



Independent Auditor's Report

To the Shareholders of Joint Stock Company "Elektroprivreda Srbije" Beograd

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Joint Stock Company "Elektroprivreda Srbije" Beograd (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2023, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Law on Accounting in the Republic of Serbia.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2023;
 - the consolidated income statement for the year then ended;
 - the consolidated statement of other comprehensive income for the year then ended;
 - the consolidated statement of changes in equity for the year then ended;
 - the consolidated statement of cash flows for the year then ended; and
 - the notes to the consolidated financial statements, comprising significant accounting policy information and other explanatory information.
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Basis for opinion

We conducted our audit in accordance with the Law on Auditing in the Republic of Serbia. Our responsibilities under this law are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

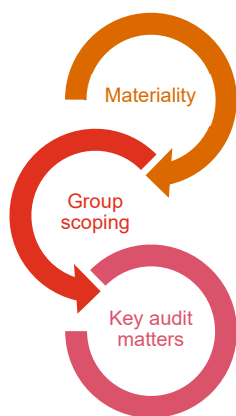
We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by the Chamber of Auditors in the Republic of Serbia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code as adopted by the Chamber of Auditors in the Republic of Serbia .

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

Our audit approach

Overview



- Overall Group materiality: RSD 4,570,566 thousand, which represents 1% of the revenue for year ended on 31 December 2023.
- We conducted audit work at 5 reporting units in 3 countries.
- The Group engagement team and PwC network firms audited all subsidiaries.
- Our audit scope addressed 100% of the Group's revenues and 100% of the Group's absolute value of underlying profit before tax.
- Estimation of decommissioning and environmental protection provision
- Impairment test of property, plant and equipment under construction

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	RSD 4,570,566 thousand
How we determined it	1% of the revenues for the year ended 31 December 2023
Rationale for the materiality benchmark applied	We determined our materiality should be based on operating revenues. This benchmark is more representative for the Group as other benchmarks such as net result are affected by the significant fluctuations in electricity prices. We have chosen 1% which, in our view, is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

We agreed with the those charged with governance that we would report to them misstatements identified during our audit above 228,528, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Estimation of decommissioning and environmental protection provisions</p> <p>Provisions associated with decommissioning, environmental protection and restoration are disclosed in Note 32 to the financial statements; a description of the accounting policy and key judgements and estimates is included in Note 3.6 and Note 3.18</p> <p>The calculation of decommissioning and environmental protection provisions requires significant management judgement because of the inherent complexity in estimating future costs, discount rates and maturity of liabilities.</p> <p>The decommissioning of landfills and dumps for ash and slag in Thermal Power Plants Kostolac, Kolubara, Morava, Nikola Tesla A and Nikola Tesla B (further in Thermal Power Plants) is an evolving activity and consequently there is limited historical precedent against which to benchmark estimates of future costs. These factors increase the complexity involved in determining accurate accounting provisions that are material to the Group's balance sheet.</p>	<p>We critically assessed management's annual review of provisions performed as at 31 December 2023. Testing involved understanding of the legal or constructive obligations with respect to the environmental protection and decommissioning of each asset based on the estimated useful life of assets and relevant cost to complete restoration.</p> <p>Of particular note, we performed the following procedures:</p> <ul style="list-style-type: none"> -We assessed the external expert' qualifications and expertise; -Identified and tested the cost assumptions which have the most significant impact on provisions by inspecting the studies provided by external management' expert; - Used our internal valuation experts to evaluate reasonableness of the discount rate applied to the cost assumptions and compared it to the Serbian treasury notes for the similar periods; - Verified the mathematical accuracy of the underlying models;

Management engaged an external expert to estimate the cost of decommissioning of landfills and dumps for ash and slag in Thermal Power Plants. As a result of such estimation Management calculated provision to be included as at 31 December 2023 .

Management reviews decommissioning and environmental protection provisions on an annual basis for production assets. This review incorporates the effects of any changes in local regulations, management's expected approach to decommissioning, cost estimates, discount rates, maturity of liabilities and the effects of changes in exchange rates.

- Verified the completeness of data by cross referencing with other non-financial data and other work performed on property, plant and equipment;
- Obtained the sensitivity analysis prepared by management for the change in key assumptions (discount rate and cost estimates). We tested mathematical accuracy of calculations.
- We assessed the adequacy of relevant disclosures in the notes to financial statements.

Impairment test of property, plant and equipment under construction

Refer to Note 3.14 (significant accounting policies), Note 3.17 (use of key judgements), and Note 24 (property, plant and equipment).

As at 31 December 2023, property, plant and equipment under lease and property plant and equipment under construction amounts RSD 174,062,532 thousand.

At the end of each reporting period the Group assesses whether non current assets, including property, plant, and equipment under construction, are not in the location and condition necessary to be capable of operating as intended by management at the time of initial recognition. This assessment is made when there has been no significant progress in preparation or construction for an extended period, and where the current status of further construction is unknown or further investment will not continue due to physical and/or technological obsolescence.

If any such indication exists, the Group considers the impairment of such assets. For the year ended 2023, the Group identified both internal and external indicators that could lead to the impairment of assets under construction, which are disclosed in Note 24.

When auditing impairment test we performed the following procedures:

- We verified the completeness of the data included in the detailed listing of property, plant, and equipment under construction by comparing them with other financial information and audit procedures performed related to property, plant, and equipment.
- Based on the sample, we tested the accuracy of data included in the detailed listing of property, plant and equipment under construction related to acquisitions and and activations during the year.
- Based on the sample, we tested that the property, plant and equipment under construction that have been in progress for more than three years are still in progress.
- We attended meetings with management at which we discussed property, plant and equipment under construction which are under construction for more than three years and for which impairment indicator exists.
- We assessed the adequacy of relevant disclosures in the notes to financial statements.



How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the group scope of our audit work, we determined the nature and extent of work to be performed both at the reporting units and at the consolidated level. All reporting unit audit work was undertaken by us and PwC network firms.

Our approach to determining the scope of the audit of the Group is a three-step process whereby reporting units are deemed to be within the scope for audit testing based on meeting one or more of the following criteria:

- 1) Significant contribution, greater than 15%, to result before taxation, revenue or total assets. These reporting units are subject to full scope audits;
- 2) The presence of a significant risk, either at the reporting unit as a whole or relating to a specific financial statement line item. This includes financial statement line items impacted by the risks of material misstatement identified in our planning; or
- 3) The most significant other reporting units that enable us to satisfy our coverage criteria on each financial statement line item and to add elements of unpredictability in our scope.

Based on this process, we identified 5 reporting units in 3 countries that, in our view, required full scope audit. Together, these reporting units accounted for 100% of the Group's revenue and 100% of the Group's absolute value of underlying result before tax.

Reporting on other information including the consolidated Annual Report

Management is responsible for the other information. The other information comprises the consolidated Annual Report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the consolidated Annual Report we also performed procedures required by the Law on Accounting in the Republic of Serbia. Those procedures include considering whether the consolidated Annual Report includes the disclosures required by the Law on Accounting in the Republic of Serbia.

Based on the work undertaken in the course of our audit, in our opinion:

- the consolidated Annual Report has been prepared in accordance with the requirements of the Law on Accounting in the Republic of Serbia; and
- the information given in the consolidated Annual Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated Annual Report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Law on Accounting 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.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with the Law on Auditing in the Republic of Serbia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The licensed auditor on the audit resulting in this independent auditor's report is Milivoje Nešović.

Refer to the original
signed Serbian version

Milivoje Nešović
Licensed Auditor
PricewaterhouseCoopers d.o.o., Beograd
Belgrade, 21 June 2024

**JOINT-STOCK COMPANY ELEKTROPRIVREDA SRBIJE,
BELGRADE**

**Notes to the Consolidated Financial statements
For the year ended 31 December 2023**

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CONSOLIDATED INCOME STATEMENT
For the period from 1st January to 31st December 2023
In RSD thousands

	<u>Note</u>	<u>2023</u>	<u>2022</u> <i>Adjusted</i>
Operating income			
Income from sales of goods	6	14,838,286	1,307,464
Income from sales of goods and services	6	442,218,360	352,173,224
Income from activation of goods and effects	7	1,477,300	1,085,150
Increase in the value of inventories of unfinished and finished goods		2,092,881	866,400
Decrease in the value of inventories of unfinished and finished goods			-
Other operating income	8	37,752,510	2,994,950
Income from property value adjustments (except financial)	9	99,587	89,258
		<u>498,478,924</u>	<u>358,516,446</u>
Expenses from operating activities			
Cost of goods sold		(1,332,383)	(5,516,570)
Cost of material, fuel, and energy	10	(215,222,833)	(285,394,008)
Wages and salaries and other personal expenses	11	(50,082,319)	(46,753,057)
Depreciation expense	12	(36,996,370)	(35,936,265)
Expenses from adjustment of property value (except financial)	13	(3,378,594)	(1,989,473)
Cost of production services	14	(31,213,593)	(24,685,186)
Cost of provisioning	15	(6,951,340)	(2,073,294)
Other expenses	16	(19,788,229)	(17,861,684)
		<u>(364,965,661)</u>	<u>(420,209,537)</u>
Operating profit/(loss)		<u>133,513,263</u>	<u>(61,693,091)</u>
Financial income			
Financial income from parent company, subsidiaries and other related parties	17	1,392,795	1,004,247
Interest income	17	6,106,706	4,115,159
Foreign exchange gains and gains on currency clause effect (third parties)	17	5,240,396	3,036,955
Other financial income	17	33,438	30,685
		<u>12,773,335</u>	<u>8,187,046</u>
Financial expenses			
Interest expenses	18	(5,923,487)	(3,924,151)
Foreign exchange losses and losses on currency clause effect (third parties)	18	(838,149)	(4,363,363)
Other financial expenses	18	(548,329)	(193,924)
		<u>(7,309,965)</u>	<u>(8,481,438)</u>
Gain/(loss) on financing activities		<u>5,463,370</u>	<u>(294,392)</u>
Income from adjustments of other assets carried at fair value through profit and loss	19	1,108,128	614,056
Expenses from adjustments of other assets carried at fair value through profit and loss	20	(5,177,477)	(8,008,262)
Other income	21	1,691,753	2,144,299
Other expenses	22	(8,942,894)	(7,688,856)
Total income		<u>514,052,140</u>	<u>369,461,847</u>
Total expenses		<u>(386,395,997)</u>	<u>(444,388,093)</u>
Profit/(loss) before tax		<u>127,656,143</u>	<u>(74,926,246)</u>

(continued)

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CONSOLIDATED INCOME STATEMENT (Continued)
For the period from 1st January to 31st December 2023
In RSD thousands

	<u>Note</u>	<u>2023</u>	<u>2022</u> <i>Adjusted</i>
Profit/(loss) before tax		<u>127,656,143</u>	<u>(74,926,246)</u>
Income tax			
Tax expense for period	23	(17,743,886)	(5,847)
Deferred tax expense for period	23	<u>2,381,361</u>	<u>2,178,535</u>
Net profit/(loss)		<u>112,293,618</u>	<u>(72,753,558)</u>
Attributable to owners		112,263,041	(72,750,745)
Attributable to non-controlling interest		<u>30,577</u>	<u>(2,813)</u>

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

On behalf of the Group:

Dušan Živković
Acting general manager

CONSOLIDATED OTHER COMPREHENSIVE INCOME

For the period 1 January – 31 December 2023

In RSD thousand

	<u>Note</u>	<u>2023</u>	<u>2022</u> <i>Adjusted</i>
Net operating profit			
Net profit/(loss)		112,293,618	(72,753,558)
Other Comprehensive gain / (loss), gross			
a) Items that will not be reclassified to profit or loss			
Actuarial gains or losses under defined benefit plans	32	(2,655,590)	857,108
		(2,655,590)	857,108
b) Items that will be reclassified to profit or loss in future periods			
Gains or losses based on consolidated recalculations financial reports of foreign operations	32	(6,014)	(5,091)
Gains/(losses) on securities measured at fair value through other comprehensive income	32	(1,367)	(4,954)
		(7,381)	(10,045)
Other Comprehensive gain / (loss), gross		(2,662,971)	847,063
Deferred tax income/(expense) on other comprehensive gain or loss for the period		-	-
Other Comprehensive gain / (loss), net		(2,662,971)	847,063
Total Comprehensive gain / (loss), net		109,630,647	(71,906,495)
Total comprehensive gain / (loss), net attributed to majority owner		109,630,647	(71,903,682)
Total comprehensive gain / (loss), net attributed to minority investors		21,101	(2,813)

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2023

In RSD thousand

	Note	31 December 2023	31 December 2022 <i>Adjusted</i>	1 January 2022 <i>Adjusted</i>
ASSETS				
Non-current assets				
Intangible assets				
Concessions, patents, licences, trademarks, software and other intangible assets	24	6,733,291	8,933,348	10,476,183
Intangible assets taken in leasing and intangible assets in prepare	24	1,131,416	290,481	2,130,100
		7,864,707	9,223,829	12,606,283
Property, plant and equipment				
Land and buildings	24	316,931,406	325,748,756	322,794,489
Machinery and equipment	24	341,118,874	358,091,487	370,151,709
Investment property	24	344,787	343,080	354,908
Property, plant and equipment under lease and property plant and equipment under construction	24	174,062,532	143,448,577	105,949,339
Other property, plant and equipment and investments on third party property, plants and equipment	24	77,681	79,210	106,978
Advances on property, plant and equipment in the country		20,808,212	7,403,866	5,992,767
Advances on property, plant and equipment- foreign	24	8,289,111	5,868,143	12,076,916
		861,632,603	840,983,119	817,427,106
Biological assets	24	473,826	539,560	502,441
		473,826	539,560	502,441
Long-term financial placements and long-term receivables				
Participations in the capital of legal entities (except participation in equity valued using the equity method)	25	317,884	285,833	290,795
Equity investments that are valued using the method participation	25	-	27,984	27,984
Long term investments – domestic	25	1,861,908	2,136,924	2,350,992
Other long-term financial investments and other long term receivables	25	649,575	581,654	441,716
		2,829,367	3,032,395	3,111,487
Current assets				
Inventory				
Raw materials, spare parts, tools and small inventory	26	37,395,423	29,926,711	26,359,707
Work in progress and ongoing services	26	5,248,591	3,161,638	2,295,414
Merchandise	26	538	1,553	1,749
Advances paid for supplies and services in the country	26	4,256,437	3,287,666	1,745,586
Advances paid to foreign persons for supplies and services	26	150,595	12,881	1,969,406
		47,051,584	36,390,449	32,371,862
Fixed assets held for sale and cessation of business	26	754,736	-	163,509
Trade receivables				
Trade receivables – domestic	27	87,165,432	63,777,491	62,622,573
Trade receivables – foreign	27	31,809	9,293	74,417
Other trade receivables	27	167,688	204,988	126,548
		87,364,929	63,991,772	62,823,538
Other short-term receivables				
Other receivables	28	12,850,790	10,595,515	9,934,951
Claims for overpaid income tax	28	-	2,383,078	3,750,495
Claims based on overpaid taxes and contribution	28	261,153	1,145,777	160,259
		13,111,943	14,124,370	13,845,705

(continued)

CONSOLIDATED BALANCE SHEET (continued)

As at 31 December 2023

In RSD thousand

	Note	31 December 2023	31 December 2022 <i>Adjusted</i>	1 January 2022 <i>Adjusted</i>
Short-term financial investments				
Short-term loans and borrowings – domestic	29	295,924	258,961	212,486
Other short term financial investments	29	66,008	45,755	35,821
		361,932	304,716	248,307
Cash and cash equivalents	30	37,125,145	14,145,781	13,469,299
Prepaid expenses and other accruals	31	3,364,615	2,434,138	2,932,953
TOTAL ASSETS		1,061,935,387	985,170,129	959,502,490
Off-balance sheet assets	41	246,807,255	261,361,449	250,042,706
Equity and liabilities				
Equity				
Basic capital	32	365,105,090	360,895,339	360,532,532
Reserves		46,839	45,653	45,400
Positive revaluation reserves and unrealized gains on the basis of financial assets and other components of the rest comprehensive result	32	443,360,187	445,707,223	447,666,415
Unrealised gain/(loss) from securities and other comprehensive income items	32	(5,679,537)	(3,016,678)	(3,006,281)
Retained earnings		112,293,618	-	-
Current period retained earnings		112,293,618	-	-
Loss		(282,970,193)	(278,965,842)	(203,842,806)
Previous years' loss	32	(282,970,193)	(206,212,284)	(188,286,747)
Current year loss	32	-	(72,753,558)	(15,556,059)
		632,156,004	524,665,695	601,395,260
Long-term provisions and liabilities				
Long-term provisions				
Provisions for fees and other benefits employees	33	18,804,518	12,474,516	14,972,214
Other long-term provisions	33	21,332,203	24,562,315	22,992,867
		40,136,721	37,036,831	37,965,081
Long-term liabilities				
Liabilities convertible into equity	34	80,500	80,500	80,500
Long term loans, borrowings and lease liabilities – domestic	34	25,329,524	30,653,861	21,168,498
Long term loans, borrowings and lease liabilities – foreign	34	109,530,208	83,746,627	71,533,476
Other long-term liabilities	34	262	-	1,333
		134,940,494	114,480,988	92,783,807
Long-term accruals		-	-	-
Deferred tax liabilities	23	63,810,176	66,191,537	68,370,071
Long-term deferred income and received				
Donations	35	8,673,270	8,826,018	8,575,955
Short-term provisions and short-term financial liabilities				
Short-term financial liabilities				
Liabilities based on loans to parent, subsidiary and other related legal entities in the country		-	-	3,070
Liabilities based on credits and loans from persons other than domestic banks	36	10,577	13,217	62,458
Liabilities based on loans from domestic banks	36	19,434,756	22,019,769	24,399,792
Loans, borrowings and liabilities from abroad	36	21,715,179	29,842,278	29,957,052
		41,160,512	51,875,264	54,422,372
Customer prepayments, deposits and caution money	37	306,239	450,944	1,047,637

(continued)

CONSOLIDATED BALANCE SHEET (continued)

As at 31 December 2023

In RSD thousand

	<u>Note</u>	<u>31 December 2023</u>	<u>31 December 2022</u> <i>Adjusted</i>	<u>1 January 2022</u> <i>Adjusted</i>
Operating liabilities				
Trade payables parent, subsidiary legal entities and others connected company - domestic	38	57,228	182,611	23,477
Trade payables – domestic	38	49,180,004	73,175,531	52,476,787
Trade payables – foreign	38	13,053,090	18,522,777	18,201,995
Other operating liabilities	38	2,797,560	2,851,318	2,099,756
		<u>65,087,882</u>	<u>94,732,237</u>	<u>72,802,015</u>
Other current liabilities				
Other current liabilities	39	33,353,102	71,484,418	8,228,221
Liabilities for VAT and other public income	39	19,777,147	13,370,717	12,438,810
Liabilities for income tax	39	17,737,089	-	-
		<u>70,867,338</u>	<u>84,855,135</u>	<u>20,667,031</u>
Short-term accruals				
	40	4,796,751	2,055,480	1,473,261
TOTAL LIABILITIES		<u>1,061,935,387</u>	<u>985,170,129</u>	<u>959,502,490</u>
Off-balance liabilities	41	<u>246,807,255</u>	<u>261,361,449</u>	<u>250,042,706</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period from 1 January - 31 December 2023
In RSD thousand

	Components of equity					Components of other comprehensive income	Total equity
	Basic capital	Other basic capital	Reserves	Retained earnings	Loss	Revaluation reserves and unrealized losses and gains	
Opening balance as at 1 January 2022	360,461,085	71,447	45,400	-	(203,718,241)	444,660,134	601,519,825
Effects of retroactive correction materially errors and changes in accounting policies	-	-	-	-	(124,565)	-	(124,565)
Restated opening balance as at 1 January 2022	360,461,085	71,447	45,400	-	(203,842,806)	444,660,134	601,395,260
Net movements in 2022	362,807	-	253	-	(75,123,036)	(1,969,589)	(76,729,565)
Closing balance as at 31 December 2022	360,823,892	71,447	45,653	-	(278,965,842)	442,690,545	524,665,695
Net movements in 2023	4,281,198	(71,447)	1,186	112,293,618	(4,004,351)	(5,009,895)	107,490,309
Closing balance as at 31 December 2023	365,105,090	-	46,839	112,293,618	(282,970,193)	437,680,650	632,156,004

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

CONSOLIDATED CASH FLOW STATEMENT
For the period from 1 January - 31 December 2023
In RSD thousand

	<u>2023.</u>	<u>2022.</u>
Cash flows from operating activities		
Cash inflows from operating activities	432,975,655	292,133,831
Sales and advances received-domestic	415,798,171	285,387,455
Sales and advances received-foreign	14,895,062	3,683,710
Interests from operating activities	981,871	1,192,632
Other proceeds from operating activities	1,300,551	1,870,034
Cash outflows from operating activities	354,740,962	290,249,297
Payments and prepayments to suppliers- domestic	206,566,009	84,841,643
Payments and prepayments to suppliers- foreign	18,549,814	98,599,400
Salaries, fringe benefits and other personal expenses	52,028,272	48,363,038
Interest paid- domestic	3,644,832	2,141,595
Interest paid-foreign	3,002,871	1,244,785
Income tax	1,311,512	4,334,620
Charges for services that qualify as public revenues	69,637,652	50,724,216
Cash inflows/(outflow) from operating activities, Net	78,234,693	1,884,534
Cash flows from investing activities		
Cash inflows from investing activities	734,584	350,593
Sale of shares and stakes	1,415	-
Sale of intangible assets, property, plant, equipment and biological assets	565	24,584
Other financial investments	112,867	136,772
Interests received from investing activities	619,737	189,237
Cash outflows from investing activities	53,543,437	58,030,154
Purchase of intangible assets, property, plant, equipment and biological assets	53,430,046	57,676,322
Other financial outflows, net	113,391	353,832
Cash inflow/(outflow) from investing activities, Net	(52,808,853)	(57,679,561)
Cash flows from financing activities		
Cash inflows from financing activities	30,377,241	97,650,962
Long-term loans – domestic	6,748,410	36,183,512
Long-term loans – foreign	23,475,412	1,575,627
Short-term loans – domestic	-	1,671
Other short-term liabilities	153,419	59,890,152
Cash outflows from financing activities	32,602,025	41,053,045
Long-term loans – domestic	14,609,037	29,372,332
Long-term loans - foreign	15,086,752	11,560,344
Short-term loans – domestic	-	3,070
Other liabilities	2,896,681	53,387
Finance lease	9,555	63,857
Dividends paid	-	55
Inflows/(outflows) from financing activities, Net	(2,224,784)	56,597,917
Total cash inflow	464,087,480	390,135,386
Total cash outflow	440,886,424	389,332,496
Net cash inflow/outflow	23,201,056	802,890
CASH AT THE BEGINNING OF THE ACCOUNTING PERIOD	14,145,781	13,469,299
FOREIGN EXCHANGE GAINS ON TRANSLATION OF CASH	3,016	853
FOREIGN EXCHANGE LOSSES ON TRANSLATION OF CASH	224,708	127,261
FOREIGN EXCHANGE GAINS ON TRANSLATION OF CASH	37,125,145	14,145,781

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

1. COMPANY FORMATION AND OPERATIONS

Joint-stock company Elektroprivreda Srbije, Belgrade (The Parent Company/The Company), with its registered office at 13 Balkanska street, has been established for the purpose of securing conditions for regular and safe supply of energy to tariff customers living in the Republic of Serbia by the Serbian Government Decision to establish a public company for the production, distribution and trade of electricity 05 No 023-396/2005-1 (RS Official Gazette, No.12/2005) as public company under the business name Public Enterprise „Elektroprivreda Srbije“, Beograd.

The Government of the Republic of Serbia issued a Conclusion on accepting of the Baseline for the reorganization of JP Elektroprivreda Srbije 05 number 023-784/2012 dated November 16, 2012 and a Conclusion on accepting the Reorganization Program of the Public Enterprise Elektroprivreda Srbije 05 number: 023-15149/ 2014 of November 27, 2014, which determined the necessity of changing the legal form to a joint-stock company, a clear legal, organizational and financial division of activities of general interest from market activities, as well as achieving maximum business efficiency.

On 6 April 2023, the Government of the Republic of Serbia adopted Decision No. 023-1457/2023 on changing the legal form of the Parent Company from a public company to a non-public joint stock company under the full business name Akcionarsko društvo "Elektroprivreda Srbije", Belograd. On April 13, 2023, the change was registered with the Serbian Business Registers Agency by the Business Registers Agency's Decision No. BD 36389/2023.

The Republic of Serbia is the founder and sole owner of the Parent Company, and the rights of the founder are exercised by the Government. The basic capital of EPS is 100 % share capital, divided into 36,510,509 ordinary shares with voting rights with par value of RSD 1,000.00 per share. All ordinary shares are issued and owned by the founder.

Additionally, on April 6 2023, the Government passed Decision 023-3090/2023 to amend the Parent Company's Founding Act and the Articles of Association.

The management of the Parent Company is organized on a bicameral basis, and the bodies of the Parent Company are:

- The Shareholders' Assembly - By RS Government Conclusion 24, No. 119-3415/2023, dated 25 April 2023, the Founder of the Company appointed an authorised representative to represent them at the Shareholder's Assembly. The Founder's authorised representative is appointed for a four-year term.
- The Supervisory Board - the members of the Supervisory Board are appointed by the Shareholder's Assembly for a four-year term. The Supervisory Board is appointed by the Shareholders' Assembly Decision dated 8 June 2023; and
- The Executive Board - the Executive Board counts seven executive directors, one of whom is the General Director, who are appointed by the Supervisory Board for four-year term. The Company's Acting Director shall continue to perform the duties of an acting managing director, and the Company's Executive Directors shall continue to perform the duties of executive directors as part of the Executive Board.

As at 31 December 2023, the Parent Company is the sole founder of the following business entities:

1. Electricity trading company „EPS Trgovanje“ d.o.o. , with its registered office in Ljubljana, at 48 Tivolska cesta st., the Republic of Slovenia. The company is established to trade energy.
2. Electricity trading company Elektrosever d.o.o. with its registered office in Severna Mitrovica, at Filipa Višnjića bb st., Kosovo and Metohija. The company is established to trade and distribute energy. Electricity trading company Elektrosever d.o.o. was founded by the Company's Supervisory Board Decision No. 12.01.19169/3-2016 dated 20 January 2016 with the approval of the Government of the Republic of Serbia - Decision 05 broj 023-923/2016 dated 11 February 2016 The registration of the company was carried out on 7 November 2018.
3. Electricity production company Moravske hidroelektrane d.o.o. with its registered office in Belgrade, at 2 Carice Milice street. Moravske hidroelektrane“ d.o.o. was founded based on a Memorandum of Understanding concluded with RWE Generation Hydro, Federal Republic of Germany (RWE AG), with the approval of the Government of the Republic of Serbia (Conclusion 05 No 018-7493/2009 dated 13 November 2009). Moravske hidroelektrane“ d.o.o. was established with a view to building hydro power plants on the river Velika Morava, comprising no less than 5 (five) hydroelectric power plants with a total power of approx.150 MW. Moravske hidroelektrane d.o.o., Beograd was registered with a competent authority's Register on 23 August 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

1. COMPANY FORMATION AND OPERATIONS (continued)

In addition to the above, the Parent Company has investments in the following subsidiaries:

1. 71.90% stake in „Kolubara - Građevinar' d.o.o., Lazarevac, 1 Janka Stajčića street, based on converted receivables into share capital in accordance with a pre-prepared reorganization plan of "Kolubara - Građevinar" d.o.o. Lazarevac on 14 December 2017.
2. 51% stake in Hidroelektroenergetski sistem Gornja Drina doo Foča, 19 Nemanjina street, Republika Srpska by way of member access and increase in the Company's capital, which took place on 19 November 2020 by the Company's entry into the Register of Business Entities of the Commercial District Court in Trebinje.

The Company is the founder of three public companies from the territory of Kosovo and Metohija, namely: Public company for the production of thermoelectric energy -TE Kosovo, Obilić; Public company for coal production, processing and transportation - PK Kosovo, Obilić; and Public company for the electricity distribution "Elektrokosmet", Pristina, over which the company has neither administrative nor management control. JSC EPS will harmonise the Articles of Association of public energy companies headquartered in the Autonomous Province of Kosovo and Metohija with the laws, the decisions and regulations governing the conditions for and the ways of doing energy activities within three months after the conditions for harmonizing the organization, operation and businesses of these companies with the regulations have been met.

Core Activity:

With the adoption of the new Energy Law at 2014 year-end, local energy regulations have been harmonized with the EU Third Energy Package. With this, the process of introducing competition into the Serbian electricity sector continued with a view to increasing the Sector's efficiency through market mechanisms for electricity production and supply, while retaining the economic regulation of the transmission of electricity as natural monopoly. Energy activities are also performed by other economic entities (legal entities or entrepreneurs) on condition that they have obtained an appropriate license from the Serbian Energy Agency.

The Parent Company's activity is governed by the Energy Law (RS Official Gazette No. 145/14, 95/18 - other law 40/21, 35/23 - other law and 62/23), the Law on Mining and Geological Explorations (RS Official Gazette No. 101/15, 95/18 – other law and 40/21), the Law on Energy Efficiency and Rational Use of Energy (RS Official Gazette No. 40/21) and other substantive regulations.

The principal activity of the Parent Company is electricity production - Activity Code 3511. In addition to its principal activity, the Parent Company is engaged in other operating activities such as: Electricity trading; coal production, processing and transportation; production of steam and hot water in combined heat processes, and other activities. The principal activity of the PC "Elektroprivreda Srbije", before it changed its legal form, was electricity supply - Activity Code 3514 trade in electricity.

The Parent Company performs its commercial and guaranteed supply of electricity through its branches registered with the Business Registers Agency, namely through:

- Branch HE ĐERDAP, Trg Kralja Petra 1, Kladovo,
- Branch DRINSKO-LIMSKE HE, Trg Dušana Jerkovića 1, Bajina Bašta,
- Branch TENT, Bogoljuba Uroševića-Crnog 44, Obrenovac,
- Branch TE-KO KOSTOLAC, Nikole Tesle 5-7, Kostolac,
- Branch PANONSKE TE-TO, Bulevar Oslobođenja 100, Novi Sad,
- Branch RB KOLUBARA, Svetog Save 1, Lazarevac,
- Branch OBNOVLJIVI IZVORI, Masarikova 1-3, Belgrade,
- Branch EPS Snabdevanje, Masarikova 1-3, Belgrade,

The Parent Company has a license for electricity supply activities number 312-137/2015-L-I dated December 23, 2015 with a ten-year validity period, and a license for performing public electricity supply energy activities number 312-149/2016-L- dated August 25, 2016, with a validity period through to the selection date of a guaranteed supplier, but not to exceed ten years.

For the reporting period, the Government of the Republic of Serbia passed a Decision to appoint the Parent Company as Supplier of Last Resort for end users not entitled to a guaranteed supply as disclosed in Note 6.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

1. COMPANY FORMATION AND OPERATIONS (continued)

The price of the supply of last resort comprises the price of electricity and the cost of balancing the system. The price does not include the distribution use-of-system charges (access to the network charge), the charge for privileged power producers, and the charge for improving energy efficiency. The price of the supply of last resort is determined annually using a predetermined rate.

In addition to the above, the Parent Company has a license to perform the following activities:

Energy activity	Contract number	Contract date	Validity period
Storage of oil, oil derivatives and biofuels	311.02-121/2016-L-I	26.01.2017	10 years
Combined production of electricity and heat energy	312-120/2016-L-I	10.02.2017	30 years
Production of electricity	312-119/2016-L-I	10.02.2017	30 years
Trade in oil, oil derivatives, biofuels, bioliquids, compressed natural gas, liquefied natural gas and hydrogen	311.02-74/2021-L-I	27/12/2021	10 years

The Parent Company's abbreviated name is: EPS A.D., Beograd.

The Company's ID No. is: 20053658

The Company's tax identification number is 103920327.

As the date of these financial statements, EPS AD, Beograd as controlling company and its subsidiaries constitute EPS Group (together : the Group)

As at 31 December 2023, the Group had 19,857 employees (31 December 2022: 20,481 employees).

The Founder's Acts adopting the Parent Company's Reorganization Program determine the procedure for establishing property rights on production facilities and other immovable property. After the adoption of the Reorganization Program of JSC EPS, the Founder gave permission for the Parent Company, being a registered holder of the right of use on buildings and its special parts (office buildings, auxiliary buildings, warehouses, garages and others, facilities for the production of electricity and facilities acting as facilities for electricity production) and on the land on which such facilities have been built, to be entered in the Real Estate Cadastre as owner in accordance with the Law on Public Property (RS Official Gazette No. 72/11, 88/13, 105/ 14, 104/16 - other laws, 108/16, 113/17, 95/18), the Law on Energy and other substantive rules and regulations governing real estate rights. It is expected that acts will be adopted on the establishment of the appropriate right of the company on immovable properties on which the right of ownership cannot be established in accordance with the Law on Public Property, and which are necessary for the performance of the Company's energy and mining activities.

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

2.1. Scope and basis for consolidation

A set of consolidated financial statements comprise a set of standalone financial statements of the Parent Company EPS AD, Belgrade and its subsidiaries in the country and abroad:

	% of share	
	2023	2022
EPS Trgovanje d.o.o. Ljubljana, Republika Slovenija	100%	100%
Elektrosever d.o.o. Severna Mitrovica, Kosovo and Metohija	100%	100%
Kolubara - Građevinar d.o.o. Lazarevac	71.90%	71.90%
Hidroelektroenergetski sistem Gornja Drina' d.o.o., Foča, Republic of Srpska	51%	51%
Moravske hidroelektrane d.o.o., Beograd	100%	49%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023**2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING METHOD (continued)****2.1. Scope and basis for consolidation (continued)**

The consolidated financial statements are prepared in accordance with the full consolidation method of accounting with minority interest recorded in the consolidated financial statements when the Parent Company does not own 100% of the subsidiary.

The 2023 consolidated financial statements for the first time entail the financial statements of „Moravske hidroelektrane“ d.o.o., Beograd, the company over which the Group obtained control in 2023 (Note 25)

Intercompany balances that arise from transactions between the parent and its subsidiaries are eliminated in consolidation.

For the purpose of these consolidated financial statements, the amounts in the standalone financial statements of EPS Trgovanje d.o.o. Ljubljana and „HES Gornja Drina“ d.o.o., Foča, denominated in the subsidiaries' functional currency (EUR and BAM) are translated into the Parent's reporting currency (RSD). Assets and liabilities are translated at the official middle exchange rate prevailing at the balance sheet date while income and expenses are translated using the middle exchange rate prevailing during the year. The translation differences arising on the translation of Fx are recognised as a separate line item in the equity section, within reserves.

2.2. Basis of preparation and presentation of consolidated financial statements

As at 31 December 2023, the Group's consolidated financial statements comprise, the consolidated balance sheet, the consolidated income statement, the consolidated other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as a summary of significant accounting policies and notes to the consolidated financial statements.

The Group's consolidated financial statements for the period from 1 January 2023 to 31 December 2023 are presented in the form provided for by the Law on Accounting (RS Official Gazette No. 73/2019 and 44/2021 - other law) and the Rulebook on Content and the form of financial report forms and the content and form of the statistical report form for business companies, cooperatives and entrepreneurs ("Official Gazette of RS" No. 89/2020).

The recognition and assessment of consolidated financial statement positions was carried out in accordance with the International Accounting Standards and the International Financial Reporting Standards, the translation of which was determined by the decision of the Minister of Finance No. 401-00-4351/2020-16 of September 10, 2020 (RS Official Gazette No. 123/2020) and which were officially published in the Republic of Serbia, except for the part of the direct transfer of revaluation reserves to retained earnings when real estate, plants and equipment cease to be recognized, in accordance with the Rulebook on the accounting framework and the content of accounts in the accounting framework for business companies, cooperatives and entrepreneurs (RS Official Gazette No. 89/2020), as well as in accordance with other applicable legal and sub-legal regulations in the Republic of Serbia. The above translation of the International Accounting Standards and the International Financial Reporting Standards applies from the financial statements that are prepared as at 31 December, 2021.

The consolidated financial statements have been prepared under the historical cost convention, unless otherwise stated in the accounting policies below.

In preparing these financial statements the Group applied accounting principles disclosed in Note 3.

The consolidated financial statements of the Group are presented in RSD thousand. RSD is the official reporting currency in the Republic of Serbia.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

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

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

At the date of these consolidated financial statements, the standards and their amendments presented in the text below were issued by the International Accounting Standards Board (IASB), as well as the interpretations by the IFRS Interpretations Committee, but have not been translated and officially adopted in the Republic of Serbian.

- Amendments to the reference to the conceptual framework in IFRS standards (issued in March 2018, effective for annual periods beginning on or after 1 January 2020).
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - definition of materiality (issued in October 2018, effective for annual periods beginning on or after 1 January, 2020).
- Amendments to IFRS 3 Business combinations - definition of business (business) issued in October 2018, effective for annual periods beginning on or after 1 January, 2020).
- Revised framework for financial reporting - amendments published in March 2018, effective for annual periods beginning on or after 1 January 2020).
- Reform of the benchmark interest rate (phase 1) - amendments to IFRS 7, IFRS 9 and IAS 39, (amendments published in September 2019, effective for annual periods that start on or after 1 January, 2020).
- Amendments to IFRS 16 Leases - benefits granted to lessees due to the Covid-19 pandemic (amendments published in May 2020, effective for annual periods beginning on or after 1 June, 2020).
- Reform of the benchmark interest rate (phase 2) – amendments to IFRS 4, IFRS 9, IFRS 7, IFRS 16 and IAS 39, (amendments announced in August 2020, effective for annual periods beginning on or after January 1, 2021)
- Amendment to IFRS3, Business Combinations – Amendments updating a reference to the Conceptual Framework (issued in May 2020, effective for periods beginning on or after 1 January 2022);
- Amendments to IAS 16 Property, plant and equipment - Proceeds before Intended Use (issued in May 2020, effective for periods beginning on or after 1 January 2022);
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts, Cost of Fulfilling a Contract (issued in May 2020, effective for periods beginning on or after 1 January 2022);
- Annual Improvements to IFRS Standards 2018–2020 (IFRS 1, IFRS 9, IFRS 16, IFRS 41) issued in May 2020 (effective for periods beginning on or after 1 January 2022);
- IFRS 17 Insurance Contracts - revised and issued during 2017 as a complete standard (initially, effective for annual periods beginning on or after January 1, 2021 – with amendments from June 25, 2020, the International Accounting Standards Board has decided to postpone the application of this standard for annual periods beginning on or after January 1, 2023), including amendments for the initial application of IFRS 17 and related amendments to IFRS 9 "Financial Instruments" for the presentation of comparative data.
- Amendments to IAS 1 Presentation of Financial Statements- Disclosure initiative relating to Accounting Policies, and amendments to IFRS Practice Statement 2 "Making Materiality Judgements" (issued in February 2021, and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - definition of accounting estimate, amendments adopted in February 2021 (effective for annual periods beginning on or after 1 January 2023);

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

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

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

- Amendments to IAS 12 Income Taxes - deferred taxes related to assets and liabilities arising from individual transactions, amendments adopted in May 2021 (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 12 Income Taxes – International Tax Reform—Pillar Two Model Rules - issued in May 2023 (effective immediately, applicable to 2023 financial statements for a calendar fiscal year; for annual reporting periods different than a calendar fiscal year, the amendments shall be effective as of 31 March 2024);

2.4. Standards and interpretations issued but not yet effective

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

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Entities - Sale or contribution of assets between the investor and its associate or joint entity (amendments adopted in September 2014, the effective date has been indefinitely postponed);
- Amendments to IAS 1 Presentation of Financial Statements – classification of liabilities as either current or non-current, containing a number of covenants included by the lender in borrowing arrangements (issued in January 2020, effective for periods beginning on or after 1 January 2024);
- Amendments to IFRS 16 Leases - measuring lease liabilities in a sale and leaseback (issued in September 2022, effective for periods beginning on or after 1 January 2024).
- Amendments to IFRS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued in May 2023, effective for annual periods beginning on or after 1 January 2024);
- Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates – Lack of changeability - currency inconvertibility (issued in August 2023, effective for periods beginning on or after 1 January 2025);

2.5. The going concern concept

The consolidated financial statements are prepared in accordance with the going concern concept, which assumes that the Group will continue its operations for the foreseeable future.

2.6. Comparative figures

2.6.1 Opening balance adjustments

Opening balance adjustments are presented in Note 5 For the effects of error correction, the Group has adjusted and reconciled comparative data in the 2022 consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1. Revenues

The Group is mainly engaged in the production, supply and distribution of electricity to various types of end customers. Additionally, the Group also generates revenues from the sale of coal, heat, other products and the provision of services.

Revenue is recognised when the Group satisfies a performance obligation by transferring control of a good or service, i.e. when the buyer acquires control over the good or service.

For each distinctive good or service under the contract, the obligation to perform under the contract with the buyer is fulfilled:

- over time:
 1. when the buyer simultaneously receives and consumes the benefits arising from the execution of the contract,
 2. when the buyer has the power to control the creation of goods or the provision of services while the property is being created or increased,
 3. when the goods and services provided by the Group cannot be used in an alternative manner and the Group has an enforceable right to payment of compensation for the performance of obligations by a certain date, based on the measurement of progress in the execution of the contract,
- at one point in time, when the buyer gains control of the property.

Revenue is measured at the transaction price, which is the fee that the Group expects to have in exchange for the transfer of assets, not counting the amount collected in favour of third parties (VAT, etc.), as well as discounts, rebates, bonuses, discounts, etc., if a variable fee is agreed or if it arises from the Group's usual business practices.

The transaction price is allocated to each individual contract performance obligation (or distinctive good or service). A change in the price of a transaction after the performance of a contract is recognized as revenue or a decrease in revenue in the period in which the price of the transaction changes.

Advance payment and received advances (collection of fees before the company transfers goods and services under the contract) are not recognized as income, i.e. they are recognized as a liability.

Where a contract with a customer contains a significant financing component (contracts whose transaction price differs from the price that the customer paid in cash for the same good or service), any difference is recognized as a financing effect (interest income or expense).

Where the period from the transfer of the promised goods and services under the contract to the moment when the buyer pays for those goods and services is up to a year or less, no correction of the transaction price is made.

Revenues from the sale of electricity are recognized in the period when the electricity is delivered at the transaction price not including the amount collected in favour of third parties (VAT, excise tax, energy efficiency fee, etc.) and approved discounts arising from the Group's usual business practices (Note 6).

The Group approves discounts and rebates to customers, both stated on invoices and subsequently approved. Discounts are treated as a variable fee and are assessed individually at the conclusion of the contract and re-assessed on the date of delivery.

3.2. The effects of currency translation differences

At the end of each reporting period currency translation differences are recognised for:

- monetary items, using the middle exchange rate on the reporting date credited to income and expenses,
- non-monetary assets measured at fair value denominated in foreign currency, using the middle exchange rate at the date when fair value was determined,
- non-monetary assets stated at historical cost (at cost), using the middle exchange rate at the date of transaction.

The date of the transaction for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income (or any part thereof) is the date on which the entity initially recognizes non-monetary assets or non-monetary liabilities when it has received or paid advance consideration. Where there are multiple received or paid advance considerations, the transaction date is determined for each received or paid advance consideration.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2. The effects of currency translation differences (continued)

Exceptionally, paragraph 2 of this clause shall not apply when an associated asset, expense or income is initially recognized at fair value or at the fair value of the consideration paid or received on a date other than the initial recognition date of the non-monetary asset or non-monetary liability arising from advance consideration.

Currency translation differences resulting from the settlement of monetary items or from the translation of monetary items using exchange rates other than those used at initial recognition during a given period or in previous financial statements are recognized within profit or loss of the period in which they arise, except when monetary items are part of the company's net investment abroad.

Currency translation differences arising on monetary items that form part of the reporting entity's net investment in a foreign operation (a monetary item that represents a receivable or liability to a foreign operation - long-term receivables or loans whose settlement is neither planned nor likely to occur in the foreseeable future) are recognized within profit or loss in the stand-alone financial statements of the foreign operation. In consolidated financial statements, which include the foreign operation, such currency translation differences are initially recognized within other comprehensive income and are reclassified from equity to gain or loss upon disposal of the net investment.

3.3. Joint arrangements and business combinations

A Joint arrangement is a contractual arrangement in which two or more parties have joint control.

Joint control is the contractually agreed sharing of control over an arrangement, which exists only when decisions about relevant activities require the unanimous consent of the parties sharing control.

Activities which have no contractual arrangement to establish joint control are not considered as a joint arrangement.

Based on the structure and legal form of the arrangement and the conditions agreed upon by the parties, a participant recognizes a joint arrangement as:

- joint operation if the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.
- joint venture if the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A participant in a joint operation recognizes:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation, including its share of the revenue from the sale of the output by the joint operation;
- its expenses, including its share of any expenses incurred jointly

A joint venture participant recognizes its share in the joint venture as investment using the equity method.

Transactions or other events in which an acquirer obtains control of one or more businesses are accounted for as Business combinations.

In the event of a business combinations involving EPS Group entities under common control, the stand alone financial statements of the continuing entity do not contain comparable figures of the disappearing entity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.4. Borrowing costs**

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds.

Borrowing costs may include:

- interest expenses calculated using the effective interest method,
- interest expense for a financial lease, and
- exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of assets, and take a substantial period to get ready for their intended use or sale (qualifying assets) are included in the cost of the asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

3.5. Employee benefits

Employee benefits are all types of benefits that the Group provides to employees in accordance with the law, general act and employment contract.

Employee benefits are recognised as an expense over an accounting period during which an employee has rendered services to the entity, and as a liability after deducting any amount already paid.

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

- retirement benefits to employees, amounting to three monthly salaries that would be earned in the month preceding the month in which retirement benefits are paid, or three average salaries paid by the Parent Company or a subsidiary or, alternatively, in the amount prescribed by the law (if more favourable for the employee), and
- jubilee awards for 10, 20, 30, 35 and 40 years of service with the Parent Company, or subsidiary, amounting to 1, 2, 3, 3.5 and 4 average salaries earned in the past twelve months.

The expected costs of employee benefits are accrued over the the period of employment. These liabilities are estimated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash payments using interest rates that correspond to the yield on bonds and treasury bills of the Republic of Serbia denominated in dinars, which have a maturity that approximates the maturities of related liabilities.

Any increase/decrease in the present value of defined post- employments benefits, due to changes in actuarial (demographic and financial) assumptions, or remeasurement of net liability, is recognized as actuarial gain or loss in other comprehensive income or as a separate item within equity.

3.6. Provisions

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6. Provisions (continued)

Litigations

Provisions for legal claims and other provisions are recognized when: the Group 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. Provisions are not recognised for future operating losses.

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

Environmental restoration

The amount recognized as a provision for environmental restoration (provision for bringing land to its natural state) is the best estimate of the expenditure required to settle the present obligation at the balance sheet date on the basis of applicable laws and regulations, which is susceptible to changes due to amendments made to the laws and regulations and their interpretations.

3.7. Government grants, donations and assistance

Government grants are assistance by government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Government grants related to assets are recognized in the balance sheet as deferred income.

Government grants are recognized as income over the period necessary to match them with the related costs, for which they are intended to compensate the following

1. grants related to assets that are depreciated in the amount of calculated depreciation,
2. grants that are not depreciated during the period in which costs that relate to fulfilling the obligations have incurred,
3. grants received as as part of financial or tax assistance during the period in which the set conditions are met,
4. grants received as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs during the period in which they became receivable as an extraordinary item with mandatory disclosure.

If the grant becomes repayable, the amount repayable is charged to deferred income. To the extent that the amount repayable is greater than deferred income or if there is no deferred income, the amount repayable is expensed immediately.

State aid means measures taken by State Authorities for the purpose of providing the Group with specific economic benefits the value of which cannot be reliably measured, as well as transactions with State Authorities that do not differ from transactions in the Group's ordinary course of business (advice, guarantee, etc).

3.8. Taxes and contributions

Current income tax

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8. Taxes and contributions (continued)

Deferred income tax

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

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

Taxes and contributions not related to performance

Taxes and contributions not related to performance comprise property tax and other public revenue under national and municipal regulations

3.9. Property, plant and equipment

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

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

Subsequent investments in an asset which increase the carrying amount of the asset, if such expenses occur as the result of additions to the asset, replacement of a part or servicing, excluding regular maintenance, if it is probable that future economic benefits associated with such investment will flow into the company and if the cost of investment in such asset can be measured reliably. Gains or losses on disposal of property, plant and equipment are determined as a difference between the expected net proceeds from sale and the carrying amount of an item adjusted for revaluation reserves, if they have been previously formed for a particular assets, and are recognized in the income statement.

Assets for exploration and evaluation of mineral resources are classified as tangible or intangible in accordance with the nature of the acquired assets, which are initially valued at cost, and subsequently as specified in this item and item 3.13. The calculation of their depreciation, as well as the recognition and measurement of the recoverable amount of these assets is performed as stated in items 3.11, 3.13. and 3.14.

After initial recognition, property, plant and equipment used for energy and mining activities are stated at revalued amount, representing their fair value at the date of revaluation, less subsequent accumulated depreciation and subsequent accumulated impairment losses for the following class of assets:

- hydroelectric power plant buildings,
- thermal power plant buildings,
- buildings for electricity distribution and distribution system management,
- coal mine buildings,
- commercial and business buildings, other than administrative and other buildings for office work, catering and tourism,
- hydroelectric power plant equipment,
- thermal power plant equipment,
- equipment for electricity distribution and distribution system management,
- coal mine equipment,
- spare parts that are intended to replace a part and whose costs of replacing that part are significant in relation to the book value of that asset,
- ships and other navigation equipment onboard ships in maritime,
- traction vehicles and other equipment in railway traffic,
- means of transportation used to perform energy activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9. Property, plant and equipment (continued)

After initial recognition, the following items are stated at revalued amount:

- land of any type and purpose of use,
- administrative and other buildings or separate parts of buildings where office and administrative work is performed,
- facilities and equipment used for processing, construction and engineering activities, telecommunications activities and repair and installation of machinery and equipment;
- line infrastructure facilities,
- buildings in catering and tourism, except real estate property classified as investment property.

Furthermore, after initial recognition, property, plant and equipment of subsidiaries whose registered core activity is not linked to energy is stated at revalued amount where PPE is used to carry out the activity stated in their Articles of Association.

The Fair value of PPE is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The techniques used and consistently applied in fair value measurement are:

- Market approach for land, administrative and other buildings for office work, catering and tourism,
- Cost approach (current replacement cost) for other assets

Revaluation of property, plant and equipment is performed if there is an indication that the carrying value of PPE significantly differs from its fair value at the balance sheet date, and mandatory once every 3 to 5 years.

Motor vehicles under the law governing road traffic safety such as a passenger vehicle, other means of transport, equipment for arranging and maintaining office and other premises, apartments not used for the purpose of performing the registered activity and other equipment, and tools and fixtures the useful life of which is longer than one year are stated at cost after initial recognition.

3.10. Investment property

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

Investment property is initially measured at cost, which comprises its purchase price and any directly attributable expenditures.

The carrying value of current investment property includes all replacement costs, provided that it is probable that the entity will obtain future economic benefits from the asset and that the cost of an asset can be reliably measured.

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

For the purpose of disclosure, investment property is measured at fair value.

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

Investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no economic benefits are expected from its disposal.

Any difference between the net disposal proceeds and the carrying amount of the investment property is recognized in profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11. Depreciation of property, plant and equipment

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

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

	<u>rate %</u>
Buildings and Thermalpower plant facilities	1.25% - 20%
Buildings and Hydropower plan facilities	0.89% - 5.15%
Coal mine buildings	1.06% - 20%
Commercial buildings	0.65% - 3.09%
Other buildings inclusive of investment property	0.91% - 6.67%
Equipment in Thermalpower plants	1.35% - 20%
Equipment in Hydropower plants	0.14% - 20%
Equipment in coal mine	2.04% - 20%
Transportation machinery	0.11% - 16.67%
Equipment for decoration and maintenance of office and other premises	10.00% - 20.00%
Other equipment not mentioned	12.50% - 20.00%

The useful life of the asset and the depreciation method are reviewed periodically, which is decided by the competent authority. The useful life is reviewed for assets the carrying amount of which will be amortized in the next financial year, and if expectations differ from previous estimates.

The effect of change in asset's useful life is recognized as income or expense in current and future periods.

3.12. Leases

At inception of a contract, the Group assesses whether a contract is a lease i.e. whether it contains elements of leasing. The contract is a lease or contains elements of leasing if it gives the right of control over the use of a certain property during a given period in exchange for compensation.

At inception of a leasing contract,

- depending on the transfer of risks and benefits associated with property ownership, the lease is classified as either a financial or an operating lease,
- depending on the duration of the lease agreement, the lease is classified as either as short-term or long-term lease (a term of over 12 months at commencement),
- the lease is classified as a low-value lease if the value of the asset on a lease is RSD 500 thousand or less.

During a duration of the lease contract, the lease term is reassessed if there is a significant event or a significant change in circumstances i.e., within the control of the lessee that directly affects whether the lessee is reasonably certain to exercise an option that has or has not been considered as at the date of establishing the lease term.

The Group as a Lessee

As at the commencement of a lease, the Group as the lessee recognises in its Statement of financial position:

- the right-of-use assets (ROU assets) separately from other assets, and
- the lease liability separately from other liabilities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12. Leases (continued)

At inception of a lease contract, ROU assets are measured at cost, comprising of an amount equivalent to initially measured liabilities, all lease payments made on or before the inception of a leasing contract less any incentives received, all initial direct costs incurred by the lessee and estimated the costs of dismantling and removing the asset on a lease, unless such costs were incurred in the production of inventory.

At the first day of the leasing term, the lease liability is measured at the present value of all lease payments that have not been made as at that day. The present value of all payments is determined by discounting lease payments using the interest rate implicit in the lease or if that rate can be readily determined, by using the lessee's incremental borrowing rate. After the first day of the lease term, interest on the lease liability and any variable payment that is not included in the measurement of the lease liability for the period in which the event or condition giving rise to the payments occurs is recognized in the income statement.

ROU assets are subsequently measured at cost, except for classes of property, plant and equipment disclosed in Note 3.9 which are acquired under a finance lease, and subsequently measured at revalued amount

Depreciation for ROU assets is calculated on a straight-line basis as of the first day of the lease term:

- through to the end of the asset's useful life where the lease agreement transfers ownership to the lessee at the end of the lease term or it is certain that the purchase option will be exercised,
- through to the end of the asset's useful life or the end of the lease term, whichever is earlier, in all other cases.

Where the lease is short-term or of low value, all payments are expensed on a straight-line basis over the term of the lease.

The Group as a Lessor

On the first day of the lease term, the asset under a finance lease is recognized as a lease receivable at an amount equal to the net investment in the lease.

The net investment in the lease specified in paragraph 1 is equal to the gross investment discounted at the interest rate implicit in the lease comprising all fixed payments, net of all lease incentives to be paid, variable payments based on an index or rate, all guaranteed residual value, the price of using the purchase option where the purchase option is reasonably certain to be exercised, and termination penalties where the duration of the lease makes it plain that the lessee has exercised the option.

Finance income is recognized based on a pattern reflecting a constant periodic rate of return on the lessor's net investment throughout the entire lease term in case of finance leases.

Where the Group is a manufacturer of the asset in a finance lease or an intermediary, the following is recognized:

- income, which represents the fair value of the asset in a lease or the present value of lease payments discounted at the market interest rate if lower,
- selling cost, which represents the cost or the carrying value of the asset that is the subject of leasing, if they differ, less the present value of unguaranteed residual value, and
- profit or loss on the sale of asset in accordance with Note 3.1.

Lease payments under operating lease are recognized as income on either a straight-line basis or another systematic basis, if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. Initial direct costs of an operating lease are added to the carrying value of the asset that is the subject of the operating lease and expensed during the term of the lease on the same basis as lease income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13. Intangible Assets

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

Intangible assets with finite useful lives are amortized using the straight-line method over their useful lives. The estimated useful lives and amortization rates in use for major classes of intangible assets, unless otherwise indicated in contract, are as summarized below:

	<u>Year</u>	<u>rate %</u>
R&D Investments	5	20%
Patents, licenses and similar rights	5	20%
Other intangible assets	5	20%

The amortisation period and the amortisation method are reviewed at the end of each accounting period. Adjusted depreciation is recognised as an expense in the Income statement over the the current and future periods.

Intangible asset with indefinite useful lives are not amortised. These assets are tested for impairment annually or whenever there is an indication that an intangible asset may be impaired.

3.14. Impairment of assets

An asset is impaired when the carrying amount of the asset exceeds its recoverable amount.

At each balance sheet date, the Company's management assesses whether there is any indication that an asset may be impaired.

Irrespective of whether or not there is any indication that an asset may be impaired, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually. If such an asset was initially recognised during the current reporting period, that asset is tested for impairment before the end of the current period.

If there is an indication that an asset may be impaired, the remaining useful life, the depreciation (amortisation) method or the residual value for the asset is reviewed and adjusted in accordance with the Standard applicable to the asset, even if no impairment loss is recognised for the asset.

The recoverable amount of an asset or a cash generating unit is the the higher of its fair value less cost of disposal and its value in use.

If there is any indication that an asset may be impaired, the recoverable amount is determined for an individual asset. If the recoverable amount cannot be determined at the level of an individual asset, the recoverable amount is determined at the the cash-generating unit level.

3.15. Inventory

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

The net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated selling costs.

The assessment of net realizable value, as the amount that can be recovered, is performed on an individual basis, unless otherwise stated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15. Inventory (continued)

Basic and ancillary materials held for use in the production of goods are not written off below cost i.e. the purchase price, if the finished products in which they will be incorporated are expected to be sold at or above cost.

When the cost of finished goods is higher than the net amount realizable from their subsequent sale, the net realizable value of inventories is estimated on a representative sample using the replacement cost method. If it is determined that inventories have been impaired, impairment for all inventory items is calculated by having the results from a sample projected to total inventory.

When estimating the net realizable value of spare parts, all factors that are specific to the Parent Company and the companies within the Group are taken into account (primarily the purpose of keeping stocks, circumstances related to procurement, use for planned servicing, price of finished products, etc.).

The amount of any write-down of inventories up to their net realizable value is recognized as an expense in the period in the write-down or loss occurs.

When the circumstances which previously caused inventories to be written down below cost no longer exist or when there is evidence of an increase in net realizable value due to changed economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realisable value.

Inventory output (consumption) is calculated by using the weighted average cost method. Tools and small inventory are fully written off when brought to use.

Inventories of work in progress and finished goods are measured at the lower of cost and net realisable value. The cost of inventories of work in progress and finished goods includes costs directly tied to production units and indirect (fixed and variable) costs incurred in the production of finished products exclusive of abnormally high amounts of consumed materials, labour or other production costs, storage costs, unless necessary in the next stage production process, general administrative costs that do not contribute to bringing inventories to their current location and condition, selling costs and borrowing costs.

3.16. Financial instruments

Initial recognition

Financial assets and financial liabilities are recognized on the date upon which the Group becomes counterparty to the contractual provisions of a specific financial instrument, in other words:

- financial assets are recognised at the date the asset is transferred to or delivered by the Group, and
- financial assets cease to be recognised at the date the asset is delivered by the Group (fulfilment, cancellation or expiry of contract).

Financial assets, other than trade receivables, and financial liabilities are initially recognized at fair value, plus or minus transaction costs directly attributable to the acquisition or issue of a financial asset or liability where a financial asset or liability is not measured at fair value through profit or loss. Any difference between the fair value and the transaction price is recognized in profit or loss if the fair value is proven in a quoted market or is based on a valuation technique that uses data only from observable markets, and in all other cases, an adjustment is made during the initial measurement to defer the difference, and the deferred difference between the fair value and the transaction price is recognized as a gain or loss only if it arises from a change in factor (including time) that market participants would take into account when determining the price of assets and liabilities.

Trade receivables Receivables from sales are recognized at their transaction price.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16. Financial instruments (continued)

Derecognition of financial instruments

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset have expired or when the Group transfers the financial asset and the transfer qualifies for derecognition.

A financial asset is transferred only when the Group transfers the contractual rights to receive the cash flows of the financial asset or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

On derecognition of a financial asset and financial liabilities as a whole, or part of financial instruments, the difference between their carrying amount (measured at the date of derecognition) and the consideration received (including each newly acquired asset less any new liability), or fees paid, including any transferred non-cash assets or commitments are recognized in the income statement. At the date of derecognition of a financial asset measured at fair value through other comprehensive income, any previously recognized cumulative gain or loss in other comprehensive income is transferred from equity to the income statement.

Classification and subsequent measurement of financial instruments

Classification

For subsequent measurement purposes, at initial recognition, financial assets are to be classified in one of the following three categories:

- 1) financial assets measured at amortized cost,
- 2) financial assets measured at fair value through other comprehensive income, and
- 3) financial assets that are measured at fair value through profit or loss.

A financial asset will be measured at amortized cost if both of the following conditions are met and it is not classified as at fair value through profit or loss:

- The asset is held within a business model the objective of which is to hold assets to collect their contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates that are solely payments of principal and interest on the principal amount outstanding.

A financial asset will be measured at fair value through other comprehensive income if both of the following conditions are met and if it is not classified as an asset valued at fair value through the income statement:

- the asset is held within the framework of a business model the goal of which is achieved both through the collection of contractual cash flows and through the sale of the financial asset, and
- The contractual terms of the financial asset give rise on specified dates that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an equity investment not held for trading, the Group can make an irrevocable election to measure subsequent changes at fair value within other comprehensive income (FVTOCI). Such determination is made on an individual basis, for each investment separately.

All financial assets that are not measured at amortized value or at FVTOCI, as described above, are measured at fair value through the income statement. This includes financial assets held for trading, the performance of which is measured at fair value through income statement. Additionally, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized value or at FVTOCI, as an asset at fair value through income statement if in this way it eliminates or significantly reduces the accounting inconsistency that would otherwise be created.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16. Financial instruments (continued)

The Group classifies financial liabilities at amortized cost for subsequent measurement purposes, except for the following:

- financial liabilities at fair value through income statement,
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, or a permanent participatory approach is applied,
- financial guarantee contracts
- loans made at below-market interest rates
- contingent considerations recognised by an acquirer in a business combination to which IFRS 3 applies

Subsequent measurement of financial assets and liabilities

After initial recognition, financial assets are measured either at:

- amortized cost, within a business model whose objective is to hold assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding,
- fair value through other comprehensive income, if the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding,
- fair value through profit or loss, all financial assets other than financial assets that are subsequently measured at amortized cost and at fair value through other comprehensive income, and financial liabilities at amortized cost or at fair value through profit or loss.

In the event of a modification of contractual cash flows of a financial asset, which does not result in the derecognition of that financial asset, the gross carrying amount of the financial asset is recalculated, and gain or loss is recognised in the income statement.

Financial investments and receivables

Investments in subsidiaries, affiliates and joint ventures are accounted for using the cost method of accounting, and presented in the Group's consolidated financial statements.

For the purpose of subsequent measurement, financial assets such as:

- investments in other entities, other securities with contractual cash flow characteristics, are classified as financial assets measured at FVTOCI
- long-term investments in subsidiaries and other associated companies in the country and abroad, long-term placements in the country and abroad, securities and other long-term financial investments with contractual cash flow characteristics are classified as financial assets measured at amortized cost.

Exceptionally, where the latest quoted prices in an active market are not available or sufficient to measure fair value or where there are other ways of fair value measurement, and the purchase price is the best estimate of fair value, equity investments in other entities are subsequently measured at cost.

Short term receivables and investments are measured at transaction price, which is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16. Financial instruments (continued)

Following initial recognition, financial instruments are classified in one of the following categories:

- financial assets and financial liabilities at fair value through profit or loss (held-for-trading),
- available-for-sale financial assets,
- held-to-maturity investments,
- the Group's loans and accounts receivable not held for trading, and
- derivatives.

Subsequent measurement of non-derivative financial assets is based on their classification at initial recognition. The classification depends on the purpose for which the financial assets were obtained.

The Group's non-derivative financial assets include loans and receivables and available-for-sale financial assets.

Other long-term investments

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

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

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

3.17. Impairment of financial assets

At each reporting date, the provision for the loss on financial instruments, except in the event of an account receivable, is measured at the value that is :

- equal to estimated credit risks over the useful life of the financial instrument if there has been a significant increase in credit risk since initial recognition,
- equivalent to 12-month expected credit losses if there has not been a significant increase in credit risk since initial recognition,

At the reporting date, a change in expected credit loss is recognized in the income statement as gain or loss by an indirect adjustment to the gross carrying amount through the use of an allowance account, except in the case of financial assets measured at FVTOCI. Any impairment of a financial asset measured at FVTOCI is recognized in OCI until the asset is either derecognised or reclassified, except for gains or losses on impairment or translation differences.

The maximum period to be taken into account when measuring expected credit losses is the maximum agreed period, including the option to extend, except in the case of loans and outstanding liabilities when the period in which the Group is exposed to credit risk is taken into account, even if that period is longer than the maximum. For loan liabilities and Financial guarantees, the date the Group becomes party to an irrevocable liability is considered the date of initial recognition for the purpose of impairment testing.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17. Impairment of financial assets (continued)

The measurement of expected losses from financial instruments is performed on an individual basis or on a joint basis, if the financial instruments have common credit risk characteristics.

The assessment of provisions for expected credit losses on accounts receivable from the sale of electricity is carried out for the following groups of accounts receivable, unless otherwise stated, which arise based on:

- 1) commercial supply,
- 2) last resort supply,
- 3) guaranteed supply for subgroups:
 1. receivables from legal entities (transfers) and
 2. receivables from households.

The recoverability of receivables is assessed by groups and subgroups through the use of provision matrix by applying a provisioning coverage ratio. They are calculated based on historical data, and are periodically updated to reflect credit losses.

Credit loss rates are calculated separately for the following consumer segments:

- households (sub/segment formed on the basis of geographical area: Belgrade, Novi Sad, Kragujevac, Kraljevo and Nis),
- small-scale consumers (sub-segment formed on the basis of geographical area: Belgrade, Novi Sad, Kragujevac, Kraljevo and Nis),
- commercial consumers, and
- last resort supply to a group of consumers.

Credit loss rates applied to consumer segments to calculate expected credit losses as at 31 December 2023 are presented in the table below:

Guaranteed supply

Number of days in delay	% expected credit losses (range)	
	Households	Small-scale consumers
Not due	0.57% - 3.37%	1.65% - 5.23%
1 – 30	1.91% - 10.35%	4.01% - 10.88%
31 – 60	3.39% - 14.44%	5.60% - 16.03%
61 – 90	5.07% - 18.92%	6.74% - 20.74%
91 – 180	7.41% - 24.14%	7.49% - 26.18%
181 – 270	24.24% - 43.33%	9.69% - 45.81%
271 +	59.31%	59.31%

Commercial and Last resort supply

Number of days in delay	% expected credit losses (regular receivables)	
	Last Resort Supply	Commercial consumers
Not due	11.46%	2.12%
1 – 30	16.19%	7.28%
31 – 60	42.19%	20.63%
61 – 90	54.93%	33.15%
91 – 180	60.41%	39.71%
181 – 270	68.81%	54.59%
271 – 360	77.74%	68.90%
361 +	89.07%	87.53%

To calculate expected credit losses (ECL) on receivables under litigation from commercial customers and customers entitled to a last resort supply, as at 31st December 2023, rates of 87,53% and 89,07% were used respectively, whereas to calculate ECL on receivables from customers in the reorganization process, in bankruptcy or liquidation a rate of 100% was used.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17. Impairment of financial assets (continued)

Receivable from customers, irrespective of the group in which they are classified, the balance of which amounts to RSD 200 mil. as at the assessment date, are assessed at an individual basis.

Exceptionally, receivables from customers undergoing reorganization (pre-prepared reorganization plan), bankruptcy or liquidation, irrespective of their debit balance, may be assessed on an individual basis.

Credit loss rates applied to consumer segments to calculate expected credit losses as at 31 December 2022 are presented in the table below:

Guaranteed supply

Number of days in delay	% expected credit losses (range)	
	Households	Small-scale consumers
Not due	0.63% - 4.01%	1.82% - 5.97%
1 – 30	2.10% - 11.55%	4.62% - 10.91%
31 – 60	3.70% - 16.46%	6.47% - 16.25%
61 – 90	5.45% - 21.17%	7.84% - 21.52%
91 – 180	7.87% - 25.95%	8.72% - 26.56%
181 – 270	25.29% - 44.40%	11.07% - 46.20%
271 +	62.62%	62.62%

Commercial and Last Resort supply

Number of days in delay	% expected credit losses (regular receivables)	
	Last Resort Supply	Commercial consumers
Not due	7.25%	1.07%
1 – 30	10.52%	4.07%
31 – 60	27.95%	12.81%
61 – 90	38.85%	24.01%
91 – 180	43.84%	30.76%
181 – 270	54.48%	44.78%
271 – 360	77.75%	64.18%
361 +	92.69%	90.56%

To calculate ECL on receivables under litigation from commercial customers and customers entitled to a last resort supply, as at 31 December 2022, rates of 90,56% and 92,69% were used, whereas to calculate ECL on receivables from customers in the reorganization process, in bankruptcy or liquidation a rate of 100% was used.

4. SIGNIFICANT ACCOUNTING ESTIMATES

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

Amortisation and amortisation rates

The assessment of the useful lives of intangible assets and property and equipment is based on historical experience with similar assets, as well as on any anticipation of technological development and changes in economic or industry factors. The adequacy of the estimated useful lives of fixed assets is analysed once a year based on current forecasts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

4. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Fair value of Property, Plant and Equipment

Items of property, plant and equipment of the Parent Company intended for the performance of energy activities, immovable property, and property, plant and equipment of the subsidiaries whose registered core activity is not linked to energy, where property, plant and equipment is used to carry out the activity stated in their Articles of Association (Note 3.9.), are measured at fair value for financial reporting purposes. When estimating the fair value of these items, the Group uses observable data from the market to the extent that it is available and engages third-party authorized appraisers to estimate the value.

Impairment of non-financial assets

As disclosed in Note 3.14, the Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired.

In 2022, the Group identified the following internal and external indicators of impairment:

- In 2022 and 2021, a net operating loss was recognised in the Group's balance sheet;
- In Autumn 2021, the global energy crises drove up coal and natural gas prices. The rise in gas, energy and oil prices was particularly strong in the second half of 2021, and intensified even further in 2022.
- Lower volumes of extracted coal in Rudarski basen Kolubara and damages of a coal mill in Nikola Tesla Power Plant, which happened at 2021 year end affecting the production of energy, increased the demand for energy imports at prices significantly higher than last year, which in turn has significantly affected the Company's performance;
- The price of electricity sold to end users, who are entitled to a guaranteed supply at regular rates, and to commercial customers was subject to Government regulation and limitations throughout the 2022, and was significantly lower than the market price at which the Parent Company secured the supply of energy;
- The trends affecting the economy and the macroeconomic indicators being weak (rising energy prices, rising inflation, supply chain disruption, downturn, etc.) have generated higher interest rates compared to earlier periods, which has had an impact on determining the asset's recoverable amount because of a higher discount rate used for the value in use calculation and its consequential decrease, which can also cause the impairment of assets.

That being the case, the Group performed impairment testing on assets as at 31 December 2022 and determined that the asset's value in use and recoverable amount exceed its carrying value, and therefore concluded that the Group's non-financial assets are not impaired, except for a portion of intangible assets, property, plant and equipment under construction. On that account, impairment loss totalling RSD 1,545,597 thousand was recognised in the 2022 Income statement (Notes 13 and 24).

As at 31 December 2023, the Group also analysed internal and external indicators of impairment to see whether there is any indication that property, plant and equipment and intangible assets may be impaired. Regarding external impairment indicators, in addition to the long-term trend of electricity prices, the Group has considered the following macroeconomic indicators: projected gross domestic product growth until 2028, achievement of the target inflation rate in the Republic of Serbia, movements in the reference interest rate of the National Bank of Serbia, impact of the CBAM regulation on the company's future operations, and analysis of the real estate and equipment market. Based on analysed internal and external indicators of impairment, the Group concluded that in 2023 there were no significant changes of any kind that would indicate a material change in the value of the Group's total assets and that there is no indication that the Group's property, plant and equipment may be impaired.

An exception are the assets under construction related to the Kolubara B Thermal Power Plant project, which show indications of impairment. Consequently, an impairment loss was recognized in the income statement for 2023 in the total amount of 2,129,167 thousand dinars (Notes 12 and 23).

Long-term provisions for environmental restoration

Long-term provisions for environmental restoration refer, for the most part, to provisions for the final reclamation of the land where the slag and ash dumps are located in the thermal power plants Kostolac and Nikola Tesla. Estimates on this basis require management judgement regarding the amount of land reclamation liabilities that will arise in the future.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023**4. SIGNIFICANT ACCOUNTING ESTIMATES (continued)**

Changes in measurements relating to current liabilities may result from the changes in estimates with respect to the period of liability occurrence, future expenses or discount rates used at initial measurement of the provision. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date on the basis of applicable laws and regulations, which is susceptible to changes due to amendments made to the laws and regulations and their interpretations. Due to the subjective nature of these provisions, there is uncertainty regarding the amount and time estimation of these costs. The effects of changing the key provisioning parameters for final reclamation of the ash and slag landfill, referring to the discount rate and the life expectancy of the landfill, are disclosed in Note 33.

Provision for litigations

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

Provision for expected credit losses

IFRS 9 introduces the new forward-looking „Expected credit loss“ (ECL) model. This means that the companies are required to exercise significant judgement as to how economic change affects expected credit loss, which is determined based on probability weighted estimates.

The ECL model applies to financial assets measured at amortized cost, and debt instruments measured at fair value through other comprehensive income however, it does not apply to investments in equity instruments.

Employee benefits

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

Fair value

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

The Group's business policy is to disclose information about the fair value of assets and liabilities for which there is official market information and when the fair value differs significantly from the book value. In the Republic of Serbia, there is a lack of sufficient market experience, stability and liquidity regarding the purchase and sale of loans and other financial assets or liabilities since published market information is not readily available. As a result, the fair value cannot be determined reliably in the absence of an active market. The Management of the Group assesses its overall risk exposure, and where it estimates that the value of assets stated in its books may not be achieved, it recognizes a provision. In the opinion of the Group's Management, the amounts disclosed in these consolidated financial statements represent the most valid and useful reporting values, given the existing market conditions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

5. OVERVIEW OF CORRECTIONS – BALANCE SHEET
a) Effects of corrections on the balance sheet

The effects of the corrections and reclassifications made on the consolidated balance sheet as at 1 January 2023 and 1 January 2022 are shown as follows:

	1 January 2023		1 January 2022		In RSD thousand 1 January 2022	
	before corrections	Correction	after corrections	before corrections	Correction	after corrections
ASSETS						
Noncurrent assets						
Intangible assets	9,223,829	-	9,223,829	12,606,283	-	12,606,283
Property, plant and equipment	840,983,119	-	840,983,119	817,427,106	-	817,427,106
Biological assets	539,560	-	539,560	502,441	-	502,441
Equity investments and long-term fin. placements	3,032,395	-	3,032,395	3,111,487	-	3,111,487
	<u>853,778,903</u>	<u>-</u>	<u>853,778,903</u>	<u>833,647,317</u>	<u>-</u>	<u>833,647,317</u>
Current assets						
Inventory	36,390,449	-	36,390,449	32,371,862	-	32,371,862
Fixed assets held for sale	-	-	-	163,509	-	163,509
Trade receivables	63,991,772	-	63,991,772	62,823,538	-	62,823,538
Other claims, VAT, claims based on overpaid taxes and contributions	14,124,370	-	14,124,370	13,845,705	-	13,845,705
Short-term financial placements	304,716	-	304,716	248,307	-	248,307
Cash and cash equivalents	14,145,781	-	14,145,781	13,469,299	-	13,469,299
Accruals	2,434,138	-	2,434,138	2,932,953	-	2,932,953
	<u>131,391,226</u>	<u>-</u>	<u>131,391,226</u>	<u>125,855,173</u>	<u>-</u>	<u>125,855,173</u>
TOTAL ASSETS	<u>985,170,129</u>	<u>-</u>	<u>985,170,129</u>	<u>959,502,490</u>	<u>-</u>	<u>959,502,490</u>
EQUITY AND LIABILITIES						
Equity						
Issued capital	360,940,992	-	360,940,992	360,577,932	-	360,577,932
Revaluation reserves and unrealized gains based on shares and others components of other comprehensive result	445,707,223	-	445,707,223	447,666,415	-	447,666,415
Unrealized loss / (gain) based on shares	(3,016,678)	-	(3,016,678)	(3,006,281)	-	(3,006,281)
Accumulated gain/(loss)	(278,822,683)	(143,159)	(278,965,842)	(203,718,241)	(124,565)	(203,842,806)
	<u>524,808,854</u>	<u>(143,159)</u>	<u>524,665,695</u>	<u>601,519,825</u>	<u>(124,565)</u>	<u>601,395,260</u>
Long-term liabilities and provisions						
Long-term provisions	37,036,831	-	37,036,831	37,965,081	-	37,965,081
Long-term liabilities and borrowings	114,480,988	-	114,480,988	92,783,807	-	92,783,807
Long-term deferred income and donations received	8,826,018	-	8,826,018	8,575,955	-	8,575,955
Deferred tax liabilities	66,191,537	-	66,191,537	68,370,071	-	68,370,071
	<u>226,535,374</u>	<u>-</u>	<u>226,535,374</u>	<u>207,694,914</u>	<u>-</u>	<u>207,694,914</u>
Short-term liabilities						
Short-term financial liabilities	51,875,264	-	51,875,264	54,422,372	-	54,422,372
Advances received	450,944	-	450,944	1,047,637	-	1,047,637
Trade payables	94,732,237	-	94,732,237	72,802,015	-	72,802,015
Other short-term liabilities	84,711,976	143,159	84,855,135	20,542,466	124,565	20,667,031
Accruals	2,055,480	-	2,055,480	1,473,261	-	1,473,261
	<u>233,825,901</u>	<u>143,159</u>	<u>233,969,060</u>	<u>150,287,751</u>	<u>124,565</u>	<u>150,412,316</u>
TOTAL EQUITY AND LIABILITIES	<u>985,170,129</u>	<u>-</u>	<u>985,170,129</u>	<u>959,502,490</u>	<u>-</u>	<u>959,502,490</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

5. OVERVIEW OF CORRECTIONS – BALANCE SHEET (continued)

b) Overview of corrections – Income statement

Effects of corrections and reclassifications on the consolidated income statement in the period from 1 January to December 31, 2022 are shown as follows:

	Year ended on 31 December 2022 before corrections	Correction	In RSD thousand year ended on 31 December 2022 after corrections
OPERATING REVENUES			
Revenue from sales	1,307,464	-	1,307,464
Revenues from the sale of products and services	352,173,224	-	352,173,224
Revenues from activation of goods and effects	1,085,150	-	1,085,150
(Increase)/decrease in inventory value	866,400	-	866,400
Revenue from adjustment of property value (except financial assets)	89,258	-	89,258
Other operating revenue	2,994,950	-	2,994,950
	<u>358,516,446</u>	<u>-</u>	<u>358,516,446</u>
OPERATING EXPENSES			
Cost of goods sold	(5,516,570)	-	(5,516,570)
Cost of material, fuel and energy	(285,394,008)	-	(285,394,008)
Salary expenses, salary compensation and other personal expenses	(46,734,463)	(18,594)	(46,753,057)
Depreciation expenses	(35,936,265)	-	(35,936,265)
Expenses from adjustment of property value (except financial)	(1,989,473)	-	(1,989,473)
Costs of production services	(24,685,186)	-	(24,685,186)
Reservation costs	(2,073,294)	-	(2,073,294)
Non-material costs	(17,861,684)	-	(17,861,684)
	<u>(420,190,943)</u>	<u>(18,594)</u>	<u>(420,209,537)</u>
OPERATING LOSS	<u>(61,674,497)</u>	<u>(18,594)</u>	<u>(61,693,091)</u>
Finance income	8,187,046	-	8,187,046
Finance cost	(8,481,438)	-	(8,481,438)
Other income and income from adjustment the value of financial assets that are reported at fair value through the income statement	2,758,355	-	2,758,355
Other expenses and adjustment expenses the value of financial assets that are reported at fair value through the income statement	(15,697,118)	-	(15,697,118)
LOSS BEFORE TAX	<u>(74,907,652)</u>	<u>(18,594)</u>	<u>(74,926,246)</u>
Tax expense of the period	(5,847)	-	(5,847)
Deferred tax income of the period	2,178,535	-	2,178,535
NET LOSS	<u>(72,734,964)</u>	<u>(18,594)</u>	<u>(72,753,558)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

5. CORRECTIONS OF OPENING BALANCE (continued)

c) Impact of corrections on accumulated loss

Correction description	In RSD thousand	
	1 January 2023	1 January 2022
Balance of accumulated loss, previously disclosed	<u>(278,822,683)</u>	<u>(203,718,241)</u>
Recognition of obligations based on receiving employees who work in particularly difficult conditions	<u>(143,159)</u>	<u>(124,565)</u>
Balance of accumulated loss, Adjusted	<u>(278,965,842)</u>	<u>(203,842,806)</u>

d) Effects of corrections on the income statement for the period January - December 2022

Correction description	In RSD thousand
	2022
Loss, previously reported	<u>(72,734,964)</u>
Recognition of obligations based on receiving employees who work in particularly difficult conditions	<u>(18,594)</u>
Balance of accumulated loss, Adjusted	<u>(72,753,558)</u>

e) Effects of corrections on the statement of cash flow

The above corrections had no impact on the reporting of cash flows from operating, investing and financing activities.

6. INCOME FROM THE SALE OF GOODS AND SERVICES

Sources of income

The Group generates income primarily from the sale of electricity and related services. Other sources of income include sales of products, provision of services and other income. Revenue from contracts with customers, divided into the main sources of income, is presented in the table below.

	In RSD thousand	
	Year ended	
	31 December 2023	2022
Sales of electricity	425,267,247	314,512,173
Sales of A.D. Elektromreža Srbije, Belgrade (a)	23,856,093	34,100,247
Sales of goods	5,261,822	4,470,936
Sales of services	2,286,464	15,701
Other (b)	385,020	381,631
	<u>457,056,646</u>	<u>353,480,688</u>

- (a) Turnover achieved with customer AD Elektromreža Srbije, Belgrade (EMS), in amount RSD 23,856,093 thousand (2022: RSD 34,100,247 thousand) is relative to the sale of electricity and the provision of services to an energy entity - the transmission system operator. Decrease in revenue in the reporting period compared to 2022 is mostly due to the lower prices and reduced electricity deliveries due to balance responsibility.

Namely, the Company provides primary, secondary, and tertiary control in the power system, delivers electricity as a balance-responsible party as well as for the own consumption of the Transmission System Operator, compensates losses in power transmission based on the contracts under which it fulfils its obligations in accordance with the Energy Law and electricity market rules. Based on the Energy Law, the prices of auxiliary services: primary regulation, voltage regulation, as well as system services of secondary and tertiary regulation, are regulated prices.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

6. INCOME FROM THE SALE OF GOODS AND SERVICES (continued)

Sources of income (continued)

- (b) Other income in 2023 amounting to RSD 385,020 thousand (2022: RSD 381,631 thousand), amounting to RSD 380,917 thousand (2022: RSD 377,941 thousand) is relative to compensation for operations in which the Parent Company acts as agent - calculation and collection of fees for the Public Media Service (Note 27). Namely, the Parent Company and Public Media Institution Radio Television of Serbia and Public Media Institution Radio Television of Vojvodina have concluded an agreement regulating the procedure under the Law on Temporary Regulation of the Manner of Collection of Public Media Service Fee (RS Official Gazette Nos. 112/2015, 108/2016, 153/2020, 129/20211, 142/022 and 92/2023), which stipulates that when calculating and charging for the delivered electricity, the Parent Company also charges customers for the tax in question, with a fee amounting to 3% of the funds transferred to public media institutions. With the latest amendments to the Law, the collection of the fee for the public media service has been extended until 31 December 2024 and the the fee in the reporting period amounts to RSD 299 (2022: RSD 299).

Disaggregated revenue from contracts with customers

Sales of electricity

Revenue from the sale of electricity is relative to the following sources of income:

	In RSD thousand	
	Year ended	
	31 December	
	2023	2022
Sales - local market		
- Sale of electricity to households (a)	118,044,194	103,673,625
- Sale of electricity - open market customers (a)	267,019,840	191,743,332
- Sale of electricity - third parties (economy) (a)	14,898,397	14,046,131
- Sale of electricity - licensed customers (a)	1,292,094	2,231,459
- Sale of electricity - stock exchange trading (c)	8,700,168	1,140,767
- Revenue from electricity sales of PE Elektrokosmet, Priština (d)	394,976	291,462
	410,349,669	313,126,776
Revenue from electricity sales on foreign markets - third parties (e)	14,917,578	1,385,397
	14,917,578	1,385,397
	425,267,247	314,512,173

- a) Revenue from the sale of electricity is recognised on the basis electricity sale to end customers, namely to: individuals, small customers or customers who have the right to freely choose a supplier upon fulfilment of conditions in accordance with the Energy Law.

The conditions of delivery and supply of electricity, as well as the measures taken in case the security of electricity supply to customers is endangered due to disturbances in the operation of the energy system or market disturbances, and on which basis sales revenues are recognized, are regulated by the Energy Law, the Law on Energy Efficiency and Rational Use of Energy ("Official Gazette of RS" No. 40/21), Regulation on Conditions of Delivery and Supply of Electricity ("Official Gazette of RS" No. 63/13, 91/18), the Decision on regulated price of electricity for guaranteed supply to which the Founder gives consent ("Official Gazette of RS" No. 77/19, with an amendment to "Official Gazette of RS" No. 154/20, which is applicable as of 01.02.2021), the Rules on the operation of the electricity market ("Official Gazette of RS" No. 120/12, 120/14) and other. Namely, the above rules regulate:

1. The conditions and the manner of issuing approvals for connection to the system and connection of the system, as well as the manner of proving the fulfilment of conditions for connection of the facility,
2. The place of metering and place of delimitation of responsibility for delivered electricity,
3. The conditions and manner of connection of temporary facilities, construction sites and facilities in trial operation or other facilities in accordance with the law governing the construction of facilities,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

6. INCOME FROM THE SALE OF GOODS AND SERVICES (continued)

Disaggregated revenue from contracts with customers (continued)

Sales of electricity (continued)

4. The measures taken in case of short-term disturbances of the energy system due to accidents and other unforeseen situations due to which the safety of the energy system is endangered, as well as due to unforeseen and necessary works on maintenance of energy facilities or necessary works on system expansion,
5. The measures to be taken in case of general electricity shortage, conditions and manner of taking measures and order of restrictions on electricity supply, as well as measures of saving and rational consumption of electricity in case of general electricity shortage,
6. The conditions and manner of suspension of electricity supply, as well as the rights and obligations of the system operator, supplier, i.e. public supplier and end customers,
7. The conditions and manner of rational consumption and saving of electricity,
8. The conditions for the supply of customer facilities which cannot be suspended from the delivery of electricity due to unfulfilled obligations for the delivered electricity or in other cases,
9. The manner of regulating the mutual relations between the supplier, the system operator and the end customer to whom the supply of electricity cannot be suspended;
10. The conditions and manner of measuring the delivered electricity;
11. The method of calculation of unauthorized electricity;
12. The manner of informing the end customer;
13. The conditions and measures for supplying electricity customers;
14. The billing period and mandatory content of the invoice for delivered electricity,
15. The conditions for concluding the contract on sale of electricity and the content of the contract, and
16. The conditions and manner of fulfilling the obligations of the supplier and the public supplier.

The contract on the sale of electricity, in addition to general elements determined by the law governing contracts and torts, also contains the following elements: rights and obligations with regard to power and quantity of electricity, dynamics of supply, rights and obligations of suppliers and end customers in case of default and in case of temporary suspension of delivery, deadline for concluding the contract and rights and obligations in case of termination and termination of the contract, method of calculation and payment terms of taken over electricity which cannot be shorter than 8 days, method of informing the buyer about price changes and other conditions of electricity supply, the manner of resolving disputes and other elements depending on the specifics and types of services provided by the supplier.

Timing and satisfaction of performance obligations

In accordance with the system operator's operating rules, the billing period for all interconnection metering points is a calendar month with the reading of billing and control meters on the first day of the month at 00:00 and on the last day of the month at 24:00. The billing period, in the transmission and distribution network for other metering points as well as for metering points in the distribution network with remote readings, is the period that begins with the reading of billing and control meters on the first day of the month at 07:00 and ends with the reading of the meters on the first day of the following month at 07:00. For all other metering points in the distribution network, readings for the billing period are taken from the date of the previous reading to the date of the reading in the current month, which falls within the range of the 1st to the 9th of the month for the previous month.

The price of electricity for end customers is determined in accordance with the type of supply as follows:

1) *Guaranteed supply*

For customers with the right to guaranteed supply, the price is determined in accordance with the adopted Methodology for determining the price of electricity for guaranteed supply, adopted by the Energy Agency of the Republic of Serbia. The price is applied after obtaining the consent of the Agency. The price comprises the cost of accessing the distribution system. -

In 2023, the applicable price was the price of electricity sold to end users who are entitled to a guaranteed supply at regulated prices (households and small customers) in accordance with:

- The Decision on the regulated price for electricity guaranteed supply No. 12.01-791174/1-2022 dated 21 November 2022, effective as of 1 January 2023. The average price of electricity was determined based on the maximum allowed revenue and the expected quantities of electricity to be sold to end users entitled to a guaranteed supply, and amounted to RSD 8,797/KWh, exclusive of tax and fees;

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31 December 2023

6. INCOME FROM THE SALE OF GOODS AND SERVICES (continued)

Disaggregated revenue from contracts with customers (continued)

Sales of electricity (continued)

- The Decision on the regulated price for electricity guaranteed supply No. 12.01.-244136/2-2023 dated 17 March 2023, effective as of 1 May 2023. The average price of electricity was determined in manner presented above, and amounted to RSD 9,501/KWh, exclusive of tax and fees; and
- The Decision on the regulated price for electricity guaranteed supply No. 12.01.-869991/6-2023 dated 26 September 2023, effective for periods beginning on and after 1 November 2023. Based on this Decision, the average price of electricity amounts to RSD 10,261/KWh, exclusive of tax and fees.

In 2023, the average realised price for electricity guaranteed supply amounted to RSD 9,372/kWh (2022: RSD 7,834/kWh).

Customers from the household category entitled to a guaranteed supply are offered a 5% discount for electricity bill payments made by the due date. The 5% discount on energy bills is calculated on the following items presented on the face of the bill: (a) calculated electricity power, (b) cost incurred by the guaranteed supplier, and (c) cost of energy. The discount comes off the customer's total energy bill by subtracting 5% from the established electricity charge for the billing period.

Additionally, to ensure efficient use of energy and energy savings, the Shareholder's Assembly of the Parent Company, by Decision No.: 12.01.952024/6-2023 dated 19 October 2023), adopted the recommendations contained in RS Government Conclusion 05 No: 312-8817/2023 dated 28. September 2023, by which households entitled to guaranteed power supply are granted a discount on their energy bills (calculated electricity power, cost incurred by the guaranteed supplier and cost of energy), starting with their October 2023 bills, through to their March 2024 bills in the following manner:

- 20% discount - households that have reduced their electricity consumption by more than 5% but less than or equal to 15%, compared to the same month over the past two years,
- 25% discount - households that have reduced their electricity consumption by more than 15% but less than or equal to 20%, compared to the same month over the past two years,
- 30% discount - households that have reduced their electricity consumption by more than 20% but less than or equal to 25%, compared to the same month over the past two years,
- 35% discount - households that have reduced their electricity consumption by more than 25% but less than or equal to 30%, compared to the same month over the past two years,
- 40% discount - households that have reduced their electricity consumption by more than 30% compared to the same month over the past two years.

Furthermore, during the reporting period, up to and including March 2023, the Company approved the following discounts in accordance with the Decision of the Government of the Republic of Serbia 05 No. 312-7254/2022, dated September 16, 2022:

- 15% discount for households that reduce electricity consumption compared to the same month of the previous year by more than 5% but less than or equal to 20%.
- 20% discount for households that reduce electricity consumption compared to the same month of the previous year by more than 20% but less than or equal to 30%.
- 30% discount for households that reduce electricity consumption compared to the same month of the previous year by more than 30%.

In accordance with the same Decision, the Parent Company will grant a 5 % discount to households entitled to guaranteed power supply if their monthly electricity consumption during off-peak hours has increased by at least 5% compared to the same month last year. The discount is calculated on the energy bill, less calculated electricity power, and cost incurred by the guaranteed supplier, starting with October 2023 bills, through to March 2024 bills.

2) Commercial supply

For customers on commercial supply, the price for energy is determined on the basis of price movements on reference power exchanges, i.e. in accordance with market principles.

However, between December 2022 and October 2023, the Serbian Government adopted decisions recommending the Parent Company that contracts with commercial supply customers be concluded at single (limited) prices, namely:

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- EUR 102,60 /MWh, exclusive of VAT. Time of supply: 1 January - 30 April 2023 in accordance with Government Decision 05 No: 338-10312/2022 dated 15 December 2022 and the Parent Company's Supervisory Board Decision No. 12.01.876827/2-22 dated 21 December 2022. During the same period, for members of the *Odbornostna industrija Srbije Group* the single price amounted to EUR 93,02 /MWh, exclusive of VAT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

6. INCOME FROM THE SALE OF GOODS AND SERVICES (continued)

Disaggregated revenue from contracts with customers (continued)

Sales of electricity (continued)

- EUR 110,81 /MWh, exclusive of VAT, for electricity customers whose contracted power supply period expires by 31 October 2023 and with whom a supply contract is concluded for the period between 1 May and 31 October 2023, in accordance with Government Decision 05 No.: 338-3387/2023 dated 20 April 2023, and the parent Company's Shareholder's Assembly Decision No. 12.01.377920/13-23 dated 27 April 2023. During the same period, for members of the *Odbrobene industrije Srbije Group* the single price amounted to EUR 100,46 /MWh, exclusive of VAT
- EUR 119,67 /MWh, exclusive of VAT. Time of supply: 1 November 2023 - 30 April 2024 in accordance with Government Decision 05 No: 338-9567/2023 dated 12 October 2023, and the Parent Company's Shareholder's Assembly Decision No. 12.01.969159/4-2023 dated 26 October 2023. During the same period, for members of the *Odbrobene industrije Srbije Group* the single price amounted to EUR 100.46 /MWh, exclusive of VAT.

Also, commercial customers, users of public funds, who have electricity supply contracts and have adopted the Serbian Government recommendations on the rational use of electricity and energy and thus reduced consumption for public lighting between 1 October 2022 and 31 March 2023 by at least 5% compared to the period between 1 October 2022 and 31 March 2023 have been offered a more favourable electricity price of EUR 104.79/MWh.

3) *Last Resort supply*

A single energy rate is applied to customers on a supplier of last resort contract. The single rate was offered by the Parent Company in an invitation to bid for the Supplier of Last Resort announced by the Serbian Government in accordance with the Energy Law. For the reporting period, the Serbian Government appointed the Parent Company as Supplier of Last Resort for end users not entitled to public supply, based on the following decisions:

- Decision on Appointing the Supplier of Last Resort 05 No: 312-9219/2022-1 („RS Official Gazette No. 127/2022) dated 17 November 2022 for a period of six months, starting from the date of this decision, at a rate of EUR 392,50 /MWh, exclusive of VAT.
On 15 December 2022, the Serbian Government issued Conclusion 05 Number: 338-10313/2022 by which the Parent Company is recommended that as of 1 January 2023 through to 30 April 2023 the supply of last resort be ensured at a rate of EUR 133,38 /MWh, exclusive of VAT. On 21 December 2022, the Supervisory Board adopted this Conclusion by Decision No.12.01.87827/3-22. On 20 April 2023, the Serbian Government issued Conclusion 05 No.: 338-3386/2023 by which the Parent Company is recommended that between 1 May and 17 May 2023 the supply of last resort be ensured at a rate of EUR144,05 eur/MWh. The Parent Company's Shareholders' Assembly accepted this recommendation by Decision 12.01.377920/12-23 dated 27 April 2023.
- Decision on Appointing the Supplier of Last Resort 05 No: 312-3591/2023 (RS Official Gazette No. 34/2023) dated 27 April 2023 for a period between 18 May 2023 and 31 October 2023, at a rate of EUR 182,42 /MWh, exclusive of VAT. On the same day, 27 April 2023, the RS Government adopted Conclusion 05 No.: 338-3590/2023, based on which the Parent Company's Shareholders' Assembly passed Decision No.: 12.01.424239/2-23 dated 11 May 2023, establishing the selling price of electricity at a rate of EUR 144,05 eur/MWh, exclusive of VAT. The supply of last resort is to be ensured to end customers at this rate between 18 May and 31 October 2023.
- Decision on Appointing the Supplier of Last Resort 05 No: 312-10178/2023 (RS Official Gazette No. 93/2023) dated 26 October 2023 for a period between 1 November 2023 and 30 April 2024 at a rate of EUR 157,34/MWh, exclusive of VAT. Immediately subsequent to this Decision, the Serbian Government issued Conclusion 05 No.: 338-0179/2023 dated 26 October 2023 recommending that the supply of last resort be ensured to end customers at a single rate of EUR 155,57 eur/MWh between 1 November 2023 and 30 April 2024. The recommendations were adopted by the Parent Company's Shareholders' Assembly Decision No.:12.01.1021776/4-2023, dated 08 November 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

6. INCOME FROM THE SALE OF GOODS AND SERVICES (continued)

Disaggregated revenue from contracts with customers (continued)

Sales of electricity (continued)

Receivables for delivered electricity are due, as a rule, on the 28th of the month for the previous month. Exceptionally, the due date may differ from the stated deadline for strategic, large, and key customers in accordance with the customer's request and the concluded contract, and for customers who conclude a contract in the public procurement procedure in accordance with the terms and conditions of the public procurement.

Delivery of electricity to cover losses in a distribution power system

In addition to supplying end customers, the Company supplies electricity to "Elektrodistribucija Srbije" doo Belgrade to cover losses in a distribution system. By the RS Government Conclusion 05 No.: 338-2815/2023 dated 30 March 2023 provides for the adoption of the Report on the Implementation of the Government's Conclusion 05 No.: 312-11081/2022-1 dated 29 December 2022, which establishes the manner of and the terms and conditions for pricing electricity to cover losses in the distribution power system.

Between January and March 2023, electricity was sold at a rate of EUR 132 /MWh, whereas between April and August 2023, the rate was adjusted monthly to comply with electricity futures for Serbian market products on the European Energy Exchange.

By the RS Government Conclusion 05 No.: 338-7933/2023, dated 31 August 2023, the selling price of electricity to cover losses in a distribution power system at a rate of EUR 70/MWh, through to 31 December 2023, was adopted.

- (c) The Group is involved in trading electricity at the „SEEPEX“ power exchange, which started operations on 17 February 2016 in Belgrade. „SEEPEX“ a.d. Belgrade is a licensed operator for the organized electricity market, established based on a partnership between A.D. "Elektromreža Srbije", Belgrade and EPEX SPOT as a joint stock company. The objective of SEEPEX is to ensure a transparent and reliable wholesale price formation mechanism on the power market by matching supply and demand at a fair and transparent price, and ensure that all transactions concluded at SEEPEX are finally delivered and paid.
- (d) Pursuant to Conclusion of the Government of the Republic of Serbia No: 021-6624/2009-002 of 30. November 2009, the Parent Company engaged its resources to provide electricity to the northern part of Kosovo and Metohija, on the basis of which a revenue of RSD 394,976 thousand was recognised in 2022 (2022: RSD 291,462 thousand).
- (e) The sale of electricity on the foreign market is relative to the sale of electricity on power exchanges HUPX, CROPEX, BSP SouthPool amounting to RSD 14,834,183 thousand, and to the sale of electricity to Mješoviti holding Elektroprivreda Republika Srpska (Bosnia and Herzegovina) amounting to RSD 81,623 thousand.

Sales of goods

Sales of goods is relative to the following:

	In RSD thousand	
	Year ended	
	31 December	
	2023	2022
Coal:		
Third party	2,239,774	1,829,061
	<u>2,239,774</u>	<u>1,829,061</u>
Sales of thermal energy	2,443,994	2,157,729
Sales of technology steam and gas	111,860	97,290
Sales of other goods	466,194	386,856
	<u>5,261,822</u>	<u>4,470,936</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

6. INCOME FROM THE SALE OF GOODS AND SERVICES (continued)
Disaggregated revenue from contracts with customers (continued)

Sales of goods (continued)

Sales of goods are relative to sales of coal, thermal energy, technology steam and gas, and other goods both at home and abroad. Sales of coal for the year ended on 31 December 2023 amounting to RSD 2,239,774 thousand is relative to the delivery of coal to third parties, Branch „Rudarski basen Kolubara“, amounting to RSD 1,948,534 thousand and Branch „Termoelektrane i kopovi Kostolac“ amounting to RSD 291,240 thousand.

Sales of thermal energy is related to supply and delivery of thermal energy produced in the Branch Panonske TE-TO, in amount of RSD 2,106,775 thousand Branch „Termoelektrane i kopovi Kostolac“ in the amount of 201,886 thousand dinars, Branch „Termoelektrana Nikola Tesla“ in the amount of RSD 75,076 thousand, and Branch „Rudarski basen Kolubara“ in the amount of RSD 60,257 thousand.

Revenue from the sale of other goods in 2023, in amount of RSD 466,194 dinars, mainly relates to the revenue from the sale of lime, in amount of RSD 166,751 thousand (2022: RSD 117,285 thousand), and the revenue from the sale of clay, in amount of RSD 109,562 thousand (2022: RSD 94,367 thousand), to third parties.

Sales of services

Sales of services is relative to the following:

	In RSD thousand	
	Year ended	
	31 December	
	2023	2022
Income from other services - third parties	2,286,464	15,701
	2,286,464	15,701

The Law on the Use of Renewable Energy ("Official Gazette of the Republic of Serbia", No. 40/2021 and 35/2023), stipulates that a producer of electricity from renewable sources has the right to origin guarantees.

The Regulation on the Guarantee of Origin ("Official Gazette of the Republic of Serbia", No. 82/2017) further prescribes the content of the guarantee of origin, the procedure for issuance, transfer, and termination of validity of the guarantee of origin, the manner of keeping records, the method of submitting data on the produced electrical energy measured at the delivery point in the transmission, distribution, and closed distribution systems, supervision, as well as other matters in accordance with the Energy Law.

Guarantees of origin are electronic documents which have the sole function of providing proof to a final customer that a given share or quantity of energy was produced from renewable sources and offer customers the opportunity to demand green energy, and to prompt energy production that contributes to the development of the energy system under more environmentally friendly conditions. The guarantee of origin system is regulated at the European level, so a guarantee issued in Serbia is valid in other countries and is in accordance with the European Association's standards.

The Transmission System Operator, EMS AD, Belgrade, issues guarantees of origin at the request of renewable energy producers and is responsible for their accuracy, reliability, and protection against misuse. The Transmission System Operator maintains a register of guarantees of origin in electronic form and publishes registry data on its website.

The Group has contracted the sale and transfer of guarantees of origin for electricity generated from renewable sources. Based on this, in 2023, it recognized revenue in the amount of RSD 2,269,640 thousand. Of this amount, revenue from the sale of guarantees of origin to foreign customers amounted to RSD 1,513,359 thousand, while revenue from the sale of guarantees of origin to domestic customers amounted to RSD 756,281 thousand.

Geographic region

In the following table, revenue from contracts with customers is divided by customer location:

In RSD thousand
Year ended
31 December

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31 December 2023

	<u>2023</u>	<u>2022</u>
Serbia	442,139,068	352,095,291
Slovenia (HUPX, CROPEX, BSP SouthPool)	14,834,183	1,303,774
Republic of Srpska	83,395	81,623
	<u>457,056,646</u>	<u>353,480,688</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

6. INCOME FROM THE SALE OF GOODS AND SERVICES (continued)

Revenue recognition timing

Revenue recognition timing is presented in the table below:

	In RSD thousand	
	Year ended	
	31 December	
	2023	2022
Goods and services recognised at a point in time	28,526,783	4,671,562
Goods and services recognised over time	428,529,863	348,809,126
	457,056,646	353,480,688

The billing period for all metering points in the interconnection and in the transmission and distribution networks is a calendar month with meter readings, as disclosed in this note (Timeframe and Performance), conducted by the operators of the transmission and distribution systems in accordance with the Energy Law. During this period, the Company recognizes revenue and has the right to payment, while the customer has the ability to derive all essential benefits from the electricity supplied during the billing period - the calendar month.

The following table shows information on the nature and timing of satisfaction of performance obligations for key selected revenue sources:

Sale type	The nature and timing of satisfaction of performance obligations	Revenue recognition
Sale of electricity to end customers	<p>These contracts with customers refer to the sale of electricity to customers on guaranteed supply, commercial supply, and backup supply.</p> <p>Contracts with customers on guaranteed supply are concluded for an indefinite period, and the customer has the right to terminate the contract at any time without penalty for early termination of the contract, therefore the contract period represents one accounting period invoiced to the customer.</p> <p>Contracts with customers for commercial supply are concluded for a certain period of time, however, according to the Rules for changing suppliers (prescribed by the regulatory body of the Energy Agency of the Republic of Serbia), the customer has the right to terminate the contract at any time without paying a penalty for early termination of the contract, therefore the contract period represents one accounting period invoiced to the customer.</p>	Revenue is recognized over time, based on the bill or invoice issued to the customer.
Sale of electricity to customers on the open market, licensed customers and stock exchange business	Revenues from the sale of electricity to licensees and customers on the open market refer to deliveries of electricity to customers who have a license to perform energy activities. Additionally, the Group generates income by trading on power exchanges. Each individual order constitutes a contract. The Group believes that on this basis, the delivery of electricity based on a specific order represents the fulfilment of the performance obligation under the contract.	Revenue from sales to customers on the open market and licensed customers is recognized over time, based on the bill or invoice issued to the customer, while revenue from stock exchange business is recognized at a certain point in time.
Sale of electricity to EMS	The subject matter of the contract is the delivery of a certain amount of energy for a defined period at a fixed unit price. Therefore, the contract contains only one performance obligation - the delivery of electricity during a defined period of time.	Revenue is recognized over time, based on the bill or invoice issued to the customer upon delivery of electricity.
Sale and Transfer of Guarantees of Origin for Renewable Energy	The subject of the contract is the sale and transfer of Guarantees of Origin for Renewable Energy. Each individual Guarantee of Origin represents one contract. Therefore, the contract contains only one performance obligation - the delivery and transfer of the Guarantee of Origin based on the specific contract at a specified moment.	Revenue from the sale and transfer of Guarantees of Origin for Renewable Energy is recognized at a specific point in time, upon transfer, i.e., upon invoicing to the customer.
Sale of coal, thermal energy, products, technology steam and gas	<p>Each individual order constitutes a contract. The Group believes that on this basis, every delivery of goods or provision of services based on a specific order represents the fulfilment of the obligation to perform according to the contract.</p> <p>Bills or invoices are issued upon delivery of goods or on a monthly basis, depending on the type of product and customer. Payment terms vary depending on the contractual terms and conditions, however, the general payment term is within 30 days or less.</p> <p>Bills or invoices for thermal energy are issued monthly with payment due within 15 to 60 days.</p> <p>Bills or invoices for technology steam, are issued monthly with payment due within 15 days.</p>	Income from the sale of coal is recognized at a certain time, upon delivery, i.e. upon invoicing to the customer, while revenues from the sale of thermal energy, technology steam and gas are recognized over time.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

6. INCOME FROM THE SALE OF GOODS AND SERVICES (continued)

Balances from contracts with customers

The following table shows information on receivables, contractual assets and contractual obligations arising from contracts with customers:

	31 December 2023	In RSD thousand 31 December 2022
Customer contract receivables - recorded within trade receivables (Note 27)	87,364,929	63,991,772
Customer contract receivables - recorded within other short-term receivables (Note 28)	5,712,125	4,415,631
Customer contract receivables – recorded within long-term financial Investments and long-term receivables (Note 25)	-	2,217
Customer contract receivables – recorded within short-term financial Investments	73,352	69,908
Contract assets	981	580
Contract liabilities – recorded within customer prepayments, deposits and caution money (Note 37)	306,239	450,944
Contract liabilities – recorded within other liabilities (Note 39)	<u>2,549,146</u>	<u>2,306,800</u>

7. INCOME FROM THE REALIZATION OF ASSETS AND GOODS

	For the year ending 31 December 2023	In RSD thousand For the year ending 31 December 2022
Income from activation and consumption of products for own use	1,301,402	1,016,248
Income from activation of services for own use	<u>175,898</u>	<u>68,902</u>
	<u>1,477,300</u>	<u>1,085,150</u>

Income from the activation or consumption of products and services is recognized based on the use of products and services in the revitalization of plant and equipment, and in the production of spare parts and materials.

8. OTHER OPERATING INCOME

	For the year ending 31 December 2023	In RSD thousand For the year ending 31 December 2022
Income from premiums, subventions, subsidies, recourses, compensations and refunds of tax duties	351,933	720,435
Income from the cancellation of deferred income, in accordance with the accounting policy (Note 35)	247,504	218,873
Income from donations, premiums, subsidies and grants from abroad (IPA Funds)	<u>147,662</u>	<u>158,748</u>
	<u>747,099</u>	<u>1,098,056</u>
Income from compensations from insurance for damages	365,237	436,721
Income from rents	158,951	143,609
Other operating income	<u>36,481,223</u>	<u>1,316,564</u>
	<u>37,752,510</u>	<u>2,994,950</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

8. OTHER OPERATING INCOME (continued)

Income from donations, premiums, subsidies and grants in 2023 amounts to 747,099 thousand dinars (2022: 1,098,056 thousand dinars) of which the amount of 147,662 thousand dinars (2022: 158,748 thousand dinars) refers to recognized consulting services (studies, studies) related to projects for environmental protection for the reconstruction of electrofilters TENT A4, B2, TEK A5, and in which the Ministry of Environmental Protection is co-financing, amounting to 351,933 thousand dinars (2022: 720,364 thousand dinars) was recognized on the basis of the refraction of excise duties on oil derivatives and bioliquids used in the production process, and the remaining income in the amount of 247,504 thousand dinars (2022: 218,873 thousand dinars) refers to the income recognized in the amount of expenses related to the use of funds received from donations.

Income from the collection of insurance claims in the amount of 365,237 thousand dinars (2022: 436,721 thousand dinars) mostly refers to the income realized in the procedure of collecting damages from Dunav osiguranje a.d.o., Belgrade, based on a depositor damaged by a fire in a branch Rudarski basen Kolubara.

On May 24, 2023, the parent company submitted a request to the Ministry of Mining and Energy of the Republic of Serbia for compensation for damages caused by limiting the price of electricity, which compensates for losses in the transmission or distribution system that the parent company supplied to the companies EMS a.d. and EDS d.o.o. in the period from October 2021 to December 2022, based on the Decision of the Government of the Republic of Serbia No. 312-11315/2022 of December 29, 2022. Based on the aforementioned Request, the Government issued Decision No. 312-4780/2023-1 dated June 1, 2023, on the basis of which the Parent Company recognized other business income based on damages in the amount of 34,698,000 thousand dinars.

Other operating income includes income from subsequent borrowing of electricity customers in the amount of 489,183 thousand dinars (2022: RSD 495,561 thousand) in the name of the engagement of private executors and court costs in the procedure of forced collection of electricity, as well as income from the sale of secondary raw materials and secondary products that arise during the maintenance of production facilities intended for the production of electricity in the amount of RSD 747,775 thousand (year 2022: RSD 354,259 thousands).

9. INCOME FROM REVALUATION OF ASSETS (EXCEPT FINANCIAL)

	In RSD thousand	
	For the year ended on	
	2023	2022
Income from revaluation of assets:		
- property, plant, and equipment	1,309	-
- inventories	90,219	73,142
- other assets	8,059	16,116
	99,587	89,258

The revenue from the revaluation of assets for the year 2023 in the amount of RSD 99,587 thousand, mostly in the amount of RSD 87,648 thousand, relates to the reversal of previously recognized impairment based on the analysis of slow-moving inventory, mostly in the "TPP Nikola Tesla" branch."

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

10. COST OF MATERIAL, FUEL AND ENERGY

	In RSD thousand	
	Year ended	
	31 December	
	2023	2022
Cost of basic material	1,155,676	840,704
Maintenance materials and spare parts	9,429,948	9,528,892
Small inventory and tyres	667,314	292,700
Oil and lubricants	320,225	244,306
H&S equipment	366,207	358,899
Stationary and production overheads	687,785	410,511
Other material	700,550	537,090
	<u>13,327,705</u>	<u>12,213,102</u>
Purchased electricity:		
- on domestic market	31,398,356	110,789,264
- on foreign market	563,082	1,151,013
	<u>31,961,438</u>	<u>111,940,277</u>
Electricity transmission and procurement from AD "Elektromreža Srbije", Belgrade	12,043,744	27,122,039
Fee for distribution system access	92,280,481	93,148,947
Oil derivatives	11,272,507	13,752,914
Natural gas	9,959,190	10,954,291
Coal	44,295,982	16,187,584
Other energy	81,786	74,854
	<u>169,933,690</u>	<u>161,240,629</u>
	<u>215,222,833</u>	<u>285,394,008</u>

Cost of purchased electricity

Out of the total cost of purchased electricity, RSD 8,168,153 thousand is relative to energy purchased with a view to balancing and optimising energy consumption (2022: RSD 95,853,395 thousand).

The cost of purchased electricity is relative to the purchase of electricity from:

- legal entities with a license for electricity trading, amounting to RSD 5,546,856 thousand (2022: RSD 66,976,602 thousand).
- through the SEEPEX stock exchange, amounting to RSD 709,608 thousand (2022: RSD 22,155,590 thousand),
- mixed holding company Elektroprivreda Republika Srpska a.d. Trebinje, amounting to RSD 563,082 thousand (2022: RSD 1,151,013 thousand),
- privileged electricity producers, amounting to RSD 25,027,298 thousand (2021: RSD 21,657,014 thousand), and
- From customers – electricity producers in the amount of RSD 114,419 thousand.

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

In view of this, the Parent Company, as a guaranteed supplier, has concluded power purchase agreements by which it has, inter alia, undertaken to:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

10. COST OF MATERIAL, FUEL AND ENERGY (continued)

All energy end-customers are charged with incentive fees for privileged power producers, except in cases stipulated by the Energy Law. The fees are collected by the Parent Company, as it is a selected/guaranteed supplier.

From 1 January 2015 to 31 December 2020, the incentive fee for privileged power producers amounted to RSD 0,093/kWh. The Serbian Government passed a Decree on the Incentive Fee for Privileged Power Producers stipulating that the fee is subject to change on an annual basis contingent upon the production of electricity from renewable sources. As of 20 January 2023, a new Decree on the Incentive Fee for Privileged Power Producers is effective. Namely, the Decree on the Incentive Fee for Privileged Power Producers 05 No.:110-366/2023 ("RS Official Gazette No.: 3/2023) stipulates that the 2023 Incentive Fee for Privileged Power Producers amounts to RSD 0,801/kWh, as in 2022.

The Law on the Use of Renewable Energy Sources ("Official Gazette of the Republic of Serbia", No. 40/2021 and 35/2023) regulates that the buyer-producer is the end-user of electrical energy, who has connected their own facility for the production of electrical energy from renewable sources to internal installations. In this case, electrical energy is used for self-consumption, and any surplus electricity produced is supplied to the transmission and distribution system, or closed distribution system. The buyer-producer cannot benefit from incentive measures in the form of market premiums and feed-in tariffs, nor can they have the right to guarantees of origin.

The Regulation on the Criteria, Conditions, and Method of Calculating Claims and Obligations between Buyer-Producers and Suppliers ("Official Gazette of the Republic of Serbia", No. 83/2021 and 74/2022) further regulates the general terms, acquisition and cessation of the buyer-producer status, criteria for calculating claims and obligations between buyer-producers and suppliers. In this regard, as one of the electricity suppliers in the Republic of Serbia, the Company concludes contracts with buyer-producers according to two models:

A contract for full supply with net metering, if the buyer-producer is a household or residential community, or one or more members of a residential community assembly.

A contract for full supply with net settlement if the end-user is not a household or residential community, whereby the supplier and buyer-producer freely negotiate the terms of mutual claim and obligation calculation.

Fee for distribution system access

The fees for distribution system access amounting to RSD 92,280,481 thousand (2022: RSD 93,148,947 thousand) are recognized at the transaction price determined by "Elektrodistribucija Srbije" d.o.o. Belgrade with the consent of the Energy Agency, in accordance with the Law on Energy. The Decision on setting prices for access to the electricity distribution system ("Official Gazette of the RS" No. 95/21) establishes a new higher fee for accessing the electricity distribution system.

Fee for electricity transmission system access

The Parent Company concluded a contract with A.D. Elektromreža Srbije, Belgrade on access and use of electricity transmission systems, capacity lease and balance responsibility. Based on this, in the reporting period, the Company incurred expenses amounting to RSD 12,043,744 thousand (2022: RSD 27,122,039 thousand). The significant decrease in expenses during the reporting period compared to the year 2022 is a consequence of lower prices and reduced purchases of electrical energy due to balance responsibility.

The fee for electricity transmission system access is established based on the the Decision on setting prices for electricity transmission system access (RS Official Gazette No. 95/21), which is effective as of 1 October 2021, and approved by the Agency's Energy Council on 24 September 2021 in Letter No. 501/2021-D-02/1.

The cost of coal in 2023 amounting to RSD 44,295,982 thousand (2022: RSD 16,187,584 thousand) mostly relates to the Parent Company's cost of externally procured coal from coal mines in the surrounding area (Romania, Greece, Montenegro, Bosnia and Herzegovina, Republic of Srpska) amounting to RSD 22,476,568 thousand (2022: RSD 11,962,945 thousand), then from Shen Hua Hong Kong International Trading Ltd amounting to RSD 20,175,675 thousand (2022: RSD 1,916,824 thousand) and JP PEU Resavica amounting to RSD 844,225 thousand (2022: RSD 557,997 thousand), whereas RSD 799,513 thousand (2022: RSD 1,749,818 thousand) is relative to directly attributable costs of transportation, and to other handling expenses relating to the procurement of coal.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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11. SALARY EXPENSES, SALARY COMPENSATION AND OTHER PERSONAL EXPENSES

	In RSD thousand	
	For the year ending	
	31 December	
	<u>2023</u>	<u>2022</u>
		<i>Adjusted</i>
Cost of gross salaries and salary compensation	39,474,745	36,855,157
Taxes and contributions on wages and salaries paid by employer	6,922,656	6,842,568
Cost of special service and temporary service Agreements	1,050	11,948
Costs of compensation to individuals on the basis of other contracts	503,316	450,453
Fees paid to Supervisory and Managing Board members and other managing bodies	65,186	17,896
Cost of transportation of employees	1,183,283	1,186,210
Cost of per diem allowances and compensation of expenses on business trips	112,398	86,076
Cost of providing assistance to employees	273,823	307,460
Other personal expenses	1,545,862	995,289
	<u>50,082,319</u>	<u>46,753,057</u>

Salaries in public companies and capital companies founded by the Republic of Serbia, an autonomous province or local self-government unit and their subsidiaries of capital, which perform activities of general interest (hereinafter: companies) are calculated and paid in accordance with the Law on Public Companies, The Law on Determining the Maximum Salary in the Public Sector ("Official Gazette of the RS" No. 93/12) and the Decree on the Manner and Control of Calculation and Payment of Salaries in Public Enterprises ("Official Gazette of the RS" No. 27/14). The maximum salary in the public sector cannot be higher than the amount obtained by multiplying the highest coefficient for the position, determined by the law governing the salaries of civil servants and employees and the base determined by the budget law for the current year. For each calendar year adopts an annual business program with the consent of the founder, which, among other things, contains elements for a comprehensive review of wage and employment policy in the Group in accordance with the projected wage growth in the public sector set by the RS Government for the year.

Other personal expenses, for the most part, in the amount of 657,520 thousand dinars (2022: 813,091 thousand dinars), refer to the Company's obligations under the Collective Agreement (prevention of work disability, cultural and sports activities of employees, expenses for providing assistance to employees for treatment, loans, etc.) which, in terms of tax regulations, are considered to belong to the employees on whom public revenues are paid.

12. DEPRECIATION/AMORTISATION EXPENSE

	In RSD thousand	
	For the year ending	
	31 December	
	<u>2023</u>	<u>2022</u>
Depreciation/amortization expense:		
- intangible assets (Note 24)	2,566,131	2,312,599
- property, plant and equipment (Note 24)	34,421,146	33,572,400
- property, plant and equipment with the right of use for over one year (Note 24)	9,093	51,266
	<u>36,996,370</u>	<u>35,936,265</u>

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13. COSTS FROM ADJUSTMENT OF PROPERTY VALUE (EXCEPT FINANCIAL)

	In RSD thousand	
	For the year ending 31 December	
	2023	2022
Expenses from adjustment of property value:		
– property, plant and equipment	2,295,980	1,545,624
– inventory	1,077,693	442,730
– other property	4,921	1,119
	3,378,594	1,989,473

Expenses from adjustment of property values in the amount of RSD 1,077,693 thousand (2022: RSD 442,730 thousand) mostly refer to the write offs of the stock of spare parts based on the internal assessment of their use value in the branches of Kolubara, in the amount of RSD 802,543 thousand and Kostolac, in the amount of RSD 163,011 thousand.

As of December 31, 2023, the Group's management has concluded that there are indicators of impairment of intangible assets, property, plant and equipment in preparation for assets that are not in the location and in the condition necessary to be in the functional readiness that was expected in at the moment of initial recognition and where significant progress in preparation or construction has not occurred for a long period of time and where the status of further construction is currently unknown. For this property, the Group recognized impairment losses in the total amount of RSD 1,545,624 thousand. The impairment recognized in 2023 mainly relates to the construction project of the "Kolubara B" thermal power plant, amounting to RSD 2,129,167 thousand (notes 4 and 24).

14. COST OF PRODUCTION SERVICES

	In RSD thousand	
	For the year ending 31 December	
	2023	2022
Maintenance services	24,499,447	19,534,490
Cost of information system maintenance	1,259,130	1,476,231
PTT Services	2,007,804	1,430,843
Utility costs	601,780	584,330
Cost of services for various tests, analysis, preparing technical and project documentation, reports and projects	605,172	394,364
Costs of services and assistance in the production process	344,752	303,751
Costs of the separator and the work of the workers at the crushing plant	557,941	212,953
Transportation services	323,764	255,121
Rental cost	784,030	294,067
Advertising, fairs and marketing costs	25,940	36,206
Work safety cost	129,041	100,922
Costs of services on reclamation and environmental protection	74,792	61,908
	31,213,593	24,685,186

Cost of maintenance in the amount of 24,499,447 thousand dinars (2022: 19,534,490 thousand dinars) primarily relate to maintenance services of the Company's production facilities.

PTT services include cost of preparation and sending electricity bills to end customers in the amount of 1,867,304 thousand dinars (2022: 1,284,870 thousand dinars) in branch EPS Snabdevanje..

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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15. PROVISION EXPENSES

	In RSD thousand	
	For the year ending	
	31 December	
	<u>2023</u>	<u>2022</u>
Provision for the cost of restoring natural resources	1,245,728	573,765
Provisions for benefits and other employee benefits	5,660,096	1,160,949
Provisions for litigation	45,516	338,580
	<u>6,951,340</u>	<u>2,073,294</u>

In the course of 2023, the company made a reservation for the costs of restoration of natural resources, which will be paid for the recultivation of land on which mining operations have been completed, and for the purpose of bringing the land to its original state after the end of exploitation. The calculation of provisions for land reclamation costs for the year 2022 was made for the RB Kolubara Branch and TE KO Kostolac in the amount of 197,172 thousand dinars. In addition, as disclosed in note 33, the Company made a provision for the final recultivation of the land on which the ash and slag landfills are located in the Kostolac, Kolubara, Morava, Nikola Tesla A and Nikola Tesla B thermal power plants and accordingly recognized expenses in 2023 year in the amount of RSD 1,048,556 thousand (2022: RSD 423,579 thousand).

In 2023, the company also made provisions for obligations for employee benefits upon cessation of employment, in the total amount of RSD 5,660,096 thousand (2022: RSD 1,160,949 thousand), which will be paid upon termination of employment and benefits to employees that include benefits based on jubilee awards in the amount of current liabilities based on past events, arising from the provisions of the Labour Law and general acts of the Company (Notes 3.5 and 33).

Provisions for litigation are formed according to the best estimate of expenses required to settle the current liability based on current litigation against the Company, which in 2023 is estimated at 45,516 thousand dinars (2022: 338,580 thousand dinars).

16. NON-PRODUCTION COSTS

	In RSD thousand	
	Year ended	
	31 December	
	<u>2023</u>	<u>2022</u>
Water fees	2,302,384	1,970,270
Fee for the use of public goods	1,739	4,317
Fees for environmental protection (Note 39)	3,451,542	2,442,039
Property Tax	705,564	670,353
Other indirect taxes and contributions	850,285	1,669,901
Fee for the use of mineral resources	2,752,533	1,847,155
Entertainment	77,535	22,856
Cost of payment operations and banking services	162,264	133,306
Cost of subscriptions to professional publications	26,959	24,218
Legal costs	1,209,019	1,146,790
Other non-production costs	1,516,678	1,300,808
Professional services	203,607	236,790
Insurance premiums	1,401,360	1,412,659
Health Service costs	183,090	157,832
Membership fees, and trade union subscriptions	419,238	276,047
Security services, facility security and safety at work	2,341,650	2,033,554
Other non-production services	2,182,782	2,512,789
	<u>19,788,229</u>	<u>17,861,684</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

16. NON-PRODUCTION COSTS continued)

As of 1 January 2019, the Law on Fees for the Use of Public Goods ("Official Gazette of the RS" No. 95/18,49/19, 86/19, 156/20, 15/21 and 15/23) is in force. This Law regulates the fees for the use of public goods, as follows: payer, basis, amount, method of determination and payment, income fee attribution, and other issues of importance for determination and payment of fees for the use of public goods. This law introduces fees for the use of public goods, as follows:

- 1) fees for geological research;
- 2) fees for the use of resources and reserves of mineral resources;
- 3) fees for the use of energy and energy products;
- 4) fee for changing the purpose of agricultural land;
- 5) fees for change of purpose and use of forests and forest land;
- 6) fee for the use of game-protected game species
- 7) water fees;
- 8) fees for environmental protection;
- 9) fees for navigation and use of ports, piers and navigation safety facilities on the state waterway
- 10) fees for the use of public roads;
- 11) fees for the use of public railway infrastructure;
- 12) fee for the use of public space;
- 13) fee for the use of natural healing factor;
- 14) fee for the use of tourist space;
- 15) fees for electronic communication

Subsequently, the Law on Fees for the Use of Public Goods introduced a fee for improving energy efficiency amounting to RSD 0.015 / kWh within the fee for the use of energy and energy products. The fee for improving efficiency within the energy supply and/or energy products to the end customer is determined by the Parent Company, being an energy entity engaged in energy supply activities, with a license to perform such activities in accordance with the law governing energy, when issuing invoices for delivered energy and/or energy products to the end customers. The Fee Liability is determined based on the quantity of delivered electricity, which is established by reading consumption through metering devices at the place of handover in accordance with the law governing energy, and by reducing electricity purchased at selling prices from producers with the status of a privileged power producer.

Fees for environmental protection amounting to RSD 3,451,542 thousand (2022: RSD 2,442,039 thousand) comprise fees for emission of sulfur dioxide, nitrogen dioxide and powder materials from Nikola Tesla Thermal Power Plants, amounting to RSD 2,681,851 thousand (2022: RSD 2,209,903 thousand), and TE Kostolac, amounting to RSD 725,424 thousand (2022: RSD 203,804 thousand).

Activities to reduce emissions of polluting substances into the air at the facilities of Nikola Tesla TPP are under way. The construction of flue gas desulphurization plants in TENT A and TENT B is planned by 2024 year-end, when the level of sulphur dioxide emissions is expected to be reduced by 10-15 times.

In 2022, the cost of other indirect taxes and fees mostly relates to VAT calculated on the transfer of property without compensation as part of Elektrodistribucija Srbije doo reorganisation. Namely, with a view to reorganising the Distribution System Operator EPS Distribucija doo Beograd, and based on the Founder's Act, on 31 October 2022, the Parent Company passed a decision on the transfer of information systems and equipment, and inventory of material and assets, totalling RSD 3,688,987 thousand, to the ownership of Elektrodistribucija Srbije d.o.o., Beograd. The transfer is considered the Company's taxable turnover under the provisions of the Law on VAT, in accordance with which the Parent Company calculated VAT of RSD 769,457 thousand, and had it recorded as expense for the period.

The largest portion of the 2023 Other Indirect Taxes and Fees line item is relative to the fees for the use of public spaces, public space occupancy and protection of National Parks in the branch HE Đerdap and Drinsko-Limske HE amounting to RSD 522,035 thousand.

Legal costs of RSD 856,963 thousand (2022: RSD 878,243 thousand) mostly relate to the cost of engaging private debt collection agencies by branch EPS Snabdevanje.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

17. FINANCIAL INCOME

	In RSD thousand	
	For the year ending	
	31 December	
	2023	2022
Financial income arising from related parties	1,392,795	1,004,247
Foreign exchange gains	5,220,444	3,022,272
Gains on currency clause effects	19,952	14,683
	<u>5,240,396</u>	<u>3,036,955</u>
Interest income:		
- based on receivables from customers for electricity	4,400,822	3,479,766
- on the basis of short-term financial investments	753,999	96,986
- on the basis of a fee for Public Media Service	660,811	363,694
- other interest income (on all other bases)	291,074	174,713
	<u>6,106,706</u>	<u>4,115,159</u>
Other financial income	33,438	30,685
	<u>12,773,335</u>	<u>8,187,046</u>

For all monetary items whose settlement is required in foreign currency, the effects of changes in FX rates on the maturity date, ie on the balance sheet date, are recognized in income and expenses, as well as for monetary items for which the contract provides protection of receivables / liabilities by currency clause, that is, collection / settlement in RSD equivalent of foreign currency. Positive FX rate differences expressed in 2023. in the amount of 5,220,444 thousand dinars (2022: 3,022,272 thousand dinars) mostly, in the amount of 4,338,586 thousand dinars, relate to unrealized exchange rate differences on loans approved by foreign creditors. During 2023, the value of the dinar remained almost unchanged compared to the EUR currency, but that is why the dinar strengthened in 2023 compared to the YPU currency by 9.89% and USD for 3.89% on an annual basis, which contributed to the growth of positive exchange differences based on loans denominated in aforementioned currencies.

Interest income from electricity customers refers to accrued interest to customers who have not settled their obligations.

18. FINANCIAL EXPENSES

	In RSD thousand	
	For the year ending	
	31 December	
	2023	2022
Other Financial expenses	548,329	193,924
Interest expenses:		
- other interest expenses (on all bases)	5,888,721	3,859,023
- interest expenses for untimely paid public revenues	33,946	63,810
- interest expenses for leasing - assets with the right to use for more than a year	820	1,318
	<u>5,923,487</u>	<u>3,924,151</u>
Costs of effects of foreign currency clause	12,022	3,212
Losses on currency clause effect	826,127	4,360,151
	<u>838,149</u>	<u>4,363,363</u>
	<u>7,309,965</u>	<u>8,481,438</u>

Other interest expenses include interest expenses and loan fees in the amount of 4,846,100 thousand dinars (2022: 3,211,927 thousand dinars). During 2023, 3M EURIBOR increased from 2.32% to 3.91% which contributed to an increase in interest expenses since most of the interest rates on received loans are linked to EURIBOR.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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18. FINANCIAL EXPENSES (continued)

Negative exchange rate differences reported in 2023 in the amount of 826,127 thousand dinars (2022: 4,360,151 thousand dinars) are lower compared to 2022 due to the more stable exchange rate of the dinar against the US dollar, since a significant part of liabilities loans linked to this currency. In the previous reporting year, the value of the dinar weakened in relation to the USD currency by 5.99% on an annual basis, which contributed to the then increase in negative exchange rate differences.

Other financial expenses in the amount of 548.329 thousand dinars (2022: 193,924 thousand dinars) refer to the commitment fee and Management fee based on the credit arrangement with foreign creditors

19. INCOME FROM ADJUSTMENT OF THE VALUE OF FINANCIAL ASSETS REPORTED AT FAIR VALUE THROUGH THE INCOME BALANCE SHEET

	In RSD thousand	
	For the year ending 31 December	
	<u>2023</u>	<u>2022</u>
Income from adjustment of long - term investments	3,516	11,703
Collection and impairment of:		
- advances paid for fixed assets	3,170	3,170
- advances paid for inventories	26,457	197,256
- receivables from customers	1,074,985	401,927
	<u>1,104,612</u>	<u>602,353</u>
	<u>1,108,128</u>	<u>614,056</u>

Income from the adjustment of the value of receivables from customers in the current year mostly refers to the income from the adjustment of the value of receivables for thermal energy (in the amount of 464,119 thousand dinars) arising from the cancellation of the previously posted correction of receivables due to the overpayment of the currency of thermal energy customers in the Panonske TE TO Novi Sad, as well as income from the adjustment of the value of claims for coal (in the amount of 337,991 thousand dinars) based on the collection of claims from JKP Toplana Bor, on the basis of which impairment was recognized in earlier reporting periods.

20. EXPENSES FROM ADJUSTMENTS OF OTHER ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT AND LOSS

	In RSD thousand	
	For the year ending 31 December	
	<u>2023</u>	<u>2022</u>
Expenses from value adjustments of:		
- participates in the capital	-	12
- advances	559	2,668
- trade receivables for electricity	4,207,691	6,982,437
- other receivables	969,227	1,023,145
	<u>5,177,477</u>	<u>8,008,262</u>

Credit losses based on claims from customers for electricity in the amount of 4,207,691 thousand dinars (2022: 6,982,437 thousand dinars) are recognized as an expense from value adjustments calculated in the manner disclosed in note 3.17.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

21. OTHER INCOME

	In RSD thousands	
	For the year ending	
	31 December	
	2023	2022
Gains from sale of materials, equity participation, intangible assets investments, real estate, plant and equipment	565	36,308
Income from reversal of long-term provisions on the basis of employee benefits (Note 33)	-	1,259,013
Income from reversal of long term provisions for restauration of mineral resource (note 33)	768,155	89,395
Income from collected written-off receivables and cancellations value adjustments of receivables and short-term financial placement	1,676	3,318
Income from reduction of liabilities	32,633	38,860
Income from reversal of long-term provisions based on litigation (Note 33)	209,734	164,677
Revenues from contracted risk protection	7,709	6,808
Revenues from reduction of environmental obligations	209,204	494,230
Surpluses	89,093	23,650
Other income	372,984	28,040
	1,691,753	2,144,299

Income from the reverasal of long-term provisions based on employee benefits in the amount of RSD 1,259,013 thousand in 2022 is the result of changes in actuarial assumptions in 2022 compared to 2021. Namely, when determining the present value of future expected payments, the extrapolated yield curve for government bonds of the Republic of Serbia is used to calculate discount rates. In 2021, the rate of return ranged from 3.67% to 6.80%, while in 2022, there was a significant drop in the rate of return, as well as the discount rate and its movement in the range from 0.36% to 4.48%.

Revenues from the reduction of obligations for environmental protection were recognized in 2023 in the amount of RSD 209,204 thousand (2022: RSD 494,230 thousand) based on the reduction of obligations to the Ministry of Environmental Protection of the Republic of Serbia, based on a higher advance payment for 2022 .year in relation to the amount determined by the final calculation of the environmental protection fee.

22. OTHER EXPENSES

	In RSD thousand	
	For the year ending	
	31 December	
	2023	2022
Expenses for contributions paid to employees from public enterprises from Kosovo and Metohija	5,886,048	5,059,061
Losses from disposal, write-off and sale of fixed assets, intangible assets, participations and materials	1,058,871	438,978
Losses from write - off of short - term receivables and rescheduled trade receivables	18,490	44,436
Inventory expenditure losses	82,665	21,941
Shortages	3,384	19,661
Sponsorship and donation costs	1,010	15,801
Other expenses	1,892,426	2,088,978
	8,942,894	7,688,856

Expenditures on the basis of compensation paid to employees in the amount of 5,886,049 thousand dinars (2022: 5,059,061 thousand dinars) are recognized for salaries and salaries contribution for employees in public enterprises from Kosovo and Metohija. The Government of the Republic of Serbia adopted Conclusion 05 No. 02-4586/2003-001 of July 17, 2003, which regulates the amount and method of payment of salary compensation for employees in companies on the territory of the AP Kosovo and Metohija.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

22. OTHER EXPENSES (continued)

Losses based on disposal and write-off of fixed assets are recognized based on the replacement of equipment due to technical obsolescence and/or its malfunction during the revitalization of plants and equipment.

Other expenses in the amount of 1,892,426 thousand dinars (2022: 2,088,978 thousand dinars) mostly refer to the costs of providing additional food to employees at surface mines in the amount of 659,082 thousand dinars (2022: 594,270 thousand dinars), the costs of archaeological research in the amount of 90,800 thousand dinars (2022: 108,807 thousand dinars), as well as to the costs of financing public purpose facilities in the amount of 923,360 thousand dinars (2022: 932,249 thousand dinars).

23. INCOME TAX

a) Components of income tax

	In RSD thousands	
	For the year ending	
	31 December	
	2023	2022
		<i>Adjusted</i>
Tax expense for the period	17,743,886	5,847
Deferred tax income for the period	(2,381,361)	(2,178,535)
	<u>15,362,525</u>	<u>(2,172,688)</u>

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

	In RSD thousands	
	For the year ending	
	31 December	
	2023	2022
		<i>Adjusted</i>
Profit / (loss) before tax	127,656,143	(74,926,246)
Tax on profit calculated at statutory tax rate - 15%	19,148,421	(11,238,937)
Tax effect on unrecognized expenses	3,947,359	2,619,183
Tax effect on expenses recognized on cash basis	(856,222)	(589,448)
Tax effect of unrecognized income	(31,461)	(213,553)
Effect of transfer prices	158,115	127,176
Tax effects of unrecognized deferred tax assets (tax losses)	5,246	7,244,513
Tax effect of tax losses used in the current period on the basis of which deferred tax assets were not recognized	(7,093,657)	(19,216)
Tax effects of adjustments made in process of consolidation	57,810	26,220
The effect of a higher tax rate under the non-resident subsidiary legislation	1,553	3,981
Other	25,361	(132,607)
	<u>15,362,525</u>	<u>(2,172,688)</u>
Effective tax rate	<u>12,03%</u>	<u>-</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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23. INCOME TAX (continued)

c) Deferred tax liabilities

Deferred tax liabilities presented as at 31 December 2023. in the amount of 63,810,176 thousand dinars (31 December 2022: 66,191,537 thousand dinars) relates to temporary differences between the carrying amount of property, plant and equipment are recognised in the tax balance and the amounts at which these assets are stated in the financial statements of the Company.

Movements on the deferred tax liabilities were as follows:

	In RSD thousands For the year ending 31 December	
	<u>2023</u>	<u>2022</u>
Balance as at 1 January	66,191,537	68,370,071
Effects on income statement	(2,381,361)	(2,178,535)
Other	-	1
Balance as at 31 December	<u>63,810,176</u>	<u>66,191,537</u>

d) Tax losses

In 2023, the Group used the tax loss in the amount of RSD 47,291,048 thousand, to reduce the taxable profit determined according to the tax balance for the year 2023. The tax effect of the utilized tax loss amounts to RSD 7,093,657 thousand.

As of December 31, 2023, the Group has no significant tax losses that are transferred to the income tax account of future periods.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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24. INTANGIBLES, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT

Intangible Assets

	In RSD thousands				
	Concessions, patents, licences, trademarks and servicemarks	Software and other rights	Other intangibles	Intangible Assets under construction	Total
Cost					
1 January 2022	9,071,975	7,623,466	26,998	2,130,100	18,852,539
Additions	43,160	2,862	-	937,301	983,323
Transfer from other accounts within group 02 or from other group accounts	-	4,755	-	(8,664)	(3,909)
Transfer from work in progress (activation)	727,644	1,051,539	-	(1,620,079)	159,104
Assignments in accordance with RS Government Conclusions	(530,525)	(1,283,046)	-	(804,070)	(2,617,641)
Impairment under IAS 36	-	-	-	(213,507)	(213,507)
Write off/disposal	(463,383)	(21,052)	(58)	(130,600)	(615,093)
As at 31 December 2022	8,848,871	7,378,524	26,940	290,481	16,544,816
Additions	410,169	600	-	863,012	1,273,781
Transfer from work in progress (activation)	3,395	21,240	-	(22,031)	2,604
Write off/disposal	(124,986)	(405,217)	-	-	(530,203)
Other changes	(2,818)	-	(34)	-	(2,852)
As at 31 December 2023	9,134,631	6,995,147	26,906	1,131,462	17,288,146
Accumulated amortization					
1 January 2022	2,944,349	3,295,377	6,530	-	6,246,256
Amortisation expense (Note 12)	1,190,632	1,121,939	28	-	2,312,599
Assignments in accordance with RS Government Conclusions	(102,222)	(659,658)	-	-	(761,880)
Write off/disposal	(458,227)	(20,838)	-	-	(479,065)
Other changes	-	-	3,077	-	3,077
As at 31 December 2022	3,574,532	3,736,820	9,635	-	7,320,987
Amortisation expense (Note 12)	1,269,672	1,293,123	3,336	-	2,566,131
Write off/disposal	(121,179)	(342,534)	(12)	46	(463,679)
As at 31 December 2023	4,723,025	4,687,409	12,959	46	9,423,439
Net Book Value					
31 December 2022	5,274,339	3,641,704	17,305	290,481	9,223,829
31 December 2023	4,411,606	2,307,738	13,947	1,131,416	7,864,707

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31 December 2023

24. INTANGIBLES, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)

Biological assets, and property plant and equipment

	In RSD thousand										
	Agricultural land and building land	Buildings	Plant and equipment	Investment property	Biological assets	Other PP&E	Assets under construction	PP&E leased (with the right of use exceeding one year)	Prepayments for PP&E at home	Prepayments to foreigners for PP&E	PPE Total
Cost											
1 January 2022	89,009,526	511,290,000	942,094,069	727,677	502,441	166,822	106,200,414	206,929	6,325,034	12,085,799	1,668,608,711
Additions (vendor invoices)	1,719,624	11,532	2,552,446	-	44,095	-	60,214,173	8,980	2,869,305	1,854,523	69,274,678
Transfer within group account 02 (other than activation) or Transfer from a group account to Group Account 02	(3,705)	51,101	11,825	-	3,705	(51,101)	(682,529)	-	(1,887)	-	(672,591)
Transfers from work in progress (activation)	1,687,446	6,900,290	12,128,052	-	-	5,194	(20,880,086)	-	-	-	(159,104)
Self-directed investments	-	-	-	-	-	-	236,547	-	-	-	236,547
Increase/(decrease) in recognised asset based on the estimated cost for ash and slag landfill reclamation	1,036,485	-	-	-	-	-	-	-	-	-	1,036,485
Assignments on PP&E in accordance with RS Government Conclusions	-	-	(119,454)	-	-	-	-	-	-	-	(119,454)
Inventory Surplus	4,505	-	3	-	-	-	-	-	-	-	4,508
Inventory Shortage	(14,365)	-	(3,353)	-	(618)	-	-	-	-	-	(18,336)
Sale	-	(4,572)	(258,515)	-	-	-	-	-	-	-	(263,087)
Derecognition of PP&E	(14,268)	(284,356)	(7,128,959)	-	(10,063)	(676)	(815)	(176,096)	-	-	(7,615,233)
Impairment - IAS 36	-	-	-	-	-	-	(1,257,365)	-	-	-	(1,257,365)
Transferred as non-cash investment - increase in capital (ODS)	(82,810)	(828,408)	-	-	-	-	-	-	-	-	(911,218)
Other changes	(944)	-	(10,623)	-	-	4,791	-	1,093	(1,459,489)	(8,063,296)	(9,528,468)
As at 31 December 2022	93,341,494	517,135,587	949,265,491	727,677	539,560	125,030	143,830,339	40,906	7,732,963	5,877,026	1,718,616,073
Additions (vendor invoices)	2,176,832	25,789	4,228,885	-	3,145	-	41,544,469	1,858	15,064,462	5,253,312	68,298,752
Transfer within group account 02 (other than activation) or Transfer from a group account to Group Account 02	(2,934)	-	2,566	-	2,459	-	(388,761)	-	(2)	-	(386,672)
Transfers from work in progress (activation)	33,944	1,346,063	7,155,404	-	-	-	(8,538,014)	-	-	-	(2,603)
Self-directed investments	-	-	-	-	-	-	518,966	-	-	-	518,966
Assignments on PP&E in accordance with RS Government Conclusions	(1,762)	-	(180,406)	-	-	-	-	-	-	-	(182,168)
Increase/(decrease) in recognised asset based on the estimated cost for ash and slag landfill recultivation	(8,580,703)	-	-	-	-	-	-	-	-	-	(8,580,703)
Inventory Surplus	-	-	13,883	63,328	-	-	-	-	-	-	77,211
Inventory Shortage	-	-	(1,661)	-	-	-	(252)	-	-	-	(1,913)
Sale	-	-	(16,278)	-	-	-	-	-	-	-	(16,278)
Derecognition of PP&E	(706,685)	(255,069)	(6,071,099)	-	(71,338)	-	-	(3,270)	-	-	(7,107,461)
Transfer to available-for-sale assets (Note 26)	(529,443)	-	-	-	-	-	(211,648)	-	-	-	(741,091)
Other changes	(5)	(776)	(12,593)	-	-	1,179	(7,537)	645	(1,663,284)	(2,841,227)	(4,523,598)
As at 31 December 2023	85,730,738	518,251,594	954,384,192	791,005	473,826	126,209	176,747,562	40,139	21,134,139	8,289,111	1,765,968,515

(continued)

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31 December 2023

24. INTANGIBLES, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)

Biological assets, and property plant and equipment (continued)

	In RSD thousand										
	Agricultural land and building land	Buildings	Plant and equipment	Investment property	Biological assets	Other PP&E	Assets under construction	PP&E leased (with the right of use exceeding one year)	Prepayments for PP&E at home	Prepayments to foreigners for PP&E	PPE Total
Accumulated amortization											
1 January 2022	35,059,678	242,445,359	571,942,360	372,769	-	59,844	333,252	124,752	332,267	8,883	850,679,164
Amortisation expense (Note 12)	1,506,326	6,202,164	25,850,175	11,827	-	1,908	-	51,266	-	-	33,623,666
Transfer within group account 02 (other than activation) or Transfer from a group account to Group Account 02	-	16,240	(247)	-	-	(16,240)	-	-	-	-	(247)
Inventory Shortage	-	-	(875)	-	-	-	-	-	-	-	(875)
Sale	-	(4,190)	(224,903)	-	-	-	-	-	-	-	(229,093)
Derecognition of PP&E	-	(72,948)	(6,355,921)	-	-	(674)	-	(161,326)	-	-	(6,590,869)
Assignments on PP&E in accordance with RS Government Conclusions	-	-	(37,329)	-	-	-	-	-	-	-	(37,329)
Transferred as non-cash investment - increase in capital (ODS)	-	(423,323)	-	-	-	-	-	-	-	-	(423,323)
Impairment - IAS 36	-	-	-	-	-	-	74,725	-	-	-	74,725
Other changes	(945)	(36)	744	1	-	982	-	(1)	(3,170)	-	(2,425)
As at 31 December 2022	36,565,059	248,163,266	591,174,004	384,597	-	45,820	407,977	14,691	329,097	8,883	877,093,394
Amortisation expense	1,481,503	6,294,665	26,633,151	11,827	-	-	-	9,093	-	-	34,430,239
Transfer within group account 02 (other than activation) or Transfer from a group account to Group Account 02	-	-	(7,870)	-	-	-	-	-	-	-	(7,870)
PP&E assignments/vesting in accordance with RS Government Conclusions	(93)	-	(117,577)	-	-	-	-	-	-	-	(117,670)
Increase/(decrease) in recognised asset based on the estimated cost for ash and slag landfill reclamation	(5,375,657)	-	-	-	-	-	-	-	-	-	(5,375,657)
Impairment - IAS 36	-	-	-	-	-	-	2,295,980	-	-	-	2,295,980
Inventory Surplus	-	-	15	49,794	-	-	-	-	-	-	49,809
Inventory Shortage	-	-	(941)	-	-	-	-	-	-	-	(941)
Sale	-	-	(14,219)	-	-	-	-	-	-	-	(14,219)
Derecognition of PP&E	-	(76,340)	(4,389,070)	-	-	-	-	(1,402)	-	-	(4,466,812)
Other changes	(6)	(1,471)	(12,175)	-	-	2,708	(1,145)	(25)	(3,170)	(8,883)	(24,167)
As at 31 December 2023	32,670,806	254,380,120	613,265,318	446,218	-	48,528	2,702,812	22,357	325,927	-	903,862,086
Net book value											
At 31 December 2022	56,776,435	268,972,321	358,091,487	343,080	539,560	79,210	143,422,362	26,215	7,403,866	5,868,143	841,522,679
At 31 December 2023	53,059,932	263,871,474	341,118,874	344,787	473,826	77,681	174,044,750	17,782	20,808,212	8,289,111	862,106,429

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24. INTANGIBLES, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)

Biological assets, and property plant and equipment (continued)

As at 31 December 2023 and 31 December 2022, the Group's PPE was neither pledged nor mortgaged.

In 2023, capitalised borrowing costs amounted to RSD 1,956,332 thousand (2022: RSD 1,070,705 thousand).

As at 31 December 2023, the fair value of investment property amounted to RSD 1,190,544 thousand (31 December 2022: RSD 1,307,877 thousand).

As disclosed in Note 1, the Law on Public Property regulates the right to public property and some other property rights of the Republic of Serbia, the Autonomous Province of Vojvodina, and local self-government units. In resolving issues relating to immovable property rights, the Founder passed a number of Acts covering: production facilities; parts of production facilities and regular-use land, other than facilities classified as common resources under the Law on Public Property; as well as general-purpose property, which the Parent Company has recognized as right-of-use assets, being the holder or user of such assets (facilities), and having the right to be registered as owner in the Public Registry. Immovable property rights resolution will continue in the time to come.

Transfer of property to Elektrodistribucija Srbije

Until January 2021, the Parent Company was the sole founder of the Distribution System Operator EPS Distribution, d.o.o. Beograd, registered to perform the distribution of electricity and distribution system management (DSO changed its business name into Elektrodistribucija Srbije d.o.o. Beograd on 29 January 2021). By Government Conclusion 05 No.: 023-10578/2020-1 dated December 17, 2020, the Plan for the Implementation of Activities for the Reorganisation of

"Elektrodistribucija Srbije" doo Beograd was adopted. Based on this Plan the Group:

- committed to increase the capital of Elektrodistribucije Srbije" d.o.o., Beograd through a transfer of current assets amounting to RSD 37,272 and property, equipment, and intangible assets amounting to RSD 18,226,921 thousand, as a non-cash investment. On 23 December 2020, the change regarding the non-cash investment was registered with the Serbian Business Registers Agency;
- concluded the Agreement on the transfer of a stake in Elektrodistribucija Srbije d.o.o. Beograd to the Republic of Serbia No.: 12.01.655216/1-20 dated 29 December 2020 based on the Decision of the Supervisory Board. On 31 December 2020, the change was registered with the Serbian Business Registers Agency.

On the basis of the above, in 2021 and 2022, the Group transferred a portion of its property totalling RSD 13,479,141 thousand to Elektrodistribucija Srbije d.o.o., Beograd.

The remaining stake will be entered in the Register within the timeline specified in the Founding Act of Elektrodistribucija Srbije d.o.o., Beograd,

Furthermore, with the aim of reorganising DSO EPS Distribucija doo Beograd, in 2022, based on the Founder's bye-law and approval, the Group transferred to Elektrodistribucija Srbije doo, Beograd, electricity distribution equipment and information systems, totalling RSD 1,937,885 thousand, of which RSD 1,855,760 thousand is relative to information systems (intangible assets), and RSD 82,125 thousand to equipment. It was a free transfer, charged to Accumulated Loss (Note 32).

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24. INTANGIBLES, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)

Biological assets, and property plant and equipment (continued)

Transfer of property to the Republic of Serbia

In 2023, in accordance with the Government of Serbia Conclusion 05 No.: 464-7835/2022, dated 6th October 2022 and in Conclusion 05 No: 464-8943/2023 dated 6th October 2022 the Company transferred to the Republic of Serbia immovable property, which was part of the electricity transmission network facility at the Vrla 2 Hydroelectric Power Plant site, totalling RSD 64,498 thousand, of which RSD 1,669 thousand is relative to land, and RSD 62,829 thousand to equipment.

It was a free transfer, charged to Revaluation Reserves and Accumulated Loss (Note 32).

Impairment of non-current assets

In accordance with adopted accounting policies (Note 3.14) the Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset and determines the recoverable value of an individual asset or a cash generating unit in order to assess any impairment of the asset or a cash generating unit.

In 2023, the Company recognized impairment of intangible assets, and PPE under construction of in the amount of RSD 2,295,980 thousand (2022: RSD 1,545,624 thousand). The Parent Company's Management assessed that: a) the assets were not brought to the location and condition necessary for it to be operating in the manner intended at the time of initial recognition; b) little progress has been made in the preparation or construction over a long period of time; c) the progress of construction is currently unknown or further investments will not be made due to physical and/or technological obsolescence. The impairment recognized in 2023, amounting largely to 2,129,167 thousand dinars, relates to the Kolubara B Thermal Power Plant construction project (notes 3.17 and 12).

The project for the "Kolubara B" Thermal Power Plant is not included in the document "Foundations of the Development Plan for Energy Infrastructure and Energy Efficiency Measures for the Period up to 2028 with Projections until 2030"; which was adopted by the Government of the Republic of Serbia in June 2023. Following the approval of the EPS AD Assembly for the plan in July 2023, the project was abandoned in accordance with the Foundations of the Development Plan for Energy Infrastructure and Energy Efficiency Measures for the Period up to 2028 with Projections until 2030. Therefore, Decision No. 12.01.491634/9-2024 dated May 28, 2024, was made to impair the assets in preparation related to the mentioned project, effective as of December 31, 2023.

In 2022 th Group recognized impairment in amount of RSD 835,982 thousand, relative to property under construction at TE KO Kostolac Branch, based on an Agreement concluded by and between the Parent Company and the Contractor "Italiana Costruzioni" S.P.A, Italy and i BAUWESEN d.o.o., Lazarevac as member of the bidder consortia. The subject matter of the Agreement was the construction of an industrial track from "Stig" railway station to Kostolac B Thermal Power Plant as part of the initial Phase of Kostolac B Thermal Power Plant Project Package.

Prepayments for property, plant and equipment

Prepayments for property, plant and equipment, which as at 31 December 2023 were carried at RSD 29,097,323 thousand (31 December 2022: RSD 13,272,009 thousand) are relative to:

- the construction of a wind park in Kostolac, based on a contract concluded on 13 April 2022 with the consortium made-up of two companies namely, Siemens Gamesa Renewable Energy A/S and Siemens Gamesa Renewable energy d.o.o. As at 31 December 2023, total prepayments given on such basis amounted to RSD 6,347,861 thousand (31 December 2022: RSD 3,057,062 thousand).
- Delivery of a 10 km belt conveyor with 6 drive and 6 return pulleys, 5 inclined bridges, one loading trolley and one mobile distribution station MRS 2000, based on a contract concluded with AD Goša Fabrika opreme i machina Smederevska Palanka, as the leader of a group of contractors made-up of two companies, namely Metaling doo Beograd and Energotehnika Južna Bačka doo. As at 31 December 2023, prepayments given on such basis amounted to RSD 4,449,849 thousand,
- Delivery of a belt conveyor (belt width B =2000 mm), based on which a contract was concluded with AD Goša Fabrika opreme i masina, Smederevska palanka, as the leader of a group of contractors made-up of two companies, namely HIDRO-TAN doo Beograd and ANSAL STEEL DOO Beograd. As at 31 December 2023, prepayments given on such basis amounted to RSD 3,988,699 thousand (31 December 2022: RSD 2,313,085 thousand),
- Delivery of a 10 km belt conveyor (belt width B =2000 mm) with 6 drive and 6 return pulleys, 5 inclined bridges, one loading trolley, based on a contract concluded with AD Goša Fabrika opreme i machina Smederevska Palanka, as the leader of a group of contractors and Energotehnika Južna Bačka doo, as group member. As at 31 December 2023, prepayments given on such basis amounted to RSD 3,191,653 thousand.
- Replacement of the Ash and Slag Transport System of the Thermal Power Plant Tent A, based on which a contract was concluded by and between the Parent Company and a consortium made-up of three companies

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namely, Rudis doo Trbovlje, Millenium team doo, Energotehnika Južna Bačka doo, and MVM EGI Zrt. As at 31 December 2023, prepayments given on such basis amounted to RSD 1,874,862 thousand.

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31 December 2023

24. INTANGIBLES, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)

Biological assets, and property plant and equipment (continued)

- Implementation of the second phase of a project package KOSTOLAC-B POWER PLANT PROJECTS, exercised under the agreement concluded by and between the Group and China Machinery Engineering Corporation (CMEC) on 20 November 2013. The project is partly financed through debt finance (Loan Agreement concluded of 17 December 2014 by and between the Serbian Government, as the Borrower and the Export- Import bank of China as the Lender (Note33)), and partly from own funds. As at 31 December 2023, total prepayments given on such basis amounted to RSD 1,210,232 thousand (31 December 2022: RSD 3,699,384 thousand).
- Construction of flue gas desulphurization plant (FGD) at TPP Nikola Tesla B based on a contract concluded on 13 October 2020 by and between the Parent Company and a consortium made-up of Mitsubishi Power Ltd Japan, Branch Mitsubishi Power Ltd. Beograd, Energotehnika Južna Bačka d.o.o. Novi Sad, EX ING B&P d.o.o. Beograd. As at 31 December 2023, total prepayments given on such basis amounted to RSD 1,108,842 thousand (31 December 2022: RSD 2,008,418 thousand),
- Procurement of one BTO System B-2000 mm for PK RADLJEVO: Procurement of a rotary excavator with a capacity of 6,600m³/h based on a contract concluded with Energotehnika Južna Bačka Novi Sad doo. As at 31 December 2023, prepayments given on such basis amounted to RSD 989,570 thousand (31 December 2022: RSD 897,058 thousand),
- Delivery of a dumper the capacity of which amounts to 8500 m³/h, based on a contract concluded with Energotehnika Južna Bačka Novi Sad doo, as leader of a group of contractors made-up of two companies, namely AD Goša Fabrika opreme i mašina Smederevska Palanka and FAM Minerals & Minin GmbH Germany. As at 31 December 2023, prepayments given on such basis amounted to RSD 983,144 thousand.

Right-of-use Assets and Lease Liability

In 2023, movements in recognised Right-of-use Assets, by asset category, were as follows:

	In RSD thousand			
	Land	Buildings	Equipment	Total
Cost				
1 January 2010	5,980	28,954	5,972	40,906
Additions	-	-	1,858	1,858
Disposals	-	-	(3,270)	(3,270)
Other	-	645	-	645
Cost				
31 December 2023	5,980	29,599	4,560	40,139
Accumulated amortisation				
1 January 2023	1,288	10,959	2,444	14,691
Amortisation	908	6,728	1,457	9,093
Disposals	-	-	(1,402)	(1,402)
Other	-	-	(25)	(25)
Accumulated amortisation				
31 December 2023	2,196	17,687	2,474	22,357
Net book value				
1 January 2023	4,692	17,995	3,528	26,215
Net book value				
31 December 2023	3,784	11,912	2,086	17,782

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31 December 2023

24. INTANGIBLES, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)

Biological assets, and property plant and equipment (continued)

The Group recognised the following lease liabilities:

	In RSD thousand	
	31 December 2023	1 January 2023
Short-term lease liability	7,623	9,179
Long-term lease liability	9,324	12,549
Total lease liabilities	16,947	21,728

Lease liability for recognised right-of-use assets under IFRS 16 as at 31 December 2023 and 31 December 2022 is presented in the table below:

	31 December 2023		1 January 2023	
	Present value	Contractual undiscounted cash flows	Present value	Contractual undiscounted cash flows
Minimum lease payments				
Less than 1 year	7,623	8,218	9,179	10,601
1 to 5 years	9166	9,259	12,149	18,328
Over 5 years	158	203	400	406
As at	16,947	17,680	21,728	29,335

The effects of IFRS 16 leases recognised in the Income Statement are presented in the table below:

	In RSD thousand	
	31 December 2023	31 December 2022
Lease interest expense	820	1,318
Variable lease payments that depend on the use/ consumption of the underlying asset	1,653,130	786,279
Short-term lease expense	784,030	291,798
Low-value lease expense	1,168	1,060

Certain property leases have variable payment terms linked to consumption. There are various reasons for applying different payment terms, such as reducing fixed costs to a minimum. Variable lease payments that depend on the use/consumption of the underlying asset during the lease term are recognised in the income statement in the period in which the condition that initiates those payments occurs and are not included in the measurement of the lease liability as at 31 December 2023.

Total cash outflow from a lease liability recorded in the 2023 Cash Flow Statement amounted to RSD 9,555 thousand (2022: RSD 63,857 thousand).

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31 December 2023

25. LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES

	31 December 2023	In RSD thousand 31 December 2022
Equity investments in other legal entities		
Equity investments in other legal entities	2,905,889	2,819,321
Less: Allowance for impairment of investments in other legal entities	(2,588,005)	(2,533,488)
	<u>317,884</u>	<u>285,833</u>
Equity investments measured using the equity accounting method		
Investments in associates and joint ventures	-	407,614
Less: Allowance for impairment of investments in associates and joint ventures	-	(379,630)
	<u>-</u>	<u>27,984</u>
	317,884	313,817
Long term investments - domestic		
Long-term loans	1,861,908	2,136,924
Other long-term financial investments		
Other long-term financial investments	1,243,748	1,143,967
Less: Allowance for impairment of other long-term financial investments	(778,841)	(784,659)
	<u>464,907</u>	<u>359,308</u>
Long-term receivables		
Rescheduled receivables for electricity and services		
- legal entities	830,292	705,588
Loans to employees		
- Sold apartments	162,961	196,535
- Housing loans	23,364	25,251
	<u>1,016,617</u>	<u>927,374</u>
Less: Allowance for impairment of		
- rescheduled receivables for electricity and services	(830,292)	(703,371)
- sold apartments and housing loans	(1,657)	(1,657)
	<u>(831,949)</u>	<u>(705,028)</u>
	184,668	222,346
	2,829,367	3,032,395

Equity Investments**Equity investments in other legal entities**

Investments in other legal entities comprise:

- Investments in shares of the adjudicated bankrupt Fabrika automobila Priboj a.d. amounting to RSD 125,747 thousand (31 December 2021: RSD 125,741 thousand). In 2018, the Parent Company's receivables were converted into the capital of Car Factory Priboj a.d., the adjudicated bankrupt, in accordance with the Pre-Prepared Plan for the Reorganization of the adjudicated bankrupt, which became effective as at 25 October 2017. On 22 March 2018, the shares of Fabrika automobila Priboj a.d. amounting to RSD 261,910 thousand (261,910 shares with par value of RSD 1,000 per share) were transferred to the Parent Company's Proprietary account at the Central Register for Securities.
- Equity investment in Trayal korporacija a.d. Kruševac amounting to RSD 329,151 thousand (31 December 2022: RSD 329,151 thousand) made in 2019 through the conversion of the Parent Company's receivables into the share capital of Trayal korporacija a.d. Kruševac in accordance with the Pre-Prepared Plan for the Reorganization (PPPR) (PPPR effective by Decision of the Commercial Court in Kraljevo, No. 4. Reo.2 / 2017).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

25. LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (continued)

Equity Investments (continued)

- Equity investment in Simpo a.d. Vranje amounting to RSD 585,568 thousand (31 December 2022: RSD 585,568 thousand) made through the conversion of the Parent Company's receivables into the share capital of „Simpo“ a.d. Vranje in accordance with the Pre-Prepared Plan for the Reorganization (PPPR) (PPPR effective by Decision No. 10.St.8 / 2018). The conversion of a portion of receivables into share capital, amounting to RSD 245,342 thousand and RSD 340,226 thousand, was carried out in 2019 and 2022 respectively.
- Equity investment in Yumco a.d. Vranje of RSD 804,810 thousand (31 December 2022 : RSD 804,810 thousand). The Commercial Court in Leskovac passed Decision No. 04. Reo 1/2020 confirming the adoption of PPPR. The Decision became effective as of 26 May 2021. The RS Government issued Conclusion 05 No.: 023-8981/2021- 1, dated 30 September 2021, approving that creditors, inclusive of the Parent Company, may convert receivables pertaining to the period between the cut-off date as per PPPR up to 26 May 2021, plus related interest, and the RS Government Conclusion date, i.e. 30. September 2021. The Parent Company's Supervisory Board passed Decision No.: 12.01.208645/6-22 of 7 April 2022 approving the implementation of the RS Government Conclusion.
- Equity investment in AD Holding industrija kablova Jagodina amounts to RSD 447,819 thousand (31 December 2022: RSD 449,059 thousand). The Commercial Court in Kragujevac passed Decision No. 1 Reo 6/2017, dated 22 February 2018, confirming the adoption of PPPR . The Decision became effective as of 11 March 2019. The RS Government issued Conclusion 05 No. 023-7837/2017, dated 17 August 2017, by which the Parent Company is obliged to have its receivables from A.D. „Holding industrija kablova Jagodina" as at 31 August 201 converted into permanent capital. The Parent Company's Supervisory Board passed Decision No.: 12.01.537296/31-17 of 31 October 2017 approving the implementation of the RS Government Conclusion.
- Equity investment in Nodular d.o.o. amounting to RSD 53,356 thousand. The Commercial Court in Belgrade passed Decision No. 16/19, dated 23 December 2019, confirming the adoption of PPPR . The Decision became effective as of 6 April 2020. Based on the above, the Parent Company had its receivables from Nodular d.o.o. converted into permanent capital.
- RSD 283,551 thousand is relative to equity investments based on the agreement with EPCG to apply a joint financing concept on previously performed work on project HPP Komarnica with a view to passing a Decision to jointly construct the HPP. The project has been going on since 1992. The provisions on the contract regulate property relationships among the parties in the manner that the funds invested either make up the funding stakes of the parties if both parties agree to continue with the joint construction project or intangible assets if both parties decide to abandon the project. Furthermore, the Parent Company signed Annexes to the Agreement on the joint financing of previous works on the construction of HPP Komarnica, dated 1992, namely: Annex No.1, dated 13 August 2007; Annex No. 2, dated 13 July 2011; Annex No. 3 dated 5 February 2014; and Annex No. 4, dated 13 March 2017. On 3 June 2020, the capital of HPP Komarnica was increased by EUR 13,132. Furthermore, on December 5, 2023, the investment in the Komarnica Hydro Power Plant was further increased by an amount of EUR 310,164.43

Equity investments measured using the equity accounting method

As at 31 December 2023, the Group did not have equity investments in associates whereas as at 31 December 2022 equity investments of RSD 407,614 thousand were investments in the following companies:

	%	In RSD thousand	
	<u>of ownership</u>	<u>31 December</u>	<u>31 December</u>
		<u>2023</u>	<u>2022</u>
Ibarske hidroelektrane d.o.o., Kraljevo	49%	-	379,630
Moravske hidroelektrane d.o.o., Beograd	49%	-	27,984
		-	407,614

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

25. LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (continued)

Equity investments measured using the equity accounting method (continued)

Ibarske hidroelektrane d.o.o., Kraljevo

Based on interstate agreements, the Parent Company and SECI ENERGIA, Italy concluded an agreement on establishing a business enterprise „Ibarske hidroelektrane“ d.o.o., Kraljevo in which SECI ENERGIA has a 51% share while the Parent Company has a 49% share. The company was established with a view to building hydro power plants on the river Ibar, comprising ten hydroelectric power plants with a total power of about 102 MW. On 3 December 2010, business entity Ibarske hidroelektrane d.o.o was registered with a competent authority.

In 2021, the Italian party withdrew from the project and Ibarske hidroelektrane d.o.o., Kraljevo was left without a legal representative. On July 16, 2021, the Business Registers Agency passed a decision approving the Data Change Application (changing a legal representative due to the resignation of the Director of Ibarske hidroelektrane d.o.o., Kraljevo). The Company Law stipulates that where a company does not register a new legal representative within three months, compulsory liquidation is initiated. On 31 January 2022, compulsory liquidation was initiated, and the company was shut down on 15 April 2022 by being deleted from the Business Registers Agency's Registry.

Moravske hidroelektrane d.o.o., Beograd

As disclosed in Note 2.1., the Group gained control of Moravske hidroelektrane d.o.o., Beograd in 2023 by increasing its shareholding stake. The Group's 2023 consolidated financial statements for the first time entail the financial statements of Moravske hidroelektrane d.o.o., Beograd.

Based on a Memorandum of Understanding concluded with RWE Generation Hydro, Federal Republic of Germany (RWE AG), with the approval of the Government of the Republic of Serbia (Conclusion 05 No 018-7493/2009 dated 13 November 2009), the Parent Company and RWE AG concluded an agreement on establishing a business enterprise Moravske hidroelektrane d.o.o., Beograd with the following subscribed capital:

- RWE Generation Hydro, GmbH Germany - 51%
- The Parent Company - 49%.

Moravske hidroelektrane d.o.o. was established with a view to building hydro power plants on the river Velika Morava, comprising no less than 5 (five) hydroelectric power plants with a total power of approx. 150 MW. Moravske hidroelektrane d.o.o., Beograd was registered with a competent authority's Register on 23 August 2011.

On 29 December 2022, the shareholders of Moravske hidroelektrane d.o.o., Belgrade RWE Generation Hydro GmbH and the Parent Company concluded Contract No. 1500 E1201-903628/1-22 on the sale of their share and intellectual property rights over the preliminary technical documentation. RWE Generation Hydro GmbH, as the majority member, sold a 51% share with all the rights and obligations of majority shareholder in Moravske hidroelektrane d.o.o., Belgrade, By signing this contract, JP EPS Supervisory Board Decision No. 12.01.460297/27-19 of 28 August 2019, approved by RS Government Decision 05 No. 023-4052/2020 dated 21 May 2020, was completed.

By purchasing the stake, the Group became the majority and sole owner of the capital of Moravske hidroelektrane doo, and acquired exclusive intellectual property rights on the Preliminary technical documentation for the construction of hydroelectric plants without any time, territory or other restrictions whereas all intellectual property rights on the Preliminary technical documentation of RWE Generation Hydro GmbH have ceased. The change was registered based on the Business Registers Agency Decision No. BD 32972/2023 dated 7 April 2023.

Long term investments - domestic

As at 31 December 2023, long-term investments amounting to RSD 1,861,908 thousand (31 December 2022: RSD 2,136,924 thousand) are fully relative to the Group's borrowings from International Financial Institutions on behalf of Elektrodistribucija Srbije d.o.o., Beograd, its former subsidiary, to finance projects such as Procurement of equipment for the reconstruction of five 110/xkV/kV substations (Petrovac, Šabac, Gornji Milanovac, Lešnica and Aleksinac), plus accompanying services and distribution network equipment, and Implementation of the Emergency Flood Rehabilitation Project. As at 31 December 2020, the Group lost control of Elektrodistribucijom Srbije d.o.o. by transferring without compensation its stake to the Republic of Serbia. Elektrodistribucija Srbije d.o.o. does not deny its obligations towards the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

25. LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (continued)

Other long-term financial investments

Other long-term financial investments comprise:

- Investment in Rovni water reservoir amounting to RSD 637,205 thousand. This investment is relative to a joint investment in the Public Company Kolubara, Valjevo, to build the body of Rovni dam and reservoir " as means of water supply to the public and industry, flood control in the surrounding municipalities, and as means to satisfy the business needs of the Company. Based on the RS Government Regulation on Establishing a Water Management Program in 2006, involving the construction, reconstruction, and maintenance of water management facilities (RS Official Gazette No.: 117 of 30 December 2005) further works on the construction of the body of Rovni dam and reservoir are planned, with a hundred percent participation of the Government of the Republic of Serbia. The investment was aimed at securing necessary conditions for the implementation of Kolubara B TPP Project. Due to significant changes in regulatory requirements, primarily relating to the recognition of initially pooled funds, water resources ownership etc, the Group recognized prior period impairment loss.
- Collateral of RSD 362,687 thousand for transactions on the organized electricity market (SEEPEX). As disclosed in Note 5 (c), the Group is involved in trading electricity at the SEEPEX power exchange, and as a trading participant is obliged to meet the trading conditions issued by the European commodity clearing AG, which, among other things, require a collateral to ensure that performance obligations of all trading participants are satisfied.
- Receivables from employees amounting to RSD 101,969 thousand (31 December 2022: RSD 2,176 thousand). By the Supervisory Board Decision No. 12.01.-603121/32-2021, dated 1 December 2021, and by the Decision Amending Decision No. 12.01.270924/12-23 dated 29 March 2023, employees who have lost a lawsuit against the Parent Company for compensatory damages due to payroll computation involving lower hourly and shift work wage rates, which reduced their salaries, have been provided with an opportunity to settle their liabilities towards the Parent Company in 48 monthly or 96 half-monthly payments.

Long-term receivables

Rescheduled trade receivables

As at 31 December 2023, rescheduled trade receivables for delivered electricity and services amounting to RSD 830,292 thousand/gross (31 December 2022: RSD 705,588 thousand), predominantly of RSD 520,312 thousand (31 December 2022: RSD 558,786 thousand), are relative to receivables from the Town of Kragujevac. With the Founder's consent, the debt receivable will be collected in ten consecutive annual instalments (grace period end date: 29 February 2020). During the repayment period, interest will be calculated on the total principal amount, which is the subject matter of the Agreement, at the NBS reference interest rate. Furthermore, rescheduled trade receivables comprise receivables from JSC Vino Župa, Aleksandrovac, amounting to RSD 148,282 thousand, and trade receivables from Koteks d.o.o., Beograd amounting to RSD 43,903 thousand, which are recognised in accordance with their respective Pre-Prepared Plans for Reorganization.

Loans to employees

As at 31 December 2023, loans to employees amounting to RSD 162,567 thousand (31 December 2022: RSD 196,535 thousand) are relative to solidarity apartments bought by employees. These apartments are sold to employees with a loan tenure extending between 20 and 40 years. The monthly payments are adjusted in line with the movements in retail prices however, they are not to exceed the average wage growth rate in the Republic of Serbia.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

26. INVENTORIES AND FIXED ASSETS HELD FOR SALE

	31 December 2023	In RSD thousand 31 December 2022
Materials	14,604,795	13,599,593
Externally sourced coal	4,675,679	618,046
Less: Allowance for impairment of materials	<u>(4,987,961)</u>	<u>(4,079,796)</u>
	<u>14,292,513</u>	<u>10,137,843</u>
Spare parts	24,756,936	21,366,610
Tools and inventory	1,263,478	1,251,005
Less: Allowance for impairment of spare parts, tools and inventory	<u>(2,917,504)</u>	<u>(2,828,747)</u>
	<u>23,102,910</u>	<u>19,788,868</u>
Total material, spare parts, tools and inventory	<u>37,395,423</u>	<u>29,926,711</u>
Work in progress	555,176	510,237
Finished goods – coal	4,655,245	2,614,740
Finished goods – other	38,170	36,661
	<u>5,248,591</u>	<u>3,161,638</u>
	<u>42,644,014</u>	<u>33,088,349</u>
Finished Goods	637	1,652
Less: Allowance for impairment of finished goods	<u>(99)</u>	<u>(99)</u>
	<u>538</u>	<u>1,553</u>
Fixed assets held for sale	754,736	-
	<u>754,736</u>	<u>-</u>
Advances paid for supplies and services in the country:		
- other advances made for supplies and services	4,367,635	3,409,472
Less: Correction of the value of advances given	<u>(111,198)</u>	<u>(121,806)</u>
	<u>4,256,437</u>	<u>3,287,666</u>
Advances paid to foreign for supplies and services:		
- other advances made for supplies and services	169,487	45,865
Less: Correction of the value of advances given	<u>(18,892)</u>	<u>(32,984)</u>
	<u>150,595</u>	<u>12,881</u>
	<u>47,806,320</u>	<u>36,390,449</u>

Fixed assets intended for sale stated with the balance as of December 31, 2023 in the amount of 754,736 thousand dinars, most of which, in the amount of 741,091 thousand dinars, refer to real estate for which the Assembly of the Parent Company made a decision to sell on November 8, 2023. year, and the Government of the RS gave prior consent to the Decision on the sale of real estate by Decision 05 number 464-12106/2023 of December 7, 2023. The object of alienation is construction land and a building under construction with a book value of 529,443 thousand dinars and 211,648 thousand dinars, which form a business and energy complex in Block 20 in New Belgrade. Immovable properties are alienated in the procedure of public advertising of the collection of written offers under the conditions established by the Law on Public Property.

Other advances given for supplies and services in the country in the amount of 4,367,635 thousand dinars as of December 31, 2023 (December 31, 2022: 3,409,472 thousand dinars) include advances given to JP Srbijagas in the amount of 3,426,399 thousand dinars (December 31, 2022: 1,908,199 thousand dinars).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023
27. TRADE RECEIVABLES

	31 December 2023	In RSD thousand 31 December 2022
Customers – PE "Elektrokosmet Pristina"	19,694,346	17,906,575
<i>Less: allowance for impairment from Public Enterprise "Elektrokosmet", Pristina</i>	<u>(19,694,346)</u>	<u>(17,906,575)</u>
	<u>-</u>	<u>-</u>
Customers on domestic market:		
- sale of electricity – households	39,598,120	32,901,859
- sale of electricity – legal entities	10,955,063	9,866,087
- sale of electricity - companies in restructuring and in bankruptcy	12,977,296	13,099,935
- other – companies under restructuring and in bankruptcy	1,267,740	1,268,258
- for delivered electricity – licenced customers	99,176	99,676
- for delivered electricity - customers on the open electricity market	54,385,117	36,080,211
- A.D. „Elektromreza Srbije”, Beograd	2,109,916	3,042,930
- "Elektrodistribucija Srbije "d.o.o., Beograd	7,557,206	8,674,144
- sale of coal	2,396,550	2,797,975
- sale of technological steam	311,648	643,815
- sale of heat energy	1,010,558	735,012
- trade receivables for services	17,159	6,210
	<u>132,685,549</u>	<u>109,216,112</u>
<i>Less: allowances for impairment on domestic market</i>		
- sale of electricity – households	(9,579,297)	(9,595,961)
- sale of electricity – legal entities	(3,817,853)	(4,344,431)
- sale of electricity - companies in restructuring and in bankruptcy	(12,977,296)	(13,099,935)
- other companies under restructuring and in bankruptcy	(1,267,740)	(1,268,258)
- for delivered electricity – licenced customers	(7,072)	(7,072)
- for delivered electricity - customers on the open electricity market	(12,499,273)	(9,232,846)
- "Elektrodistribucija Srbije "d.o.o., Beograd	(2,942,188)	(4,805,441)
- sale of coal	(2,054,051)	(2,373,270)
- sale of technological steam	(290,211)	(628,824)
- sale of heat energy	(79,162)	(77,147)
- trade receivables for services	(5,974)	(5,436)
	<u>(45,520,117)</u>	<u>(45,438,621)</u>
Customers on domestic market, net	<u>87,165,432</u>	<u>63,777,491</u>
Customers – foreign	4,855,933	5,016,236
<i>Less: allowances for impairment of foreign customers</i>	<u>(4,824,124)</u>	<u>(5,006,943)</u>
	<u>31,809</u>	<u>9,293</u>
Other trade receivables	822,525	723,892
<i>Less: Allowances for impairment of other trade receivables</i>	<u>(654,837)</u>	<u>(518,904)</u>
	<u>167,688</u>	<u>204,988</u>
	<u>87,364,929</u>	<u>63,991,772</u>

In accordance with the Conclusion of the Government of the Republic of Serbia, number 021-6624/2009- 002, adopted at the Government session on November 30, 2009, the Company, by engaging its available capacities, provides electricity to supply areas with a majority population of Serbs in the north of the AP Kosovo and Metohija . On the basis of the above, the recognition of claims on the basis of delivered electricity to the Public Company "Elektrokosmet", Pristina in the amount of 19,694,346 thousand dinars (2022: 17,906,575 thousand dinars). At the same time, the unpaid amount was recognized as an expense by indirect write-off.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

28. OTHER RECEIVABLES

	31 December 2023	In RSD thousand 31 December 2022
Receivables from legal entities within the EPS Group	11,952	-
Other receivables from specific operations	22,147	26,124
Receivables for Public Media Service charge	5,491,277	4,782,206
Receivables for interest:		
- for delivered energy (households)	2,221,899	1,615,844
- for delivered energy (legal entities)	8,216,517	8,457,758
- for delivered energy (companies in restructuring)	2,899,762	2,880,075
- other legal entities	885,933	751,577
Receivables from employees	1,243,625	736,808
Receivables from insurance companies for damages	2,386	7,494
Receivables from billing	220,871	167,838
Receivables based on refundable benefits	201,624	214,744
Receivables based on overpaid taxes and contributions	325,089	1,165,681
Other receivables from the state	547,607	507,947
Other receivables	1,036,024	1,980,257
Receivables for overpaid income tax	-	2,383,078
	<u>23,326,713</u>	<u>25,677,431</u>
<i>Less: allowance for impairment for other receivables</i>		
Other receivables from specific operations	(19,813)	(17,148)
Receivables for Public Media Service charge	(872,166)	(1,206,697)
Receivables for interest:		
- for delivered energy (households)	(920,996)	(150,303)
- for delivered energy (legal entities)	(3,834,677)	(5,510,571)
- for delivered energy (companies in restructuring)	(2,899,762)	(2,880,075)
- for other	(885,933)	(751,577)
Receivables from employees	(29,989)	(11,572)
Receivables based on overpaid taxes and contributions	(63,936)	(19,904)
Other receivables from the state	(1,073)	(815)
Other receivables	(686,425)	(1,004,399)
	<u>(10,214,770)</u>	<u>(11,553,061)</u>
	<u>13,111,943</u>	<u>14,124,370</u>

Receivables based on the fee for the Public Media Service refer to the claim of the Company as an electricity supplier from end customers based on the fee for the Public Media Service (Note 6). In accordance with the regulatory requirement, all risks related to the collection of receivables based on the fee for the Public Media Service from customers are borne by the Company. The company has assessed the possibility of collecting these receivables, on the basis of which a correction in the value of the receivables was recognized, which, as of December 31, 2023 in the amount of 872,166 thousand dinars (2022: 1,206,697 thousand dinars).

Receivables based on overpaid taxes and contributions in the amount of 325,089 thousand dinars as of December 31, 2023. (2022: 1,165,681 thousand dinars) mostly, in the amount of 236,934 thousand dinars (2022: 966,594 thousand dinars), relate to claims from the Environment protection Fund of the Republic of Serbia, on the basis of a higher advance payment for 2022. and 2023. compared to the amount determined by the final calculation of the environmental protection fee according to the administrative act of the competent authority after the date of approval of the financial statements for the previous reporting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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29. SHORT-TERM FINANCIAL INVESTMENTS

	31 December 2023	In RSD thousand 31 December 2022
Short-term loans and borrowings – domestic	111,616	111,791
Current maturity of long-term loans granted in the country	341,719	313,185
Current maturity of other long-term financial placements	278,611	241,166
<i>Less: allowance for impairment of short-term loans and placements - domestic</i>	<u>(394,445)</u>	<u>(406,197)</u>
	<u>337,501</u>	<u>259,945</u>
Current maturity of rescheduled claims - electricity	98,145	291,036
Current maturity of rescheduled claims for coal, thermal energy and technical steam and services	2,339	2,963
Short-term deposits in domestic banks	22,026	16,201
<i>Less: allowance for impairment of short-term financial placements</i>	<u>(98,079)</u>	<u>(265,429)</u>
	<u>24,431</u>	<u>44,771</u>
	<u>361,932</u>	<u>304,716</u>

30. CASH AND CASH EQUIVALENTS

	31 December 2023	In RSD thousand 31 December 2022
Current accounts:		
- in RSD	28,170,191	7,294,896
- in foreign currency	6,526,054	4,213,558
Deposits for cover under letters of credit in foreign currency	2,225,906	2,609,767
Cash desk	24,944	24,845
Special purpose cash funds	176,170	53
Securities – cash equivalents	1,880	2,662
Money whose use is limited or whose value is reduced	244,626	250,856
<i>Less: Correction of the value of monetary assets, the use of which is limited or the value is reduced</i>	<u>(244,626)</u>	<u>(250,856)</u>
	<u>37,125,145</u>	<u>14,145,781</u>

Deposits for cover under letters of credit disclosed as of December 31, 2023 in the amount of 2,225,906 thousand dinars (December 31, 2022: 2,609,767 thousand dinars) refer to the guarantee deposit for the settlement of obligations under documentary letters of credit opened with Bank of China a.d. Belgrade, as payment instruments for the Company's obligations arising from the coal purchase agreement concluded with Shen Hua Hong Kong International Trading Limited, Hong Kong

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

31. PREPAID EXPENSES AND OTHER ACCRUALS

	31 December 2023	In RSD thousand 31 December 2022
Prepaid expenses	26,404	26,408
Deferred expenses	1,239,091	1,224,201
Other prepaid expenses	2,099,120	1,183,529
	<u>3,364,615</u>	<u>2,434,138</u>

Accrued expenses shown with the balance as of December 31, 2023 in the amount of 1,239,091 thousand dinars (December 31, 2022: 1,224,201 thousand dinars) in their entirety refer to the costs of property insurance and employee insurance for the period after the balance sheet date.

Other active accruals include the amount of 794,194 thousand dinars related to book approvals issued to the legal entity "Elektrodistribucija Srbije" d.o.o., Belgrade, during January and February 2024 based on invoiced electricity for compensation of losses in the distribution system, and for the accounting period December 2023. The remaining amount of other active accruals refers to the calculated value added tax in the case when the Group is a tax debtor, which was paid in the period after the balance sheet date.

32. EQUITY

Basic capital

The basic capital of the Company consists of one share of the Republic of Serbia, as the only member with 100% participation in the share capital.

On April 6, 2023, the Government of the Republic of Serbia passed Decision No. 023-1457/2023 on changing the legal form of the parent company from a public company to a non-public joint stock company under the full business name Akcionarsko društvo "Elektroprivreda Srbije", Belgrade, which will continue to perform its activities public company in the same way as before the change of legal form.

To the aforementioned decision, the total share capital of the parent company was converted into 36,510,509 ordinary shares with voting rights, with a nominal value of 10,000 dinars each, so that the Republic of Serbia acquires all 100 percent of the shares of the joint-stock company with a total value of 365,105,090 thousand dinars.

By the decision of the Agency for Business Registers number BD 36389/2023 of April 13, 2023, the registration of the change of data on the legal form as well as the change of the business name of the parent company to Akcionarsko društvo "Elektroprivreda Srbije", Belgrade was carried out. The parent company as a Joint Stock Company takes over the assets, rights, obligations and employees of the Public Company on the same date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

32. EQUITY (continued)

Changes in equity

Changes in equity in 2023 and 2022 are disclosed below:

	In RSD thousand									
	Basic and other capital	Legal reserves	Revaluation reserves	Translation reserves	Actuarial earnings / (losses)	Profit/ (losses) on securities available for sale	Retained earnings / (accumulated loss)	Capital belonging to the majority owner	Participation without the right of control	Total
Balance at 31 December 2021	360,532,532	45,400	447,658,073	(1,633)	(2,586,035)	(410,271)	(205,638,973)	599,599,093	1,920,732	601,519,825
Correction of beginning balance (Note 5)	-	-	-	-	-	-	(124,565)	(124,565)	-	(124,565)
Corrected balance at 31 December 2021	360,532,532	45,400	447,658,073	(1,633)	(2,586,035)	(410,271)	(205,763,538)	599,474,528	1,920,732	601,395,260
Effects of fair value change in financial										
Instruments	-	-	-	-	-	(4,954)	-	(4,954)	-	(4,954)
Disposal of fixed assets	-	-	(2,526,703)	-	-	-	1,875,430	(651,273)	-	(651,273)
Effects of exchange rate differences on the basis recalculation of foreign business	-	-	-	(5,091)	-	-	-	(5,091)	-	(5,091)
Allocation of profit to reserves	-	253	-	-	-	-	(308)	(55)	-	(55)
Actuarial losses (Note 33)	-	-	-	-	857,108	-	-	857,108	-	857,108
Transfer to PPE - recapitalization of "Elektro distribucija Srbije" d.o.o.	-	-	(289,710)	-	-	-	(209,909)	(499,619)	-	(499,619)
Assignment of shares in the capital of "Elektro distribucija Srbije" d.o.o. to the Republic of Serbia.	-	-	-	-	-	-	(3,688,987)	(3,688,987)	-	(3,688,987)
Other estimates	362,807	-	-	-	-	-	(362,807)	-	-	-
Current year loss	-	-	-	-	-	-	(72,750,745)	(72,750,745)	(2,813)	(72,753,558)
Other	-	-	1	(240)	-	-	17,103	16,864	-	16,864
Balance at 31 December 2022	360,895,339	45,653	444,841,661	(6,964)	(1,728,927)	(415,225)	(280,883,761)	522,747,776	1,917,919	524,665,695
Effects of fair value change in financial										(1,367)
Instruments	-	-	-	-	-	(1,367)	-	(1,367)	-	(1,367)
Disposal of fixed assets	-	-	(2,328,278)	-	-	-	673,292	(1,654,986)	-	(1,654,986)
Effects of exchange rate differences on the basis recalculation of foreign business	-	-	-	(6,014)	-	-	-	(6,014)	-	(6,014)
Actuarial losses (Note 33)	-	-	-	-	(2,655,590)	-	-	(2,655,590)	-	(2,655,590)
Transfer of property to the Republic of Serbia Belgrade according to the Conclusion of the Government of the RS (note 24)	-	-	(18,646)	-	-	-	(45,852)	(64,498)	-	(64,498)
Allocation of profit to reserves	-	1,186	-	-	-	-	(1,186)	-	-	-
Other estimates	4,209,751	-	-	-	-	-	(4,209,751)	-	-	-
Current year loss	-	-	-	-	-	-	112,263,041	112,263,041	30,577	112,293,618
Other	-	-	-	-	-	-	(420,854)	(420,854)	-	(420,854)
Balance at 31 December 2023	365,105,090	46,839	442,494,737	(12,978)	(4,384,517)	(416,592)	172,625,071	630,207,508	1,948,496	632,156,004

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32. EQUITY (continued)

Changes in equity (continued)

During 2022, the Group transferred to the company "Elektrodistribucije Srbije" d.o.o., Belgrade, real estate with a total value of 499,619 thousand dinars, based on the Agreement on the transfer of property rights to real estate without compensation dated May 17, 2022 (note 24).

In addition, as disclosed in notes 16, 24 and 26, in accordance with the Plan for the implementation of activities aimed at reorganizing the Distribution System Operator "EPS Distribucija" d.o.o. Belgrade ("Elektrodistribucije Srbije" d.o.o., Belgrade), and on the basis of Government Decision 05 Number: 023-7436/2022 of September 30, 2022, the Group transferred the ownership of "Elektrodistribucije Srbije" free of charge in 2022 " d.o.o., Belgrade, information systems, equipment and inventory with a total value of 3,688,987 thousand dinars on account of the accumulated loss.

In 2023, in line with the Government Decision of 6th October 2022, No. 464-7835/2022, the Company transferred immovable property to the Republic of Serbia without compensation. These properties are part of the network intended for electricity transmission at the switchyard near Hydroelectric Power Plant "Vrla 2", with a total value of RSD 64,498 thousand dinars. This includes RSD 1,669 thousand for land and RSD 62,829 thousand for equipment (note 24). The mentioned transfer of assets was made at the expense of revaluation reserves and accumulated losses.

33. LONG-TERM PROVISIONS

	31 December 2023	In RSD thousand 31 December 2022
Long term provisions for retirement benefits and jubilee awards	18,804,518	12,474,516
Long-term provisions for litigations	2,513,417	2,975,045
Long-term, provisions for environmental rehabilitation	18,818,762	21,587,246
Other long-term provisions	24	24
	<u>40,136,721</u>	<u>37,036,831</u>

Long term provisions for employee benefits

As at 31 December 2023, Long term provisions for employee benefits amounting to RSD 18,804,518 thousand (31 December 2022: RSD 12,474,516 thousand), are relative to provisions for retirement benefits and jubilee awards for 10, 20, 30, 35 and 40 years of service with the Group, and are recognised using the projected unit credit method. In determining the present value of estimated future payments, a discount rate between 3.11% and 6.94% (2022: from 3,67% to 6,80%) was used, and the assumption that the annual staff turnover is between 0.06% and 2.56% (2022: from 0,03% to 2,28%), whereas a wage growth rate is 5.6912% (2022: 0,6883%).. To calculate the present value of expected future payments, the mortality tables published by the Republic of Serbia Statistical Office were used. Any increase/decrease in the present value of defined post- employments benefits, due to changes in actuarial assumptions, or remeasurement of net liability, is recognized as a separate item within equity amounting to RSD 2,655,590 thousand (2022: RSD 857,108 thousand), or as actuarial gain or loss through profit or loss.

Long-term provisions for litigations

The Group has long term provisions for estimated adverse effects of lawsuits brought against the Group, which were current during the reporting period. This estimation is an outcome-based assessment carried out by the Group's Legal Department.

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33. LONG-TERM PROVISIONS (continued)

Long-term provisions for environmental rehabilitation

Long-term provisions for environmental rehabilitation predominantly of RSD 15,708,975 thousand (31 December 2022: RSD 18,633,620 thousand), are relative to provisions for the final reclamation of the slag and ash landfills Kostolac, Kolubara, Morava, Nikola Tesla A and Nikola Tesla B. In determining the present value of estimated future payments, a discount rate between 3.11% and 6.57% was used, and the assumption that the estimated life expectancy of a landfill is anywhere from 14 to 36 years.

The change in key assumptions, assuming all other parameters remain unchanged, would have the following effects on the present value of future expected payments: if the discount rate were increased by 1%, the amount of provisioning would decrease by RSD 911,815 thousand (in the case of a decrease by 1%, the amount of provisioning would increase by RSD 1,035,301 thousand). If the lifespan of the landfill were extended by one year, the amount of provisioning would decrease by RSD 732,271 thousand (in the case of a decrease in the lifespan of the landfill, the amount of provisioning would increase by RSD 702,368 thousand).

The Regulation on Waste Landfill, under the Law on Waste Management, stipulates, inter alia, the manner and the process of closure and post-closure care of landfills. Under the above Regulation, the landfill site or one part of it shall be closed down when the Terms and Conditions specified in the both the Permit and the Master Project for Closing Down the Landfill site or one part of it have been met. Landfills are covered with a multi-layered landfill cover in accordance with the procedure of landfill sites. Upon landfill closure, closed landfill maintenance, protection, control, and monitoring are provided in accordance with the Regulation. As part of its regular process of production, the Parent Company manages slag and ash landfills, which are produced primarily from the burning of coal in TPP Kostolac, Kolubara, Morava, Nikola Tesla A and Nikola Tesla B. The landfills are of different capacity, age, technical solution, and remaining service life.

Movements in long-term provisions during 2023 and 2022 are presented in the table below.

	In RSD thousand				
	Provision for employee benefits		Provisions for environmental rehabilitation	Other long-term provisions	Total
	retirement benefits, and jubilee awards	Provisions for litigations			
1 January 2022	14,972,214	2,880,549	20,112,294	24	37,965,081
New provisions charged to Income statement (Note 15)	1,160,949	338,580	573,765	-	2,073,294
New provisions recognised in OCI (Note 32)	(857,108)	-	-	-	(857,108)
New provisions credited to Long-term assets (Note 24)	-	-	1,036,485	-	1,036,485
Utilised during the year	(1,542,526)	(79,407)	(45,903)	-	(1,667,836)
Unused amounts reversed (Note 21)	(1,259,013)	(164,677)	(89,395)	-	(1,513,085)
As at 31 December 2022	12,474,516	2,975,045	21,587,246	24	37,036,831
New provisions charged to Income statement (Note 15)	5,660,096	45,516	1,245,728	-	6,951,340
New provisions recognised in OCI (Note 32)	2,655,590	-	-	-	2,655,590
Derecognition of provision credited to Long-term assets (Note 24)	-	-	(3,205,046)	-	(3,205,046)
Utilised during the year	(1,985,684)	(297,410)	(41,011)	-	(2,324,105)
Unused amounts reversed (Note 21)	-	(209,734)	(768,155)	-	(977,889)
As at 31 December 2023	18,804,518	2,513,417	18,818,762	24	40,136,721

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

Movements in the present value of retirement benefits and jubilee awards during 2023 and 2022 are presented in the table below:

	In RSD thousand		
	Retirement benefits	Jubilee awards	Total
1 January 2022	4,969,046	10,003,168	14,972,214
<i>Items recognized in the Income statement:</i>			
Interest expense (Note 15)	261,159	483,341	744,500
Current service cost (Note 15)	85,568	330,881	416,449
Actuarial gain (Note 21)	-	(1,228,781)	(1,228,781)
Reversed amount credited to Income (Note 21)	(30,232)	-	(30,232)
<i>Included in OCI:</i>			
Actuarial loss (Note 32)	(857,108)	-	(857,108)
Payments to employees	(299,983)	(1,242,543)	(1,542,526)
As at 31 December 2022	4,128,450	8,346,066	12,474,516
<i>Items recognized in the Income statement:</i>			
Interest expense (Note 15)	202,136	382,139	584,275
Current service cost (Note 15)	246,541	544,004	790,545
Actuarial loss (Note 21)	-	4,285,276	4,285,276
<i>Included in OCI:</i>			
Actuarial loss (Note 32)	2,655,590	-	2,655,590
Payments to employees	(519,713)	(1,465,971)	(1,985,684)
As at 31 December 2023	6,713,004	12,091,514	18,804,518

34. LONG-TERM LIABILITIES

	In RSD thousand	
	31 December 2023	31 December 2022
Liabilities convertible to equity	80,500	80,500
Liabilities for long term-loans and domestic borrowings denominated in RSD and FX	44,596,674	52,633,689
<i>Less: Current portion of long-term domestic borrowings denominated in RSD and FX</i>	<i>(19,275,154)</i>	<i>(21,990,880)</i>
	<u>25,321,520</u>	<u>30,642,809</u>
Liabilities for long-term loans and foreign borrowings	131,243,657	113,586,816
<i>Less: Current portion of long-term foreign borrowings</i>	<i>(21,714,769)</i>	<i>(29,841,686)</i>
	<u>109,528,888</u>	<u>83,745,130</u>
Other long-term liabilities	262	-
<i>Less: Current portion of other long-term liabilities</i>	<i>-</i>	<i>-</i>
	<u>262</u>	<u>-</u>
Lease liabilities	16,947	21,728
<i>Less: Current portion of lease liabilities</i>	<i>(7,623)</i>	<i>(9,179)</i>
	<u>9,324</u>	<u>12,549</u>
Restructured charges upon the public revenue:	-	1,614
<i>Less: Current portion</i>	<i>-</i>	<i>(1,614)</i>
	<u>-</u>	<u>-</u>
	<u>134,940,494</u>	<u>114,480,988</u>

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

I Loans taken out before 1990 refinanced with

1. Paris Club of creditors

Payments on long-term loans refinanced with Paris Club of creditors through local banks were frozen after the UN imposed sanctions against the former Yugoslavia in May 1992.

The liabilities arising on the debt to the Paris Club of creditors were recognized in accordance with the Agreed Minutes on SRJ debt consolidation and the Law Governing the Relations between the Federal Republic of Yugoslavia and Legal Entities and Banks within the Territory of the Federal Republic of Yugoslavia (FRY Official Gazette No. 36/2002), being the original debtors or guarantors toward the Paris Club creditors, and the balance reconciled with the National bank of Serbia, amounting to 49% of the relevant principal, based on concluded bilateral agreements. The Law provided for the possibility of the additional write-off of liabilities in three years up to the maximum amount of 66.67%.

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

2. London Club Creditors

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

3. International Bank for Reconstruction and Development

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

II Borrowings from foreign governments

1. Borrowing from the Government of the Republic of Poland

The borrowing from the Government of the Republic of Poland was approved during 2003 in the amount of USD 49,996,617 and was fully utilised by 31 December 2005. The agent is OTP banka Srbija a.d. Novi Sad (legal successor of Vojvođanska banka a.d. Novi Sad). The borrowing is repaid in semi-annual instalments starting from 2005 and is to be completed by 2024. Interest is accrued semi-annually by applying the annual fixed rate of 0.75 %.

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

The Government of Japan is financing the Flue Gas Desulphurization Construction Project for Thermal Power Plant Nikola Tesla through Japanese International Cooperation Agency (JICA). The borrowing of JPY 28,252 billion was agreed on 24 November 2011. The Agreement is concluded for a period of 15 years, and the repayment period is 10 years following a five-year grace period. The utilization of the facility is 10 years as of the Agreement's effective date, with the possibility of extension. By supplementing the Loan Agreement, dated 31 May 2022, at the Company's request the creditor extended facility utilisation by 1 April 2024.

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

II Borrowings from foreign governments (continued)

The interest rate is 0.6% annually – principal I, except for the borrowing portion used for payment of consultant services - principal II, where the interest is accrued at the rate of 0.01% annually. The commitment fee, amounting to 0.10% per annum, inclusive of interest charged on principal I and interest charged on principal II, is capitalized, i.e. paid from borrowing funds until 20 December 2023, after which it will be paid from Parent Company funds. Maturity dates are 20 May and 20 November, whereby the repayment of the principal, under the Amortization Plan in Appendix 3 to the Loan Agreement, and Annex 1 to the Loan Agreement, commences on 20 November 2016, and completes on 20 November 2026.

3 Borrowing from the People's Republic of China through Export-Import Bank (EXIM Bank of China)

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

- Borrowing Agreement for subsidized buyer for stage I of the Kostolac-B Power Plant Projects Package, concluded on 26 December 2011 by and between the Government of the Republic of Serbia, as the Borrower, and Chinese Export-Import Bank, as the Creditor. The loan was contracted in the value of up to USD 293 million, for a period of up to 180 months as of the contract's effective date, which includes a grace period of up to 60 months. Loan funds are withdrawn during the grace period, with the possibility of extending the availability period. With the consent of EXIM Bank as of May 31, 2017, facility utilisation was extended by 31.12.2018. After facility utilisation expiry date, and in accordance with Article 3.3 of the Agreement, part of the loan for the amount of USD 6,361 million was automatically cancelled. The liabilities are due semi-annually on 21 January and 21 July of each calendar year. The amount of the loan withdrawn by 4 June 2017 is repaid in 20 equal consecutive half-yearly instalments between 21 July 2017 and 21 January 2027. The amount of the loan withdrawn between 5 June 2017 and 31 December 2018 is repaid in 17 equal consecutive semi-annual instalments, from 21 January 2019 to 21 January 2027. A fixed interest rate (3.00% per annum) was agreed, with a one-time loan processing fee (1.00% of the agreed value) and a commission on the undrawn part of the loan (0.75% per annum).
- The loan agreement for the preferred buyer for the second phase of the Kostolac-B Power Plant Projects package was concluded on 17 December 2014 by and between the Government of the Republic of Serbia, as the Borrower, and the Chinese Export-Import Bank, as the Lender.

The loan was contracted for a value of up to USD 608.26 million, with a repayment term of up to 240 months, which includes a grace period of up to 84 months. Facility Utilisation Expiry Date is May 25, 2022, with the possibility of extension. At the request of the Borrower, the Lender approved the extension of facility utilisation by 31 December 2023, and subsequently by 30 April 2024. The liabilities are due semi-annually on 21 January and 21 July of each calendar year. The principal is repaid from 21 July 2022 to 21 January 2035, with an interest rate of 2.50% per year, a one-time bank charge of 0.25% of the contracted value and a commission on the undrawn part of the loan of 0.25% per year. Subsequent to the final extension of facility utilisation, and three equal instalments of principal totalling USD 33,343,915.23 being repaid, the remainder up to the agreed USD 574,916,084.77 is repaid in 23 equal instalments from 21 January 2024 to 21 January 2035, and the last instalment will be defined as a fixed-rate payment to be made with the last payment taken out of the loan.

JSC EPS was not able to settle the obligation due in January 2023 totalling USD 32,940,525.45, based on the principal and the above-mentioned loan charges. The obligation to the Lender was settled by the Public Debt Administration within the Ministry of Finance of the Republic of Serbia from the budget, which created an obligation to the Republic of Serbia. The liabilities due to the Republic of Serbia as a Borrower amounting to USD 31,681,445.55, unpaid principal and July 2022 expenses, JSC EPS settled in August 2023. The liabilities towards the Republic of Serbia, which were due in January 2023, were settled in October 2023. The Public Debt Administration within the Ministry of Finance of the Republic of Serbia has duly settled both debts owed to the Lender.

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34. LONG-TERM LIABILITIES (continued)

III Borrowings from international financial organizations

1. Borrowing from the European Bank for Reconstruction and Development (EBRD)

From 2001 to 2023, Financial agreements were concluded with the European Bank for Reconstruction and Development (EBRD) for the following amounts:

- EUR 80 million was agreed on 28 July 2011. The ultimate facility utilisation date is 28 January 2015 however, the bank extended the drawdown period by 31 January 2017, when the undrawn part of the borrowing amounting to EUR 1,472,316.67 was cancelled. Under the provisions of the Agreement, the principal repayment commences as of 31 January 2015 and is to be executed in 17 equal semi-annual instalments by 31 January 2023. The borrowing accrues variable interest rate, which consists of EURBOR and mark-up of 1% annually. Commission on unused portion of borrowing amounts to 0.5% annually. Management fee amounts to 1% of total borrowing amount, and is paid once out of borrowed funds.
- EUR 45 million was agreed on 7 December 2011. The initially agreed facility utilisation date (7 December 2014) was extended by 31 December 2020, and subsequently by 15 December 2022. Early in December 2022, a request for extension of facility utilisation was sent to the Lender and, with the Lender's consent, the facility utilisation term was extended to 30 June 2023. On 31 October 2014, the amount of EUR 12.3 million was cancelled. After the Facility Expiry Date, the undrawn portion of the loan amounting to EUR 8,045,936.64 was automatically cancelled in accordance with the Agreement. Under the provisions of the Agreement, the principal repayment commences as of 30 April 2015 and is to be executed in 18 equal semi-annual instalments by 31 October 2023. The borrowing accrues variable interest rate, which consists of EURBOR and mark-up of 1% annually, with the possibility of choosing a fixed interest rate. Commission on unused portion of borrowing amounts to 0.5% annually. Management fee amounts to 1% of total borrowing amount and is paid once out of borrowed funds.
- EUR 200 million was agreed on 30 October 2015, for a period of 15 years, including grace period of 18 months. The Facility Effective Date is 29 September 2016 whereas the Facility Expiry Date is one year after the Effective Date. The loan funds were withdrawn in full by October 18, 2016. Repayment of the principal commenced on 15 June 2017, in 27 equal semi-annual instalments, until 17 June 2030. The borrowing accrues variable interest rate, which consists of EURBOR and mark-up of 1% annually. Commission on unused portion of borrowing amounts to 0.5% annually. Management fee amounts to 1% of total borrowing amount and is paid once out of borrowed funds. The Parent Company used granted funds for early repayment of loans with banks.
- EUR 300 million was agreed on 15 March 2023. The Agreement is effective as of 12 June 2023. The loan is broken down into two tranches. Tranche 1 - EUR 200 mil. Tranche 2 - EUR 100 mil. Minimum withdrawal limit is EUR 20 mil. Facility Expiry Date is on 5 September 2024. The principal is repaid in 8 equal semi-annual instalments starting from 20 August 2024, and is to be completed by 21 February 2028. The borrowing accrues variable interest rate, which consists of 6M EURBOR and mark-up of 1% annually. Commission on unused portion of borrowing amounts to 0.5% annually. Management fee amounts to 1% of total borrowing amount and is paid once out of borrowed funds.

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

III Borrowings from international financial organizations (continued)

2. KfW

With the German financial organization KfW, financial agreements were executed from 2010 through to 2023 as follows:

- EUR 70 million was agreed on 29 October 2010, The ultimate facility utilisation date is 31 December 2015 with the possibility of extension. This deadline has been extended several times. In June 2023, a request to extend the facility utilisation date until 29 December 2023 was sent to the Borrower. In July 2023, the request was approved by the Bank. Loan funds unused by the Facility Utilisation Date amount to EUR 4,531,830.39 EUR. According to the provisions of the Borrowing Agreement, the principal repayment should have commenced on 30 December 2015 in 20 equal semi-annual instalments. According to Amendment I to the Borrowing Agreement, loan principal repayment terms have been changed such that principal is to be repaid in 14 equal semi-annual instalments starting on 30 December 2018. A fixed interest rate has been agreed and is to be determined by KfW annually two days before the disbursement for each portion of the borrowing received based on the expenses incurred by KfW on the EUR capital market under terms that best correspond to the fixed interest rate period decreased by 0.5% mark-up annually, given that the rate calculated in this manner cannot be below 1% annually. After each payment, KfW consolidates these rates into a uniform rate for the total borrowing. Commission for unused portion of the borrowing amounts to 0.25% annually, with the Parent Company being freed from this expense in 2014. Management fee amounts to 1% of total loan amount and is paid once out of Borrowers own funds.
- EUR 65 million (with additional EUR 9 million of non-repayable funds) was agreed on 12 October 2012. The ultimate facility utilisation date is 30 December 2015, which has been extended to 30 June 2020. Loan funds unused by the Facility Utilisation Date amounting to EUR 51.60 were cancelled with the creditor's consent. According to the provisions of the Borrowing Agreement, the principal repayment commenced on 30 December 2015 in 19 equal semi-annual instalments, where in the event of extension of date for utilization of borrowing funds, repayment would commence 3 years later, on 30 December 2018, in 13 equal semi-annual instalments. A fixed interest rate has been agreed and is to be determined by KfW annually two days before the disbursement for each portion of the borrowing received based on the expenses incurred by KfW on the EUR capital market under terms that best correspond to the fixed interest rate period increased by 0.40% for the portion of the loan of EUR 25 million, and by 1.15% for the portion of the borrowing of EUR 40 million. After each payment, KfW consolidates these rates into a uniform rate for the total borrowing amount, which is fixed to the end of the repayment period. Commission on unused portion of borrowing amounts to 0.25% annually. Management fee amounts to 1% of total loan amount and is paid once out of Borrowers own funds.
- EUR 80 million (with an additional EUR 1 million in grants) on 29 November 2017, and later on 29 June 2022, an additional EUR 790,000.00 in grants. In December 2023, a Donation Agreement of EUR 30 million, with facility utilisation date by June 2025, has been concluded (WBIF donation). The originally agreed deadline for using loan and grant funds (December 30, 2021) was extended to December 30, 2024. Also, the repayment of the principal, which is realized in 23 equal half-yearly instalments, from the originally agreed repayment period of December 30, 2021 to December 30, 2032, was postponed by two years, that is, the first loan instalment was repaid in 2021. and the other 22 instalments will be repaid starting from June 30, 2024 until December 30, 2034. A fixed interest rate of 0.85% per year was agreed upon. The commission on the unused part of the loan amounts to 0.25% per year, but the Parent Company was exempt from this cost in the period from March 30, 2019 to June 30, 2019. Management fee amounts to 0.75% of the total amount of the loan, and is paid once from the Parent Company's own funds.
- EUR 100 million was agreed on 30 June 2023. The loan takes effect on 4 November 2023. The minimum withdrawal amount is EUR 20 million, except for the last withdrawal. The Facility Expiry Date is 30 September 2024. The principal is repaid in 15 equal semi-annual instalments starting from 15 March 2026, and is to be completed by 15 March 2033. A fixed interest rate has been agreed for each payment, the Swap rate, determined on Reuters page "ICAPEURO" or on Bloomberg page "ICAE", increased by 0,65% mark-up. Commission on unused portion of borrowing amounts to 0.25%. Management fee amounts to 0.50% of the total amount of the loan. It was paid once from the Parent Company's own funds on 4 December 2023.

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34. LONG-TERM LIABILITIES (continued)

III Borrowings from international financial organizations (continued)

3. Borrowing from the European Investment Bank (EIB)

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

- Based on the borrowing on financing the project of managing the electric power system of Serbia and Montenegro entered by and between Serbia and Montenegro on one side and the European Investment Bank, concluded on 30 October 2003, a loan of EUR 22 million was extended to the Company. The borrowing was fully drawn in 10 tranches by 31 December 2008. The borrowing is repaid in semi-annual instalments, partly maturing on 25 May and 25 November, and in part these instalments fall due on 9 June and 9 December in the period from 2010 through to 2027. The first instalment was due on 25 November 2010, and the last instalment will be due on 9 December 2027. The applicable interest rate is set for each tranche individually and is fixed until the end of repayment period.

4. Borrowing from the World Bank (WB)

- *International Development Association (IDA)*

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

- *International Bank for Reconstruction and Development (IBRD)*

Based on Borrowing Agreement (Project of urgent recovery from floods) concluded on 9 October 2014, between the Republic of Serbia, as the Borrower, and the IBRD, as the Creditor, in the amount of EUR 227.48 million, the Republic of Serbia has via Loan Sub agreement, agreed on 19 February 2015, transferred to the Company rights to use a portion of the loan funds, in the amount of EUR 157.11 million. By amending the sub-agreement on the loan dated 4 October 2017, the amount of the loan that the Republic of Serbia transferred to the Company was reduced to EUR 139.74 million and subsequently, on 5 October, the Republic of Serbia cancelled a part of the loan in the amount of EUR 3.2 million. After the expiry of the loan repayment period, which was until 31 October 2019, on 10 March 2020, the Company returned to the creditor the previously withdrawn and unjustified amount of the loan, in the amount of EUR 364.8 thousand, so that the total loan amount on 31 December 2022 is EUR 135,037,339.22. The loan period is 30 years, which includes a grace period of 9 years. The loan is repaid in 42 consecutive semi-annual instalments, every 1 May and 1 November, starting from 1 November 2023 to 1 May 2044. The interest rate is the sum of the six-month EURIBOR and the variable margin, which currently stands at 0.93% per annum. The fee for undrawn funds is 0.25% per annum, and is calculated on the amount of undrawn loan funds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

34. LONG-TERM LIABILITIES (continued)

IV Commercial banks - euro-denominated loans

Loans for project financing

1. Komercijalna banka a.d. Beograd

EUR 15 million was contracted on December 12, 2019. As at 17 November 2020, the loan funds were fully withdrawn. The loan repayment period is up to 10 years, with a grace period of up to 4 years. The repayment of the principal is in 12 equal consecutive semi-annual instalments, with the first instalment of the principal due on 15 October 2023, and the last on 15 April 2029. Payment dates are 15 April and 15 October. The loan has a variable interest rate, which consists of 6M EURIBOR and a margin of 1.95% per annum. As the value of 6M EURIBOR, the actual value of 6M EURIBOR is used (interest rate floor has not been agreed upon). The commission on undrawn funds amounts to 0.25% per annum. A one-time management fee has not been agreed.

2. Banca Intesa a.d. Beograd

EUR 45 million was contracted on December 9, 2019. As at 14 November 2022, the loan funds were fully withdrawn. The loan repayment period is up to 10 years, with a grace period of up to 4 years. The repayment of the principal is in 12 equal consecutive semi-annual instalments, with the first instalment of the principal due on 15 October 2023, and the last on 15 April 2029. Payment dates are 15 April and 15 October. The loan has a variable interest rate, which consists of 6M EURIBOR and a margin of 3.50% per annum. As the value of 6M EURIBOR, the actual value of 6M EURIBOR is used (interest rate floor has not been agreed upon). The commission on undrawn funds amounts to 0.25% per annum., and is calculated as of 1 January 2020. A one-time management fee has not been agreed.

3. Banca Intesa a.d. Beograd

EUR 30 million was contracted on December 9, 2019. As at 13 March 2023, the loan funds were fully withdrawn. The loan repayment period is up to 10 years, with a grace period of up to 4 years. The repayment of the principal is in 12 equal consecutive semi-annual instalments, with the first instalment of the principal due on 15 October 2023, and the last on 15 April 2029. Payment dates are 15 April and 15 October. The loan has a variable interest rate, which consists of 6M EURIBOR and a margin of 3.75% per annum. As the value of 6M EURIBOR, the actual value of 6M EURIBOR is used (interest rate floor has not been agreed upon). The commission on undrawn funds amounts to 0.25% per annum., and is calculated as of 1 January 2020. A one-time management fee has not been agreed.

4. Vojvođanska banka a.d. Novi Sad

EUR 30 million was contracted on December 6, 2019. The loan is managed by OTP banka Srbija a.d. Novi Sad (legal successor of Vojvođanska banka a.d. Novi Sad). Loan funds are available from 1 January 2020 to 31 December 2023. The loan repayment period is up to 10 years, with a grace period of up to 4 years. The repayment of the principal is in 12 equal consecutive semi-annual instalments, with the first instalment of the principal due on 15 October 2023, and the last on 15 April 2029. Payment dates are 15 April and 15 October. The loan has a variable interest rate, which consists of 6M EURIBOR and a margin of 3.75% per annum. As the value of 6M EURIBOR, the actual value of 6M EURIBOR is used (interest rate floor has not been agreed upon). The commission on undrawn funds amounts to 0.25% per annum., and is calculated as of 1 January 2020. A one-time management fee has not been agreed.

5. OTP banka

EUR 15 million was contracted on December 10, 2019. Loan funds are available from 1 January 2020 to 31 December 2023. The loan repayment period is up to 10 years, with a grace period of up to 4 years. The repayment of the principal is in 12 equal consecutive semi-annual instalments, with the first instalment of the principal due on 15 October 2023, and the last on 15 April 2029. Payment dates are 15 April and 15 October. The loan has a variable interest rate, which consists of 6M EURIBOR and a margin of 3.75% per annum. As the value of 6M EURIBOR, the actual value of 6M EURIBOR is used (interest rate floor has not been agreed upon). The commission on undrawn funds amounts to 0.25% per annum, and is calculated as of 1 January 2020. A one-time management fee has not been agreed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

34. LONG-TERM LIABILITIES (continued)

IV Commercial banks - Euro-denominated loans (continued)

6. VTB bank (Europe) SE

EUR 72 million was contracted on 17 June 2021 with a grace period until 17 September 2022. Loan funds were available until June 17, 2022. The agreed principal repayment period is five years and it is repaid quarterly, provided that the loan is withdrawn in full. A total of EUR 19,515,917.04 was withdrawn by the availability deadline. The loan is repaid in 6 instalments starting from 19 September 2022 until 19 December 2023. The interest rate is variable and is expressed as the sum of 3M EURIBOR and a margin of 3.75% per year. If the value of 3M EURIBOR is negative, it is considered to be zero. The commission on undrawn funds is 0.80% and is calculated quarterly. A one-time bank charge is 0.50%.

Loans for current assets in euros

To ensure liquidity for the purpose of purchasing gas, electricity and paying tax obligations, contracts were concluded with commercial banks totalling EUR 175 million. EUR. In August 2022, these Agreements were annexed, except for the 2022 agreements concluded with OTP Bank (EUR 35 mil.) and Erste Bank (EUR 5 mil.), to change the loan repayment terms in 48 monthly instalments starting from 1 October 2023 until 30 August 2027. Interest is calculated and paid monthly at the variable interest rate agreed upon as the sum of 3M EURIBOR and a fixed margin:

- Agreement concluded in 2021 for EUR 70 million with Erste bank a.d. Novi Sad and Eurobank Direktna akcionarsko društvo Beograd
- Agreement concluded in 2021 for EUR 5 million with Banka Poštanska štedionica a.d. Beograd. In July 2023, early repayment of the loan in the amount of EUR 4,600,174.28 (principal and interest) was made.
- Agreement concluded in 2021 for EUR 10 million with Agroindustrijska komercijalna banka AIK banka Beograd.
- Agreement concluded in 2021 for EUR 50 million with NLB Komercijalna banka a.d. Beograd. Annex 1 was concluded in July 2022, and Annex 2 of the Underlying Agreement in August.

Loan agreements from 2022 that were not annexed in August 2022:

- Loan agreements concluded in 2021 for EUR 15 million and in January 2022 to EUR 20 million with OTP bank Srbija ad Novi Sad. In August 2022, a new Agreement was concluded by which these two agreements were refinanced, which changed the terms of repayment of the loan in 48 monthly instalments starting from 1 October 2023 until 30 August 2027. Interest is calculated and paid monthly at an interest rate as the sum of 3M EURIBOR and a fixed margin.
- Loan agreement concluded in April 2022 for 5 EUR million with Erste bank a.d. Novi Sad. The loan is repaid in 12 equal monthly instalments starting from 25 January 2023 until 25 December 2023. Interest is calculated monthly as the sum of 3M EURIBOR and a fixed margin.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

34. LONG-TERM LIABILITIES (continued)

V Loans for current assets in local currency

In order to secure the working capital needed to finance current liabilities in the ordinary course of business of JP EPS, such as safe supply of electricity to customers, safe and reliable operation of the electric power system, as well as funds for the purpose of financing the purchase of electricity from renewable sources, loan agreements in RSD were concluded with commercial banks, namely:

- Contract concluded in 2020 with Unicredit Bank Srbija A.D. Beograd, the value of which amounts to RSD 1,160 billion. The loan is repaid in 24 equal monthly instalments starting from 1 July 2021 until 1 June 2023. Interest is calculated monthly as the sum of 1M EURIBOR and a fixed margin.
- Contract concluded in 2022 with Banca Intesa a.d. Novi Sad, the value of which amounts to RSD 3.0 billion. The loan is repaid in 24 equal monthly instalments starting from 1 January 2023 until 1 December 2024. Interest is calculated monthly as the sum of 1M EURIBOR and a fixed margin.
- Contract concluded in 2022 with Agroindustrijsko komercijalna banka AIK banka Beograd, the value of which amounts to RSD 4.0 billion. In August 2022, Annex 1 was concluded. The loan is repaid in 48 equal monthly instalments starting from 1 October 2023 until 30 August 2027. Interest is calculated monthly as the sum of 1M EURIBOR and a fixed margin.
- Contracts concluded in 2021 totalling RSD 9,600 billion: NLB Komercijalna banka a.d. Beograd (former Komercijalna banka a.d. Beograd); Unicredit Bank Srbija A.D. Beograd; Agroindustrijsko komercijalna banka AIK banka (former Sberbank) Beograd and OTP banka Srbija ad Novi Sad. The loans are repaid in 24 equal monthly instalments starting from 20 January 2022 until 20 December 2023. Interest is calculated monthly as the sum of 1M EURIBOR and a fixed margin.
- Contract concluded in 2021 with Banka Poštanska štedionica a.d. Beograd, the value of which amounts to RSD 3.0 billion. In August 2022, Annex 1 was concluded. The loan is repaid in 48 equal monthly instalments starting from 1 October 2023 until 1 September 2027. Interest is calculated monthly as the sum of 1M EURIBOR and a fixed margin.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

34. LONG-TERM LIABILITIES (continued)

An overview of all loans as at 31 December 2023 is presented in the table below:

No.	LOANS	Curren- cy	ORIGINAL CURRENCY				Collateral	Equivalent value in RSD 000	
			Principal as at 31 December 2023	Maturity date	Repayment schedule	Interest rate		31.12.2023	01.01.2023
	TOTAL BORROWINGS (A+B)							175,840,342	166,220,505
A	FOREIGN CURRENCY BORROWINGS (I+II+III+IV+V)							168,340,342	151,730,508
I	BORROWINGS REFINANCED FROM THE FUNDS OF (1+2+3+4)							5,916,730	10,185,739
1	PARIS CLUB CREDITORS							5,572,296	9,681,191
1.1	AUSTRIA	EUR	269,617	30.09.2008 31.03.2024	30.03. and 30.09.	Amarketrate/EUR + 0,6% p.a.	Promissor y notes	31,592	88,818
1.2	FRANCE	EUR	3,109,171	22.09.2008 22.03.2024	22.03. and 22.09.	5,9% p.a.	Promissor y notes	364,313	1,024,235
1.3	GERMANY	EUR	2,062,442	22.09.2008 22.03.2024	22.03. and 22.09.	5,5% p.a.	Promissor y notes	241,664	679,417
1.4	CANADA	EUR	4,514,280	22.09.2008 22.03.2024	22.03. and 22.09.	Euribor/EUR + 0,5% p.a.	Promissor y notes	528,955	1,487,110
1.5	SWITZERLAND	CHF	6,241,047	22.09.2008 22.03.2024	22.03. and 22.09.	Libor/CHF + 0,5% p.a.	Promissor y notes	783,466	2,089,802
1.6	USA	USD	505,745	22.09.2008 22.03.2024	22.03. and 22.09.	5,375% p.a.	Promissor y notes	53,542	156,421
1.7	RUSSIA	USD	32,489,745	22.03.2006 22.03.2034	22.03. and 22.09.	0,5517% p.a.	Promissor y notes	3,439,595	3,752,889
1.8	JAPAN	JPY	172,510,056	22.09.2008 22.03.2024	22.03. and 22.09.	2,839% p.a.	Promissor y notes	129,169	402,499
2	LONDON CLUB CREDITORS	USD	1,088,220	01.05.2010 01.11.2024	01.05. and 01.11.	3,75% by 11/09 Fixed 6.75% by 11/24	Promissor y notes	115,207	239,738
3	IBRD 2338-5	EUR	1,529,703	15.06.2005 15.12.2031	15.06. and 15.12.	6,75% p.a. by 11/24	Promissor y notes	179,241	214,761
4	The European Community	EUR	426,596	17.10.2012. 17.10.2016.	17.04. and 17.10.	6M Euribor p.a.	-	49,986	50,049
II	LOANS GRANTED BY FOREING GOVERNMENTS							70,931,222	72,842,804
1	Polish loan	USD	27,458	2005 - 2024.	15.06. and 15.12.	0,75% p.a.	Guarantee RS	2,907	87,038
2	Japanese loan- JICA	JPY	18,355,171,553	20.11.2016. 20.11.2026	20.05 i 20.11	0,60% p.a. (Principal 1) 0,01% p.a. (Principal 2)	Guarantee RS	13,743,655	17,137,692
3	Export-Import Bank of China I	USD	102,382,012	21.07.2017. 21.01.2027.	21.01. and 21.07.	3% p.a.	Promissor y notes	10,838,887	14,499,684
4	Export-Import Bank of China II	USD	437,773,138	21.07.2022. 21.01.2035.	21.01. and 21.07.	2,5% p.a.	Promissor y notes	46,345,773	41,118,390
III	LOANS FROM INTERNATIONAL FINANCIAL ORGANISATIONS							60,238,635	39,222,294
1	EBRD IV (78.5 mil. EUR)	EUR	0	31.01.2015. 31.01.2023.	31.01. and 31.07.	VAR. EURIBOR + 1% p.a.	Guarantee RS	0	607,667
2	EBRD V (32.7 mil. EUR)	EUR	0	30.04.2015. 31.10.2023.	30.04. and 31.10.	6M EURIBOR + 1% p.a.	Guarantee RS	0	841,750
3	EBRD VI (200 mil. EUR)	EUR	96,296,296	15.06.2017. 15.06.2030.	15.06. and 15.12.	VAR. EURIBOR + 1% p.a.	Guarantee RS	11,283,393	13,035,822
4	EBRD VII (300 mil. EUR)	EUR	201,000,000	20.08.2024 20.02.2028	20.02. and 20.08.	var.6M EURIBOR + 1,00% p.a.	Guarantee RS	23,551,914	0
5	EIB II (22 mil. EUR)	EUR	3,693,333	25.11.2010. 09.12.2027.	09.06. and 09.12.; 25.05. and 25.11.	fixed rate on each tranche between 3,879% p.a. and 5,248% p.a.	Guarantee RS	432,761	605,384
6	KfW V (70 mil. EUR)	EUR	11,163,904	30.12.2018. 30.06.2025.	30.06. and 30.12.	Variable rate + 0,5% p.a.	Guarantee RS	1,308,116	2,401,375
7	KfW VI (65 mil. EUR)	EUR	9,999,927	30.12.2018. 30.12.2024.	30.06. and 30.12.	Var. rate + 0,4% p.a. for EUR 25 mil. And var. rate + 1,15% p.a. for EUR 40 mil.	Guarantee RS	1,171,728	2,346,440
8	KfW VIII (80 mil. EUR)	EUR	57,974,601	30.12.2021. 30.12.2034.	30.06. and 30.12.	0,85% p.a.	Guarantee RS	6,793,098	3,108,541
9	KfW IX (100 mil. EUR)	EUR	0	15.03.2026 15.03.2033	15.03. and 15.09.	var. rate swap+ 0,65% mark-up	Guarantee RS	0	0
10	Wb IDA (12,24 mil. SDR)	XDR	1,769,827	15.09.2015. 15.03.2025.	15.03. and 15.09.	-	Guarantee RS	251,384	432,410
11	WB IBRD (139.7 mil. EUR)	EUR	131,823,451	01.11.2023. 01.05.2044.	01.05. and 01.11.	6M EURIBOR + var. mark-up	Promissor y notes	15,446,241	15,842,905

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

34. LONG-TERM LIABILITIES (continued)

No.	LOANS	Curren- cy	ORIGINAL CURRENCY				Collateral	Equivalent value in RSD 000	
			Principal as at 31 December 2023	Maturity date	Repayment schedule	Interest rate		31.12.2023	01.01.2023
IV	COMMERCIAL BANKS - EURO DENOMINATED LOANS							31,166,602	29,401,178
1	Komercijalna banka 15m	EUR	13,750,000	15.10.2023. 15.04.2029.	15.04. and 15.10.	6M EURIBOR + 1,95%	Promissory notes	1,611,138	1,759,836
2	Banca Intesa 45m	EUR	41,250,000	15.10.2023. 15.04.2029.	15.04. and 15.10.	6M EURIBOR + 3,50%	Promissory notes	4,833,415	5,279,508
3	Banca Intesa 30m	EUR	27,500,000	15.10.2023. 15.04.2029.	15.04. and 15.10.	6M EURIBOR + 3,75%	Promissory notes	3,222,277	2,047,639
4	Vojvodjanska banka 30m	EUR	27,500,000	15.10.2023. 15.04.2029.	15.04. and 15.10.	6M EURIBOR + 3,75%	Promissory notes	3,222,277	0
5	OTP banka 15m	EUR	14,190,176	15.10.2023. 15.04.2029.	15.04. and 15.10.	6M EURIBOR + 3,75%	Promissory notes	1,662,715	0
6	ERSTE banka	EUR	30,078,125	01.10.2023 30.08.2027	on the first of every month	3M EURIBOR + 5,00%	Promissory notes	3,524,365	3,764,094
7	EUROBANK DIREKTNA	EUR	30,078,125	01.10.2023 30.08.2027	on the first of every month	3M EURIBOR + 5,00%	Promissory notes	3,524,365	3,764,094
8	Postanska stedionica	EUR	0	01.10.2023 01.09.2027	on the first of every month	1M BELIBOR + 3,50%	Promissory notes	0	537,728
9	AIK banka	EUR	8,593,750	01.10.2023 30.08.2027	on the first of every month	3M EURIBOR + 5,00%	Promissory notes	1,006,961	1,075,455
10	Komercijalna banka	EUR	42,967,935	01.10.2023 30.08.2027	on the first of every month	3M EURIBOR + 5,00%	Promissory notes	5,034,712	5,377,175
11	OTP banka	EUR	30,078,214	01.10.2023 30.08.2027	on the first of every month	3M EURIBOR + 5,00%	Promissory notes	3,524,376	3,764,105
12	ERSTE banka	EUR	0	25.01.2023 25.12.2023	on the 25th every month	3M EURIBOR + 3,95%	Promissory notes	0	586,612
13	VTB BANK (EUROPE) SE,	EUR	0	17.09.2022. 17.12.2023.	17.03 17.06 17.09 17.12	3M EURIBOR + 3,75% mark-up. If EURIBOR is negative, it is deemed to be equal to zero	Promissory notes	0	1,444,933
V	OTHER							87,142	78,493
1	IBRD 1469-5 - EMS AD	EUR	14,555	15.03.2005. 15.09.2031.	15.03. and 15.09.	1/3-5,44% p.a. and 2/3-euribor		13,344	1,708
2	Tehnoexport	USD	697,086			-		73,798	76,785
B	COMMERCIAL BANKS - RSD DENOMINATED LOANS							7,500,000	14,489,997
1	UniCredit bank	RSD	0	01.07.2021 01.06.2023	01.06. and 01.07.	1M BELIBOR + 3,00%	Promissory notes	0	290,000
2	Banca Intesa	RSD	1,500,000,000	01.01.2023 01.12.2024	on the first of every month	1M BELIBOR + 2,70%	Promissory notes	1,500,000	3,000,000
3	AIK banka	RSD	3,750,000,000	01.10.2023 30.08.2027	on the first of every month	1M BELIBOR + 3,50%	Promissory notes	3,750,000	4,000,000
4	Komercijalna banka	RSD	0	20.01.2022 20.12.2023	20.06. and 20.12.	1M BELIBOR + 0,95%	Promissory notes	0	300,000
5	Komercijalna banka	RSD	0	20.01.2022 20.12.2023	20.01. and 20.12.	1M BELIBOR + 1,05%	Promissory notes	0	299,997
6	Komercijalna banka	RSD	0	20.01.2022 20.12.2023	20.01. and 20.12.	1M BELIBOR + 0,85%	Promissory notes	0	300,000
7	Komercijalna banka	RSD	0	20.01.2022 20.12.2023	20.01. and 20.12.	1M BELIBOR + 0,74%	Promissory notes	0	300,000
8	UniCredit bank	RSD	0	20.01.2022 20.12.2023	20.01. and 20.12.	1M BELIBOR + 2,62%	Promissory notes	0	300,000
9	AIK banka	RSD	0	20.01.2022 20.12.2023	20.01. and 20.12.	1M BELIBOR + 1,92%	Promissory notes	0	900,000
10	OTP banka	RSD	0	20.01.2022 20.12.2023	20.01. and 20.12.	1M BELIBOR + 1,91%	Promissory notes	0	600,000
11	AIK (Sberbanka)	RSD	0	20.01.2022 20.12.2023	20.01. and 20.12.	1M BELIBOR + 2,20%	Promissory notes	0	900,000
12	OTP banka	RSD	0	20.01.2022 20.12.2023	20.01. and 20.12.	1M BELIBOR + 1,93%	Promissory notes	0	900,000
13	Postanska stedionica	RSD	2,250,000,000	01.10.2023 01.09.2027	on the first of every month	1M BELIBOR + 3,50%	Promissory notes	2,250,000	2,400,000
	UP TO ONE YEAR							40,989,923	51,832,566
A	Loans in F/X							37,889,923	44,842,569
B	Loans in RSD							3,100,000	6,989,997
	OVER ONE YEAR							134,850,408	114,387,939
A	Loans in F/X							130,450,408	106,887,939
B	Loans in RSD							4,400,000	7,500,000

Based on contractual commitments, such as annuity plans and other key terms of contract, inclusive of performance in line with appropriate financial indicators, a portion of long-term liabilities amounting to RSD 18,055,692 thousand has been reclassified to short-term liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

34. LONG-TERM LIABILITIES (continued)

Analysis of loan withdrawal

With a view to financing projects that would increase the efficiency of thermal and hydro power plant power generation, during the period between 2003 and 2023, the Parent Company concluded many loan agreements with International financial institutions, to which the Federal Republic of Yugoslavia, the State Union of Serbia and Montenegro, or the Republic of Serbia were guarantors:

<u>Creditor</u>	<u>Currency</u>	<u>Contract value</u>	<u>Withdrawn amount</u>
European Bank for Reconstruction and Development IV	EUR	78,527,683	78,527,683
European Bank for Reconstruction and Development V	EUR	24,395,989	24,395,989
European Bank for Reconstruction and Development VI	EUR	200,000,000	200,000,000
European Bank for Reconstruction and Development VII	EUR	300,000,000	201,000,000
European Investment Bank II	EUR	22,000,000	22,000,000
KfW V	EUR	70,000,000	65,468,170
KfW VI	EUR	64,999,948	64,999,948
KfW VIII	EUR	80,000,000	58,824,170
KfW IX	EUR	100,000,000	-
IDA	XDR	11,798,849	11,798,849
JICA	JPY	28,252,000,000	28,219,679,553
EXIM Bank of China I	USD	286,639,231	286,639,231
EXIM Bank of China II	USD	608,260,000	471,117,053
Loan from the Government of Poland	USD	49,996,617	49,996,617
WB IBRD	EUR	135,402,191	135,402,191
Commercial banks	EUR	326,599,345	326,599,345
Commercial banks	RSD	20,759,994,277	20,759,994,277

Analysis of long-term loans maturities

	<u>31 December 2023</u>	<u>31 December 2022</u>	<u>In RSD thousand</u>
			<u>Index</u>
Up to 1 year	40,989,923	51,832,566	78.94
1 to 5 years	95,168,652	73,959,486	128.78
Over 5 years	39,681,756	40,428,453	98.15
Total	175,840,331	166,220,505	105.79

Analysis of borrowings by payment currency

<u>Currency</u>	<u>31 December 2023</u>		<u>31 December 2022</u>	
	<u>In F/X</u>	<u>In RSD thousand</u>	<u>In F/X</u>	<u>In RSD thousand</u>
EUR	789,963,527	92,562,949	611,453,215	71,737,159
USD	574,963,403	60,869,708	544,077,438	59,930,946
CHF	6,241,047	783,466	17,523,915	2,089,802
YPU	18,527,681,609	13,872,824	21,108,498,610	17,540,191
XDR	1,769,827	251,384	2,949,712	432,410
RSD	7,500,000,000	7,500,000	14,489,997,139	14,489,997
Total		175,840,331		166,220,505

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31 December 2023

34. LONG-TERM LIABILITIES (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

The following table provides reconciliation between the opening and closing balances for liabilities arising from financing activities for the year ended 31 December 2023 and 2022:

	1 January 2023	Cash flows		Non-cash movements					In RSD thousand
		Proceeds	Repayment	Direct tranche to supplier	Conversion of expenses to principal	Reclassificati on	Currency translation differences	Other	As at 31 December 2023
2023									
Long-term and short-term loans and borrowings	166,222,176	30,223,822	(29,695,789)	15,739,904	443,976	(2,806,010)	(4,283,090)	(4,658)	175,840,331
Other long-term financial liabilities	-	-	-	-	-	-	-	262	262
Other short-term financial liabilities	31,848	153,419	(90,671)	-	-	-	-	68,370	162,966
Lease liabilities	21,728	28	(9,555)	-	-	-	-	4,746	16,947
Total liabilities arising from financial activities	166,275,752	30,377,269	(29,796,015)	15,739,904	443,976	(2,806,010)	(4,283,090)	68,720	176,020,506
2022									
Long-term and short-term loans and borrowings	147,032,880	37,760,810	(40,935,746)	24,612,525	104,444	(2,957,872)	600,796	4,339	166,222,176
Other long-term financial liabilities	105	-	(16)	-	-	-	-	(89)	-
Other short term financial liabilities	12,572	20,152	(53,371)	-	-	-	(19)	52,514	31,848
Lease liabilities	80,122	-	(63,857)	-	-	-	3	5,460	21,728
Total liabilities arising from financial activities	147,125,679	37,780,962	(41,052,990)	24,612,525	104,444	(2,957,872)	600,780	62,224	166,275,752

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

35. LONG-TERM DEFERRED INCOME AND RECEIVED DONATIONS

	In RSD thousand	
	<u>31 December 2023</u>	<u>31 December 2022</u>
Received donations:		
- from the Government of RS and other state authority	903,069	684,833
- foreign	7,745,756	8,086,276
- domestic	24,445	54,909
	<u>8,673,270</u>	<u>8,826,018</u>

On December 29, 2022, a Protocol was signed between the Ministry of Mining and Energy and the Company on the implementation of Government Decision 05 Number: 401-11262/2022 of December 29, 2022, which adopts the Program on the allocation and use of subsidies to public non-financial enterprises and organizations. The protocol stipulates that the Government of the Republic of Serbia, through the line ministry, in the period from 2022 to 2024, will provide part of the funds needed for the reconstruction of the turbines on blocks TENT A3-A6 for the further implementation of the Obrenovac-Novı Belgrade heating pipeline construction project. The transport heat pipe of the non-urban heat pipe connects the heat source - thermal power plant "Nikola Tesla A" in Obrenovac with the heating plant (TO) Novi Beograd. This project foresees the heating of Belgrade. Based on the above, the Company recognized subsidies in the amount of 226,100 thousand dinars (December 31, 2022: 416,500 thousand dinars).

The company received funds in the name of financial and technical assistance from agencies and similar authorities at the international level, which were initially recognized as deferred income. All international treaties or agreements have been ratified by the National Assembly of the Republic of Serbia.

Changes in deferred income based on donations received during 2023 and 2022 were as follows:

	In RSD thousand	
	<u>31 December 2023</u>	<u>31 December 2022</u>
Opening balance	8,826,018	8,575,955
The value of funds transferred from third parties without compensation (donations)	147,662	158,748
Reversal of deferred income in favour of current income on a systematic basis (note 8)	(384,228)	(218,873)
RS subsidies for the reconstruction of blocks A3-A6 in the TENT Branch, and as part of the construction of the Obrenovac-Belgrade heat pipeline	226,100	416,500
Other	(142,282)	(106,312)
Closing balance	<u>8,673,270</u>	<u>8,826,018</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

36. SHORT-TERM FINANCIAL LIABILITIES

	In RSD thousand	
	31 December 2023	31 December 2022
<i>Liabilities in foreign currency</i>		
Current portion of long-term loans – foreign that mature up to one year	21,714,769	29,841,686
Current portion of long-term loans – domestic in foreign currency with a maturity of up to one year	16,175,154	15,000,883
Part of liabilities based on leasing abroad that is due up to one year	410	592
	<u>37,890,333</u>	<u>44,843,161</u>
<i>Liabilities in RSD</i>		
Short-term domestic loans	1,671	1,671
Part of liabilities based on leasing abroad that is due up to one year	3,100,000	6,989,997
Current portion of the reprogrammed obligations based on public revenues that are due up to one year	-	1,614
Current portion of the obligations based on leasing	7,213	8,587
	<u>3,108,884</u>	<u>7,001,869</u>
Other short-term financial liabilities in foreign currency	3,364	3,016
Other short-term financial liabilities in RSD	157,931	27,218
	<u>41,160,512</u>	<u>51,875,264</u>

Obligations based on long-term loans abroad that mature up to one year in the amount of 21,714 thousand dinars (December 31, 2022: 29,841,686 thousand dinars) refer to loans from international financial organisations in the amount of 8,659,371 thousand dinars (December 31, 2022: 17,472,161 thousand dinars), loans granted by state governments in the amount of 12,981,599 thousand dinars (December 31, 2022: 10,847,807 thousand dinars) and loans granted by commercial banks in the amount of 73,798 thousand dinars (December 31, 2022: 1,521,718 thousand dinars).

Liabilities based on long-term loans in the country in foreign currency that mature up to one year in the amount of 16,175,154 thousand dinars (December 31, 2022: 15,000,883 thousand dinars) consist of liabilities based on the Paris Club of Creditors in the amount of 2,318,939 thousand dinars (December 31, 2022: 3,991,064 thousand dinars), liabilities based on other refinanced loans in the amount of 188,801 thousand dinars (December 31, 2022: 193,371 thousand dinars), loans approved by domestic commercial banks in the amount of 13,667,414 thousand dinars (December 31, 2022: 10,816,261 thousand dinars), and the amount of 187 thousand dinars on the December 31, 2022 refers to other liabilities.

Liabilities based on long-term loans in the country in dinars that mature within one year in the amount of 3,100,000 thousand dinars (December 31, 2022: 6,989,997 thousand dinars) refer to liquidity loans granted to the Company during 2021 by domestic commercial banks.

37. CUSTOMER PREPAYMENTS, DEPOSITS AND CAUTION MONEY

	In RSD thousand	
	31 December 2023	31 December 2022
Advances received:		
- in RSD	81,220	321,286
- in foreign currency	137	137
Deposits and sureties received	223,605	128,548
Advances received from households in dinars	1,277	973
	<u>306,239</u>	<u>450,944</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

38. OPERATING LIABILITIES

	In RSD thousand	
	31 December 2023	31 December 2022
Suppliers - other related legal entities in the country	57,228	182,611
	<u>57,228</u>	<u>182,611</u>
Trade payables – domestic	22,391,129	36,965,557
AD "Elektromreza Srbije", Belgrade	1,021,616	1,754,210
"Elektrodistribucija Srbije" d.o.o., Belgrade	25,767,259	34,455,764
	<u>49,180,004</u>	<u>73,175,531</u>
Trade payables – foreign	13,053,090	18,522,777
Other trade payables:		
- expropriation liabilities	63,603	306,391
- liabilities for compensation for damages from operations	20,578	10,474
- other	2,713,379	2,534,453
	<u>2,797,560</u>	<u>2,851,318</u>
	<u>65,087,882</u>	<u>94,732,237</u>

Liabilities to the legal entity "Elektrodistribucija Srbije" d.o.o., Belgrade, stated with the balance as of December 31, 2023 in the amount of 25,767,259 thousand dinars (31 December 2022: 34,455,764 thousand dinars) relate to obligations towards "Elektrodistribucija Srbije" d.o.o., Belgrade based on the fee for access to the distribution system (note 10).

Obligations towards the legal entity A.D. "Elektromreža Srbije" stated with the balance as of December 31, 2023 in the amount of 1,021,616 thousand dinars (on December 31, 2022: 1,754,210 thousand dinars) refer to obligations based on fees for access and use of the system for electricity transmission, capacity lease and balance responsibility (note 10).

Obligations to suppliers abroad stated with the balance as of December 31, 2023 in the amount of 13,053,090 thousand dinars (on December 31, 2022: 18,522,777 thousand dinars) refer to the assumed obligations in connection with the renewal and revitalization of the plant and equipment, which are financed from borrowed funds (note 33).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

39. OTHER CURRENT LIABILITIES

	In RSD thousand	
	31 December 2023	31 December 2022 <i>Adjusted</i>
Obligations from specific jobs	1,955,846	1,946,863
Other obligations towards employees	231,351	145,622
Liabilities for unpaid wages and salaries, net	1,384,949	1,290,539
Liabilities for taxes and contributions:		
- charged to employee	545,208	512,386
- charged to employer	388,624	474,516
Other liabilities for wages and salaries	28,385	29,994
Liabilities for interests and financing costs	29,930	111,755
Liabilities for dividends and profit share	3,032,107	3,032,107
Liabilities towards members of Executive and Supervisory board	2,631	1,090
Liabilities towards individuals	34,074	30,996
Other liabilities	25,719,997	63,908,550
Deferred value added tax	4,967,228	3,800,704
Liabilities based on value added tax	4,968,626	1,906,092
Tax liabilities from the result	17,737,089	-
Fees for the use of water and other public goods	1,338,356	638,011
Fees for energy efficiency	89,544	87,682
Fees for environmental protection	3,020,098	2,388,278
Other obligations based on other public revenues	58,441	375,749
Obligations based on excise duty	5,257,595	4,062,770
Obligations for other taxes, customs duties and other duties	77,259	111,431
	70,867,338	84,855,135

Obligations from specific operations reported on December 31, 2023 in the amount of 1,955,846 thousand dinars (December 31, 2022: 1,946,863 thousand dinars) refer to obligations based on fee for the Public Media Service, which is the parent company as an electricity supplier obliged to collect from end customers for the account of the Public Media Service (notes 6 and 28).

Liabilities for dividends and profit sharing reported on December 31, 2023 in the amount of 3,032,107 thousand dinars (December 31, 2022: 3,032,107 thousand dinars) refer to obligations towards the founder recognized in earlier years based on decision of the Supervisory Board of the Parent Company on the distribution of profit in favor of the founder, and in accordance with the Law on the Budget of the Republic of Serbia, and on obligations to employees and former employees in the name of participation in the profit determined according to the financial statements for the year ending on December 31, 2015, in accordance with the decision of the Supervisory Board of December 6, 2018.

During the reporting period there was a decrease in other liabilities that incurred in 2022 as a result of support during the energy crises because of limitation in electricity prices.

As disclosed in note 6, other liabilities with a balance as of December 31, 2023 include contractual liabilities to customers of electricity on guaranteed and commercial supply based on subscriptions and undistributed customer payments in the amount of 2,549,146 thousand dinars (31 December 2022: 2,306,800 thousand dinars).

Deferred liabilities based on the reported VAT refer to the tax due for the next tax period, which was paid after reducing the previous value added tax after the balance sheet date.

Obligations based on public revenues were settled by the Company after the balance sheet date within the terms stipulated by tax regulations and/or tax administrative acts. In the event that the same documents are not received, the Company has the obligation to pay in advance in the amount of the previously determined obligation until the receipt of the same documents from tax and other authorities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

40. SHORT-TERM ACCRUED EXPENSES

	In RSD thousand	
	31 December 2023	31 December 2022
Accrued expenses	1,819,673	1,128,247
Other accruals	2,977,078	927,233
	<u>4,796,751</u>	<u>2,055,480</u>

The calculated costs shown with the balance as of December 31, 2023 in the amount of 1,819,673 thousand dinars (December 31, 2022: 1,128,247 thousand dinars) include the amount of 1,629,976 thousand dinars (December 31, 2022 : 1,056,484 thousand dinars) recognized for the calculation of interest on loans and credits for which no accounting document has been received.

Other accruals include the amounts of value added tax contained in advances made to suppliers (gross principle of recognition of value added tax).

41. OFF BALANCE SHEET ASSETS AND LIABILITIES

	In RSD thousand	
	31 December 2023	31 December 2022
Material for processing	79	79
Liabilities for issued guarantees and other types of collateral for liabilities	183,533,074	205,116,264
Receivables for received guarantees and other types of collateral for receivables	63,205,168	56,176,172
Other off-balance sheet records	68,934	68,934
	<u>246,807,255</u>	<u>261,361,449</u>

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

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

	In RSD thousand	
	31 December 2023	31 December 2022 <i>Adjusted</i>
Indebtedness a)	176,101,006	166,356,252
Cash and cash equivalents	37,125,145	14,145,781
Net indebtedness	138,975,861	152,210,471
Capital b)	632,156,004	524,665,695
Total debt to equity ratio	<u>0.22</u>	<u>0.29</u>

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

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

Significant accounting policies that pertain to financial instruments

Details of significant accounting policies, as well as the criteria and basis for recognizing revenue and expenses for all types of financial assets and liabilities are disclosed in Note 3 to these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial instruments categories

	31 December 2023	In RSD thousand 31 December 2022
Financial assets		
Equity investments	317,884	313,817
Long-term financial investments and receivables	2,511,483	2,718,578
Trade receivables	87,364,929	63,991,772
Short-term loans and short-term financial investments	361,932	304,716
Other receivables	10,890,069	9,148,403
Cash and cash equivalents	37,125,145	14,145,781
	<u>138,571,442</u>	<u>90,623,067</u>
Financial liabilities		
Long-term borrowings	134,940,232	114,480,988
Other long-term liabilities	262	-
Trade payables	65,087,882	94,732,237
Other short-term liabilities	30,771,954	69,030,271
Current portion of long-term borrowings	40,997,546	51,843,359
Short-term financial liabilities	162,966	31,905
	<u>271,960,842</u>	<u>330,118,760</u>

The Company's primary financial instruments are cash and cash equivalents, receivables from customers based on sales and interest, and payables to suppliers, whose primary purpose is to finance the Company's current operations. Under normal business conditions, the Company is exposed to the following risks.

Objectives of financial risk management

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

Market risk

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

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

Currency risk

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Currency risk (continued)

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

	Assets		Liabilities	
			In RSD thousand	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
EUR	11,013,430	7,601,625	95,552,901	76,667,358
JPY	25,625	5,091	13,889,996	17,638,947
CHF	1	1	786,472	2,092,734
USD	12,010,726	2,803,674	71,864,172	74,751,284
XDR	251,384	432,410	251,939	433,365

The Company is sensitive to changes in foreign exchange rates of currencies. The table below represents details of sensitivity analysis of the Company to increase and decrease of 10% in exchange rates of Serbian dinar to foreign currencies. The sensitivity rate of 10% is used for internal review of currency risk and represents an estimate of the Management of reasonably expected changes in foreign exchange rates. Sensitivity analysis includes only unsettled receivables and liabilities disclosed in foreign currency and harmonizes their translation at period end for change of 10% in foreign exchange rates.

	31 December 2023		31 December 2022	
			In RSD thousand	
	RSD strengthening	RSD weakening	RSD strengthening	RSD weakening
EUR	8,453,947	(8,453,947)	6,906,573	(6,906,573)
JPY	1,386,437	(1,386,437)	1,763,386	(1,763,386)
CHF	78,647	(78,647)	209,273	(209,273)
USD	5,985,345	(5,985,345)	7,194,761	(7,194,761)
XDR	56	(56)	96	(96)
The result current period	15,904,432	(15,904,432)	16,074,089	(16,074,089)

Sensitivity of the Company to changes in foreign currencies decreased in the current period, mainly based on the effects of a nominal increase in liabilities denominated in USD and EUR.

Interest rate risk

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

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

Interest rate risk (continued)

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

	31 December 2023	In RSD thousand 31 December 2022
Financial assets		
<i>Interest-free:</i>		
- Equity-investments	317,884	313,817
- Long-term financial investment and long-term receivables	778,841	779,103
- Trade receivables	87,364,929	63,991,772
- Cash and cash equivalents	2,274,819	2,652,757
- Other receivables	576,002	-
	<u>91,312,475</u>	<u>67,737,449</u>
<i>Fixed interest-rate:</i>		
- Long-term financial investments and long-term receivables	506,461	432,690
- Short-term loans and short-term financial investments	24,431	44,771
- Cash and cash equivalents	34,850,326	11,493,024
	<u>35,381,218</u>	<u>11,970,485</u>
<i>Variable interest-rate</i>		
- Long-term financial investments and long-term receivables	1,226,181	1,506,785
- Short-term loans and short-term financial investments	337,501	259,945
- Other receivables	10,314,067	9,148,403
	<u>11,877,749</u>	<u>10,915,133</u>
	<u>138,571,442</u>	<u>90,623,067</u>

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

	31 December 2023	In RSD thousand 31 December 2022
Financial liabilities		
<i>Interest-free:</i>		
- Trade payables	65,087,882	94,732,237
- Other liabilities	30,463,617	64,051,301
	<u>95,551,499</u>	<u>158,783,538</u>
<i>Fixed interest rate:</i>		
- Long-term borrowings	25,321,520	30,642,809
- Current portion of long-term borrowings	19,275,154	21,990,880
- Short-term financial liabilities	-	1,614
	<u>44,596,674</u>	<u>52,635,303</u>
<i>Variable interest rate</i>		
- Long-term borrowings	109,618,712	83,838,179
- Other long-term liabilities	262	-
- Other liabilities	308,337	4,978,970
- Current portion of long-term borrowings	21,722,392	29,852,479
- Short-term financial liabilities	162,966	30,291
	<u>131,812,669</u>	<u>118,699,919</u>
	<u>271,960,842</u>	<u>330,118,760</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk (continued)

The sensitivity analysis presented in the following text were established based on the exposure to changes in interest rates for the instruments at the balance sheet date. For liabilities with a variable rate, the analysis was compiled under the assumption that the remaining amount of assets and liabilities on the balance sheet date was unchanged throughout the year. Increase or decrease of 1% represents, according to the Management, is an assessment of a realistically possible change in interest rates. If the interest rate were 1% higher/lower, and all other variables remained unchanged, the Group would suffer an operating loss for the year ending on December 31, 2023 in the amount of RSD 1,199,349 thousand (December 31, 2022: 1,007,848 thousand dinars). This situation is attributed to exposure.

Credit risk

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

Trade receivables and contract assets

The Group's exposure to credit risk based on trade receivables and contractual assets as of December 31, 2023 and December 31, 2022 is shown in the following table:

	Gross exposure	Allowance	In RSD thousand Net exposure
Not due trade receivables	52,892,897	(1,086,604)	51,806,293
Overdue, corrected accounts receivable	105,165,456	(69,606,820)	35,558,636
31 December 2023	158,058,353	(70,693,424)	87,364,929
Not due trade receivables	34,607,971	(537,813)	34,070,158
Overdue, corrected accounts receivable	98,254,844	(68,333,230)	29,921,614
31 December 2022	132,862,815	(68,871,043)	63,991,772

In the structure of receivables from customers, receivables from customers based on electricity dominate. As of December 31, 2023, the Group's exposure to credit risk based on receivables from customers for the sale of electricity amounts to 75,515,606 thousand dinars, or about 85%:

	Gross exposure	Allowance	In RSD thousand Net exposure
Guaranteed supply	57,922,773	15,021,190	42,901,583
Commercial supply	47,884,741	15,667,126	32,217,615
Reserved supply	5,242,000	4,845,592	396,408
	111,049,514	35,533,908	75,515,606

Expected credit loss assessment for trade receivables from electricity

Estimates of collectability for trade receivables for sold electricity are made by groups and subgroups, using an allowance for impairment matrix with impairment coefficients. These are calculated based on historical figures on credit losses and are updated periodically to reflect actual credit losses.

Loss rates are calculated using a 'roll rate' method based on probability of a receivable progressing through successive stage of delinquency to write off. Roll rates are calculated separately for exposure in different segments based on the common credit risk characteristics.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

Credit loss rates for supplied electricity (and related receivables) are estimated separately for the following categories of customers: commercial supply, reserved supply and guaranteed supply.

Credit loss rates are based on actual credit loss experience over the past years.

The following table provides information about exposure to the credit risk and expected credit losses for trade receivables for guaranteed, commercial and reserve supply customers as at 31 December 2023:

	Weighted- average loss rate	Gross exposure	In RSD thousand Credit loss
Guaranteed supply			
Not past due receivables	1.95%	24,125,382	470,311
Less than 30 days	3.32%	1,855,442	61,672
31-60	8.66%	2,650,321	229,515
61-90	12.35%	2,049,636	253,146
91-180	16.08%	3,716,463	597,763
181-270	34.20%	2,164,553	740,248
271+	59.31%	21,360,975	12,668,535
		57,922,772	15,021,190
Commercial supply			
Not past due receivables	2.12%	28,714,391	609,633
Less than 30 days	7.34%	1,788,988	131,389
31-60	21.76%	1,105,799	240,599
61-90	40.60%	528,330	214,478
91-180	46.12%	901,463	415,746
181-270	65.67%	450,311	295,718
271-360	75.03%	285,222	213,989
361+	96.00%	14,110,237	13,545,573
		47,884,741	15,667,125
Reserved supply			
Not past due receivables	12.54%	53,124	6,659
Less than 30 days	17.86%	33,442	5,972
31-60	77.62%	25,769	20,002
61-90	62.06%	7,714	4,787
91-180	74.58%	92,742	69,164
181-270	89.01%	70,968	63,172
271-360	85.69%	110,343	94,555
361+	94.50%	4,847,898	4,581,280
		5,242,000	4,845,591

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

Table of changes in the correction of the value of financial assets

The table of changes in the value correction of financial assets for 2023 and 2022 is presented in the following table:

	In RSD thousand							Total
	Long-term financial investments	Long-term receivables	Trade receivables	Receivables from specific operations	Other receivables	Short-term financial investments	Cash and cash equivalents	
Balance at 1 January 2022	2,436,599	1,562,461	63,133,037	1,108,094	9,150,395	550,357	267,729	78,208,672
Correction of the initial balance	-	-	(338,347)	-	338,347	-	-	-
Corrected balance at 1 January 2022	2,436,599	1,562,461	62,794,690	1,108,094	9,488,742	550,357	267,729	78,208,672
Corrections on the income statement	98,462	1,657	6,544,045	117,357	1,242,212	1,861	-	8,005,594
Write-off of receivables and investments	-	(770,228)	(37,622)	(1,406)	(422,907)	(41,798)	(16,873)	(1,290,834)
Income from adjustment of value adjustment - collection of receivables and reduction of value adjustment (note 19)	(3)	(16,084)	(387,507)	(200)	(9,836)	-	-	(413,630)
Exchange rate differences	-	-	1,228	-	-	-	-	1,228
Collection of previously impaired receivables (Note 21)	-	-	(3,318)	-	-	-	-	(3,318)
Transfers	(88,428)	(72,778)	(31,005)	-	31,005	161,206	-	-
Posting a correction based on UPPR (note25)	1,250,530	-	-	-	-	-	-	1,250,530
Increase based on valuation of securities	617	-	-	-	-	-	-	617
Other	-	-	(9,468)	-	-	-	-	(9,468)
Balance at 31 December 2022	3,697,777	705,028	68,871,043	1,223,845	10,329,216	671,626	250,856	85,749,391
Corrections on the income statement	-	33,145	3,226,705	-	1,917,068	-	-	5,176,918
Write-off of receivables and investments	(380,125)	-	(2,871,603)	(234,436)	(506,373)	-	(6,230)	(3,998,767)
Income from adjustment of value adjustment - collection of receivables and reduction of value adjustment (note 19)	(238)	(940)	(859,483)	(10,887)	(185,818)	(17,619)	-	(1,074,985)
Conversion of receivables into equity	54,936	(54,936)	-	-	-	-	-	-
Collection of previously impaired receivables (Note 21)	-	-	(1,676)	-	-	-	-	(1,676)
Transfers	(5,556)	150,416	2,328,437	(116,379)	(2,212,058)	(144,860)	-	-
Increase based on valuation of securities	52	-	-	-	-	-	-	52
Other	-	(764)	1	29,836	(19,243)	(16,623)	-	(6,793)
Balance at 31 December 2023	3,366,846	831,949	70,693,424	891,979	9,322,792	492,524	244,626	85,844,140

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

Trade payables management

Trade payables as of December 31, 2023 were reported in the amount of 64,751,033 thousand dinars (December 31, 2022: 94,732,237 thousand dinars). During 2023, the group settled its obligations to suppliers in conditions of difficult liquidity.

Liquidity risk

The final responsibility for liquidity risk management rests with the Group's management, which has established an appropriate liquidity risk management system for the needs of short-term, medium-term and long-term financing of the Group, as well as managing the Group's liquidity by maintaining adequate cash reserves by continuously monitoring planned and actual cash flow, as well as maintaining adequate relationship between maturity of financial assets and liabilities.

Liquidity risk and credit risk tables

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

Financial assets maturity

	In RSD thousand 31 December 2023					
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest-free	90,119,384	-	96,366	-	1,096,725	91,312,475
Fixed interest rate	34,850,326	24,431	363,212	-	143,249	35,381,218
Variable interest rate	9,678,079	-	337,762	1,861,908	-	11,877,749
	134,647,789	24,431	797,340	1,861,908	1,239,974	138,571,442

	In RSD thousand 31 December 2022					
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest-free	66,644,529	-	-	-	1,092,920	67,737,449
Fixed interest rate	11,493,024	44,771	362,688	-	70,002	11,970,485
Variable interest rate	9,149,387	-	258,961	1,352,265	154,520	10,915,133
	87,286,940	44,771	621,649	1,352,265	1,317,442	90,623,067

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial liabilities maturity

	In RSD thousand 31 December 2023					Total
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Interest-free	75,808,858	19,685,413	57,228	-	-	95,551,499
Fixed interest rate	-	-	19,275,154	-	25,321,520	44,596,674
Variable interest rate	396,552	-	21,877,643	109,538,474	-	131,812,669
	76,205,410	19,685,413	41,210,025	109,538,474	25,321,520	271,960,842

	In RSD thousand 31 December 2022					Total
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Interest-free	121,870,586	36,490,136	422,816	-	-	158,783,538
Fixed interest rate	-	-	21,992,494	-	30,642,809	52,635,303
Variable interest rate	4,673,477	308,509	29,892,303	83,825,630	-	118,699,919
	126,544,063	36,798,645	52,307,613	83,825,630	30,642,809	330,118,760

Presented in the following table are present values of financial assets and financial liabilities and their fair value as at 31 December 2023 and 31 December 2022:

	31 December 2023		31 December 2022	
	Net book value	Fair value	Net book value	Fair value
Financial assets				
Equity investments	317,884	317,884	313,817	313,817
Long-term financial assets and long-term receivables	2,511,483	2,511,483	2,718,578	2,718,578
Trade receivables	87,364,929	87,364,929	63,991,772	63,991,772
Short-term loans and short-term financial investments	361,932	361,932	304,716	304,716
Other receivables	10,890,069	10,890,069	9,148,403	9,148,403
Cash and cash equivalents	37,125,145	37,125,145	14,145,781	14,145,781
	138,571,442	138,571,442	90,623,067	90,623,067
Financial liabilities				
Long-term borrowings	134,940,232	134,940,232	114,480,988	114,480,988
Other long-term liabilities	262	262	-	-
Trade payables	65,087,882	65,087,882	94,732,237	94,732,237
Other short-term financial liabilities	30,771,954	30,771,954	69,030,271	69,030,271
Current portion of long-term loans	40,997,546	40,997,546	51,843,359	51,843,359
Short-term financial liabilities	162,966	162,966	31,905	31,905
	271,960,842	271,960,842	330,118,760	330,118,760

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Assumptions for estimation of fair value of financial instruments

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

43. COMMITMENTS AND CONTINGENCIES

Litigations

As at 31 December 2023, there were pending lawsuits brought against the Group the value of which amounts to RSD 2,999,934 thousand (31 December 2022: RSD 3,430,451 thousand). The outcomes of these lawsuits are uncertain. As at 31 December 2023, based on corporate management estimates, the Group created a provision for contingent losses that may arise from these lawsuits (Note 33) totalling RSD 2,513,417 thousand (31 December 2022: RSD 2,975,045 thousand). As for other lawsuits for which a provision for contingent loss has not been made, the Group's management believes that no significant loss can be generated from these lawsuits.

Commitments resulting from investment contracts

As at 31 December 2023, for purchases of property, plant and equipment, the Group's commitments towards suppliers were as follows:

Supplier	Contract value	Completed by 31.12.2023	Branch
Consortium make-up: Elnos BL Koessler GmbH & Co KG	971,879	647,907	Obnovljivi izvori
WEIRTurkey Mineralleri LTD	473,903	421,888	TE KO Kostolac
Extra Auto Transport	374,710	352,029	TE KO Kostolac
EX ING B&P DOO Beograd	3,689,894	3,147,532	TE Nikola Tesla
Energotehnika-Južna Bačka DOO	3,688,370	2,800,193	TE Nikola Tesla
Mitsubishi Power LTD	15,932,272	10,282,334	TE Nikola Tesla
Hidro-Tan DOO Beograd	1,101,441	607,209	Obnovljivi izvori
China Machinery Engineering Corporation (CMEC)	75,758,497	66,350,112	TE KO Kostolac
Power Machines PJSC	4,584,475	2,415,931	HE Đerdap
Nari Group Corporation	1,563,153	1,381,626	Obnovljivi izvori
ESOTECH Družba za Ril	1,144,833	224,778	TE Nikola Tesla
ELEKTROMONTAŽA DOO Kraljevo	1,405,278	9,160	TE Nikola Tesla
Siemens Gamesa Renewable	13,901,839	150,819	TE KO Kostolac
Consortium make-up: Mitsubishi Hitachi Power Systems Ltd., Itochu Corporation, Mitsubishi Hitachi Power Systems Europe GmbH, and Jedinstvo AD Sevojno	24,630,815	22,860,530	TE Nikola Tesla
Toshiba International Europe LTD	3,058,234	152,326	Drinsko-Limske HE
	152,279,593	111,804,374	

As at 31 December 2022, total commitments resulting from PPE investment contracts amounted to RSD 60,229,222 thousand.

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43. COMMITMENTS AND CONTINGENCIES (continued)

Contingent liabilities based on agreements concluded with Local Government Units

The Group has contingent liabilities for infrastructure projects agreed with Local Government Units. These agreements most often regulate issues needing consideration such as: regulation of watercourses and infrastructure corridors, areas of mining and related activities; protection of water sources; moving settlements and relocating facilities; building or remodelling educational, cultural, health, religious, sports, infrastructural facilities, waste water treatment plants, water and other facilities, including maintaining water level in rivers in the Black Sea basin; removing the harmful effects of sedimentation, etc. with the involvement of Local Government Units in terms of co-financing or providing conditions in construction in accordance with the regulations governing planning and construction, expropriation of real estate in the units of local government.

However, there are some uncertain future events not wholly within the control of the Group such as: hydrometeorological hazards, changes in water level, fulfilment of contractual obligations assumed by Local Government Units - signatories to the agreement, as well as owner consent. In Certain agreements (program concepts and similar), the estimated funding required settle the Group's total commitments is not included whereas some previous agreements, even though the value was projected, have not been executed, at least not in the scope initially determined, given that no events occurred that would lead to an outflow of economic benefits. The execution of agreements with Local Government Units will be confirmed only upon completion of Local Government commitments or upon the occurrence or non-occurrence of one or more uncertain future events over which the Parent Company has no control, and the value and probability of occurrence cannot be reliably established.

For each completed project, operating liabilities have been recognised as disclosed in table below:

No.	Agreement Title	In RSD thousand Total contract value recorded by 31.12.2023.
1.	Relocation Programme for the settlement of Vreoci Agreement on implementing the relocation program for parts of settlements of	2,461,042
2.	Baroševac and Zeoke	1,511,466
3.	Agreement regulating mutual relationships in respect of the relocation of public facilities from CaM. Mali Borak and CaM. Skobalj	468,221
4.	Agreement on financing the relocation of monuments located in the zone of influence of mine sites	45,096
5.	Agreement of regulating mutual relationships on the occasion of opening the surface mine „Radljevo“- Phase I (RSD 6,242,448,002)	2,876,414
6.	Agreement regulating mutual relationships during the financing of repairs and improvements of infrastructure facilities in the City of Požarevac.	388,987
7.	Self-government Agreement addressing the rights and obligations during property expropriation, relocation of settlements, and construction of the HEPS Djerdap	439,829

Commitments to the Deposit Insurance Agency

The Group has not reconciled its liabilities to the Deposit Insurance Agency (DIA), which manages assets and liabilities transferred in the bank restructuring process and performs other tasks related to the bank restructuring process, in accordance with the Law on the Deposit Insurance Agency. The disputed amount is relative to liabilities to creditors of the London Club and for principal debt amounting to USD 42,148,080,27, plus interest amounting to USD 45,019,418.89, which in RSD equivalent at the Balance sheet date amounts to RSD 9,228,170 thousand.

Namely, the disputed amount refers to borrowed funds of public companies from the territory of AP KiM and are directly related to the assets of the same companies, over which the Group, despite relational capital, has no control as stated in Note 1. The End User, according to binding borrowing agreements, refers to companies from the territory of AP KiM.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

44. RECONCILIATION OF RECEIVABLES AND LIABILITIES

In accordance with Article 22 of the Law on Accounting, the Parent Company reconciled its claims and liabilities with debtors and creditors. Reconciliation of claims and liabilities was carried out with the balance as of October 31, 2023. The number of non-compliant placements and claims is 8,127 in the amount of 2,592,383 thousand dinars, which is 17% of the total number of claims and 2% of the total value of recognized placements and claims as of October 31, 2023. The number of non-compliant obligations is 2,882 in the amount of 11,860,632 thousand dinars, which is 21% of the total number of obligations and 36% of the total value of recognized obligations as of October 31, 2023.

45. TAX RISKS

The tax laws of the Republic of Serbia are often interpreted differently and are subject to frequent changes. The interpretation of tax laws by the tax authorities in relation to the Company's transactions and activities may differ from management's interpretation. The statute of limitations for the tax liability is five years. This practically means that the tax authorities have the right to order the payment of outstanding liabilities within five years from the time the obligation arose.

46. EVENTS AFTER BALANCE SHEET DATE

Loans with international financial institutions

Negotiations with the EBRD bank regarding the provision of loans for the rehabilitation of several large hydropower plants (Bistrica, Potpeć, Đerdap) are ongoing.

The content of the loan agreement and the guarantee agreement with the EBRD bank for the project "Vlasina HPP" worth 67 million euros has been finalized. For the same project, a donation (grant) in the amount of 15.482 million euros has been secured through the EBRD bank. The grant agreement is currently in the process of being finalized. It will be signed simultaneously with the loan agreement, following approval from the Government of the Republic of Serbia.

A contract has been signed with Cassa depositi e prestiti SpA, Italy, regarding securing a loan to transition the country's energy sector to a sustainable system with low carbon dioxide emissions, in the amount of 100 million euros. Once the National Assembly of the Republic of Serbia ratifies the agreement, it will become effective.

Construction of the wind park "Kostolac"

On January 29, 2024, an agreement was signed between the Republic of Serbia, the German KfW Bank and the Parent Company on the financing of the project for the construction of the "Kostolac" wind farm. With this project, a wind farm with a total installed capacity of 66 MW will be built in the TE KO Branch, on the site of both closed and recultivated surface coal mines. The project is financed by a loan and donation from the German KfW bank, a donation from the European Union and funds from the parent company.

The expected completion of the works is 2025. For the purposes of use and maintenance, access roads and connections to state roads will be built, as well as a facility for connecting to the grid (35/110 kV substation and switchgear). Construction will take place in several locations, including Drmno, Petka, Ćirikovac and Klenovnik. It is predicted that the lifetime of the wind farm will be 20 years.

Subsidiary company "Elektrosever" d.o.o. Northern Mitrovica

Within the negotiation process with the Provisional Institutions of Self-Government in Pristina, which is conducted with the mediation of the European Union, several agreements related to the issue of energy were reached: Arrangement in the field of energy from 2013, Action plan in the field of energy from 2014, Conclusions EU mediators from 2015 and the Roadmap for the implementation of energy agreements from 2013 and 2015, achieved in 2022.

Based on the aforementioned agreements, the parent company exercises founding rights in the company "Elektrosever" d.o.o. North Mitrovica, which is based in the area of AP Kosovo and Metohija. The parent company through the subsidiary "Elektrosever" d.o.o. North Mitrovica, on the basis of these agreements, started supplying electricity to the population in four municipalities in the north of AP Kosovo and Metohija from January 1, 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2023

46. EVENTS AFTER BALANCE SHEET DATE (continued)

The main activity of the company will be the supply and distribution of electricity (such as invoicing and collection of electricity, maintenance, connection and disconnection from the network) to consumers in the municipalities of Severna Mitrovica, Zvečan, Leposavić and Zubin Potok.

In order to ensure the conditions for the smooth operation of the company and the security of electricity supply, on March 19, 2024, the Assembly of the Parent Company passed Decision No. 12.01.238650/4-2024 on the increase of the financial stake in the capital of the subsidiary "Elektrosever" d.o.o. North Mitrovica, in the amount of 23,000,000 euros, which the Parent Company will pay successively within six months from the date of its adoption.

47. FOREIGN EXCHANGE RATES

Middle and average exchange rates for foreign currency, as determined at the interbank foreign exchange market, that are used in translating line items stated in foreign currencies into dinars are presented below:

	In thousand RSD	
	31 December 2023	31 December 2022
EUR	117.1737	117.3224
USD	105.8671	110.1515
CHF	125.5343	119.2543
JPY	0.748762	0.830954