FINTEL ENERGIJA AD

CONSOLIDATED ANNUAL REPORT OF FINTEL ENERGIJA A.D. FOR THE YEAR 2018

Belgrade, April 2019.

Pursuant to Articles 50 and 51 of the Law on Capital Market (RS Official Gazette, No. 31/2011, 112/2015 and 108/2016) and pursuant to Article 3 of the Rulebook on the Content, Form and Method of Publiciation of Annual, Half-Yearly and Quarterly Reports of Public Companies (RS Official Gazette, No. 14/2012, 5/2015 and 24/2017), Fintel Energija ad from Belgrade (registration number 20305266) hereby publishes the following:

CONSOLIDATED ANNUAL REPORT OF FINTEL ENERGIJA A.D. FOR THE YEAR 2018

Content

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

FINTEL ENERGIJA AD, BEOGRAD

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CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE LAW ON ACCOUNTING OF THE REPUBLIC OF SERBIA

CONSOLIDATED BALANCE SHEET
In RSD thousand

	AOP	Note	31 December 2018	31 December 2017
A. SUBSCRIBED CAPITAL UNPAID	**0001**		-	-
B. NON-CURRENT ASSETS (0003 + 0010 + 0019+ 0024 + 0034)	**0002**		**11,578,101**	**3,184,272**
I. INTANGIBLE ASSETS (0004+0005+0006+0007+0008+0009)	**0003**		-	-
1. Development investments	0004		-	-
2. Concessions, licenses, software and other rights	0005		-	-
3. Goodwill	0006		-	-
4. Other intangible assets	0007		-	-
5. Intangible assets under development	0008		-	-
6. Advances for intangible assets	0009		-	-
II. PROPERTY, PLANT AND EQUIPMENT (0011+0012+0013+0014+0015+0016+0017+0018)	**0010**		**11,479,992**	**3,053,952**
1. Land	0011	8	26,269	27,048
2. Buildings	0012	8	487,366	514,804
3. Machinery and equipment	0013	8	1,912,477	2,023,562
4. Investment property	0014		-	-
5. Other property, plant and equipment	0015		-	-
6. Construction in progress	0016	8	3,157,688	225,732
7. Investments in leased PP&E	0017		-	-
8. Advances for PP&E	0018	8	5,896,192	262,806
III. BIOLOGICAL ASSETS (0020+0021+0022+0023)	**0019**		-	-
1. Forest farming	0020		-	-
2. Livestock	0021		-	-
3. Biological assets in production	0022		-	-
4. Advances for biological assets	0023		-	-
IV. LONG-TERM FINANCIAL INVESTMENTS (0025+0026+0027+0028+0029+0030+0031+0032+0033)	**0024**		**98,110**	**130,320**
1. Investments in subsidiary	0025		-	-
2. Investments in joint ventures	0026		-	-
3. Investments in other legal entities and other available for sales financial assets	0027		-	-
4. Long term investments in parent and subsidiaries	0028		-	-
5. Long-term investments in other related parties	0029		-	-
6. Long-term investments – domestic	0030		-	-
7. Long-term investments – foreign	0031		-	-
8. Securities held to maturity	0032		-	-
9. Other long-term financial investments	0033	9	98,110	130,320
V. LONG-TERM RECEIVABLES (0035+0036+0037+0038+0039+0040+0041)	**0034**		-	-
1. Receivables from parent company and subsidiaries	0035		-	-
2. Receivables from other related parties	0036		-	-
3. Receivables from sale of goods on credit	0037		-	-
4. Receivables arising out of finance lease contracts	0038		-	-
5. Claims arising from guarantees	0039		-	-
6. Bad and doubtful receivables	0040		-	-
7. Other long-term receivables	0041		-	-
C. DEFFERED TAX ASSETS	**0042**		-	-

CONSOLIDATED BALANCE SHEET (CONTINUED)
In RSD thousand

	AOP	Note	31 December 2018	31 December 2017
D. CURRENT ASSETS (0044+0051+0059+0060+0061+0062+0068+0069+0070)	**0043**		**643,372**	**208,422**
I. INVENTORY (0045+0046+0047+0048+0049+0050)	**0044**		**749**	**497**
1. Materials, spare parts and tools	0045		14	-
2. Work in progress	0046		-	-
3. Finished goods	0047		-	-
4. Merchandise	0048		-	-
5. Assets held for sale	0049		-	-
6. Advances for inventory and services	0050		735	497
II. TRADE RECEIVABLES (0052+0053+0054+0055+0056+0057+0058)	**0051**		**420**	-
1. Domestic trade receivables - parents and subsidiaries	0052		420	-
2. Foreign trade receivables - parents and subsidiaries	0053		-	-
3. Domestic trade receivables - other related parties	0054		-	-
4. Foreign trade receivables - other related parties	0055		-	-
5. Trade receivables – domestic	0056		-	-
6. Trade receivables – foreign	0057		-	-
7. Other trade receivbles	0058		-	-
III. RECEIVABLES FROM SPECIFIC OPERATIONS	**0059**		-	-
IV. OTHER RECEIVABLES	**0060**		**24,889**	**3,935**
V. FINANCIAL ASSETS AT FAIR VALUE THROUGHT PROFIT OR LOSS	**0061**		-	-
VI. SHORT TERM FINANCIAL INVESTMENTS (0063+0064+0065+0066+0067)	**0062**		**1,405**	**10,674**
1. Short-term loans and investments - parent companies and subsidiaries	0063		-	-
2. Short-term loans and investments – other related parties	0064		-	10,674
3. Short-term loans and investments – domestic	0065		-	-
4. Short-term loans and investments – foreign	0066		-	-
5. Other short-term loans and investments	0067		1,405	-
VII. CASH AND CASH EQUIVALENTS	**0068**	**10**	**537,552**	**102,755**
VIII. VALUE ADDED TAX	**0069**	**11**	**33,704**	**28,580**
IX. PREPAYMENTS AND ACCRUED INCOME	**0070**	**11**	**44,653**	**61,981**
E. TOTAL ASSETS (0001+0002+0042+0043)	**0071**		**12,221,474**	**3,392,694**
F. OFF-BALANCE SHEET ASSETS	**0072**	**7**	**905,782**	**344,864**
A. EQUITY (0402+0411-0412+0413+0414+0415-0416+0417+0420-0421)	**0401**		**522,454**	-
I. SHARE CAPITAL (0403+0404+0405+0406+0407+0408+0409+0410)	**0402**		**685,294**	**3,825**
1. Share capital	0403	12	**4,057**	**3,825**
2. Stakes of limited liability companies	0404		-	-
3. Stakes	0405		-	-
4. State owned capital	0406		-	-
5. Socially owned capital	0407		-	-
6. Stakes in cooperatives	0408		-	-
7. Share premium	0409	12	**681,237**	-
8. Other capital	0410		-	-
II. SUBSCRIBED CAPITAL UNPAID	**0411**		-	-
III. OWN SHARES	**0412**		-	-
IV. RESERVES	**0413**		-	-
V. REVALUATION RESERVES FROM VALUATION OF INTANGIBLES, PROPERTIES, PLANT AND EQUIPMENT	**0414**		-	-
VI. UNREALISED GAINS FROM SECURITAS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME	**0415**		-	-
VII. UNREALIZED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME	**0416**	**12**	**112,358**	**15,163**
VIII. RETAINED EARNINGS (0418+0419)	**0417**	**12**	**27,593**	**44,395**
1. Retained earnings from previous years	0418		-	-
2. Retained earnings from current year	0419	12	27,593	44,395
IX. NON-CONTROLLING INTEREST	**0420**	**12**	(26,753)	**8,611**
X. LOSS (0422+0423)	**0421**	**12**	51,322	**95,743**
1. Loss from previous years	0422	12	51,322	95,743
2. Loss from current year	0423		-	-

CONSOLIDATED BALANCE SHEET (CONTINUED)
In RSD thousand

	AOP	Note	31 December 2018	31 December 2017
B. LONG-TERM PROVISIONS AND LIABILITIES (0425+0432)	**0424**		**8,746,628**	**1,839,751**
I. LONG-TERM PROVISIONS (0426+0427+0428+0429+0430+4031)	**0425**		-	-
1. Provisions for warranty claims	0426		-	-
2. Provision for environmental rehabilitation	0427		-	-
3. Provisions for restructuring costs	0428		-	-
4. Provisions for employee benefits	0429		-	-
5. Provisions for litigations	0430		-	-
6. Other long term provisions	0431		-	-
II. LONG-TERM LIABILITIES (0433+0434+0435+0436+0437+0438+0439+0440)	**0432**		**8,746,628**	**1,839,751**
1. Liabilities convertible to equity	0433		-	-
2. Liabilities to parent and subsidiaries	0434	13	14,199	14,217
3. Liabilities to other related parties	0435		-	-
4. Liabilities for issued long-term securities	0436		-	-
5. Long term borrowings - domestic	0437	15	8,487,640	1,792,500
6. Long-term borrowings - foreign	0438		-	-
7. Finance lease liabilities	0439		-	-
8. Other long-term liabilities	0440	16	244,789	33,034
C. DEFFERED TAX LIABILITIES	**0441**		**2,717**	**6,779**
D. SHORT-TERM LIABILITIES (0443+0450+0451+0459+0460+0461+0462)	**0442**		**2,949,674**	**1,600,238**
I. SHORT-TERM FINANCIAL LIABILITIES (0444+0445+0446+0447+0448+0449)	**0443**		**2,069,218**	**1,149,926**
1. Short term borrowings from parent and subsidiaries	0444	13	482,243	482,619
2. Short term borrowings from other related parties	0445	14	1,445,035	513,822
3. Short-term loans and borrowings - domestic	0446	15	141,940	153,485
4. Short-term loans and borrowings - foreign	0447		-	-
5. Liabilities relating to current assets and held-for-sale assets attributable to discounted operations	0448		-	-
6. Other short term liabilities	0449		-	-
II. ADVANCES RECEIVED	**0450**		-	-
III. TRADE PAYABLES (0452+0453+0454+0455+0456+0458)	**0451**	**17**	**523,186**	**109,509**
1. Trade payables - parent and subsidiaries - domestic	0452		-	54,395
2. Trade payables - parent and subsidiaries - foreign	0453		58,761	-
3. Trade payables - other related parties - domestic	0454		286	3,975
4. Trade payables - other related parties - foreign	0455		-	-
5. Trade payables - domestic	0456		462,808	44,235
6. Trade payables - foreign	0457		1,331	6,904
7. Other operating liabilities	0458		-	-
IV. OTHER SHORT-TERM LIABILITIES	**0459**		**85,426**	**57,771**
V. LIABILITIES FOR VAT	**0460**		-	-
VI. LIABILITIES FOR OTHER TAXES	**0461**		**97**	**41,877**
VII. ACCRUED EXPENSES	**0462**	**18**	**271,748**	**241,156**
E. LOSS EXCEEDING EQUITY (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402)>=0=(0441+0424+0442-0071)>=0	**0463**		-	**54,075**
F. TOTAL EQUITY AND LIABILITIES (0424+0442+0441+0401-0463)>=0	**0464**		**12,221,474**	**3,392,694**
G. OFF-BALANCE SHEET LIABILITIES	**0465**	7	**905,782**	**344,864**

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Tiziano Giovannetti
Director

16 April 2019

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

CONSOLIDATED INCOME STATEMENT
In RSD thousand

	AOP	Note	Year ended 31 December 2018	2017
INCOME FROM REGULAR OPERATING ACTIVITIES				
A. OPERATING INCOME (1002+1009+1016+1017)	**1001**		**450,305**	**496,683**
I. INCOME FROM THE SALE OF GOODS (1003+1004+1005+1006+1007+1008)	**1002**		-	-
1. Income from sales of goods to parent and subsidiaries on domestic market	1003		-	-
2. Income from sales of goods to parent and subsidiaries on foreign market	1004		-	-
3. Income from the sale of goods to other related parties on domestic market	1005		-	-
4. Income from the sale of goods to other related parties on foreign market	1006		-	-
5. Income from sale of goods on domestic market	1007		-	-
6. Income from sale of goods on foreign market	1008		-	-
II. INCOME FROM SALES OF PRODUCTS AND SERVICES (1010+1011+1012+1013+1014+1015)	**1009**		**450,305**	**496,683**
1. Income from sales of products and services to parent and subsidiaries on domestic market	1010		-	-
2. Income from sales of products and services to parent and subsidiaries on foreign market	1011		-	-
3. Income from sales of products and services to other related parties on domestic market	1012		-	-
4. Income from sales of products and services to other related parties on foreign market	1013		-	-
5. Income from sales of products and services – domestic	1014	19	450,305	496,683
6. Income from sales of products and services – foreign	1015		-	-
III. INCOME FROM PREMIUMS, SUBVENTIONS AND DONATIONS	**1016**		-	-
IV. OTHER OPERATING INCOME	**1017**		-	-
EXPENSES FROM REGULAR OPERATING ACTIVITIES			-	-
B. OPERATING EXPENSES (1019-1020-1021+1022+1023+1024+1025+1026+1027+1028+1029)>=0	**1018**	-	**290,037**	**283,685**
I. COST OF GOODS SOLD	1019		-	-
II. WORK PERFORMED BY THE ENTITY AND CAPITALIZED	1020		-	-
III. INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES	1021		-	-
IV. DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES	1022		-	-
V. COST OF MATERIAL	1023		175	245
VI. COST OF FUEL AND ENERGY	1024		1,593	1,232
VII. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1025		10,374	6,338
VIII. COST OF PRODUCTION SERVICES	1026	20	51,302	50,780
IX. DEPRECIATION, DEPLETION AND AMORTIZATION	1027	21	138,773	138,374
X. COST OF LONG-TERM PROVISIONING	1028		-	-
XI. NON-PRODUCTION COSTS	1029	22	87,820	86,716
C. OPERATING GAIN (1001-1018)>=0	**1030**		**160,268**	**212,998**
D. OPERATING LOSS (1018-1001)>=0	**1031**		-	-
E. FINANCE INCOME (1033+1038+1039)	**1032**		**150,796**	**141,224**
I. FINANCIAL INCOME FROM RELATED PARTIES AND OTHER FINANCIAL INCOME (1034+1035+1036+1037)	1033		4,908	61,505
1. Finance income - parent company and subsidiaries	1034	23	1,333	43,306
2. Finance income - other related parties	1035	23	3,575	18,199
3. Share of profit of associates and joint ventures	1036		-	-
4. Other financial income	1037		-	-
II. INTEREST INCOME (from third parties)	1038	23	134,474	1,140
III. FOREIGN EXCHANGE GAINS (third parties)	1039	23	11,414	78,579

CONSOLIDATED INCOME STATEMENT
In RSD thousand

	AOP	Note	Year ended 31 December 2018	2017
F. FINANCE EXPENSES (1041+1046+1047)	**1040**		**171,177**	**196,728**
I. FINANCIAL EXPENSES FROM RELATED PARTIES AND OTHER FINANCIAL EXPENSES (1042+1043+1044+1045)	1041		34,637	65,935
1. Finance expense - parent company and subsidiaries	1042	24	18,904	51,765
2. Finance expense - other related parties	1043	24	14,438	14,170
3. Share of loss of associates and joint ventures	1044		-	-
4. Other financial expense	1045		1,295	-
II. INTEREST EXPENSE (from third parties)	1046	24	125,744	126,381
III. FOREIGN EXCHANGE LOSSES (third parties)	1047		10,796	4,412
G. PROFIT FROM FINANCING OPERATIONS (1032-1040)	**1048**		-	-
H. LOSS FROM FINANCING OPERATIONS (1040-1032)	**1049**		**20,381**	**55,504**
I. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**1050**		-	-
J. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**1051**		-	-
K. OTHER INCOME	**1052**		**2,927**	**920**
L. OTHER EXPENSES	**1053**	**25**	**7,082**	**8,646**
M. OPERATING PROFIT BEFORE TAX (1030-1031+1048-1049+1050-1051+1052-1053)	**1054**		**135,732**	**149,768**
N. OPERATING LOSS BEFORE TAX (1031-1030+1049-1048+1051-1050+1053-1052)	**1055**		-	-
O. NET INCOME ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS	**1056**		-	-
P. NET LOSS ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS	**1057**		-	-
Q. PROFIT BEFORE TAX (1054-1055+1056-1057)	**1058**		**135,732**	**149,768**
R. LOSS BEFORE TAX (1055-1054+1057-1056)	**1059**		-	-
II. INCOME TAX				
I. CURRENT INCOME TAX	1060	26	33,037	45,273
II. DEFERRED TAX EXPENSE FOR THE PERIOD	1061	26	27,692	-
III. DEFERRED TAX INCOME FOR THE PERIOD	1062	26	-	8,416
S. PERSONAL INCOME PAID TO EMPLOYER	**1063**		-	-
T. NET PROFIT (1058-1059-1060-1061+1062)	**1064**		**75,003**	**112,911**
V. NET LOSS (1059-1058+1060+1061-1062)	**1065**		-	-
I. NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1066		47,410	68,515
II. NET INCOME ATTRIBUTABLE TO THE OWNER	1067		27,593	44,395
III. NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1068		-	-
IV. NET LOSS ATTRIBUTABLE TO THE OWNER	1069		-	-
V. EARNINGS PER SHARE				
1. Basic earnings per share (in RSD)	1070	27	1.04	1.78
2. Diluted earnings per share (in RSD)	1071	27	1.09	1.78

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
In RSD thousand

	AOP	Note	Year ended 31 December 2018	2017
A. NET PROFIT/(LOSS)				
I. PROFIT, NET (AOP 1064)	**2001**		**75,003**	**112,910**
II. LOSS, NET (AOP 1065)	**2002**		-	-
B. OTHER COMPREHENSIVE PROFIT OR LOSS				
a) Items that will not be reclassified to profit or loss				
1. Changes in the revaluation of intangible assets, property, plant and equipment				
a) increase in revaluation reserves	2003		-	-
b) decrease in revaluation reserves	2004		-	-
2. Actuarial gains (losses) of post-employment benefit obligations				
a) gains	2005		-	-
b) losses	2006		-	-
3. Gains and losses arising from equity investments				
a) gains	2007		-	-
b) losses	2008		-	-
4. Gains or losses arising from a share in the associate's other comprehensive profit or loss				
a) gains	2009		-	-
b) losses	2010		-	-
b) Items that may be subsequently reclassified to profit or loss				
1. Gains (losses) from currency translation differences				
a) gains	2011		-	-
b) losses	2012		-	-
2. Gains (losses) on investment hedging instruments in foreign business				
a) gains	2013		-	-
b) losses	2014		-	-
3. Gains and losses on cash flow hedges				
a) gains	2015		-	19,118
b) losses	2016		211,754	-
4. Gains (losses) from change in value of available-for-sale financial assets				
a) gains	2017		-	-
b) losses	2018		-	-
I. OTHER COMPREHENSIVE PROFIT BEFORE TAX (2003+2005+2007+2009+2011+2013+2015+2017)-(2004+2006+2008+2010+2012+2014+2016+2018)>=0	2019		-	19,118
II. OTHER COMPREHENSIVE LOSS BEFORE TAX (2004+2006+2008+2010+2012+2014+2016+2018)-(2003+2005+2007+2009+2009+2011+2013+2015+2017)>=0	2020		211,754	-
III. TAX ON OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD	2021		(31,763)	2,868
IV. TOTAL NET COMPREHENSIVE PROFIT (2019-2020-2021)>=0	**2022**		**-**	**16,250**
V. TOTAL NET COMPREHENSIVE LOSS (2020-2019+2021)>=0	**2023**		**179,991**	**-**
C. TOTAL NET COMPREHENSIVE PROFIT				
I. TOTAL COMPREHENSIVE PROFIT, NET (2001-2002+2022-2023)>=0	2024		-	129,160
II. TOTAL COMPREHENSIVE LOSS, NET (2002-2001+2023-2022)>=0	2025		104,988	-
D. TOTAL NET COMPREHENSIVE PROFIT / (LOSS) (2027+2028)=AOP 2024>=0 или AOP 2025>0	**2026**			
1. Attributable to shareholders	2027		(69,603)	53,170
2. Attributable to non-controlling interest	2028		(35,386)	75,990

CONSOLIDATED STATEMENT OF CASH FLOWS
In RSD thousand

	AOP	Note	Year ended 31 December 2018	2017
A. CASH FLOWS FROM OPERATING ACTIVITIES				
I. Cash inflow from operating activities (1 to 3)	**3001**		**467,851**	**469,823**
1. Sales and advances received	3002		467,851	462,322
2. Interest from operating activities	3003		-	7,502
3. Other inflow from operating activities	3004			
II. Cash outflow from operating activities (1 to 5)	**3005**		**343,813**	**235,539**
1. Payments and prepayments to suppliers	3006		140,032	92,007
2. Salaries, benefits and other personal expenses	3007		10,374	1,748
3. Interest paid	3008		106,005	132,121
4. Income tax paid	3009		87,402	9,663
5. Payments for other public revenues	3010			
III. Net cash inflow from operating activities (I - II)	**3011**		**124,037**	**234,376**
IV. Net cash outflow from operating activities (II - I)	**3012**			
B. CASH FLOWS FROM INVESTING ACTIVITIES				
I. Cash flows from investing activities (1 to 5)	**3013**		**1,298**	
1. Sale of shares (net inflow)	3014			
2. Proceeds from sale of intangible assets, property, plant and equipment	3015		1,298	
3. Other financial investments (net inflow)	3016			
4. Interest from investing activities	3017			
5. Dividend received	3018			
II. Cash outflow from investing activities (1 to 3)	**3019**		**8,122,121**	**407,467**
1. Acquisition of subsidiaries or other business (net outflow)	3020			
2. Purchase of intangible assets, property, plant and equipment	3021		8,153,875	317,697
3. Other financial investments (net outflow)	3022		(31,754)	89,770
III. Net cash inflow from investing activities (I - II)	**3023**			
IV. Net cash outflow from investing activities (II - I)	**3024**		**8,120,823**	**407,467**
C. CASH FLOWS FROM FINANCING ACTIVITIES				
I. Cash inflow from financing activities (1 to 5)	**3025**		**9,175,905**	**256,205**
1. Increase in share capital	3026		681,468	
2. Proceeds from long-term borrowings (net inflow)	3027		7,555,847	140,162
3. Proceeds from short-term borrowings (net inflow)	3028		938,590	116,043
4. Other long-term liabilities	3029			
5. Other short-term liabilities	3030			
II. Cash outflow from financing activities (1 to 6)	**3031**		**744,323**	**155,563**
1. Purchase of own shares	3032			
2. Repayment of long-term borrowings (net outflow)	3033		744,323	155,563
3. Repayment of short-term borrowings (net outflow)	3034			
4. Repayment of other liabilities (net outflow)	3035			
5. Financial lease	3036			
6. Dividend distribution	3037			
III. Net cash inflow from financing activities (I - II)	**3038**		**8,431,582**	**100,642**
IV Net cash outflow from financing activities (II - I)	**3039**			
D. TOTAL CASH INFLOW (3001+3013+3025)	**3040**		**9,645,054**	**726,029**
E. TOTAL CASH OUTFLOW (3005+3019+3031)	**3041**		**9,210,257**	**798,569**
F. NET CASH INFLOW (340-341)	**3042**		**434,797**	
G. NET CASH OUTFLOW (341-340)	**3043**			**72,540**
H. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**3044**		**102,755**	**175,295**
I. CURRENCY TRANSLATION GAINS ON CASH AND CASH EQUIVALENTS	**3045**			
J. CURRENCY TRANSLATION LOSSES ON CASH AND CASH EQUIVALENTS	**3046**			
K. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (3042-3043+3044+3045-3046)	**3047**		**537,552**	**102,755**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity components							
	AOP	Share capital	AOP	Reserves	AOP	Loss	AOP	Retained earnings (loss)
Balance as at 1 January 2016								
a) debit	4001	-	4037	-	4055	**117,967**	4091	-
b) credit	4002	**817**	4038	-	4056	-	4092	-
Adjustments of material errors and changes in accounting policies								
a) debit	4003	-	4039	-	4057	-	4093	-
b) credit	4004	-	4040	-	4058	-	4094	-
Restated opening balance as at 1 January 2016								
a) debit (1a+2a-2б)>=0	4005	-	4041	-	4059	-	4095	-
б) credit (1б-2a+2б)>=0	4006	817	4042	-	4060	117,967	4096	-
Changes in period								
a) debit	4007	-	4043	-	4061	-	4097	-
b) credit	4008	-	4044	-	4062	-	4098	22,225
Balance as at 31 December 2016								
a) debit (3a+4a-4б)>=0	4001	-	4037	-	4055	117,967	4091	-
б) credit (3б-4a+4б)>=0	4002	**817**	4038	-	4056	-	4092	22,225
Adjustments of material errors and changes in accounting policies								
a) debit	4003	-	4039	-	4057	-	4093	-
b) credit	4004	-	4040	-	4058	-	4094	-
Restated opening balance as at 1 January 2017								
a) debit (5a+6a-6б)>=0	4005	-	4041	-	4059	-	4095	-
б) credit (5б-6a+6б)>=0	4006	817	4042	-	4060	117,967	4096	22,225
Changes in period								
a) debit	4007	-	4043	-	4061	-	4097	22,225
b) credit	4008	3,008	4044	-	4062	22,224	4098	44,395
Balance as at 31 December 2017								
a) debit (7a+8a-8б)>=0	4009	-	4045	-	4063	**95,743**	4099	-
б) credit (7б-8a+8б)>=0	4010	**3,825**	4046	-	4064	-	4100	**44,395**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity components							
	AOP	Share capital	AOP	Reserves	AOP	Loss	AOP	Retained earnings
Adjustments of material errors and changes in accounting policies								
a) debit	4011	-	4047	-	4065	-	4101	-
b) credit	4012	-	4048	-	4066	-	4102	-
Restated opening balance as at 1 January 2018								
a) debit (5а+6а-6б)>=0	4013	-	4049	-	4067	-	4103	-
б) credit (5б-6а+6б)>=0	4014	-	4050	-	4068	-	4104	-
Changes in period								
a) debit	4015	-	4051	-	4069	-	4105	44,395
b) credit	4016	681.468	4052	-	4070	44,421	4106	27,593
Balance as at 31 December 2018								
a) debit (7а+8а-8б)>=0	4017	-	4053	-	4071	**51,321**	4107	-
б) credit (7б-8а+8б)>=0	4018	**685.293**	4054	-	4072	-	4108	**27,593**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY(CONTINUED)

						Other comprehensive income components		
	AOP	Revaluation reserves	AOP	Cash flow hedge gain/(loss)	AOP	Gains (losses) from change in value of available-for-sale financial assets	AOP	Total Equity
Balance as at 1 January 2016								
a) debit	4109	-	4127	12,451	4217	-		130,418
b) credit	4110	-	4128	-	4218	-	4235	817
Adjustments of material errors and changes in accounting policies								
a) debit	4111	-	4129		4219	-		-
b) credit	4112	-	4130		4220	-	4236	-
Restated opening balance as at 1 January 2016								
a) debit (1a+2a-2б)>=0	4113	-	4131	12,451	4221	-		130,418
b) credit (1б-2a+2б)>=0	4114	-	4132		4222	-	4237	817
Changes in period								
a) debit	4115	-	4133	11,487	4223	-		11,487
b) credit	4116	-	4134	-	4224	-	4238	22,225
Balance as at 31 December 2016								
a) debit (3a+4a-4б)>=0	4109	-	4127	23,938	4217	-		141,905
b) credit (3б-4a+4б)>=0	4110	-	4128	-	4218	-	4235	23,042
Adjustments of material errors and changes in accounting policies								
a) debit	4111	-	4129	-	4219	-		-
b) credit	4112	-	4130	-	4220	-	4236	-
Restated opening balance as at 1 January 2017								
a) debit (5a+6a-6б)>=0	4113	-	4131	-	4221	-		-
b) credit (5б-6a+6б)>=0	4114	-	4132	23,938	4222	-	4237	-
Changes in period								
a) debit	4115	-	4133	-	4223	-		22,225
b) credit	4116	-	4134	8,775	4224	-	4238	78,403
Balance as at 31 December 2017								
a) debit (7a+8a-8б)>=0	4117	-	4135	15,163	4225	-		110,905
б) credit (7б-8a+8б)>=0	4118	-	4136	-	4226	-	4239	48,220

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY(CONTINUED)

				Other comprehensive income components				
	AOP	Revaluation reserves	AOP	Acturial gain/(loss)	AOP	Gains (losses) from change in value of available-for-sale financial assets	AOP	Total Equity
Adjustments of material errors and changes in accounting policies								
a) debit	4119	-	4137	-	4227	-		-
b) credit	4120	-	4138	-	4228	-	4240	-
Restated opening balance as at 1 January 2018								
a) debit (5a+6a-6б)>=0	**4121**	-	**4139**	-	**4229**	-		-
b) credit (5б-6a+6б)>=0	**4122**	-	**4140**	-	**4230**	-	**4241**	-
Changes in period								
a) debit	4123	-	4141	97,195	4231	-		141,590
b) credit	4124	-	4142	-	4232	-	4242	753,482
Balance as at 31 December 2018								
a) debit (7a+8a-8б)>=0	**4125**	-	**4143**	**112,358**	**4233**	-		**163,680**
б) credit (7б-8a+8б)>=0	**4126**	-	**4144**	-	**4234**	-	4243	**712,886**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2018

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

1. General information

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

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

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

At 31 December 2018, the Company's fully subscribed and paid up share capital amounted to RSD 4,057 thousand, consisting of 26,510,506 ordinary shares of RSD 0.153 each.

In 2018 the Company listed its shares on the stock market. The process of Initial Public Offering of the Company's shares ended on 30. October 2018, and during the offering period 1,510,506 shares were registered. Initial price on the stock market was RSD 500 per share.

The company's shares are traded on the organized market – Belgrade Stock Exchange. The symbol of the shares is FINT, and ISIN number is RSFINEE60549. The market capitalization of the Company as at 31 December 2018 is RSD 13,652,911 thousand (unit price per share of RSD 514).

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

These consolidated financial statements for the year ended 31 December 2018 have been prepared by the Group's Board of Directors, which approved them on the 16 April 2019. The approved financial statements may be amended based on the auditor's opinion, in accordance with legislation.

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

2. Summary of accounting policies and standards adopted

2.1 Basis of presentation

The Group has prepared these financial statements in accordance with the Law on Accounting of the Republic of Serbia (the "Law"), published in Official Gazette 62/2013 and 30/2018, which requires full scope of International Financial Reporting Standards ("IFRS") to be applied as translated into Serbian up to 31 July 2013. The specific requirements of the Law result in departures from IFRS due to the fact that as only translated standards are adopted, these accounts do not reflect the impact of IFRS which have been issued since 31 July 2013. In addition the Law requires certain presentations and treatments of accounts and balances which results in the following additional departures from IFRS:

1. The financial statements are prepared in format prescribed by the Ministry of Finance of the Republic of Serbia, which does not comply with IAS 1 (revised) – "Presentation of Financial Statements" requirements and IAS 7 – "Statement of cash flows".
2. "Off-balance sheet assets and liabilities" are recorded on the face of the consolidated balance sheet (note 2.6). Such items do not meet the definition of either an asset or a liability under IFRS.
3. The decision of the Ministry of Finance of Republic of Serbia no. 401-00-896/2014-16 from 13 March 2014 ("Official Gazette of RS" no.35/2014) states that official standards are those official translations of International Accounting Standards (IAS) and International Standards of Financial Reporting (IFRS) issued by International Accounting Standards Board (IASB), as well as interpretations of standards issued by International Financial Reporting Interpretations Committee (IFRIC) up to 31 July 2013. Up to the date of the accompanying consolidated financial statements preparation, no amendments and supplements of existing standards, revised standards and new interpretations issued by IASB and IFRIC subsequent to 31 July, have been translated. According to the above, and bearing in mind the potential material effects that the deviation of the accounting regulations of the Republic of Serbia from IFRSs and IASs can have on the reality and objectivity of the Group's consolidated financial statements, the accompanying consolidated financial statements cannot be considered as financial statements prepared in accordance with IFRS and IAS.

According to the above, and bearing in mind the potential material effects that the deviation of the accounting regulations of the Republic of Serbia from IFRSs and IASs can have on the reality and objectivity of the Group's consolidated financial statements, the accompanying consolidated financial statements cannot be considered as financial statements prepared in accordance with IFRS and IAS.

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

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

2.2 Going concern

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

2.3 Scope of consolidation

These consolidated financial statements include the financial statements for the year ended 31 December 2018 of the Fintel Energija and the financial statements for the year ended 31 December 2018 of its subsidiaries, as approved by the sole Director. These financial statements have been appropriately adjusted, where necessary, in order to bring them into line with Law on Accounting of the Republic of Serbia .The companies included in the scope of consolidation are listed below:

Name	Share Capital (RSD '000)	Head office	31/12/2018 % held	31/12/2017 % held	
Fintel Energija ad	4,057	Belgrade (Serbia)	Parent Company		
MK-Fintel Wind ad	29,647	Belgrade (Serbia)	54%	54%	Direct
MK-Fintel Wind Holding doo	10	Belgrade (Serbia)	54%	54%	Direct
Energobalkan doo	360,513	Belgrade (Serbia)	54%	54%	Indirect
Vetropark Ram doo	10	Belgrade (Serbia)	54%	54%	Indirect
Vetropark Kula doo	314,032	Belgrade (Serbia)	54%	54%	Indirect
Vetropark Dunav 3 doo	10	Belgrade (Serbia)	54%	54%	Indirect
Vetropark Dunav 1 doo	10	Belgrade (Serbia)	54%	54%	Indirect
Vetropark Torak doo	240	Belgrade(Serbia)	54%	54%	Indirect
Vetropark Košava 2 doo	2,680	Belgrade (Serbia)	54%	54%	Indirect
Fintel Russian Ventures ooo	72	Moscow (Russia)	100%		Direct

Except for the incorporation of Fintel Russian Ventures ooo (still not operating SPV), there has been no change in the years in the scope of consolidation.

2.4 Principles and methods of consolidation

Subsidiaries

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

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

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

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

The consolidation procedures applied are as stated below.

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

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

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

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

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

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

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

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

2.5 Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured and presented in Serbian dinars ("RSD"). Dinar represents the official reporting currency in the Republic of Serbia.

Transactions and balances

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

2.6 Significant accounting policies

Property, plant and equipment

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

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

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

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

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

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

	No. of years
Buildings	20
Equipment	3-20

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

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

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

Impairment of property, plant and equipment

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents

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

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

Off balance sheet assets/liabilities

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

Trade payables, financial and other payables

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

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation. The amount recognised represents the best estimate of the expenditure required to settle the obligation. When the time value of money is significant and the settlement date of the obligations can be reliably estimated, the provisions are measured at the present value of the expected disbursement using a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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

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

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

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

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

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

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

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

Derivative financial instruments

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

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

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

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

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

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

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

Revenue

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

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

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

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

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

<u>a) Revenue from the sale of electricity</u>

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

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

Operating costs

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

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

Finance income and costs

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

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

Income tax

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

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

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

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

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

Related-party transactions

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

Dividends

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

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

Earnings per share

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

3. Estimates and assumptions

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

A brief description is provided below of the key accounting estimation, used in the preparation of consolidated financial statements

Impairment of assets

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

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

Deferred tax assets

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

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

Provisions

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

4. Financial risk management

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

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

Credit risk

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

The Group's maximum exposure to credit risk at 31 December 2018 and 2017 is the carrying amount of each class of assets indicated in the following table:

	31 December 2018	31 December 2017
Other receivables	24,889	3,935
Short-term loans and investments	-	10,674
Prepayments and accrued income	44,653	61,981
TOTAL	**69,542**	**76,590**

Prepayments and accrued income mainly refer to receivables from EPS for electricity produced by wind farms, while Other receivables mainly relate to overpaid income taxes.

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

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

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

Liquidity risk

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

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

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

The following table provides a maturity analysis of liabilities at 31 December 2018 and 2017. The various maturity bands are determined based on the period between the reporting date and the contractual maturity of the Group's obligations, gross of accrued interest at 31 December. Interest is calculated in accordance with contractual terms for the financing.

	At 31 December 2018			
	Less than 1 year	**1-2 years**	**2-5 years**	**Beyond 5 years**
Financial payables due to shareholders	1,941,477	-	-	14,199
Bank loans	310,099	269,361	1,097,797	7,789,694
Trade payables	523,186	-	-	-
Total	**2,774,761**	**269,361**	**1,097,797**	**7,803,893**

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

An analysis of the financial liabilities by maturity shows an increase of payables due within 1 year and beyond 5 years as at 31 December 2018 compared to those at 2017, as a result of the following main changes:

a. Increase in bank loans due to new loans for Kosava phase I plant.
b. Increase in financial payables to shareholders due to new loans granted for the construction of wind farms in Serbia.

Accordingly, taking in account of the fact that the shareholders have confirmed that they do not intend to request the repayment of the loan prior to the forthcoming year end, as well as the liquid funds of RSD 635,661 thousand, it is believed that the Company and the Group will be able to meet its obligations in the foreseeable future.

Market risk

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

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

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

Risk of fluctuation in exchange rates

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

As at 31 December 2018, if the currency RSD had strengthened/weaken by 5% against the EUR with all other variables held constant, post-tax profit for the year would have been RSD 451,767 thousand (2017: RSD 125,657 thousand) higher/lower, mainly as a result of foreign exchange gains/losses on translation of EUR – denominated borrowings.

Risk of fluctuation in interest rates

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

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

In order to hedge the risk of fluctuation in interest rates the subsidiaries Vetropark Kula and MK-Fintel Wind also entered into agreements for an interest rate cap with spread in relation to financing for the "Kula" and "Kosava phase I" wind power plants.

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

*Capital management risk*The Group's objective as far as capital risk management is concerned is mainly to safeguard business continuity in order to guarantee returns to shareholders and benefits to

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

other stakeholders. Moreover, the Group aims to maintain an optimal capital structure in order to reduce the cost of borrowing.

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

The gearing ratio at 31 December 2018 and 2017 is shown in the following table:

RSD thousand	31 December 2018	31 December 2017
Non-current financial payables:		
- Financial payables due to shareholders	14,199	14,217
- Bank loans	8,487,640	1,792,500
Current financial payables:		
- Bank loans	141,940	153,485
- Financial payables due to shareholders	1,927,278	996,527
- Financial assets	(98,110)	(130,320)
Cash and cash equivalents	(537,552)	(102,755)
Net debt (A)	**9,935,395**	**2,723,653**
Equity (B)	**522,454**	**(54,075)**
Net capital employed (C=A+B)	**10,457,849**	**2,669,493**
Gearing ratio (A/C)	***95,0%***	***102,0%***

The gearing ratio has improved compared to prior years mainly due to the capital increase for IPO and admission of Company's common shares to trading on the regulated market, segment Prime Listing, organized and managed by Belgrade Stock Exchange.

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

5. Financial assets and liabilities by class

The following table shows the Group's financial assets and liabilities by class, with an indication of the corresponding fair value, at 31 December 2018 and 2017:

	At 31 December 2018						
RSD thousand	Financial assets and liabilities measured at fair value	Investments held to maturity	Loans and receivables	Available-for-sale financial assets	Financial liabilities carried at amortized cost	Total	Fair value
Receivables due from related parties							
Financial investments			98,110			98,110	98,110
Trade receivables							
Cash and cash equivalents			537,552			537,552	537,552
Total	-	-	**635,662**	-	-	**635,662**	**635,662**
Financial payables					8,629,579	8,629,579	8,629,579
Financial payables due to Shareholders					1,941,477	1,941,477	1,941,477
Trade payables					523,186	523,186	523,186
Derivative liabilities	244,789					244,789	244,789
Total	**244,789**	-	-	-	**11,094,241**	**11,339,030**	**11,339,030**

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

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

6. IFRS 8: segment information

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

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

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

a) Guarantees issued

Guarantees issued amount to RSD 905,782 thousand as of 31 December 2018 and RSD 344,864 thousand as of 31 December 2017 and refer to the 4P status for wind plants. They have been issued in favor of:

- Serbian Ministry of Energy and they will be returned at the obtaining of 3P status (RSD 344,055 thousand);

- Lenders of Kosava project phase I, for cost overrun during construction and till COD (RSD 475,142 thousand);

- Transmission System Operator in Republic of Serbia (RSD 86,585 thousand).

These guarantees have been classified as Off-balance sheet liabilities.

b) *Other*

There were no other contingent liabilities of the Group

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

STATEMENT OF FINANCIAL POSITION

8. Property, plant and equipment

Movement table of PEE as at 31 December 2018 and 2017 is presented in the table below:

	Year ended 31 December 2018									
RSD thousand	Opening historical cost	Opening accumulated depreciation	Opening net book amount	Additions	Depreciation and impairment	Disposals	Transfers	Closing historical cost	Closing accumulated depreciation	Closing net book amount
Land	27,048	-	27,048	-	-	(780)	-	26,268	-	26,268
Buildings	548,760	(33,956)	514,804	-	(27,438)	-	-	548,760	(61,394)	487,366
Machinery and equipment	2,170,254	(146,693)	2,023,561	251	(111,335)	-	-	2,170,505	(258,028)	1,912,476
Construction in progress	225,732	-	225,732	2,931,956	-	-	-	3,157,688	-	3,157,688
Advances for PP&E	262,806	-	262,806	5,633,905	-	(519)	-	5,896,192	-	5,896,192
Property, plant and equipment	**3,234,600**	**(180,649)**	**3,053,951**	**8,566,112**	**(138,773)**	**(1,299)**	**-**	**11,799,413**	**(319,422)**	**11,479,991**

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

Buildings include civil works such as foundation of the wind farms, access roads etc. Machinery and equipment mainly includes wind turbines and towers. They refer to the wind farms already in operation, "Kula" (9,9 MW) and "La Piccolina" (6,6 MW).

Construction in progress and advances for PP&E as at 31 December 2018, mainly relate to investment in construction of the "Kosava phase I" plant, for which the completion of the construction is expected for second half of 2019.

Wind plants owned by VP Kula and Energobalkan have been mortgaged in favour of Erste Bank and Unicredit Bank respectively. Net value of fixed assets for VP Kula as at 31 December 2018 is RSD 1,435,271 thousand, and for Energobalkan is RSD 981,318 thousand.

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

9. Other long-term financial investments

Other long-term financial investments in amount of RSD 98,110 thousand at 31 December 2018 (RSD 130,320 thousand at 31 december 2017) consisted entirely of non-current assets, relate to:

- Long-term deposits - restricted cash of RSD 76,826 thousand (RSD 77,007 thousand as of 31 December 2017) attributable to the subsidiary Vetropark Kula doo that has been deposited as collateral to Erste in accordance with the loan agreement to guarantee the repayment of the loan.
- Long-term deposits - restricted cash of RSD 21,275 thousand (RSD 53,313 thousand as of 31 December 2017) attributable to the subsidiary Energobalkan doo that has been deposited as collateral to Unicredit Serbia in accordance with the loan agreement to guarantee the repayment of the loan.

10. Cash and cash equivalents

"Cash and cash equivalents" at 31 December 2018 and 2017 are detailed as follows:

	31 December 2018	31 December 2017
Current account		
- in dinars	216,471	99,327
- purpose account in dinars	19,846	-
- in foreign currency	3,077	3,428
- purpose account in foreign currency	298,158	-
Cash and cash equivalents	**537.552**	**102.755**

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

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

11. Other current assets

"Other current assets" of RSD 78,357 thousand at 31 December 2018 (RSD 90,561 thousand at 31 December 2017) are detailed in the following table:

	31 December 2018	31 December 2017
Value added tax	33,704	28,580
Prepayments and accrued income	44,653	61,981
Total	**78,357**	**90,561**

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

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

Prepayments and accrued income includes receivables from EPS for the production of electricity from the wind farms. The decrease in 2018 relate to the lower energy production in December for both "Kula" and "La Piccolina" plants.

12. Equity

Equity as at 31 December 2018 and 2017 is detailed in the following table:

	31 December 2018	31 December 2017
Share capital	4,057	3,825
Share premium	681,237	-
Other componenents of other comprehnsive income	(112,358)	(15,163)
Retained earnings from current year	27,593	44,395
Loss from previous years	(51,322)	(95,743)
Equity attributable to the Group	**549,207**	**(62,685)**
Capital and reserves attributable to non-controlling interests	21,550	(46,988)
Other componenents of other comprehnsive income	(95,712)	(12,916)
Profit (loss) for the year	47,410	68,515
Equity attributable to non-controlling interests	**(26,752)**	**8,611**
TOTAL EQUITY	**522,454**	**(54,075)**

The equity components and changes therein are detailed below:

Share capital

At 31 December 2018, the Company's fully subscribed and paid up share capital amounted to RSD 4,057 thousand consisting of 26,510,506 ordinary shares with nominal value of RSD 0.153 each.

Shareholders' of the Company are detailed as follow:

Član	In thousand of dinars	% of ownership
Fintel Energia Group S.p.A.	3,825	94.30%
BDD M&V INVESTMENTS AD Beograd-ZBIRNI RAČUN	194	4.79%
SOCIETE GENERALE BANKA SRBIJA - KASTODI RN - FO	15	0.37%
Other	23	0.54%
Total	**4,057**	**100.00%**

Share premium

At 31 December 2018, such Reserve includes the share premium resulting from the capital increase related to the IPO of the Company on the Prime Listing Segment of the Belgrade Stock Exchange. The share premium worths RSD 755,022 Thousands (equivalent to RSD 499,847 per each new share issued by the Company). Such value is reported net of the IPO related costs.

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

Other components of other comprehensive income

The hedging reserve arises from the measurement, in accordance with applicable accounting standards (IFRS 9), of derivatives entered into by Group companies to hedge the risk of fluctuation in interest rates applied to loans for the construction of certain of the Group's wind power plants.

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

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

Equity attributable to non-controlling interests

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

13. Liabilities to parent companies and subsidiaries

	31 December 2018	31 December 2017
Long-term loans	14,199	14,217
Less: Current part of Long-term loans	-	-
	14,199	**14,217**
Short-term loans	482,243	482,619
Total	**496,442**	**496,836**

The overview of loans from Parent Company and years of maturity is shown in the following table:

Recipient	Lenders	Amount EUR	Amount in 000 RSD	Maturity
MK Fintel Wind Holding d.o.o.	Fintel Energia Group S.p.A	80,000	9,456	31.12.2020
MK Fintel Wind Holding d.o.o.	Fintel Energia Group S.p.A	30,000	3,549	31.12.2020
MK Fintel Wind Holding d.o.o.	Fintel Energia Group S.p.A	10,000	1,182	31.12.2020
MK Fintel Wind Holding d.o.o.	Fintel Energia Group S.p.A	1,296,000	153,180	31.12.2019
Fintel Energija a.d.	Fintel Energia Group S.p.A	2,667,000	315,225	31.12.2019
Fintel Energija a.d.	Fintel Energia Group S.p.A	117,154	13,851	31.12.2019

14. Short term loans and borrowings from other related parties

The balance amounts to RSD 1,445,035 thousand at 31 December 2018 (RSD 513,822 thousand at 31 December 2017) includes financial payables to MK Holding d.o.o., a non-controlling interest holder in subsidiaries: this amount consists of the non-controlling interest holder's share of shareholder loans granted to finance the construction of the wind farms in Serbia.

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

Receipent	Donor	Amount EUR	Amount 000 RSD	Maturity
MK Fintel Wind ad	MK Holding d.o.o.	899,700	106,340	2019
MK Fintel Wind ad	MK Holding d.o.o.	9,274,276	1,096,169	2019
MK Fintel Wind Holding d.o.o.	MK Holding d.o.o.	1,164,320	137,617	2019
MK Fintel Wind Holding d.o.o.	MK Holding d.o.o.	887,600	104,910	2019
Total		**12,225,896**	**1,445,035**	

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

Set out below are details of long and short term loans and borrowings at 31 December 2018 and 2017:

RSD thousand	**31 December 2018**	**31 December 2017**
Long term borowings	8,487,640	1,792,500
Short-term loans and borrowings	141,940	153,485
Total	**8,629,579**	**1,945,985**

Details of bank loans outstanding at 31 December 2018 are summarised in the following table:

Beneficiary company	Residual debt at 31 December 2018	Long term	Short term	Maturity
Vetropark Kula	959,656	869,399	90,257	2027
Energobalkan	572,708	521,025	51,683	2027
MK Fintel Wind	6,353,938	6,353,938	-	2030
Fintel Energija	743,277	743,277	-	2024
	8,629,579	**8,487,639**	**141,940**	

Loan of Vetropark Kula refers to the financing received in 2015 from Erste Bank for the development and construction of Kula wind farm. Its maturity is of 12 years and interest rate is variable plus spread, and ranges from EURIBOR+3,55%-4,00% per year.

Loan of Energobalkan refers to the financing received from Unicredit Bank for the development and construction of La Piccolina wind farm. Its maturity is of 9 years, and matures 1. December 2027and interest rate is fixed, 4.5%. First draw down of the loan has been made in 2016.

Loan of MK Fintel Wind refers to the financing received from a pool of Banks including Erste Group Bank, Erste Bank Serbia, Austrian Development Bank (OoEb), Unicredit Serbia and Zagrebacka Banka, for the development and construction of Kosava phase I wind farm. Its maturity is of 12 years and interest rate is variable plus spread, ranging from 4.1%-4.5%. First draw down of the loan has been made in 2018.

Loan of Fintel Energija refers to the financing received from AIK Bank in 2017 for the development and construction of Kosava phase I wind farm. Its maturity is of 6 years and matures 26. July 2024. and interest rate is fixed.

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

16. Other long-term liabilities

Other long-term liabilities consist of the fair value measurement at the reporting date of the derivative pertaining to the subsidiary Vetropark Kula Doo (RSD 32,767 thousand and RSD 33,034 thousand at 31 December 2018 and 2017) and MK Fintel Wind (RSD 212,022 thousand at 31 December 2018) used to hedge the interest rate risk arising from loan agreements entered into by the companies.

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

The derivative contract entered into in 2018 by MK Fintel Wind is an interest rate swap with a term of 12 years and an initial notional of Euro 60,496 thousand.

17. Trade payables

Trade payables, which amounted to RSD 523,186 thousand as at 31 December 2018 and to RSD 109,509 as at 31 December 2017, consist mainly of payables to Fintel Energia Group SpA for management fee and those arising from the construction of Kosava phase I and maintenance of the Kula and La Piccolina wind plants.

18. Accrued expenses

Accrued liabilities, which amounts to RSD 271,748 thousand at 31 December 2018 and to RSD 241,156 at 31 December 2017, consist mainly of interests on shareholders loan due to Fintel Energia Group SpA and MK Group and accrued interests on financial loans.

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

19. Sales of products and services

Sales of products and services amounts to RSD 450,305 thousand and RSD 496,683 thousand for the year ended 31 December 2018 and 31 December 2017 respectively.

Revenue only refers to FiT (equal to 96,1 €/Mwh in 2018) received by wind plants "La Piccolina" and "Kula".

The decrease in revenue is mainly attributable to the decrease of volume power produced from 43.881 MWh to 39.738 MWh in 2018 compared to 2017.

20. Cost of production services

It includes all costs arising from the purchase of services during the year in the ordinary course of business. Details of cost of services for 2018 and 2017 are provided in the following table:

	2018	2017
Costs of ongoing maintenance services of wind farms	45,746	45,362
Costs of office space rent- Other related parties	2,715	2,767
Costs of other transportation services	992	1,595
Others	1,848	1,056
Cost of production services	**51,301**	**50,780**

21. Depreciation and amortisation

Depreciation and amortisation amounts to RSD 138,773 thousand (RSD 138,374 thousand for the year ended 31 December 2017). The amount is aligned to that of the previous year and it refers to La Piccolina and Kula wind power plants.

22. Non-production costs

Non-production costs for the years ended 31 December 2018 and 2017 are detailed as follows:

	2018	2017
Consulting services	58,955	59,618
Accounting services	1,693	1,732
Security and cleaning costs	1,049	1,380
Representation costs	1,262	3,031
Other non production costs	2,387	534
Costs of fixed assets insurance	4,119	5,558
Property tax	9,281	8,481
Administrative and legal taxes	1,672	1,150
The cost of ads in magazines and other media (except advertising)	3,744	-
Costs of guarantees	-	3,957
Other non-material costs	3,659	1,275
Total	**87,821**	**86,716**

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

23. Finance income

Finance income for the years ended 31 December 2018 and 2017 are detailed as follows:

	2018	2017
Finance income – parent company	1,333	43,306
Finance income – other related parties	3,575	18,199
Interest income (from third parties)	134,474	1,140
Foreign exchange gains (third parties)	11,414	78,579
Total finance income	**150,796**	**141,224**

Finance income amounted to RSD 150,797 thousand for the year ended 31 December 2018 (RSD 141,224 thousand for the year ended 31 December 2017). The amount of 2017 mainly consisted of gains for the conversion at year end exchange rate RSD/Euro of the loans, while the amount of 2018 mainly refers to the effects resulting from the renegotiation of the interest rate for the loans of VP Kula and Energobalkan.

24. Finance costs

Finance costs for the years ended 31 December 2018 and 2017 are detailed as follows:

	2018	2017
Finance expense – parent company	18,904	51,765
Finance expense – other related parties	14,438	14,170
Other financial expense	1,295	-
Finance expense – third parties	125,744	126,381
Total finance costs	**160,381**	**192,316**

Finance costs mainly include interests on shareholder's loans and, losses from exchange rate differences and interests on financing from Erste bank, Unicredit Bank and AIK Bank.

25. Other expenses

Other expenses amount to RSD 7,082 thousand for the year ended 31 December 2018 (RSD 8,646 thousand in 2017). They include expenditures for environmental protection, culture, health and education.

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

26. Income tax expense

Income tax expenses for the years ended 31 December 2018 and 2017 are detailed as follows:

	Year ended 31 December	
	2018	**2017**
Income tax for the year	33.037	45.273
Deferred income tax for the period (note 12)	27,692	(8.416)
	60.729	**36.857**

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

	Year ended 31 December	
	2018	**2017**
Profit before tax	**135.732**	**149.767**
Tax calculated at domestic tax rates applicable to profits in the respective countries	20.360	22.465
Tax effect on:		
Expenses not deductible for tax purposes	18.020	15.615
Other tax effects	(5.343)	7.193
	33.037	45.273

The weighted average applicable tax rate was 25% (2017: 25%).

The Group does not choose to consolidate for tax purpose and the losses of one group company are not available for the consolidated entity, which is why the losses of subsidiaries must be encountered as correction for the purpose of calculating the effective income tax rate.

27. Earnings/(loss) per share

The basic result per share has gone from an earning per share of RSD 1.78 in 2017 to RSD 1.78 for the year ended 31 December 2018. It has been computed by dividing the Group's net result by the number of Fintel Energija shares outstanding in the years in question (number of shares outstanding of 26,511 thousand).

The diluited result per share has gone from an earning per share of RSD 1.78 in 2017 to RSD 1.78 for the year ended 31 December 2018. It has been computed by dividing the Group's net result by the average number of Fintel Energija shares outstanding in the years in question (average number of shares outstanding of 25,252 thousand).

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

28. Contingent liabilities and commitments

There are not any contingent liabilities and commitments.

29. Related party transactions

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

A summary is provided below of the Group's transactions with related parties in 2018 and 2017. All transactions with related parties are entered into at market value.

As of 31 December 2018 and 31 December 2017 the outstanding balances with related parties were as follows:

	At 31 December 2018		
RSD thousand	Parent Company	Parent's subsidiaries and associates	Total
Trade and other payables	(58,761)	-	(58,761)
Other current liabilities	(150,856)	-	(150,856)
Long term debt	(14,199)	-	(14,199)
Short term debt	(482,243)	-	(482,243)
Total	**(706,059)**	-	**(706,059)**

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

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

For the year ended 31 December 2018 and 2017 the following transaction occurred with related parties:

	At 31 December 2018		
RSD thousand	Parent Company	Parent's subsidiaries and associates	Total
Selling, general and administrative expenses	(29,267)	-	(29,267)
Finance expense	(31,914)	-	(31,914)
Total	**(61,181)**	-	**(61,181)**

	At 31 December 2017		
RSD thousand	Parent Company	Parent's subsidiaries and associates	Total
Selling, general and administrative expenses	(29,879)	(29,736)	(59,615)
Finance expense	(32,312)	-	(32,312)
Total	**(62,191)**	**(29,736)**	**(91,927)**

Remuneration of Fintel Group directors

Members of Board of Directors have not received any remuneration in 2018. Tiziano Giovannetti acts as sole director in of Fintel Energija's subsidiaries without any further remuneration.

30. Significant subsequent events

On February 5, 2019, the company Fintel Energy A.D. has established new SPVs for the development of new wind power plant construction projects: Lipar d.o.o. (10 MW), Lipar 2 d.o.o (10 MW) and Maestrale Ring d.o.o. (599.2 MW). The Maestrale Ring project will be the largest on-shore wind farm on the European continent.

31. Tax provision

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

Legal representative:

The person responsible for the preparation of consolidated financial statements:

PRIVREDNO DRUŠTVO ZA PROIZVODNJU ELEKTRIČNE ENERGIJE FINTEL ENERGIJA AD BEOGRAD

INDEPENDENT AUDITOR'S REPORT

To the shareholders of FINTEL ENERGIJA a.d., Beograd

We have audited the accompanying consolidated financial statements of FINTEL ENERGIJA a.d., Beograd (hereinafter: the "Company") and its subsidiaries (hereinafter: the "Group") which comprise the consolidated balance sheet as of 31 December 2018 and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

Refer to the original signed Serbian version

Milivoje Nesovic
Licensed Auditor

Refer to the original signed Serbian version

PricewaterhouseCoopersd.o.o., Beograd

Belgrade, 18 April 2019

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINTEL ENERGIJA AD, BEOGRAD

Contents

CONSOLIDATED BALANCE SHEET
In RSD thousand

	AOP	Note	31 December 2018	31 December 2017
A. SUBSCRIBED CAPITAL UNPAID	**0001**		-	-
B. NON-CURRENT ASSETS (0003 + 0010 + 0019+ 0024 + 0034)	**0002**		**11,578,101**	**3,184,272**
I. INTANGIBLE ASSETS (0004+0005+0006+0007+0008+0009)	**0003**		-	-
1. Development investments	0004		-	-
2. Concessions, licenses, software and other rights	0005		-	-
3. Goodwill	0006		-	-
4. Other intangible assets	0007		-	-
5. Intangible assets under development	0008		-	-
6. Advances for intangible assets	0009		-	-
II. PROPERTY, PLANT AND EQUIPMENT (0011+0012+0013+0014+0015+0016+0017+0018)	**0010**		**11,479,992**	**3,053,952**
1. Land	0011	8	26,269	27,048
2. Buildings	0012	8	487,366	514,804
3. Machinery and equipment	0013	8	1,912,477	2,023,562
4. Investment property	0014		-	-
5. Other property, plant and equipment	0015		-	-
6. Construction in progress	0016	8	3,157,688	225,732
7. Investments in leased PP&E	0017		-	-
8. Advances for PP&E	0018	8	5,896,192	262,806
III. BIOLOGICAL ASSETS (0020+0021+0022+0023)	**0019**		-	-
1. Forest farming	0020		-	-
2. Livestock	0021		-	-
3. Biological assets in production	0022		-	-
4. Advances for biological assets	0023		-	-
IV. LONG-TERM FINANCIAL INVESTMENTS (0025+0026+0027+0028+0029+0030+0031+0032+0033)	**0024**		**98,110**	**130,320**
1. Investments in subsidiary	0025		-	-
2. Investments in joint ventures	0026		-	-
3. Investments in other legal entities and other available for sales financial assets	0027		-	-
4. Long term investments in parent and subsidiaries	0028		-	-
5. Long-term investments in other related parties	0029		-	-
6. Long-term investments – domestic	0030		-	-
7. Long-term investments – foreign	0031		-	-
8. Securities held to maturity	0032		-	-
9. Other long-term financial investments	0033	9	98,110	130,320
V. LONG-TERM RECEIVABLES (0035+0036+0037+0038+0039+0040+0041)	**0034**		-	-
1. Receivables from parent company and subsidiaries	0035		-	-
2. Receivables from other related parties	0036		-	-
3. Receivables from sale of goods on credit	0037		-	-
4. Receivables arising out of finance lease contracts	0038		-	-
5. Claims arising from guarantees	0039		-	-
6. Bad and doubtful receivables	0040		-	-
7. Other long-term receivables	0041		-	-
C. DEFFERED TAX ASSETS	**0042**		-	-

CONSOLIDATED BALANCE SHEET (CONTINUED)
In RSD thousand

	AOP	Note	31 December 2018	31 December 2017
D. CURRENT ASSETS (0044+0051+0059+0060+0061+0062+0068+0069+0070)	**0043**		**643,372**	**208,422**
I. INVENTORY (0045+0046+0047+0048+0049+0050)	**0044**		**749**	**497**
1. Materials, spare parts and tools	0045		14	-
2. Work in progress	0046		-	-
3. Finished goods	0047		-	-
4. Merchandise	0048		-	-
5. Assets held for sale	0049		-	-
6. Advances for inventory and services	0050		735	497
II. TRADE RECEIVABLES (0052+0053+0054+0055+0056+0057+0058)	**0051**		**420**	-
1. Domestic trade receivables - parents and subsidiaries	0052		420	-
2. Foreign trade receivables - parents and subsidiaries	0053		-	-
3. Domestic trade receivables - other related parties	0054		-	-
4. Foreign trade receivables - other related parties	0055		-	-
5. Trade receivables – domestic	0056		-	-
6. Trade receivables – foreign	0057		-	-
7. Other trade receivbles	0058		-	-
III. RECEIVABLES FROM SPECIFIC OPERATIONS	**0059**		-	-
IV. OTHER RECEIVABLES	**0060**		**24,889**	**3,935**
V. FINANCIAL ASSETS AT FAIR VALUE THROUGHT PROFIT OR LOSS	**0061**		-	-
VI. SHORT TERM FINANCIAL INVESTMENTS (0063+0064+0065+0066+0067)	**0062**		**1,405**	**10,674**
1. Short-term loans and investments - parent companies and subsidiaries	0063		-	-
2. Short-term loans and investments – other related parties	0064		-	10,674
3. Short-term loans and investments – domestic	0065		-	-
4. Short-term loans and investments – foreign	0066		-	-
5. Other short-term loans and investments	0067		1,405	-
VII. CASH AND CASH EQUIVALENTS	**0068**	**10**	**537,552**	**102,755**
VIII. VALUE ADDED TAX	**0069**	**11**	**33,704**	**28,580**
IX. PREPAYMENTS AND ACCRUED INCOME	**0070**	**11**	**44,653**	**61,981**
E. TOTAL ASSETS (0001+0002+0042+0043)	**0071**		**12,221,474**	**3,392,694**
F. OFF-BALANCE SHEET ASSETS	**0072**	**7**	**905,782**	**344,864**
A. EQUITY (0402+0411-0412+0413+0414+0415-0416+0417+0420-0421)	**0401**		**522,454**	-
I. SHARE CAPITAL (0403+0404+0405+0406+0407+0408+0409+0410)	**0402**		**685,294**	**3,825**
1. Share capital	0403	12	**4,057**	**3,825**
2. Stakes of limited liability companies	0404		-	-
3. Stakes	0405		-	-
4. State owned capital	0406		-	-
5. Socially owned capital	0407		-	-
6. Stakes in cooperatives	0408		-	-
7. Share premium	0409	12	**681,237**	-
8. Other capital	0410		-	-
II. SUBSCRIBED CAPITAL UNPAID	**0411**		-	-
III. OWN SHARES	**0412**		-	-
IV. RESERVES	**0413**		-	-
V. REVALUATION RESERVES FROM VALUATION OF INTANGIBLES, PROPERTIES, PLANT AND EQUIPMENT	**0414**		-	-
VI. UNREALISED GAINS FROM SECURITAS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME	**0415**		-	-
VII. UNREALIZED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME	**0416**	**12**	**112,358**	**15,163**
VIII. RETAINED EARNINGS (0418+0419)	**0417**	**12**	**27,593**	**44,395**
1. Retained earnings from previous years	0418		-	-
2. Retained earnings from current year	0419	12	27,593	44,395
IX. NON-CONTROLLING INTEREST	**0420**	**12**	(26,753)	**8,611**
X. LOSS (0422+0423)	**0421**	**12**	51,322	**95,743**
1. Loss from previous years	0422	12	51,322	95,743
2. Loss from current year	0423		-	-

CONSOLIDATED BALANCE SHEET (CONTINUED)
In RSD thousand

	AOP	Note	31 December 2018	31 December 2017
B. LONG-TERM PROVISIONS AND LIABILITIES (0425+0432)	**0424**		**8,746,628**	**1,839,751**
I. LONG-TERM PROVISIONS (0426+0427+0428+0429+0430+4031)	**0425**		-	-
1. Provisions for warranty claims	0426		-	-
2. Provision for environmental rehabilitation	0427		-	-
3. Provisions for restructuring costs	0428		-	-
4. Provisions for employee benefits	0429		-	-
5. Provisions for litigations	0430		-	-
6. Other long term provisions	0431		-	-
II. LONG-TERM LIABILITIES (0433+0434+0435+0436+0437+0438+0439+0440)	**0432**		**8,746,628**	**1,839,751**
1. Liabilities convertible to equity	0433		-	-
2. Liabilities to parent and subsidiaries	0434	13	14,199	14,217
3. Liabilities to other related parties	0435		-	-
4. Liabilities for issued long-term securities	0436		-	-
5. Long term borrowings - domestic	0437	15	8,487,640	1,792,500
6. Long-term borrowings - foreign	0438		-	-
7. Finance lease liabilities	0439		-	-
8. Other long-term liabilities	0440	16	244,789	33,034
C. DEFFERED TAX LIABILITIES	**0441**		**2,717**	**6,779**
D. SHORT-TERM LIABILITIES (0443+0450+0451+0459+0460+0461+0462)	**0442**		**2,949,674**	**1,600,238**
I. SHORT-TERM FINANCIAL LIABILITIES (0444+0445+0446+0447+0448+0449)	**0443**		**2,069,218**	**1,149,926**
1. Short term borrowings from parent and subsidiaries	0444	13	482,243	482,619
2. Short term borrowings from other related parties	0445	14	1,445,035	513,822
3. Short-term loans and borrowings - domestic	0446	15	141,940	153,485
4. Short-term loans and borrowings - foreign	0447		-	-
5. Liabilities relating to current assets and held-for-sale assets attributable to discounted operations	0448		-	-
6. Other short term liabilities	0449		-	-
II. ADVANCES RECEIVED	**0450**		-	-
III. TRADE PAYABLES (0452+0453+0454+0455+0456+0458)	**0451**	**17**	**523,186**	**109,509**
1. Trade payables - parent and subsidiaries - domestic	0452		-	54,395
2. Trade payables - parent and subsidiaries - foreign	0453		58,761	-
3. Trade payables - other related parties - domestic	0454		286	3,975
4. Trade payables - other related parties - foreign	0455		-	-
5. Trade payables - domestic	0456		462,808	44,235
6. Trade payables - foreign	0457		1,331	6,904
7. Other operating liabilities	0458		-	-
IV. OTHER SHORT-TERM LIABILITIES	**0459**		**85,426**	**57,771**
V. LIABILITIES FOR VAT	**0460**		-	-
VI. LIABILITIES FOR OTHER TAXES	**0461**		**97**	**41,877**
VII. ACCRUED EXPENSES	**0462**	**18**	**271,748**	**241,156**
E. LOSS EXCEEDING EQUITY (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402)>=0=(0441+0424+0442-0071)>=0	**0463**		-	**54,075**
F. TOTAL EQUITY AND LIABILITIES (0424+0442+0441+0401-0463)>=0	**0464**		**12,221,474**	**3,392,694**
G. OFF-BALANCE SHEET LIABILITIES	**0465**	7	**905,782**	**344,864**

Tiziano Giovannetti
Director
16 April 2019

PRIVREDNO DRUŠTVO ZA PROIZVODNJU ELEKTRIČNE ENERGIJE FINTEL ENERGIJA AD BEOGRAD

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

CONSOLIDATED INCOME STATEMENT
In RSD thousand

	AOP	Note	Year ended 31 December 2018	2017
INCOME FROM REGULAR OPERATING ACTIVITIES				
A. OPERATING INCOME (1002+1009+1016+1017)	**1001**		**450,305**	**496,683**
I. INCOME FROM THE SALE OF GOODS (1003+1004+1005+1006+1007+1008)	**1002**		-	-
1. Income from sales of goods to parent and subsidiaries on domestic market	1003		-	-
2. Income from sales of goods to parent and subsidiaries on foreign market	1004		-	-
3. Income from the sale of goods to other related parties on domestic market	1005		-	-
4. Income from the sale of goods to other related parties on foreign market	1006		-	-
5. Income from sale of goods on domestic market	1007		-	-
6. Income from sale of goods on foreign market	1008		-	-
II. INCOME FROM SALES OF PRODUCTS AND SERVICES (1010+1011+1012+1013+1014+1015)	**1009**		**450,305**	**496,683**
1. Income from sales of products and services to parent and subsidiaries on domestic market	1010		-	-
2. Income from sales of products and services to parent and subsidiaries on foreign market	1011		-	-
3. Income from sales of products and services to other related parties on domestic market	1012		-	-
4. Income from sales of products and services to other related parties on foreign market	1013		-	-
5. Income from sales of products and services – domestic	1014	19	450,305	496,683
6. Income from sales of products and services – foreign	1015		-	-
III. INCOME FROM PREMIUMS, SUBVENTIONS AND DONATIONS	**1016**		-	-
IV. OTHER OPERATING INCOME	**1017**		-	-
EXPENSES FROM REGULAR OPERATING ACTIVITIES			-	-
B. OPERATING EXPENSES (1019-1020-1021+1022+1023+1024+1025+1026+1027+1028+1029)>=0	**1018**	-	**290,037**	**283,685**
I. COST OF GOODS SOLD	1019		-	-
II. WORK PERFORMED BY THE ENTITY AND CAPITALIZED	1020		-	-
III. INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES	1021		-	-
IV. DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES	1022		-	-
V. COST OF MATERIAL	1023		175	245
VI. COST OF FUEL AND ENERGY	1024		1,593	1,232
VII. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1025		10,374	6,338
VIII. COST OF PRODUCTION SERVICES	1026	20	51,302	50,780
IX. DEPRECIATION, DEPLETION AND AMORTIZATION	1027	21	138,773	138,374
X. COST OF LONG-TERM PROVISIONING	1028		-	-
XI. NON-PRODUCTION COSTS	1029	22	87,820	86,716
C. OPERATING GAIN (1001-1018)>=0	**1030**		**160,268**	**212,998**
D. OPERATING LOSS (1018-1001)>=0	**1031**		-	-
E. FINANCE INCOME (1033+1038+1039)	**1032**		**150,796**	**141,224**
I. FINANCIAL INCOME FROM RELATED PARTIES AND OTHER FINANCIAL INCOME (1034+1035+1036+1037)	1033		4,908	61,505
1. Finance income - parent company and subsidiaries	1034	23	1,333	43,306
2. Finance income - other related parties	1035	23	3,575	18,199
3. Share of profit of associates and joint ventures	1036		-	-
4. Other financial income	1037		-	-
II. INTEREST INCOME (from third parties)	1038	23	134,474	1,140
III. FOREIGN EXCHANGE GAINS (third parties)	1039	23	11,414	78,579

CONSOLIDATED INCOME STATEMENT
In RSD thousand

	AOP	Note	Year ended 31 December 2018	2017
F. FINANCE EXPENSES (1041+1046+1047)	**1040**		**171,177**	**196,728**
I. FINANCIAL EXPENSES FROM RELATED PARTIES AND OTHER FINANCIAL EXPENSES (1042+1043+1044+1045)	1041		34,637	65,935
1. Finance expense - parent company and subsidiaries	1042	24	18,904	51,765
2. Finance expense - other related parties	1043	24	14,438	14,170
3. Share of loss of associates and joint ventures	1044		-	-
4. Other financial expense	1045		1,295	-
II. INTEREST EXPENSE (from third parties)	1046	24	125,744	126,381
III. FOREIGN EXCHANGE LOSSES (third parties)	1047		10,796	4,412
G. PROFIT FROM FINANCING OPERATIONS (1032-1040)	**1048**		-	-
H. LOSS FROM FINANCING OPERATIONS (1040-1032)	**1049**		**20,381**	**55,504**
I. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**1050**		-	-
J. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**1051**		-	-
K. OTHER INCOME	**1052**		**2,927**	**920**
L. OTHER EXPENSES	**1053**	**25**	**7,082**	**8,646**
M. OPERATING PROFIT BEFORE TAX (1030-1031+1048-1049+1050-1051+1052-1053)	**1054**		**135,732**	**149,768**
N. OPERATING LOSS BEFORE TAX (1031-1030+1049-1048+1051-1050+1053-1052)	**1055**		-	-
O. NET INCOME ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS	**1056**		-	-
P. NET LOSS ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS	**1057**		-	-
Q. PROFIT BEFORE TAX (1054-1055+1056-1057)	**1058**		**135,732**	**149,768**
R. LOSS BEFORE TAX (1055-1054+1057-1056)	**1059**		-	-
II. INCOME TAX				
I. CURRENT INCOME TAX	1060	26	33,037	45,273
II. DEFERRED TAX EXPENSE FOR THE PERIOD	1061	26	27,692	-
III. DEFERRED TAX INCOME FOR THE PERIOD	1062	26	-	8,416
S. PERSONAL INCOME PAID TO EMPLOYER	**1063**		-	-
T. NET PROFIT (1058-1059-1060-1061+1062)	**1064**		**75,003**	**112,911**
V. NET LOSS (1059-1058+1060+1061-1062)	**1065**		-	-
I. NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1066		47,410	68,515
II. NET INCOME ATTRIBUTABLE TO THE OWNER	1067		27,593	44,395
III. NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1068		-	-
IV. NET LOSS ATTRIBUTABLE TO THE OWNER	1069		-	-
V. EARNINGS PER SHARE				
1. Basic earnings per share (in RSD)	1070	27	1.04	1.78
2. Diluted earnings per share (in RSD)	1071	27	1.09	1.78

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
In RSD thousand

	AOP	Note	Year ended 31 December 2018	2017
A. NET PROFIT/(LOSS)				
I. PROFIT, NET (AOP 1064)	**2001**		**75,003**	**112,910**
II. LOSS, NET (AOP 1065)	**2002**		-	-
B. OTHER COMPREHENSIVE PROFIT OR LOSS				
a) Items that will not be reclassified to profit or loss				
1. Changes in the revaluation of intangible assets, property, plant and equipment				
a) increase in revaluation reserves	2003		-	-
b) decrease in revaluation reserves	2004		-	-
2. Actuarial gains (losses) of post-employment benefit obligations				
a) gains	2005		-	-
b) losses	2006		-	-
3. Gains and losses arising from equity investments				
a) gains	2007		-	-
b) losses	2008		-	-
4. Gains or losses arising from a share in the associate's other comprehensive profit or loss				
a) gains	2009		-	-
b) losses	2010		-	-
b) Items that may be subsequently reclassified to profit or loss				
1. Gains (losses) from currency translation differences				
a) gains	2011		-	-
b) losses	2012		-	-
2. Gains (losses) on investment hedging instruments in foreign business				
a) gains	2013		-	-
b) losses	2014		-	-
3. Gains and losses on cash flow hedges				
a) gains	2015		-	19,118
b) losses	2016		211,754	-
4. Gains (losses) from change in value of available-for-sale financial assets				
a) gains	2017		-	-
b) losses	2018		-	-
I. OTHER COMPREHENSIVE PROFIT BEFORE TAX (2003+2005+2007+2009+2011+2013+2015+2017)-(2004+2006+2008+2010+2012+2014+2016+2018)>=0	2019		-	19,118
II. OTHER COMPREHENSIVE LOSS BEFORE TAX (2004+2006+2008+2010+2012+2014+2016+2018)-(2003+2005+2007+2009+2009+2011+2013+2015+2017)>=0	2020		211,754	-
III. TAX ON OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD	2021		(31,763)	2,868
IV. TOTAL NET COMPREHENSIVE PROFIT (2019-2020-2021)>=0	**2022**		**-**	**16,250**
V. TOTAL NET COMPREHENSIVE LOSS (2020-2019+2021)>=0	**2023**		**179,991**	**-**
C. TOTAL NET COMPREHENSIVE PROFIT				
I. TOTAL COMPREHENSIVE PROFIT, NET (2001-2002+2022-2023)>=0	2024		-	129,160
II. TOTAL COMPREHENSIVE LOSS, NET (2002-2001+2023-2022)>=0	2025		104,988	-
D. TOTAL NET COMPREHENSIVE PROFIT / (LOSS) (2027+2028)=AOP 2024>=0 или AOP 2025>0	**2026**			
1. Attributable to shareholders	2027		(69,603)	53,170
2. Attributable to non-controlling interest	2028		(35,386)	75,990

CONSOLIDATED STATEMENT OF CASH FLOWS
In RSD thousand

	AOP	Note	Year ended 31 December 2018	2017
A. CASH FLOWS FROM OPERATING ACTIVITIES				
I. Cash inflow from operating activities (1 to 3)	**3001**		**467,851**	**469,823**
1. Sales and advances received	3002		467,851	462,322
2. Interest from operating activities	3003		-	7,502
3. Other inflow from operating activities	3004			
II. Cash outflow from operating activities (1 to 5)	**3005**		**343,813**	**235,539**
1. Payments and prepayments to suppliers	3006		140,032	92,007
2. Salaries, benefits and other personal expenses	3007		10,374	1,748
3. Interest paid	3008		106,005	132,121
4. Income tax paid	3009		87,402	9,663
5. Payments for other public revenues	3010			
III. Net cash inflow from operating activities (I - II)	**3011**		**124,037**	**234,376**
IV. Net cash outflow from operating activities (II - I)	**3012**			
B. CASH FLOWS FROM INVESTING ACTIVITIES				
I. Cash flows from investing activities (1 to 5)	**3013**		**1,298**	
1. Sale of shares (net inflow)	3014			
2. Proceeds from sale of intangible assets, property, plant and equipment	3015		1,298	
3. Other financial investments (net inflow)	3016			
4. Interest from investing activities	3017			
5. Dividend received	3018			
II. Cash outflow from investing activities (1 to 3)	**3019**		**8,122,121**	**407,467**
1. Acquisition of subsidiaries or other business (net outflow)	3020			
2. Purchase of intangible assets, property, plant and equipment	3021		8,153,875	317,697
3. Other financial investments (net outflow)	3022		(31,754)	89,770
III. Net cash inflow from investing activities (I - II)	**3023**			
IV. Net cash outflow from investing activities (II - I)	**3024**		**8,120,823**	**407,467**
C. CASH FLOWS FROM FINANCING ACTIVITIES				
I. Cash inflow from financing activities (1 to 5)	**3025**		**9,175,905**	**256,205**
1. Increase in share capital	3026		681,468	
2. Proceeds from long-term borrowings (net inflow)	3027		7,555,847	140,162
3. Proceeds from short-term borrowings (net inflow)	3028		938,590	116,043
4. Other long-term liabilities	3029			
5. Other short-term liabilities	3030			
II. Cash outflow from financing activities (1 to 6)	**3031**		**744,323**	**155,563**
1. Purchase of own shares	3032			
2. Repayment of long-term borrowings (net outflow)	3033		744,323	155,563
3. Repayment of short-term borrowings (net outflow)	3034			
4. Repayment of other liabilities (net outflow)	3035			
5. Financial lease	3036			
6. Dividend distribution	3037			
III. Net cash inflow from financing activities (I - II)	**3038**		**8,431,582**	**100,642**
IV Net cash outflow from financing activities (II - I)	**3039**			
D. TOTAL CASH INFLOW (3001+3013+3025)	**3040**		**9,645,054**	**726,029**
E. TOTAL CASH OUTFLOW (3005+3019+3031)	**3041**		**9,210,257**	**798,569**
F. NET CASH INFLOW (340-341)	**3042**		**434,797**	
G. NET CASH OUTFLOW (341-340)	**3043**			**72,540**
H. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**3044**		**102,755**	**175,295**
I. CURRENCY TRANSLATION GAINS ON CASH AND CASH EQUIVALENTS	**3045**			
J. CURRENCY TRANSLATION LOSSES ON CASH AND CASH EQUIVALENTS	**3046**			
K. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (3042-3043+3044+3045-3046)	**3047**		**537,552**	**102,755**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity components							
	AOP	Share capital	AOP	Reserves	AOP	Loss	AOP	Retained earnings (loss)
Balance as at 1 January 2016								
a) debit	4001	-	4037	-	4055	**117,967**	4091	-
b) credit	4002	**817**	4038	-	4056	-	4092	-
Adjustments of material errors and changes in accounting policies								
a) debit	4003	-	4039	-	4057	-	4093	-
b) credit	4004	-	4040	-	4058	-	4094	-
Restated opening balance as at 1 January 2016								
a) debit (1a+2a-2б)>=0	4005	-	4041	-	4059	-	4095	-
б) credit (1б-2a+2б)>=0	4006	817	4042	-	4060	117,967	4096	-
Changes in period								
a) debit	4007	-	4043	-	4061	-	4097	-
b) credit	4008	-	4044	-	4062	-	4098	22,225
Balance as at 31 December 2016								
a) debit (3a+4a-4б)>=0	4001	-	4037	-	4055	117,967	4091	-
б) credit (3б-4a+4б)>=0	4002	**817**	4038	-	4056	-	4092	22,225
Adjustments of material errors and changes in accounting policies								
a) debit	4003	-	4039	-	4057	-	4093	-
b) credit	4004	-	4040	-	4058	-	4094	-
Restated opening balance as at 1 January 2017								
a) debit (5a+6a-6б)>=0	4005	-	4041	-	4059	-	4095	-
б) credit (5б-6a+6б)>=0	4006	817	4042	-	4060	117,967	4096	22,225
Changes in period								
a) debit	4007	-	4043	-	4061	-	4097	22,225
b) credit	4008	3,008	4044	-	4062	22,224	4098	44,395
Balance as at 31 December 2017								
a) debit (7a+8a-8б)>=0	4009	-	4045	-	4063	**95,743**	4099	-
б) credit (7б-8a+8б)>=0	4010	**3,825**	4046	-	4064	-	4100	**44,395**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity components							
	AOP	Share capital	AOP	Reserves	AOP	Loss	AOP	Retained earnings
Adjustments of material errors and changes in accounting policies								
a) debit	4011	-	4047	-	4065	-	4101	-
b) credit	4012	-	4048	-	4066	-	4102	-
Restated opening balance as at 1 January 2018								
a) debit (5a+6a-6б)>=0	4013	-	4049	-	4067	-	4103	-
б) credit (5б-6a+6б)>=0	4014	-	4050	-	4068	-	4104	-
Changes in period								
a) debit	4015	-	4051	-	4069	-	4105	44,395
b) credit	4016	681.468	4052	-	4070	44,421	4106	27,593
Balance as at 31 December 2018								
a) debit (7a+8a-8б)>=0	4017	-	4053	-	4071	**51,321**	4107	-
б) credit (7б-8a+8б)>=0	4018	**685.293**	4054	-	4072	-	4108	**27,593**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY(CONTINUED)

	AOP	Revaluation reserves	AOP	Cash flow hedge gain/(loss)	AOP	Gains (losses) from change in value of available-for-sale financial assets	AOP	Total Equity
		Other comprehensive income components						
Balance as at 1 January 2016								
a) debit	4109	-	4127	12,451	4217	-		130,418
b) credit	4110	-	4128	-	4218	-	4235	817
Adjustments of material errors and changes in accounting policies								
a) debit	4111	-	4129		4219	-		-
b) credit	4112	-	4130		4220	-	4236	-
Restated opening balance as at 1 January 2016								
a) debit (1a+2a-2б)>=0	4113	-	4131	12,451	4221	-		130,418
b) credit (1б-2a+2б)>=0	4114	-	4132		4222	-	4237	817
Changes in period								
a) debit	4115	-	4133	11,487	4223	-		11,487
b) credit	4116	-	4134	-	4224	-	4238	22,225
Balance as at 31 December 2016								
a) debit (3a+4a-4б)>=0	4109	-	4127	23,938	4217	-		141,905
b) credit (3б-4a+4б)>=0	4110	-	4128	-	4218	-	4235	23,042
Adjustments of material errors and changes in accounting policies								
a) debit	4111	-	4129	-	4219	-		-
b) credit	4112	-	4130	-	4220	-	4236	-
Restated opening balance as at 1 January 2017								
a) debit (5a+6a-6б)>=0	4113	-	4131	-	4221	-		-
b) credit (5б-6a+6б)>=0	4114	-	4132	23,938	4222	-	4237	-
Changes in period								
a) debit	4115	-	4133	-	4223	-		22,225
b) credit	4116	-	4134	8,775	4224	-	4238	78,403
Balance as at 31 December 2017								
a) debit (7a+8a-8б)>=0	4117	-	4135	15,163	4225	-		110,905
б) credit (7б-8a+8б)>=0	4118	-	4136	-	4226	-	4239	48,220

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY(CONTINUED)

				Other comprehensive income components				
	AOP	Revaluation reserves	AOP	Acturial gain/(loss)	AOP	Gains (losses) from change in value of available-for-sale financial assets	AOP	Total Equity
Adjustments of material errors and changes in accounting policies								
a) debit	4119	-	4137	-	4227	-		-
b) credit	4120	-	4138	-	4228	-	4240	-
Restated opening balance as at 1 January 2018								
a) debit (5a+6a-6б)>=0	**4121**	-	**4139**	-	**4229**	-		-
b) credit (5б-6a+6б)>=0	**4122**	-	**4140**	-	**4230**	-	**4241**	-
Changes in period								
a) debit	4123	-	4141	97,195	4231	-		141,590
b) credit	4124	-	4142	-	4232	-	4242	753,482
Balance as at 31 December 2018								
a) debit (7a+8a-8б)>=0	**4125**	-	**4143**	**112,358**	**4233**	-		**163,680**
б) credit (7б-8a+8б)>=0	**4126**	-	**4144**	-	**4234**	-	**4243**	**712,886**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2018

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

1. General information

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

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

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

At 31 December 2018, the Company's fully subscribed and paid up share capital amounted to RSD 4,057 thousand, consisting of 26,510,506 ordinary shares of RSD 0.153 each.

In 2018 the Company listed its shares on the stock market. The process of Initial Public Offering of the Company's shares ended on 30. October 2018, and during the offering period 1,510,506 shares were registered. Initial price on the stock market was RSD 500 per share.

The company's shares are traded on the organized market - Belgrade Stock Exchange. The symbol of the shares is FINT, and ISIN number is RSFINEE60549. The market capitalization of the Company as at 31 December 2018 is RSD 13,652,911 thousand (unit price per share of RSD 514).

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

These consolidated financial statements for the year ended 31 December 2018 have been prepared by the Group's Board of Directors, which approved them on the 16 April 2019. The approved financial statements may be amended based on the auditor's opinion, in accordance with legislation.

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

2. Summary of accounting policies and standards adopted

2.1 Basis of presentation

The Group has prepared these financial statements in accordance with the Law on Accounting of the Republic of Serbia (the "Law"), published in Official Gazette 62/2013 and 30/2018, which requires full scope of International Financial Reporting Standards ("IFRS") to be applied as translated into Serbian up to 31 July 2013. The specific requirements of the Law result in departures from IFRS due to the fact that as only translated standards are adopted, these accounts do not reflect the impact of IFRS which have been issued since 31 July 2013. In addition the Law requires certain presentations and treatments of accounts and balances which results in the following additional departures from IFRS:

1. The financial statements are prepared in format prescribed by the Ministry of Finance of the Republic of Serbia, which does not comply with IAS 1 (revised) – "Presentation of Financial Statements" requirements and IAS 7 – "Statement of cash flows".
2. "Off-balance sheet assets and liabilities" are recorded on the face of the consolidated balance sheet (note 2.6). Such items do not meet the definition of either an asset or a liability under IFRS.
3. The decision of the Ministry of Finance of Republic of Serbia no. 401-00-896/2014-16 from 13 March 2014 ("Official Gazette of RS" no.35/2014) states that official standards are those official translations of International Accounting Standards (IAS) and International Standards of Financial Reporting (IFRS) issued by International Accounting Standards Board (IASB), as well as interpretations of standards issued by International Financial Reporting Interpretations Committee (IFRIC) up to 31 July 2013. Up to the date of the accompanying consolidated financial statements preparation, no amendments and supplements of existing standards, revised standards and new interpretations issued by IASB and IFRIC subsequent to 31 July, have been translated. According to the above, and bearing in mind the potential material effects that the deviation of the accounting regulations of the Republic of Serbia from IFRSs and IASs can have on the reality and objectivity of the Group's consolidated financial statements, the accompanying consolidated financial statements cannot be considered as financial statements prepared in accordance with IFRS and IAS.

According to the above, and bearing in mind the potential material effects that the deviation of the accounting regulations of the Republic of Serbia from IFRSs and IASs can have on the reality and objectivity of the Group's consolidated financial statements, the accompanying consolidated financial statements cannot be considered as financial statements prepared in accordance with IFRS and IAS.

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

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

2.2 Going concern

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

2.3 Scope of consolidation

These consolidated financial statements include the financial statements for the year ended 31 December 2018 of the Fintel Energija and the financial statements for the year ended 31 December 2018 of its subsidiaries, as approved by the sole Director. These financial statements have been appropriately adjusted, where necessary, in order to bring them into line with Law on Accounting of the Republic of Serbia .The companies included in the scope of consolidation are listed below:

Name	Share Capital (RSD '000)	Head office	31/12/2018 % held	31/12/2017 % held	
Fintel Energija ad	4,057	Belgrade (Serbia)	Parent Company		
MK-Fintel Wind ad	29,647	Belgrade (Serbia)	54%	54%	Direct
MK-Fintel Wind Holding doo	10	Belgrade (Serbia)	54%	54%	Direct
Energobalkan doo	360,513	Belgrade (Serbia)	54%	54%	Indirect
Vetropark Ram doo	10	Belgrade (Serbia)	54%	54%	Indirect
Vetropark Kula doo	314,032	Belgrade (Serbia)	54%	54%	Indirect
Vetropark Dunav 3 doo	10	Belgrade (Serbia)	54%	54%	Indirect
Vetropark Dunav 1 doo	10	Belgrade (Serbia)	54%	54%	Indirect
Vetropark Torak doo	240	Belgrade(Serbia)	54%	54%	Indirect
Vetropark Košava 2 doo	2,680	Belgrade (Serbia)	54%	54%	Indirect
Fintel Russian Ventures ooo	72	Moscow (Russia)	100%		Direct

Except for the incorporation of Fintel Russian Ventures ooo (still not operating SPV), there has been no change in the years in the scope of consolidation.

2.4 Principles and methods of consolidation

Subsidiaries

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

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

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

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

The consolidation procedures applied are as stated below.

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

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

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

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

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

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

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

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

2.5 Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured and presented in Serbian dinars ("RSD"). Dinar represents the official reporting currency in the Republic of Serbia.

Transactions and balances

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

2.6 Significant accounting policies

Property, plant and equipment

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

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

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

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

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

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

	No. of years
Buildings	20
Equipment	3-20

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

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

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

Impairment of property, plant and equipment

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents

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

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

Off balance sheet assets/liabilities

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

Trade payables, financial and other payables

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

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation. The amount recognised represents the best estimate of the expenditure required to settle the obligation. When the time value of money is significant and the settlement date of the obligations can be reliably estimated, the provisions are measured at the present value of the expected disbursement using a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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

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

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

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

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

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

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

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

Derivative financial instruments

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

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

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

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

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

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

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

Revenue

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

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

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

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

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

a) Revenue from the sale of electricity

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

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

Operating costs

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

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

Finance income and costs

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

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

Income tax

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

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

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

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

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

Related-party transactions

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

Dividends

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

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

Earnings per share

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

3. Estimates and assumptions

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

A brief description is provided below of the key accounting estimation, used in the preparation of consolidated financial statements

Impairment of assets

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

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

Deferred tax assets

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

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

Provisions

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

4. Financial risk management

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

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

Credit risk

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

The Group's maximum exposure to credit risk at 31 December 2018 and 2017 is the carrying amount of each class of assets indicated in the following table:

	31 December 2018	31 December 2017
Other receivables	24,889	3,935
Short-term loans and investments	-	10,674
Prepayments and accrued income	44,653	61,981
TOTAL	**69,542**	**76,590**

Prepayments and accrued income mainly refer to receivables from EPS for electricity produced by wind farms, while Other receivables mainly relate to overpaid income taxes.

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

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

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

Liquidity risk

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

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

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

The following table provides a maturity analysis of liabilities at 31 December 2018 and 2017. The various maturity bands are determined based on the period between the reporting date and the contractual maturity of the Group's obligations, gross of accrued interest at 31 December. Interest is calculated in accordance with contractual terms for the financing.

	At 31 December 2018			
	Less than 1 year	**1-2 years**	**2-5 years**	**Beyond 5 years**
Financial payables due to shareholders	1,941,477	-	-	14,199
Bank loans	310,099	269,361	1,097,797	7,789,694
Trade payables	523,186	-	-	-
Total	**2,774,761**	**269,361**	**1,097,797**	**7,803,893**

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

An analysis of the financial liabilities by maturity shows an increase of payables due within 1 year and beyond 5 years as at 31 December 2018 compared to those at 2017, as a result of the following main changes:

a. Increase in bank loans due to new loans for Kosava phase I plant.
b. Increase in financial payables to shareholders due to new loans granted for the construction of wind farms in Serbia.

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

Accordingly, taking in account of the fact that the shareholders have confirmed that they do not intend to request the repayment of the loan prior to the forthcoming year end, as well as the liquid funds of RSD 635,661 thousand, it is believed that the Company and the Group will be able to meet its obligations in the foreseeable future.

Market risk

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

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

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

Risk of fluctuation in exchange rates

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

As at 31 December 2018, if the currency RSD had strengthened/weaken by 5% against the EUR with all other variables held constant, post-tax profit for the year would have been RSD 451,767 thousand (2017: RSD 125,657 thousand) higher/lower, mainly as a result of foreign exchange gains/losses on translation of EUR – denominated borrowings.

Risk of fluctuation in interest rates

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

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

In order to hedge the risk of fluctuation in interest rates the subsidiaries Vetropark Kula and MK-Fintel Wind also entered into agreements for an interest rate cap with spread in relation to financing for the "Kula" and "Kosava phase I" wind power plants.

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

*Capital management risk*The Group's objective as far as capital risk management is concerned is mainly to safeguard business continuity in order to guarantee returns to shareholders and benefits to

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

other stakeholders. Moreover, the Group aims to maintain an optimal capital structure in order to reduce the cost of borrowing.

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

The gearing ratio at 31 December 2018 and 2017 is shown in the following table:

RSD thousand	31 December 2018	31 December 2017
Non-current financial payables:		
- Financial payables due to shareholders	14,199	14,217
- Bank loans	8,487,640	1,792,500
Current financial payables:		
- Bank loans	141,940	153,485
- Financial payables due to shareholders	1,927,278	996,527
- Financial assets	(98,110)	(130,320)
Cash and cash equivalents	(537,552)	(102,755)
Net debt (A)	**9,935,395**	**2,723,653**
Equity (B)	**522,454**	**(54,075)**
Net capital employed (C=A+B)	**10,457,849**	**2,669,493**
Gearing ratio (A/C)	***95,0%***	***102,0%***

The gearing ratio has improved compared to prior years mainly due to the capital increase for IPO and admission of Company's common shares to trading on the regulated market, segment Prime Listing, organized and managed by Belgrade Stock Exchange.

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

5. Financial assets and liabilities by class

The following table shows the Group's financial assets and liabilities by class, with an indication of the corresponding fair value, at 31 December 2018 and 2017:

	At 31 December 2018						
RSD thousand	Financial assets and liabilities measured at fair value	Investments held to maturity	Loans and receivables	Available-for-sale financial assets	Financial liabilities carried at amortized cost	Total	Fair value
Receivables due from related parties							
Financial investments			98,110			98,110	98,110
Trade receivables							
Cash and cash equivalents			537,552			537,552	537,552
Total	-	-	**635,662**	-	-	**635,662**	**635,662**
Financial payables					8,629,579	8,629,579	8,629,579
Financial payables due to Shareholders					1,941,477	1,941,477	1,941,477
Trade payables					523,186	523,186	523,186
Derivative liabilities	244,789					244,789	244,789
Total	**244,789**	-	-	-	**11,094,241**	**11,339,030**	**11,339,030**

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

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

6. IFRS 8: segment information

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

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

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

a) Guarantees issued

Guarantees issued amount to RSD 905,782 thousand as of 31 December 2018 and RSD 344,864 thousand as of 31 December 2017 and refer to the 4P status for wind plants. They have been issued in favor of:

- Serbian Ministry of Energy and they will be returned at the obtaining of 3P status (RSD 344,055 thousand);

- Lenders of Kosava project phase I, for cost overrun during construction and till COD (RSD 475,142 thousand);

- Transmission System Operator in Republic of Serbia (RSD 86,585 thousand).

These guarantees have been classified as Off-balance sheet liabilities.

b) *Other*

There were no other contingent liabilities of the Group

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

STATEMENT OF FINANCIAL POSITION

8. Property, plant and equipment

Movement table of PEE as at 31 December 2018 and 2017 is presented in the table below:

RSD thousand	Year ended 31 December 2018									
	Opening historical cost	Opening accumulated depreciation	Opening net book amount	Additions	Depreciation and impairment	Disposals	Transfers	Closing historical cost	Closing accumulated depreciation	Closing net book amount
Land	27,048	-	27,048	-	-	(780)	-	26,268	-	26,268
Buildings	548,760	(33,956)	514,804	-	(27,438)	-	-	548,760	(61,394)	487,366
Machinery and equipment	2,170,254	(146,693)	2,023,561	251	(111,335)	-	-	2,170,505	(258,028)	1,912,476
Construction in progress	225,732	-	225,732	2,931,956	-	-	-	3,157,688	-	3,157,688
Advances for PP&E	262,806	-	262,806	5,633,905	-	(519)	-	5,896,192	-	5,896,192
Property, plant and equipment	**3,234,600**	**(180,649)**	**3,053,951**	**8,566,112**	**(138,773)**	**(1,299)**	**-**	**11,799,413**	**(319,422)**	**11,479,991**

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

Buildings include civil works such as foundation of the wind farms, access roads etc. Machinery and equipment mainly includes wind turbines and towers. They refer to the wind farms already in operation, "Kula" (9,9 MW) and "La Piccolina" (6,6 MW).

Construction in progress and advances for PP&E as at 31 December 2018, mainly relate to investment in construction of the "Kosava phase I" plant, for which the completion of the construction is expected for second half of 2019.

Wind plants owned by VP Kula and Energobalkan have been mortgaged in favour of Erste Bank and Unicredit Bank respectively. Net value of fixed assets for VP Kula as at 31 December 2018 is RSD 1,435,271 thousand, and for Energobalkan is RSD 981,318 thousand.

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

9. Other long-term financial investments

Other long-term financial investments in amount of RSD 98,110 thousand at 31 December 2018 (RSD 130,320 thousand at 31 december 2017) consisted entirely of non-current assets, relate to:

- Long-term deposits - restricted cash of RSD 76,826 thousand (RSD 77,007 thousand as of 31 December 2017) attributable to the subsidiary Vetropark Kula doo that has been deposited as collateral to Erste in accordance with the loan agreement to guarantee the repayment of the loan.
- Long-term deposits - restricted cash of RSD 21,275 thousand (RSD 53,313 thousand as of 31 December 2017) attributable to the subsidiary Energobalkan doo that has been deposited as collateral to Unicredit Serbia in accordance with the loan agreement to guarantee the repayment of the loan.

10. Cash and cash equivalents

"Cash and cash equivalents" at 31 December 2018 and 2017 are detailed as follows:

	31 December 2018	31 December 2017
Current account		
- in dinars	216,471	99,327
- purpose account in dinars	19,846	-
- in foreign currency	3,077	3,428
- purpose account in foreign currency	298,158	-
Cash and cash equivalents	**537.552**	**102.755**

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

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

11. Other current assets

"Other current assets" of RSD 78,357 thousand at 31 December 2018 (RSD 90,561 thousand at 31 December 2017) are detailed in the following table:

	31 December 2018	31 December 2017
Value added tax	33,704	28,580
Prepayments and accrued income	44,653	61,981
Total	**78,357**	**90,561**

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

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

Prepayments and accrued income includes receivables from EPS for the production of electricity from the wind farms. The decrease in 2018 relate to the lower energy production in December for both "Kula" and "La Piccolina" plants.

12. Equity

Equity as at 31 December 2018 and 2017 is detailed in the following table:

	31 December 2018	31 December 2017
Share capital	4,057	3,825
Share premium	681,237	-
Other componenents of other comprehnsive income	(112,358)	(15,163)
Retained earnings from current year	27,593	44,395
Loss from previous years	(51,322)	(95,743)
Equity attributable to the Group	**549,207**	**(62,685)**
Capital and reserves attributable to non-controlling interests	21,550	(46,988)
Other componenents of other comprehnsive income	(95,712)	(12,916)
Profit (loss) for the year	47,410	68,515
Equity attributable to non-controlling interests	**(26,752)**	**8,611**
TOTAL EQUITY	**522,454**	**(54,075)**

The equity components and changes therein are detailed below:

Share capital

At 31 December 2018, the Company's fully subscribed and paid up share capital amounted to RSD 4,057 thousand consisting of 26,510,506 ordinary shares with nominal value of RSD 0.153 each.

Shareholders' of the Company are detailed as follow:

Član	In thousand of dinars	% of ownership
Fintel Energia Group S.p.A.	3,825	94.30%
BDD M&V INVESTMENTS AD Beograd-ZBIRNI RAČUN	194	4.79%
SOCIETE GENERALE BANKA SRBIJA - KASTODI RN - FO	15	0.37%
Other	23	0.54%
Total	**4,057**	**100.00%**

Share premium

At 31 December 2018, such Reserve includes the share premium resulting from the capital increase related to the IPO of the Company on the Prime Listing Segment of the Belgrade Stock Exchange. The share premium worths RSD 755,022 Thousands (equivalent to RSD 499,847 per each new share issued by the Company). Such value is reported net of the IPO related costs.

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

Other components of other comprehensive income

The hedging reserve arises from the measurement, in accordance with applicable accounting standards (IFRS 9), of derivatives entered into by Group companies to hedge the risk of fluctuation in interest rates applied to loans for the construction of certain of the Group's wind power plants.

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

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

Equity attributable to non-controlling interests

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

13. Liabilities to parent companies and subsidiaries

	31 December 2018	31 December 2017
Long-term loans	14,199	14,217
Less: Current part of Long-term loans	-	-
	14,199	**14,217**
Short-term loans	482,243	482,619
Total	**496,442**	**496,836**

The overview of loans from Parent Company and years of maturity is shown in the following table:

Recipient	Lenders	Amount EUR	Amount in 000 RSD	Maturity
MK Fintel Wind Holding d.o.o.	Fintel Energia Group S.p.A	80,000	9,456	31.12.2020
MK Fintel Wind Holding d.o.o.	Fintel Energia Group S.p.A	30,000	3,549	31.12.2020
MK Fintel Wind Holding d.o.o.	Fintel Energia Group S.p.A	10,000	1,182	31.12.2020
MK Fintel Wind Holding d.o.o.	Fintel Energia Group S.p.A	1,296,000	153,180	31.12.2019
Fintel Energija a.d.	Fintel Energia Group S.p.A	2,667,000	315,225	31.12.2019
Fintel Energija a.d.	Fintel Energia Group S.p.A	117,154	13,851	31.12.2019

14. Short term loans and borrowings from other related parties

The balance amounts to RSD 1,445,035 thousand at 31 December 2018 (RSD 513,822 thousand at 31 December 2017) includes financial payables to MK Holding d.o.o., a non-controlling interest holder in subsidiaries: this amount consists of the non-controlling interest holder's share of shareholder loans granted to finance the construction of the wind farms in Serbia.

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

Receipent	Donor	Amount EUR	Amount 000 RSD	Maturity
MK Fintel Wind ad	MK Holding d.o.o.	899,700	106,340	2019
MK Fintel Wind ad	MK Holding d.o.o.	9,274,276	1,096,169	2019
MK Fintel Wind Holding d.o.o.	MK Holding d.o.o.	1,164,320	137,617	2019
MK Fintel Wind Holding d.o.o.	MK Holding d.o.o.	887,600	104,910	2019
Total		**12,225,896**	**1,445,035**	

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

Set out below are details of long and short term loans and borrowings at 31 December 2018 and 2017:

RSD thousand	31 December 2018	31 December 2017
Long term borowings	8,487,640	1,792,500
Short-term loans and borrowings	141,940	153,485
Total	**8,629,579**	**1,945,985**

Details of bank loans outstanding at 31 December 2018 are summarised in the following table:

Beneficiary company	Residual debt at 31 December 2018	Long term	Short term	Maturity
Vetropark Kula	959,656	869,399	90,257	2027
Energobalkan	572,708	521,025	51,683	2027
MK Fintel Wind	6,353,938	6,353,938	-	2030
Fintel Energija	743,277	743,277	-	2024
	8,629,579	**8,487,639**	**141,940**	

Loan of Vetropark Kula refers to the financing received in 2015 from Erste Bank for the development and construction of Kula wind farm. Its maturity is of 12 years and interest rate is variable plus spread, and ranges from EURIBOR+3,55%-4,00% per year.

Loan of Energobalkan refers to the financing received from Unicredit Bank for the development and construction of La Piccolina wind farm. Its maturity is of 9 years, and matures 1. December 2027and interest rate is fixed, 4.5%. First draw down of the loan has been made in 2016.

Loan of MK Fintel Wind refers to the financing received from a pool of Banks including Erste Group Bank, Erste Bank Serbia, Austrian Development Bank (OoEb), Unicredit Serbia and Zagrebacka Banka, for the development and construction of Kosava phase I wind farm. Its maturity is of 12 years and interest rate is variable plus spread, ranging from 4.1%-4.5%. First draw down of the loan has been made in 2018.

Loan of Fintel Energija refers to the financing received from AIK Bank in 2017 for the development and construction of Kosava phase I wind farm. Its maturity is of 6 years and matures 26. July 2024. and interest rate is fixed.

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

16. Other long-term liabilities

Other long-term liabilities consist of the fair value measurement at the reporting date of the derivative pertaining to the subsidiary Vetropark Kula Doo (RSD 32,767 thousand and RSD 33,034 thousand at 31 December 2018 and 2017) and MK Fintel Wind (RSD 212,022 thousand at 31 December 2018) used to hedge the interest rate risk arising from loan agreements entered into by the companies.

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

The derivative contract entered into in 2018 by MK Fintel Wind is an interest rate swap with a term of 12 years and an initial notional of Euro 60,496 thousand.

17. Trade payables

Trade payables, which amounted to RSD 523,186 thousand as at 31 December 2018 and to RSD 109,509 as at 31 December 2017, consist mainly of payables to Fintel Energia Group SpA for management fee and those arising from the construction of Kosava phase I and maintenance of the Kula and La Piccolina wind plants.

18. Accrued expenses

Accrued liabilities, which amounts to RSD 271,748 thousand at 31 December 2018 and to RSD 241,156 at 31 December 2017, consist mainly of interests on shareholders loan due to Fintel Energia Group SpA and MK Group and accrued interests on financial loans.

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

19. Sales of products and services

Sales of products and services amounts to RSD 450,305 thousand and RSD 496,683 thousand for the year ended 31 December 2018 and 31 December 2017 respectively.

Revenue only refers to FiT (equal to 96,1 €/Mwh in 2018) received by wind plants "La Piccolina" and "Kula".

The decrease in revenue is mainly attributable to the decrease of volume power produced from 43.881 MWh to 39.738 MWh in 2018 compared to 2017.

20. Cost of production services

It includes all costs arising from the purchase of services during the year in the ordinary course of business. Details of cost of services for 2018 and 2017 are provided in the following table:

	2018	2017
Costs of ongoing maintenance services of wind farms	45,746	45,362
Costs of office space rent- Other related parties	2,715	2,767
Costs of other transportation services	992	1,595
Others	1,848	1,056
Cost of production services	**51,301**	**50,780**

21. Depreciation and amortisation

Depreciation and amortisation amounts to RSD 138,773 thousand (RSD 138,374 thousand for the year ended 31 December 2017). The amount is aligned to that of the previous year and it refers to La Piccolina and Kula wind power plants.

22. Non-production costs

Non-production costs for the years ended 31 December 2018 and 2017 are detailed as follows:

	2018	2017
Consulting services	58,955	59,618
Accounting services	1,693	1,732
Security and cleaning costs	1,049	1,380
Representation costs	1,262	3,031
Other non production costs	2,387	534
Costs of fixed assets insurance	4,119	5,558
Property tax	9,281	8,481
Administrative and legal taxes	1,672	1,150
The cost of ads in magazines and other media (except advertising)	3,744	-
Costs of guarantees	-	3,957
Other non-material costs	3,659	1,275
Total	**87,821**	**86,716**

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

23. Finance income

Finance income for the years ended 31 December 2018 and 2017 are detailed as follows:

	2018	2017
Finance income – parent company	1,333	43,306
Finance income – other related parties	3,575	18,199
Interest income (from third parties)	134,474	1,140
Foreign exchange gains (third parties)	11,414	78,579
Total finance income	**150,796**	**141,224**

Finance income amounted to RSD 150,797 thousand for the year ended 31 December 2018 (RSD 141,224 thousand for the year ended 31 December 2017). The amount of 2017 mainly consisted of gains for the conversion at year end exchange rate RSD/Euro of the loans, while the amount of 2018 mainly refers to the effects resulting from the renegotiation of the interest rate for the loans of VP Kula and Energobalkan.

24. Finance costs

Finance costs for the years ended 31 December 2018 and 2017 are detailed as follows:

	2018	2017
Finance expense – parent company	18,904	51,765
Finance expense – other related parties	14,438	14,170
Other financial expense	1,295	-
Finance expense – third parties	125,744	126,381
Total finance costs	**160,381**	**192,316**

Finance costs mainly include interests on shareholder's loans and, losses from exchange rate differences and interests on financing from Erste bank, Unicredit Bank and AIK Bank.

25. Other expenses

Other expenses amount to RSD 7,082 thousand for the year ended 31 December 2018 (RSD 8,646 thousand in 2017). They include expenditures for environmental protection, culture, health and education.

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

26. Income tax expense

Income tax expenses for the years ended 31 December 2018 and 2017 are detailed as follows:

	Year ended 31 December	
	2018	**2017**
Income tax for the year	33.037	45.273
Deferred income tax for the period (note 12)	27,692	(8.416)
	60.729	**36.857**

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

	Year ended 31 December	
	2018	**2017**
Profit before tax	**135.732**	**149.767**
Tax calculated at domestic tax rates applicable to profits in the respective countries	20.360	22.465
Tax effect on:		
Expenses not deductible for tax purposes	18.020	15.615
Other tax effects	(5.343)	7.193
	33.037	45.273

The weighted average applicable tax rate was 25% (2017: 25%).

The Group does not choose to consolidate for tax purpose and the losses of one group company are not available for the consolidated entity, which is why the losses of subsidiaries must be encountered as correction for the purpose of calculating the effective income tax rate.

27. Earnings/(loss) per share

The basic result per share has gone from an earning per share of RSD 1.78 in 2017 to RSD 1.78 for the year ended 31 December 2018. It has been computed by dividing the Group's net result by the number of Fintel Energija shares outstanding in the years in question (number of shares outstanding of 26,511 thousand).

The diluited result per share has gone from an earning per share of RSD 1.78 in 2017 to RSD 1.78 for the year ended 31 December 2018. It has been computed by dividing the Group's net result by the average number of Fintel Energija shares outstanding in the years in question (average number of shares outstanding of 25,252 thousand).

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

28. Contingent liabilities and commitments

There are not any contingent liabilities and commitments.

29. Related party transactions

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

A summary is provided below of the Group's transactions with related parties in 2018 and 2017. All transactions with related parties are entered into at market value.

As of 31 December 2018 and 31 December 2017 the outstanding balances with related parties were as follows:

	At 31 December 2018		
RSD thousand	Parent Company	Parent's subsidiaries and associates	Total
Trade and other payables	(58,761)	-	(58,761)
Other current liabilities	(150,856)	-	(150,856)
Long term debt	(14,199)	-	(14,199)
Short term debt	(482,243)	-	(482,243)
Total	**(706,059)**	-	**(706,059)**

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

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

For the year ended 31 December 2018 and 2017 the following transaction occurred with related parties:

	At 31 December 2018		
RSD thousand	Parent Company	Parent's subsidiaries and associates	Total
Selling, general and administrative expenses	(29,267)	-	(29,267)
Finance expense	(31,914)	-	(31,914)
Total	**(61,181)**	-	**(61,181)**

	At 31 December 2017		
RSD thousand	Parent Company	Parent's subsidiaries and associates	Total
Selling, general and administrative expenses	(29,879)	(29,736)	(59,615)
Finance expense	(32,312)	-	(32,312)
Total	**(62,191)**	**(29,736)**	**(91,927)**

Remuneration of Fintel Group directors

Members of Board of Directors have not received any remuneration in 2018. Tiziano Giovannetti acts as sole director in of Fintel Energija's subsidiaries without any further remuneration.

30. Significant subsequent events

On February 5, 2019, the company Fintel Energy A.D. has established new SPVs for the development of new wind power plant construction projects: Lipar d.o.o. (10 MW), Lipar 2 d.o.o (10 MW) and Maestrale Ring d.o.o. (599.2 MW). The Maestrale Ring project will be the largest on-shore wind farm on the European continent.

31. Tax provision

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

Legal representative:

The person responsible for the preparation of consolidated financial statements:

PRIVREDNO DRUŠTVO ZA PROIZVODNJU ELEKTRIČNE ENERGIJE FINTEL ENERGIJA AD BEOGRAD

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL REPORT

To the shareholders of FINTEL ENERGIJA a.d., Beograd

We have audited the consolidated financial statements of FINTEL ENERGIJA a.d., Beograd ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2018 disclosed in the consolidated annual report and issued the opinion dated 18 April 2019.

Report on consolidated annual report

We have verified that the other information included in the consolidated annual report of the Group for the year ended 31 December 2018 is consistent with the consolidated financial statements referred to above. Management is responsible for the accuracy of the consolidated annual report of the Group. Our responsibility is to express an opinion on the consistency of the consolidated annual report of the Group with the consolidated financial statements based on our verification procedures.

Auditor's responsibility

We conducted our verification procedures in accordance with the Law on Auditing and auditing regulation effective in the Republic of Serbia. This regulation requires that we plan and perform the verification procedures to obtain reasonable assurance about whether the other information included in the consolidated annual report which describes matters that are also presented in the consolidated financial statements is, in all material respects, consistent with the relevant consolidated financial statements. We believe that the verification procedures performed provide a reasonable basis for our opinion.

Opinion

In our opinion, the other information included in the consolidated annual report of the Group for the year ended 31 December 2018 is consistent, in all material respects, with the consolidated financial statements.

Refer to the original signed Serbian version

Milivoje Nešović
Licensed Auditor

Refer to the original signed Serbian version

PricewaterhouseCoopers d.o.o., Beograd

Belgrade, 18 April 2019

CONSOLIDATED ANNUAL BUSINESS REPORT FOR THE YEAR ENDING 31 DECEMBER 2018

FINTEL ENERGIJA AD

Content

1. Summary of the business activities and organizational structure

Identification data

Business name: PRIVREDNO DRUŠTVO ZA PROIZVODNJU ELEKTRIČNE ENERGIJE FINTEL ENERGIJA AD BEOGRAD

Seat: Belgrade

Address: Bulevar Mihaila pupina 115e

Company Identification Number: 20305266

Tax Identification Number: 105058839

Date of incorporation: 27 June 2007

Persons authorized to represent: Tiziano Giovannetti

Website: www.fintelenergija.rs

Core business activity

Description and code of the core business activity: 3511 – Production of electrical energy.

Business activities

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

Organizational structure

By aligning corporate bodies and documents with the Companies Law ("Official Gazette of the RS" no. 36/2011, 99/2011, 83/2014, - other law, and 5/2015) the Company has the following internal organizational structure: Shareholder Assembly (consisting of the only shareholder Finte Energia Group S.p.A.) and Board of Directors.

Subsidiaries

The Company act as a holding company of the following subsidiaries:

MK-Fintel Wind Holding d.o.o. za holding poslove Beograd, ID number 21280275, whereby the Company holds 53,99737% of the share capital ("**MK Fintel d.o.o.**"), while the remaining 46,00263% is held by the company *MK Holding d.o.o. za holding poslove Beograd,*

Fintel Russian Ventures ooo, whereby the Company holds 99,00% of the share capital ("**Fintel Russian Ventures o.o.o.**"), MK-Fintel Wind akcionarsko društvo Beograd, ID number 20392126, whereby the Company holds 53,99737% of the share capital ("**MK Fintel a.d.**"), ."), while the remaining 46,00263% is held by the company *MK Holding d.o.o. za holding poslove Beograd*, while MK-FIntel Wind Holdin d.o.o. holds 100% in the following subsidiaries, SPVs for other projects:

Vetropark Kula d.o.o. Beograd, ID number 20901659 – SPV established for the project wind farm Kula ("**Kula**"),

Energobalkan d.o.o. Beograd, ID number 20833122 – SPV established for the project wind farm Vetroparka La Piccolina ("**Energobalkan**"),

Vetropark Torak d.o.o. Beograd, ID number 21040339 ("**Torak**"),

Vetropark Košava 2 d.o.o. Beograd, ID number 21064742 ("**Košava 2**"),

Vetropark Ram d.o.o. Beograd, ID number 20927119 ("**Ram**"),

Vetropark Dunav 1 d.o.o. Beograd, ID number 20926392 ("**Dunav 1**"),

Vetropark Dunav 3 d.o.o. Beograd, ID number 20927089 ("**Dunav 3**").

Information about the management of the company

Members of Board of Directors:

- ✓ Claudio Nardone, predsednik
- ✓ Tiziano Giovannetti
- ✓ Luka Bjeković
- ✓ Paolo Martini
- ✓ Aleksandra Stojanovic

2. Presentation of development, financial position and activities of the legal entity, relevant financial information and non-financial indicators, personnel structure

Fintel Energija has a position of pioneer among independent producers of electrical energy form wind power in the territory of the Republic of Serbia. The total installed capacity of all wind turbines is 329 MW, of which 16.5 MW is held in the ownership of the Company (5,0%). Out of the total current quota for construction of wind farms under preferential conditions, which is 500 MW, Fintel has been granted the right to build wind farms of a total capacity of 84.5 MW (16.9%).

CONSOLIDATED INCOME STATEMENT
In RSD thousand

	AOP	Year ended 31 December 2018	2017
INCOME FROM REGULAR OPERATING ACTIVITIES			
A. OPERATING INCOME (1002+1009+1016+1017)	**1001**	**450,305**	**496,683**
I. INCOME FROM THE SALE OF GOODS (1003+1004+1005+1006+1007+1008)	**1002**	-	-
1. Income from sales of goods to parent and subsidiaries on domestic market	1003	-	-
2. Income from sales of goods to parent and subsidiaries on foreign market	1004	-	-
3. Income from the sale of goods to other related parties on domestic market	1005	-	-
4. Income from the sale of goods to other related parties on foreign market	1006	-	-
5. Income from sale of goods on domestic market	1007	-	-
6. Income from sale of goods on foreign market	1008	-	-
II. INCOME FROM SALES OF PRODUCTS AND SERVICES (1010+1011+1012+1013+1014+1015)	**1009**	**450,305**	**496,683**
1. Income from sales of products and services to parent and subsidiaries on domestic market	1010	-	-
2. Income from sales of products and services to parent and subsidiaries on foreign market	1011	-	-
3. Income from sales of products and services to other related parties on domestic market	1012	-	-
4. Income from sales of products and services to other related parties on foreign market	1013	-	-
5. Income from sales of products and services – domestic	1014	450,305	496,683
6. Income from sales of products and services – foreign	1015	-	-
III. INCOME FROM PREMIUMS, SUBVENTIONS AND DONATIONS	**1016**	-	-
IV. OTHER OPERATING INCOME	**1017**	-	-
EXPENSES FROM REGULAR OPERATING ACTIVITIES		-	-
B. OPERATING EXPENSES (1019-1020-1021+1022+1023+1024+1025+1026+1027+1028+1029)>=0	**1018**	**290,037**	**283,685**
I. COST OF GOODS SOLD	1019	-	-
II. WORK PERFORMED BY THE ENTITY AND CAPITALIZED	1020	-	-
III. INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES	1021	-	-
IV. DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES	1022	-	-
V. COST OF MATERIAL	1023	175	245
VI. COST OF FUEL AND ENERGY	1024	1,593	1,232
VII. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1025	10,374	6,338
VIII. COST OF PRODUCTION SERVICES	1026	51,302	50,780
IX. DEPRECIATION, DEPLETION AND AMORTIZATION	1027	138,773	138,374
X. COST OF LONG-TERM PROVISIONING	1028	-	-
XI. NON-PRODUCTION COSTS	1029	87,820	86,716
C. OPERATING GAIN (1001-1018)>=0	**1030**	**160,268**	**212,998**
D. OPERATING LOSS (1018-1001)>=0	**1031**	-	-
E. FINANCE INCOME (1033+1038+1039)	**1032**	**150,796**	**141,224**
I. FINANCIAL INCOME FROM RELATED PARTIES AND OTHER FINANCIAL INCOME (1034+1035+1036+1037)	1033	4,908	61,505
1. Finance income - parent company and subsidiaries	1034	1,333	43,306
2. Finance income - other related parties	1035	3,575	18,199
3. Share of profit of associates and joint ventures	1036	-	-
4. Other financial income	1037	-	-
II. INTEREST INCOME (from third parties)	1038	134,474	1,140
III. FOREIGN EXCHANGE GAINS (third parties)	1039	11,414	78,579

CONSOLIDATED INCOME STATEMENT
In RSD thousand

	AOP	Year ended 31 December 2018	2017
F. FINANCE EXPENSES (1041+1046+1047)	**1040**	**171,177**	**196,728**
I. FINANCIAL EXPENSES FROM RELATED PARTIES AND OTHER FINANCIAL EXPENSES (1042+1043+1044+1045)	1041	34,637	65,935
1. Finance expense - parent company and subsidiaries	1042	18,904	51,765
2. Finance expense - other related parties	1043	14,438	14,170
3. Share of loss of associates and joint ventures	1044	-	-
4. Other financial expense	1045	1,295	-
II. INTEREST EXPENSE (from third parties)	1046	125,744	126,381
III. FOREIGN EXCHANGE LOSSES (third parties)	1047	10,796	4,412
G. PROFIT FROM FINANCING OPERATIONS (1032-1040)	**1048**	-	-
H. LOSS FROM FINANCING OPERATIONS (1040-1032)	**1049**	**20,381**	**55,504**
I. INCOME FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**1050**	-	-
J. LOSS FROM VALUATION OF ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	**1051**	-	-
K. OTHER INCOME	**1052**	**2,927**	**920**
L. OTHER EXPENSES	**1053**	**7,082**	**8,646**
M. OPERATING PROFIT BEFORE TAX (1030-1031+1048-1049+1050-1051+1052-1053)	**1054**	**135,732**	**149,768**
N. OPERATING LOSS BEFORE TAX (1031-1030+1049-1048+1051-1050+1053-1052)	**1055**	-	-
O. NET INCOME ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS	**1056**	-	-
P. NET LOSS ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS	**1057**	-	-
Q. PROFIT BEFORE TAX (1054-1055+1056-1057)	**1058**	**135,732**	**149,768**
R. LOSS BEFORE TAX (1055-1054+1057-1056)	**1059**	-	-
II. INCOME TAX			
I. CURRENT INCOME TAX	1060	33,037	45,273
II. DEFERRED TAX EXPENSE FOR THE PERIOD	1061	27,692	-
III. DEFERRED TAX INCOME FOR THE PERIOD	1062	-	8,416
S. PERSONAL INCOME PAID TO EMPLOYER	**1063**	-	-
T. NET PROFIT (1058-1059-1060-1061+1062)	**1064**	**75,003**	**112,910**
V. NET LOSS (1059-1058+1060+1061-1062)	**1065**	-	-
I. NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1066	47,410	68,515
II. NET INCOME ATTRIBUTABLE TO THE OWNER	1067	27,593	44,395
III. NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1068	-	-
IV. NET LOSS ATTRIBUTABLE TO THE OWNER	1069	-	-
V. EARNINGS PER SHARE			
1. Basic earnings per share (in RSD)	1070	1.04	1.78
2. Diluted earnings per share (in RSD)	1071	1.09	1.78

CONSOLIDATED BALANCE SHEET
In RSD thousand

	AOP	31 December 2018	31 December 2017
A. SUBSCRIBED CAPITAL UNPAID	**0001**	-	-
B. NON-CURRENT ASSETS (0003 + 0010 + 0019+ 0024 + 0034)	**0002**	**11,578,102**	**3,184,272**
I. INTANGIBLE ASSETS (0004+0005+0006+0007+0008+0009)	**0003**	-	-
1. Development investments	0004	-	-
2. Concessions, licenses, software and other rights	0005	-	-
3. Goodwill	0006	-	-
4. Other intangible assets	0007	-	-
5. Intangible assets under development	0008	-	-
6. Advances for intangible assets	0009	-	-
II. PROPERTY, PLANT AND EQUIPMENT (0011+0012+0013+0014+0015+0016+0017+0018)	**0010**	**11,479,992**	**3,053,952**
1. Land	0011	26,269	27,048
2. Buildings	0012	487,366	514,804
3. Machinery and equipment	0013	1,912,477	2,023,562
4. Investment property	0014	-	-
5. Other property, plant and equipment	0015	-	-
6. Construction in progress	0016	3,157,688	225,732
7. Investments in leased PP&E	0017	-	-
8. Advances for PP&E	0018	5,896,192	262,806
III. BIOLOGICAL ASSETS (0020+0021+0022+0023)	**0019**	-	-
1. Forest farming	0020	-	-
2. Livestock	0021	-	-
3. Biological assets in production	0022	-	-
4. Advances for biological assets	0023	-	-
IV. LONG-TERM FINANCIAL INVESTMENTS (0025+0026+0027+0028+0029+0030+0031+0032+0033)	**0024**	**98,110**	**130,320**
1. Investments in subsidiary	0025	-	-
2. Investments in joint ventures	0026	-	-
3. Investments in other legal entities and other available for sales financial assets	0027	-	-
4. Long term investments in parent and subsidiaries	0028	-	-
5. Long-term investments in other related parties	0029	-	-
6. Long-term investments – domestic	0030	-	-
7. Long-term investments – foreign	0031	-	-
8. Securities held to maturity	0032	-	-
9. Other long-term financial investments	0033	98,110	130,320
V. LONG-TERM RECEIVABLES (0035+0036+0037+0038+0039+0040+0041)	**0034**	-	-
1. Receivables from parent company and subsidiaries	0035	-	-
2. Receivables from other related parties	0036	-	-
3. Receivables from sale of goods on credit	0037	-	-
4. Receivables arising out of finance lease contracts	0038	-	-
5. Claims arising from guarantees	0039	-	-
6. Bad and doubtful receivables	0040	-	-
7. Other long-term receivables	0041	-	-
C. DEFFERED TAX ASSETS	**0042**	-	-

CONSOLIDATED BALANCE SHEET (CONTINUED)
In RSD thousand

	AOP	31 December 2018	31 December 2017
D. CURRENT ASSETS (0044+0051+0059+0060+0061+0062+0068+0069+0070)	**0043**	**643,372**	**208,422**
I. INVENTORY (0045+0046+0047+0048+0049+0050)	**0044**	**749**	**497**
1. Materials, spare parts and tools	0045	14	-
2. Work in progress	0046	-	-
3. Finished goods	0047	-	-
4. Merchandise	0048	-	-
5. Assets held for sale	0049	-	-
6. Advances for inventory and services	0050	735	497
II. TRADE RECEIVABLES (0052+0053+0054+0055+0056+0057+0058)	**0051**	**420**	-
1. Domestic trade receivables - parents and subsidiaries	0052	420	-
2. Foreign trade receivables - parents and subsidiaries	0053	-	-
3. Domestic trade receivables - other related parties	0054	-	-
4. Foreign trade receivables - other related parties	0055	-	-
5. Trade receivables – domestic	0056	-	-
6. Trade receivables – foreign	0057	-	-
7. Other trade receivbles	0058	-	-
III. RECEIVABLES FROM SPECIFIC OPERATIONS	**0059**	-	-
IV. OTHER RECEIVABLES	**0060**	**24,889**	**3,935**
V. FINANCIAL ASSETS AT FAIR VALUE THROUGHT PROFIT OR LOSS	**0061**	-	-
VI. SHORT TERM FINANCIAL INVESTMENTS (0063+0064+0065+0066+0067)	**0062**	**1,405**	**10,674**
1. Short-term loans and investments - parent companies and subsidiaries	0063	-	-
2. Short-term loans and investments – other related parties	0064	-	10,674
3. Short-term loans and investments – domestic	0065	-	-
4. Short-term loans and investments – foreign	0066	-	-
5. Other short-term loans and investments	0067	1,405	-
VII. CASH AND CASH EQUIVALENTS	**0068**	**537,552**	**102,755**
VIII. VALUE ADDED TAX	**0069**	**33,704**	**28,580**
IX. PREPAYMENTS AND ACCRUED INCOME	**0070**	**44,653**	**61,981**
E. TOTAL ASSETS (0001+0002+0042+0043)	**0071**	**12,221,474**	**3,392,694**
F. OFF-BALANCE SHEET ASSETS	**0072**	**905,782**	**344,864**
A. EQUITY (0402+0411-0412+0413+0414+0415-0416+0417+0420-0421)	**0401**	**522,454**	-
I. SHARE CAPITAL (0403+0404+0405+0406+0407+0408+0409+0410)	**0402**	**685,294**	**3,825**
1. Share capital	0403	**4,057**	**3,825**
2. Stakes of limited liability companies	0404	-	-
3. Stakes	0405	-	-
4. State owned capital	0406	-	-
5. Socially owned capital	0407	-	-
6. Stakes in cooperatives	0408	-	-
7. Share premium	0409	**681,237**	-
8. Other capital	0410	-	-
II. SUBSCRIBED CAPITAL UNPAID	**0411**	-	-
III. OWN SHARES	**0412**	-	-
IV. RESERVES	**0413**	-	-
V. REVALUATION RESERVES FROM VALUATION OF INTANGIBLES, PROPERTIES, PLANT AND EQUIPMENT	**0414**	-	-
VI. UNREALISED GAINS FROM SECURITAS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME	**0415**	-	-
VII. UNREALIZED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME	**0416**	**112,358**	**15,163**
VIII. RETAINED EARNINGS (0418+0419)	**0417**	**27,593**	**44,395**
1. Retained earnings from previous years	0418	-	-
2. Retained earnings from current year	0419	27,593	44,395
IX. NON-CONTROLLING INTEREST	**0420**	(26,753)	**8,611**
X. LOSS (0422+0423)	**0421**	51,322	**95,743**

CONSOLIDATED BALANCE SHEET (CONTINUED)
In RSD thousand

	AOP	31 December 2018	31 December 2017
1. Loss from previous years	0422	51,322	95,743
2. Loss from current year	0423	-	-
B. LONG-TERM PROVISIONS AND LIABILITIES (0425+0432)	**0424**	**8,746,628**	**1,839,751**
I. LONG-TERM PROVISIONS (0426+0427+0428+0429+0430+4031)	**0425**	**-**	**-**
1. Provisions for warranty claims	0426	-	-
2. Provision for environmental rehabilitation	0427	-	-
3. Provisions for restructuring costs	0428	-	-
4. Provisions for employee benefits	0429	-	-
5. Provisions for litigations	0430	-	-
6. Other long term provisions	0431	-	-
II. LONG-TERM LIABILITIES (0433+0434+0435+0436+0437+0438+0439+0440)	**0432**	**8,746,628**	**1,839,751**
1. Liabilities convertible to equity	0433	-	-
2. Liabilities to parent and subsidiaries	0434	14,199	14,217
3. Liabilities to other related parties	0435	-	-
4. Liabilities for issued long-term securities	0436	-	-
5. Long term borrowings - domestic	0437	8,487,640	1,792,500
6. Long-term borrowings - foreign	0438	-	-
7. Finance lease liabilities	0439	-	-
8. Other long-term liabilities	0440	244,789	33,034
C. DEFFERED TAX LIABILITIES	**0441**	**2,717**	**6,779**
D. SHORT-TERM LIABILITIES (0443+0450+0451+0459+0460+0461+0462)	**0442**	**2,949,675**	**1,600,238**
I. SHORT-TERM FINANCIAL LIABILITIES (0444+0445+0446+0447+0448+0449)	**0443**	**2,069,218**	**1,149,926**
1. Short term borrowings from parent and subsidiaries	0444	482,243	482,619
2. Short term borrowings from other related parties	0445	1,445,035	513,822
3. Short-term loans and borrowings - domestic	0446	141,940	153,485
4. Short-term loans and borrowings - foreign	0447	-	-
5. Liabilities relating to current assets and held-for-sale assets attributable to discounted operations	0448	-	-
6. Other short term liabilities	0449	-	-
II. ADVANCES RECEIVED	**0450**	**-**	**-**
III. TRADE PAYABLES (0452+0453+0454+0455+0456+0458)	**0451**	**523,186**	**109,509**
1. Trade payables - parent and subsidiaries - domestic	0452	-	54,395
2. Trade payables - parent and subsidiaries - foreign	0453	58,761	-
3. Trade payables - other related parties - domestic	0454	286	3,975
4. Trade payables - other related parties - foreign	0455	-	-
5. Trade payables - domestic	0456	462,808	44,235
6. Trade payables - foreign	0457	1,331	6,904
7. Other operating liabilities	0458	-	-
IV. OTHER SHORT-TERM LIABILITIES	**0459**	**85,426**	**57,771**
V. LIABILITIES FOR VAT	**0460**	**-**	**-**
VI. LIABILITIES FOR OTHER TAXES	**0461**	**97**	**41,876**
VII. ACCRUED EXPENSES	**0462**	**271,748**	**241,156**
E. LOSS EXCEEDING EQUITY (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402)>=0=(0441+0424+0442-0071)>=0	**0463**	**-**	**54,075**
F. TOTAL EQUITY AND LIABILITIES (0424+0442+0441+0401-0463)>=0	**0464**	**12,221,473**	**3,392,694**
G. OFF-BALANCE SHEET LIABILITIES	**0465**	**905,782**	**344,864**

Financial Indicators

Return on assets (Profit Before Taxes / Assets): 1,11%

Business profits: 160,267 thousand of dinars

Level of indebtedness (Liabilities / Assets): 95,70%

Earnings per share: 1,04 dinars

Cash flows

During 2018, the Company realized net positive cash flows in the amount of 434,796 thousand dinars (2017: net outflow of -72,539 thousand of dinars) consisting of:

Net inflow from operating activities of 124,037 thousand dinars

Net outflow from investing activities of -8,120,823 thousand dinars

Net inflow from financial activities 8,431,582 thousand dinars

Personnel structure

The employees in the company have the appropriate qualifications, knowledge and experience necessary for the quality performance of the services provided by the Company. In addition to the Director, the Company has another 5 employees its subsidiaries who work on maintenance of existing wind farms.

3. Environmental protection

Fintel Energija contributes to environmental protection mainly through investing in construction of capacities for production of electrical energy from renewable sources (green energy). Construction of wind farms significantly reduces CO2 emissions as one of the leading harmful factors that affect the environment.

4. Significant events after the end of the year

On February 5, 2019, the company Fintel Energy A.D. has established new SPVs for the development of new wind power plant construction projects: Lipar d.o.o. (10 MW), Lipar 2 d.o.o (10 MW) and Maestrale Ring d.o.o. (599.2 MW). The Maestrale Ring project will be the largest on-shore wind farm on the European continent.

5. Planned future development

As of November 2015, the Company has increased its production of electrical energy from wind of 16.5 MW, through the construction of two projects. The Company also has ongoing onshore wind farms development of 800 MW. The pipeline is being actively developed and projects are continuously progressed through the development and obtaining the appropriate regulatory consents. Projects are all developed in accordance with the "gateway" approval process, so the pace of development will depend on a number of internal and external factors. Out of the ongoing project, the project that has most advanced is Kosava Phase II - a project that obtained all licenses and that plans to have 19 turbines with capacity of up 79.8 MW, subject to turbine selection. which is estimated to become fully operational in the financial year 2021.

The growth of the Company's and Group's business will be driven primarily by the build of the Company's Development Pipeline Business, comprising approximately 800 MW of total capacity. Out of this amount, 267 MW is at an advanced development stage (building permits has been obtained for 127 MW, including 69 MW under construction and approximately 740 MW where planning applications will be soon submitted or were submitted already).

The Company is targeting in total between 180 MW and 230 MW of installed capacity through organic growth of its Wind Development Pipeline Business over the next three years. The Directors expect to finance approximately 80 or 90% of these investments through loans, while the remaining funds are to be financed through subordinated debt or Company's cash flow. It is the Director's intention to take a flexible approach to the development of the Company's Wind Development Pipeline Business, in order to deliver growth without compromising the Company's ability to pay out dividends in line with its dividend policy. Even though the focus of the Group is on organic growth, growth through acquisitions would be considered on an opportunistic basis.

The Group's plants in operation and projects in a development/authorisation phase as at the date of this document are:

PLANT		LOCATION	DESIGN	OWNED BY	CAPACITY [MW]	STATUS
LA PICCOLINA	Wind	Vrsac	Energogr. doo	Energobalkan doo	6.6	in operation
KULA	Wind	Kula	Energogr. doo	Vetropark Kula doo	9.9	in operation
KOSAVA phase I	Wind	Vrsac	Energogr. doo	MK Fintel Wind A.D.	69	under commissioning
KOSAVA phase II	Wind	Vrsac	Energogr. doo	MK Fintel Wind A.D.	54	under construction
RAM	Wind	Veliko Gradiste	Energogr. doo	Vetropark RAM doo	10	under construction
KULA 2	Wind	Kula	Energogr. doo	Vetropark Torak doo	10	under construction
LIPAR	Wind	Kula	Energogr. doo	Vetropark Lipar doo	10	under final phase of development
LIPAR 2	Wind	Kula	Energogr. doo	Vetropark Lipar 2 doo	10	under final phase of development
DUNAV 1	Wind	Veliko Gradiste	Energogr. doo	Vetropark DUNAV 1 doo	10	under final phase of development
DUNAV 3	Wind	Veliko Gradiste	Energogr. doo	Vetropark DUNAV 3 doo	10	under final phase of development
MAESTRALE RING	Wind	Subotica	Energogr. doo	Vetropark Maestrale Ring doo	599.2	under development
TORAK	Wind	Sombor	Energogr. doo	Project TORAK doo.	140	under development
KOSAVA 2	Wind	Vrsac	Energogr. doo	Vetropark KOSAVA 2 doo	9.9	under development
TOTAL					**948.6**	

6. Research and development

There are no program of research or development that are relevant for the operations of the Company.

There are no registered patents or licenses of the Company.

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

7. Subsidiaries

The Company act as a holding company of the following subsidiaries:

MK-Fintel Wind Holding d.o.o. za holding poslove Beograd, ID number 21280275, whereby the Company holds 53,99737% of the share capital (**"MK Fintel d.o.o."**), while the remaining 46,00263% is held by the company *MK Holding d.o.o. za holding poslove Beograd*,

Fintel Russian Ventures ooo, whereby the Company holds 99,00% of the share capital (**"Fintel Russian Ventures o.o.o."**),

MK-Fintel Wind akcionarsko društvo Beograd, ID number 20392126, whereby the Company holds 53,99737% of the share capital (**"MK Fintel a.d."**), ."), while the remaining 46,00263% is held by the company *MK Holding d.o.o. za holding poslove Beograd*, while MK-FIntel Wind Holdin d.o.o. holds 100% in the following subsidiaries, SPVs for other projects:

Vetropark Kula d.o.o. Beograd, ID number 20901659 – SPV established for the project wind farm Kula (**"Kula"**),

Energobalkan d.o.o. Beograd, ID number 20833122 – SPV established for the project wind farm Vetroparka La Piccolina (**"Energobalkan"**),

Vetropark Torak d.o.o. Beograd, ID number 21040339 (**"Torak"**),

Vetropark Košava 2 d.o.o. Beograd, ID number 21064742 (**"Košava 2"**),

Vetropark Ram d.o.o. Beograd, ID number 20927119 (**"Ram"**),

Vetropark Dunav 1 d.o.o. Beograd, ID number 20926392 (**"Dunav 1"**),

Vetropark Dunav 3 d.o.o. Beograd, ID number 20927089 (**"Dunav 3"**).

8. Goals and policies in connection with managing financial risks, credit risks, liquidity risk and market risk

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

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

Credit risk

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

The Group's maximum exposure to credit risk at 31 December 2018 and 2017 is the carrying amount of each class of assets indicated in the following table:

	31 December 2018	31 December 2017
Other receivables	24,889	3,935
Short-term loans and investments	-	10,674
Prepayments and accrued income	44,653	61,981
TOTAL	**69,542**	**76,590**

Prepayments and accrued income mainly refer to receivables from EPS for electricity produced by wind farms, while Other receivables mainly relate to overpaid income taxes.

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

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

Liquidity risk

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

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

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

The following table provides a maturity analysis of liabilities at 31 December 2018 and 2017. The various maturity bands are determined based on the period between the reporting date and the contractual maturity of the Group's obligations, gross of accrued interest at 31 December. Interest is calculated in accordance with contractual terms for the financing.

	At 31 December 2018			
	Less than 1 year	**1-2 years**	**2-5 years**	**Beyond 5 years**
Financial payables due to shareholders	1,941,477	-	-	14,199
Bank loans	310,099	269,361	1,097,797	7,789,694
Trade payables	523,186	-	-	-
Total	**2,774,761**	**269,361**	**1,097,797**	**7,803,893**

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

An analysis of the financial liabilities by maturity shows an increase of payables due within 1 year and beyond 5 years as at 31 December 2018 compared to those at 2017, as a result of the following main changes:

a. Increase in bank loans due to new loans for Kosava phase I plant.
b. Increase in financial payables to shareholders due to new loans granted for the construction of wind farms in Serbia.

Accordingly, taking in account of the fact that the shareholders have confirmed that they do not intend to request the repayment of the loan prior to the forthcoming year end, as well as the liquid funds of RSD 635,661 thousand, it is believed that the Company and the Group will be able to meet its obligations in the foreseeable future.

Market risk

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

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

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

Risk of fluctuation in exchange rates

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

As at 31 December 2018, if the currency RSD had strengthened/weaken by 5% against the EUR with all other variables held constant, post-tax profit for the year would have been RSD 451,767 thousand (2017: RSD 125,657 thousand) higher/lower, mainly as a result of foreign exchange gains/losses on translation of EUR – denominated borrowings.

Risk of fluctuation in interest rates

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

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

In order to hedge the risk of fluctuation in interest rates the subsidiaries Vetropark Kula and MK-Fintel Wind also entered into agreements for an interest rate cap with spread in relation to financing for the "Kula" and "Kosava phase I" wind power plants.

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

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

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

The gearing ratio at 31 December 2018 and 2017 is shown in the following table:

RSD thousand	31 December 2018	31 December 2017
Non-current financial payables:		
- Financial payables due to shareholders	14,199	14,217
- Bank loans	8,487,640	1,792,500
Current financial payables:		
- Bank loans	141,940	153,485
- Financial payables due to shareholders	1,927,278	996,527
- Financial assets	(98,110)	(130,320)
Cash and cash equivalents	(537,552)	(102,755)
Net debt (A)	**9,935,395**	**2,723,653**
Equity (B)	**522,454**	**(54,075)**
Net capital employed (C=A+B)	**10,457,849**	**2,669,493**
Gearing ratio (A/C)	***95,0%***	***102,0%***

The gearing ratio has improved compared to prior years mainly due to the capital increase for IPO and admission of Company's common shares to trading on the regulated market, segment Prime Listing, organized and managed by Belgrade Stock Exchange.

PRIVREDNO DRUŠTVO ZA PROIZVODNJU ELEKTRIČNE ENERGIJE FINTEL ENERGIJA AD BEOGRAD

Legal representative

STATEMENT ON CODE OF CORPORATE GOVERNANCE IMPLEMENTATION

Fintel Energija a.d. implements Code of Corporate Governance, adopted April 19, 2018. and the Code has been made publicly available on the Company's Internet page (www.fintelenergija.rs).

The Company's Code on Corporate Governance set out the principles of corporate practices and organizational culture that the principal holders of the corporate governance function of the Fintel Energija a.d. comply with, with regard to the shareholders' rights, corporate governance frameworks and methods, public relations and transparency of the Company's business operations. The main objective of this Code is to introduce good business practice in the field of corporate management, which should provide for the right balance between the influences exerted by the principal corporate governance holders, consistency of the control system and strengthening of shareholders' and investors' trust in the Company, all with the aim to achieve long-term development of the Company.

Relevant Company's bodies make a point of presenting the principles laid down in the Code in greater detail in other general acts of the Company.

In compliance with the Rules on Listing and Quotation of the Belgrade Stock Exchange, parallel with the disclosure of Annual Report, Fintel Energija a.d. delivers and the completed Questionnaire on Corporate Governance Practices and has agreed to its online publication on the internet page of the Belgared Stock Exchange.

Fintel Energija a.d. Beograd

Legal representative

PRIVREDNO DRUŠTVO ZA PROIZVODNJU ELEKTRIČNE ENERGIJE FINTEL ENERGIJA AD BEOGRAD

Tiziano Giovannetti

FINTEL ENERGIJA AD

STATEMENT BY PERSONS RESPONSIBLE FOR REPORT PREPARATION

To the best of our knowledge, Consolidated Annual Financial Statements of the Fintel Energija a.d. for 2018 were prepared in compliance with the relevant International Financial Reporting Standards and these present authentic and objective information about assets, liabilities, financial position and operations, profit and losses, cash flows and changes in equity of the Public Company, including those of the Companies included in the Consolidated Statements.

Legal representative:

Fintel Energija a.d.

Director

PRIVREDNO DRUŠTVO ZA PROIZVODNJU ELEKTRIČNE ENERGIJE FINTEL ENERGIJA AD * BEOGRAD *

Tiziano Giovannetti

Privredno društvo "Fintel Energija a.d." Beograd
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Matični broj: 20305266 PIB: 105058839 Šifra delatnosti: 3511
Podaci o računu: 105-201216-12 AIK BANK AD BEOGRAD

FINTEL ENERGIJA AD

DECISION OF COMPETENT COMPANY BODY ON THE ADOPTION OF COMPANY'S ANNUAL CONSOLIDATED FINANCIAL STATEMENTS*

Note*:

Consolidated Financial Statements of Fintel Energija a.d. for 2018 were approved on April 16, 2019 in the meeting of the Board of Director. At the moment when the Consolidated Annual Report of the Company is published, it has not yet been adopted by the competent Company's body (Shareholders' Assembly). The Company shall publish the complete the Decision of the competent body on the adoption of Company's Consolidated Annual Report at a later date..

DECISION ON DISTRIBUTION OF PROFIT OR COVERAGE OF LOSSES *

Note*:

Decisions on distribution of profit or coverage of losses of the Fintel Energija a.d. and all its subsidiaries in the Fintel Energija Group for 2018 shall be passed in the regular annual Shareholders' Assembly meeting..

A public company is legally obliged to prepare their annual consolidated financial statements, to disclose them and to deliver them to the Commission, and, providing that the securities of such company are admitted for trading, to deliver these Statements to the regulated market or to the MTP four month after the end of each business year at the latest, and to ensure that the annual financial statements are available to the general public over the course of five years at the minimum from the date of its disclosure.

The Company shall be held responsible for the accurancy and veracity of data presented in the Annual Consolidated Report.

Belgrade, April 2018

Legal representative:

Fintel Energija a.d.

Director

PRIVREDNO DRUŠTVO ZA PROIZVODNJU ELEKTRIČNE ENERGIJE FINTEL ENERGIJA AD BEOGRAD

Tiziano Giovannetti

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