	4,454,764	4,475,244	4,280,278	855,025	902,996
Value of assets and liab. stated in dinars	2,325,860	1,665,485	2,755,245	2,213,938	412,505	231,961
Total	6,932,388	6,120,249	7,230,489	6,494,216	1,267,530	1,134,957

By analysis of the currency structure of financial assets and liabilities as of 31/12/2016, along with the balance as of 31.12.2015, it can be concluded that currency clause are higher than the contracted

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

64. FINANCIAL INSTRUMENTS AND AIMS OF FINANCIAL RISK MANAGEMENT (cont'd)

b) Risk of interest rate change (cont'd)

in 000 RSD

Financial assets-net	31/12/2016			31/12/2015		
	Total	val.correction	net amount	Total	val.correction	net amount
Non-interest						
Share in capital of oth.leg.entities	378,684	(378,683)	1	378,684	(378,683)	1
Other long-term receivables	83,819	-	83,819	0	-	-
Receivables from buyers	1,311,621	(291,185)	1,020,436	1,885,457	(183,518)	1,701,939
Receivables for interests and oth.receiveiv.	152,906	(3,407)	149,499	94,382	(3,751)	90,631
Short-term fin. invest.	50,953	-	50,953	77,841	-	77,841
Non-interest-total	1,977,983	(673,275)	1,304,708	2,436,364	(565,952)	1,870,412
Fixed interest rate						
Long term fin.investments	279,345	(138,400)	140,945	290,656	(169,778)	120,878
Short term fin.investments	3,934,958	(464)	3,934,494	3,799,342	(543)	3,798,799
Fixed-total	4,214,303	(138,864)	4,075,439	4,089,998	(170,321)	3,919,677
Floating interest rate						
Cash and cash equiv.	740,102	-	740,102	704,127	-	704,127
Floating-total	740,102	0	740,102	704,127	0	704,127
	6,932,388	(812,139)	6,120,249	7,230,489	(736,273)	6,494,216
Financial liabilities						
Non-interest						
Liabilities from operation	462,702	0	462,702	240,783	0	240,783
Non-interest-total	462,702	0	462,702	240,783	0	240,783
Fixed interest rate						
Long-term loans	701,909	0	701,909	792,794	0	792,794
Current maturities of long-t. liab.	102,919	0	102,919	101,380	0	101,380
Fixed-total	804,828	0	804,828	894,174	0	894,174
Floating interest rate						
Current maturities of long-t. liab.	0	0	0	0	0	0
Floating-total	0	0	0	0	0	0
	1,267,530	0	1,267,530	1,134,957	0	1,134,957

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

64. FINANCIAL INSTRUMENTS AND AIMS OF FINANCIAL RISK MANAGEMENT (cont'd)**v) Risk of price change**

The Company estimates that there is no risk of price change, because financial instruments of the Company are not subject to price change on the market.

The Company does not operate with securities that are subject to price change in securities market. Furthermore, the Company has no turnover of goods subject to price change. The greatest item in turnover of goods is kerosene which has a transit goods treatment.

II - CREDIT RISK

The Company estimates that the greatest of the risks affecting financial instruments is credit risk, representing the risk that debtors will not be in position to settle their debts in full and in due time, which would result in the financial loss for the Company. The Company's exposure to this risk is limited to the amount of receivables from buyers at the balance sheet date.

The Company performs the reconciliation of assets and liabilities annually, with balance as of 30/11 of the current year, or more times during the year for specific clients, if the need arises.

The Company has reconciled receivables with buyers on 30/11/2016 for 64.33% of receivables. . Out of 35.67% of non-reconciled receivables of domestic clients on 30/11/2016, 13.04% refers to undisputed receivables and 22.63% to OIS without response (of which 11.22% refers to sued clients with no answer to OIS).

As for foreign client receivables, the Company reconciled 80.95% of foreign receivables as of 30/11/2016. Unreconciled receivables mainly refer to receivables with sent and not responded OIS.

At the end of the business year, with the balance on 31/12/2016, receivables with Air Serbia and Montenegro Airlines were reconciled.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

64. FINANCIAL INSTRUMENTS AND AIMS OF FINANCIAL RISK MANAGEMENT (cont'd)

II - CREDIT RISK (cont'd)

Structure of receivables from buyers	31/12/2016		31/12/2015	
	in 000 RSD	participa tion	in 000 RSD	participat ion
Air Serbia	147,816	11.27%	722,881	38.34%
Jat Tehnika	157,448	12.00%	204,979	10.87%
Dufry doo	65,347	4.98%	58,646	3.11%
International CG	41,492	3.16%	41,492	2.20%
Air Serbia-Catering ltd	45,561	3.47%	35,883	1.90%
Aviogenex ltd.	50,820	3.87%	44,066	2.34%
Austrian-branch	14,172	1.08%	25,845	1.37%
Other domestic buyers	116,139	8.85%	94,365	5.00%
Total domestic buyers	638,795	48.70%	1,228,157	65.14%
Montenegro Airlines	193,036	14.72%	207,751	11.02%
Wizz Air	87,603	6.68%	140,017	7.43%
Deutsche Lufthansa	59,160	4.51%	46,523	2.47%
Turkish Airlines	34,942	2.66%	34,663	1.84%
Etihad Airlines	44,667	3.41%	33,838	1.79%
Aeroflot	33,341	2.54%	27,268	1.45%
Allitalia	20,599	1.57%	20,596	1.09%
Qatar Airways	10,703	0.82%	16,165	0.86%
Swiss Air	29,094	2.22%	19,357	1.03%
Fly Dubai	23,440	1.79%	14,354	0.76%
Pegasus	20,125	1.53%	10,270	0.54%
LOT Polskie Linie	16,363	1.25%	0	0.00%
Other foreign buyers	99,753	7.61%	86,497	4.59%
Total foreign buyers	672,826	51.30%	657,300	34.86%
Total gross receivables from domestic and foreign buy	1,311,621	100.00%	1,885,457	100.00%
Total value correction	291,185		183,518	
Total net receivables	1,020,436		1,701,939	

The Company has large receivables from domestic and foreign buyers on 31/12/2016 (RSD 1.311.621 thousand), so that the credit risk is constantly there. To reduce this risk, the Company regularly monitors the realisation of the collection, analyses the value of the collection achieved within the contracted period, collection with exceeded contracted period, and the balance and age structure of outstanding receivables as per buyers.

The greater the percentage share of individual buyers in total receivables the higher credit risk, especially if these buyers have unstable liquidity and on that basis, exceeded contracted payment deadline.

Receivables from domestic buyers for goods and services on 31/12/2016 in the amount of RSD 638.795 thousand, accounted for 48,70% of total receivables from buyers for goods and services. Total balance of value adjustment of receivables from domestic buyers was RSD 278.284 thousand (charged to results of previous years RSD 116.263 thousand and charged to result of the current year RSD 162.021 thousand), so the net value of receivables from domestic buyers amounts to RSD 360.511 thousand.

Receivables from foreign buyers for goods and services amounted to RSD 672.826 thousand, which makes 51.30% of total receivables for goods and services. Total balance of value adjustment of receivables from foreign buyers was RSD 12.901 thousand (all charged to results of previous years), so the net value of receivables from foreign buyers amounts to RSD 659.925 thousand.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

64. FINANCIAL INSTRUMENTS AND AIMS OF FINANCIAL RISK MANAGEMENT (cont'd)

II - CREDIT RISK (cont'd)

Age structure of receivables	31/12/2016		31/12/2015	
	in 000 RSD	participati on	in 000 RSD	participat ion
Undue receivables from buyers-uncorrected	728,524	55.54%	1,453,062	77.07%
Undue receivables from buyers-corrected	0	0.00%	6,868	0.36%
Total undue receivables	728,524	55.54%	1,459,930	77.43%
Due receivables up to 60 days-uncorrected	144,110	10.99%	175,627	9.31%
Due receivables up to 69 days-corrected	0	0.00%	2,494	0.13%
Total due receivables up to 60 days	144,110	10.99%	178,121	9.45%
Due receivables over 60 days-uncorrected	147,802	11.27%	73,250	3.88%
Due receivables over 60 days-corrected	291,185	22.20%	174,156	9.24%
Total due receivables over 60 days	438,987	33.47%	247,406	13.12%
Total receivables-gross	1,311,621	100.00%	1,885,457	100.00%
Total value correction	291,185		183,518	
Total receivables - net (gross-corrected)	1,020,436		1,701,939	

Undue receivables from domestic and foreign buyers for goods and services, on 31/12/2016, amounted to RSD 728.524 thousand (and on 31/12/2015 they amounted to RSD 1.459.930 thousand).

Due receivables from domestic and foreign buyers for goods and services, on 31/12/2016 not older than 60 days, amounted to RSD 144.110 thousand (and on 31/12/2015 they amounted to RSD 178.121 thousand).

Due receivables from domestic and foreign buyers for goods and services, on 31/12/2016 older than 60 days, amounted to RSD 438.987 thousand (and on 31/12/2015 they amounted to RSD 247.406 thousand).

Due corrected receivables from domestic and foreign buyers for goods and services older than 60 days as at 31/12/2016 amounted to RSD 291.185 thousand, of which for value correction of receivables of the current period was placed RSD 162.511 thousand, and at the cost of the results of previous years RSD 128.674 thousand (due corrected receivables from domestic and foreign buyers for goods and services older than 60 days on 31.12.2015 amounted to RSD 174,156 thousand).

Due uncorrected receivables from domestic and foreign buyers for goods and services older than 60 days, on 31/12/2016, amounted to RSD 147.802 thousand (and on 31/12/2015 they amounted to RSD 73.250 thousand). These receivables are not corrected due to the assessment of certainty of collection of those receivables.

III - LIQUIDITY AND CASH FLOW RISK

Liquidity is the ability of the Company to settle its liabilities on the terms of their maturity.

The ultimate responsibility for liquidity risk management is on the management of the company, which has established appropriate management system for short-term, medium-term and long-term financing of the Company as well as liquidity management. By continuous monitoring of planned and actual cash flows, the Company maintains adequate cash reserves, and also maintains adequate maturities of financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

64. FINANCIAL INSTRUMENTS AND AIMS OF FINANCIAL RISK MANAGEMENT (cont'd)

III - LIQUIDITY AND CASH FLOW RISK (cont'd)

The following tables present details of outstanding contractual maturities of financial resources. The amounts shown are based on the undiscounted cash flows arising on the basis of financial resources based on the earliest date on which the Company will be able to collect receivables.

Maturity of financial assets	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Less than 30 days	1,754,695	1,558,930
1 - 3 months	2,224,243	2,440,280
3-12 months	1,897,689	2,319,613
1 - 5 years	130,547	78,527
over five years	113,075	96,866
	6,120,249	6,494,216

The average time to collect receivables from customers in the period I-XII 2016 amounted to 62 days (2015: 111 days). Shortening of the average time to collect receivables from buyers in the period I-XII 2016, compared to 2015 is influenced by regular collection of accounts receivable maturities, by our largest customer Air Serbia, as well as the collection of receivables from 2015 in accordance with the concluded reprograms which define new terms of payment of receivables incurred in 2015 and earlier years.

Maturity of receivables for interests	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Less than 30 days	3,983	4,060
1 - 3 months	30,464	37,743
3-12 months	32,209	16,025
	66,656	57,828

The stated maturity of interest receivables are contained within disclosure of maturity of financial assets.

The following tables present details of outstanding contractual maturities of the Company. The amounts shown are based on the undiscounted cash flows arising on the basis of financial liabilities based on the earliest date on which the Company will be required to settle such obligations.

	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Less than 30 days	462,702	240,783
1 - 3 months	12,384	12,199
3-12 months	90,535	89,181
1 - 5 years	411,677	405,522
over five years	290,232	387,272
	1,267,530	1,134,957

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

64. FINANCIAL INSTRUMENTS AND AIMS OF FINANCIAL RISK MANAGEMENT (cont'd)**III - LIQUIDITY AND CASH FLOW RISK (cont'd)**

In the total liabilities of the Company the largest share have liabilities based on long-term loans in the amount of RSD 804.828 thousand, of which in 2017 becomes due RSD 102.919 thousand. Liabilities towards suppliers on December 31, 2016 are disclosed in the amount of RSD 462.702 thousand (December 31, 2015: RSD 240,783 thousand). Suppliers do not charge interest on arrears to due liabilities, whereby the Company, in accordance with the policy of financial risk management, settles due liabilities to suppliers within the agreed period. Average time of settlement of liabilities towards suppliers in the period I- XII 2016 is 46 days (in 2015 it was 48 days).

Maturity of liabilities for interests (for loans)	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
Less than 30 days	-	-
1 - 3 months	4,204	4,733
3-12 months	30,302	33,830
1 - 5 years	91,603	108,524
over five years	23,768	39,112
	149,877	186,199

Capital risk management

The aim of capital risk management is provision of such a structure of capital that will secure safety in operating, liquidity and solvency, at the same time maximizing profit increase of the owner, through the optimization of debt and equity. In addition to its own capital, which consists of core capital, reserves and undistributed profit, the Company uses the borrowed funds in the form of long-term loans. Free cash flow from current accounts, the Company invests in the form of short-term deposits.

Indicators of indebtedness of the Company as at the end of the reporting current period of 2016 and the end of 2015 were as follows:

	31/12/2016	31/12/2015
	in 000 RSD	in 000 RSD
1 Indebtedness (ADP 432 + ADP 443)	804,828	894,174
2 Cash and cash equivalents (ADP 068)	740,102	704,127
I GROSS INDEBTEDNESS (1-2)	64,726	190,047
3 Ratio indebtedness/capital (I/5)	0.0024	0.0074
4 Short-term financial investment (ADP 062)	3,985,447	3,876,640
II NET INDEBTEDNESS (I - 4)	(3,920,721)	(3,686,593)
5 Capital (ADP 401)	27,087,521	25,697,984
6 Ratio indebtedness/capital (II/5)	-0.1447	-0.1435

65. MANAGEMENT EARNINGS

The Company paid remuneration (salaries and share in profit) to key management, including members of the Supervisory Board, the Audit Commission and the General Assembly of Shareholders and Executive directors and Department directors (on 31/12/2016: 23; on 31/12/2015: 21). In the period I - XII 2016 was paid in the gross amount RSD 41.784 thousand (in the period I- XII 2015: RSD 43.171 thousand).

NOTES TO THE FINANCIAL STATEMENTS December 31, 2016

65. MANAGEMENT EARNINGS (cont'd)

Management earnings	31/12/2016	I-XII 2016	31/12/2015	I-XII 2015
Management	Number	Amount in 000 RSD	Number	Amount in 000 RSD
Earnings	14	32,167	12	30,841
Participation in profit distribution		1,452		4,173
Total management	14	33,619	12	35,014
Compensations to members of the Supervisory Board	7	6,316	7	6,332
Compensations to members of the Commission for Revision	1	673	1	615
Compensations to members of the Shareholders Assembly	1	1,176	1	1,210
Total for members of the Supervisory Board, the Commission for Revision and the Shareholders Assembly.	9	8,165	9	8,157
TOTAL:	23	41,784	21	43,171

66. TAX RISKS

The tax laws of the Republic of Serbia are often differently interpreted and are subject to frequent changes. The interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Company may differ from the management interpretations. The management believes that tax liabilities are adequately calculated and recorded.

67. LITIGATIONS

On December 31, 2016, against the Company there are litigations in the amount of RSD 118.851 thousand (excluding the effects of default interest). Amounts of final losses on litigations can be increased on the basis of default interest up to the completion of the settlement, or until the date of final payment by disputes. On December 31 2016 the Company has made provisions for potential losses on these litigations in the amount of RSD 80.496 thousand (on 31.12.2015 it was RSD 114,781 thousand) (Notes 47 and 48). According to the assessment of the Company's management on this basis they does not expect additional significant losses in the future period.

68. EVENTS AFTER THE REPORTING PERIOD

In accordance with IAS 10 "Events after the reporting period", we found no existence of other events that may influence or affect the truthfulness and objectivity of the financial statements for the period that ended on December 31 2016, or would require adjustment of the financial statements.

Belgrade, April 24, 2017



Legal representative



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Palmira Toljatija 5/III
11070 Novi Beograd

MANAGEMENT LETTER

This representation letter is provided in connection with your audit of the financial statements of the Company for the year ended December 31st 2016 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with International Financial Reporting Standards.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated August 08th 2016, for the preparation of the financial statements in accordance with International Financial Reporting Standards; in particular the financial statements are presented fairly, in all material respects [or give a true and fair view] in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- All events subsequent to the date of the financial statements and for which International Financial Reporting Standards require adjustment or disclosure have been adjusted or disclosed.
- We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

We accept our responsibility for fair and true disclose of financial statements.

In Belgrade, April 27th 2017.

On behalf of **JOINT STOCK COMPANY AIRPORT NIKOLA TESLA BELGRADE**



Saša Vlajsavljević
Managing director



**JOINT-STOCK COMPANY BELGRADE
NIKOLA TESLA AIRPORT**

**BUSINESS REPORT FOR THE PERIOD
I-XII 2016**

BELGRADE, APRIL 2017

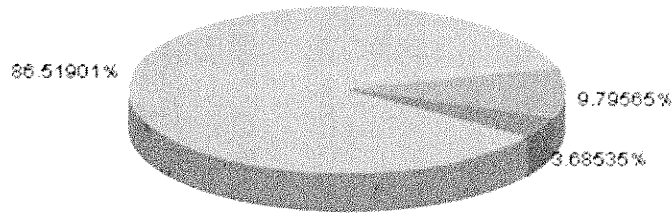
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1. GENERAL DATA OF THE COMPANY

Business name		AD AERODROM NIKOLA TESLA BEOGRAD
1	Head office and address	11180 Belgrade 59
	Register number	07036540
	TIN	100000539
2	web site and e-mail address	www.beg.aero ; kabinet@beg.aero
3	Number and date of the Rescript on Company registration	<p>Registration number: BD 4874/2005 Date of registration: 15.06.2005</p> <p>Registration number:BD91540/2012 Date of registration: 09.07.2012</p> <p>Registration number: BD100187/2012 Date of registration: 20.07.2012</p>
4	Activity (code and description)	5223- Air-traffic services
5	Number of employees	1323 employees on 31.12.2016
6	Core capital value	<u>RSD 20,573,610,000</u> <u>(on 31.12.2016)</u>
7	Name, head office of auditor who revised the last financial statement for 2015	"PKF"d.o.o., Palmira Toljatija 5/3, Beograd
8	Number of issued shares, ISIN number and CFI COD	<p>Number of ordinary shares 34,289,350 (on 31.12.2016)</p> <p>CFI code ESVUFR</p> <p>ISIN number RSANTBE11090</p>
9	Organised exchange market on which the shares are exchanged	Beogradska berza ad Beograd, Omladinskih brigada 1, 11070 Novi Beograd

- Shares in ownership of natural persons - 9.79565%
- Shares in ownership of legal entities - 86.51901%
- Nominee or custodial accounts - 3.68535%



Ten largest shareholders on 31.12.2016			
S.No.	Name of shareholder	Number of shares	% of share
1)	REPUBLIC OF SERBIA	28,510,535	83.15
2)	KJK FUND II SICAV SIF	441,137	1.29
3)	RAIFFEISEN BANK AD BEOGRAD – CUSTODY ACCOUNT - KS	375,314	1.09
4)	RAIFFEISEN BANK AD – CUSTODY ACCOUNT - KS	197,089	0.57
5)	EAST CAPITAL (LUX) – BALKAN FUND	145,038	0.42
6)	SOCIETE GENERALE BANKA SRBIJA – CUSTODY ACCOUNT - FO	126,066	0.37
7)	SOCIETE GENERALE BANKA SRBIJA – CUSTODY ACCOUNT - FO	87,344	0.25
8)	RAIFFEISEN BANK AD – CUSTODY ACCOUNT - KS	80,000	0,23
9)	UNICREDIT BANK SRBIJA AD – CUSTODY ACCOUNT - KS	77,762	0,23
10)	RAIFFEISEN BANK AD – CUSTODY ACCOUNT - KS	73,621	0,21

2. MANAGEMENT DATA:

Management members on 31.12.2016:

Shareholders' Assembly:		
No.	Name, surname and place of residence	Education, current employment (business name of the company and work position)
1	Vladimir Dimitrijević, Belgrade	Master of Economic Sciences, Director of Legal Affairs and real estate management of Public Enterprise „Pošta Srbije“

The Supervisory Board		
No.	Name, surname and place of residence	Education, current employment (business name of the company and work position)
1	Vesna Stanković Jevđević, Belgrade	Bachelor of Economics, Assistant Director General of the Procurement Directorate at the National Bank of Serbia.
2	Mirko Manojlović, Belgrade	Bachelor of Economics, Director – Paracentar d.o.o. Beograd
3	Ljubiša Dejković, Čuprija	Master of Electrical Engineering and Telecommunications, Head of telecommunication projects in the Sector of Investments – PE Elektromreža Srbije
4	Srđan Minić, Belgrade	Bachelor of Economics, Technical support and documentation Engineer, Telekom Srbija
5	Goran Mirković, Belgrade	Master of Economy, Senior Associate for completion of documentation and coordination of monitoring implementation of the contracts, Institute for Manufacture of Banknotes and Coins of the National Bank of Serbia
6	Petar Jarić, Belgrade	Bachelor of Economics, Director of "PE Office Space Zemun"
7	Dragoslav Stanković, Doljevac	Professional manager, Officer for customer care in Elektro distribucija Niš, office in Doljevac

The Executive Board		
No.	Name, surname and place of residence	Education, current employment (business name of the company and work position)
1	Saša Vlasisavljević, Belgrade	BSc. Traffic Engineer, JSC Belgrade Nikola Tesla Airport, Chairman of the Executive Board, acting Director General
2	Senka Jelenković, Belgrade	Professor of Italian language and literature, Master Engineer of Organizational Sciences, Executive Director
3	Dejan Milovanović, Prokuplje	Specialist Professional Engineer of Agriculture, JSC Belgrade Nikola Tesla Airport, Executive Director
4	Raša Ristivojević, Belgrade	Bachelor of Economy, JSC Belgrade Nikola Tesla Airport, Executive Director
5	Zoran Stojković, Belgrade	Bachelor of Law, JSC Belgrade Nikola Tesla Airport, Executive Director

2.1. REVIEW OF CORPORATE GOVERNANCE RULES

JSC Belgrade Nikola Tesla Airport, as a member of the Chamber of Commerce of Serbia adopted the *Code of Corporate Governance* that was published in the Official Gazette of the Republic of Serbia, No. 99/2012, as well as on the Company's website www.beg.aero.

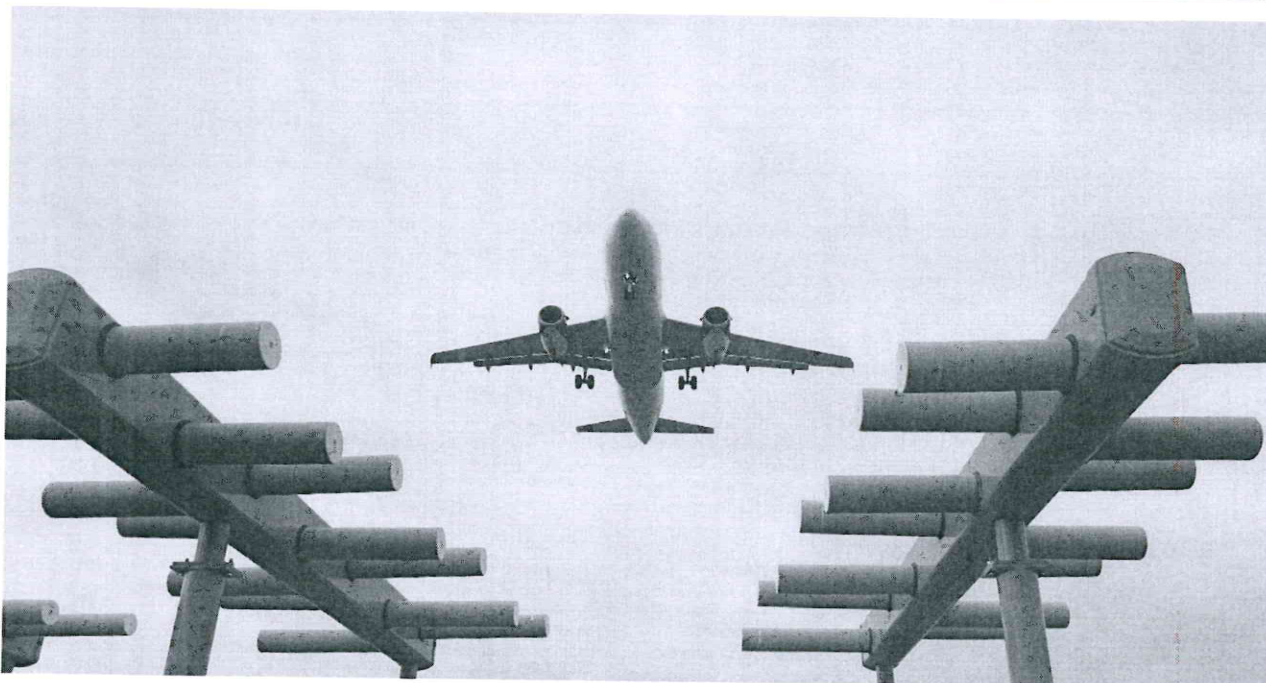
The rules of this Code are supplement to the current legislation, so that no provision of the Code abolishes the legal rule that governs the same question differently. Also, the Code does not in any way change the meaning, or proper interpretation of the legal provisions. The Code is within the limits of the law, because it covers matters that are not regulated by law (the so-called Legal vacuum), or is regulated by dispositive legal norms.

The Code contains two types of rules:

- 1) Recommendations - rules that a for-profit corporation has to accept and act upon them, and which can be recognized in the Code by the use of the word "should";
- 2) proposals - rules that are considered desirable practice in corporate governance, which in the Code can be identified by the use of the words "may," "should," and so on.

The recommendations contained in this Code outline minimum standards for public joint stock companies (members of the Serbian Chamber of Commerce) should accept and act on them, and if they do not do so or do not do so in the manner prescribed by this Code, it is necessary that they provide an explanation for discrepancy done within the statement on implementation of the code of corporate governance in accordance with the Law on companies.

3. AIR TRAFFIC TURNOVER



In the period I-XII 2016 it was achieved total air traffic turnover, as follows:

- 58,633 air movements,
- 4,924,992 passengers and
- 17,251 tons of cargo and mail.

3.1. AIR MOVEMENT TURNOVER

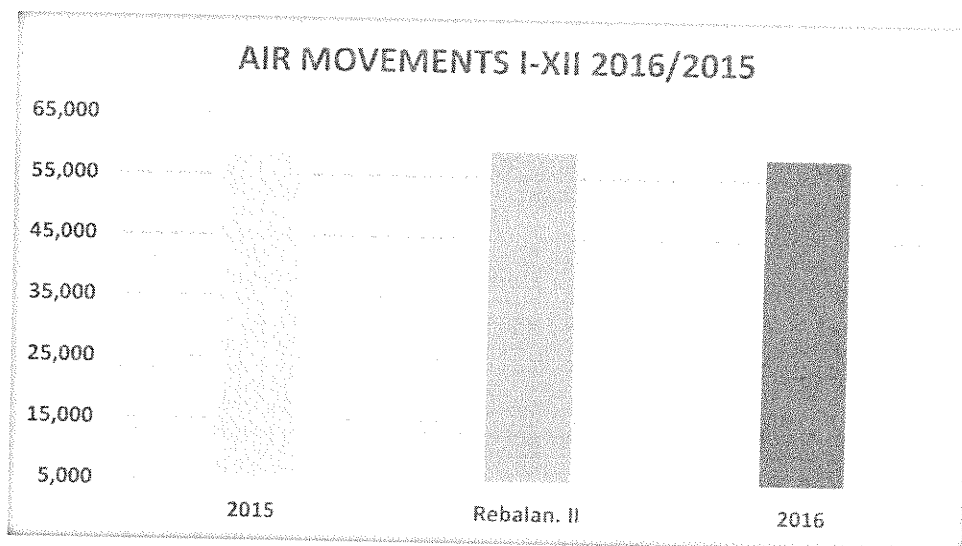
Achieved number of air movements per traffic types in the period I-XII 2016 is shown in the following table.

Number of air movements per traffic types

Traffic types	Achievement I-XII 2015	Rebalancing Plan II, I-XII 2016	Achievement I-XII 2016	Index	Index	Particip. 2015	Particip. 2016
1	2	3	4	5(4/2)	6(4/3)	7	8
Domestic air traffic	97	85	61	63	72	0.17	0.10
International air traffic-domestic carriers	33,117	33,227	33,817	102	102	56.60	57.68
International air traffic-foreign carriers	25,293	26,033	24,755	98	95	43.23	42.22
TOTAL:	58,507	59,345	58,633	100	99	100.00	100.00

The data from the table indicate total number of air movements in the period from I-XII 2016 amounts to 58,633 and is at the same level compared to the same period 2015 and by 1% lower than in the Rebalancing plan II for the period I-XII 2016.

Within carrier pattern of the total traffic in the period I-XII 2016 compared to the same period 2015, the largest share is of domestic carriers in international air traffic with 57.68%, followed by foreign carriers in international air traffic with 42.22% and at the end domestic carriers in domestic air traffic with 0.10%.



Looking achievement during the period I-XII 2016 compared to the same period in 2015, there was a growth in the share of domestic carrier in international air traffic from 56.60% to 57.68% and the fall of foreign carriers in international air traffic to 43.23 % to 42.22% share.

In international air traffic of domestic carriers, in the period I-XII 2016 is achieved total turnover of 33,817 air movements which is by 2% higher compared to the same period previous year and by 2% higher in comparison to the Rebalancing Plan II for the period I-XII 2016.

Under domestic carriers in international air traffic are: Air Serbia, Air Pink, Avio Služba, Princ Aviation, Verano Motors and others.

Number of air movements of foreign carriers in international air traffic

Air carriers		Achievement I-XII 2015	Rebalancing Plan II, I-XII 2016	Achievement I-XII 2016	Index	Index	Particip. 2015	Particip. 2016
1	1	2	3	4	5(4/2)	6(4/3)	7	8
1	Montenegro Airlines	3,236	3,411	3,117	96	91	12.79	12.59
2	Lufthansa	2,787	2,913	2,682	96	92	11.02	10.83
3	Wizz Air	2,631	2,680	2,693	102	100	10.40	10.88
4	Austrian Airlines	1,864	1,955	1,870	100	96	7.37	7.55
5	Turkish Airlines	1,747	1,854	1,593	91	86	6.91	6.44
6	Swiss International	1,392	1,160	1,254	90	108	5.50	5.07
7	Aeroflot	1,456	1,494	1,459	100	98	5.76	5.89
8	Alitalia	758	728	706	93	97	3.00	2.85
9	Easyjet	370	293	290	78	99	1.46	1.17
10	Etihad Airways	744	761	737	99	97	2.94	2.98
11	B & H Airlines	20	0	0	0	0	0.08	0.00
12	Polskie Linie LOT	283	590	621	219	105	1.12	2.51
13	Solnair	467	0	0	0	0	1.85	0.00
14	Tarom Romanian Air	606	634	698	115	110	2.40	2.82
15	Aegean Airlines	626	650	585	93	90	2.47	2.36
16	Qatar Airways	626	764	484	77	63	2.47	1.96
17	Pegasus	394	518	422	107	81	1.56	1.70
18	Flydubai	322	323	370	115	115	1.27	1.49
19	Raf Avia	580	563	426	0	76	2.29	1.72
20	Norwegian Air Shatl	282	321	358	127	112	1.11	1.45
21	Tunis Air	176	179	156	89	87	0.70	0.63
22	Germanwings	26	0	29	112	0	0.10	0.12
23	Cityline Hungary	0	0	0	0	0	0.00	0.00
24	Belavia	210	218	217	103	100	0.83	0.88
25	CSA	0	0	0	0	0	0.00	0.00
26	Aircairo Company	194	201	112	58	56	0.77	0.45
27	Swiftair Aviation	1,006	1,052	995	99	95	3.98	4.02
28	Darwin Airlines	0	0	0	0	0	0.00	0.00
29	Israir Airlines	0	0	56	0	0	0.00	0.23
30	Arkia	0	0	44	0	0	0.00	0.18
31	Transavia	0	0	0	0	0	0.00	0.00
32	Onur Air	0	0	0	0	0	0.00	0.00
33	Tap Portugal	16	0	0	0	0	0.06	0.00
34	Freebird Airlines	0	0	0	0	0	0.00	0.00
35	Nesma Airlines	0	0	0	0	0	0.00	0.00
36	Croatia Airlines	113	116	113	0	97	0.45	0.46
37	Vueling Airlines	98	101	92	94	91	0.39	0.37
38	Adria Airways	0	0	3	0	0	0.00	0.01
39	Olympic Air	0	0	0	0	0	0.00	0.00
40	Gazprom - GZP	16	0	13	0	0	0.06	0.05
41	Swiftair HELLAS S.A.	239	509	525	220	103	0.94	2.12
42	Niki Luftfahrt	6	0	7	117	0	0.02	0.03
43	Corendon Airlines	46	0	0	0	0	0.18	0.00
44	Atlas Jet	30	0	5	17	0	0.12	0.02
45	Bora Jet	17	12	0	0	0	0.07	0.00
46	Elinair	0	0	38	0	0	0.00	0.15
47	European Air	0	0	170	0	0	0.00	0.69
48	Ural Airlines JSC	0	0	92	0	0	0.00	0.37
49	Air Horizont Ltd.	0	0	1	0	0	0.00	0.00
50	Small Planet Airline		0	1	0	0	0.00	0.00
51	Air Baltic	2	100	2	100	2	0.01	0.01
52	Others	1,907	1,933	1,719	90	89	7.54	6.94
TOTAL:		25,293	26,033	24,755	98	95	100.00	100.00

In the period I-XII 2016 there were 38 foreign air carriers and 1 domestic air carrier, and in the same period of 2015 there were 35 foreign air carriers and 1 domestic air carrier.

In international traffic of foreign carriers in the period I-XII 2016 it was achieved 24,755 air movements, which is by 2% lower score in comparison with the same period previous year and by 5% lower compared to the Rebalancing Plan II for the reporting period of 2016.

New foreign carriers who started to operate in the period I-XII 2016 compared to the same period previous year are: European Air (Brussels, Budapest, Leipzig, Linz and Sofia), Ural Airlines JSC (Moscow), Israir Airlines (Tel Aviv), Arkia (Budapest, Rhodes and Tel Aviv), Air Horizont Ltd. (Bari), Adria Airways (Ljubljana) and Small Planet Airline (Paderborn).

Foreign carriers who did not operate in the period I-XII 2016 compared to the same period previous year are: Solinair, Tap Portugal, Corendon Airlines, Bora Jet and B&H Airlines.

In the pattern of foreign carriers in the period I-XII 2016 the most significant roles are of: Montenegro Airlines with 12.59% share, Wizz Air with 10.88% of share and Lufthansa with 10.83%. These three air carriers achieve 34.30% in international air traffic of foreign carriers.

With the share ranging from 7.55% to 5.07% in this type of air traffic are: Austrian Airlines, Turkish Airlines, Swiss International and Aeroflot with total share of 24.95% of the total international air traffic of foreign carriers.

Cargo traffic of express mail in the period I-XII 2016 is carried out by 5 foreign air carriers: Swiftair Aviation, SwiftAir Hellas, Raf Avia, European Air Transporter Leipzig GmbH and Turkish Airlines.

Low Cost carriers in the period I-XII 2016 are: Wizz Air, Pegasus Airlines, Flydubai, Norwegian Air, EasyJet, Germanwings, Air Cairo and Vueling Airlines.

If individual participation of air carriers in total international air traffic is considered (domestic and foreign carriers), in the period I-XII 2016 the dominant role is of domestic carriers with 57.73% share.

3.2. PASSENGER TURNOVER



In the period I-XII 2016 a total passenger turnover of 4,924,992 was achieved, which is by 3% higher than in the same period in 2015 and by 1% lower in comparison with the Rebalancing Plan II for the period I-XII 2016.

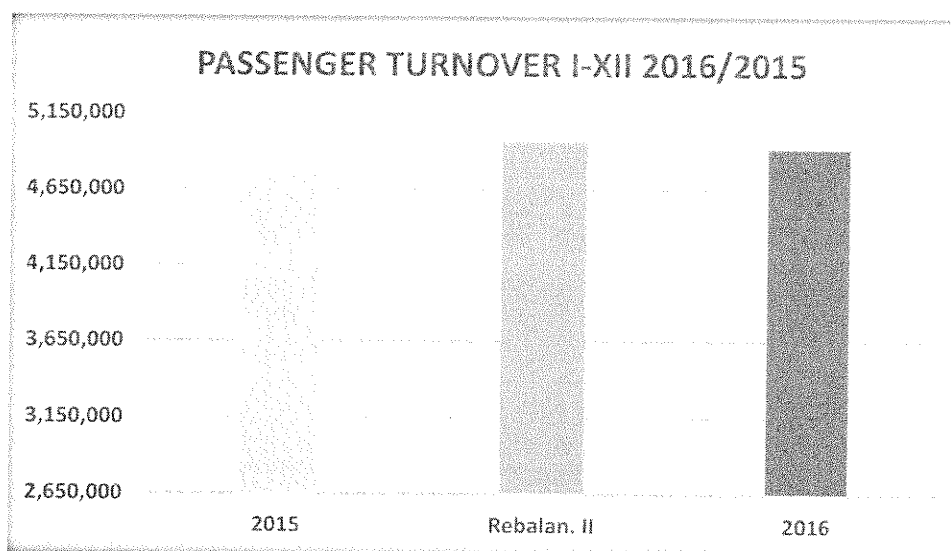
Passenger turnover per traffic types

Traffic type	Achievement I-XII 2015	Rebalancing Plan II, I-XII 2016	Achievement I-XII 2016	Index	Index	Particip. 2015	Particip. 2016
1	2	3	4	5(4/2)	6(4/3)	7	8
Domestic air traffic	118	150	81	69	54	0.00	0.00
International air traffic-domestic carriers	2,598,549	2,713,283	2,687,593	103	99	54.41	54.57
International air traffic-foreign carriers	2,177,497	2,252,291	2,237,318	103	99	45.59	45.43
TOTAL:	4,776,164	4,965,724	4,924,992	103	99	100.00	100.00

The greatest participation in passenger turnover per air traffic types for the period I-XII 2016 is of domestic carriers in international air traffic with 54.57%, then foreign carriers in international air traffic with 45.43%.

The number of the passengers transported by domestic carriers in international air traffic in the period I-XII 2016 is by 3% higher compared to the same period last year, and by 1% lower compared to the Rebalancing Plan II for I-XII 2016.

The number of the passengers transported by foreign carriers in international air traffic for the period I-XII 2016 is by 3% higher compared to the same period previous year and by 1% lower in comparison to the Rebalancing Plan II for the period I-XII 2016.



3.3. CARGO AND MAIL TURNOVER

In period I-XII 2016, cargo turnover was achieved in the amount of 17,251 tons, which is by 10% higher than in the same period of the previous year and 8% higher compared to the Rebalancing Plan II for the same period 2016.

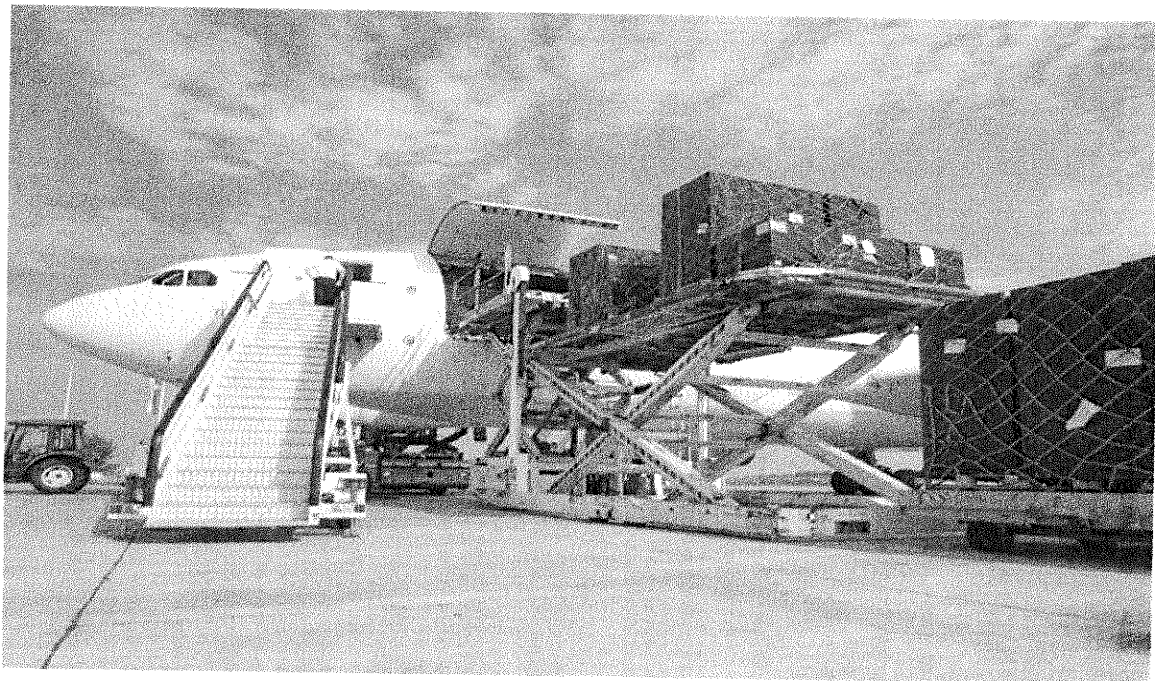
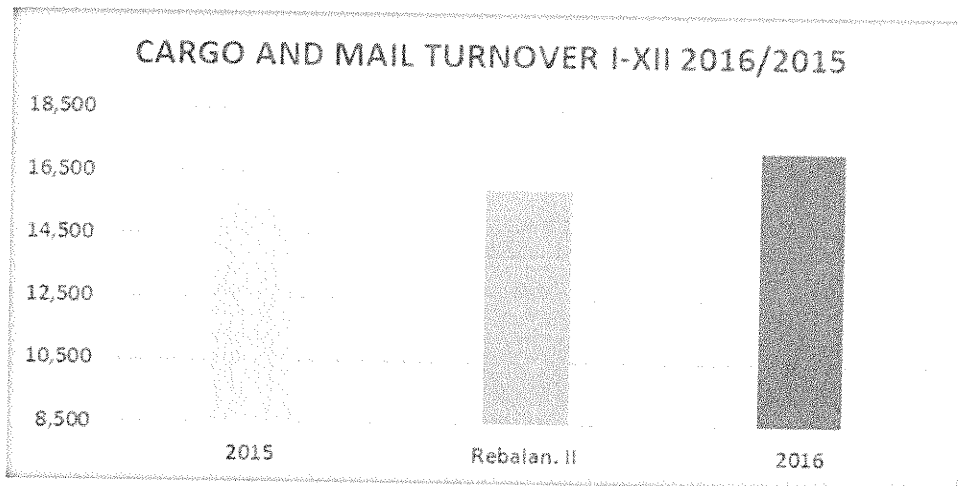
Cargo and mail turnover in tons

Traffic type	Achievement I-XII 2015	Rebalancing Plan II, I-XII 2016	Achievement I-XII 2016	Index	Index	Particip. 2015	Particip. 2016
1	2	3	4	5(4/2)	6(4/3)	7	8
Domestic air traffic	0	0	4	0	0	0.00	0.02
International air traffic-domestic carriers	3,756	4,320	4,959	132	115	23.95	28.75
International air traffic-foreign carriers	11,925	11,693	12,288	103	105	76.05	71.23
TOTAL:	15,681	16,013	17,251	110	108	100.00	100.00

In the period I-XII 2016 in the domestic air traffic, a turnover of goods was 4 tonnes, while in the same period of the previous year it was not performed.

In international air traffic of domestic carriers, cargo turnover in the period I-XII 2016 was 32% higher than the turnover for the same period of the previous year and by 15% higher than in the Rebalancing Plan II for the same period 2016.

In international air traffic of foreign carriers, cargo turnover in the period I-XII 2016 was 3% higher than the turnover for the same period of the previous year and by 5% higher than in the Rebalancing Plan II for the same period 2016.



PHYSICAL VOLUME OF TRAFFIC I-XII 2016

Type of traffic	Achievement I-XII 2015		Rebalancing Plan I-XII 2016		Achievement I-XII 2016		Index	
	Share		Share		Share			
2	2		3		4		5(4/2)	6(4/3)
Domestic traffic								
Air movements	97	0	85	0	61	0	63	72
Passengers	118	0	150	0	81	0	69	54
Air goods and mail (tons)	0	0	0	0	4	0	0	0
International traffic- domestic carriers								
Air movements	33,117	57	33,227	56	33,817	58	102	102
Passengers	2,598,549	54	2,713,283	55	2,687,593	55	103	99
Goods and mail (air+ truck) (tons)	3,756	24	4,320	27	4,959	29	132	115
International traffic- foreign carriers								
Air movements	25,293	43	26,033	44	24,755	42	98	95
Passengers	2,177,497	46	2,252,291	45	2,237,318	45	103	99
Goods and mail (air+ truck) (tons)	11,925	76	11,693	73	12,288	71	103	105
Total								
Air movements	58,507	100	59,345	100	58,633	100	100	99
Passengers	4,776,164	100	4,965,724	100	4,924,992	100	103	99
Goods and mail air+truck (tons)	15,681	100	16,013	100	17,251	100	110	108

4. REVENUES AND EXPENDITURES

The Company performs business activity as single business segment. Accordingly, revenues and expenditures are disclosed at company level.

4.1. REVENUES

In the period I-XII 2016 JSC Belgrade Nikola Tesla Airport achieved the total revenue in amount of RSD 9,016,436,306. Thus achieved total revenue is 14% lower in comparison to the achieved revenues in the same period of the previous year and 3% lower in relation to the Rebalancing Plan II for the same period 2016.

The pattern of the achieved revenues for I-XII 2016 is shown in the table **Revenue pattern by service types**.

In the pattern of achieved revenues for the period I-XII 2016 **business revenues** have the greatest participation amounting to RSD 8,528,702,797 which is 95% in the total revenues. Thus achieved revenues are 5% higher than the same in the same period of the previous year and 5% lower in relation to Rebalancing Plan II for the same period 2016.

Total revenues from services related to air traffic in the period I-XII 2016, participate in total revenue with 74%.

Part of business revenues generated by providing **air services** (landing, handling, lighting, infrastructure, air-bridges, aircraft abode) in the period I-XII 2016 makes 30% of the total revenues.

Revenues from **passenger service and security fees** for the period I-XII 2016 make 43%, while part of the revenue in the period I-XII 2016 which relates to **services in cargo-customs warehouse** is 6% higher than revenues achieved on this basis in the same period of the previous year.

Revenues from non-aviation services in the period I-XII 2016 participate in total revenue with 20%.

Revenues realized from **Financial revenues** and **Other revenues** in the period I-XII 2016 participate in total revenues with 5%.

The main buyers when observing participation in the sales revenues (group 60+61) in the period I-XII 2016 are:

- Domestic buyers with participation in revenues from sale of 32.94% (RSD 2,506,992 thousand)
- Foreign buyers:
- Deutch Lufthansa with participation in sales revenues of 7.67% (RSD 583,633 thousand),
- Montenegro Airlines with participation in sales revenues of 6.97% (RSD 530,760 thousand).

REVENUE PATTERN I-XII 2016/2015

Ser. No.	Type of service	Description	Realization I- XII 2015	Rebalancing Plan II, I-XII 2016	Realization I- XII 2016	INDEX	
						7(6/4)	8(6/5)
1	2	3	4	5	6	7(6/4)	8(6/5)
	Air services domestic carriers						
	614000+614004+614300+614302+614303+614304	Landing	181,294,511	187,999,702	186,571,768	103	99
	614010+614014+614310+614312+614313+614314	Lighting	60,522,204	59,068,838	63,784,683	105	108
	614030+614034+614330+614332+614333+614334	Handling	192,045,294	199,773,482	202,273,125	105	101
	614040+614042+614043+614044	Infrastructure	106,171,277	112,950,311	111,565,463	105	99
	614050	Air-bridges	0	0	50,217	0	0
	614020+614024+614320+614323+614324	Aircraft abode tax	4,762,539	4,690,345	4,384,860	92	93
I	Total air services (domestic carriers):		544,795,825	564,482,678	568,830,115	104	101
	Air services foreign carriers						
	615010+615011+615012+615013+615014	Landing	659,554,748	693,618,875	681,060,686	103	98
	615020+615021+615022+615023+615024	Handling	767,451,299	815,425,260	704,550,456	92	86
	615030+615031+615032+615033+615034	Lighting	73,674,134	72,679,800	74,100,602	101	102
	615040+615042+615043+615044	Infrastructure	445,361,060	470,222,653	451,043,486	101	96
	615060+615062	Air-bridges	192,925,587	203,543,464	199,888,291	104	98
	615000+615001+615002+615003+615004	Aircraft abode tax	27,778,206	28,695,143	26,394,764	95	92
II	Total air services (foreign carriers):		2,166,745,036	2,284,185,196	2,137,038,284	99	94
I+II	Total air services		2,711,540,861	2,848,667,874	2,705,868,399	100	95
	Passenger service						
	614400+614404 - domestic carriers - domestic traffic	Passenger service d.c./d.t.	15,413	23,049	14,843	96	64
	614181+614182+614183+614190(BRS and PRM)+614410+614412+614413+614414	Passenger service d.c./i.t.	1,126,526,922	1,283,377,777	1,275,268,452	113	99
	615150+615152+615200+615210+615212+615213+615214+615215+615862+615864+615896-PRM	Passenger service for car.	1,626,360,755	1,794,417,272	1,742,580,442	107	97
	614420+614430+614432+614433+614434+615230+615232+615233+615234	Security fees	781,282,288	847,723,999	823,888,394	105	97
III	Total passenger service		3,534,185,379	3,925,542,097	3,841,752,131	109	98
I+II+III	Total air services and passenger service		6,245,726,240	6,774,209,971	6,547,420,531	105	97
	CCW services						
	612500+612510	CCW services dom. market	136,588,686	158,055,975	146,272,330	107	93
	613300 +613310 (foreign)	CCW services for. market	14,260,831	15,887,182	13,126,081	92	83
IV	Total CCW services		150,849,517	173,943,156	159,398,410	106	92
V	Total services in air traffic (I to IV):		6,396,575,756	6,948,153,127	6,706,818,941	105	97
	Other services						
1	614360+615100+615102	DCS services	30,474,667	34,802,439	22,098,317	73	63
2	614110+614112+614115+614116+614170+614173+614180+614391+615872+615877+615891+615892+615895	Special request - work order	132,224,775	161,827,486	154,549,250	117	96
3	614130+614131+615071+615072	VIP Lounge	6,306,034	5,650,406	6,010,030	95	106
4	614140+614142+615090+615092	CUTE (dom + for)	161,873,629	186,414,913	170,747,070	105	92
5	614380+615080	Lost and found	19,019,411	22,464,570	17,986,736	95	80
6	6146+615120+615400+615401	Public utilities	162,281,483	174,522,249	168,459,320	104	97
7	614820+615170	Catering ser. Business Club	1,022	1,349	0	0	0
8	614870+615810	Advertising space	42,333,741	68,986,113	63,739,665	151	92
9	614883	Commer.use of apron	60,812,127	69,660,675	60,655,028	100	87
10	614160+614163+614164+615110+615112+615113+615114	Aircraft de-icing service	65,091,103	62,618,145	105,135,016	162	168
11	Other non-mentioned services dom + foreign		75,284,205	84,122,535	76,037,566	101	90
VI	Other services (1 to 11):		755,702,198	871,070,880	845,417,997	112	97
VII	Total 61 - Revenues from sale of services (V+VI)		7,152,277,955	7,819,224,007	7,552,236,938	106	97
	Revenues from sale of goods:						
VIII	60 - Revenues from sale of kerosene + goods		140,434,845	161,071,252	57,396,993	41	36
IX	Total (60+61) REVENUES FROM SALE (VII+VIII)		7,292,712,800	7,980,295,259	7,609,633,931	104	95
X	64 и 65 - Renting of office space		823,425,833	1,018,471,412	919,068,866	112	90
XI	BUSINESS REVENUES (IX+X)	60+61+62+64+65	8,116,138,633	8,998,766,671	8,528,702,797	105	95
XII	66 - FINANCIAL REVENUES		320,302,751	280,087,245	227,443,344	71	81
1	interest		168,452,667	179,582,344	108,675,800	65	61
2	exchange rate differences -realised		101,111,623	100,504,901	77,240,644	76	77
3	exchange rate differences -non-realised		50,738,462	0	41,526,899	82	0
XIII	67, 68 and 69 OTHER REVENUES		2,042,328,928	29,764,054	260,290,165	13	875
XIV	Total revenues (XI+XII+XIII)		10,478,770,312	9,308,617,970	9,016,436,306	86	97

4.2. EXPENDITURES

In the period I-XII 2016 **total expenditures** were achieved in the amount of RSD 5,231,631,478. Thus achieved expenditures are 20% lower than the expenditures achieved in the same period of the previous year and 21% lower than the figures in the Rebalancing Plan II for I-XII 2016.

Operating expenditures in the period I-XII 2016 represent 94% of total expenditures in the observed period, of which the largest share of expenditures relate to:

Within total expenditures one of the largest amounts refer to the **costs of salaries, reimbursements and other personal expenditures** (group 52), amounting for the period I-XII 2016 RSD 2,821,300,758.

Group 52 apart from salaries includes also reimbursements by contracts (service contracts), reimbursements per temporary and occasional jobs, contracts for additional work, reimbursements for the members of the Supervisory board and members of the Assembly of Shareholders and other personal expenditures (transport of employees, costs of trips, joint assistance and jubilee bonuses, etc.).

The costs of **amortization and reserving** (group 54) for the period I-XII 2016 amounted to RSD 921,766,171: of which to amortization refer RSD 884,948,459 and to reserving for employee benefits RSD 28,517,712.

The costs of material and energy (group 51) for the period I-XII 2016 amount to RSD 434,035,876 and participate in total expenditure with 8% and mostly refer to: costs of fuel and energy and costs of basic material.

Intangible costs (group 55) for the period I-XII 2016 amount to RSD 375,736,358 and are considerably higher in relation to intangible costs realized in the same period last year. Within intangible costs the largest share refers to costs of non-production services within which the largest part refers to costs of consulting services.

The **costs of production services** (group 53) which for the period I-XII 2016 amount to RSD 336,035,865 and are lower by 9% lower compared to the same period last year.

Financial expenditures (group 56) and Other expenditures (group 57, 58 and 59) in the period I-XII 2016 make 6% of total expenditures in the reporting period.

Main suppliers from the point of turnover in the period I-XII 2016 are: Vojvodinaput, Premar Services ag, Elektroprivreda Srbije/EPS snabdevanje, OZ Europa and Smiths.

REVENUE PATTERN I-XII 2016/2015

Acc.	Account name	Realization I-XII 2015	Rebalancing Plan II I-XII 2016	Realization I-XII 2016	Index	
					6 (5/3)	7 (5/4)
1	2	3	4	5	6 (5/3)	7 (5/4)
50	PURCHASE VALUE OF SOLD GOODS	133,257,577	151,562,274	52,919,410	40	35
501	PURCHASE VALUE OF SOLD GOODS	133,257,577	151,562,274	52,919,410	40	35
51	COSTS OF MATERIALS AND ENERGY	438,465,269	817,283,465	434,035,876	99	53
511	COSTS OF MATERIALS FOR PRODUCTION	74,417,648	277,400,014	115,019,490	155	41
512	COSTS OF OVERHEADS	18,141,355	34,500,000	11,735,171	65	34
513	COSTS OF FUEL AND ENERGY	275,494,181	325,000,000	258,962,917	94	80
514	COSTS OF SPARE PARTS	31,576,637	128,608,121	44,133,174	140	34
515	COSTS OF ONE-TIME WRITE-OFF OF TOOLS AND INVENTORY	38,835,448	51,775,329	4,185,124	11	8
52	SALARIES, REIMBURSEMENTS AND OTHER PERSONAL EXPENDITURES	2,414,173,089	2,926,685,305	2,821,300,758	117	96
520	SALARIES AND REIMBURSEMENTS-GROSS	1,373,438,691	1,736,109,569	1,620,340,075	118	93
521	TAXES AND CONTRIBUTIONS AT THE COST OF EMPLOYER	245,846,066	308,469,147	290,040,874	118	94
522	REIMBURSEMENT FOR SERVICE CONTRACTS-GROSS	211,131	105,517	319,532	151	303
524	COSTS OF REIMBURSEMENTS PER TEMPORARY AND OCCASIONAL JOBS-GROSS	542,414,384	541,477,025	558,809,785	103	103
525	REIMBURSEMENT FOR NATURAL PERSONS BY OTHER CONTRACTS-GROSS	0	0	0	0	0
526	REIMBURSEMENT TO DIRECTOR, I.E. MEMBERS OF MANAG. AND SUPERV. BODIES-GROSS	8,156,858	8,204,293	8,165,245	100	100
529	OTHER PERSONAL EXPENDITURES AND REIMBRSEMENTS	244,105,960	332,319,755	343,625,248	141	103
53	COSTS OF PRODUCTION SERVICES	368,161,337	888,563,406	336,035,865	91	38
531	COSTS OF TRANSPORTATION SERVICES	113,757,198	87,989,288	74,388,844	65	85
532	COSTS OF MAINTENANCE SERVICES	155,578,183	598,053,865	148,445,420	95	25
533	COSTS OF LEASE	33,349,621	75,008,944	36,895,427	111	49
535	COSTS OF ADVERTISING	5,943,367	71,074,800	35,365,885	595	50
539	COSTS OF OTHER SERVICES	59,532,969	56,436,508	40,940,290	69	73
54	COSTS OF AMORTIZATION AND RESERVES	837,325,087	843,500,000	921,766,171	110	109
540	COSTS OF AMORTISATION	767,877,635	800,000,000	884,948,459	115	111
545	RESERVES FOR REIMBURSEMENTS TO EMPLOYEES	16,447,451	0	28,517,712	173	0
549	OTHER LONG-TERM RESERVES	53,000,000	43,500,000	8,300,000	16	19
55	INTANGIBLE COSTS	277,075,934	806,342,916	375,736,358	136	47
550	COSTS OF NON-PRODUCTION SERVICES	134,653,058	641,245,426	223,070,312	166	35
551	COSTS OF REPRESENTATION	8,615,791	8,924,311	7,392,364	86	83
552	INSURANCE PREMIUMS	24,205,920	41,532,693	25,285,303	104	61
553	COSTS OF PAYMENT SYSTEM	5,719,569	5,887,078	5,131,980	90	87
554	COSTS OF MEMBERSHIPS	7,564,565	8,034,118	9,567,864	126	119
555	COSTS OF TAXES	79,008,885	77,026,096	80,024,905	101	104
559	OTHER INTANGIBLE COSTS	17,308,146	23,693,193	25,263,630	146	107
I	BUSINESS EXPENDITURES	4,468,458,294	6,433,937,365	4,941,794,439	111	77
56	FINANCIAL EXPENDITURES	152,155,153	68,344,068	89,906,503	59	132
562	INTEREST EXPENDITURES	67,482,764	44,917,309	44,599,883	66	99
563	NEGATIVE EXCHANGE RATE DIFFERENCES	84,297,681	22,968,159	45,134,792	54	197
564	EXPENDITURE OF EXCHANGE CLAUSE RISK	374,708	458,600	171,828	46	37
II	FINANCIAL EXPENDITURES	152,155,153	68,344,068	89,906,503	59	132
57	OTHER EXPENDITURES	1,864,045,816	24,824,406	29,794,771	2	120
570	LOSSES BASED ON WRITE-OFFS AND SALE OF PROPERTY AND EQUIPMENT	77,085	101,279	907,684	1178	896
571	LOSSES BASED ON WRITE-OFFS AND SALE OF BIOLOGICAL RESOURCES	5,000	6,240	15,000	300	240
574	LOSSES	189,485	0	269,888	142	0
575	CONTRACTED RISK PROTECTION NOT SHOWN AS REVALUATION RESERVE	0	0	347	0	0
576	DIRECT WRITE-OFF OF RECEIVABLES	1,830,396,491	253,686	335,223	0	132
577	DISPOSAL - REMOVAL FROM INVENTORY	0	0	0	0	0
579	OTHER NON-MENTIONED EXPENDITURES	33,377,755	24,463,200	28,266,629	85	116
58	EXPENDITURE ON IMPAIRMENT OF ASSETS	40,180,606	103,334,819	165,482,247	412	160
582	IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT	40,000	0	348,815	872	0
583	IMPAIRMENT OF LONG-TERM FIN. INVESTMENTS AND OTHER SECURITIES AVAILABLE FOR SALE	0	0	2,639,129	0	0
585	IMPAIRMENT OF RECEIVABLES OF SHORT-TERM FIN. INVESTMENTS	40,099,832	103,334,819	162,494,303	405	157
589	IMPAIRMENT OF OTHER ASSETS	40,774	0	0	0	0
59	EXPENDITURES OF PREVIOUS YEARS	0	0	4,653,517	0	0
591	EXPENDITURES OF PREVIOUS YEARS	0	0	4,653,517	0	0
592	EXPENDITURES BASED ON CORR. OF ERRORS FROM PREV. YEARS WHICH ARE NOT SIGNIF.	0	0	4,653,517	0	0
III	OTHER EXPENDITURES	0	0	4,653,517	0	0
	TOTAL EXPENDITURES	6,524,839,868	6,630,440,658	5,231,631,478	80	79

4.3. SALARIES

In the period I-XII 2016 the total sum paid for salaries amounted RSD 1,620,340,075 (gross I – group 520), which is 18% higher than in the same period of 2015 and 7% lower in relation to Rebalancing Plan II for the period I-XII of 2016.

Review of paid salaries (gross I) to employees in the period I-XII of the current year is given in the table by months:

SALARIES GROSS I					
Month	Achievement I-XII 2015	Rebalancing Plan II I-XII 2016	Achievement I-XII 2016	Index	
1	2	3	4	5 (4/2)	6 (4/3)
January	82,761,021	146,599,835	148,211,040	179	101
February	87,524,276	138,903,685	132,265,745	151	95
March	91,590,335	146,599,835	129,326,788	141	88
April	129,472,368	142,751,760	148,264,265	115	104
May	115,027,051	146,599,835	135,787,982	118	93
June	119,056,146	142,751,760	130,351,868	109	91
July	122,633,377	146,599,835	129,865,654	106	89
August	122,264,222	146,599,835	138,429,129	113	94
September	126,880,523	142,751,760	130,831,694	103	92
October	123,015,561	146,599,835	129,968,118	106	89
November	126,253,517	142,751,760	134,274,951	106	94
December	126,960,296	146,599,835	132,762,841	105	91
Total salaries	1,373,438,692	1,736,109,574	1,620,340,075	118	93

In the period I-XII 2016 salaries are paid to employees according to individual work contracts.

In the period I-XII 2016 average gross I salary in the Company amounted to RSD 106,553 and is lower than the last year's by 1%.

Average net salary was in the Company was RSD 75,870 and is lower than the same for the previous year by 1%.

AVERAGE SALARY GROSS I				AVERAGE SALARY NET	
Month	JSC ANT			Meceü	JSC ANT
January	118.344			January	84.106
February	104.648			February	74.509
March	102.322			March	72.879
April	117.572			April	83.570
May	107.438			May	76.466
June	103.172			June	73.477
July	102.611			July	73.081
August	108.951			August	77.521
September	103.226			September	73.514
October	102.297			October	72.865
November	104.403			November	74.334
December	103.656			December	73.822
Average I-XII 2016	106.553			Average I-XII 2016	75.870
Average I-XII 2015	107.306			Average I-XII 2015	76.360
PERCENTAGE 2016 / 2015	99.30			PERCENTAGE 2016/2015	99.36

4.4. FINANCIAL RESULT I-XII 2016

In the period I-XII 2016 was recorded a **gross profit** of the Company in the amount of **RSD 3,784,804,828** which is by 4% lower than in the same period 2015.

FINANCIAL RESULT I-XII 2016/2015

S.No.	Position	Achievement I- XII 2015	Rebalancing Plan II I-XII 2016	Achievement I- XII 2016.	Index	
					6 (5/3)	7 (5/4)
1	2	3	4	5		
1	Business revenues	8,116,138,633	8,998,766,671	8,528,702,797	105	95
2	Business expenditures	4,468,458,294	6,433,937,365	4,941,794,439	111	77
3	Business profit (1-2)	3,647,680,339	2,564,829,306	3,586,908,358	98	140
4	Financial revenues	320,302,751	280,087,245	227,443,344	71	81
5	Financial expenditures	152,155,153	68,344,068	89,906,503	59	132
6	Financial profit (4-5)	168,147,598	211,743,177	137,536,840	82	65
6a	Financial loss (5-4)					
7	Other revenues	2,042,328,928	29,764,054	260,290,165	13	875
8	Other expenditures	1,904,226,422	128,159,225	199,930,536	10	156
9	Other profit (7-8)	138,102,506		60,359,629	44	0
9a	Other loss (8-7)		98,395,171		0	0
10	Total revenues (1+4+7)	10,478,770,312	9,308,617,970	9,016,436,306	86	97
11	Total expenditures (2+5+8)	6,524,839,868	6,630,440,658	5,231,631,478	80	79
12	Total gross profit (10-11)	3,953,930,444	2,678,177,312	3,784,804,828	96	141
12a	Total gross loss (11-10)					
13	Period tax expenditure	607,090,316	294,281,820	393,279,046	65	134
14	Deferred period tax expenditure	55,814,006	0	200,786,445	360	0
15	Deferred period tax revenue					
16	Paid-up personal receiving to employer					
17	Net profit	3,291,026,122	2,383,895,492	3,190,739,337	97	134

When stating the business result for 2016 should be borne in mind that on 31.03.2015 Public Debt Administration of RS paid on the basis of assumed debt write-offs from previous years, of which in 2015 recorded into revenues amount of RSD 1,897,107,221.

In the category of expenditure write-off of receivables was made (based on Conclusion of the Government of RS 05 No. 023-13959/2015-1 of 30.12.2015, and the draft agreement on debt relief in the amount of RSD 2,342,273,525.99) in the amount of 1,830,396,491 which significantly influenced the level of gross and net profit of the Company for 2015.

Gross profit for the period I-XII 2016 was recorded in the amount of **RSD 3,784,804,828**, and is lower by 4% compared to the same period last year, one of the reasons for the lower gross profit in 2016 compared to 2015 is the increase in intangible costs (costs of consulting services), as well as value correction of receivables from domestic customers (Jat Tehnika).

All this contributed that the **net profit** for the period I-XII 2016 in the amount of **RSD 3,190,739,337** is by 3% lower than in the same period last year.

4.5 ECONOMIC PERFORMANCE INDICATORS

RATIO ANALYSIS OF COMPANY OPERATIONS FOR THE PERIOD I-XII 2016					
SER.NO.	DESCRIPTION OF RATIO INDICATORS	ADP	RATIO NO FOR I-XII 2015	RATIO NO FOR I-XII 2016	
1	LIQUIDITY INDICATORS	Current liquidity ratio (current assets / short-term liabilities)	0043 / 0442	4.46	3.25
		Quick liquidity ratio (current assets - stocks / short-term liabilities)	(0043-0044) / 0442	4.36	3.21
		Cash liquidity ratio (cash and cash equivalents / short-term liabilities)	0068 / 0442	0.48	0.37
		Coefficient of financial stability (fixed assets / core capital + long-term liabilities)	0002 / (0402+0432)	1.02	1.12
2	PROFITABILITY INDICATORS	Net profit margin (net profit / revenue from sale of goods + revenue from sale of services)	1064 / (1002+1009+1017) *100	40.55	37.41
		Gross profit margin (gross profit / revenue from sale of goods + revenue from sale of services)*100 <i>*Gross profit margin provides information how much revenue is left when all costs are settled after the realization of products and services on the market</i>	1058 / (1002+1009+1017) *100	48.72	44.38
		Return on assets (ROA) Net profit / Total assets*100	1064 / 0071*100	11.64	10.51
3	PRODUCTIVITY INDICATORS	Indebtedness ratio (total liabilities / fixed assets)	(0424+0442) / 0002	0.11	0.12
		Turnover ratio of short-term assets (total revenue / current assets)	total prod. / 0043	1.60	1.41
4	EBIT	Ebit (operating revenue-operating expenses)	1001-1018	3,647,680,339.06	3,586,908,358.32
5	EBITDA	Ebitda (operating revenue-operating expenses)+amortization	(1001-1018)+1027	4,415,557,974.40	4,471,856,816.86
6	SOLVENCY RATIO	Solvency ratio (total assets / total liabilities) <i>*Solvency is ability of the Company to pay all its obligations in due time. Company is solvent if ratio is > or = 1</i>	0071 / (0424+0442)	11.38	10.49
7	EBITDA MARGIN	Ebitda margin (ebitda / operating revenues)*100 <i>*It shows the percentage gain in income of the Company not taking into account amortization and financial result</i>	Ебитда / 1001*100	54.40	52.43
8	NET WORKING CAPITAL	Net working capital - NWC (working capital - short-term liabilities)	0043-0442	5,073,480,571.25	4,470,342,802.34
9	CUSTOMER TURNOVER RATIO	365/Average receivable collection period		3.3	5.9
10	SUPPLIER TURNOVER RATIO	365/Average debt payment period		7.6	7.9

5. OU GROUND HANDLING AT BELGRADE NIKOLA TESLA AIRPORT

The starting basis for this report is the Regulation on airports ground handling services (Official Gazette of the Republic of Serbia No. 61/2015 - hereinafter referred to as the Regulation).

According to the Regulation on the provision of ground handling services at airports, Belgrade Nikola Tesla Airport is responsible for accounting records of the business activities of the airport operator and the activity of providing ground handling services so as to ensure complete separation of accounts specified activities.

Rules define the types of services that Ground Handling provides to third parties are as follows:

- 1) Ground handling of aircraft on apron;
- 2) Ground handling of hold baggage;
- 3) Supply of aircraft with fuel and lubricants;
- 4) Ground handling of mail and goods, in part related to the physical handling at arrival, departure or transfer between the (cargo) terminal and the aircraft.

5.1. GROUND HANDLING REVENUES

Ground handling in the period I-XII 2016 realized a total income in the amount of RSD 1,484,099,311, which is 16% of the total revenues of the Company and it is by 9% lower than in the Rebalancing Plan II of GH for the period I-XII 2016.

Total operating revenues achieved on the basis of services provided by GH, at ANT in the period I-XII 2016 amounted to RSD 1,483,402,436 and make 17% of the realized business revenue of ANT for 2016, while it is 9% lower compared to Rebalancing Plan II for the revenue of GH for mentioned period.

Financial revenues are achieved in the amount of RSD 147,537 for the period I-XII 2016 and refer to realized foreign exchange differences.

Other revenues were realized in the amount of RSD 549,338 for the period I-XII 2016, and mainly refer to revenues from sale of secondary raw materials, from compensation for damages from legal and natural persons and revenues of earlier years.

REVENUE PATTERN OF ANT/GH I-XII 2016

Ser. No.	Type of service	Description	Realization I-XII 2016	Rebalance I-XII 2016	Realization I-XII 2016	INDEX	
			ANT	GH	GH	7 (6/4)	8 (6/5)
1	2	3	4	5	6	7 (6/4)	8 (6/5)
	Air services domestic carriers						
	614000+614004+614300+614302+614303+614304	Landing	186,571,768	0	0	0	0
	614010+614014+614310+614312+614313+614314	Lighting	63,784,683	0	0	0	0
	614030+614034+614330+614332+614333+614334	Handling	202,273,125	199,773,482	202,273,125	100	101
	614040+614042+614043+614044	Infrastructure	111,565,463	0	0	0	0
	614050	Air-bridges	50,217	0	5,022	10	0
	614020+614024+614320+614323+614324	Aircraft abode tax	4,384,860	0	0	0	0
I	Total air services (domestic carriers):		568,630,115	199,773,482	202,278,147	36	101
	Air services foreign carriers						
	615010+615011+615012+615013+615014	Landing	681,060,686	0	0	0	0
	615020+615021+615022+615023+615024	Handling	704,550,456	815,425,260	704,550,456	100	86
	615030+615031+615032+615033+615034	Lighting	74,100,602	0	0	0	0
	615040+615042+615043+615044	Infrastructure	451,043,486	0	0	0	0
	615060+615062	Air-bridges	199,888,291	20,354,346	19,990,405	10	98
	615000+615001+615002+615003+615004	Aircraft abode tax	26,394,764	0	0	0	0
II	Total air services (foreign carriers):		2,137,038,284	835,779,606	724,540,861	34	87
I+II	Total air services		2,705,668,399	1,035,553,088	926,819,008	34	89
	Passenger service						
	614400+614404 - domestic carriers - domestic traffic	Passenger service d.c./d.t.	14,843	0	0	0	0
	614181+614182+614183+614190(BRS and PRM)+614410+614412+614413+614414	Passenger service d.c./i.t.	1,275,268,452	78,240,000	54,897,276	4	70
	615150+615152+615200+615210+615212+615213+615214+615215+615862+615864+615896-PRM	Passenger service for.car.	1,742,580,442	65,125,000	54,641,073	3	84
	614420+614430+614432+614433+614434+615230+615232+615233+615234	Security fees	823,888,394	0	0	0	0
III	Total passenger service		3,841,752,131	143,365,000	109,538,350	3	76
I+II+III	Total air services and passenger service		6,547,420,531	1,178,918,088	1,036,357,358	16	88
	CCW services						
	612500+612510	CCW services dom. market	146,272,330	158,055,975	146,272,330	100	93
	613300 +613310 (foreign)	CCW services for. market	13,126,081	15,887,182	13,126,081	100	83
IV	Total CCW services		159,398,410	173,943,156	159,398,410	100	92
V	Total services in air traffic (I to IV):		6,706,818,941	1,352,861,245	1,195,755,768	18	88
	Other services						
1	614360+615100+615102	DCS services	22,098,317	34,802,439	22,098,317	100	63
2	614110+614112+614115+614116+614170+614173+614180+614391+615872+615877+615891+615892+615895	Special request - work order	154,549,250	145,919,293	133,819,970	87	92
3	614130+614131+615072+615071	VIP Lounge	6,010,030	0	0	0	0
4	614140+614142+615090+615092	CUTE (dom + for)	170,747,070	0	0	0	0
5	615080+614380	Lost and found	17,986,736	22,464,570	17,986,736	100	80
6	6146+615120+615400+615401	Public utilities	168,459,320	0	0	0	0
7	614820+615170	Catering ser. Business Club	0	0	0	0	0
8	614870+615810	Advertising space	63,739,665	0	0	0	0
9	614883	Commer.use of apron	60,655,028	0	0	0	0
10	614160+614164+615110+615114	Aircraft de-icing service	105,135,016	62,618,145	105,135,016	100	168
11	Other non-mentioned services dom + foreign		76,037,566	10,473,909	8,606,629	11	82
VI	Other services (1 to 11):		845,417,997	276,278,355	287,646,668	34	104
VII	Total 61 - Revenues from sale of services (V+VI)		7,552,236,938	1,629,139,600	1,483,402,436	20	91
	Revenues from sale of goods:						
VIII	60 - Revenues from sale of kerosene + goods		57,396,993	0	0	0	0
IX	Total (60+61) REVENUES FROM SALE (VII+VIII)		7,609,633,931	1,629,139,600	1,483,402,436	19	91
X	64 и 65 - Renting of office space		919,068,866	0	0	0	0
XI	BUSINESS REVENUES (IX+X)	60+61+62+64+65	8,528,702,797	1,629,139,600	1,483,402,436	17	91
XII	66 - FINANCIAL REVENUES		227,443,344	0	147,537	0	0
1	interest		108,675,800	0	0	0	0
2	exchange rate differences -realised		77,240,644	0	147,537	0	0
3	exchange rate differences -non-realised		41,526,899	0	0	0	0
XIII	67 и 68 OTHER REVENUES		260,290,165	79,418	549,338	0	692
XIV	Total revenues (XI+XII+XIII)		9,016,436,306	1,629,219,018	1,484,099,311	16	91

5.2. EXPENDITURES OF OU GROUND HANDLING

In the period I-XII 2016, **total expenditures** of GH are in the amount of RSD 1,376,735,629 which represents 26% of realized expenditure of ANT on this basis for the mentioned period 2016, and 9% is lower compared to the Rebalancing plan for period I-XII 2016.

Total operating expenditures achieved on the basis of services provided by GH, at ANT in the period I-XII 2016 amounted to RSD 1,374,511,810 and make 28% of the realized business expenditures of ANT for 2016, while they are by 9% lower than business expenditures of GH stipulated by Rebalancing Plan for that period.

Financial expenditures are realized in the amount of RSD 180,021 for the period I-XII 2016 and they refer to negative exchange rate differences.

Other expenditures were realized in the amount of RSD 2,043,799 for the period I-XII 2016 and largely relate to humanitarian, medical and religious purposes and giving to trade unions.



EXPENDITURE PATTERN OF ANT/GH I-XII 2016

Acc.	Account name	Realization I-XII 2016 ANT	Rebalance plan II I-XII 2016 GH	Realization I-XII 2016 GH	Index	
					6 (5/3)	7 (5/4)
1	2	3	4	5		
50	PURCHASE VALUE OF SOLD GOODS	52,919,410	28,114	0	0	0
501	PURCHASE VALUE OF SOLD GOODS	52,919,410	28,114	0	0	0
51	COSTS OF MATERIALS AND ENERGY	434,035,876	222,353,945	131,910,079	30	59
511	COSTS OF MATERIALS FOR PRODUCTION	115,019,490	88,411,577	51,183,277	44	58
512	COSTS OF OVERHEADS	11,735,171	17,535,878	5,422,902	46	31
513	COSTS OF FUEL AND ENERGY	258,962,917	69,478,500	71,375,919	28	103
514	COSTS OF SPARE PARTS	44,133,174	32,740,490	3,905,067	9	12
515	COSTS OF ONE-TIME WRITE-OFF OF TOOLS AND INVENTORY	4,185,124	14,187,500	22,913	1	0
52	SALARIES, REIMBURSEMENTS AND OTHER PERSONAL EXPENDITURES	2,821,300,758	876,565,360	1,007,523,785	36	115
520	SALARIES AND REIMBURSEMENTS-GROSS	1,620,340,075	440,473,167	550,854,830	34	125
521	TAXES AND CONTRIBUTIONS AT THE COST OF EMPLOYER	290,040,874	76,310,701	98,524,124	34	129
522	REIMBURSEMENT FOR SERVICE CONTRACTS-GROSS	319,532	0	0	0	0
524	COSTS OF REIMBURSEMENTS PER TEMPORARY AND OCCASIONAL JOBS-GROSS	558,809,785	282,599,099	273,028,553	49	97
525	REIMBURSEMENT FOR NATURAL PERSONS BY OTHER CONTRACTS-GROSS	0	0	0	0	0
526	REIMBURSEMENT TO DIRECTOR, I.E. MEMBERS OF MANAG. AND SUPERV. BODIES-GROSS	8,165,245	945,348	967,611	12	102
529	OTHER PERSONAL EXPENDITURES AND REIMBRSEMENTS	343,625,248	76,237,035	84,148,668	24	110
53	COSTS OF PRODUCTION SERVICES	336,035,865	195,223,869	59,339,323	18	30
531	COSTS OF TRANSPORTATION SERVICES	74,388,844	37,816,623	42,656,273	57	113
532	COSTS OF MAINTENANCE SERVICES	148,445,420	62,851,028	9,136,788	6	15
533	COSTS OF LEASE	36,895,427	90,686,748	1,120,870	3	1
535	COSTS OF ADVERTISING	35,365,885	112,500	86,688	0	77
539	COSTS OF OTHER SERVICES	40,940,290	3,756,770	6,338,705	15	169
54	COSTS OF AMORTIZATION AND RESERVES	921,766,171	109,769,870	149,023,856	16	136
540	COSTS OF AMORTISATION	684,948,459	109,169,870	142,065,065	16	130
544	PROVISIONS FOR COSTS OF RESTR.	0	0	0	0	0
545	RESERVES FOR REIMBURSEMENTS TO EMPLOYEES	28,517,712	0	6,844,251	24	0
549	OTHER LONG-TERM RESERVES	8,300,000	600,000	114,540	1	19
55	INTANGIBLE COSTS	375,736,358	109,388,375	26,714,767	7	24
550	COSTS OF NON-PRODUCTION SERVICES	223,070,312	91,238,103	7,535,723	3	8
551	COSTS OF REPRESENTATION	7,392,364	284,923	363,568	5	128
552	INSURANCE PREMIUMS	25,285,303	12,480,000	8,878,830	35	71
553	COSTS OF PAYMENT SYSTEM	5,131,980	1,056,023	582,959	11	55
554	COSTS OF MEMBERSHIPS	9,567,864	2,506,552	2,761,652	29	110
555	COSTS OF TAXES	80,024,905	0	3,982,128	5	0
559	OTHER INTANGIBLE COSTS	25,263,630	1,822,774	2,609,907	10	143
I	BUSINESS EXPENDITURES	4,941,794,439	1,513,329,322	1,374,511,810	28	91
56	FINANCIAL EXPENDITURES	89,906,503	0	180,021	0	0
562	INTEREST EXPENDITURES	44,599,883	0	0	0	0
563	NEGATIVE EXCHANGE RATE DIFFERENCES	45,134,792	0	180,021	0	0
564	EXPENDITURE OF EXCHANGE CLAUSE RISK	171,828	0	0	0	0
II	FINANCIAL EXPENDITURES	89,906,503	0	180,021	0	0
57	OTHER EXPENDITURES	29,794,771	2,134,000	2,029,328	7	95
570	LOSSES BASED ON WRITE-OFFS AND SALE OF PROPERTY AND EQUIPMENT	907,684	0	44,198	5	0
571	LOSSES BASED ON WRITE-OFFS AND SALE OF BIOLOGICAL RESOURCES	15,000	0	0	0	0
574	LOSSES	269,888	0	750	0	0
575	CONTRACTED RISK PROTECTION NOT SHOWN AS REVALUATION RESERVE	347	0	0	0	0
576	DIRECT WRITE-OFF OF RECEIVABLES	335,223	0	0	0	0
577	DISPOSAL - REMOVAL FROM INVENTORY	0	0	0	0	0
579	OTHER NON-MENTIONED EXPENDITURES	28,266,629	2,134,000	1,984,380	7	93
58	EXPENDITURE ON IMPAIRMENT OF ASSETS	165,482,247	0	14,471	0	0
582	IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT	348,815	0	14,471	4	0
583	IMPAIRMENT OF LONG-TERM FIN. INVESTMENTS AND OTHER SECURITES AVAILABLE FOR SALE	2,639,129	0	0	0	0
585	IMPAIRMENT OF RECEIVABLES OF SHORT-TERM FIN.INVESTMENTS	162,494,303	0	0	0	0
589	IMPAIRMENT OF OTHER ASSETS	0	0	0	0	0
59	EXPENDITURES OF PREVIOUS YEARS	4,653,517	0	0	0	0
591	EXPENDITURES OF PREVIOUS YEARS	4,653,517	0	0	0	0
III	OTHER EXPENDITURES	199,930,536	2,134,000	2,043,799	1	96
	TOTAL EXPENDITURES	5,231,631,478	1,515,463,322	1,376,735,629	26	91

5.3. FINANCIAL RESULT OF OU GROUND HANDLING

FINANCIAL RESULT OF GH I-XII ANT/GH 2016

S.No.	Position	Realization ANT I-XII 2016	Rebalan. plan II GH I-XII 2016	Realization GH I-XII 2016	Index	
					6 (5/3)	7 (5/4)
1	2	3	4	5		
1	Business revenues	8,528,702,797	1,629,139,600	1,483,402,436	17	91
2	Business expenditures	4,941,794,439	1,513,329,322	1,374,511,810	28	91
3	Business profit (1-2)	3,586,908,358	115,810,278	108,890,626	3	94
3a	Business profit (2-1)					
4	Financial revenues	227,443,344	0	147,537	0	0
5	Financial expenditures	89,906,503	0	180,021	0	0
6	Financial profit (4-5)	137,536,840	0		0	0
6a	Financial loss (5-4)			32,484		
7	Other revenues	260,290,165	79,418	549,338	0	692
8	Other expenditures	199,930,536	2,134,000	2,043,799	1	96
9	Other profit (7-8)	60,359,629			0	0
9a	Other loss (8-7)		2,054,582	1,494,460	0	73
10	Total revenues (1+4+7)	9,016,436,306	1,629,219,018	1,484,099,311	16	91
11	Total expenditures (2+5+8)	5,231,631,478	1,515,463,322	1,376,735,629	26	91
12	Total gross profit (10-11)	3,784,804,828	113,755,696	107,363,682	3	94
12a	Total gross loss (11-10)					
13	Period tax expenditure	393,279,046		16,104,552	4	0
14	Deferred period tax expenditure	200,786,445			0	0
15	Deferred period tax revenue					
16	Paid-up personal receiving to employer					
17	Net profit	3,190,739,337		91,259,130	3	0

From above tables it can be concluded that Ground Handling for the period I-XII 2016 realized total revenues in the amount of RSD 1,484,099,311, total expenditures in the amount of RSD 1,376,735,629 which resulted in gross profit in the amount of RSD 107,363,682.

Such disclosed gross profit of GH represents 3% of the total generated gross profit of ANT and is 6% lower than the gross profit anticipated by the Rebalancing Plan for the period I-XII 2016.

OU Ground Handling in the period I-XII 2016 realized **net profit** in the amount RSD 91,259,130.

6. INFORMATION ON INVESTMENTS FOR PROTECTION OF ENVIRONMENT

Joint Stock Company Belgrade Nikola Tesla Airport is actively involved in solving the problems of environmental pollution and raising the environmental awareness of all employees and other persons he has direct and indirect contact with.

7. DESCRIPTION OF ALL SIGNIFICANT OCCURENCES IN THE PERIOD I-XII 2016

The Government of the Republic of Serbia adopted the Conclusion 05 No.023 - 6625/2016 dated of 27.07.2016. By this Conclusion the Government has determined that on facilities owned by the Republic of Serbia, which are covered by the Report on the assessed market value of the capital of the Public Enterprise Belgrade Nikola Tesla Airport No. 04 -101/1 dated 31.05.2010, the right holder or actually user, i.e. holder, is joint stock company Belgrade Nikola Tesla Airport. The Government of the Republic of Serbia by Item 2 of this conclusion gave approval that JSC ANT may be entered in the appropriate public records on real estate and rights to use them, as the holder of title to the facilities referred to in item 1 of the conclusion on which it is inscribed as the right to use holder, without further presence and special approval. By item 3 of this conclusion, the Government has also given its approval that JSC ANT may be entered in the appropriate public records on real estate records and rights to use them, as the holder of title to the facilities referred to in item 1 of the conclusion, after carrying out the process of legalization i.e. legitimation, the procedure of registration of the corresponding rights in the cadastre of real estate and obtaining appropriate documents. By item 4 of the Conclusion, the Government agreed that all other real property that were the subject of the Report on the assessed market value of the capital of Public Enterprise Belgrade Nikola Tesla Airport (on which the Government gave approval by Decision 05 No. 023 - 4173/2010 of 04.06.2010), which are included in the assessment value based on which was determined the value of share capital, and the total number and the nominal value of the shares, and which are not mentioned in item 1 of the Conclusion, be subjected to the subsequent considerations, and to determine the possibility of registration of property rights in line with the law.

The Government of the Republic of Serbia adopted on 09.11.2016 Conclusion No. 023 - 10559/2016, which supplemented the above conclusion in the manner that in item 1 a sub-item was added, specifying the facility " airport building terminal 1 and 2 connecting part, surface dimension of 17765 m2, structure P1 + 1 line Airport, existing on cadastral Plot 3739/1, registered as Building 1 in real estate sheet 2348 KO Surčin.

The right to use of JSC Belgrade Nikola Tesla Airport is entered on cadastral plots 4109/1 and 4109/2 KO Surčin.

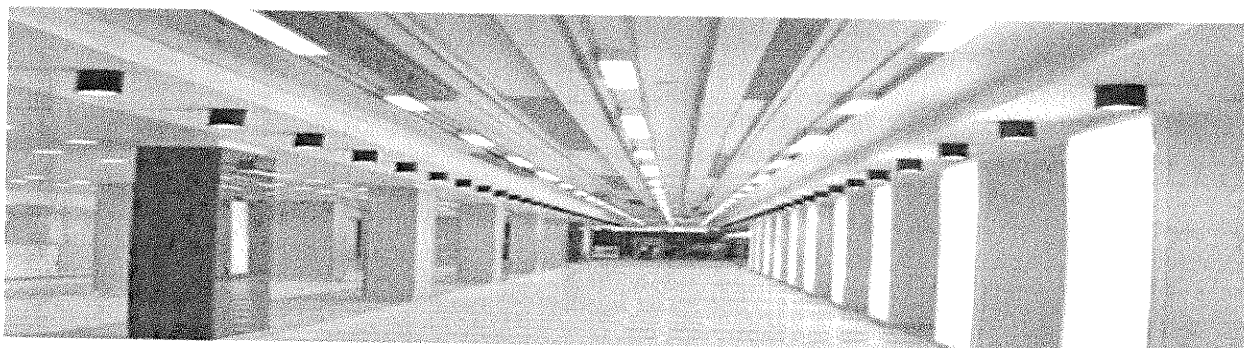
Aircraft de/anti-icing pad

- **Purpose:** The subject investment included construction of an aircraft de/anti-icing pad together with associated installations and facilities. Construction of the pad which value amounted to more than 557 million RSD was financed by JSC Belgrade Nikola Tesla Airport from its own resources.

Technical documentation for upgrade of finger hall C

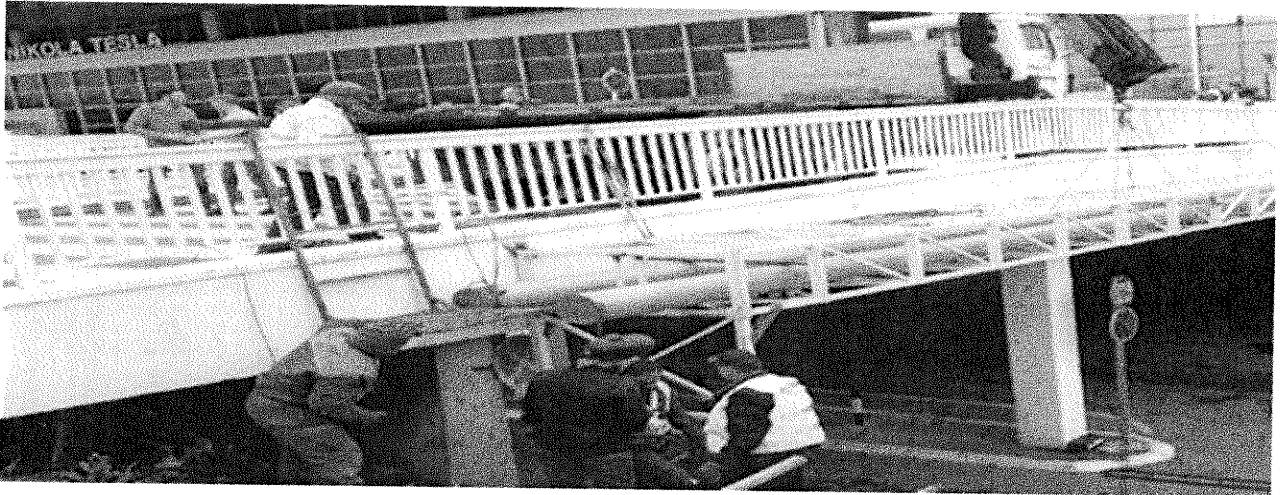
- **Purpose:** The technical documentation will provide for the upgrade of finger hall C, the total area of 11,000 m² gross. Upgrading of building is planned for the area of the expanded part of apron C, from the parking position C6 to parking position C10. It is anticipated that the new facility's height is GF + 1. Upgrade of finger hall C is of major importance for increasing the terminal capacity. In addition to increase of technological capacities, there will be increase of the area intended for commercial facilities too. Larger commercial offer will lead to increase of the revenue of non-aviation services. Primarily, the idea is that after the construction of this space the same is offered to adequate commercial facilities such as restaurants, duty free and duty paid shops and other facilities that are specifically applicable for this type of space.

Renovation of the ground floor of Terminal 1 and a connecting part



- **Purpose:** Expansion of traffic capacity and commercialization of space in Terminal 1 and the connecting part in order to improve quality of service. Arrangement includes the dismantling of existing commercial space on the ground floor of Terminal 1 and the connecting part (counters, travel agencies, shops and restaurants) and a complete renovation and equipping of the space with new, modern, interior design solutions. This position provides also for arranging space for baggage claim area in Terminal 1, which includes dismantling of equipment for sorting and transfer of baggage, and complete renovation and equipping of the space.

Reconstruction of existing and construction of new route of heating pipeline

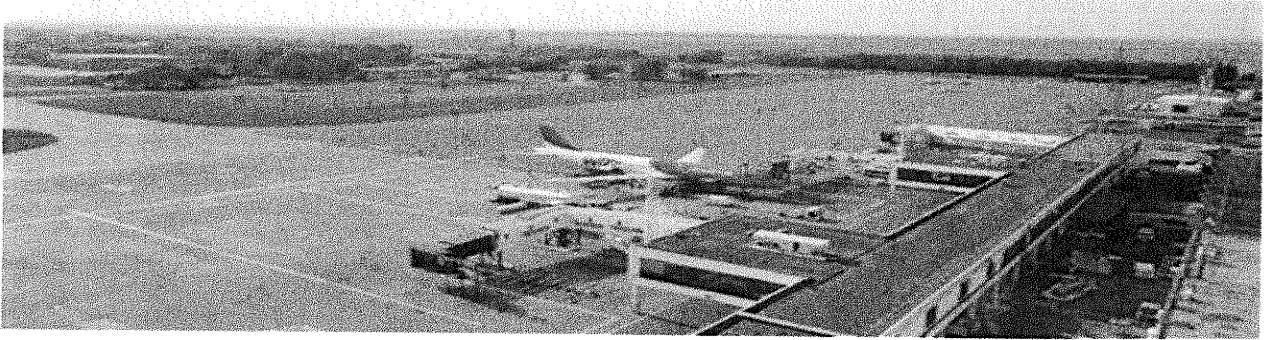


• **Purpose:** Existing district heating network in the section from canteen to the substation in the building of Terminal 2 is over 25 years old and partially goes under the terminal building. Leaks in this part of the route would jeopardize the stability of the building and rehabilitation alone would be extremely difficult to implement. For this reason and because of the age of installation, it is necessary to dislocate heating pipeline passing below Terminal and the Connecting part between Terminal 1 and Terminal 2.

Installation of pre-insulated pipes will lead to a reduction in heat losses in the network, as well as hot water losses (which has already been largely achieved by the construction of new primary hot water pipeline branch from the boiler room to the canteen restaurant). Also, for the planned extension of finger hall "C" as well as aircraft de/anti-icing pad, it is necessary to provide for a new branch of heating pipeline (from connection to terminal 2) as the capacities of the substation in Terminal 2 are used up.

Making of detailed regulation plan

• **Purpose:** Valid planning documentation, on the basis of which it is possible to plan new facilities, buildings and infrastructure in the area of Nikola Tesla Airport dates back to 1989. Airport Nikola Tesla has already reached and met most of the capacities provided for in that planning documentation, and is disabled to develop further in accordance with the new modern trends in the airline industry, as well as to follow the significant increase in the number of aircraft movements and the number of handled passengers and goods.



Road that will connect the apron A and apron B

- **Purpose:** The road that will connect the apron A and apron B is intended for movement of vehicles and equipment for aircraft, handling as well as for movement of official vehicles to technical facilities and heating plant. The new road will allow movement of official vehicles without entering the area which is under the responsibility of the airport traffic control, i.e. without crossing lines of aircraft movements and movements of official vehicles and equipment for aircraft ground handling.

Restoration of the murals in Terminal 1



- **Purpose:** The existing murals in Terminal 1 are over 30 years old and are in poor condition. Both murals are located indoors, one on the upper floor in a public area, and the other above the main entrance to Terminal 1. The murals were created when the Terminal 1 and have not been restored. The restoration of the mural "Flight of Icarus and Daedalus to the universe" of the artist Milos Bukinca in Terminal 1 began, and the restoration of the mural of artist Zuke Džumhura is in progress. During the later adaptation of the whole Terminal 1 it is planned installation of dedicated light for these murals.

Preparation of the study analysis of Nikola Tesla Airport capacities

- **Purpose:** The study should indicate the necessary technological and technical capacities of airport infrastructure, technology of work, and capacity utilization at peak load. To this end, the service provider will carry out comprehensive survey of airport processes and conduct the necessary analysis of the collected data. After the completion of the analysis the service provider will through the study indicate which capacities can be brought into line with the standards using existing resources, which are the weak points of airport processes with suggestions for their improvement, as well as the conclusions regarding the further development of airport capacity and traffic forecast.

Renovation of the Cargo Warehouse

- **Purpose:** Due to the significant increase in the total volume of cargo traffic in 2015, preparations for the establishment of traffic with the United States, the poor state of workspace and other cargo warehouse space, there is a need for investment in renovation of workspaces and associated installations, as well as the handling operations space and surface areas.

Procurement of Visual Docking Guidance System

- **Purpose:** By installation of the system in the parking position A6-A10 aircraft acceptance system is completed and upgraded at all contact positions. Procurement and installation of aircraft visual guidance docking system (VDGS) allows technical assistance to the pilot when parking aircraft, increasing the level of safety in the realization of the critical operations and shortens the engagement of marshallers, Follow Me vehicle and aircraft parking time.

In addition to the basic information that the system displays to the crew of the aircraft such as parking positions designation, the position of the aircraft relative to the center line / parking position stop point and speed of entry of the aircraft into position, there is an option of system display of specific information relevant to employees in the operational center of the airport. Those information are primarily related to restrictions on the parking of aircraft at adjacent positions, if the system is automatically aware of the irregularity, which in turn increases the level of safety and reduces the likelihood of errors due to human factor.

New fire base

- **Purpose:** According to the inspection reports of CAD, the existing capacity to accommodate fire and rescue equipment, vehicles and personnel are at a very low level and requires the urgent intervention to improve the accommodation of the service and the equipment they use. In order to solve the acute problem and find solid and long-term solution for this functional unit of the airport, it is concluded that there is a need for construction of a new fire center, in a location that is provided by planned act of DUP Airport "Belgrade".

Reconstruction and expansion of finger hall A (A6-A10)

• **Purpose:** Due to the increased number of passengers, and to allow the smooth flow of traffic in peak hour when all contact positions are occupied, it is necessary to ensure the reconstruction and expansion of fingerskog hall A, in the part from A6-A10 and a separate waiting area that only be used by departing passengers transported to the open positions. Ratio of the number of gates and parking positions indicates a problem of insufficient number of gates, and the possible bottleneck in handling passengers. By applying modern interior solutions and modern equipment, the level of services to passengers will be raised to a higher level, and this part of the facility in all respects will be incorporated into the concept of terminal technology.

New boiler room

• **Purpose:** The existing boiler room supplies thermal energy to facilities at the complex Aerodrom Nikola Tesla and is old more than 40 years. Boiler room capacity is 47.9 MW, of which a large part is unused, as boiler TPK- 20 MW is for many years out of order. On boilers were repeatedly carried out repairs in different degrees and reduced operating parameters, indicating a low operating reliability of boilers. Due to the deterioration of boilers, equipment and devices, malfunctions are frequent during the heating season. Since there is a need for connection of new consumers to the existing heating system, it is necessary to reconstruct and improve the system, or build a new energy block.

Reinforcement of floor structure

• **Purpose:** The outgoing sorting area on the ground floor of Terminal 2 is planned to set up a new X-ray device, in accordance with applicable safety regulations, the weight of which is more than 8.000kg. Since the existing floor construction cannot withstand much concentrated load, it is necessary to further strengthen the structure.

Adaptation of the passengers check-in area

• **Purpose:** As a result of the increasing number of passengers, there is a need for increasing the number of check-in counters for departing passengers. Increasing the capacity of the check-in area has for its purpose facilitation of uninterrupted traffic flow at peak times. Adaptation of existing space on the ground floor of Terminal 1 is planned in order to relieve the existing check-in counters in Terminal 1 and Terminal 2.

In addition, it provides for the development of space for the purposes of setting up a new system for registration in the hall and a transport system in the baggage sorting area.

The concept of spatial planning will be harmonized with the modern trends in passenger terminals and will contain the most modern solutions in the field of air industry.

Development of technical documentation for upgrade of apron A

- **Purpose:** Due to the increase in the number of passengers and airline operations, there was a need for expansion and improvement of existing facilities.

Implementation of the new CUPPS software platform

- **Purpose:** Belgrade Nikola Tesla Airport with companies Asseco SEE and Travsys BV in October 2015 started the project of implementation of new CUPPS (Common Use Passenger Processing System) and CUSS (Common Use Self Service) platform that will replace the existing SITA CUTE (Common Use Terminal Equipment) and CUSS platform. CUPPS and CUSS is a technological platform that provides terminal access to various information systems, airlines, and systems for the registration of passengers to control the boarding of passengers and baggage, as well as to control the load of the aircraft whose use is essential in the process of ground handling. The platform also allows self-registration for the flight via cuss kiosks at the 2 kiosks that are currently in use at the Airport.

That platform enables users of airport services (airlines) to use on it their own systems for aircraft, passengers and goods handling, and also allows planning and rationalization of airport resources (check in counters, gates, transfer counter, etc.).

Implementation of the platform is completed, and Minutes on takeover of the system is signed on 03.03.2016.

- Value: RSD 66,818,933.17, VAT excluded
- Supplier: Group of Tenderers – ASSECO SEE D.O.O., Belgrade and Travsys BV, Holland

Video wall for video surveillance and flight schedule display system

- **Purpose:** By this purchase is planned replacement of existing video wall in the main security center. Video wall located in the main security center was purchased in 2005 and after so many years of continuous operation it was necessary to replace it to avoid its malfunction which would prevent monitoring of video surveillance cameras. As this is a video wall that must be in operation without interruption, any irregularity would question the compatibility of work with safety procedures of the Company.

- Value: 8,699,702.00 RSD without VAT
- Supplier: Oblak tehnologije d.o.o

Storage and licenses for IP video surveillance system

• **Purpose:** For the realization of the project of new video surveillance system it is necessary to provide the quality part of the system for storage and viewing of images generated by the cameras. IP video surveillance system enables that all data passing through the system are in digital format and can be easily placed on storage systems which are information systems for data storage. This system enables quality cancelling, sorting and search of video footage, as well as their safety and preservation within the legal deadlines. Licences for the system enable connection of server - storage systems with IP cameras so that recording of video content on data storage system would be in function. Procurement is necessary for realization of the new IP video surveillance system from the point of view that without licenses and storage system, there is no function of storage and archive of images as well as connection of IP cameras to the rest of the system.

• **Status:** Delivery and installation completed.

• **Value:** RSD 19,885,511.95 excluding VAT,
Supplier: TELEGROUP.

Video surveillance cameras

• **Purpose:** The video surveillance system is a key airport security system. As part of the implementation of the new system of video surveillance, based on digital IP technology it is necessary to provide appropriate cameras that also work on IP technology so that they can be integrated into the new system of video surveillance. Procurement is especially necessary because the existing analogue type camera, which does not include IP technology and cannot be integrated into a modern IP video surveillance system.

• **Value:** 21,698,322.00 RSD without VAT.
• **Supplier:** DBS Konsel

Extending Microsoft licenses (true-up)

• **Purpose:** With this procurement has been extended, or purchases an additional number of Microsoft licenses. The need to purchase additional licenses occurs due to the increased number of users on a computer network, or an increase in the number of workstations (desktop and notebook) as well as the number of servers the information systems of airport corporate computer network work on. The increase in the number of users means the increase of necessary licenses for the operating system and Office packages for workstations. Increase of the number of information systems involves increase of the number of licenses for operating systems for servers and databases.

• **Value:** 10,349,765.30 RSD without VAT.
• **Supplier:** E-SMART SYSTEMS.

Standard IT equipment - according to the plan for 2015

• **Purpose:** By planned procurement is continued the process of modernization of IT equipment in use, which started by procurements from previous years. The purchase of above equipment provides more efficient, more comfortable and better work of employees. Obsolete and worn out equipment will be out of use which enables to maintain the level of quality and reliability of equipment. Also, as a result of expansion of the airport the procurement of equipment covers new positions for which the need occur and serving of all the extended and new business processes in everyday business is made possible. The new equipment adequately provides IT support in automation and handling all the processes that are taking place. The procurement includes computers, printers, multifunctional devices and uninterrupted power supply units.

• **Value:** Total value of all four contracts (all four lots): RSD 14,375,709.00, VAT excluded.

• **Suppliers:** Direct Link, Oblak tehnologije, EnelPS and Asseco.

Development of mobile applications for the iOS platform

• **Purpose:** As one of the most common platform on which mobile devices operate the airport is developed a mobile application for the iOS platform in order to facilitate finding the information requested by the passengers, visitors and all users interested in specific information. The mobile application is one of the main sources of information for interested users and it was necessary to create the same so that the users could reach the requested information as quickly as possible. In the application it is possible to track departures and arrivals, they can get information on how to get to the airport, where you can buy, and you can view the airport maps, it is possible to obtain information about the airlines, car rental agencies and the like.

• **Value:** 321,138.00 RSD without VAT.

• **Supplier:** Smart Data Analytics IP.

Equipment and software for upgrading check-in counters

• **Purpose:** The purchase planned equipping of new premises for the registration of passengers. Supply includes the necessary computer equipment and software to equip the new check-in counters and other facilities that are planned within the new premises, which is being prepared through the project for expansion of airport capacity.

Primarily, it foresees purchase of licenses and equipment for CUTE system which is used as a common technological platform for access to the various DCS (Departure Control System) systems for the registration of passengers. The new check-in counters, as well as those who currently in use at T1 and T2, will be equipped with CUTE equipment which will enable on the new check-in counters too automated passenger registration process through various DCS systems.

• **Value:** RSD 9,844,296.00, VAT excluded.

• **Supplier:** NEPO SYSTEM d.o.o.

Upgrade of mobile application

• **Purpose:** As one of the most common platforms on which mobile devices operate, the airport developed a mobile application for the *Android* platform. The mobile application is one of the main sources of information for interested users and it was necessary to create the same so that the users could as quickly as possible reach the requested information. In the application it is possible to track departures and arrivals, get information on how to get to the airport, where you can buy, and you can also view the airport map, obtain information about the airlines, car rental agencies and so on.

Upgrading of the application provided for removal of identified functional and design deficiencies.

Existing functionality is expanded and upgrade in sections:

- Web Check-In
- Rent-a-Car
- Airlines
- Taxi cab
- Maps of the airport - replacement of the old ones and adding new maps, display optimization

In addition to these standard functionalities are added by upgrade the following functionalities:

- Monitoring of flights - the ability to select an option to monitor specific flight
- Seasonal timetable - with the ability to search by airlines, from-to date, destination. Display of flights per day in the week when there is a specific flight
- Business Clubs
- The interface of the Serbian Cyrillic

• **Value:** 280,000.00 RSD without VAT.

• **Supplier:** Smart Data Analytics IP.

Standard IT equipment - according to the plan for 2016

• **Purpose:** By foreseen procurement continues process of modernization of IT equipment in use, which started with procurements from previous years. The purchase of above equipment will provide more efficient, more comfortable and better work of employees. From the use is excluded obsolete and worn out equipment and equipment will be renewed which enables to maintain the level of quality and reliability of equipment. Also, as a result of expansion of the airport, purchase of equipment will cover new positions for which a need has arisen and it is possible to serve all the extended and new business processes in everyday business

The new equipment adequately provides IT support in automation and handling of all the processes that are taking place. It is foreseen procurement of computers, printers, multifunction devices, computers for thin clients and ID card printers. This procurement will round up many year planned modernization of IT equipment, and is particularly important to emphasize that the new identification card printer will be such that the ID card printing on it will satisfy the most demanding safety requirements prescribed by TSA.

II Phase of perimeter protection

• **Purpose:** This capital investment represents the second phase of works to protect the perimeter of the Belgrade Nikola Tesla Airport. A second phase is planned protection all along the fence by quadruple protection system, which builds on the first phase of perimeter protection. System is designed in a way that is fully adapted to protect the perimeter of the Belgrade Nikola Tesla Airport. Perimeter Intrusion Detection System that is installed on the fence allows first intrusion warning by allowing detection of any fence climbing activity and locates a place of entry in all weather conditions. This information is further passed to the CCTV system which activates specific cameras, allowing visual verification and monitoring of intruders. With a system that is installed in the first phase an effective perimeter security system will be provided that will prevent potential intruders to reach their target unnoticed within the secured zone.

- **Value:** RSD 119,649,200.00 VAT excluded.
- **Status:** Macchina Security.

Ramps for parking positions

• **Purpose:** Parking systems provide full control of parking lots: provide information on the number of free and occupied parking places in real time, control the billing system, accelerate the flow of vehicles and improve the efficiency of utilization of the parking lot. These systems facilitate the process of parking and increase the level of safety of vehicles and people on the parking lot. Planned parking systems consist of several different components, such as ramps, gates, tollbooths, indicators of vacancies, the notification panel for users and management software. This system combines all the parking spaces at the Belgrade Nikola Tesla Airport in a single system, which allows centralized local or remote management, ensuring optimum parking capacity utilization.

- **Value:** RSD 14,913,450.00 VAT excluded.
- **Supplier:** Macchina Security.

Information securing service and maintaining of the continuity of operations of internal services of Nikola Tesla Airport

• **Purpose:** this project provides information of commercial significance, as well as the smooth operation of the internal services in case of a disaster (rain, floods, electrical shock, etc.). Maintaining operation continuity of internal services is a key part of the business because it is, in variety of natural disasters, necessary to keep all business information and ensure the continuity of internal services. Proper storage of business data and the realization of the smooth functioning of business services precisely represent a form of prevention of data and services protection in case of incidents.

By this project Airport secures its information and stores them in a safe place, while the internal services operate continuously.

- **Value:** RSD 11,898,000.00 VAT excluded.
- **Supplier:** EUNET.

Monitors for IDS with accessories

• **Purpose:** By this investment is planned purchase of monitors and panels with accessories for IDS system (Information Display System), which will at the airport increase the number of units for display of information and allow the use up of the functionality of the new IDS system. IDS is a system for displaying a variety of information to passengers, employees and other users of airport services through workstations, as well as through the monitors and the panels (video walls) which are arranged within terminal building.

This investment will also enable equipping of new passenger check-in counters with monitors after the reconstruction of Terminal 1 and the connecting part, and setting up additional information monitors and at the designated locations.

- **Value:** 13,507,320.00 RSD excluding VAT
- **Supplier:** E-PORT Solution System, Belgrade

CUTE equipment

• **Purpose:** Procurement involved renewal of the part of CUTE (CUPPS) equipment installed in Terminal 2 and Terminal 1. CUTE (CUPPS) equipment that is currently in use is implemented at the airport in 2012 and for a period of 3 years has been the subject of maintenance under the warranty conditions of the manufacturer. The extension of this type of maintenance is provided through the purchase and signing a contract for the implementation of the new CUTE (CUPPS) system.

One part of the CUTE (CUPPS) equipment, which is in use at the airport, has malfunctions which repair is not included in the maintenance under the manufacturer's warranty conditions. Given the age of the device and increased level of exploitation, due to increase in the volume of traffic, it was necessary to replace part of equipment the order to prevent the possibility of frequent breakdowns that can threaten the very process of passengers and baggage handling.

Also it should be noted that due to advancements in technology of registration of passengers and baggage there was a need for devices that support new technologies.

- **Value:** 12,275,550.00 RSD without VAT.
- **Supplier:** ASSECO SEE d.o.o.

Service of improvement of intranet portal functionality

- **Purpose:** The procurement foresees improvement and automation of the following:
- Improvement of internal portal, which should provide more advanced functionality and space (site) for each of the departments within which employees from each of the department could share and work on documents as well as many other features.
 - Development of application solution for public procurement, which will cover and automate all the processes that are taking place in relation to public procurements.
 - Development of application solution for the registry office that will cover and automate all processes that take place within our archives and in filling, flow and submission of documents to be processed daily.

Implementation of this project should provide to employees a central point of exchange of documentation and obtaining information and documents that are used in everyday business. In addition, the introduction of automation and the use of electronic documents, in the process of public procurement and registry office, would significantly save paper, toner and wear of devices, as well as staff time that is spent on copying data that are already in the system.

- **Value:** 5,883,500.00 RSD without VAT.
- **Supplier:** E-Smart Systems d.o.o.

Information systems for passengers and baggage registration - DCS

• **Purpose:** Provision of information systems for passengers and baggage registration - DCS (Departure Control System), provides the airport with use of services of information systems for registration of passengers and baggage, checking of passenger boarding the aircraft, control of cargo loading and making the list of aircraft loads. The main role of this information system is to provide a process of aircraft, passengers and goods handling with aim of providing a high level of service, safety, security and efficiency, both to users and the airport.

JSC Belgrade Nikola Tesla Airport signed a contract for the supply, setting, use and maintenance services of DCS system in November 2016. The system has been in operational use since 1 December and on 17 December 2016 the handover of the system for use was carried out.

• **Value:** 519,377.00 Euros without VAT

• **Supplier:** a group of bidders ASSECO SEE doo and RES2 BV, Contract No. 17-141/2016 dated 11.18.2016.

Monitors for IDS with accessories (plan 2016)

• **Purpose:** This investment venture is planned to purchase monitors and panels with accessories for system IDS (Information Display System), which will be at the airport to increase the number of units to display information and allow the use of the functionality of the new IDS system. IDS is a system for displaying a variety of information to passengers, employees and other users of airport services through workstations, as well as through monitors and the panel s(video walls) which are arranged ainthe terminal building.

Those investments will enable the equipping with monitors of new check-in counters after the reconstruction of Terminal 1 and the connecting part; setting up additional information monitors and the panels to the designated locations, and replacement of monitors on the existing positions with monitors of new generation of better quality and size. This will on existing positions ensure better visibility of content/information in the monitor as new monitors are larger ensuring that all positions in which the monitors are placed give the same quality of display of the content / information.

This way will enable additional utilization of the functionality of the new IDS system, which in addition to information about flights enables also presentation of variou multimedia contents, commercial content (commercials, campaigns, promotions), information for emergency needs (integration with fire alarm systems, evacuation systems) and etc. In Annex No. 2 is the schedule of set monitors panels and in the airport building.

• **Value:** 17,499,418.00 RSD VAT excluded

• **Supplier:** KING ICT, Belgrade and KING ICT, Zagreb

Expansion and upgrading of information system for passengers and baggage reconciliation - BRS

• **Purpose:** Purchase of the baggage reconciliation system enables passenger and baggage reconciliation at Belgrade Airport.

The subject of expansion and upgrading of information system for passengers and baggage reconciliation (BRS) is development and implementation of new functionality in BRS (Travsys TBRS version 1.0.1.0) system which is in use at the airport. New functionality of BRS system should allow for verification to the hand-held readers of BRS system, by the users of the system, that the baggage passed security screening.

For countries that are not members of the EU, security screening is mandatory for inbound transfer baggage). After security screening, baggage is marked with the label „SECURITY CHECKED“. The label, if any, means that the worker can load baggage, i.e. can not load, if there is no label.

• **Value:** 1,912,390.00 RSD without VAT

• **Supplier:** a group of bidders Asseco SEE doo and TRAVSYS BV, Contract No. 17-89/2015 of 04.10.2016.

Cabins for explosive trace detectors, 12 pieces

With planned procurement of explosive trace detectors, which will be installed at passengers and hand baggage security screening check points and and at the security check points for control of persons who are not passengers and their belongings it is necessary to provide also cabins which will protect these devices. Cabins can also be used for manual examination of passengers.

Procurement published on 29.03.2016.

Estimated value: 1,800,000.00 RSD

Tender opening: on 14.04.2016.

Contract concluded on 26.05.2016 with company DOMKO d.o.o.

Realized on 25.07.2016.

X-ray devices for hand baggage and screening of transfer cargo and mail

X-ray security screening sector presently for security screening in waiting rooms – gates, uses also x-ray units in standard 1, which are borrowed from Boarder Police Station. Procurement is initiated for 4 x-ray units in standard 2 (3 for hand baggage and 1 for cargo).

Estimated value: 33,500,000.00 RSD.

Contract concluded: on 29.01.2016.

X-rays supplied: on 15.04.2016.

Procurement of office containers for employees and parking kiosk

Containers are necessary for the purpose of opening temporary jobs in the open air (building sites in the security restricted zone). It is necessary to provide space during at the fire training area for the preparation of exercises (2 pieces for security guards; 2 pieces for rescue&fire service). Due to the lack of commercial space on the air side, it is necessary to obtain 5 containers, primarily for the needs of airlines. It is necessary to provide working space for the Head of Service and stay at the workplace of Marshalls. Parking P3 is in the commercial offer of ANT, but there is no adequate infrastructure to enable quality job performance.

Submitted by X-ray security sector to Public Procurement Division for their opinion and publication.
Estimated value: RSD 6,600,000.00.

Public Procurement procedure is suspended as none of the tenders were acceptable.

Tender dossier for renewed procedure of public procurement submitted to the officer for public procurements for its opinion and publication.

Estimated value: RSD 6,600,000.00.

On 27.01.2017 made decision on contract award to Group of tenderers which include Dunex d.o.d. and TEhnix Beo d.o.o. Total value of contract is RSD 6,570,000.00 VAT excluded. Signing of the contract is in due course.

Investment "Segment doors for baggage make-up areas"

• **Purpose:** Public procurement conducted, selected the most favourable Tenderer and signed contract No. 18-8/2016 with contractor in the value of RSD 1,924,340.00 VAT excluded. The procurement foresees replacement of industrial doors on make-up areas – total 4 doors. Replacement is done due to the obsolescence of the doors and for requirements of work in special conditions.

Investment "Transformer station remote monitoring system"

• **Purpose:** To improve the reliability and security of electricity supply to consumers at the airport complex, it is necessary to collect and present in one place all the relevant information from the substation at the complex of the airport, i.e. introduce a system of remote monitoring and management of substations from one place, where the state of the electrical energy system of substations will be monitored by electrician on duty 24 hours a day, 365 days a year. For reliable operation of the plant is very important to get timely information and react to disturbances in substations, i.e. monitor and control system from one place. For this purpose it is planned to introduce a system for monitoring and control of substations from duty energy centre, room at Electro Service (DEC).

Investment "Service of public lighting adaptation"

• **Purpose:** In order to increase the quality of lighting and reduce power consumption at the airport complex, it is necessary to adapt the part of public lighting, entrance road in front of Terminal 2 of the parking lot of the police and Rent-a-car agencies, parking in front of the Connecting part and Terminal 1 (used by Rent a car agencies) and an access road from the city (gate of the building of new area control SMATSA) to the Terminal 1.

Investment "Construction of perimeter fence"

- **Purpose:** Continuation of works on the rehabilitation of the existing fence along the perimeter of the airport in order to increase the level of security and alignment of features with the new regulations.

Investment "Standing public water fountains"

- **Purpose:** To raise the quality of service to passengers in the transit zone it is planned to set up two standing water fountains.

The investment "Rehabilitation of Sorting Area T1"

- **Purpose:** Due to the procurement of a new baggage transport system it is necessary to adapt the space of the old sorting area to functionally follow up the new system solutions. The procurement planned flooring replacement works, treatment of openings, air conditioning and, if necessary, strengthening of the structure.

The investment "Execution of works on reconstruction of facilities for fuel storage and refuelling"

- **Purpose:** Based on the project of pre-existing condition and proposal of measures for the rehabilitation of the fuel tank, it is planned to carry out works on the rehabilitation of facilities for storage and refuelling at the airport Nikola Tesla. Execution of works is necessary for obtaining a use permit.

Investment "Development of investment and technical documentation of reconstruction analysis and construction of manoeuvring areas at Belgrade Nikola Tesla Airport"

- **Purpose:** Documentation includes the analysis of alternative solutions to improve the condition of runway pavement structure. The proposed alternative solutions depend on the approved project period (up to 5 or 25 years) and on the solutions of pavement structure (flexible, rigid or a combination). Analysis, in addition to pavement structure, includes traffic analysis, cost-benefit and risk management. Based on the obtained data decision will be made on further strategy of maintaining the existing runway.

Investment "Supply of mud and fuel oil pump"

- **Purpose:** Acquisition of new pumps as replacement of existing worn-out pumps. The accuracy of these pumps is essential for the correct and reliable operation of fuel oil installations and rainwater drainage.
- Procurement is completed and above goods delivered.

Investment "Preparation of project documentation with technical inspection for rehabilitation and renovation of the pedestrian underpass between arrival area of terminal 2 and the parking lot."

- **Purpose:** Pedestrian underpass between the building of Terminal 2 and parking lot is extensively used by the passengers and meters and greeters. The plan is to renovate the underpass with advertising space in accordance with the new trends and technical solutions.
- Realization is in progress.

Investment "Development of technical documentation" with the technical inspection of reconstruction of perimeter fence."

- **Purpose:** The last phase of works on rehabilitation of the existing fence along the perimeter of the Airport in order to increase the level of security and align features with the new regulations.
- Contract on development of technical documentation is signed with Tenderer "EUROZNAK" d.o.o. Belgrade. Value of the contract is RSD 162,000.00 VAT excluded. Technical documentation is handed to the Purchaser. Review of handed documentation is in progress.

Investment "Replacement of DG4 with UPS and diesel support generator"

- **Purpose:** Provision of reliable and safe operation of critical consumers supplied from TS TERMINAL 2
- **Status:** The public procurement procedure was conducted. The contract for the procurement of goods was signed with a group of bidders VITREUM DOO Belgrade, TEHNIOUNION-EXIM, Sremska Kamenica, and TEHNOLINK DOO Čenej on 09.06.2016. Value of the contract VAT included, amounts to 113,061,600.00 RSD. Installed a new generator and uninterruptible power supply system in Terminal 2 and on 20.01.2017 the conditions have been met for the start of the probationary period of 60 days.

Investment "Machines for works on maintenance of lighting system"

- **Purpose:** Purchase of dedicated machines for execution of works on pavement structure for maintenance of field lighting system.

Investment "Service of implementation of the system for remote monitoring and control of consumption of de-icing fluid on vehicles"

- **Purpose:** Implementation of DTS systems with integrated collection, processing and distributing of data. The system provides a simplified principle of recording operations with increased level of safety and quality of service intended for the users of airport services.

Investment "Baggage handling system"

- **Purpose:** Includes the purchase of the transport system in the location-connecting part between T1 and T2 and T1, equipping with baggage check-in counters, collector belts, conveying belts, baggage scanning devices, central system of supervision and management. It understands assembly-disassembly work, setting and commissioning of the complete system through a phased implementation.

- Contract was signed with a group of bidders PREMAR SERVICES AG, Zug, Switzerland, and PROFLUSS GmbH, Leichlingen, Germany in the amount of 6,299,985.50 euros without VAT. The contract was filed in the archives of Airport on 15.06.2016. Currently preparation and coordination of all the activities that precede the installation of the transport system take place. Realization of contract, delivery of equipment and preparations for execution of works on installation of the system are in progress.

Investment "Works on improving lighting system of connection D"

- **Purpose:** Public procurement is carried out to increase the safety and capacity of the connection D and taxiway A in LVP conditions. The purchase planned improvement of the lighting system in order to increase the overall safety of the traffic in low visibility conditions on the taxiway D and in the zone intersecting taxiway A and taxiway D.

- Contract for execution of works is signed on 02.06.2016 with „ELGRAD VISION“ d.o.o. Belgrade. Value of the contract VAT included amounts to RSD 44,801,808.00. Works are executed on 13.10.2016. Taxiway D is in operational use for operations in the conditions as per requirements.

Investment "Rehabilitation of the roof of the tank R8"

- **Purpose:** Tank R8 is the largest reservoir for storage of jet fuel at the airport, with a total volume of 500 m³. Due to the deterioration of the material there is curving of roof rack and roof cladding. The purchase of "Rehabilitation of the roof of the tank R8", foresees a development of technical documentation (project for execution of works and as-built design) and works on the replacement of the entire roof - complete support structure and a tin roof cladding.

Investment "Building a fence around the perimeter, Phase 4"

• **Purpose:** Continuation of work on the replacement of the existing fence along the perimeter of the airport in order to increase the level of safety and harmonization of the characteristics of the fence with the new regulations. The last, 4th stage, ending replacing the old fence around the entire complex of Airport Nikola Tesla.

Investment "Chiller for server room"

• **Purpose:** Server room is air-conditioned with one chiller as the primary system and two split air-conditioning units that are placed as support in case of failure of the primary system. Getting another chiller raises the level of reliability of air conditioning system. This establishes a parallel connection between the two chillers so that in the case of malfunction or failure of one, the other takes over the function.

Investment "Replacing the fence on the parking lots P5, P6, P7 and fence around TC35/10"

• **Purpose:** The purpose of uniformity of fence and improvement of functionality of parking lots, replacement of the fence is foreseen. Setting up a new fence will improve the visual appearance of the approach to airport terminals from directions of New Belgrade and Surčin.

The investment "Works on reconstruction of the facility roof and replacement of garden drainage of the Restaurant Borik"

• **Purpose:** Due to problems in the use of the facility (leaking roof and water retention in the garden), provided the works on the replacement of the roof cover and replace the drainage system gases. Given that the building is leased, the works are scheduled to be completed in the period until the garden season.

Investment "Replacement of the access control door "

• **Purpose:** The purchase is intended to replace the access control door in all waiting areas at the airport Nikola Tesla, in order to increase security measures.

Investment "Adaptation of toilets"

• **Purpose:** Toilet in transit at Dufry bars (at the waiting room A1) is one of the toilets, which are mostly used at the airport. The toilet has also shower cabins. In front of the toilet is currently hall. The entrance is next to Dufry cafe. As the changes in the appearance of Free Shop, cafes and shops nearby are planned, the plan is to carry out adaptation of toilets. Adaptation consists of changes in the entrance (entrance from the transit hall C) and changes to the interior of the toilets.

Investment "Replacement of the internal distribution of storm water drainage in T2"

• **Purpose:** During the reconstruction of Terminal 2, distribution of storm water drainage located in the suspended ceiling of the central part of the terminal has not been replaced. Over time there has been a material deterioration and the occurrence of a leak during precipitation. The plan is to replace the internal distribution.

Investment "ULD stocks - stand for the acceptance of aircraft containers and pallets"

• **Purpose:** The equipment is used for storing aircraft pallets and containers. Procurement is implemented at the request of OU Ground Handling. The need to purchase new stocks is due to the increased volume of traffic and the obsolescence of existing ones.

Purchase of two belt conveyors - electric elevators

- **Purpose:** increase of the capacity and quality of services provided to airlines in aircraft handling at loading and unloading of baggage, cargo and mail.
- **Value:** 12,953,032.00 RSD without VAT
- **Supplier:** *Vecar Viljuškari d.o.o.*, public contract number 17-167/2015 of 20.10.2015.

Start of implementation of automated passengers and baggage reconciliation system – BRS on flights of foreign airlines

• **Purpose:** To raise the level of service, safety, security and cost-effectiveness both to customers and airport in the process of passengers and baggage reconciliation.

Procurement of 50 pieces of baggage apron dollies

- **Purpose:** To increase the capacity and quality of services provided to airlines in aircraft handling during loading and unloading of baggage, cargo and mail.
- **Value:** 15,368,850.00 RSD without VAT
- **Supplier:** CENTUM doo, Public procurement contract No.17-22/2016 dated 17.02.2016.

Purchase of four belt conveyors - electric elevators

- **Purpose:** increase of the capacity and quality of services provided to airlines in aircraft handling at loading and unloading of baggage, cargo and mail.
- **Value:** 26,568,000.00 RSD without VAT
- **Supplier:** *Centum d.o.o.*, public contract number 17-20/2016 dated 17.02.2016.

Purchase of one aircraft toilet service unit

- **Purpose:** To increase the capacity and quality of services provided to airlines in aircraft handling when servicing aircraft toilets.
- **Value:** 10,455,000.00 RSD without VAT
- **Supplier:** *Centum doo*, Public procurement contract No. 17-21/2016 dated 17.02.2016.

Start of SERBIA AIR flights to JFK, USA, A330-200

On 23.06.2016 is successfully realized the first flight of AIR SERBIA, flight number JU500 for JFK, USA aircraft type A330-200, registration YU-ARA from our airport. The plan is to fly five times a week on route BEG-JFK-BEG. Engaged ground handling services have successfully realized ground handling of all to date flights. Development of operation procedures, additional staff training, and supervision by line managers are some of the extra activities that preceded the successful realization of the subject flights.

Termination of Ground Handling Agreement with airline WIZZ AIR

WIZZ AIR has informed JSC Belgrade Nikola Tesla Airport that it terminates Ground Handling Agreement, and that their new company service provider will be company SKY PARTNER. Company for rendering of ground handling services SKY PARTNER, based on agreement with airline WIZZ AIR, started operations on handling of WIZZ AIR flights on 16.06.2016.

Training regarding handling of passengers of PRM category (Passengers with reduced mobility) - Passengers with disabilities or limited mobility (May - June 2016)

- **Purpose:** 40 employees were trained in handling PRM passengers in accordance with the necessary regulations, and in connection with the introduction of flights to the United States.

Creation and modification of reports from AMS system, setup of reports for automatically sending to operational services

- **Purpose:** Monitoring of performance processes that are in the competence of Sector TGH, analysis of necessary resources;

Training on the importance of ensuring security in aviation - AVSEC, organized by the Civil Aviation Directorate (June 2016)

From Ground Handling 6 employees successfully completed training about the importance of aviation security for modules:

- Passenger and baggage reconciliation;
- Protection of aviation.

Analysis of counters for season 2016 and winter 2016-2017 (July - September)

• Purpose: Analysis of available capacities and adjustment of the plan for using counters with ASGS. Breakdown of counters by airlines for each day separately (Monday-Sunday) based on the flight schedule for S16 and W2016-2017, spotting the critical period, communication with flight coordination in order to harmonize times of departure of air carriers;

Realized purchase of narrow wheelchair for transporting PRM passengers through aircraft (September 2016)

Two narrow wheelchairs are purchased, enabling more comfortable transport of passengers through passenger cabin.

Purpose: Rendering of PRM passenger services.

Realized purchase of three stackers which allow easier handling of goods in the warehouse (Nov.2016).

• **Purpose:** Warehousing and storage of goods in/out of position.

Realized purchase of four warehouse trolleys for handling of smaller goods (Dec.2016).

• **Purpose:** Storing, preparing goods for inspection, release of goods.

Purchase of two dedicated vans (September 2016)

Van Intended for aircraft cleaning service:

- **Purpose:** To increase the capacity and quality of services provided to airlines in maintaining cleanliness of the aircraft
- **Value:** RSD 2,533,205.00 without VAT
- **Supplier:** Reno Sava doo, Public Procurement Contract number 17-73/2016 of 18.05.2016.

Van dedicated for passengers with reduced mobility:

- **Purpose:** To increase the capacity and quality of services provided to airlines during transport of passengers with reduced mobility.
- **Value:** RSD 3,270,948.33 without VAT
- **Supplier:** Reno Sava doo, Public procurement contract number 17-72/2016 of 18.05.2016.

Purchase of mobile aircraft air-conditioning unit (August 2016)

- **Purpose:** To increase the capacity and quality of services provided to airlines in air-conditioning of aircraft
- **Value:** 13,300,000.00 RSD without VAT
- **Supplier:** Europlast d.o.o., Public procurement contract number 17-19/2016 of 17.02.2016.

Total value of contract for above units is RSD 88,829,624.28 VAT excluded. Realization of contract is expected in the period April – May 2017.

Renewal and signing of new contracts for Ground Handling

- Lufthansa group - continued business cooperation with group of companies Lufthansa, Austrian Airlines, SWISS International
- New companies - IsraAir, Arkia, DHL

Training of employees in the Employees Training Centre

Staff who indirectly affects the safety of air traffic must be trained in a Training Centre authorized by DCA and must have certificates of training (Article 187, Law on Air Transport ("Official Gazette of RS", No.73/2010, 57/2011 and 93/2012).

Number of trainees in the period 01.01.2016 – 31.12.2016:

	ANT	Third parties
Traffic dispatcher		6
Aircraft Balancer		1
Stewardess (cat. 1)	47	4
Stewardess (cat. 2)	15	
Supervisor of aircraft handling control (cat. 1)	6	1
Traffic Coordinator	2	3
Marshaller (level 1)	2	3
Marshaller (level 2)		3
Airport equipment operator (level 1)	152	
Generator Operator	5	
Aircraft cargo loading foreman	24	

Aircraft cargo loading worker	67	
Baggage sorting worker	12	
Cargo loading worker in Cargo Warehouse	4	
Winter maintenance service		4
Maneuvering areas safety controller	14	3

	ANT	Third parties
Professional fireman	64	
Support staff	22	2
Training in fire protection	51	5

	ANT	Third parties
Transport of dangerous goods in air traffic, cat. 7	7	
Transport of dangerous goods in air traffic, cat. 10	24	7
Transport of dangerous goods in air traffic, cat. 6	1	
Transport of dangerous goods in air traffic, cat. 9	56	18
Transport of dangerous goods in air traffic, cat. 5 and 8	145	17

	ANT
Stockman	3

	ANT	Third parties
Basics of air traffic safety	113	51
Independent vehicle/equipment operation in the SRA 1	6	11
Independent vehicle/equipment operation in the SRA 2	72	51

	ANT
<i>PRM Training ACAA</i>	40
<i>Skills workshop ACAA</i>	55

In addition to these trainings prescribed by national legislation the Training Centre performs a large number of **internal trainings** prescribed by internal training programs (in accordance with international ICAO and IATA standards) according to job requirements at the airport and by airlines. It should also be noted that such trainings cannot be obtained in any other existing training centre in our country, while their realization through centres abroad is first of all expensive and of questionable character because of its applicability (trainings are designed to jobs and real working conditions).

Internal trainings carried out within the Training Centre of JSC Belgrade Nikola Tesla Airport:

- The foreman of cargo transshipment
- The foreman of baggage sorting area
- Transport worker - transshipment of cargo on aircraft / baggage sorting / cargo transshipment in BCW.

Recruitment and Selection

In the period from 01.01.2016 to 30.09.2016, in the Human Resources Management Department and OU Human Resources (after coming into force of the new Rule book on internal organization and sistematization of work positions in JSC BNTA) has been organized and conducted:

- 27 internal recruitments and selections, during which 268 candidates were invited for an interview, and selected 65 candidates for training and redeployment;
- 44 external recruitments and selections, during which 198 candidates were invited for an interview, and selected 168 candidates for training and engagement.

Professional development and training

In September 2016 was announced public invitation for engagement of candidates for the professional development and training on jobs of traffic, construction, economic, legal, organizational and profession, the profession in the field of civil aviation security.

A total of 26 candidates has applied for, whose applications are handled by OU Human Resources. Of the total number of applicants, 10 candidates fulfilled requirements, while procedure preceding conclusion of the contract on professional development and training for 9 candidates is in progress.

In the period August - September in X-ray screening division is conducted operator training for protection against ionizing radiation, after which is obtained Decision of the Agency for Radiation Protection and Nuclear Safety to extend the license for performing radiation activity and the decision for the use of ionizing radiation.

In September was done the certification of operators in X-ray screening division and security guards for jobs of access control, surveillance and patrols and vehicle screening. Certification was conducted by the Civil Aviation Directorate.

Inspections were made on 27.09 and 28.09.2016 of fulfilment of conditions for extension of the licenses for conducting security screening at Belgrade Nikola Tesla Airport by the Civil Aviation Directorate. The final report is expected.

Committee obtaining approval for new employment and further engagement with the users of public funds

JSC Belgrade Nikola Tesla Airport records growth in passenger numbers of over 30% in 2014 compared to 2013, and in 2015 trend of growth in passenger numbers continued.

By signing of the Air Transport Agreement between the Government of the Republic of Serbia and the Government of the United States of America (USA), which will allow the establishment of direct overseas flights, the possibility of further expansion of air traffic of the Republic of Serbia is opened.

JSC Belgrade Nikola Tesla Airport, in accordance with the Regulation on the procedure for obtaining approval for new employment and further engagement with the users of public funds ("Official Gazette of RS", No. 113/13, 21/14, 66/14, 118/14 and 22/15) (hereinafter: Regulation), and for reasons of increased workload and improvement of the business, from the that Committee obtaining approval for new employment and further engagement with the users of public funds obtained the approval to increase of the number of employees and engaged persons as follows:

- 1) By conclusion of the Committee approval for new employment and further engagement with the users of public funds 51 No. 112-15916/2014 dated 23 December 2014, JSC Belgrade Nikola Tesla Airport has received approval for employment of 200 employees for a definite period of time;
- 2) Conclusion of the Committee 51 number: 112-1197/2015-2 dated 13 February 2015 approved employment of another 198 employees for a definite period of time;
- 3) The conclusion of the Committee 51 No: 112-3176/2015 of 23 March 2015, approved employment of another 200 employees for a definite period of time;
- 4) Conclusion of the Committee 51 number: 112-3628/2015-1 of 01 April 2015, gave approval for the extension of the validity of approval for persons engaged by Committee's Conclusion 51 Number: 112-15916/2014 dated 23 December 2014;
- 5) Conclusion of the Committee 51 number 112-6977/2015-1 of 30 June 2015 approved for a total of 803 people employed for a definite period of time and 65 persons engaged for professional development and training;
- 6) Conclusion of the Committee 51 number 112-11232/2015 of 19 October 2015 approved employment of 33 persons for an indefinite period of time;
- 7) Conclusion of the Committee 51 number 112-11662/2015 of 3 November 2015, approved employment of another 7 persons for an indefinite period of time;
- 8) Conclusion of the Committee 51 number 112-11662/2015-1 of 3 November 2015, approved a total of 831 persons, of which 802 are employees for a definite period of time and 29 engaged on other grounds (for professional development and training in accordance with the Article 201 of the Labour Law).

- 9) Conclusion of the Committee 51 number 112-14077/2015-1 of 29 December 2015 is extended previously given approval by Conclusion of the Committee 51 No. 112-11662/2015-1 of 3 November 2015.
- 10) Conclusion of the Committee 51 number 112-2596/2016 of 23 March 2016 approved employment of two persons for an indefinite period of time.
- 11) Conclusion of the Committee 51 number 112-2596/2016-1 of 23 March 2016 approved employment of 60 persons of which 20 on the basis of the contract of temporary and occasional jobs and 40 persons engaged through youth organizations;
- 12) Conclusion of the Committee 51 number 112-4351/2016 dated 5 May 2016, was approved employment for an indefinite period of time for 3 persons;
- 13) Conclusion of the Committee 51 number 112-4351/2016-1 dated 5 May 2016, the approval was given for the extension of engagements for a total of 831 persons, of which 802 employed for a definite period of time and 29 engaged on other grounds (like professional development and training according to Article 201 of the Labour Law);
- 14) Conclusion of the Committee 51 number 112-6105/2016-1 of 30 June 2016, approval was given for the extension of engagements for a total of 684 persons of which 258 hired under contracts for temporary and occasional jobs, over 424 persons engaged through youth and student cooperatives and 2 persons on the basis of service contracts. The given consent is valid for the period from 01.07.2016 to 31.10.2016.
- 15) Conclusion of the Committee 51 number 112-7589/2016 dated 26 August 2016, was approved employment for an indefinite period of time for 9 persons;
- 16) Conclusion of the Committee 51 number 112-7589/2016-1 dated 26 August 2016, the approval was given for the engagement of 1,009 persons, of which extension of the engagement for 802 employees for a definite period of time, approval for the new 178 persons and 29 engaged on other grounds (for professional development and training in accordance with Article 201 of the Labour Law). That above consent is valid for a period from 01.09.2016 to 31.12.2016.
- 17) Conclusion of the Committee 51 number 112-10264/2016 of 01.11.2016, the consent was given for the extension of engagements for a total of 704 persons of which 268 hired under contracts for temporary and occasional jobs, over 434 persons engaged through youth and student cooperatives and 2 persons on the basis of service contracts. The resulting consent is valid for the period from 01.11.2016 to 31.12.2016.

Training and examination for extension of a training certificate for professional firefighters

In the period March-April in the Fire & Rescue Service was carried out training and examination for extension of a certificate of training for the professional firefighters. The said training and passing of the exam confirmed that staff are trained and maintenance of the airport fire category is at the highest level. Confirmation of training and preparedness of the Fire & Rescue Service was confirmed also by the inspectors CAD after completion of examinations which was also noted in the Minutes.

Purchase of fire truck 8x8

Public procurement procedure fire truck 8x8 with an extended extinguishing arm and expert assessment of the bids received is in progress. The purchase of the said fire truck will contribute to determining the readiness of the Fire & Rescue Service for maintenance of fire category of the airport and the smooth operation of overseas flights with aircraft that are in the 8th or 9th fire category.

Training of employees in the field of security screening

- **Purpose:** In accordance with the regulations in the field of aviation security, Belgrade Nikola Tesla Airport is obliged to conduct training in the field of aviation security i.e. to provide adequate initial, periodic and additional training. Employees must successfully complete the appropriate training before being authorized to independently apply security screening. Training is conducted according to the curriculum approved by the Civil Aviation Directorate of the Republic of Serbia. OU Security started with training for operators of x-ray security screening sector and security guards sector such as:
- **Supplier:** The contract (per lots) concluded on 14. 03.2016 with company Jugoskan d.o.o.

Explosive traces detector, 18 pieces

- **Purpose:** Belgrade Nikola Tesla Airport was by Decision of the Civil Aviation Directorate of the Republic of Serbia No. 5/0-01-0044/2014-0055 of 26.08.2015 given order to take urgent measures and in shortest possible time carry out procurement and installation of explosives trace detectors (ETD) .

Equipment must meet standards ECAC Doc 30 Part II, and be on the list of ECAC Common Evaluation Process for Equipment. It is planned to purchase a total of 18 devices, which will be installed at passengers and hand baggage security screening points and at the security check points for control of persons who are not passengers and their belongings. ANT is required to examine by these devices on a basis of random sample 10-20% of passengers and their hand baggage on each flight, i.e. security check point. The purchase of this equipment will also meet TCA standards related to announced flights to USA.

- **Supplier:** Contract concluded on 16.03.2016 with the company Analysis d.o.o. Planned equipment delivery: 1-15 May.

"Upgrade" of existing explosives detectors ION SCAN 500DT, 2 pieces (9.2.)

- **Purpose:** X-ray Security Screening Sector has initiated procurement for the upgrade of existing explosives detectors ION SCAN 500DT, produced in 2011, no longer in the list of ECAC-reference devices, which will by software upgrades be on the above mentioned list again.
- **Supplier:** The contract concluded: with the company Jugoskan d.o.o.

Shooting training

- **Purpose:** Training in handling firearms and shooting for workers of security guards sector. Apart from security guards, practice shooting from firearms (pistol and shotgun) will be carried out also by employees of the guards in charge of birds and other animals. Given that, according to the order of the Civil Aviation Directorate of the Republic of Serbia, it was priority to organize the necessary initial training for staff who implement security measures at the airport, the shooting training began in December 2016.
- **Supplier:** Contract award decision: 04.03.2016. Contract concluded on 01.08.2016 with Tenderer SK TROFEJ and subcontractor TROFEJ COMERCE d.o.o.).

Construction of D security check point facility

- **Purpose:** Technical documentation provides for construction of D check point facility of 340 m². Facility is made in two segments- indoor segment for X-ray control access and outdoor covered segment for control of vehicles and equipment. Construction of D check point is essential to raise security of the border crossing to an appropriate level and to improve security control of persons and vehicles on the security check point D. By improving operational technologies in check point D, in addition to the above mentioned security aspects, the very movement of persons and vehicles into security restricted area will accelerate and improved. One of the conditions for implementation of One Stop Security concept is improvement of work technology on check-point D, by which adoption the level of service of the Belgrade Nikola Tesla Airport will be in accordance with modern airports in EU and USA.

Investment "Rehabilitation of concrete gutters on apron C from C1 to C6"

- **Purpose:** Inspecting the existing concrete gutter on apron C from parking positions C1 to C6 was found that the corresponding concrete pipe has burst and that it does not perform its basic function drainage of storm water. It also leads to the breaking off of the concrete parts on the surface of the gutter which represents FOD on the manoeuvring areas. It is necessary to replace it in order to ensure adequate drainage, prevent further wash-out of the lower layers and the deterioration of the pavement structure, as well as eliminate the occurrence of FOD zone.
- **Value:** Execution of works is RSD 21,323,971.00
- **Supplier:** GP "PLANUM" AD

Investment "Development of complete technical documentation for the reconstruction of the apron "B" and connection "H"

• **Purpose:** Apron B and connection H which is located along the apron are in poor condition in terms of damage pavement. During a survey of the situation in 2012 and 2015, it was determined that the subject of maneuvering area according to the criterion regarding the pavement condition index value is to be reconstructed in order to lead to a satisfactory state. This measure is necessary because of the extension of the same century pavement, reduce the risk of FOD, and raising the level of customer service. Technical documentation is the first stage envisaged by the Law on Planning and Construction.

Investment "Calorimeters"

• **Purpose:** For the purpose of more quality and accurate monitoring of thermal energy consumption, it is planned installation of calorimeters on each heating branch. This would enable more precise calculation of consumption among all users at Nikola Tesla Airport. Procurement was carried out under procurement plan of 2015.

• **Value:** RSD 3,788,659.51

• **Supplier:** „ENING-ENERGETIKA INŽENJERING“ d.o.o. Beograd

Investment "Development of detailed design of runway end safety area (RESA)"

• **Purpose:** The subject of making technical documentation is construction of the runway end safety area (RESA - RUNWAY END SAFETY AREA) in front of the threshold 12 of the runway of Belgrade Nikola Tesla Airport. Procurement was carried out under procurement plan of 2015.

• **Value:** RSD 1,500,000.00

• **Supplier:** „Institut za puteve“ a.d. Beograd

Investment "Standing public water fountains"

• **Purpose:** To raise the quality of service to passengers in the transit zone it is planned to set up two standing water fountains. Public procurement is carried out in accordance with procurement plan for 2015.

• **Supplier:** „Aqual still group“ d.o.o. Belgrade.

Lease, agreements and contracts with airlines

- **29.01.2016** – Reduction of lease fee for office space in Terminal 1 in the amount of 50% of the monthly fee under the contract No. 14-15/2015 dated 26.03.2015. Reduction of lease fee is effective as of the invoice for January 2016 and will apply to the utilization of funds invested in the maintenance of the roof surfaces of the building of Terminal 1. 50% of calculated lease fee to be paid by transfer and 50% is compensated by works performed, according to the company "Air Serbia" invoice.
- **29.01.2016** – Conclusion of the Annex B to the standard Ground Handling Agreement concluded with company Air Serbia (Annex B20.13 No 11-3/2016 dated 11.02.2016);
- **04.03.2016** – made up Agreement 10-5/2016 of the debt repayment of the company "Airport Catering" in the amount of RSD 5,000,000.00, divided into 5 instalments with payment starting from 07.03.2016 to 07.07.2016.
- **10.03.2016** - given consent to an agreement on the repayment of debt of the company "Air Serbia" under Protocol No. 10-6/2016, signed on 15.03.2016;
- **15.03.2016** – made up Agreement 10-6/2016 of the repayment of debt of the company "Air Serbia" in the amount of RSD 701,632,615.37, divided into monthly instalments that will be paid in the period from 17.02.2016 to 31.12.2016.
- **17.03.2016** - Termination of the contract on the provision of ground handling services to company "WIZZ AIR". Termination entered into force on 16 June 2016 where ground handling services company were taken over by company "Sky Partner".
- **23.03.2016** - Conclusion of the Agreement on access to the centralized infrastructure concluded with "Euro Jet Flight services doo Beograd" (No. 08-7/2016 dated 23.03.2016)
- **13.04.2016** – made up Protocol. 10-11/2016 on the repayment of debt of company "Montenegro Airlines" in the amount of EUR 1,254,523.02, it was agreed that 12 instalments will be settled by the company in the period from 15.04.2016 to 25.09.2016;
- **20.04.2016** - opened commercial space JP "Pošta Srbije" on the upper floor of Terminal 2;
- **01.04.2016** - Conclusion of Annex B 16.0 to standard Ground Handling Agreement concluded with the company "Montenegro Airlines" (Annex B16.0 No. 11-6/2016 of 08.04.2016);
- **30.05.2016** - Conclusion of the Annex B 1.0 to standard Ground Handling Agreement concluded with "Ellinair" (SGHA No. 11-7/2016 of 30.05.2016)
- **17-19.06.2016** - visit of the Chinese President where ANT participated in the subject event.
- **23.06.2016** – Company Air Serbia began intercontinental flights to North America, NYC;
- **01.07.2016** - Came into force amendment to the Price List of lease of business premises with the date of application from 01.07.2016, which replaced Price List of lease of business premises No. 33-101/2 of 19.04.2016. The reason for amendment to Price List is the new item 1.7. which relates to the lease fee with common expenses in the amount of 34.60 euros per square meter for newly built office space in the connecting part of Terminal 1. Price is expressed without VAT on a monthly basis. The calculation is done according to the middle exchange rate of NBS valid on the date of tax liability. The suggested price of leasing office space in the newly built connecting part of Terminal 1 is at the level of lease fee for office space in Terminal 2. By the reconstruction of the connecting part of Terminal 1 there is an increase in the surface area and the quality of office space. The basic concept is the modernization of the part of the building with the use of modern materials in the interior, new equipment and new design of space with the visual opening of facade. Due to constant changes of certain functions of space in the previous period, in the connecting part of Terminal 1, with the use of different architectural - interior solutions, which have influenced also the traffic technology and

realization of offer of the airport commercial facilities, it was decided to proceed with the preparation of architectural - technological solutions of the connecting area of Terminal 1. Construction works were completed and craft works are in the final stage. The Supervisory Board at the meeting held on 03.06.2016 passed the Decision number 33-157/1 adopting Price List of lease of business premises No. 33-157/2 of 03.06.2016, with the date of application of 01.07.2016;

- **05.07.2016** - held a meeting with representatives of LH Group (Lufthansa, Swiss, Austrian Airlines). As a result of negotiations new contracts were signed with companies from LH Group (Lufthansa, Swiss, Austrian Airlines) during the month of October 2016;
- **26.08.2016** - concluded Agreement No.10-23/2016 on the regulation of mutual relations on the basis of installed equipment for electronic communications Telenor and payment of debt in the amount of RSD 3,380,231.48 in four monthly instalments, starting repayment from 15.09.2016 until 01.12.2016;
- **31.08.2016** - concluded Protocol No. 10-25/2016 on the regulation of due obligations totalling RSD 5,356,117.88 on the basis of leasing office space of the Lessee ZUA Lilly Drogerie in three monthly instalments, with the start of repayment from 01.09.2016 to 01.11.2016.
- **06.09.2016** - DHL/EAT started mail flights.
- **09.09.2017** - started negotiations on flights operated by Transavia from Amsterdam to Belgrade.
- **15.09.2016** – started to charge services provided to Montenegro Airlines, because of the debt of the company toward Belgrade Nikola Tesla Airport.
- **30.09.2016** - the company Isair began with a series of charter flights on the route Belgrade – Tel Aviv.
- **16.10.2016** - the company Arkia Airlines began with a series of charter flights on the route Belgrade – Tel Aviv.
- **14.11.2016** - Adopted a new price list of communication services No.33-315/2, which is active from 01.12.2016. By beginning of implementation of the new Price List, Price List of communications services No. 33-46/2 dated 12.02.2016 ceased to be applicable.
- **05.12.2016** - Adopted a new Price List of parking space, access to parking areas with parking and manipulative areas No. 33-345/2, which is active from 15.12.2016. By beginning of implementation of the new Price List, ceased to be applicable Price List of parking space, vehicle traffic and access to the parking area with parking and manipulative areas No. 05-292/2 of 25.09.2015 ceased to be applicable.
- **05.12.2016** - Adopted a new Rulebook on lease of space, No. 33-346/2. With the new Rulebook into force, the Rulebook No.05-182/2 of 15.12.2014 ceased to be applicable.
- **05.12.2016** - Adopted a new Price list of passenger service which changed the security fee from the previous 3.3 euros per departing passenger to 4.48 euros per departing passenger. The subject change of Price List came into force on 01.02.2017.
- **20.12.2016** - based on the Decision of the Supervisory Board are signed the second Annex No. 14-62/2016 and Lease Agreement (consolidated text) No. 14-61/2016, which is his enclosure as the most important commercial agreement of ANT, which shall enter into force on the date of the Decision of Commission for protection of competition and shall apply from the first day of the month following the Decision of the Commission. Second annex and the Lease Agreement (consolidated text) regulate mutual relations between Dufry Company as the Lessee and JSC Belgrade Nikola Tesla Airport, as the Lessor, for the next Agreement period. During negotiations with the aim of changing the Main Lease Agreement No. 170/2006 from 21.02.2006, a special reference was on the fact that from conclusion of the Main Agreement there was a multiple increase in the number of passengers, and on the fact that the company Dufry indicated its intention to invest additional significant resources in expanding the capacity to carry out its core activities.

Until the date of the Decision of the Commission, Main Agreement in its entirety shall remain in force with the implementation of all its provisions. Second annex and the Lease Agreement (consolidated text), do not provide for an exclusive right of priority on any newly created area. ANT would establish purpose of future space and only in the case of Duty free space ANT is required to offer space first to company Dufry. By new agreement the airport diminished obligations and responsibilities as far as guarantees in the agreement are concerned, and decreased the area that are intended for business activities of Dufry. Minimum annual guarantee 1 remain the same, and the minimum annual guarantee 2 is introduced in the amount of 2.50 EUR to be applied under the condition that the request for the opinion is submitted to the Government of RS, as well as the minimum annual guarantee 3 in the amount of 2.55 EUR, which is applicable under condition that the Supervisory Board passes Decision on the extension of agreement term until 2026.

Explosive inhibiting containers, 8 pcs.

- **Purpose:** It is justified by the need for an increased level of security arisen by displacement of security restricted zone, which is now closer to the aircraft. It is foreseen to put trash and items that are not subject to security screening into the containers. In this way, is reduced risk of potentially hazardous explosive waste (which could not be recognized as such), and the unexamined seemingly unsuspecting items which can be explosives.
- **Supplier:** Contract concluded on 17.05.2016 with company Jugoscan d.o.o.

Protection against ionizing radiation training course

- **Purpose:** X-ray security screening sector, while performing basic activities of x-ray screening use x-ray devices emitting ionizing radiation.
To obtain a license to conduct such activities for the airport Nikola Tesla, it is necessary among other things to meet the following criteria:
It is necessary to submit to Serbian radiation protection and nuclear safety agency a certificate of competency to work with sources of ionizing radiation and implement measures for protection against ionizing radiation for all operators. X-ray security screening sector trained in the past a number of operators, but there are about another 80 operators to be trained. Procurement published: on 30.03.2016.
- **Supplier:** Contract concluded on 30.05.2016 with company Institut za nuklearne nauke „Vinča“, Centar za permanentno obrazovanje.

Walk Through Metal Detectors, 4 pieces

- **Purpose:** X-ray security screening sector needs walk through metal detectors in standard 2, for the new security check points. Belgrade Nikola Tesla Airport has 4 (four) walk through metal detectors in standard 1, which cannot be upgraded. Walk through metal detectors will be in required standard 2.
- **Supplier:** Contract concluded on 20.05.2016 with company Jugoscan d.o.o.

Belt stanchions

- **Purpose:** Based on the National programme for aviation security it is necessary to deny access to passengers and to persons who are not passengers to equipment used for security screening. Restricting access is possible by placing the belt stanchions which represent an appropriate barrier and prevent access to X-ray devices and containers for the disposal of prohibited items. CAD by Decision No. 5/4-03-0014/2015 of 04.08.2015 ordered ANT to place a physical barrier in all waiting rooms, which will protect passengers and their cabin baggage from unauthorized interference from the point they are security screened. The simplest barrier that would not affect the appearance and functionality of the waiting rooms stanchions. X-ray security screening sector for security screening uses in total 19 X-ray devices in 12-gates waiting rooms. Length of the system (X-ray device + input rollers + output rollers) is 6-9 m, which means that it takes 80 belt stanchions. Procurement published: on 25.03.2016
Bids opening: on 06.04.2016
- **Supplier:** Contract concluded on 10.05.2016 with company „Texhomerkur“ d.o.o.

X-ray Devices 6040

- **Purpose:** X-ray security screening sector presently for security screening in waiting rooms – gates, uses also x-ray units in standard 1, which are borrowed from Boarder Police Station. Procurement is initiated for 4 x-ray units in standard 2 for hand baggage, so that when procurements are completed in the first half of 2016, x-ray devices in standard 1 will no longer be used in waiting rooms – gates. Bargaining is scheduled for: 22.04.2016.
- **Supplier:** Contract award decision filed on 20.05.2016 – Smiths Heimann GmbH

Tray repositioning system in gates

- **Purpose:** X-ray screening sector in June 2016 completed the acquisition of 7 (seven) tray repositioning systems in gates, for seven X-ray machines 6040-2 is, which are acquired for security screening in gates. These systems are necessary for placement of belongings of passengers during security screening in gates. With the systems we have procured 140 trays for liquid screening in X-ray devices. Procurement published on 05.04.2016
- **Supplier:** The contract concluded on 20.05.2016 with company "Centum" d.o.o.

X-ray device in standard 3

- X-ray screening sector in June 2016 completed the acquisition of "X-ray device in standard 3" for screening of hold baggage in Terminal 2. This is procurement for the year 2016. Until strengthening of the floor joists is completed in place where mentioned device should be installed in Terminal 2, island 300, X-ray screening sector will use it to check suspicious transfer baggage, and for operators' training, because it differs significantly from the X-ray devices in standard 2, which are now in operation at ANT. Procurement published on 22.04.2016
- Estimated value: 168,750,000.00 RSD
- **Supplier:** Contract award decision filed on 03.06.2016 – Smiths Heimann GmbH

Explosive trace detectors, 20 pieces

- Purpose: Based on the letter of the Ministry of Interior, number 01-6524 /16 of 02 August 2016, the order of the Civil Aviation Directorate number 110-05-0080/2016-0002 of 03. August 2016 and the letter of the of Civil Aviation Directorate No. 110 -05-0080/2016-0006 of 17 August 2016 and regarding introduction of additional measures concerning aviation security, it is necessary to procure 20 explosives trace detectors. The equipment will be used for security screening of persons, goods and baggage, in the same way as when passengers enter in to security restricted area. In order to achieve a higher degree of protection of people and property from possible terrorist acts at the entrances to the terminals of Belgrade Nikola Tesla Airport is necessary to take measures of X-ray security screening of persons, goods and baggage they carry with themselves. JSC Belgrade Nikola Tesla Airport is obliged to carry out by these devices, by random sampling, inspection of 10-20% of passengers and their hand luggage on each flight, as well as to inspect persons who are not passengers (employees) and things they carry with themselves. The device helps to detect the presence of explosives in baggage, personal belongings, goods and mail, as well as on the very person and thus prevent its entry into the security restricted area or in airport terminals. Purchased explosive trace detectors must meet standards of ECAC Doc. 30 Part II, and be on the list of ECAC Common Evaluation Process for Security Equipment.

Acquisition of a total of 20 devices is planned, which will be installed at the entrances of the terminal building and at the official security check points of JSC Belgrade Nikola Tesla Airport. JN published 16.09.2016.

Walk Through Metal Detectors, 6 pieces

- Purpose: X-ray security screening sector needs walk through metal detectors in standard 2, for the new security check points. It is necessary to acquire 6 (six) walk through metal detectors for security screening of passengers in waiting rooms. Belgrade Nikola Tesla Airport has 4 (four) walk through metal detectors in standard 1, which cannot be upgraded. Walk through metal detectors will be in standard 2.
Walk through metal detectors will also be placed on position D2, where only manual inspection is carried out at the moment. One Walk through metal detector will serve as a spare unit in case of failure of any of the used ones, in order not to reduce capacity of waiting rooms and slow down flow of passengers, employees and third parties. Procurement published on 30.09.2016.

Procurement of raw materials for the production of ID cards

- **Purpose:** Raw material is necessary for making of airport passes for authorities and organizations who perform their activity at the border crossing, i.e. airport. Procurement published: 31.03.2016.

Preparation of preliminary feasibility study with the general project

- **Purpose:** Valid planning documents, based on which it is possible to plan new contents, facilities and infrastructure in the area of Airport Nikola Tesla dates from 1989. Airport Nikola Tesla has already reached and met most of the capacity outlined in the planning documents, and is disabled to develop in line with current trends in the airline industry, and to follow with appropriate infrastructure development a significant increase in the number of aircraft movements and the number of handled passengers and goods. Preparation of preliminary feasibility study with the general project will enable the initiation of legal procedures for the adoption of new planning documents, which will itself allow the development of the airport in several phases over the next 30 years.
- **Supplier:** On 31.05.2016 was concluded contract with the JUP "Urbanistički zavod Beograd".

Development of technical documentation for the adaptation of passenger registration area

- **Supplier:** Mašinoprojekt koprivica was concluded on 11.08.2016.
- **Status:** The tender opening procedure is conducted on 11.07.2016. The preliminary design is completed.

Road that will connect the apron A and apron B

- **Status:** On 03.10.2016 with the Ministry of construction, transport and infrastructure was recorded request for issuance of use permit.

New fire base

- **Status:** On 10.10.2016 obtained locational conditions by MTCI.

Preparation of the study analysis of Nikola Tesla Airport capacities

- **Status:** In the period 03.10 – 07.10.2016 expert team of EGIS made a first round of field collection of data at ANT. Until the end of October is expected report on made analysis and estimations.

Investment "Vehicles for winter maintenance of aprons and maneuvering areas"

- **Purpose:** The purpose of this project is to improve existing technology of work, through the purchase of machinery to support the maintenance of maneuvering areas in winter conditions and remove snow from the maneuvering area, as well as maintenance in regular conditions. The aim of this investment project is the acquisition of multifunctional device with connections and the following features and functions: transport of freight, atmospheric residue, materials, equipment, etc., transshipment of cargo, materials, equipment, cleaning of atmospheric precipitation (snow), preventive chemical action on the maneuvering area to prevent occurrence of ice in winter conditions.

Investment "Supply of passenger cars for the apron"

- **Purpose:** passenger vehicles used to support operations in handling the aircraft, apron management and operational services for maintenance of Belgrade Nikola Tesla Airport. The aim of this project is the purchase of passenger vehicles to be used on the maneuvering areas of the airport.

Activities related to the work of Operations Division

- First that is important is that we in this period had many state visits, and thus also the flights that fall into these categories (HEAD, STATE AND VIP). There were 121 flights in the period January -October. These were by now perhaps the greatest state visits in the history (Biden, President of China ...);
- Second, we had 98 ad-hoc (charter) cargo flights, in addition to regular 1669 flights in the same period;
- Third, made a two-way gate A6 which in many ways brings income to the Company by charging air-bridge in both directions;
- Fourth, since the existence of the airport there was no gate A10, which is made on the initiative and the idea of OD, which also brings profit to ANT from the use of the very gate (ANT increased capacity) to charge of air-bridge A10 in both directions;
- Fifth, done optimization (remarking) of aircraft parking on apron C (remarking of 3 positions for wide-body aircraft) for aircraft of larger wingspan, and now instead of three parking positions occupied by large wide-body aircraft it occupies two positions as they are under angle. By this guidance of aircraft under angle we also put into operation position C5A which was closed before;
- Sixth, apron of general aviation is also remarked for aircraft with larger wingspan than it was before, optimization of aircraft parking;
- Seventh, positions on apron B are remarked for aircraft with larger wingspan, again optimization of parking;
- Eighth, introduced RIDs displays on ANT apron. They increased security by shortening time by one third in low visibility conditions (CAT IIIb), aircraft that are in the approach reduce unnecessary delays in the declaration of the category, reduce redundant communication on apron between operational services and clear status at any time, on weather conditions on the apron of ANT;
- Ninth, bought a new apron bus for transport of passengers in July and currently are in the process of procurement two vehicles for the FOLLOW ME service;
- Tenth, reduced the number of delayed departures from ANT, more regular traffic and reduced number of delay codes related to work of ANT services and ANT capacity.

Since the beginning of the year there are 10 new employees in the division due to the job requirements.

Audit:

Date:	Air carrier who made the audit:	Subject of inspection, supervision of audit	Findings of inspection, supervision of audit:
01.02.2016	Austrian Airlines	<i>Safety</i>	Remarks 1 to 9 1. Potable water and toilet servicing water, 2. Vehicle maintenance, 3. Fueling point, 4. Documentation.
30.03.2016.	SWISS	<i>Safety</i>	Remark 10 1. CCW,
04.- 07.04.2016.	Etihad PEER audit	<i>Safety</i>	Remark 11 1. Potable water and toilet servicing water, 2. Aircraft handling
13.04.2016.	Air Berlin	<i>Safety</i>	OK 1. SMS, 2. Reporting system, 3. Safety checklists.
06-07.06.2016.	Etihad Airways	<i>Safety</i>	OK 1. CCW, 2. Aircraft handling, 3. Air Serbia safety meeting.
29.07.2016.	SWISS	<i>Safety</i>	Remark 12
26.07.2016.	Pegasus Airlines	<i>Safety</i>	OK 1. CCW
5.10.2016.	Turkish Airlines	ERP	OK 1. EPR 2. LAKC
16.11.2016.	Tarom	ERP	OK 1. EPR 2. LAKC

In 2016, OU had 9 audits of airlines that regularly operate from ANT. In total there were 12 remarks found that have been resolved and deficiencies are remedied within the time limit agreed with the airline. Remarks are described in detail in the annual report of OU of control, security, compliance and quality.

Completed training of internal auditors by the certification house Bureau Veritas in the period 10-12.08.2016.godine.

In November 2016, underwent a partial practice from the field of emergency under the name "Received announcement of an emergency – Receipt of announcement by telephone". The exercise was attended by employees from OJ Security Management and Coordination for Emergency, Info Centre and duty managers. The aim of the exercise was to determine the responsiveness of employees in the Info-centre, the flow of information between the services of BNTA and flow of information of BNTA to the BPS. After completed professional simulation exercise, analyse has been done (debriefing after exercise) which showed that the objectives of the exercise were achieved.

7.1. DESCRIPTION OF ALL SIGNIFICANT OCCURENCES AFTER THE PERIOD I-XII 2016

JSC Belgrade Nikola Tesla Airport, in accordance with the Regulation on the procedure for obtaining approval for new employment and further engagement with the users of public funds ("Official Gazette of RS", No. 113/13, 21/14, 66/14, 118/14 and 22/15) (hereinafter: Regulation), and for reasons of increased workload and to improve the business operations, obtained from the Commission for obtaining approvals for new employment and further engagement with the users of public funds, to increase the number of employees and persons engaged.

Preparation of the study analysis of Nikola Tesla Airport capacities

According to the agreed deadline 09.02.2017 the final report of the study analysis of the capacity of Belgrade Nikola Tesla Airport was delivered. The final revision of the submitted report is in progress.

Reinforcement of floor structure

Reconstruction of existing and construction of new route of heating pipeline

Parking payment system expansion

Services of fixed telephony, mobile telephony and internet services

Investment „Segment doors“

Lease, agreements and contracts with airlines

8. DESCRIPTION OF MOST SIGNIFICANT RISKS AND UNCERTAINTIES FOR THE PERIOD I-XII 2016

Risk 1: Non-distribution of incoming messages for load distribution planning in aircraft of Lufthansa Group.

Risk 2: The non-renewal, or failure to sign new Ground Handling Agreements of JSC BNTA with other airlines.

Risk 3: Departure of 41 employees from OU Ground Handling during the winter season into other OU of the Airport or out of the Airport, and getting only 3 employees as transport workers.

Internal risks:

- Saturation of projected airport capacity in terms of number of passengers, commercial content for which demand is growing, as well as parking positions,
- Deterioration of the part of existing infrastructure (part of the maneuvering areas, part of the terminal capacity, part of the primary hot water network, the primary lines of water supply and sewage systems which are more than 40 years old, facility for accommodation of the Fire & Rescue Service is unsuitable for that purpose),
- Unresolved property relations of the land plots and buildings in the immediate neighbouring environment of the airport, on the locations foreseen for the potential expansion of the airport system.

External risks:

- Limitation of development under the existing obsolete and outdated planning act until adoption of a new planning document.
- Growing competition from international airports in neighboring countries,
- Inadequate connection with both the downtown of the City of Belgrade, as well as the broader region of Serbia, having in mind the growth in the number of passengers and introduction of direct flights to the United States,
- The need for continuous improvement of security measures, and consequently increase of the cost,
- The expansion of other airports in Serbia and potential divert of the part of traffic flows, increasing competition at the local level,
- A small number of Tenderers who are licensed for development of technical documentation i.e. construction of facilities for which a building permit is issued by the Ministry (for airports for public air transportation),
- Seasonality and fluctuation in demand, which can be a challenge in planning future capacities.

The spread of terrorist organizations as well as increase of the number of terrorist attacks which as their target increasingly choose airports, indicated to the necessity of increased vigilance and security control at the Airport Nikola Tesla. In the area where there is no x-ray security screening - public area of the airport, of great importance is existence of video surveillance and frequent patrols of the security service.

On the basis of a risk assessment by the security authorities it is recommended to introduce additional security measures including both procurement of new equipment and devices, and engagement of a larger number of persons to be trained to work on above devices.

Those additional security measures include a procedure that can not be completed in a short period of time, which may cause vulnerability of security system at the airport.

The Total number of events significant for safety of air transport is compare to 2015 decreased and total breakdown is given in Chart 1.

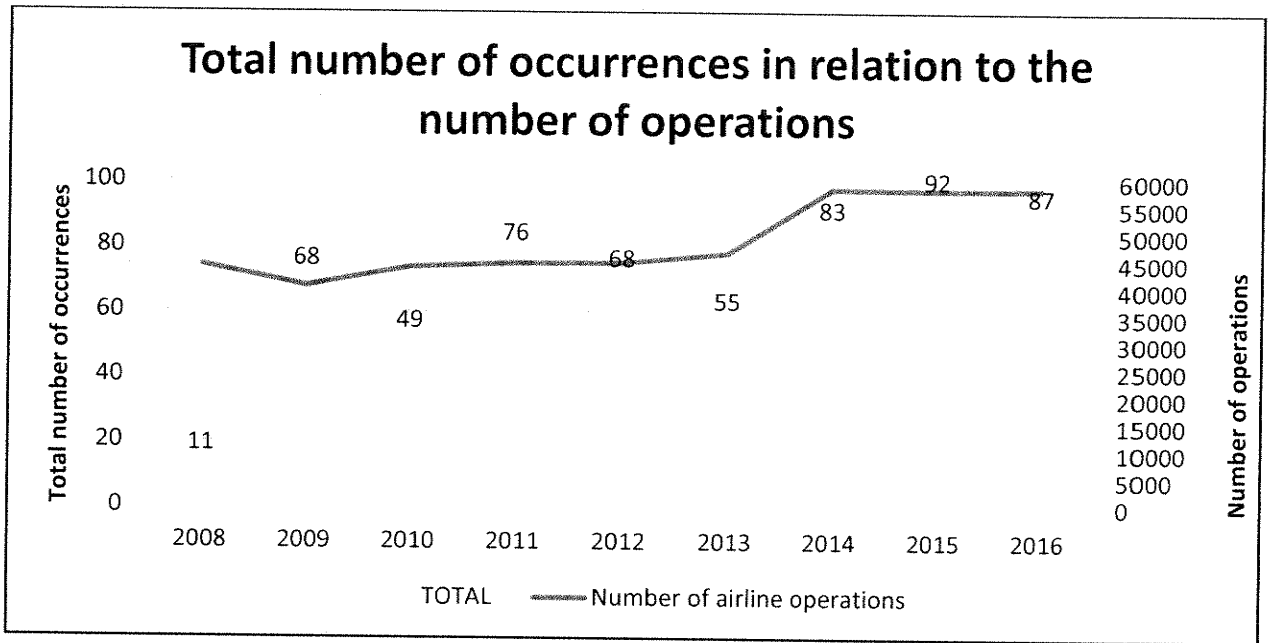


Chart 1

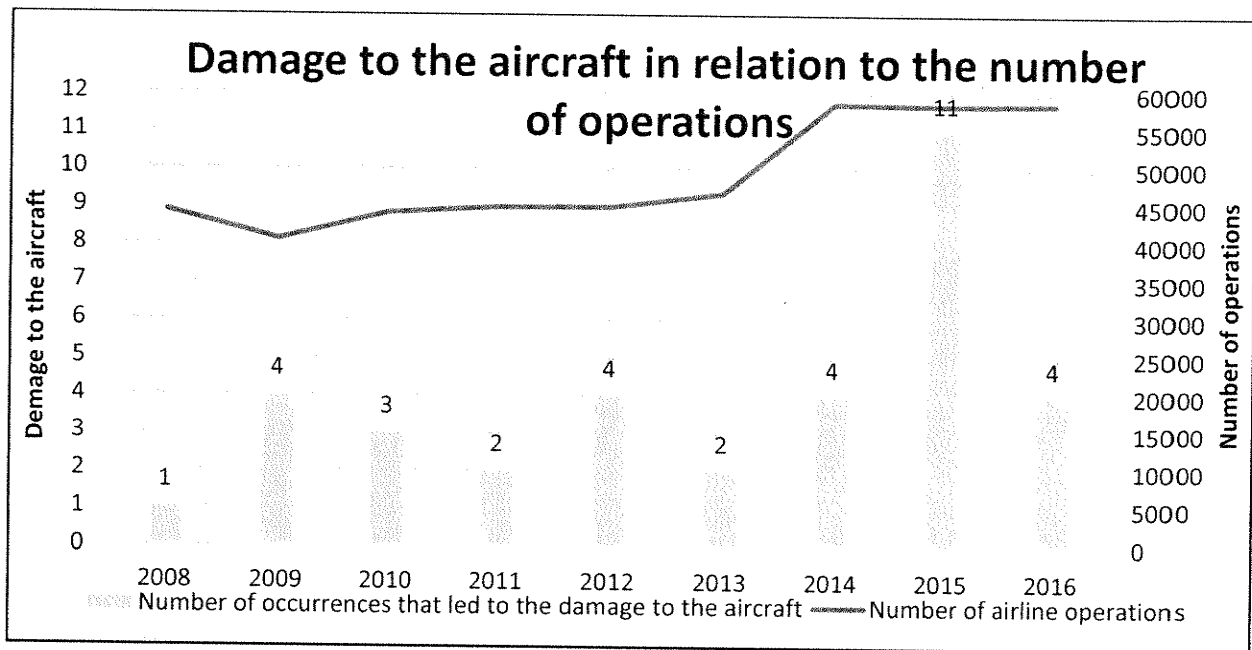


Chart 2

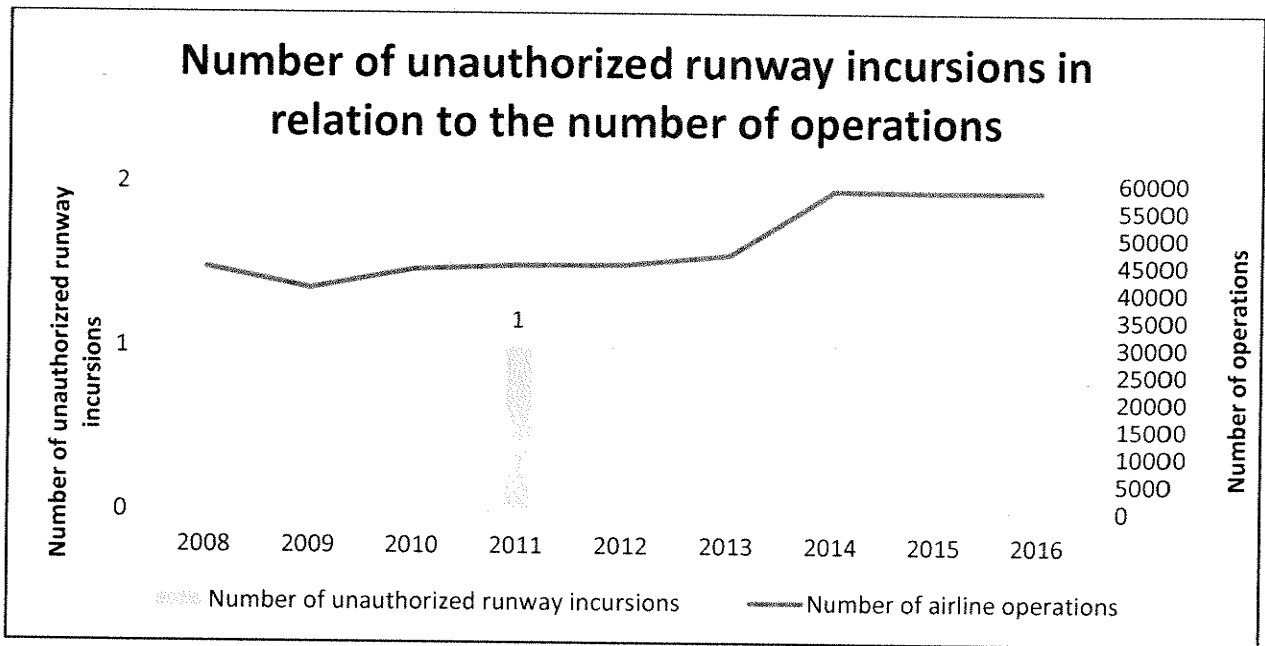


Chart 3

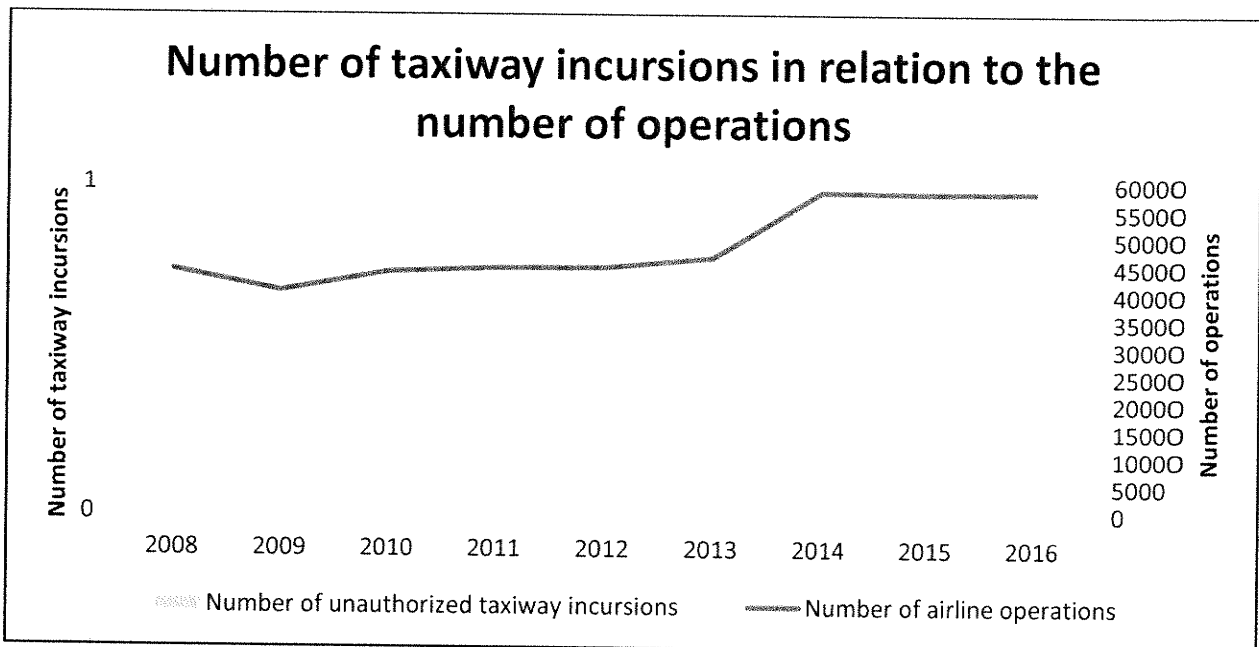


Chart 4

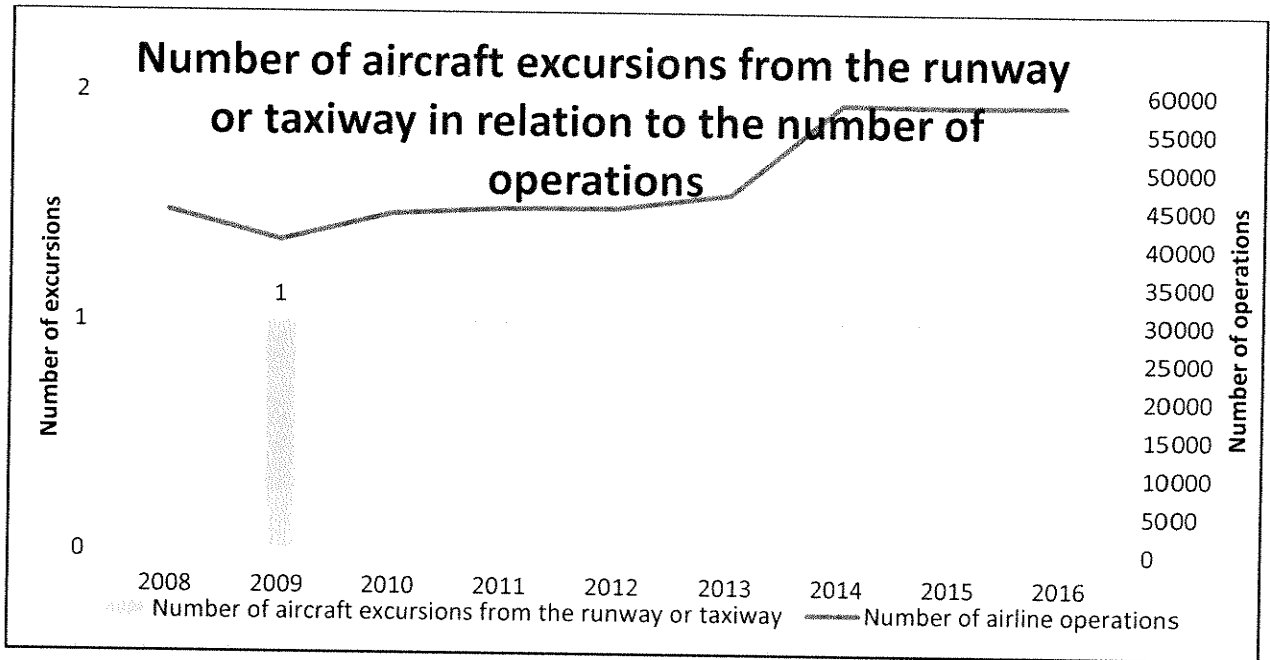


Chart 5

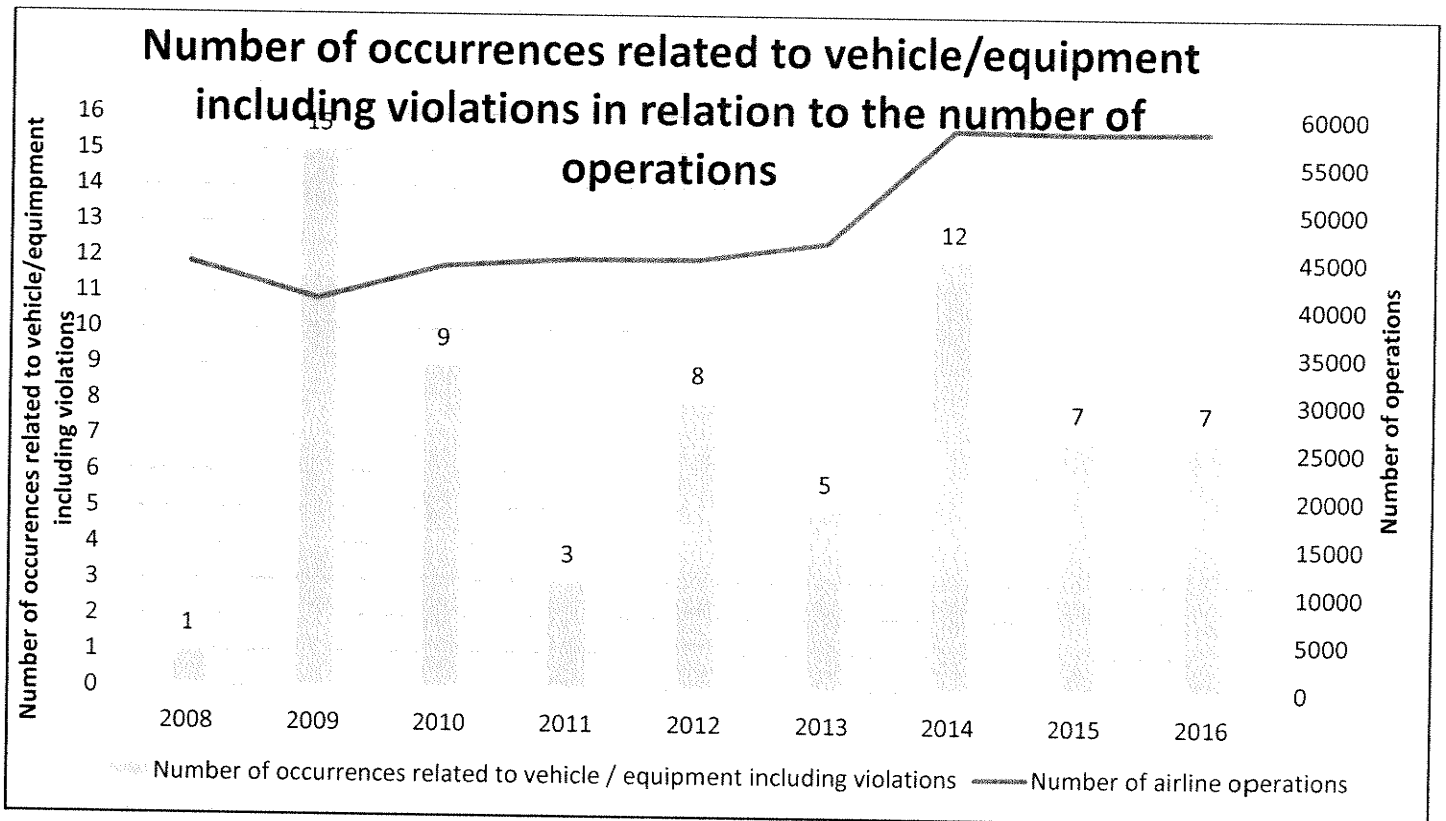


Chart 6

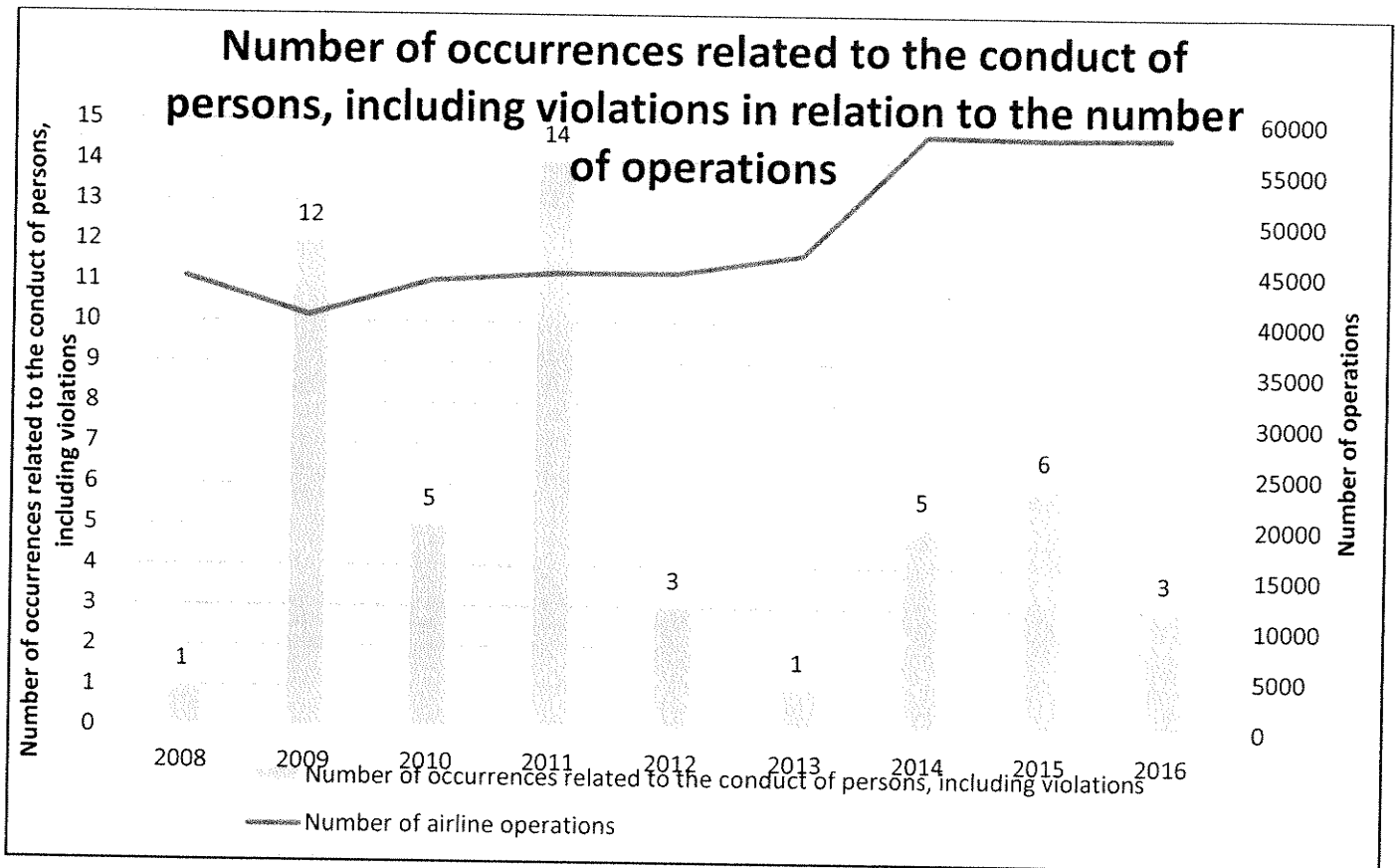


Chart 7

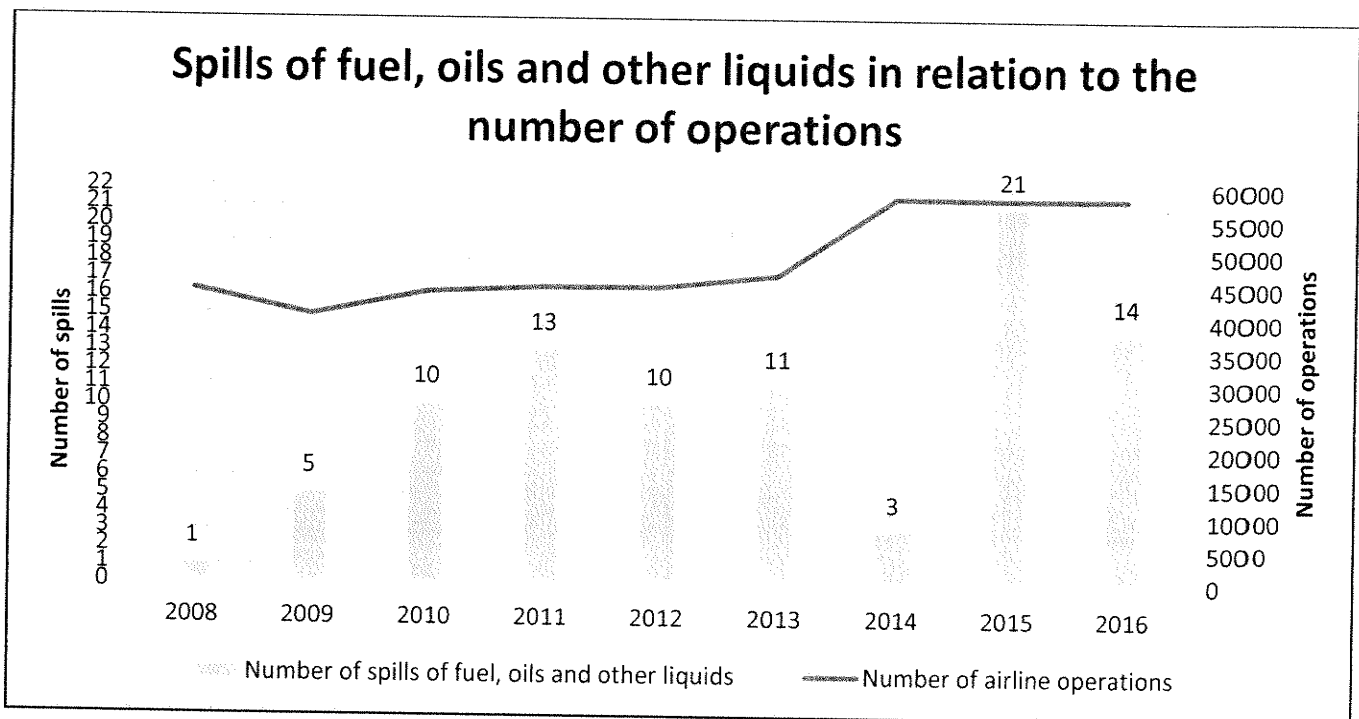


Chart 8

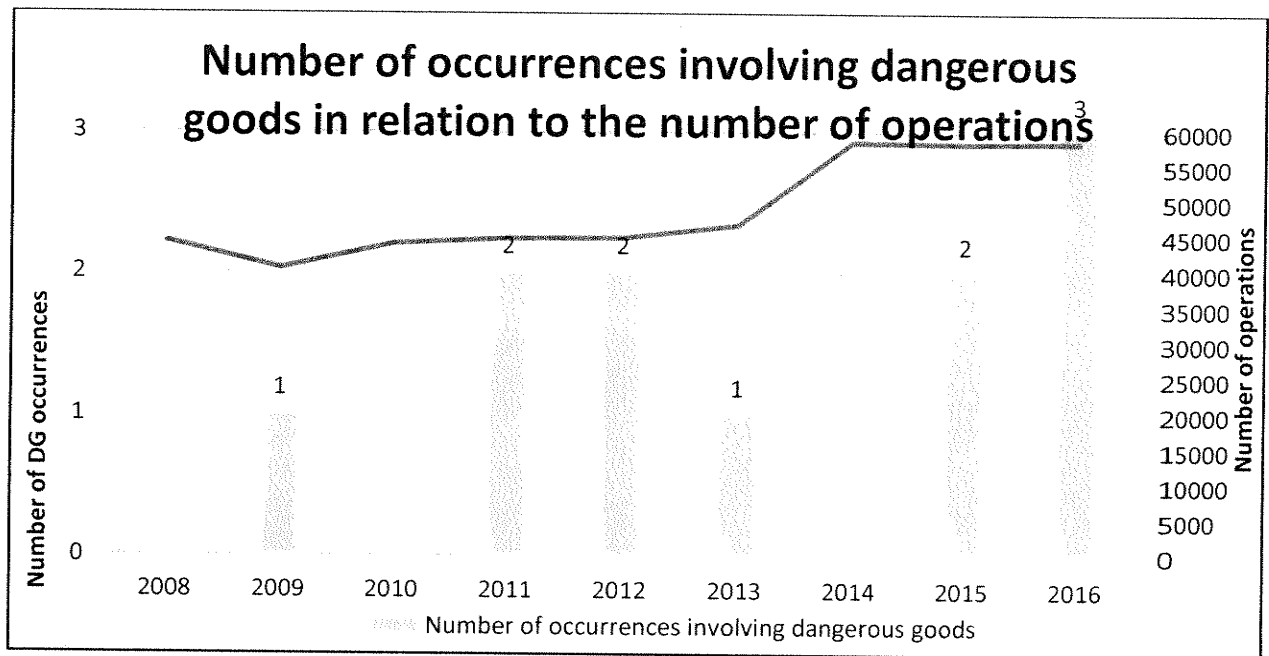


Chart 9

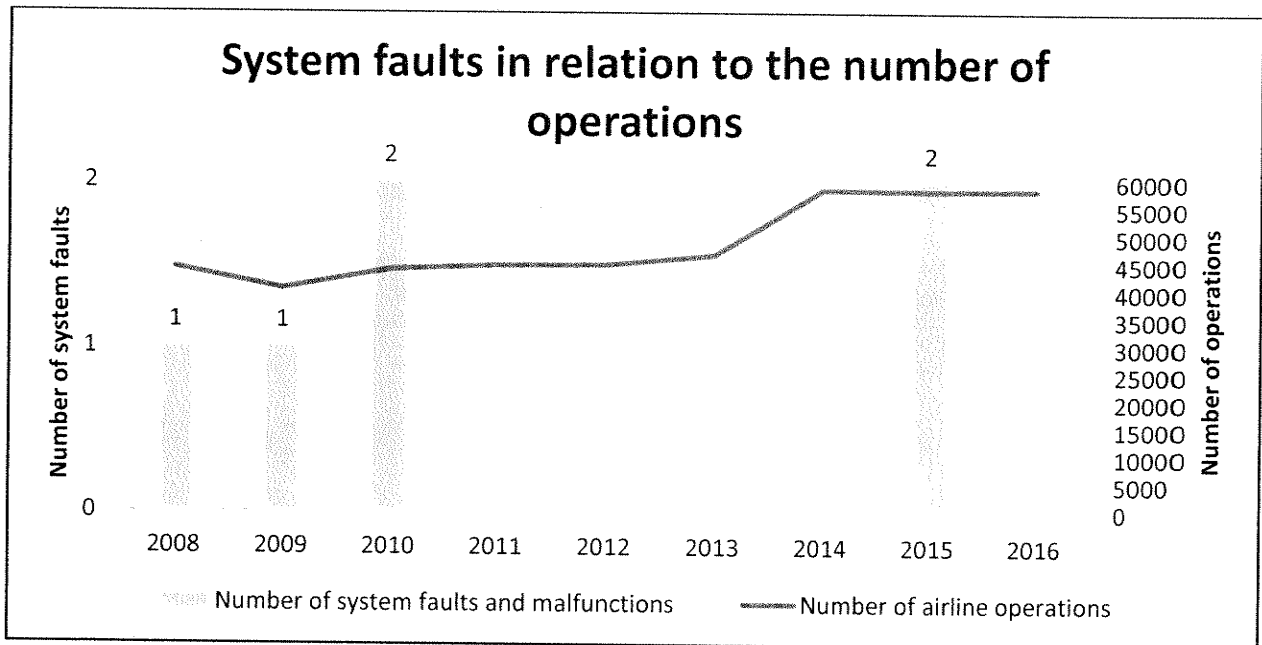


Chart 10

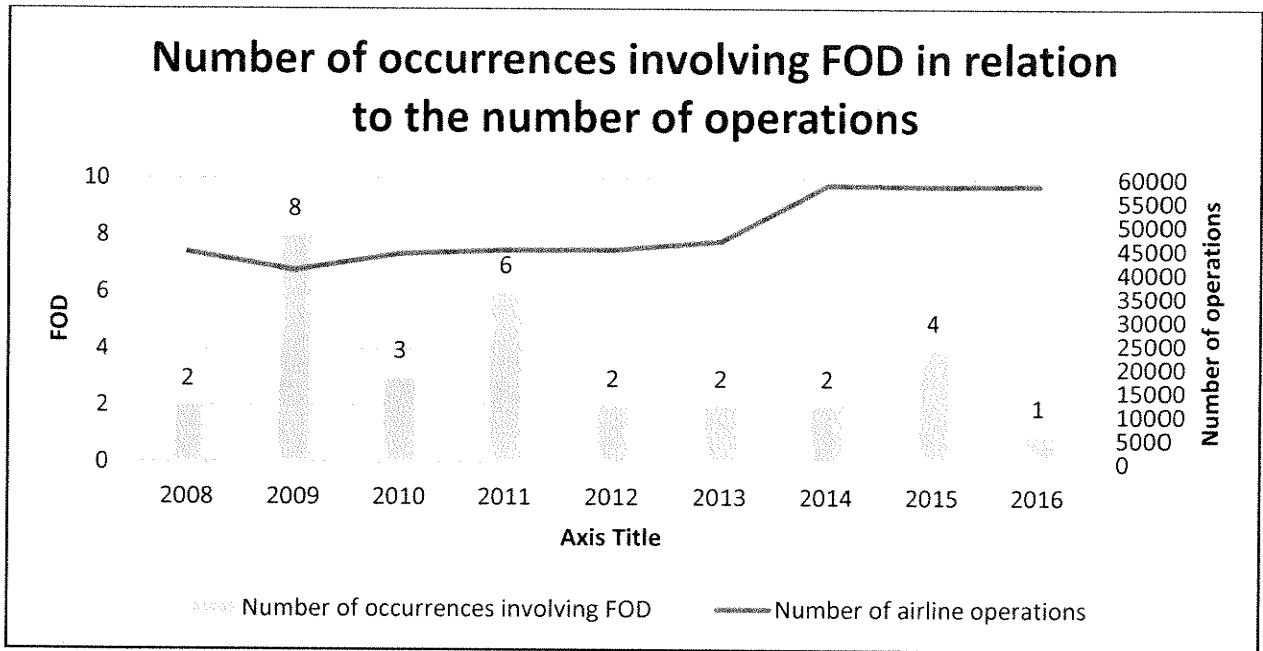


Chart 11

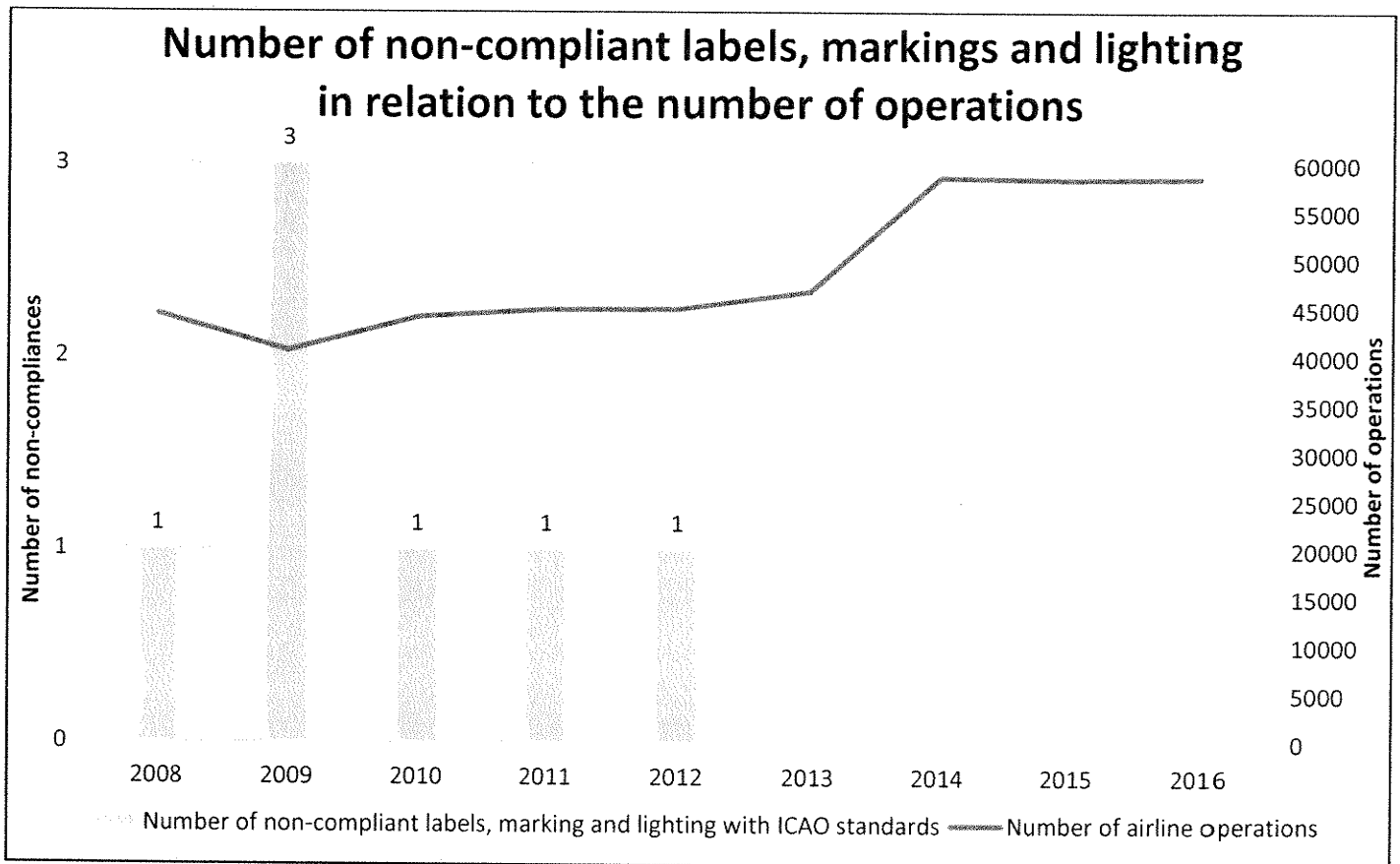


Chart 12

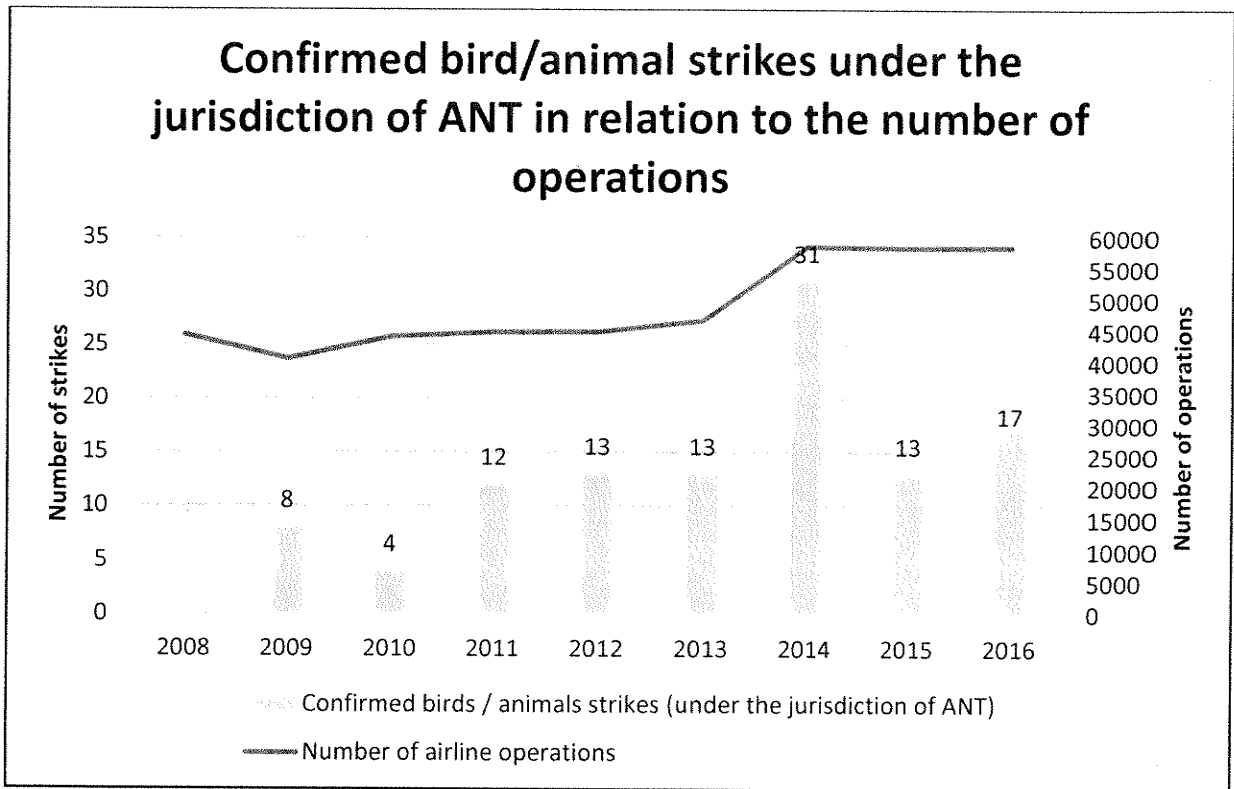


Chart 13

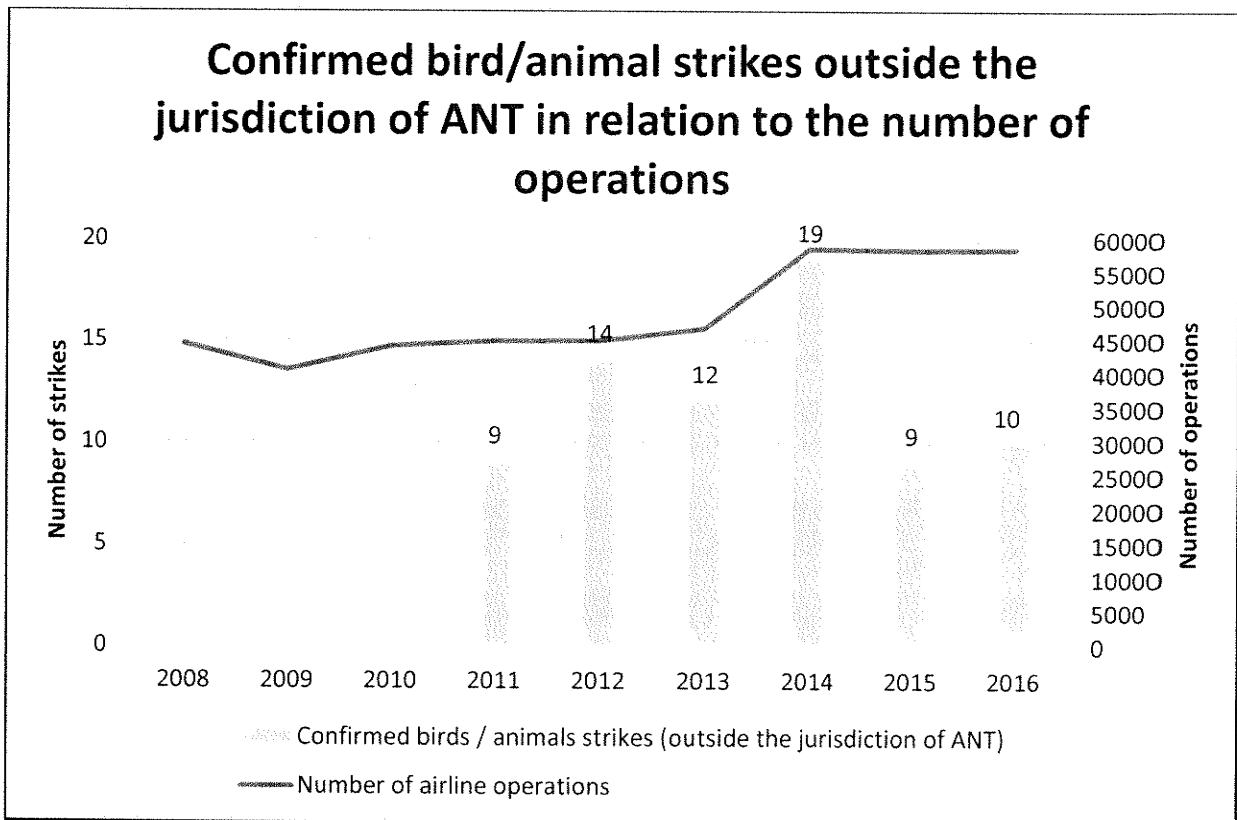


Chart 14

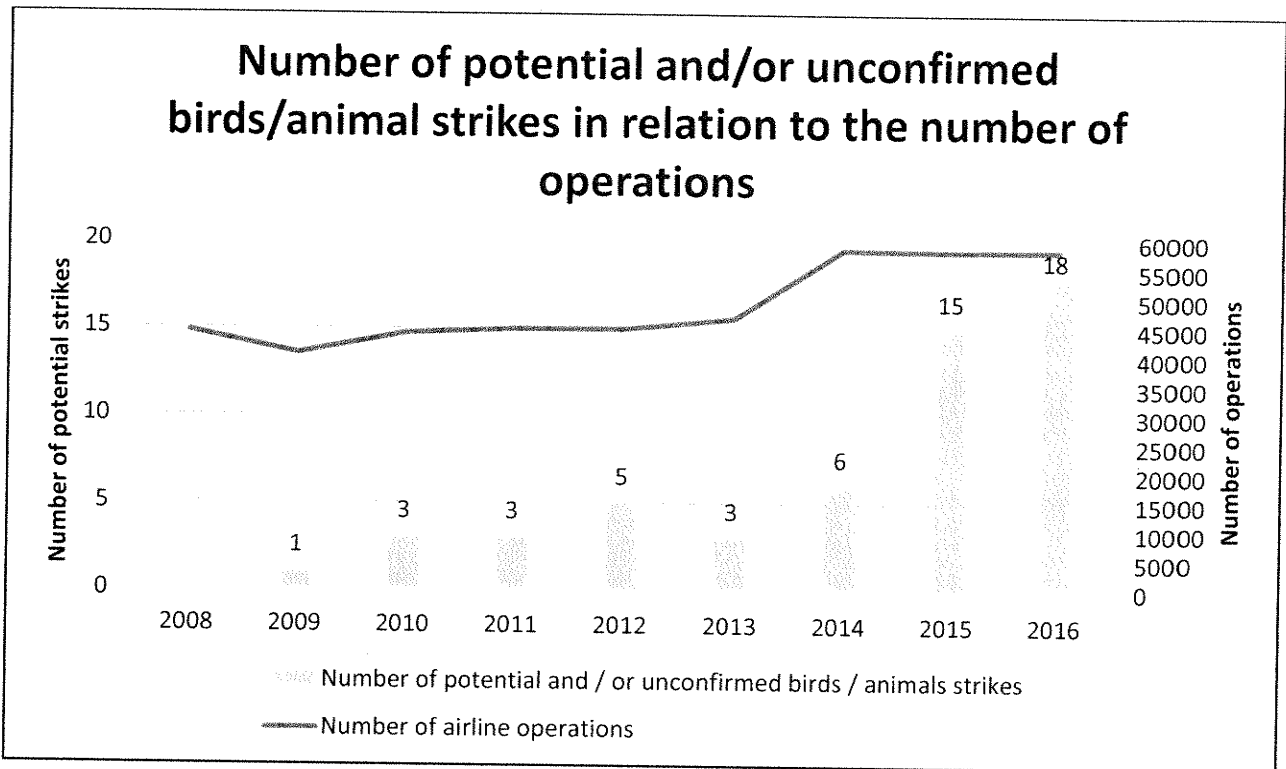


Chart 15

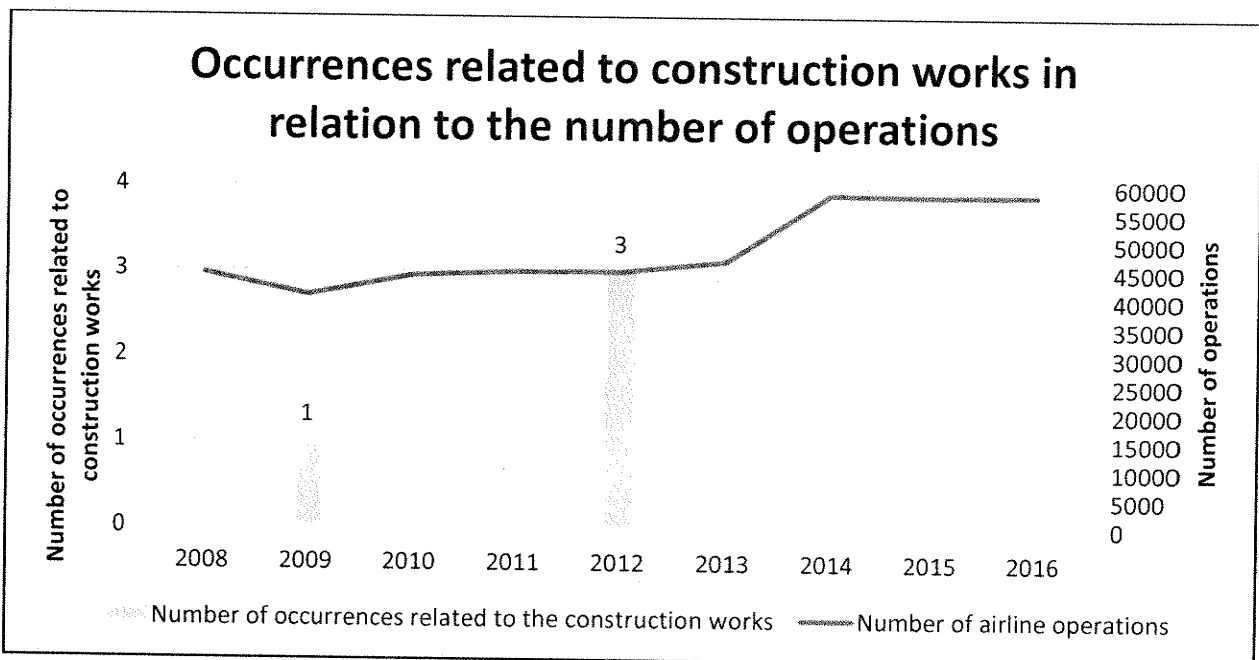


Chart 16

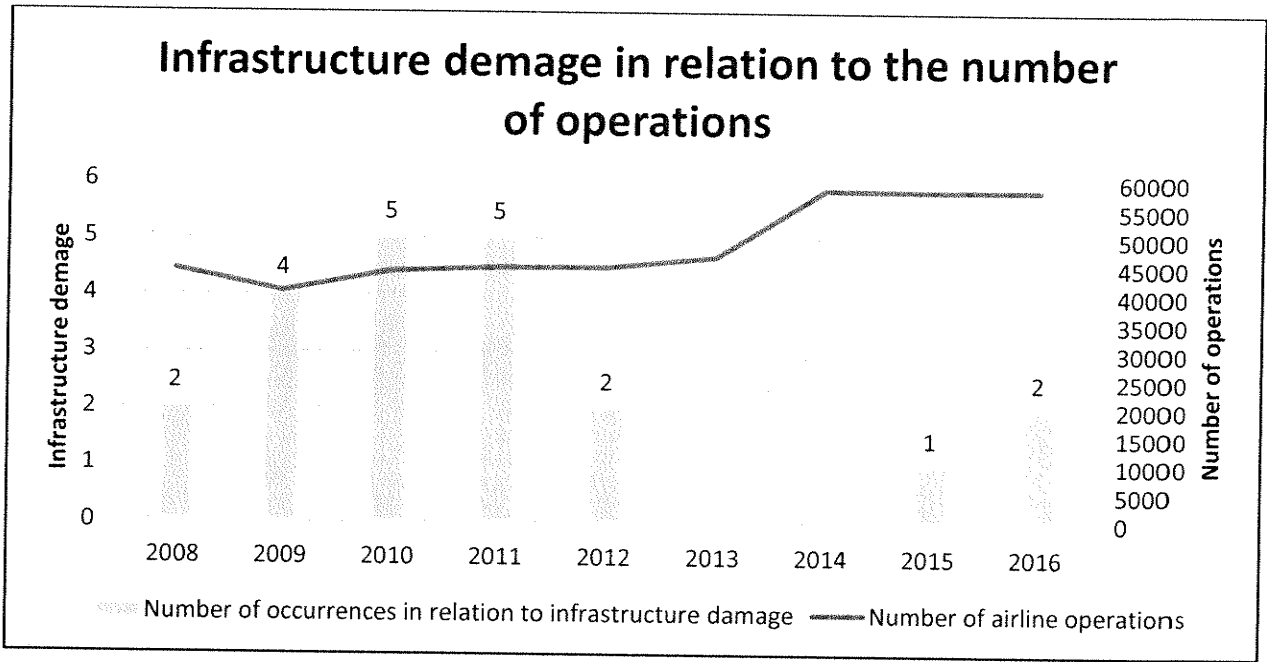


Chart 17

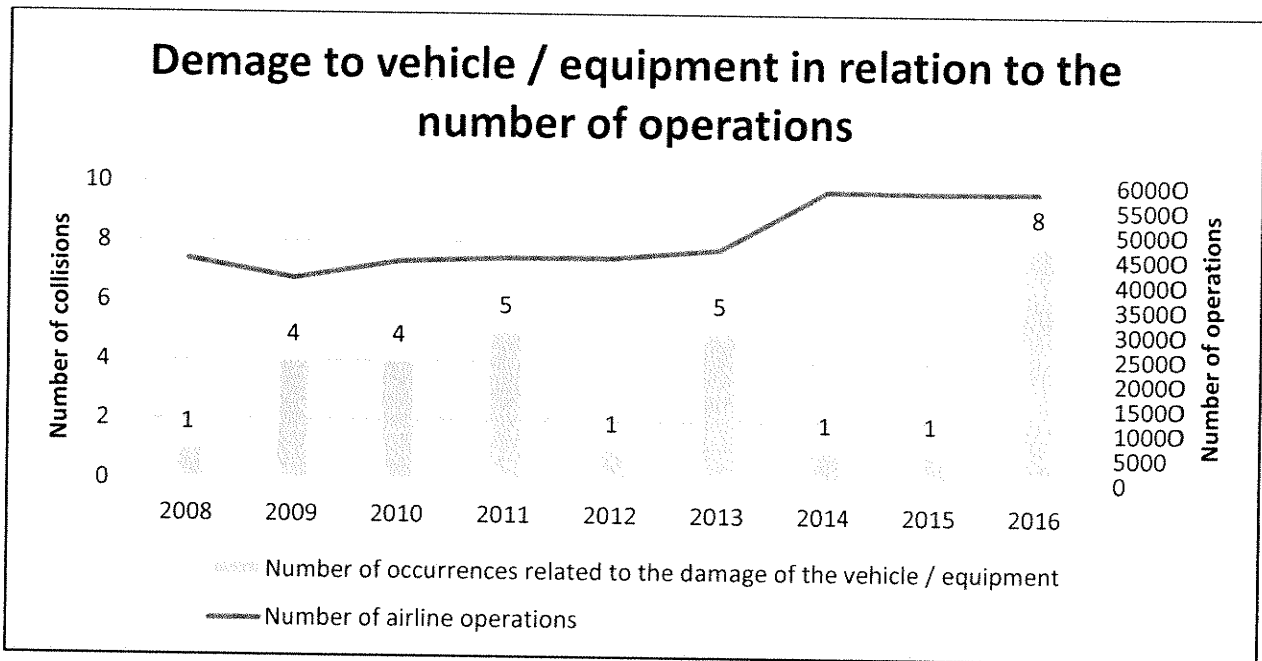


Chart 18

Events of damage to the vehicle / equipment in 2016 quantitatively recorded increase compared to the previous year, which is associated with the introduction of the new ground handling service provider (Sky Partner), and an increased number of newly trained drivers and/or operators of aircraft handling equipment.

Responsibility for events involving dangerous goods has been in destination of shipment of goods, and in this regard airport operator is not able to influence the reduction of events of this nature.

Events in the category of Gross Negligence, i.e., events that occurred due to deliberate violation of regulations or neglecting of procedures by the participants in the event, are one of the best indicators of the level of awareness about the importance of ATS among employees. Their share in the total number of reported events and comparison with previous years is shown in Chart 19.

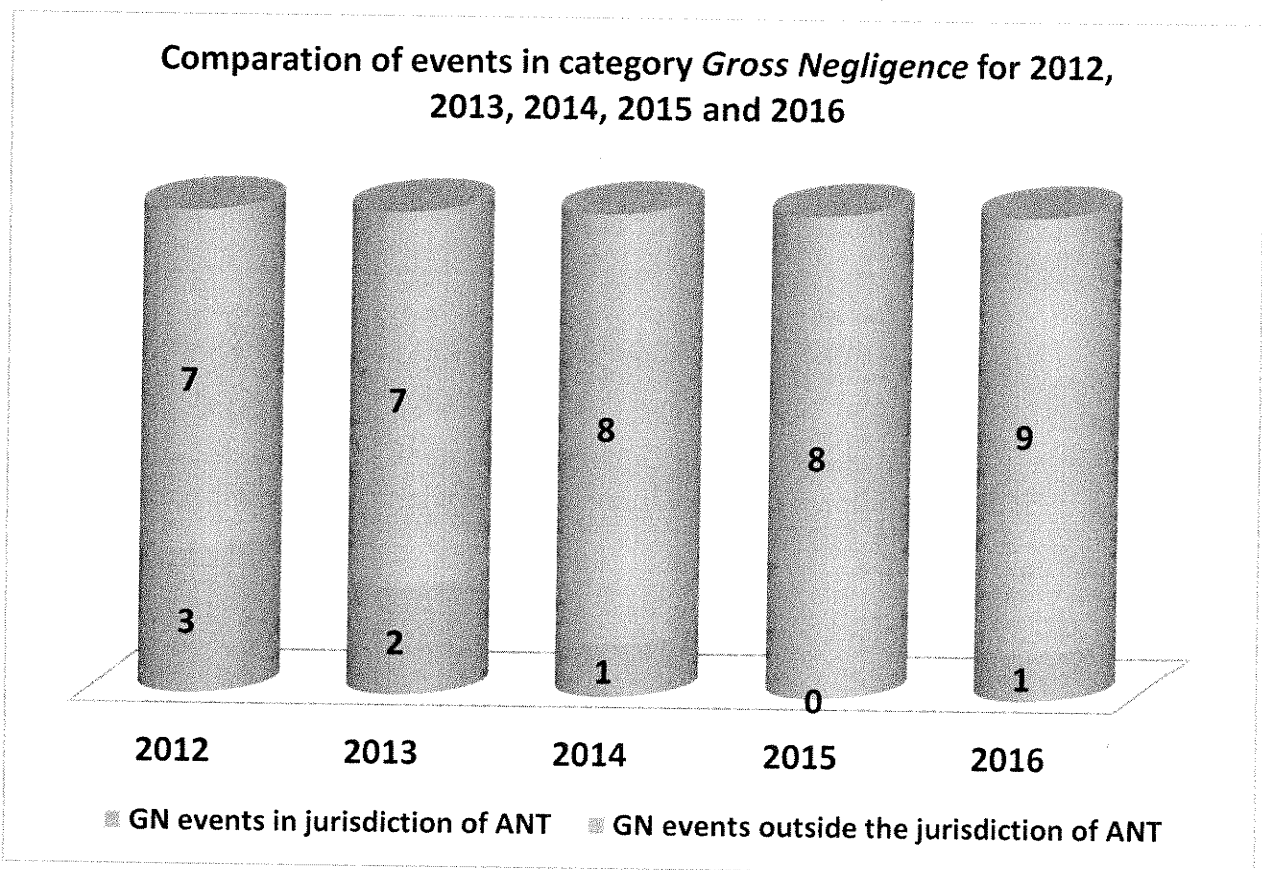


Chart 19

9. DESCRIPTION OF THE EXPECTED DEVELOPMENT OF THE COMPANY IN THE NEXT PERIOD, CHANGES IN BUSINESS POLICY OF THE COMPANY AS WELL AS THE MAIN RISKS AND CHALLENGES THAT OPERATIONS THE COMPANY ARE EXPOSED TO

As more significant we point out that during 2017 a regular handling of wide-body passenger aircraft is expected, as well as the further growth of charter cargo aircraft handled on our airport. In this regard is expected increase of the capacity and quality of services provided to airlines, that is, creating of conditions for safer and more regular traffic.

Internal risks:

- Saturation of projected airport capacity in terms of number of passengers, commercial content for which demand is growing, as well as parking positions,
- Deterioration of the part of existing infrastructure (part of the maneuvering areas, part of the terminal capacity, part of the primary hot water network, the primary lines of water supply and sewage systems which are more than 40 years old),
- Unresolved property relations of the land plots and buildings in the immediate neighbouring environment of the airport, on the locations foreseen for the potential expansion of the airport system.

External risks:

- Growing competition from international airports in neighboring countries,
- Inadequate connection with both the downtown of the City of Belgrade, as well as the broader region of Serbia, having in mind the growth in the number of passengers and introduction of direct flights to the United States,
- The need for continuous improvement of security measures, and consequently increase of the cost,
- The expansion of other airports in Serbia and potential divert of the part of traffic flows, increasing competition at the local level,
- A small number of Tenderers who are licensed for development of technical documentation i.e. construction of facilities for which a building permit is issued by the Ministry (for airports for public air transportation),
- Seasonality and fluctuation in demand, which can be a challenge in planning future capacities.

10. FINANCIAL INSTRUMENTS AND AIMS OF FINANCIAL RISK MANAGEMENT

Due to market risks, which influence on financial instruments, the management of the Company vigilantly monitors risky developments and take precautionary measures for risk management.

10.1. MARKET RISK

When analysing the market and its impact on the Company's operations, primarily on the financial instruments, the Company perceives risks of changes in foreign exchange rates (currency risk) risks of changes in interest rates, and the risk of changes in prices of services.

a) Currency risk

The analysis of the assets and resources of the Company on 31.12.2016, primarily of cash and cash equivalents, receivables from buyers, liabilities from long-term loans, financial leasing and the like can be said that the Company is exposed to foreign exchange risk.

By detailed analysis of the currency structure of financial assets and liabilities as of 31.12.2016 can be concluded that the funds are contracted with currency clause and that exceed the agreed financial obligations in the currency. Financial liabilities contracted in currencies are generally long-term nature. Based on the above facts it follows that JSC Belgrade Nikola Tesla Airport does not operate with a high exposure to currency risk.

b) Risk of interest rate change

Risk of change of interest rate does not represent significant risk for the Company. Financial instruments with contracted interest are mainly defined with fixed interest rate. Thus, changes in interest rates would not significantly affect the revenues and expenditures of the Company.

10.2. CREDIT RISK

The Company estimates that the greatest of the risks affecting financial instruments is credit risk. The Company has huge receivables of domestic and foreign buyers and the credit risk permanently exists. In order to diminish this risk, the Company monitors charging realisation on regular basis. It analyses value of collection in the currencies, that is, in contracted terms, delays in payment default and monitoring of outstanding receivables.

10.3. LIQUIDITY RISK AND CASH FLOW

Management of liquidity risk demands special attention of the Management of the Company. Therefore the Management has established business policy mostly based on financing from own resources. Borrowed funds are mostly long-term resources and short-term obligations can be covered from short-term receivables.

Looking at liquidity indicators we see that the coefficients of the current and accelerated liquidity are over 3.13, which indicates that the Company is able to settle its current and short-term liabilities as they mature, from its own sources.

Average time of collection of receivables is 62 days (111 days in 2015). It is necessary to give high priority to the collection of due receivables, provide billing mechanisms with constant monitoring of the balances of receivables and daily updates of payments with the approved mechanisms as evidenced by the customer turnover ratio indicator which is 5.9. Average time of settlement of obligations towards suppliers is 46 days (48 days in 2015). We emphasize that the Company in a timely manner meets its current obligations and that supplier turnover ratio 7.9.

11. MAJOR ACTIVITIES OF THE COMPANY WITH RELATED PARTIES

JSC Airport Nikola Tesla Belgrade has no related parties on the basis of the Companies Law (Official Gazette of RS No.36/2011, 99/2011, 83/2014 and 5/2015 Article 62) therefore has no business activities with related parties.

11.1. EXISTANCE OF BRANCHES

JSC Belgrade Nikola Tesla Airport does not have branches within the Company.

Belgrade, April 2017

Chairman of the Executive Board

Acting Director General
Saša Vlaisavljević



Finance Department Director

Dobrila Pejović

E.O.

Director general's office



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STATEMENT

Hereby we state that, according to our best knowledge, the Annual Business Report for 2016 is drafted in line with appropriate international standards of financial reporting and that it shows true and impartial data on property, obligations, financial position and operating, profits and losses, cash flows and changes on the capital of the Company.

Signed by:

Acting General Director



Saša Vlasisavljević

Financial Director

Dobrija Pejović

Head of Accounting Sector

Zorka Latinović

C.O.

Director general's office



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NOTE

The Financial Statements for 2016 and Audit Reports were not adopted at the General Assembly of the Company and will be on the agenda of the annual meeting to be held within six months from the end of business year.

On the agenda of the meeting of General Assembly of the Company one of the proposals will be a Decision on profit distribution.

Signed by:

Acting General Director



Saša Vlaisavljević

Saša Vlaisavljević
C.O.