

*This is English translation of the Report  
originally issued in Serbian language  
(For management purposes only)*

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE OWNERS OF EKO Serbia a.d. Beograd**

#### **REPORT ON FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of EKO Serbia a.d. Beograd (hereinafter: the Company), which comprise the balance sheet as at 31 December 2017, and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditors' Responsibility**

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

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

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

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Law on Accounting and other accounting regulations in the Republic of Serbia.

## Other Matters

The financial statements of the Company for the year ended 31 December 2016 were audited by another auditor who expressed an unqualified opinion on those statements on 22 June 2017.

## Report on other legal and regulatory requirements

We have reviewed the annual business report of the Company. Management is responsible for the preparation of the annual business report in accordance with the legal requirements of the Republic of Serbia. Our responsibility is to assess whether the annual business report is consistent with the annual financial statements for the same financial year. Our work regarding the annual business report has been restricted to assessing whether the accounting information presented in the annual business report is consistent with the annual financial statements and did not include reviewing other information contained in the annual business report originating from non-audited financial or other records. In our opinion, the accounting information presented in the annual business report is consistent, in all material respects, with the financial statements of the Company for the year ended 31 December 2017.

Belgrade, 30 May 2018

  
Olivera Andrijašević  
for Ernst & Young d.o.o. Beograd



  
Danijela Mirković  
Authorized Auditor

## BALANCE SHEET

As at 31 December 2017

in RSD thousand

Code of accounts	ITEM	EDP	Note No.	Amount		
				Current year	Previous year	
					Closing balance at 31 December 2016	Opening balance as at 1 January 2016
1	2	3	4	5	6	7
	<b>ASSETS</b>					
0	A. UNPAID SUBSCRIBED CAPITAL	1				
	B. NON-CURRENT ASSETS (0003 + 0010 + 0019 + 0024 + 0034)	2		5.785.353	5.944.321	
1	I. INTANGIBLE ASSETS (0004 + 0005 + 0006 + 0007 + 0008 + 0009)	3		579.974	583.698	
010 and a portion of 019	1. R&D Investments	4				
011, 012 and a portion of 019	2. Concessions, patents, licences, trademarks, software and similar rights	5		49.621	5.233	
013 and a portion of 019	3. Goodwill	6				
014 and a portion of 019	4. Other intangibles	7		13.542	3.715	
015 and a portion of 019	5. Intangible Assets under construction	8		516.811	574.750	
016 and a portion of 019	6. Advances for an intangible asset	9				
2	II. PROPERTY, PLANT AND EQUIPMENT (0011 + 0012 + 0013 + 0014 + 0015 + 0016 + 0017 + 0018)	10		5.170.261	5.307.585	
020, 021 and a portion of 029	1. Land	11		2.607.935	2.569.102	
022 and a portion of 029	2. Buildings	12		2.256.325	2.404.730	
023 and a portion of 029	3. Plants and equipment	13		139.140	103.770	
024 and a portion of 029	4. Investment property	14		32.382	34.466	
025 and a portion of 029	5. Other Property, Plant and Equipment	15				
026 and a portion of 029	6. Construction in progress (CIP)	16		34.103	109.275	
027 and a portion of 029	7. Investments in third party PP&E	17		61.423	45.256	
028 and a portion of 029	8. Prepayments for PP&E	18		38.953	40.986	
3	III. BIOLOGICAL ASSETS (0020 + 0021 + 0022 + 0023)	19			0	
030, 031 and a portion of 039	1. Forest farming	20				
032 and a portion of 039	2. Livestock	21				
033 and a portion of 039	3. Biological assets in production	22				
038 and a portion of 039	4. Prepayments for biological assets	23				
04, exclusive of 047	IV. LONG-TERM FINANCIAL INVESTMENTS (0025 + 0026 + 0027 + 0028 + 0029 + 0030 + 0031 + 0032 + 0033)	24		35.118	53.038	
040 and a portion of 049	1. Investments in subsidiary	25				
041 and a portion of 049	2. Investments in associates and joint ventures	26				
042 and a portion of 049	3. Investments in other legal entities and other available for sales financial assets	27				
a portion of 043, a portion of 044 and a portion of 049	4. Long term investments in parent and subsidiaries	28				
a portion of 043, a portion of 044 and a portion of 049	5. Long-term investments in other related parties	29				
a portion of 045 and a portion of 049	6. Long term investments- domestic	30				
a portion of 045 and a portion of 049	7. Long term investments- abroad	31				
046 and a portion of 049	8. Securities held to maturity	32				
048 and a portion of 049	9. Other long-term financial investments	33		35.118	53.038	
5	V. LONG TERM RECEIVABLES (0035 + 0036 + 0037 + 0038 + 0039 + 0040 + 0041)	34		0	0	
050 and a portion of 059	1. Receivables from parent and subsidiaries	35				
051 and a portion of 059	2. Receivables from other related parties	36				
052 and a portion of 059	3. Receivables arising out of commodity loans	37				
053 and a portion of 059	4. Receivables arising out of finance lease contracts	38				
054 and a portion of 059	5. Receivables arising out of collateral pledges	39				
055 and a portion of 059	6. Bad and doubtful debts	40				
056 and a portion of 059	7. Other long term receivables	41				
298	V. DEFERRED TAX ASSETS	42		291.826		
	G. CURRENT ASSETS (0044 + 0051 + 0059 + 0060 + 0061 + 0062 + 0068 + 0069 + 0070)	43		1.840.056	1.690.809	
Class 1	I. INVENTORY (0045 + 0046 + 0047 + 0048 + 0049 + 0050)	44		945.487	915.793	
10	1. Material, spare parts, tools and inventory	45		1.297		
11	2. Work in progress and ongoing services	46				
12	3. Finished goods	47				
13	4. Merchandise	48		934.412	886.634	
14	5. Fixed assets held for sale	49				
15	6. Prepaid inventory and services	50		9.778	29.159	

20	II. TRADE RECEIVABLES (0052 + 0053 + 0054 + 0055 + 0056 + 0057 + 0058)	51		596.299	504.922
200 and a portion of 209	1. Domestic trade receivables– parents and subsidiaries	52			
201 and a portion of 209	2. Foreign trade receivables– parents and subsidiaries	53		451	3.523
202 and a portion of 209	3. Domestic trade receivables– other related parties	54			
203 and a portion of 209	4. Foreign trade receivables– other related parties	55		4.625	4.158
204 and a portion of 209	5. Trade receivables – domestic	56		591.223	497.241
205 and a portion of 209	6. Trade receivables – foreign	57			
206 and a portion of 209	7. Other trade receivables	58			
21	III. RECEIVABLES FROM SPECIFIC OPERATIONS	59		3.622	2.535
22	IV. OTHER RECEIVABLES	60		20.386	17.417
236	V. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT AND LOSS	61			
23 exclusive of 236 and 237	VI. SHORT TERM FINANCIAL INVESTMENTS (0063 + 0064 + 0065 + 0066 + 0067)	62		0	0
230 and a portion of 239	1. Short term loans and investments – parent and subsidiaries	63			
231 and a portion of 239	2. Short term loans and investments – other related parties	64			
232 and a portion of 239	3. Short-term loans and borrowings - domestic	65			
233 and a portion of 239	4. Short-term loans and borrowings - foreign	66			
234, 235, 238 and a portion of 239	5. Other short term financial investments	67			
24	VII. CASH AND CASH EQUIVALENTS	68		236.594	209.634
27	VIII. VALUE ADDED TAX	69		1.898	4.003
29 exclusive of 298	IX. ACCRUALS	70		35.770	36.505
	D. TOTAL ASSETS = OPERATING ASSETS (0001 + 0002 + 0042 + 0043)	71		7.917.235	7.635.130
88	D. OFF-BALANCE SHEET ASSETS	72		20.330	24.586
	LIABILITIES				
	A. EQUITY (0402 + 0411 – 0412 + 0413 + 0414 + 0415 – 0416 + 0417 + 0420 – 0421) ≥ 0 = (0071 – 0424 – 0441 – 0442)	401		3.537.976	2.543.723
30	I. BASIC CAPITAL (0403 + 0404 + 0405 + 0406 + 0407 + 0408 + 0409 + 0410)	402		6.961.115	6.961.115
300	1. Share capital	403		4.980.000	4.980.000
301	2. Stakes of limited liability companies	404			
302	3. Stakes	405			
303	4. State-owned capital	406			
304	5. Socially owned capital	407			
305	6. Stakes in cooperatives	408			
306	7. Share premium	409		1.981.115	1.981.115
309	8. Other equity	410			
31	II. UNPAID SUBSCRIBED CAPITAL	411			
047 and 237	III. REPURCHASED TREASURY SHARES	412			
32	IV. RESERVES	413			
330	V. REVALUATION RESERVES ARISING FROM REVALUATION OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT	414			
33 exclusive of 330	VI. UNREALIZED PROFIT FROM SECURITIES AND OTHER ITEMS OF OTHER COMPREHENSIVE INCOME (accounts receivable / acc. 33 exclusive of 330)	415		338	
33 exclusive of 330	VII. UNREALIZED LOSSES FROM SECURITIES AND OTHER ITEMS OF OTHER COMPREHENSIVE INCOME (accounts payable / acc. 33 exclusive of 330)	416			1.772
34	VIII. RETAINED EARNINGS (0418 + 0419)	417		2.152.426	1.160.283
340	1. Prior years' retained earnings	418		1.160.283	701.696
341	2. Current year retained earnings	419		992.143	458.587
	IX. NON-CONTROLLING INTEREST	420			
35	X. LOSS (0422 + 0423)	421		5.575.903	5.575.903
350	1. Prior years' loss	422		5.575.903	5.575.903
351	2. Current year loss	423			

	B. LONG-TERM PROVISIONS AND LIABILITIES (0425 + 0432)	424		4.192	18.836
40	I. LONG-TERM PROVISIONS (0426 + 0427 + 0428 + 0429 + 0430 + 0431)	425		4.192	18.836
400	1. Provisions for warranty claims	426			
401	2. Provisions for environmental rehabilitation	427			
403	3. Provisions for restructuring costs	428			
404	4. Provisions for employee benefits	429		4.192	5.816
405	5. Provisions for litigations	430			13.020
402 and 409	6. Other long term provisions	431			
41	II. LONG-TERM LIABILITIES (0433 + 0434 + 0435 + 0436 + 0437 + 0438 + 0439 + 0440)	432		0	0
410	1. Liabilities convertible to equity	433			
411	2. Liabilities to parent and subsidiaries	434			
412	3. Liabilities to other related parties	435			
413	4. Liabilities for issued long-term securities	436			
414	5. Long term borrowings - domestic	437			
415	6. Long-term borrowings - foreign	438			
416	7. Finance lease liabilities	439			
419	8. Other long-term liabilities	440			
498	V. Deferred tax liabilities	441			
42 to 49 (exclusive of 498)	G. SHORT-TERM LIABILITIES (0443 + 0450 + 0451 + 0459 + 0460 + 0461 + 0462)	442		4.375.067	5.072.571
42	I. SHORT-TERM FINANCIAL LIABILITIES (0444 + 0445 + 0446 + 0447 + 0448 + 0449)	443		1.712.446	2.457.446
420	1. Short term borrowings from parent and subsidiaries	444			
421	2. Short term borrowings from other related parties	445			
422	3. Short-term loans and borrowings - domestic	446		1.712.446	2.457.446
423	4. Short-term loans and borrowings - foreign	447			
427	5. Liabilities relating to current assets and held-for-sale assets attributable to discounted operations	448			
424, 425, 426 and 429	6. Other short term liabilities	449			
430	II. CUSTOMER PREPAYMENTS	450		17.398	49.177
43 exclusive of 430	III. OPERATING LIABILITIES (0452 + 0453 + 0454 + 0455 + 0456 + 0457 + 0458)	451		2.529.173	2.426.239
431	1. Trade payables – parent and subsidiaries - domestic	452			
432	2. Trade payables – parent and subsidiaries - foreign	453		33.720	1.235
433	3. Trade payables – other related parties - domestic	454			
434	4. Trade payables – other related parties - foreign	455		27.099	15.936
435	5. Trade payables - domestic	456		2.324.232	2.355.225
436	6. Trade payables - foreign	457		64.460	45.811
439	7. Other operating liabilities	458		79.662	8.032
44, 45 and 46	IV. OTHER SHORT-TERM LIABILITIES	459		8.823	13.873
47	V. LIABILITIES FOR VAT	460		3.468	
48	VI. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND DUTIES	461		648	2.971
49 exclusive of 498	VII. ACCRUED EXPENSES	462		103.111	122.865
	D. LOSS EXCEEDING EQUITY (0412 + 0416 + 0421 – 0420 – 0417 – 0415 – 0414 – 0413 – 0411 – 0402) ≥ 0 = (0441 + 0424 + 0442 – 0071) ≥ 0	463			
	D. TOTAL LIABILITIES (0424 + 0442 + 0441 + 0401 – 0463) ≥ 0	464		7.917.235	7.635.130
89	E. OFF-BALANCE SHEET LIABILITIES	465		20.330	24.586

# INCOME STATEMENT

for the period between 1 January 2017 and 31 December 2017

in RSD thousand

Code of accounts	ITEM	EDP	Note No.	A m o u n t	
				Current year	Previous year
1	2	3	4	5	6
	INCOME FROM REGULAR OPERATING ACTIVITIES				
60-65, exclusive of 62 and 63	A. OPERATING INCOME (1002 + 1009 + 1016 + 1017)	1001		18.493.385	16.572.314
60	I. INCOME FROM THE SALE OF GOODS (1003 + 1004 + 1005 + 1006 + 1007+ 1008)	1002		18.388.709	16.455.076
600	1. Income from the sale of goods to parent and subsidiaries on local market	1003			
601	2. Income from the sale of goods to parent and subsidiaries on foreign market	1004			
602	3. Income from the sale of goods to other related parties on local market	1005			
603	4. Income from the sale of goods to other related parties on foreign market	1006			
604	5. Income from the sale of goods on local market	1007		18.388.709	16.455.076
605	6. Income from the sale of goods on foreign market	1008			
61	II. INCOME FROM THE SALE OF GOODS AND SERVICES (1010 + 1011 + 1012 + 1013 + 1014 + 1015)	1009		0	0
610	1. Income from the sale of goods to parent and subsidiaries on local market	1010			
611	2. Income from the sale of goods to parent and subsidiaries on foreign market	1011			
612	3. Income from the sale of goods and services to other related parties on local market	1012			
613	4. Income from the sale of goods and services to other related parties on foreign market	1013			
614	5. Income from the sale of goods and services on local market	1014			
615	6. Income from the sale of goods and services on foreign market	1015			
64	III. INCOME FROM PREMIUMS, SUBVENTIONS AND DONATIONS	1016			
65	IV. OTHER OPERATING INCOME	1017		104.676	117.238
	EXPENSES FROM REGULAR OPERATING ACTIVITIES				

50 - 55, 62 and 63	B. OPERATING EXPENSES (1019 – 1020 – 1021 + 1022 + 1023 + 1024 + 1025 + 1026 + 1027 + 1028+ 1029) ≥ 0	1018		17.593.328	15.930.561
50	I. COST OF GOODS SOLD	1019		15.891.057	14.320.277
62	II. WORK PERFORMED BY THE ENTITY AND CAPITALISED	1020		2.409	2.301
630	III. INCREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES	1021			
631	IV. DECREASE IN INVENTORIES OF UNFINISHED AND FINISHED GOODS AND ONGOING SERVICES	1022			
51 exclusive of 513	V. COST OF MATERIAL	1023		32.024	30.999
513	VI. COST OF FUEL AND ENERGY	1024		108.029	111.520
52	VII. COST OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1025		175.337	174.300
53	VIII. COST OF PRODUCTION SERVICES	1026		511.866	492.939
540	IX. DEPRECIATION/AMORTISATION EXPENSE	1027		216.506	214.802
541 to 549	X. COST OF LONG-TERM PROVISIONING	1028		509	13.424
55	XI. NON-MATERIAL COSTS	1029		660.409	574.601
	V. OPERATING GAIN (1001 – 1018) ≥ 0	1030		900.057	641.753
	G. OPERATING LOSS (1018 – 1001) ≥ 0	1031			
66	D. FINANCIAL INCOME (1033 + 1038 + 1039)	1032		11.374	927
66, exclusive of 662, 663 and 664	I. FINANCIAL INCOME FROM RELATED PARTIES AND OTHER FINANCIAL INCOME (1034 + 1035 + 1036 + 1037)	1033		0	0
660	1. Financial income from parent and subsidiaries	1034			
661	2. Financial income from other related parties	1035			
665	3. Share of profit of associates and joint ventures	1036			
669	4. Other financial income	1037			
662	II. INTEREST INCOME (FROM THIRD PARTIES)	1038		469	588
663 and 664	III. FOREIGN EXCHANGE GAINS AND GAINS ON FOREIGN CURRENCY CLAUSE INSURANCE (THIRD PARTIES)	1039		10.905	339
56	Đ. FINANCIAL EXPENSES (1041 + 1046 + 1047)	1040		153.615	185.985
56, exclusive of 562, 563 and 564	I. FINANCIAL EXPENSES ARISING FROM RELATED PARTY TRANSACTIONS AND OTHER FINANCIAL EXPENSES (1042 + 1043 + 1044 + 1045)	1041		0	13.635
560	1. Financial expenses arising from transactions with parent and subsidiaries	1042			
561	2. Financial expenses arising from transactions with other related parties	1043			
565	3. Share of loss of associates and joint ventures	1044			
566 and 569	4. Other financial expenses	1045			13.635



562	II. INTEREST EXPENSE (THIRD PARTIES)	1046		149.034	171.782
563 and 564	III. FOREIGN EXCHANGE LOSSES AND LOSSES ARISING FROM FOREIGN CURRENCY CLAUSE INSURANCE (THIRD PARTIES)	1047		4.581	568
	E. INCOME FROM FINANCING ACTIVITIES (1032 – 1040)	1048			
	Ž. LOSS FROM FINANCING ACTIVITIES (1040 – 1032)	1049		142.241	185.058
683 and 685	Z. INCOME FROM PROPERTY VALUE ADJUSTMENTS OF OTHER ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	1050			
583 and 585	I. EXPENSES FROM PROPERTY VALUE ADJUSTMENTS OF OTHER ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	1051		21.922	1.363
67 and 68, exclusive of 683	J. OTHER INCOME	1052		133.138	84.996
57 and 58, exclusive of 583	K. OTHER EXPENSES	1053		168.715	81.741
	L. OPERATING PROFIT BEFORE TAX (1030 – 1031 + 1048 – 1049 + 1050 – 1051 + 1052 – 1053)	1054		700.317	458.587
	LJ. OPERATING LOSS BEFORE TAX (1031 – 1030 + 1049 – 1048 + 1051 – 1050 + 1053 – 1052)	1055			
69-59	M. NET INCOME ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS	1056			
59-69	N. NET LOSS ATTRIBUTABLE TO DISCONTINUED OPERATIONS, EXPENSES ARISING FROM CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS	1057			
	NJ. PROFIT BEFORE TAX (1054 – 1055 + 1056 – 1057)	1058		700.317	458.587
	O. LOSS BEFORE TAX (1055 – 1054 + 1057 – 1056)	1059			
	. INCOME TAX				
721	I. TAX EXPENSE FOR THE PERIOD	1060			
a portion of 722	II. DEFERRED TAX EXPENSE FOR THE PERIOD	1061			
a portion of 722	III. DEFERRED TAX INCOME FOR THE PERIOD	1062		291.826	
723	R. SALARIES PAID TO EMPLOYER	1063			
	S. NET PROFIT  (1058 – 1059 – 1060 – 1061 + 1062)	1064		992.143	458.587
	T. NET LOSS  (1059 – 1058 + 1060 + 1061 – 1062)	1065			
	I. NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1066			
	II. NET INCOME ATTRIBUTABLE TO MAJORITY SHAREHOLDER	1067			
	III. EARNINGS PER SHARE				
	1. Basic earnings per share	1068			
	2. Diluted earnings per share	1069			



## OTHER COPREHENSIVE INCOME

for the period between 1 January 2017 and 31 December 2017

- in RSD thousand -

Code of account, account	ITEM	EDP	Note number	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A. OPERATING INCOME/NET				
	I. PROFIT/NET (EDP 1064)	2001		992.143	458.587
	II. LOSS/NET (EDP 1065)	2002			
	B. OTHER COMPREHENSIVE PROFIT OR LOSS				
	b) Items that will not be reclassified to profit or loss				
	1. Changes in the revaluation of intangible assets, property, plant and equipment				
330	a) increase in revaluation reserves	2003			
	b) decrease in revaluation reserves	2004			
	2. Actuarial gains and losses arising from defined benefit plans				
331	a) gains	2005		338	
	b) losses	2006			1.772
	3. Gains and losses arising from equity investments				
332	a) gains	2007			
	b) losses	2008			
	4. Gains or losses arising from a share in the associate's other comprehensive profit or loss				
333	a) gains	2009			
	b) losses	2010			
	b) Items that may be subsequently reclassified to Profit and Loss				
	1. Foreign exchange gains or losses on translating foreign operations				
334	a) gains	2011			
	b) losses	2012			
	2. Gains or losses on hedges of net investments in foreign operations				
335	a) gains	2013			
	b) losses	2014			
	3. Gains and losses on cash flow hedges				
336	a) gains	2015			
	b) losses	2016			
	4. Gains or losses on available-for-sale securities				
337	a) gains	2017			
	b) losses	2018			
	I. OTHER COMPREHENSIVE INCOME, GROSS (2003 + 2005 + 2007 + 2009 + 2011 + 2013 + 2015 + 2017) – (2004 + 2006 + 2008 + 2010 + 2012 + 2014 + 2016 + 2018) ≥ 0	2019		338	
	II. OTHER COMPREHENSIVE LOSS, GROSS (2004 + 2006 + 2008 + 2010 + 2012 + 2014 + 2016 + 2018) – (2003 + 2005 + 2007 + 2009 + 2011 + 2013 + 2015 + 2017) ≥ 0	2020			1.772
	III. TAX ON OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD	2021			
	IV. OTHER COMPREHENSIVE INCOME, NET (2019 – 2020 – 2021) ≥ 0	2022		338	
	V. OTHER COMPREHENSIVE LOSS, NET (2020 – 2019 + 2021) ≥ 0	2023			1.772
	<b>V. TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET</b>				
	I. TOTAL COMPREHENSIVE INCOME, NET (2001 – 2002 + 2022 – 2023) ≥ 0	2024		992.481	456.815
	II. TOTAL COMPREHENSIVE LOSS, NET (2002 – 2001 + 2023 – 2022) ≥ 0	2025			
	<b>G. TOTAL COMPREHENSIVE INCOME OR LOSS, NET (2027 + 2028) = EDP 2024 ≥ 0 or EDP 2025 &gt; 0</b>	2026		0	0
	1. Attributable to majority shareholders	2027			
	2. Attributable to non-controlling interests	2028			

## CASH FLOW STATEMENT

for the period between 01.01.2017 and 31.12.2017

in RSD thousand

Item	EDP	Amount	
		Current year	Previous year
1	2	3	4
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
I. Cash generated from operating activities ( 1 to 3)	3001	20.576.271	19.330.217
1. Sales and advances received	3002	20.571.400	19.325.136
2. Interests from operating activities	3003	469	588
3. Other inflows from operating activities	3004	4.402	4.493
II. Cash outflows from operating activities ( 1 to 5)	3005	19.741.501	18.751.248
1. Payments and prepayments to suppliers	3006	19.061.905	18.087.811
2. Salaries, fringe benefits and other personal expenses	3007	175.337	174.300
3. Interests paid	3008	141.733	174.397
4. Income tax	3009		
5. Payments for other public revenues	3010	362.526	314.740
III. Net cash inflow from operating activities (I-II)	3011	834.770	578.969
IV. Net cash outflow from operating activities (I-II)	3012		
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
I. Cash generated from investing activities (1 to 5)	3013	1.129	113
1. Sale of shares and stakes (net inflow)	3014		
2. Sale of intangible assets, property, plant, equipment and biological assets	3015	1.129	113
3. Other financial investments (net inflows)	3016		
4. Interests received from investing activities	3017		
5. Dividends received	3018		
II. Cash outflows from investing activities (1 to 3)	3019	56.037	116.400
1. Purchase of shares and stakes (net outflow)	3020		
2. Purchase of intangible assets, property, plant, equipment and biological assets	3021	56.037	116.400
3. Other financial investments (net outflows)	3022		
III. Net cash inflow from investing activities (I-II)	3023		
IV. Net cash outflow from investing activities (I-II)	3024	54.908	116.287
<b>V. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
I. Cash generated from financing activities (1 to 5)	3025	3.633.439	3.176.395
1. Capital stock increase	3026		
2. Long-term borrowings (net proceeds)	3027		
3. Short-term borrowings (net proceeds)	3028	3.633.439	3.176.395
4. Other long-term liabilities	3029		
5. Other short-term liabilities	3030		
II. Cash outflows from financing activities (1 to 6)	3031	4.386.215	3.572.295
1. Purchase of treasury shares and equity investments	3032		
2. Long-term loans (outflows)	3033		
3. Short-term loans (outflows)	3034	4.386.215	3.572.295
4. Other liabilities (outflows)	3035		
5. Finance lease	3036		
6. Dividends paid	3037		
III. Net cash inflow from financing activities (I-II)	3038		
IV. Net cash outflow from financing activities (II-I)	3039	752.776	395.900
<b>G. TOTAL CASH INFLOWS (3001 + 3013 + 3025)</b>	3040	24.210.839	22.506.725
<b>D. TOTAL CASH OUTFLOWS (3005 + 3019 + 3031)</b>	3041	24.183.753	22.439.943
<b>Đ. NET CASH INFLOWS (3040 – 3041)</b>	3042	27.086	66.782
<b>E. NET CASH OUTFLOWS (3041 – 3040)</b>	3043		
<b>Ž. CASH AT THE BEGINNING OF THE ACCOUNTING PERIOD</b>	3044	209.634	142.663
<b>Z. FOREIGN EXCHANGE GAINS ON TRANSLATION OF CASH</b>	3045		189
<b>I. FOREIGN EXCHANGE LOSSES ON TRANSLATION OF CASH</b>	3046	126	
<b>J. CASH AT THE END OF THE ACCOUNTING PERIOD</b> (3042 – 3043 + 3044 + 3045 – 3046)	3047	236.594	209.634

STATEMENT OF CHANGES IN EQUITY

for the period between 1 January 2017 and 31 December 2017

[illegible]

## STATEMENT OF CHANGES IN EQUITY

for the period between 1 January 2017 and 31 December 2017

in RSD thousand

Items of other comprehensive income																	
EDP	330	EDP	331	EDP	332	EDP	333	EDP	334 and 335	EDP	336	EDP	337				
	Revaluation reserves		Actuarial gains and losses		Gains and losses on equity investments		Gains or losses arising from a share in the associate's other profit or loss		Gains or losses arising from foreign operations and financial statements translation		Gains and losses on cash flow hedges		Gains or losses on available-for-sale securities	EDP	Total equity $\left[ \sum (\text{line 1b col. 3 to col. 15}) - \sum (\text{line 1a col. 3 to col. 15}) \geq 0 \right]$	EDP	Loss exceeding equity $\left[ \sum (\text{line 1a col. 3 to col. 15}) - \sum (\text{line 1bs col. 3 to col. 15}) \geq 0 \right]$
	9		10		11		12		13		14		15		16		17
			1.012												2.085.896		
			1.012												2.085.896		
			760												457.827		
			1.772												2.543.723		
			1.772												2.543.723		
			2.110												994.253		
			338												3.537.976		

**EKO SERBIA A.D. BEOGRAD**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 DECEMBER 2017**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.**

*(all the amounts are presented in 000 RSD, unless stated otherwise)*

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**1. GENERAL INFORMATION**

EKO Serbia a.d. is engaged in the following business activities: the wholesale and retail sale of motor fuel, other commodities (supermarket goods, oils), carwash and coffee shop services. The Company was established on 6 September 2002, and is wholly owned by EKO-ELDA from Greece. In December 2007, the ownership of the Company changed and HELLENIC PETROLEUM SERBIA (HOLDINGS), a Cyprus company, became a 100% owner of EKO SERBIA AD.

The Company's parent is Hellenic Petroleum (headquartered in Greece).

The Company's registered office is in Belgrade, at 274a Tošin Bunar st.

The Company has been registered as a closed joint stock company and is not listed on the Belgrade stock exchange.

The number of employees with the Company as at 31 December 2017 was 50 (2016: 46).

The Company's stand alone financial statements were approved for issue by Company's Management on 28 February 2018.

**2. BASIS FOR PRESENTATION**

The Company keeps records and prepares financial statements in accordance with the Law on Accounting of the Republic of Serbia and other applicable legislation in the Republic of Serbia.

In accordance with the Accounting Law, large legal entities, legal entities that are obliged to compile consolidated financial statements (parent companies), public companies, or companies that are preparing to become public in accordance with the Law on the Capital Market of the Republic of Serbia, regardless of size, for the recognition, evaluation, presentation and disclosure of positions in the financial statements, they apply the International Financial Reporting Standards, the translation of which into the Serbian language was published by the ministry responsible for finance.

IAS, IFRS and interpretations published by June 2012 by the International Accounting Standards Committee and the Committee for Interpretation of Accounting Standards have been officially translated by a decision of the Ministry of Finance of the Republic of Serbia on determining the translation of the International Financial Reporting Standards (issue number 401-00-896 / 2014- 16) and published in the Official Gazette of the Republic of Serbia No. 35 on March 27, 2014.

The revised or issued IFRS and interpretation of standards after June 2012 were not applied when compiling the accompanying financial statements.

In addition, the accompanying financial statements have been prepared in accordance with the requirements of the Rulebook on the Chart of Accounts and the Contents of Accounts in the Chart of Accounts for Companies, Cooperatives and Entrepreneurs (Official Gazette of the Republic of Serbia No. 95/2014) and the Rulebook on the Contents and Forms of Financial Statements for Economic societies, cooperatives and entrepreneurs (Official Gazette of the Republic of Serbia No. 95/2014 and 144/2014).

These Regulations regulating the presentation of the financial statements have precedence in relation to requirements defined in this respect by IFRSs published by the Ministry of Finance.

Due to the above derogations, these financial statements are not in line with IFRSs.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.**

*(all the amounts are presented in 000 RSD, unless stated otherwise)*

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**2. BASIS FOR PRESENTATION (continued)**

**2.1. ACCOUNTING BASIS**

These financial statements have been prepared in accordance with the historical cost principle. The financial statements are presented in RSD of the Republic of Serbia (RSD) and all expressed numerical values are presented in thousand of RSD (RSD'000), unless otherwise stated.

In compiling the accompanying financial statements, the Company has applied the accounting policies disclosed below.

**2.2. Going Concern Concept**

The financial statements have been prepared in accordance with the going concern concept, which implies that the Company will continue to operate in an unlimited period in the foreseeable future.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1. Foreign currency translation**

a) *Functional and presentation currency*

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

b) *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 in foreign currency and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

**3.2. Intangible assets**

(a) *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

Costs associated with developing or maintaining computer software programmes are recognized as an expense when incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the cost of employees engaged in software development and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.***(all the amounts are presented in 000 RSD, unless stated otherwise)***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.3. Property, plant and equipment**

Nekretnine, postrojenja i oprema iskazuju se po nabavnoj vrednosti umanjenoj za ispravku vrednosti i rezervisanja po osnovu umanjenja vrednosti, kada se to zahteva. Nabavna vrednost uključuje izdatke koji se direktno pripisuju nabavci sredstava.

Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The borrowing costs incurred on asset construction that meet the criteria of a qualifying asset are capitalized during the period of time required for assets to get ready for their intended use or sale. Other borrowing costs are expensed as incurred.

Land is not depreciated. City construction plots leased out on a long-term basis are depreciated in the same manner as buildings constructed on such plots at an annual depreciation rate of 4%.

The depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	4%
Vehicles	20%
Furniture	10%
Machinery and equipment	15%
Telecommunications equipment	20%
Computers, software, movable property	30%
Leasehold improvements	10%

The assets' residual value is the estimated amount that the Company could obtain on asset disposal, less estimated selling expenses, if the asset is old and in a condition expected at the end of its useful life. The assets' residual value is equal to zero if the Company expects to the asset until the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within Other income/expenses in the income statement.

**3.4 Impairment of non-financial assets**

Assets with indefinite useful lives are not subject to amortisation and are tested annually for impairment. Assets subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.5. Investment property**

Investment property is a property held to earn rentals or for capital appreciation or both.

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Company.

Land held under operating lease is classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, the Company estimates the recoverable amount as the higher of the value in use and the fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through profit or loss. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

**3.6. Inventory**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. The net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges purchases of raw materials.

**3.7. Trade receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets.

Alternatively, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due in accordance with the original terms of receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'other expenses' (Note 29).

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.7. Trade receivables (continued)**

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to 'other income' (Note 22).

**3.8. Cash and cash equivalents**

Cash and cash equivalents comprise: cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are presented in the balance sheet, and are included in current liabilities as borrowings.

**3.9. Off-balance sheet liabilities**

Off balance sheet liabilities relate to deferred payment guarantees issued to a supplier or as a collateral to tender customers.

**3.10. Basic capital**

**a) Share capital**

Ordinary and preference shares are classified as equity. Mandatory redeemable preference shares are classified as liabilities. The Company's shares are internally issued, not listed on the Belgrade stock exchange since the Company has been registered as a closed joint stock company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds from the share issue.

Where the Company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity (and attributed to shareholders) until the shares are cancelled or reissued.

Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity, which is attributed to company shareholders.

**3.11. Provisions**

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.12. Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Loan origination fees are recognized as transaction costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

**3.13. Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Alternatively, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

**3.14. Current and deferred income tax**

The current income tax charge is calculated based on the tax laws applicable at the balance sheet date in the Republic of Serbia where the Company operates and generates taxable profit. Management periodically evaluates positions presented in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and 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 financial statements. 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 (tax loss).

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.15. Employee benefits**

The Company operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

**(a) Retirement benefit obligation**

The Company operates a defined contribution pension plan. The Company pays contributions to publicly administered pension insurance plans on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available (Note 6).

**b) Other employee benefit**

The Company provides retirement employee benefit schemes. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age or the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. The defined benefit obligation is calculated annually and provision is made in proportion to employee service period (Note 16).

**3.16. Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts after eliminating sales within the Company.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as describe below. The amount of the revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**(a) Sales of goods – wholesale**

The Company sells fuels and petroleum products in the wholesale market. Sales of goods are recognised when the Company has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with volume discounts. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts. The volume discounts are assessed based on anticipated annual purchases.

**(b) Sales of goods – retail**

Sales of goods are recognised when a Company sells a product to the customer. Retail sales are usually in cash or by credit card. The income recorded is the amount of gross sales including credit card commission.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.**

*(all the amounts are presented in 000 RSD, unless stated otherwise)*

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.17. Leases**

*(a) Leases: Accounting by lessee*

*Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.*

*(b) Leases: Accounting by lessor*

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

Lease income is recognised over the term of the lease on a straight-line basis.

*(c) Right of use of land*

The right of use of land acquired as a separate transaction through payment to the relevant Local Authority is treated as an intangible asset and is amortised over 25 years.

**3.18. Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

**4. FINANCIAL RISK MANAGEMENT**

**4.1. Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (foreign exchange risk, liquidity risk and cash flow interest rate risk). The Company's overall risk management programme focuses on minimising the potential adverse effects on the Company's financial performance in unforeseeable market circumstances. Risk management is carried out by the Company Treasury under policies approved by the Board of Directors. The Company Treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units.

*(a) Market risk*

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to EUR and GBP. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.

*(all the amounts are presented in 000 RSD, unless stated otherwise)***4. FINANCIAL RISK MANAGEMENT (continued)****4.1. Financial risk factors (continued)****(a) Market risk (continued)**

The management of the Company has set up a policy to manage its foreign exchange risk in relation to its functional currency. In order to hedge from the potential foreign exchange loss, the Group passed a decision that all new borrowings will be effected in the Company's functional currency. Foreign exchange risk arises when future transactions or recognized assets and liabilities are denominated in a currency that is not the Company's functional currency.

<b>RSD '000</b>	<b>Effect on Profit Before Tax</b>
<b>2017</b>	
10%	(12.020)
-10%	12.020
<b>2016</b>	
10%	(5.535)
-10%	5.535

**(b) Credit risk**

The Company has no significant concentrations of credit risk. The Company has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. Receivables from major wholesale customers are secured with bank guarantees, which cover 50% of total receivables (Note 9)

Credit risk arises from cash and cash equivalents with banks and financial institutions, as well as credit exposures to wholesale customers, including outstanding receivables and committed transactions. The Company uses internal credit quality ratings, taking into account financial position of a customer, annual turnover, year-end balance, terms of payment, past experience and other factors. The utilisation of credit limits is regularly monitored.

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company's finance department aims to maintain flexibility in funding by maintaining availability under committed credit lines (Note 17).

The table below analyses the Company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not material.

<b>As at 31 December 2017</b>	<b>Less than 1 year</b>
Borrowings	1.712.446
Trade and other payables	2.529.174



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.

*(all the amounts are presented in 000 RSD, unless stated otherwise)***4. FINANCIAL RISK MANAGEMENT (continued)****4.1. Financial risk factors (continued)****(d) Cash flow interest rate risk**

The Company has short-term borrowings issued at variable rates, which expose it to cash flow interest rate risk. Any change in the base interest rate (1M BELIBOR) has a proportionate effect on the Company's performance. The Company believes that possible changes in interest rates would not have a material effect on the Financial Statements.

**4.2. Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as the Company's net debt divided by its total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

During 2017, the Company's strategy remained unchanged compared to its 2016 strategy. As at 31 December 2017 and 2016 the gearing ratio was as follows:

	<b>2017.</b>	<b>2016.</b>
Borrowings – Total (Note 17)	1.712.446	2.457.446
Less: cash and cash equivalents (Note 11)	236.593	209.634
Net debt	1.475.853	2.247.812
Capital resources	3.537.976	2.543.723
Total capital	<u>5.013.829</u>	<u>4.791.535</u>
<b>Gearing ratio</b>	<b><u>29,4%</u></b>	<b><u>46,9%</u></b>

As presented in the table, the Company's Net Debt is lower than Equity as at 31 December 2016. Based on the above, the Company management believes that the Company will continue to operate in the foreseeable future without the intention of or the need for initiating liquidation procedure, terminating trade activities or seeking protection from creditors in accordance with law.

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 5.1. Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below.

#### a) Taxes

There are uncertainties with respect to interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions based on reasonable estimates, for possible results of tax controls. The amount of such provisions is based on various factors, such as previous experience with tax controls and a possibility of differing interpretations of tax regulations. Such differences of interpretation may arise on a wide variety of issues.

As the Company assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized.

Deferred tax assets are recognized for all unused tax credits to the extent that it is probable that the credits can be used in the future. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on upon the likely timing and level of future taxable profits together with future tax planning strategies. More details about taxes are provided in Note 30.

#### b) Pension obligations

The present value of the pension obligations depends on a number of factors that are determined using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

#### c) Useful lives of property, plant and equipment

The Company management determines the estimated useful lives and related depreciation charge for its property, plant and equipment. These estimates are based on the projected product life cycle. The product life cycle may change significantly due to technological innovations and competitors' actions in response to strict industry cycles. Management will increase the depreciation charge where useful lives are shorter than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.**

*(all the amounts are presented in 000 RSD, unless stated otherwise)*

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**5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

d) Provisions for termination benefits

Other key assumptions for other employee benefits are based in part on current market conditions. Provisions for termination benefits were calculated based on the assumption that all employees will stay in the Company until the termination benefit is paid. Additional information is disclosed in Note 16.

e) Financial crisis

Banking sector liquidity:

The volume of wholesale financing has significantly reduced since October 2009. Such circumstances may affect the ability of the Company to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

Customer liquidity:

Borrowers may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for borrowers may also have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management have properly reflected revised estimates of expected future cash flows in their impairment assessments.

f) Impairment of fixed assets

The Company management reviews the indicators of impairment of fixed assets with a view to ensuring that the carrying amounts of these assets are not materially different from their recoverable amounts. The review is performed for individual petrol stations by discounting future cash flows.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.

*(all the amounts are presented in ooo RSD, unless stated otherwise)*

## 6. INTANGIBLE ASSETS

	Software and Licences	Other Intangible assets	Intangible Assets Under Construction	Total
As at 1 January 2016				
Cost	25.442	9.811	543.341	578.594
Accumulated amortisation	(19.391)	(5.116)	(26.530)	(51.037)
<b>Net book value</b>	<b>6.051</b>	<b>4.695</b>	<b>516.811</b>	<b>527.557</b>
<b>Year ended 31 Decemer 2016</b>				
Opening Net Book Value	6.051	4.695	516.811	527.557
Additions	513	-	57.939	58.452
Allowance for impairment (Note 23)	(1.331)	(980)	-	(2.311)
<b>Net book Value as at 31 December 2016</b>	<b>5.233</b>	<b>3.715</b>	<b>574.750</b>	<b>583.698</b>
<b>As at 31 December 2016</b>				
Cost	25.955	9.811	601.280	637.046
Accumulated amortisation	(20.722)	(6.096)	(26.530)	(53.348)
<b>Net Book Value</b>	<b>5.233</b>	<b>3.715</b>	<b>574.750</b>	<b>583.698</b>
<b>Year ended 31 December 2017</b>				
Opening Net Book Value	5.233	3.715	574.750	583.698
Additions	2.462	-	3.861	6.323
Transfer	50.113	11.428	(61.800)	(260)
Write off	(11.391)	-	-	(11.391)
Allowance for impairment (Note 23)	3.204	(1.600)	-	1.604
<b>Net Book Value as at 31 December 2017</b>	<b>49.621</b>	<b>13.542</b>	<b>516.811</b>	<b>579.974</b>
<b>As at 31 December 2017</b>				
Cost + transfers	78287	21.238	516.811	616.337
Accumulated amortisation	(28.666)	(7.696)	-	(36.364)
<b>Net Book Value</b>	<b>49.621</b>	<b>13.542</b>	<b>516.811</b>	<b>579.974</b>

Amortisation expense of RSD -1.604 (2016: RSD 2.311) was recorded in the Income Statement under Operating expenses (Note 23).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.

*(all the amounts are presented in 000 RSD, unless stated otherwise)*

## 7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Investment Property	Equipment	PPE Under Construction and Advances Paid	Investments in third party PPE	Total
<b>As at 1 January 2016</b>						
Cost	2.545.164	3.867.948	841.161	159.642	125.276	7.539.191
Accumulated Depreciation	-	(1.335.262)	(715.431)	-	(70.338)	(2.121.031)
<b>Net Book Value</b>	<b>2.545.164</b>	<b>2.532.686</b>	<b>125.730</b>	<b>159.642</b>	<b>54.938</b>	<b>5.418.160</b>
<b>Year ended 31 December 2016</b>						
Opening Net Book Value	2.545.164	2.532.686	125.730	159.642	54.938	5.418.160
Additions	-	31.124	19.206	44.389	10.408	105.127
Transfers	23.938	32.320	9.106	(53.770)	(11.594)	-
Transfer from Intangible Assets	-	-	-	-	-	-
Deductions – Cost	-	-	(16.157)	-	(17.558)	(33.715)
Deductions	-	-	-	-	-	-
Accumulated Depreciation	-	(156.934)	(34.115)	-	9.062	(181.987)
<b>Net Book Value as at 31 December 2016</b>	<b>2.569.102</b>	<b>2.439.196</b>	<b>103.770</b>	<b>150.261</b>	<b>45.256</b>	<b>5.307.585</b>
<b>Year ended 31 December 2017</b>						
Opening Net Book Value	2.569.102	2.439.196	103.770	150.261	45.256	5.307.585
Additions	151	7.685	39.016	4.937	29.562	81.351
Transfers	38.682	-	38.616	(80.109)	3.072	261
Deductions – Cost	-	(1.384)	(2.086)	(7.588)	-	(11.058)
Accumulated Depreciation (Note 23)	-	(156.790)	(40.176)	-	(10.912)	(207.878)
<b>Net Book Value as at 31 December 2017</b>	<b>2.607.935</b>	<b>2.288.707</b>	<b>139.140</b>	<b>67.501</b>	<b>66.978</b>	<b>5.170.261</b>
<b>As at 1 January 2017</b>						
Cost	2.607.935	3.937.693	945.018	67.501	156.725	7.714.876
Accumulated Depreciation	-	(1.648.986)	(805.879)	-	(89.747)	(2.544.614)
<b>Net Book Value</b>	<b>2.607.935</b>	<b>2.288.707</b>	<b>139.140</b>	<b>67.501</b>	<b>66.978</b>	<b>5.170.261</b>

Depreciation expense of RSD 207.878 (2016. RSD: 181.987) was presented in the Income Statement under Operating expenses.

Advances paid for PPE of RSD 32.464 was paid to physical person for the plot in Kragujevac, for which change of use negotiations with local authorities are in process.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.

*(all the amounts are presented in 000 RSD, unless stated otherwise)***8. FINANCIAL INSTRUMENTS BY CATEGORY**

The accounting policies for financial instruments have been applied to the line items below:

	<u>Receivables</u>
<i>Assets</i>	
31 December 2016	
Trade and other receivables (Note 11)	524.874
Cash and cash equivalents (Note 12)	<u>209.634</u>
<b>Total</b>	<b><u>734.508</u></b>

	<u>Other financial liabilities</u>
<i>Payables</i>	
Trade and other payables	2.615.125
Borrowings	2.457.446
Long-term liabilities	<u>18.836</u>
<b>Total</b>	<b><u>5.091.407</u></b>

	<u>Receivables</u>
<i>Assets</i>	
31 December 2017	
Trade and other receivables (Note 11)	620.307
Cash and cash equivalents (Note 12)	<u>236.594</u>
<b>Total</b>	<b><u>856.901</u></b>

	<u>Other financial liabilities</u>
<i>Payables</i>	
Trade and other payables	2.662.621
Borrowings	1.712.446
Long-term liabilities	<u>4.192</u>
<b>Total</b>	<b><u>4.379.259</u></b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.

*(all the amounts are presented in 000 RSD, unless stated otherwise)***9. CREDIT QUALITY OF FINANCIAL ASSETS**

The credit quality of trade receivables exclusive of receivables past due and receivables that have been written-off may be assessed based on historical information on counterparty default rates:

	<u>2017.</u>	<u>2016.</u>
<b>Trade receivables</b>		
Group 1	245.140	155.386
Group 2	<u>351.159</u>	<u>349.536</u>
<b>Total</b>	<u><b>596.299</b></u>	<u><b>504.922</b></u>

Within Group 1 the Company classifies trade receivables from customers secured by bank guarantees and other hard collaterals.

Within Group 2 the Company classifies other trade receivables.

**10. INVENTORY**

	<u>2017.</u>	<u>2016.</u>
Merchandise	934.412	886.634
Spare parts	1.297	-
Advances paid	<u>9.778</u>	<u>29.159</u>
<b>Total</b>	<u><b>945.487</b></u>	<u><b>915.793</b></u>

Based on the 2017 stock-take, the total shortage of RSD 144.833 was recorded in the Income Statement within Other expenses (Note 29), whereas the surplus of RSD 127.678 was recorded within Other income (Note 22).

**11. RECEIVABLES**

	<u>2017.</u>	<u>2016.</u>
<b>Trade receivables</b>	<u><b>596.299</b></u>	<u><b>504.922</b></u>
- Trade receivables – domestic	590.578	496.477
- Bad and doubtful debts	19.612	18.737
- Allowance for impairment	(18.968)	(17.973)
- Trade receivables – foreign related parties	5.076	7.681
- Trade receivables – foreign	<u>-</u>	<u>-</u>
<b>Other receivables</b>	<u><b>20.387</b></u>	<u><b>17.417</b></u>
- Receivables from the Pension and Disability Insurance Fund	5.483	5.275
- Receivables from COMO managers	5.897	3.469
- Receivables from employees	432	98
- Other receivables	<u>8.574</u>	<u>8.575</u>
<b>Receivables from specific operations</b>	<u><b>3.622</b></u>	<u><b>2.535</b></u>
	<u><b>620.307</b></u>	<u><b>524.874</b></u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.

*(all the amounts are presented in 000 RSD, unless stated otherwise)***11. RECEIVABLES (continued)**

As at 31 December 2017 trade receivables amounting to RSD 245.140 thousand (2016: RSD 231.337) are collectable in its entirety.

As at 31 December 2017 trade receivables amounting to RSD 25.994 thousand (2016: RSD 273.594) are overdue but not impaired. These trade receivables relates to a number of independent customers with good payment history.

Ageing structure of these trade receivables is as follows:

	<u>2017.</u>	<u>2016.</u>
Up tp 1 month	10.995	40.410
1 – 2 months	6.657	69.440
2 – 3 months	3.144	38.824
3 - 6 months	2.800	23.276
Over 6 months	<u>2.398</u>	<u>101.644</u>
	<u><b>25.994</b></u>	<u><b>273.594</b></u>

As at 31 December 2016 trade receivables amounting to RSD 17.973 thousand RSD were impaired and provided for. In 2017 trade receivables amounting to RSD 995 thousand were provided for.

	<u>2017.</u>	<u>2016.</u>
Over 6 months	<u>995</u>	<u>17.973</u>
	<u><b>995</b></u>	<u><b>17.973</b></u>

In 2017 we wrote off RSD 7.874 thousand of receivables, paid with Diners card, due to bankruptcy of Diners Club.

Receivables of RSD 13.054 thousand paid with different bank cards were written off due to uncollectibility.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.

*(all the amounts are presented in ooo RSD, unless stated otherwise)***12. CASH AND CASH EQUIVALENTS**

	<u>2017.</u>	<u>2016.</u>
Receivables based on payment cards	48.388	41.320
Current accounts – RSD	69.151	72.753
Cash in hand - petrol stations	116.310	84.188
Cash on special account	221	8.270
Foreign currency account	<u>2.524</u>	<u>3.103</u>
<b>Total</b>	<b><u>236.594</u></b>	<b><u>209.634</u></b>

The credit quality of financial assets – cash and cash equivalents has been assessed for banks with no external credit rating, however, management believes that these banks have an acceptable level of risk.

	<u>2017.</u>	<u>2016.</u>
Current accounts		
Vojvodjanska banka	33.038	57.500
Euro bank	35.323	14.728
Intesa banka	790	525
Foreign currency account - Vojvodjanska banka	2.524	3.103
Foreign currency account - Euro banka	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>71.675</u></b>	<b><u>75.856</u></b>

Foreign currency cash funds are denominated in EUR.

**13. VAT AND PREPAID EXPENSES**

	<u>2017.</u>	<u>2016.</u>
Prepaid expenses	32.869	28.322
Other accruals	<u>2.901</u>	<u>8.183</u>
<b>Total</b>	<b><u>35.770</u></b>	<b><u>36.505</u></b>

<b>VAT</b>	<u>2017.</u>	<u>2016.</u>
<b>Total</b>	<b><u>1.898</u></b>	<b><u>4.003</u></b>

**14. OFF BALANCE SHEET ASSETS AND LIABILITIES**

The Company has issued the following instruments to third parties:

- Bank guarantee of RSD 20,000 in favour of NELT, in accordance with contract provisions.
- Bank guarantees to tender customers (City of Zajecar) in the amount of RSD 330.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.

*(all the amounts are presented in 000 RSD, unless stated otherwise)***15. EQUITY**

The table below summarises movements within equity.

	<b>Basic Capital</b>	<b>Retained Earnings (loss)</b>	<b>Total</b>
<b>As at 1 January 2016</b>	<b>6.961.115</b>	<b>(4.875.219)</b>	<b>2.085.896</b>
Profit/(loss) for the year	-	458.587	458.587
Unrealised losses	-	(760)	(760)
<b>As at 31 December 2016</b>	<b>6.961.115</b>	<b>(4.417.392)</b>	<b>2.543.723</b>
<b>As at 1 January 2017</b>	<b>6.961.115</b>	<b>(4.417.392)</b>	<b>2.543.723</b>
Share Capital	4.980.000	-	-
Share Premium	1.981.115	-	-
Profit/(loss) for the year	-	992.143	992.143
Unrealised losses	-	2.110	2.110
<b>As at 31 December 2017</b>	<b>6.961.115</b>	<b>(3.423.139)</b>	<b>3.537.976</b>

**16. LONG-TERM PROVISIONS***(a) Employee benefits*

The Company has a legal obligation to pay a sum of three average monthly salaries in the Republic of Serbia to retiring employees. A portion of retirement benefits to be charged to current year costs is subject to annual assessment. If an employee has 10 years of service (out of the expected 40 years), that employee has so far generated 25% of the value of future retirement benefits.

*(b) Provision for litigations*

The Company has been involved in the number of court cases both as plaintiff and as defendant. The Management believes that the outcome of these court cases should not have materially significant effect on the business results and financial position of the Company.

	<b>2017.</b>	<b>2016.</b>
Retirement benefit	4.192	5.816
Provision for litigations (Note 23)	-	13.020
<b>Total</b>	<b>4.192</b>	<b>18.836</b>

The amounts recognized in the Income Statement:

	<b>2017.</b>	<b>2016.</b>
Net actuarial gains/(losses) recognized during the year	2.110	(760)
<b>Total</b>	<b>2.110</b>	<b>(760)</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.

*(all the amounts are presented in 000 RSD, unless stated otherwise)***17. SHORT-TERM FINANCIAL LIABILITIES**

Short-term financial liabilities as at 31 December 2017 amounting to 1.712.446 thousand RSD (2016. – 2.457.446 thousand RSD), relates to revolving credit facility obtained from Vojvodjanska bank for liquidity of the Company.

Interest rate as at 31 December 2017 is 1M BELIBOR+1,9% per annum.

The total amount is denominated in RSD.

	<u>2017.</u>	<u>2016.</u>
Short-term loans	<u>1.712.446</u>	<u>2.457.446</u>
	<u><b>1.712.446</b></u>	<u><b>2.457.446</b></u>

<b>Bank</b>	<u>31 December 2017</u>	<u>31 December 2016</u>
Vojvođanska bank Beograd	-	1.147.867
Vojvođanska bank Beograd	1.067.379	16.000
Vojvođanska bank Beograd	-	1.293.579
Vojvođanska bank Beograd	<u>645.067</u>	<u>-</u>
<b>Total</b>	<u><b>1.712.446</b></u>	<u><b>2.457.446</b></u>

<b>Bank</b>	<u>Contract</u>	<u>Limit</u>	<u>Used</u>	<u>Interest rate</u>
Vojvođanska bank Beograd	Ug.02-21161	1.200.000	-	1mBelibor+2,3%
Vojvođanska bank Beograd	Ug.02-21162	1.157.894	1.067.379	1mBelibor+2,3%
Vojvođanska bank Beograd	Ug.02-21163	1.300.000	-	1mBelibor+2,3%
Vojvođanska bank Beograd	Ug.02-21164	1.042.105	645.067	1mBelibor+2,3%

Interest rate of 1mBelibor+2,3% was valid in the period January-November, and was changed in December 2017 to 1mBelibor+1,9%.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.

*(all the amounts are presented in 000 RSD, unless stated otherwise)***18. OPERATING LIABILITIES**

	<u>2017.</u>	<u>2016.</u>
Customer prepayments, deposits and caution money	17.398	49.177
Other operating liabilities	79.662	8.032
Trade payables - domestic	2.324.232	2.355.225
Trade payables - foreign	64.460	45.811
Trade payables – related parties (Note 32)	<u>60.819</u>	<u>17.171</u>
<b>Trade payables and operating liabilities</b>	<b><u>2.529.173</u></b>	<b><u>2.426.239</u></b>
<b>Total</b>	<b><u><u>2.546.571</u></u></b>	<b><u><u>2.475.416</u></u></b>

Trade payables to foreign suppliers and related parties amounting RSD 125.279 thousand are denominated in foreign currency (EUR) at 31 December 2017.

Related party transactions are disclosed in Note 32.

Trade receivables - domestic mostly relates to the purchase of fuel from the Company's major supplier.

**19. OTHER CURRENT LIABILITIES AND ACCRUED EXPENSES****19.1. Other current liabilities**

	<u>2017.</u>	<u>2016.</u>
Interest and fees	7.406	12.577
Other taxes	648	2.971
Deposit liabilities	<u>1.417</u>	<u>1.296</u>
<b>Total</b>	<b><u><u>9.471</u></u></b>	<b><u><u>16.844</u></u></b>

**19.2. Liabilities for VAT and other public revenue and accrued expenses**

	<u>2017.</u>	<u>2016.</u>
VAT	3.468	-
Loyalty accrual	50.190	88.723
Other accrued expenses	<u>52.921</u>	<u>34.142</u>
<b>Total</b>	<b><u><u>106.579</u></u></b>	<b><u><u>122.865</u></u></b>

**20. OPERATING INCOME**

	<u>2017.</u>	<u>2016.</u>
Sales	18.624.718	16.554.325
Rebates	<u>(236.009)</u>	<u>(99.249)</u>
<b>Total</b>	<b><u><u>18.388.709</u></u></b>	<b><u><u>16.455.076</u></u></b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.

*(all the amounts are presented in ooo RSD, unless stated otherwise)***21. OTHER OPERATING INCOME**

	<u>2017.</u>	<u>2016.</u>
Income from advertising and marketing activities	73.627	70.901
Rental income	30.549	27.716
Income from consulting services	-	12.317
Other income	500	6.304
<b>Total</b>	<b><u>104.676</u></b>	<b><u>117.238</u></b>

**22. OTHER INCOME**

	<u>2017.</u>	<u>2016.</u>
Income – Surplus of goods	127.678	83.612
Other income	5.460	1.384
<b>Total</b>	<b><u>133.138</u></b>	<b><u>84.996</u></b>

**23. OPERATING EXPENSES**

	<u>2017.</u>	<u>2016.</u>
Cost of goods sold	15.891.057	14.320.277
Own consumption	(2.409)	(2.301)
Cost of material	32.024	30.999
Fuel and energy (Note 24)	108.029	111.520
Wages and salaries and other personal expenses (Note 25)	175.337	174.300
Depreciation (Notes 6, 7)	216.506	214.802
Cost of production services (Note 26)	511.866	492.939
Provision costs (Note 16)	509	13.424
Other operating expenses (Note 26)	660.409	574.601
<b>Total</b>	<b><u>17.593.328</u></b>	<b><u>15.930.561</u></b>

**24. COSTS OF FUEL AND ENERGY COMPRISE:**

	<u>2017.</u>	<u>2016.</u>
Electricity	97.020	101.701
Fuel	5.959	5.197
Heating	5.050	4.622
<b>Total</b>	<b><u>108.029</u></b>	<b><u>111.520</u></b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.

*(all the amounts are presented in 000 RSD, unless stated otherwise)***25. WAGES AND SALARIES AND OTHER PERSONAL EXPENSES**

	<u>2017.</u>	<u>2016.</u>
Costs of salaries and fringe benefits (gross)	115.632	111.948
Taxes and contributions on wages and salaries paid by employer	17.943	16.793
Fees paid to management board members	2.048	1.782
Cost of special service and temporary service agreements	22.017	16.206
Other personal fees and expenses	17.697	27.571
<b>Total</b>	<b><u>175.337</u></b>	<b><u>174.300</u></b>

**26. COST OF PRODUCTION SERVICES AND OTHER OPERATING EXPENSES**

	<u>2017.</u>	<u>2016.</u>
Cost of communication network	3.732	3.063
Cost of postal services	1.968	1.467
Telephone charges	5.046	5.819
Security charges	20.318	19.336
Cost of repairs and maintenance	151.971	133.592
Rental costs	97.472	85.232
Utilities	25.103	22.972
Advertising and marketing costs	123.678	125.916
Cost of loyalty program (SMILE)	77.503	88.045
Internet charges	960	674
Costs of other services	556	1.025
Cost of services related to sales	3.559	5.798
<b>Total</b>	<b><u>511.866</u></b>	<b><u>492.939</u></b>

**Other operating expenses**

	<u>2017.</u>	<u>2016.</u>
Cost of dealers commissions	409.539	397.359
Non-production services	8.052	18.769
Cost of legal services	13.308	5.461
Taxes and a fee for displaying company signboard	30.302	27.409
Road connection fee	71.132	18.021
Consulting services	32.630	26.325
Entertainment	7.595	5.302
Payment operations	64.374	62.301
Employees training expenses	1.633	1.348
Costs of other services	7.038	6.720
Insurance premium	2.937	1.160
Membership fees	3.375	1.498
Court and administration fees	8.494	2.928
<b>Total</b>	<b><u>660.409</u></b>	<b><u>574.601</u></b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.

*(all the amounts are presented in 000 RSD, unless stated otherwise)***27. FINANCIAL INCOME**

	<u>2017.</u>	<u>2016.</u>
Interest income	469	588
Foreign exchange gains	<u>10.905</u>	<u>339</u>
<b>Total</b>	<b><u>11.374</u></b>	<b><u>927</u></b>

**28. FINANCIAL EXPENSES**

	<u>2017.</u>	<u>2016.</u>
Interest expense	149.034	171.782
Foreign exchange losses	4.581	568
Other financial expenses	<u>-</u>	<u>13.635</u>
<b>Total</b>	<b><u>153.615</u></b>	<b><u>185.985</u></b>

**29. OTHER EXPENSES**

	<u>2017.</u>	<u>2016.</u>
Shortages	144.833	79.889
Write-offs	689	1.077
Allowance for impairment (Note 11)	-	1.363
Direct write-off of receivables	21.922	-
Loss arising from a write-off of assets	11.110	775
Impairment of assets	<u>12.083</u>	<u>-</u>
<b>Total</b>	<b><u>190.637</u></b>	<b><u>83.104</u></b>

**30. INCOME TAX**

	<u>2017.</u>	<u>2016.</u>
Profit/(loss) before tax	700.317	458.587
Tax at statutory income tax rate of 15%	105.048	68.788
Non-deductible expenses	7.998	-
Usage of tax credits	<u>(113.046)</u>	<u>(68.788)</u>
<b>Current tax expense</b>	<b><u>-</u></b>	<b><u>-</u></b>

In 2017 the Company reported pretax income of RSD 700,317 thousands. Accumulated loss from previous periods was used to cover current year profit, resulting in zero taxable gain.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.

*(all the amounts are presented in 000 RSD, unless stated otherwise)***30. INCOME TAX (continued)****Deferred tax assets**

Deferred income can be further analyzed as follows:

	Balance sheet		Income statement	
	31.12.2017	31.12.2016	2017	2016
	RSD'000	RSD'000	RSD'000	RSD'000
<i>Deferred tax assets</i>				
On tax credits carried forward from previous periods	60.408	-	60.408	-
On tax losses carried forward from previous periods	231.418	-	231.418	-
<b>Total deferred tax assets</b>	<b>291.826</b>	<b>-</b>		
Deferred tax recognized in the income statement			<b>291.826</b>	<b>-</b>

The remaining tax losses from previous periods that can be used in the future amounts to RSD 2.189.875 and can be utilized at the latest in the following tax periods:

Year:	RSD'000
2018	1.266.718
2019	923.158
<b>Total</b>	<b>2.189.876</b>

Based on the assessment of taxable profits in the coming years, the Company recognized the deferred tax assets on tax losses carried forward from previous periods in the amount of RSD 231.418 thousand. Unrecognized deferred tax assets on tax losses carried forward from previous periods amounts to RSD 97.063 thousand.

As at 31 December 2017, the Company has unused tax credits for investment in fixed assets in the total amount of RSD 98.752 thousand. These tax credits can be utilized as a reduction of 33% of calculated tax in future periods, as follows:

Year:	RSD'000
2019	38.346
2020	33.452
2021	5.407
2022	8.117
2023	13.430
<b>Total</b>	<b>98.752</b>

Based on the assessment of taxable profits in the coming years, the Company recognized the deferred tax assets on tax credits carried forward from previous periods in the amount of RSD 60.408 thousand. Unrecognized deferred tax assets on tax credits carried forward from previous periods amounts to RSD 38.344 thousand.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.

*(all the amounts are presented in 000 RSD, unless stated otherwise)***30. INCOME TAX (continued)****Contingent liabilities****(a) Transfer pricing**

The fiscal legislation of the Republic of Serbia includes regulations regarding transfer pricing between related parties. The current legislative framework defines the "arm's length" principle for transactions between related parties, as well as the methods for determining the transfer prices. Thus, it is expected that Tax Authorities may initiate an in-depth review of transfer prices in order to ensure that taxable profit and/or customs value of imported goods is not misstated due to the impact of transfer prices between related parties. The Company cannot assess in advance the outcome of any such inspection.

As the Company has significant transactions with related parties, in the moment of preparation of the financial statements for the year ended 31 December 2016 the Company is in the process of preparing the study of transfer pricing. Based on the previous year result the Company believes that potential annual tax return correction arising as a result of transactions with related parties will not have materially significant effects on the financial statements.

**(b) Insurance policies**

The Company have not insured its assets from any potential risk.

**(c) Environmental issues**

Environmental regulations in the Republic of Serbia are being developed, therefore by 31 December 2017, the Company did not record liabilities for any projected costs, including fees for legal and consulting services, site investigation, design and implementation of corrective measures relating to environmental issues. Management believes that environmental costs are not material.

**(a) Litigations**

During the year, the Company has been involved in a number of lawsuits (as both the defendant and the plaintiff) arising in the ordinary course of business. Management believes that there are no current legal proceedings or outstanding claims that could have a material effect on the result of operations and the financial position of the Company.

**(b) Bank and other guarantees**

The Company has contingent liabilities for bank and other guarantees as well for other issues arising from the ordinary course of business. Significant liabilities are not expected to arise from contingent liabilities. In its ordinary course of business, the Company issued guarantees amounting to RSD 20.330 (Note 14).

**31. COMMITMENTS**

The Company leases ten petrol stations under non-cancellable operating lease agreements. The lease agreements have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>2017.</u>	<u>2016.</u>
Less than 1 year	65.679	64.206
1 to 5 years	223.259	150.921
Over 5 years	<u>291.973</u>	<u>186.099</u>
<b>Total</b>	<u><b>580.911</b></u>	<u><b>401.226</b></u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.

*(all the amounts are presented in 000 RSD, unless stated otherwise)***32. RELATED PARTY TRANSACTIONS**

The Company's majority owner is HELLENIC PETROLRUM SERBIA (HOLDINGS) registered in Cyprus, with a 100% share in the Company. The Company's ultimate controlling party is Hellenic – Petroleum (registered in Greece).

The Company had the following related party transactions:

**a) Purchase of goods and services**

Purchase of goods and services	2017	2016
- EKO A.B.E.E.	43.975	35.937
- EKO BULGARIA	709	1.319
- HELLENIC-PETROLEUM	173.555	76.689
- JUGOPETROL	5.739	2.906
- ELPE CONSULTING	5.275	4.935
<b>Total</b>	<b>229.252</b>	<b>121.786</b>

**b) Sale of goods and services**

Sale of goods and services	2017	2016
- OKTA	81	7.728
- JUGOPETROL	48	-
- HELLENIC-PETROLEUM	7.154	3.523
- EKO A.B.E.E.	5.122	4.103
<b>Total</b>	<b>12.405</b>	<b>15.354</b>

**c) Year end balances arising from purchases of goods/services**

Payables to related parties	2017.	2016.
- JUGOPETROL	469	
- ELPE PETRALIA	6.397	1.235
- HELLENIC-PETROLEUM	27.323	-
- EKO A.B.E.E. HFL	26.630	15.936
<b>Total</b>	<b>60.819</b>	<b>17.171</b>

Payables to related parties mainly arise from purchase transactions and are due one month after the purchase date.

**d) Year end balance arising from sales of goods/services**

Receivable from related parties	2017.	2016.
- HELLENIC-PETROLEUM	451	3.523
- EKO A.B.E.E. HFL	4.625	4.103
- EKO BULGARIA	(20)	35
<b>Total</b>	<b>5.056</b>	<b>7.681</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017.

*(all the amounts are presented in 000 RSD, unless stated otherwise)***32. RELATED PARTY TRANSACTIONS (continued)****e) Key management personnel compensation**

Key management personnel compensation in 2017 amounted to RSD 37.146 (RSD 29.822 u 2016).

**f) Payments made to members the Supervisory Boards**

	<u>2017.</u>	<u>2016.</u>
Payments made to members of the Supervisory Boards	<u>2.048</u>	<u>1.782</u>
<b>Total</b>	<b><u>2.048</u></b>	<b><u>1.782</u></b>

**Events after the balance sheet date**

There were no events after the balance sheet date that could significantly impact the Company's financial statements for the year ended 31 December 2017.

Belgrade, 30 May 2018

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Notes prepared by  
Bojan Paunović

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General Manager  
Vuk Radović