



Independent Auditor's Report

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

Our opinion

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

What we have audited

The Company's separate financial statements (hereafter "financial statements") comprise:

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

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 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 Company 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

Materiality	<ul style="list-style-type: none">• Overall Company materiality: RSD 4,565,433 thousand, which represents 1% of the revenue for year ended on 31 December 2023.
Key audit matters	<ul style="list-style-type: none">• 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 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.

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

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the 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 financial statements as a whole.



Overall Company materiality	RSD 4,565,433 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 Company as other benchmark 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 228,250 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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</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;

that are material to the Company's balance sheet.

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 mathematical accuracy of the underlying models;
- 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 3.18 (use of key judgements), and Note 23 (property, plant and equipment).

As at 31 December 2023, property, plant and equipment under lease and property plant and equipment under construction amounts RSD 173,240,402 thousand.

At the end of each reporting period the Company 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 Company considers the impairment of such assets. For the year ended 2023, the Company identified both internal and external indicators that could lead to the impairment of assets under construction, which are disclosed in Note 23.

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 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.



Reporting on other information including the Annual Report

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

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Annual Report we also performed procedures required by the Law on Accounting in the Republic of Serbia. Those procedures include considering whether the 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 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 Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the [consolidated] financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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 Belgrade

Belgrade, 21 June 2024

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

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

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

	Note	2023	2022 <i>Corrected</i>
Operating income			
Income from sales of products and services	5	456,543,264	353,221,498
Income from the realization of assets and goods	6	1,474,353	1,084,593
Increase in the value of unfinished and finished product inventories		2,085,856	864,723
Other operating income	7	37,760,631	3,004,100
Income from revaluation of assets (except financial)	8	97,016	196,008
		497,961,120	358,370,922
Operating expenses			
Costs of materials, fuel, and energy	9	(216,069,388)	(290,545,234)
Wages, salaries, and other personnel expenses	10	(49,514,120)	(46,217,651)
Depreciation expenses	11	(36,908,058)	(35,861,848)
Expenses from revaluation of assets (except financial)	12	(3,378,594)	(2,091,964)
Production service costs	13	(32,014,431)	(25,359,981)
Provision expenses	14	(6,891,454)	(2,058,039)
Non-production costs	15	(19,518,487)	(17,766,938)
		(364,294,532)	(419,901,655)
Operating profit/(loss)		133,666,588	(61,530,733)
Financial income			
Financial income from transactions with parent, subsidiary, and other related parties	16	1,430,825	1,026,408
Interest income	16	6,086,284	4,112,335
Foreign exchange gains and gains on currency clause	16	5,240,332	3,036,835
Other financial income	16	33,349	30,649
		12,790,790	8,206,227
Financial expenses			
Financial expenses from transactions with parent, subsidiary, and other related parties	17	(1,842)	(2,023)
Interest expenses	17	(5,921,036)	(3,922,005)
Foreign exchange losses and losses on currency clause effect	17	(838,029)	(4,362,927)
Other financial expenses	17	(548,282)	(193,893)
		(7,309,189)	(8,480,848)
Gain/(loss) on financing activities		5,481,601	(274,621)
Income from revaluation of financial assets presented at fair value through the income statement	18	1,107,599	611,772
Expenses from revaluation of financial assets presented at fair value through the income statement	19	(5,213,651)	(8,075,272)
Other incomes	20	1,690,091	2,148,015
Other expenses	21	(8,942,522)	(7,687,442)
		(11,358,483)	(13,002,927)
Total income		513,549,600	369,336,936
Total expenses		(385,759,894)	(444,145,217)
Profit/(loss) before tax		127,789,706	(74,808,281)

(continued)

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INCOME STATEMENTFor the period from 1st January to 31st December 2023

In RSD thousands

	Note	2023	2022
			<i>Corrected</i>
Profit/(loss) before tax		127,789,706	(74,808,281)
Income tax			
Tax expense for period	22	(17,716.804)	-
Deferred tax income for period	22	2,373,936	2,173,829
Net profit/(loss)		112,446,838	(72,634,452)

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

On behalf of the Company:

Dušan Živković		
Acting Director		

STATEMENT OF COMPREHENSIVE INCOME
From the period from 1st January to 31st December 2023
In RSD thousands

	Note	2023	2022 <i>Corrected</i>
Net operating profit			
Net profit/(loss)		112,446,838	(72,634,452)
Other Comprehensive gain/(loss), gross			
a) Items that will not be reclassified to the Income Statement in future periods			
Actuarial gains/losses arising from defined benefit plans	31	(2,621,870)	852,203
		(2,621,870)	852,203
b) Items that may subsequently be reclassified to the Income Statement in future periods			
Gains/(losses) arising from financial instruments measured at fair value through other comprehensive income	31	(1,367)	(4,954)
		(1,367)	(4,954)
Other gross comprehensive income/(loss)		(2,623,237)	847,249
Deferred tax income/(expense) on other comprehensive income or loss of the period		-	-
Net other comprehensive income/(loss)		(2,623,237)	847,249
Total other comprehensive income/(loss)		109,823,601	(71,787,203)

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

BALANCE SHEET
On 31st December 2023
In RSD thousand

	Note	31 st December 2023	31 st December 2022	1 st January 2022
			<i>Corrected</i>	<i>Corrected</i>
ASSETS				
Non-current assets				
Intangible assets				
Concessions, patents, licenses, trademarks, software, and other intangible assets	23	4,498,289	6,692,198	8,226,975
Intangible assets under lease and intangible assets under development	23	989,752	195,831	2,062,590
		5,488,041	6,888,029	10,289,565
Property, Plant, and Equipment				
Land and buildings	23	315,996,314	324,812,979	321,854,745
Plant and equipment	23	340,696,426	357,640,029	369,736,395
Investment properties	23	342,341	340,440	352,074
Property, plant, and equipment under lease and property, plant and equipment under construction	23	173,240,402	143,097,494	106,163,702
Other property, plant, and equipment and investments in third-party property, plant, and equipment	23	77,681	79,210	106,978
Advances for property, plant, and equipment in the country	23	20,918,441	7,526,085	6,104,480
Advances given to foreign entities for property, plant, and equipment	23	8,289,111	5,743,427	11,730,726
		859,560,716	839,239,664	816,049,100
Biological assets	23	473,826	539,560	502,441
		473,826	539,560	502,441
Long-term financial investments and long-term receivables				
Equity participations in legal entities (except equity accounted investments)	24	4,590,961	4,506,288	3,916,984
Equity accounted investments	24	-	27,984	27,984
Long-term investments (loans and advances granted) in the country	24	1,861,908	2,136,924	2,350,992
Other long-term financial investments and other long-term receivables	24	649,575	581,654	441,716
		7,102,444	7,252,850	6,737,676
Current Assets				
Inventories				
Raw materials, spare parts, tools, and small inventory	25	37,344,528	29,878,704	26,320,122
Work in progress and finished goods	25	5,199,488	3,119,370	2,254,648
Merchandise	25	538	1,277	1,519
Prepaid advances for inventories and services in the country	25	4,242,863	3,325,822	1,822,632
Advances prepaid to foreign entities for inventories and services	25	666,240	1,847,195	1,969,737
		47,453,657	38,172,368	32,368,658
Non-current assets held for sale and discontinued operations	25	741,091	-	163,509
Trade receivables				
Trade receivables – domestic	26	87,165,432	63,777,491	62,622,573
Trade receivables – foreign	26	29,591	7,837	73,667
Trade receivables –parent, subsidiaries and other related parties - domestic	26	6,518	2,213	3,287
Trade receivables– parent, subsidiaries, and other related parties – foreign	26	1,644,711	1,002,716	-
Other trade receivables	26	141,783	199,224	105,453
		88,988,035	64,989,481	62,804,980
Other short-term receivables				
Other receivables	27	17,216,984	13,998,020	13,458,669
Receivables for overpaid income tax	27	-	2,387,396	3,749,429
Receivables for overpaid taxes and contributions	27	261,197	1,148,066	162,678
		17,478,181	17,533,482	17,370,776

(continued)

BALANCE SHEET

On 31st December 2023
In RSD thousand

	Note	31 st December 2023	31 st December 2022	1 st January 2022
			<i>Corrected</i>	<i>Corrected</i>
Short-term financial investments				
Short-term loans, advances, and investments in the country	28	295,924	258,961	212,486
Other short-term financial investments	28	43,982	29,554	19,205
		339,906	288,515	231,691
Cash and cash equivalents	29	34,820,770	10,167,518	12,370,822
Prepaid expenses and other accruals	30	3,367,012	2,435,992	2,933,376
TOTAL ASSETS		1,065,813,679	987,507,459	961,822,594
Off-balance sheet assets	40	246,603,267	261,057,819	249,614,916
LIABILITY				
Equity				
Basic capital	31	365,105,090	360,895,339	360,532,532
Positive revaluation reserves and unrealized gains from financial instruments and other components of other comprehensive income	31	442,280,230	444,549,155	446,486,339
Unrealized losses from financial instruments and other components of other comprehensive income	31	(5,609,636)	(2,986,405)	(2,981,445)
Retained earnings				
Previous years' retained earnings	31	22,594,615	22,594,615	22,594,615
Current years' retained earnings	31	112,446,838	-	-
Loss				
Previous years loss	31	(304,800,876)	(228,506,106)	(211,147,070)
Current year loss	31	-	(72,634,452)	(14,948,733)
		632,016,261	523,912,146	600,536,238
Long-term provisions and liabilities				
Long-term provisions				
Provisions for fees and other benefits employees	32	18,669,078	12,396,184	14,877,228
Other long-term provisions	32	21,282,620	24,526,760	22,957,637
		39,951,698	36,922,944	37,834,865
Long-term liabilities				
Liabilities convertible into equity	33	80,500	80,500	80,500
Long-term loans, borrowings, and lease obligations in the country	33	25,330,039	30,654,659	21,168,304
Long-term loans, borrowings, and lease obligations abroad	33	109,528,888	83,745,130	71,533,476
Other long-term liabilities	33	-	-	14
		134,939,427	114,480,289	92,782,294
Long-term passive accruals				
Deferred tax liabilities	22	63,783,193	66,157,129	68,330,958
Long-term deferred income and received donations	34	8,671,151	8,823,866	8,573,770
Short term provisions and short-term financial liabilities				
Short-term financial liabilities				
Liabilities arising from loans and borrowings from non-domestic banks	35	10,802	11,894	60,891
Liabilities arising from loans from domestic banks	35	19,433,085	22,018,098	24,399,792
Loans, borrowings and liabilities from abroad	35	21,714,769	29,841,686	29,957,052
		41,158,656	51,871,678	54,417,735
Received advances, deposits, and guarantees	36	301,839	437,378	1,033,325

(continued)

BALANCE SHEET
On 31st December 2023
In RSD thousand

	Note	31 st December 2023	31 st December 2022	1 st January 2022
			<i>Corrected</i>	<i>Corrected</i>
Liabilities from operating activities				
Trade payables - parent, subsidiaries, and other related parties – domestic	37	238,439	294,146	90,510
Trade payables - domestic	37	49,036,176	72,991,832	52,348,394
Trade payables – abroad	37	12,922,093	18,455,400	18,156,667
Other trade payables	37	2,797,560	2,851,318	2,099,756
		64,994,268	94,592,696	72,695,327
Other short-term liabilities				
Other short-term liabilities	38	33,269,713	71,382,022	8,114,399
Liabilities for value-added tax and other public revenue	38	24,215,325	16,871,933	16,030,465
Corporate income tax liabilities	38	17,715,391	-	-
		75,200,429	88,253,955	24,144,864
Short term accruals	39	4,796,757	2,055,378	1,473,218
TOTAL LIABILITIES		1,065,813,679	987,507,459	961,822,594
Off-balance sheet liabilities	40	246,603,267	261,057,819	249,614,916

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

STATEMENT OF CHANGES IN EQUITY
In period from 1st January to 31st December 2023
In RSD thousands

	Equity components				Components of other comprehensive income	Total equity
	Basic equity	Other basic equity	Loss	Retained earnings	Revaluation reserves and unrealized losses and gains	
Opening balance as of 1st January 2022	360,461,085	71,447	(225,971,238)	22,594,615	443,504,894	600,660,803
Effects of retroactive correction material errors and changes in accounting policies	-	-	(124,565)	-	-	(124,565)
Restated opening balance as at 1st January 2022	360,461,085	71,447	(226,095,803)	22,594,615	443,504,894	600,536,238
Net changes in 2022	362,807	-	(75,044,755)	-	(1,942,144)	(76,624,092)
Closing balance as at 31st December 2022	360,823,892	71,447	(301,140,558)	22,594,615	441,562,750	523,912,146
Net changes in 2023	4,281,198	(71,447)	(3,660,318)	112,446,838	(4,892,156)	108,104,115
Closing balance as at 31st December 2023	365,105,090	-	(304,800,876)	135,041,453	436,670,594	632,016,261

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

STATEMENT OF CASH FLOW

In period from 1st January to 31st December 2023

In RSD thousands

	2023	2022
Cash flows from operating activities		
Cash inflows from operating activities	431,561,658	290,802,677
Sales and received advances in the country	415,501,982	285,070,973
Sales and received advances abroad	14,026,008	2,657,085
Interest received from operating activities	980,902	1,172,947
Other inflows from operating activities	1,052,766	1,901,672
Cash outflows from operating activities	353,393,830	291,695,134
Payments to suppliers and advances given in the country	207,500,225	85,713,681
Payments to suppliers and advances given abroad	18,192,111	99,848,244
Wages, salaries, and other personnel expenses	51,448,019	47,775,372
Interest paid in the country	3,643,747	2,140,296
Interest paid abroad	3,002,871	1,244,785
Corporate income tax	1,301,847	4,332,878
Outflows from other public revenues	68,305,010	50,639,878
Net cash inflow/(outflow) from operating activities	78,167,828	(892,457)
Cash flows from investing activities		
Cash inflows from investing activities	715,657	369,115
Sale of shares and interests	1,415	-
Sale of intangible assets, property, plant, equipment, and biological assets	399	24,584
Other financial investments	112,867	136,772
Interest received from investing activities	600,976	207,759
Cash outflows from investing activities	51,783,868	58,153,221
Purchase of shares and interests	64,523	594,266
Purchase of intangible assets, property, plant, equipment, and biological assets	51,605,954	57,205,123
Other financial investments	113,391	353,832
Net cash inflow/(outflow) from investing activities	(51,068,211)	(57,784,106)
Cash flows from financing activities		
Cash inflows from financing activities	30,377,241	97,649,291
Long-term loans in the country	6,748,410	36,183,512
Long-term loans abroad	23,475,412	1,575,627
Other short-term liabilities	153,419	59,890,152
Cash outflows from financing activities	32,601,915	41,049,623
Long-term loans in the country	14,609,037	29,372,332
Long-term loans abroad	15,086,752	11,560,344
Other liabilities	2,896,681	52,229
Financial leasing	9,445	64,663
Dividends paid	-	55
Net cash inflow/(outflow) from financing activities	(2,224,674)	56,599,668
Total cash inflow	462,654,556	388,821,083
Total cash outflow	437,779,613	390,897,978
Net cash inflow/(outflow)	24,874,943	(2,076,895)
Cash at the beginning of the reporting period	10,167,518	12,370,822
Positive exchange rate differences based on cash conversion	3,017	852
Negative exchange rate differences based on cash conversion	(224,708)	(127,261)
Cash at the end of the reporting period	34,820,770	10,167,518

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

NOTES TO FINANCIAL STATEMENTS
31 December 2023

1. COMPANY FORMATION AND OPERATIONS

Joint-stock company Elektroprivreda Srbije, Belgrade (The Company/JSC EPS), 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 the Base line for the reorganization of JP Elektroprivreda Srbije 05 number 023-784/2012, dated 16th November 2012, and a Conclusion on accepting the Reorganization Program of the Public Enterprise Elektroprivreda Srbije 05 No: 023-15149/2014, of 27th November 2014, which determined the necessity of changing the legal form to a joint stock company, of having a clear legal, organizational, and financial division of activities of general interest from market activities, and of achieving maximum business efficiency.

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

The Republic of Serbia is the founder and sole owner of the Company, and the rights of the founder are exercised by the Government. The basic capital of JSC EPS is 100 % share capital, divided into 36,510,509 ordinary shares with voting rights with par value of RSD 10,000.00 per share. All ordinary shares are issued and owned by the founder.

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

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

- The Shareholders' Assembly - By RS Government Conclusion 24, No. 119-3415/2023, dated 25th 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 8th 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 a four-year term. The Company's Acting Director shall continue to perform the duties of 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 of 31 December 2023, the 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 20th January 2016 with the approval of the Government of the Republic of Serbia - Decision 05 No 023-923/2016, dated 11th February. The company was registered on 7th 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 13th 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 FINANCIAL STATEMENTS
31 December 2023

1. COMPANY FORMATION AND OPERATIONS (continued)

In addition to the above, JSC EPS has investments in the following subsidiaries:

1. 71,90% stake in Kolubara - Građevinar d.o.o., Lazarevac, 1 Janka Stajčića street, based on receivables converted into share capital in accordance with a pre-prepared reorganization plan of Kolubara - Građevinar d.o.o. Lazarevac on 14th 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 19th 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 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 Company is electricity production - Activity Code 3511. In addition to its principal activity, the 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 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 company has a license for electricity supply activities No 312-137/2015-L-I, dated 23th December 2015 with a ten-year validity period, and a license for public electricity supply energy activities No 312-149/2016-L- dated 25th August 2016, with a validity period through to the guaranteed supplier selection date, but not to exceed ten years.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

1. COMPANY FORMATION AND OPERATIONS (continued)

For the reporting period, the RS Government passed a Decision to appoint the Company as Supplier of Last Resort for end users not entitled to a guaranteed supply, as disclosed in Note 5.

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 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-LI	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 Company's abbreviated name is: EPS AD, Beograd.

The Company's ID No. is: 20053658

The Company's tax identification number is 103920327.

As at 31 December 2023, the Company had 19,421 employees (31st December 2022: 19,631 employees).

The Founder's Acts adopting the 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 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 ("Official Gazette of RS" 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.

The adoption of by-laws on establishing the Company's relevant right on immovables over which the ownership right cannot be established under the Law on Public Property is pending. These by-laws are required so that the Company may perform energy and mining activities.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

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

2.1. Basis of preparation and presentation of financial statements

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

The Company's financial statements for the period from 1st January 2023 to 31st December 2023 are presented in the form provided for by the Law on Accounting ("Official Gazette of RS" 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 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 10th September, 2020 ("Official Gazette of the RS" ' No. 123/2020 and 125/2020), 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, plant 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 ("Official Gazette of RS" No. 89/2020), as well as in accordance with other applicable legal and sub-legal regulations in the Republic of Serbia. The above translations of the International Accounting Standards and the International Financial Reporting Standards are applicable to financial statements for the year ended 31 December 2021.

These financial statements are standalone financial statements. The Company also prepares consolidated financial statements.

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

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

In accordance with the Law on Accounting, the financial statements are presented in RSD thousand. RSD is the official reporting currency in the Republic of Serbia.

2.2. 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 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 Serbia.

- - Amendments to References to the Conceptual Framework in IFRS Standards (issued in March 2018, effective for annual periods beginning on or after 1st 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 1st January 2020).
- - Amendments to IFRS 3 "Business combinations" – definition of a business, issued in October 2018, effective for annual periods beginning on or after 1st January, 2020).
- - Revised framework for financial reporting - amendments published in March 2018, effective for annual periods beginning on or after 1st January 2020).

NOTES TO FINANCIAL STATEMENTS
31 December 2023

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

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

- 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 beginning on or after 1st January 2020).
- Amendments to IFRS 16 Leases – Covid-19-related Rent Concessions (amendments published in May 2020, effective for annual periods beginning on or after 1st 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 1st January 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 1st 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 1st 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 1st 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 1st January 2022);
- IFRS 17 Insurance Contracts - revised and issued in 2017 as a complete standard (initially, effective for annual periods beginning on or after 1st January 2021 – with amendments dated 25th June 2020, the International Accounting Standards Board decided to postpone the application of this standard for annual periods beginning on or after January 1, 2023), including amendments to Initial Application of IFRS 17 and related amendments to IFRS 9 Financial instruments: Comparative Information;
- 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 1st 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 1st January 2023);
- 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 31st March 2024).

NOTES TO FINANCIAL STATEMENTS
31 December 2023

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

2.3. Standards and interpretations issued but not yet effective

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

- 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 1st 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 1st 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 1st 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 1st January 2025).

2.4. The going concern concept

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

2.5. Comparative figures

2.5.1 Opening balance adjustments

Opening balance adjustments are presented in Note 4. For the effects of error correction, the Company has adjusted and reconciled comparative data in the 2022 financial statements.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

These 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 the date of these financial statements.

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

3.1. Revenues

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

Revenue is recognised when a Company 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:
 - o when the buyer simultaneously receives and consumes the benefits arising from the execution of the contract,
 - o 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,
 - o when the goods and services provided by the Company cannot be used in an alternative manner and the Company 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 Company 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 Company'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 credited to income but are charged to 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.

Revenue from the sale of electricity is recognized in the period when the electricity is delivered at the transaction price, exclusive of amounts collected in favour of third parties (VAT, energy efficiency fee, etc.) and approved discounts arising from the Company's usual business practice (Note 5).

The Company 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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 advance considerations either received or paid, the transaction date is determined for each received or paid advance consideration.

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.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

3.3. Joint arrangements and business combinations (continued)

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 standalone financial statements of the continuing entity do not contain comparable figures of the discontinued operation.

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,
- financial constrains in respect of lease liabilities,
- 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 Company provides to employees in accordance with the law, the general act, and the 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 Company provides jubilee awards, retirement, and other employee benefits in accordance with the Company's General Act, i.e., its commitment 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 Company if more favourable for the employee, and
- jubilee awards for 10, 20, 30, 35 and 40 years of service with the Company, amounting to 1, 2, 3, 3.5 and 4 average salaries earned in the Company in the past twelve months.

The expected costs of employee benefits are accrued over 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

NOTES TO FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(continued)

3.6. Provisions

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

Litigations

Provisions for legal claims and other provisions are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. 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 based on 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 Company in return for past or future compliance with certain conditions relating to the operating activities of the Company. 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:

- grants related to assets that are depreciated in the amount of calculated depreciation,
- grants that are not depreciated during the period in which costs that relate to fulfilling the obligations have incurred,
- grants received as part of financial or tax assistance during the period in which the set conditions are met,
- 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 Company 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 Company's ordinary course of business (advice, guarantee, etc).

NOTES TO FINANCIAL STATEMENTS
31 December 2023**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**
(continued)**3.8. Taxes and contributions***Current income tax*

Current income tax is calculated and paid in accordance with the Law on Income Tax applicable in the Republic of Serbia. Current income tax is paid at the rate of 15% on the tax base defined in the Company'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.

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 asset 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 Note and Note 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(continued)

3.9. Property, plant, and equipment (continued)

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 classes 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.

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.

The Fair value of property, plant and equipment 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 it is 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, other equipment and tools and fixtures the useful life of which is longer than one year are stated at cost after initial recognition.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(continued)

3.10. Investment property

Investment property is property (land or a building or part of a building or both) held by the Company 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, if 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.

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

For disclosure purposes, 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.

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 thermal power 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 thermal power 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	<u>12,50% -20.00%</u>

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 an asset's useful life is recognized as income or expense in current and future periods.

NOTES TO FINANCIAL STATEMENTS
31 December 2023**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**
(continued)**3.12. Leases**

At inception of a contract, the Company 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 the inception of a lease,

- 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, 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 Company as a Lessee

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

1. The right-of-use assets (ROU assets) separately from other assets, and
2. The lease liability separately from other liabilities

At inception of a lease contract, ROU assets are measured at cost, which comprises 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 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 are 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, and
- in all other cases, through to the earlier of the end of the asset's useful life or the end of the lease term.

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.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(continued)

3.12. Leases (continued)

The Company 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 Company 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,
- 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 reduced. Initial direct costs of an operating lease are added to the carrying value of the asset, which is the subject matter of the operating lease, and expensed during the term of the lease on the same basis as lease income.

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 current and future periods.

Intangible assets 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2023**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**
(continued)**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 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 higher of its fair value less costs 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 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 the acquisition of inventories, 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.

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 Company are considered (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 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2023**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**
(continued)**3.15. Inventory (continued)**

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 Company 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 Company, and
- financial assets cease to be recognised on the date the asset is delivered by the Company (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 are recognized at their transaction price.

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 Company transfers the financial asset, and the transfer qualifies for derecognition.

A financial asset is transferred only when the Company 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(continued)

3.16. Financial instruments (continued)

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 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 if it is not classified at fair value through profit or loss:

- the asset is held within a business model the objective of which is to hold financial assets to collect contractual cash flows,
- the contractual terms of the financial asset generate cash flows on specified dates that solely constitute payments of principal and interest on the outstanding principal amount.

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 measured at fair value through the income statement:

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

At initial recognition of an equity investment not held for trading, the Company can make an irrevocable election to measure subsequent changes at fair value within other comprehensive income. 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 the income statement. Additionally, the Company 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 the income statement if in this way it eliminates or significantly reduces the accounting inconsistency that would otherwise be created.

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

- financial liabilities at fair value through the 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(continued)

3.16. Financial instruments (continued)

Subsequent measurement of financial assets and liabilities

After initial recognition, financial assets are measured at either:

- amortized cost, within a business model whose objective is to hold financial assets to collect contractual cash flows, and the contractual terms of the financial asset generate cash flows on specified dates that solely constitute payments of principal and interest on the outstanding principal amount,
- 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 generate cash flows on specified dates that solely constitute payments of principal and interest on the outstanding principal amount,
- fair value through profit or loss, all financial assets other than those subsequently measured at amortized cost and at fair value through other comprehensive income, and financial liabilities measured 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 Company's standalone 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 investments 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.

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

Investments in related parties

Investments in related parties are stated at cost.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(continued)

3.16. Financial instruments (continued)

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 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.

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,

3.17. Impairment of financial assets

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 using 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 considered 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 Company is exposed to credit risk is considered, even if that period is longer than the maximum. For loan liabilities and financial guarantees, the date the Company becomes party to an irrevocable liability is considered the date of initial recognition for the purpose of impairment testing.

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.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(continued)

3.17. Impairment of financial assets (continued)

The recoverability of receivables is assessed by groups and subgroups using the 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 based on geographical area: Belgrade, Novi Sad, Kragujevac, Kraljevo and Nis),
- small-scale consumers (sub-segment formed based on geographical area: Belgrade, Novi Sad, Kragujevac, Kraljevo, and Niš),
- 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 December 31, 2022, 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.

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.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(continued)

3.17. Impairment of financial assets (continued)

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

Guaranteed supply

Number of days in delay	% expected credit losses (range)	
	Households	Small 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 of 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.

3.18. Significant accounting estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date, which 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.

Fair value of Property, Plant and Equipment

Items of property, plant and equipment intended for the performance of energy activities, and the Company's immovable property (Note 3.9.) are measured at fair value for financial reporting purposes. When estimating the fair value of these items, the Company uses observable data from the market to the extent that it is available and engages third-party authorized appraisers to estimate the value.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(continued)

3.18. Significant accounting estimates (continued)

Impairment of non-financial assets

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

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

- In 2022 and 2021, a net operating loss was recognised in the Company'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 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 Company performed impairment testing on assets as of 31st December 2022 and determined that the asset's value in use and recoverable amount exceed its carrying value, and therefore concluded that the Company's non-financial assets are not impaired, except for a portion of intangible assets, and PP&E under construction. On that account, impairment loss totalling RSD 1,545,597 thousand was recognised in the Company's 2022 Income statement (Notes 12 and 23).

The Company also analysed internal and external indicators of impairment to see whether there is any indication that property, plants and equipment and intangible assets may be impaired. Regarding external impairment indicators, in addition to the long-term trend of electricity prices, the Company 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 Company concluded that in 2023 there were no significant changes of any kind that would indicate a material change in the value of the Company's total assets and that there is no indication that the Company's property, plants and equipment may be impaired in its entirety nor in its branches.

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).

NOTES TO FINANCIAL STATEMENTS
31 December 2023**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**
(continued)**3.18. Significant accounting estimates (continued)***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 in the thermal power plants Kostolac and Nikola Tesla. Estimates on this basis require management judgement regarding the amount of land restoration liabilities that will arise in the future.

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 based on 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 23.

Provision for litigations

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

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 actuarial valuation. The actuarial valuation involves assumptions relating to the discount rate, forecast salary increases, mortality rates and employee turnover. In determining the appropriate discount rate, management considers interest rates equivalent to those applied to the Republic of Serbia bonds. The mortality rate is based on publicly available mortality tables.

Fair value

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

The Company's 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 Company assesses its overall risk exposure, and where it estimates that the value of assets stated in its books may not be realized, it recognizes a provision. In the opinion of the Company's management, the amounts disclosed in these financial statements represent the most valid and useful reporting values, given the existing market conditions.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

4. CORRECTIONS OF OPENING BALANCES

a) Effects of corrections on the balance sheet

The effects of the corrections and reclassifications on the balance sheet as of 1st January 2023 and 1st January 2021 are shown as follows:

	<u>1st January 2023 before corrections</u>	<u>Correction</u>	<u>1st January 2023 after corrections</u>	<u>1st January 2022 before corrections</u>	<u>Correction</u>	<u>1st January 2022 after correction</u>
ASSETS						
Non-current assets						
Intangible assets	6,888,029	-	6,888,029	10,289,565	-	10,289,565
Property, plant, and equipment	839,239,664	-	839,239,664	816,049,100	-	816,049,100
Biological assets	539,560	-	539,560	502,441	-	502,441
Equity investments and long-term fin. placements	7,252,850	-	7,252,850	6,737,676	-	6,737,676
	<u>853,920,103</u>	<u>-</u>	<u>853,920,103</u>	<u>833,578,782</u>	<u>-</u>	<u>833,578,782</u>
Current assets						
Inventory	38,172,368	-	38,172,368	32,368,658	-	32,368,658
Assets held for sale	-	-	-	163,509	-	163,509
Accounts receivables	64,989,481	-	64,989,481	62,804,980	-	62,804,980
Other receivables, VAT, receivables for overpaid taxes and contributions	17,533,482	-	17,533,482	17,370,776	-	17,370,776
Short term financial placements	288,515	-	288,515	231,691	-	231,691
Cash and cash equivalents	10,167,518	-	10,167,518	12,370,822	-	12,370,822
Prepaid expenses	2,435,992	-	2,435,992	2,933,376	-	2,933,376
	<u>133,587,356</u>	<u>-</u>	<u>133,587,356</u>	<u>128,243,812</u>	<u>-</u>	<u>128,243,812</u>
Total assets	<u>987,507,459</u>	<u>-</u>	<u>987,507,459</u>	<u>961,822,594</u>	<u>-</u>	<u>961,822,594</u>
LIABILITIES						
Equity						
Basic capital	360,895,339	-	360,895,339	360,532,532	-	360,532,532
Revaluation reserves and unrealized gains based on shares and other components of other comprehensive result	444,549,155	-	444,549,155	446,486,339	-	446,486,339
Unrealized loss based on shares and other components of other comprehensive result	(2,986,405)	-	(2,986,405)	(2,981,445)	-	(2,981,445)
Accumulated gain / (loss)	<u>(278,402,784)</u>	<u>(143,159)</u>	<u>(278,545,943)</u>	<u>(203,376,623)</u>	<u>(124,565)</u>	<u>(203,501,188)</u>
	<u>524,055,305</u>	<u>(143,159)</u>	<u>523,912,146</u>	<u>600,660,803</u>	<u>(124,565)</u>	<u>600,536,238</u>
Long-term liabilities and provisions						
Long-term provisions	36,922,944	-	36,922,944	37,834,865	-	37,834,865
Long-term liabilities and borrowings	114,480,289	-	114,480,289	92,782,294	-	92,782,294
Long-term deferred income and donations received	8,823,866	-	8,823,866	8,573,770	-	8,573,770
Deferred tax liabilities	66,157,129	-	66,157,129	68,330,958	-	68,330,958
	<u>226,384,228</u>	<u>-</u>	<u>226,384,228</u>	<u>207,521,887</u>	<u>-</u>	<u>207,521,887</u>
Short-term liabilities						
Short-term financial liabilities	51,871,678	-	51,871,678	54,417,735	-	54,417,735
Advances received	437,378	-	437,378	1,033,325	-	1,033,325
Accounts payable	94,592,696	-	94,592,696	72,695,327	-	72,695,327
Other short-term liabilities	88,110,796	143,159	88,253,955	24,020,299	124,565	24,144,864
Accruals	2,055,378	-	2,055,378	1,473,218	-	1,473,218
	<u>237,067,926</u>	<u>143,159</u>	<u>237,211,085</u>	<u>153,639,904</u>	<u>124,565</u>	<u>153,764,469</u>
Total liabilities	<u>987,507,459</u>	<u>-</u>	<u>987,507,459</u>	<u>961,822,594</u>	<u>-</u>	<u>961,822,594</u>

NOTES TO FINANCIAL STATEMENTS
31 December 2023

4. CORRECTIONS OF OPENING BALANCES (continued)

b) Effects of corrections on the income statement

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

	Year ended on 31 st December 2022 before corrections	Correction	In RSD thousands year ended on 31 st December 2022 after correction
OPERATING INCOME			
Income from the sale of products and services	353,221,498	-	353,221,498
Income from the realization of assets and goods	1,084,593	-	1,084,593
(Increase)/decrease in value of inventories	864,723	-	864,723
Income from revaluation assets (Except financial assets)	196,008	-	196,008
Other operating income	3,004,100	-	3,004,100
	<u>358,370,922</u>	<u>-</u>	<u>358,370,922</u>
OPERATING EXPENSES			
Costs of materials, fuel, and energy	(290,545,234)	-	(290,545,234)
Wages, salaries, and other personnel expenses	(46,199,057)	(18,594)	(46,217,651)
Depreciation expenses	(35,861,848)	-	(35,861,848)
Expenses from revaluation of assets (except financial assets)	(2,091,964)	-	(2,091,964)
Production service costs	(25,359,981)	-	(25,359,981)
Provision expenses	(2,058,039)	-	(2,058,039)
Non-production expenses	(17,766,938)	-	(17,766,938)
	<u>(419,883,061)</u>	<u>(18,594)</u>	<u>(419,901,655)</u>
OPERATING LOSS	<u>(61,512,139)</u>	<u>(18,594)</u>	<u>(61,530,733)</u>
Finance income	8,206,227	-	8,206,227
Finance expense	(8,480,848)	-	(8,480,848)
Other income and income from adjusting the value of financial assets carried at fair value in income statement	2,759,787	-	2,759,787
Other expenses and expenses from adjusting the value of financial assets carried at fair value in income statement.	(15,762,714)	-	(15,762,714)
LOSS BEFORE TAX	<u>(74,789,687)</u>	<u>(18,594)</u>	<u>(74,808,281)</u>
Tax expense for the period	-	-	-
Deferred tax expense for the period	2,173,829	-	2,173,829
NET LOSS	<u>(72,615,858)</u>	<u>(18,594)</u>	<u>(72,634,452)</u>

NOTES TO FINANCIAL STATEMENTS
31 December 2023

4. CORRECTIONS OF OPENING BALANCES (continued)

c) Effects of adjustments on the opening balance of the accumulated loss

Correction description	In RSD thousands	
	1 st January 2023	1 st January 2022
Balance of accumulated loss, previously disclosed	278,402,784	203,376,623
<i>Recognition of liabilities for income for employees that work in difficult conditions</i>	143,159	124,565
Balance of accumulated loss, corrected	278,545,943	203,501,188

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

Description of the correction	In RSD thousands
	2022
Loss as previously reported	(72,615,858)
<i>Recognition of liabilities for income for employees that work in difficult conditions</i>	(18,594)
Loss, corrected	(72,634,452)

e) Effects of corrections to the cash flow statement

Above mentioned corrections didn't have an impact to the cash flows from operating, investing or financing activities.

5. INCOME FROM THE SALE OF GOODS AND SERVICES

Sources of income

The company 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 st December 2023	2022
Sales of electricity	425,056,360	314,511,894
Sales of A.D. „Elektromreža Srbije“, Belgrade (a)	23,856,093	34,100,247
Sales of goods	4,965,956	4,225,779
Sales of services	2,283,938	5,637
Other (b)	380,917	377,941
	456,543,264	353,221,498

- (a) Turnover achieved with customer A.D. "Elektromreža Srbije", Belgrade (EMS), amounting to RSD 23,856,093 thousand (2022: RSD 34,100,247 thousand) is relative to the sale of electricity and services to an energy entity - the transmission system operator. Decrease in income in the reporting period compared to 2022 is mostly due to lower prices and reduced electricity delivered for system balancing purposes.

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 within primary control, voltage control, and secondary and tertiary control in the power system are regulated prices.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

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

Sources of income (continued)

- (b) Other income in 2023 amounting to RSD 380,917 thousand (2022: RAD 377,941 thousand) is relative to compensation for operations in which the Company acts as agent - calculation and collection of fees for the Public Media Service (note 27). Namely, the 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 ("Official Gazette of RS", No 112/2015, 108/2016, 153/2020, 129/2021, 142/2022 и 92/2023), which stipulates that when calculating and charging for delivered electricity, the 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 31st December 2024 .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	
	31st 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 - related parties within the EPS group (Note 41) (b)	38,688	19,740
- 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, Pristina (d)	394,976	291,462
	<u>410,388,357</u>	<u>313,146,516</u>
Revenue from electricity sale on foreign markets - third parties (e)	83,395	81,623
Revenue from electricity sale on foreign markets - related parties within the EPS group (Note 41) (e)	14,584,608	1,283,755
	<u>14,668,003</u>	<u>1,365,378</u>
	<u>425,056,360</u>	<u>314,511,894</u>

- (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.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

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

Disaggregated revenue from contracts with customers (continued)

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,
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,
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.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

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

Disaggregated revenue from contracts with customers (continued)

Determining the transaction price

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 21st November 2022, effective as of 1st 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,
- The Decision on the regulated price for electricity guaranteed supply No. 12.01.-244136/2-2023 dated 17th March 2023, effective as of 1st 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 26th September 2023, effective for periods beginning on and after 1st 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, by Decision No.12.01.952024/6-2023 dated 19th October 2023, adopted the recommendations contained in RS Government Conclusion 05 No 312-8817/2023 of 28th 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%.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

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

Disaggregated revenue from contracts with customers (continued)

In accordance with the same Decision, the 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 Company that contract with commercial supply customers be concluded at single (limited) prices, namely:

- EUR 102.60 /MWh, exclusive of VAT. Time of supply: 1st January – 30th April 2023 in accordance with Government Decision 05 No: 338-10312/2022 dated 15th December 2022 and the Company's Supervisory Board Decision No. 12.01.876827/2–22 dated 21st December 2022. During the same period, for members of the „*Odbrambene industrije Srbije*“ Group the single price amounted to EUR 93.02 /MWh, exclusive of VAT.
- EUR 110.81 /MWh, exclusive of VAT, for electricity customers whose contracted power supply period expires by 31st October 2023 and with whom a supply contract is concluded for the period between 1st May and 31st October 2023, in accordance with Government Decision 05 No. 338-3387/2023 dated 20th April 2023, and the Company's Shareholder's Assembly Decision No. 12.01.377920/13-23 dated 27th April 2023. During the same period, for members of the „*Odbrambene 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: 1st November 2023 – 30th April 2023 in accordance with Government Decision 05 No: 338-9567/2023 dated 12 October 2023, and the Company's Shareholder's Assembly Decision No. 12.01.969159/4-2023 dated 26 October 2023. During the same period, for members of the *Odbrambene industrije Srbije* Group the single price amounted to EUR 105.00 /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 1st October 2022 and 31st March 2023 by at least 5% compared to the period between 1st October 2022 and 31st 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 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 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 17th 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 25th December 2022, the Serbian Government issued Conclusion 05 Number: 338-10313/2022 by which the Company is recommended that as of 1st January 2023 through to 30th April 2023 the supply of last resort be ensured at a rate of EUR 133.38 /MWh, exclusive of VAT. On 21st December 2022, the Company's Supervisory Board adopted this Conclusion. By Decision No.12.01.87827/3-22. on 20th April 2023, the Serbian Government issued Conclusion 05 No.: 338-3386/2023 by which the Company is recommended that between 1st May and 17th May 2023 the supply of last resort be ensured at a rate of EUR 144.05 eur/MWh. The Company's Shareholders' Assembly accepted this recommendation by Decision 12.01.377920/12-23 dated 27th April 2023.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

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

Disaggregated revenue from contracts with customers (continued)

- Decision on Appointing the Supplier of Last Resort 05 No: 312-3591/2023 (RS Official Gazette No. 34/2023) dated 27th April 2023 for a period between 18th May 2023 and 31st October 2023, at a rate of EUR 182.42 /MWh, exclusive of VAT. On the same day, the RS Government adopted Conclusion 05 No.338-3590/2023, based on which the Company's Shareholders' Assembly passed Decision No.: 12.01.424239/2-23 dated 11th 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 18th May and 31st October 2023.
- Decision on Appointing the Supplier of Last Resort 05 No: 312-10178/2023 (RS Official Gazette No. 93/2023) dated 26th October 2023 for a period between 1st November 2023 and 30th 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.: 338-10179/2023 dated 26th 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 1st November 2023 and 30th April 2024. The recommendations were adopted by the Company's Shareholders' Assembly Decision No.:12.01.1021776/4-2023, dated 8th November 2023.

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.

4) 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.

The RS Government Conclusion 05 No.: 338-2815/2023 dated 30th March 2023 provides for the adoption of the Report on the Implementation of the Government's Conclusion 05 No.: 312-11081/2022-1 dated 29th 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 31st August 2023, the selling price of electricity to cover losses in a distribution power system at a rate of EUR 70/MWh, through to 31st December 2023, was adopted.

- (b)** Revenue from the sale of electricity to EPS group related parties amounting to RSD 38,688 thousand are wholly related to the sale of electricity to Kolubara - Građevinar d.o.o., Lazarevac,
- (c)** The Company is involved in trading electricity at the SEEPEX stock exchange, which started operations on 17th February 2016 in Belgrade. SEEPEX a.d. Belgrade is a licensed operator for the organized electricity market, established based on the basis of 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.
- (g)** In accordance with the Conclusion of the Government of the Republic of Serbia No: 021-6624/2009-002 of 30th November 2009, the Company engaged its resources to provide electricity to the northern part of Kosovo and Metohija, based on which a revenue of RSD 394,976 thousand was recognised in 2023 (2022: RSD 291,462 thousand).

NOTES TO FINANCIAL STATEMENTS
31 December 2023

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

Disaggregated revenue from contracts with customers (continued)

- (d) The sale of electricity on the foreign market is relative to the sale of electricity to Mješoviti holding Elektroprivreda Republika Srpska (Bosnia and Herzegovina) amounting to RSD 81,623 thousand and to the sale of electricity by EPS Trgovanje d.o.o. Ljubljana, a subsidiary, amounting to RSD 14,584,608 thousand.

Sales of goods

Sales of goods is relative to the following:

	In RSD thousand	
	Year ended	
	31 December	
	2023	2022
Coal:		
related parties within the EPS group (Note 41)	59,844	36,298
Third party	2,239,774	1,829,061
	<u>2,299,618</u>	<u>1,865,359</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	110,484	105,401
	<u>4,965,956</u>	<u>4,225,779</u>

Sales of goods are related 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 31st December 2023 amounting to RSD 2,299,618 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 and 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, Thermal Power Plants and Mines Kostolac in the amount of 201,886 thousand dinars, Thermal Power Plant Nikola Tesla in the amount of 75,076 thousand dinars, and Mining Basin Kolubara in the amount of 60,257 thousand dinars.

Sales of services

Sales of services is relative to the following:

	In RSD thousand	
	Year ended	
	31 st December	
	2023	2022
Income from other services - related parties (Note 41)	506	-
Income from other services - third parties	2,283,432	5,637
—		
—	<u>2,283,938</u>	<u>5,637</u>

NOTES TO FINANCIAL STATEMENTS
31 December 2023

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

Disaggregated revenue from contracts with customers (continued)

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 Company 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 2,269,640 thousand dinars. Of this amount, revenue from the sale of guarantees of origin to foreign customers amounted to 1,513,359 thousand dinars, while revenue from the sale of guarantees of origin to domestic customers amounted to 756,281 thousand dinars.

Geographical region

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

	In RSD thousand	
	Year ended	
	31 st December	
	2023	2022
Serbia	441,875,261	351,856,120
Slovenia	14,584,608	1,283,755
Republic of Srpska	83,395	81,623
—		
—	456,543,264	353,221,498

Revenue recognition timing

Revenue recognition timing is presented in the table below:

	In RSD thousand	
	Year ended	
	31 st December	
	2023	2022
Goods and services recognised at a point in time	13,394,208	3,117,164
Goods and services recognised over time	443,149,056	350,104,334
—		
—	456,543,264	353,221,498

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.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

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

Disaggregated revenue from contracts with customers (continued)

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, 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. In addition, the Company generates income from trading on the stock exchange. Each individual order constitutes a contract. The company 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 company 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 monthly, 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 FINANCIAL STATEMENTS
31 December 2023

5. 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:

	31st December 2023	In RSD thousand 31st December 2022
Customer contract receivables – recorded within „trade receivables“ (Note 26)	88,988,035	64,989,481
Customer contract receivables – recorded within "other short-term receivables" (Note 27)	6,961,657	5,570,366
Customer contract receivables – recorded within „long term financial investments and long-term receivables“ (Note 24)	-	2,217
Customer contract receivables – recorded within „short term financial investments and short-term receivables“	73,352	69,908
Contract assets	981	580
Contract liabilities – recorded within „customer prepayments, deposits, and caution money“ (Note 36)	301,839	437,378
Contract liabilities – recorded within Other liabilities (Note 38)	2,549,146	2,306,800

6. WORK PERFORMED BY THE ENTITY AND CAPITALISED

	Year ended 31st December 2023	In RSD thousand Year ended 31st December 2022
Income from activation and consumption of products for own use	1,298,455	1,015,691
Income from activation of services for own use	175,898	68,902
	1,474,353	1,084,593

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

NOTES TO FINANCIAL STATEMENTS
31 December 2023

7. OTHER OPERATING INCOME

	In RSD thousand	
	Year ended	
	31st December	
	2023	2022
Income from premiums, subventions, grants, recourse, compensations, and tax duties	351,933	720,364
Income from the reversal of deferred income, in accordance with the accounting policy (Note 34)	247,471	218,840
Income from donations, premiums, subsidies, and grants from abroad (IPA Funds) (Note 34)	147,662	158,748
	<u>747,066</u>	<u>1,097,952</u>
Income from collected insurance premiums	364,737	435,948
Rental income from entities within EPS Group (Note 41)	343	101
Other operating income from entities within EPS Group (Note 41)	10,797	11,054
Rental income	156,585	142,481
Other operating income	<u>36,481,103</u>	<u>1,316,564</u>
	<u>37.760.631</u>	<u>3,004,100</u>

Income from donations, premiums, subsidies and grants in 2023 amounts to RSD 747,066 thousand (2022: RSD 1,097,952 thousand) of which RSD 147,662 thousand (2022: RSD 158,748 thousand) is relative to recognised consulting services (studies, reports) on environmental protection and reconstruction of electro filters TENT A4, B2,TEK A5, where the Ministry of Environmental Protection is a co-financing party; RSD 351,933 thousand (2022 : RSD 747,066 thousand) is recognised based on the refraction of excise duties on oil derivatives and bioliquids used in the production process, whereas the remaining RSD 247,471 thousand (2022: RSD 218,840 thousand) is relative to income recognised in the amount of the cost associated with the use of donations.

Income from collected insurance premiums in 2023 amounting to RSD 364,737 thousand (2022: RSD 435.948 thousand) mostly relates to Income from collected insurance premiums from Dunav osiguranje a.d.o., Beograd for a dump truck that has been damaged by fire in Branch Rudarski basen Kolubara.

On 24th May 2023, the Company filed with the Serbian Ministry of Mining and Energy a request for compensation for damage caused by limiting the price of electricity, which compensates for losses of electricity in the transmission and distribution systems that the Company delivered to EMS ad and EDS doo between October 2021 and 2022, based on RS Government Conclusion No. 312-11315/2022, dated 29th December 2022. Based on this Request, the Government issued Conclusion No. 312-4780/2023-1 dated 1st June 2023, in regard to which the Company recognised other operating income arising from compensation for losses suffered, amounting to RSD 34,698,000 thousand.

Other operating income also includes income from subsequent borrowings OF electricity customers, amounting to RSD 489,183 thousand (2022: RSD 495,561 thousand) for private debt collection agencies and legal costs in forced collection of energy bills, and sales of secondary raw materials and ancillary products generated during the maintenance of production facilities intended for the production of electricity amounting to RSD 747.775 thousand (2022: RSD 354,259 thousand).

NOTES TO FINANCIAL STATEMENTS
31 December 2023

8. INCOME FROM REVALUATION OF ASSETS (EXCEPT FINANCIAL)

	In RSD thousand For the year ended on 31 st December	
	2023	2022
Income from revaluation of assets:		
- property, plant, and equipment	1,309	-
- inventories	87,648	179,892
- other assets	8,059	16,116
	97,016	196,008

The revenue from the revaluation of assets for the year 2023 in the amount of RSD 97,016 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 B" ranch.

9. COST OF MATERIAL, FUEL AND ENERGY

	In RSD thousand Year ended 31 st December	
	2023	2022
Cost of basic material	943,570	686,128
Maintenance materials and spare parts	9,392,572	9,503,027
Small inventories and tyres	661,608	287,185
Oil and lubricants	320,225	244,306
H&S equipment	366,207	358,899
Stationery and production overheads	685,516	408,786
Other material	700,550	543,596
	13,070,248	12,031,927
Purchased electricity:		
- from EPS Group related parties (Note 41)	1,381,458	5,570,117
- on domestic market	31,398,182	110,789,206
- on foreign market	563,082	1,151,013
	33,342,722	117,510,336
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	10,935,391	13,478,958
Natural gas	9,959,190	10,954,291
Coal	44,355,826	16,223,882
Other energy	81,786	74,854
	169,656,418	161,002,971
	216,069,388	290,545,234

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).

In 2022, a significantly higher cost of purchased electricity was due to the energy crisis that started in the second half of 2021.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

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

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

- subsidiary EPS Trgovanje, Ljubljana, Slovenia, amounting to RSD 1.381.458 thousand (2022: RSD 5,570,117 thousand).
- legal entities with a license for electricity trading, amounting to RSD 5,545,465,856 thousand (2022: RSD 66,976,602 thousand).
- through the SEEPEX stock exchange, amounting to RSD 709,608 thousand (2022: RSD 22,155,590 thousand).
- Mješoviti holding Elektroprivreda Republika Srpska (Bosnia and Herzegovina) , amounting to RSD 563.082 thousand (2022: RSD 1,151,013 thousand).
- privileged electricity producers, amounting to RSD 25.027.298 thousand (2022: RSD 21,657,014 thousand)
- customers - electricity producers amounting to RSD 114,419 thousand.

The status of a privileged power producer, a temporarily privileged power producer, and a renewable energy producer is governed in 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 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.

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 Company, as it is a selected/guaranteed supplier.

From 1st January 2015 to 31st 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 20th 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

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

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 Elektro distribucija 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 fee for accessing the electricity distribution system.

Fee for electricity transmission system access

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

In 2023, the cost of coal amounting to RSD 44,355,826 thousand (2022: RSD 16,223,882 thousand) mostly relates to the cost of externally procured coal from coal mines in the surrounding area (Romania, Greece, Montenegro, Bosnia and Herzegovina, Republika 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). The remaining RSD 859,357 thousand (2022: RSD 1,786,115 thousand) is relative to directly attributable costs of transportation, and to other handling expenses relating to the procurement of coal.

10. WAGES, SALARIES, AND OTHER PERSONNEL EXPENSES

	In RSD thousand	
	For the year that ends on	
	31st December	
	2023	2022
		<i>Corrected</i>
Costs of gross wages and salary allowances	39,007,946	36,421,420
Costs of taxes and contributions on wages and salary allowances borne by the employer	6,853,146	6,773,877
Costs related to transportation of employees to and from work	1,180,488	1,183,097
Costs of compensations to individuals based on other contracts	489,407	435,695
Employee assistance costs	273,760	307,045
Per diem and expense reimbursements to employees on business trips	111,347	85,519
Compensation costs to members of management and supervisory bodies	55,098	7,719
Compensation costs based on contracts and temporary and part-time jobs	1,050	11,948
Other personal expenses	1,541,878	991,331
	49,514,120	46,217,651

NOTES TO FINANCIAL STATEMENTS
31 December 2023

10. WAGES, SALARIES, AND OTHER PERSONNEL EXPENSES (continued)

Salaries in public enterprises and capital companies whose founder is the Republic of Serbia, autonomous province, or local self-government unit and their dependent capital companies, which perform activities of general interest (hereinafter: enterprises), are calculated and paid in accordance with the Law on Public Enterprises, the Law on Determining the Maximum Salary in the Public Sector ("Official Gazette of RS" No. 93/12), and the Regulation on the Method and Control of Salary Calculation and Payment in Public Enterprises ("Official Gazette of RS" No. 27/14). The maximum salary in the public sector cannot exceed the amount obtained by multiplying the highest coefficient for position, determined by the law regulating the salaries of state officials and employees and the bases determined by the budget law for the current year. Also, the Law on Public Enterprises stipulates that an annual business program is adopted for each calendar year with the consent of the founder, which, among other things, contains elements for a comprehensive review of the wage and employment policy in the Company in accordance with the projected wage growth policy in the public sector determined by the Government for the year for which the program is adopted.

Other personal expenses amounting to RSD 657,520 thousand (2022: RSD 813,091 thousand) relate to the obligations of the Company undertaken under the Collective Agreement (prevention of work disability, cultural and sports activities for employees, expenses for aiding employees for treatment, loans, etc.), which, according to tax regulations, are considered to belong to the employees on whom public revenues are paid..

11. DEPRECIATION EXPENSE

	In RSD thousand	
	For the year that ends on	
	31st December	
	2023	2022
Depreciation/Amortisation expense:		
– intangible assets (Note 23)	2,562,824	2,312,599
– property, plant, and equipment (Note 23)	34,336,222	33,497,936
– property, plant, and equipment with the right to use it for more than one year (Note 23)	9,012	51,313
	36,908,058	35,861,848

12. EXPENSES FROM THE REVALUATION OF ASSETS (EXCEPT FINANCIAL)

	In RSD thousand	
	For the year that ends on	
	31st December	
	2023	2022
Expenses from the revaluation of assets:		
– property, plant, and equipment	2,295,980	1,545,624
– inventories	1,077,693	545,221
– other property	4,921	1,119
	3,378,594	2,091,964

Expenses from inventory valuation adjustments amounted to RSD 1,077,693 thousand (2022: RSD 545,221 thousand), mainly due to inventory write-offs of spare parts based on internal assessments of their utility values in Kolubara and Kostolac branches, totalling RSD 802,543 thousand and RSD 163,011 thousand, respectively.

As of December 31, 2023, the management of the Company concluded that there are indicators of impairment of intangible assets, property, plant, and equipment under construction for assets that are not at the location and in the condition necessary to be in the functional state expected at the initial recognition, where significant progress in preparation or construction has not occurred over an extended period, and where the current status of further construction is unknown. For this property, the Company recognized impairment losses in the income statement for the year 2023, totalling 2,295,980 thousand dinars (2022: 1,545,624 thousand dinars). The impairment recognized in 2023, mostly in the amount of 2,129,167 thousand dinars, relates to the construction project of the Kolubara B Thermal Power Plant (notes 3.18 and 23).

NOTES TO FINANCIAL STATEMENTS
31 December 2023

13. PRODUCTION SERVICES COST

	In RSD thousands	
	For the year ending	
	31 December	
	2023	2022
Costs of maintenance services	24,329,300	19,430,652
Postal and telecommunications services costs	2,005,198	1,428,360
Information system maintenance costs	1,257,163	1,474,493
Other costs of production services from legal entities within the EPS group (Note 41)	1,161,925	916,585
Municipal services costs	590,389	573,584
Costs of various tests, analyses, technical and project documentation preparation, reports, and projects	600,703	387,725
Costs of services and assistance in the production process	344,752	303,751
Separator operation costs and worker operation at the crusher	557,941	212,953
Transportation services costs	309,862	245,321
Rental expenses	628,923	188,732
Advertising, fair, and propaganda costs	24,442	34,995
Occupational safety costs	129,041	100,922
Reclamation and environmental protection services costs	74,792	61,908
	32,014,431	25,359,981

Maintenance service costs amounting to RSD 24,329,300 thousand (2022: RSD 19,430,652 thousand) relate to maintenance services of the company's production facilities.

Postal and telecommunications service costs include expenses for preparing and sending invoices for electricity to end users, totalling RSD 1,867,304 thousand (2022: RSD 1,284,870 thousand) in the branch of EPS Supply.

14. PROVISION EXPENSES

	In RSD thousands	
	For the year ending	
	31 December	
	2023	2022
Provision for the cost of restoring natural resources	1,245,728	573,765
Provisions for benefits and other employee benefits	5,621,148	1,147,862
Provisions for litigations	24,578	336,412
	6,891,454	2,058,039

During 2023, the company made provisions for the restoration costs of natural resources, which will be paid for land recultivation after the completion of mining operations, aiming to restore the land to its original state after exploitation. The provision for land reclamation costs for 2023 was made for the RB Kolubara and TE KO Kostolac branches in the amount of RSD 197,172 thousand. Additionally, as disclosed in note 32, the company made provisions for the final recultivation of land containing ash and slag deposits at the Kostolac, Kolubara, Morava, Nikola Tesla A, and Nikola Tesla B thermal power plants, and accordingly recognized expenses in 2023 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, totalling RSD 5,621,148 thousand (2022: RSD 1,147,862 thousand), which will be paid after the 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 32).

NOTES TO FINANCIAL STATEMENTS
31 December 2023

14. PROVISION EXPENSES (continued)

Provisions for legal disputes were formed based on the best estimate of expenses required to settle the current obligation arising from ongoing legal disputes against the Company, estimated at RSD 24,578 thousand in 2023 (2022: RSD 336,412 thousand).

15. NON-MATERIAL EXPENSES

	In RSD thousand	
	Year ended	
	31 December	
	2023	2022
Water fees	2,302,258	1,970,203
Fee for the use of public goods	1,716	2,122
Fees for environmental protection (Note 38)	3,451,292	2,441,789
Property Tax	702,399	667,193
Other indirect axes and contributions	843,012	1,664,174
Fee for the use of mineral resources	2,747,149	1,838,701
Entertainment	76,166	21,830
Cost of payment operations and banking services	158,763	129,474
Cost of subscriptions to professional publications	26,957	24,218
Legal costs	1,201,974	1,144,465
Other non-production costs	1,309,935	1,260,538
Professional services	177,875	218,420
Insurance premiums	1,395,067	1,406,714
Health Service costs	182,123	157,049
Membership fees, and trade union subscriptions	417,856	273,963
Security services, facility security and safety at work	2,341,650	2,033,554
Other non-production services	2,182,295	2,512,531
	19,518,487	17,766,938

As of 1st 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) has been in force. This Law regulates the fees for the use of public goods, as follows: feepayer, fee basis, fee amount and payment method, income fee attribution, and other issues of importance for determining and paying 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2023**15. NON-MATERIAL EXPENSES (continued)**

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 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 holding the status of a privileged power producer.

Fees for environmental protection amounting to RSD 3,451,292 thousand (2022: RSD 2,441,789 thousand) comprise fees for emission of sulphur 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 Kostolac Thermal Power Plan, 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 ongoing. 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. With a view to reorganising the Distribution System Operator "EPS Distribucija" doo Belgrade, and based on the Founder's Act, on 31st October 2022, the 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 Company calculated VAT of RSD 769,457 thousand, and had it recorded as expense for the period.

The largest portion of Other Indirect Taxes and Fees in 2023 is relative to fees for the use of public spaces, public space occupancy, and protection of National Parks in branches 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 costs of hiring private executors in the Branch EPS Snabdevanje.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

16. FINANCIAL INCOME

	In RSD thousands	
	For the year ending	
	31 December	
	2023	2022
Financial income arising from related parties in EPS Group (Note 41):		
- interest income	37,220	21,384
- foreign exchange gains	810	777
	<u>38,030</u>	<u>22,161</u>
Financial income from other related legal entities	<u>1,392,795</u>	<u>1,004,247</u>
Foreign exchange gains	5,220,380	3,022,152
Gains on currency clause effects	19,952	14,683
	<u>5,240,332</u>	<u>3,036,835</u>
Interest income:		
- based on receivables from customers for electricity	4,400,822	3,479,766
- based on short-term financial investments	735,238	94,164
- based on a fee for Public Media Service	660,811	363,694
- other interest income	289,413	174,711
	<u>6,086,284</u>	<u>4,112,335</u>
Other financial income	<u>33,349</u>	<u>30,649</u>
	<u>12,790,790</u>	<u>8,206,227</u>

For all monetary items whose settlement is required in foreign currency, the effects of changes in FX rates on the maturity date, i.e. 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 exchange rate differences reported in 2023, amounting to RSD 5,220,380 thousand (2022: RSD 3,022,152 thousand), mostly, totalling RSD 4,338,586 thousand, relate to unrealized exchange rate differences on loans granted by foreign creditors. The value of the RSD remained almost unchanged compared to the EUR currency in 2023, but the RSD strengthened against the YPU currency by 9.89% and the USD by 3.89% on an annual basis in 2023, which contributed to the growth of positive exchange rate differences based on loans denominated in these currencies.

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

NOTES TO FINANCIAL STATEMENTS
31 December 2023

17. FINANCIAL EXPENSES

	In RSD thousands	
	For the year ending	
	31 December	
	2023	2022
Financial expenses from related parties in EPS Group (Note 41):		
- foreign exchange losses	1,842	2,023
	<u>1,842</u>	<u>2,023</u>
Other financial expenses	<u>548,282</u>	<u>193,893</u>
Interest expenses:		
- other interest expenses (on all bases)	5,886,856	3,857,423
- interest expenses for untimely paid public revenue	33,379	63,269
- interest expenses for leasing - assets with the right to use for more than a year	801	1,313
	<u>5,921,036</u>	<u>3,922,005</u>
Losses on currency clause effect	12,022	3,177
Foreign exchange losses	<u>826,007</u>	<u>4,359,750</u>
	<u>838,029</u>	<u>4,362,927</u>
	<u>7,309,189</u>	<u>8,480,848</u>

Other interest expenses include interest expenses and fees on loans amounting to RSD 5,886,856 thousand (2022: RSD 3,857,423 thousand). The 3M EURIBOR increased from 2.32% to 3.91% during 2023, contributing to the increase in interest expenses, because most interest rates on received loans are tied to EURIBOR.

Negative exchange rate differences reported in 2023, amounting to RSD 826,007 thousand (2022: RSD 4,359,750 thousand), are lower compared to 2022, due to a more stable RSD exchange rate against the US dollar, as a significant part of loans are tied to this currency. In the previous reporting year, the value of the RSD weakened against the USD by 5.99% annually, contributing to the increase in negative exchange rate differences at that time.

Other financial expenses of RSD 548,282 thousand (2022: RSD 193,893 thousand) relate to Commitment fees and Management fees based on credit arrangements with foreign creditors.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

18. INCOME FROM REVALUATION OF FINANCIAL ASSETS PRESENTED AT FAIR VALUE THROUGH THE INCOME STATEMENT

	In RSD thousand	
	For the year ending	
	31 December	
	2023	2022
Income from revaluation of long - term investments	3,254	10,854
Collection and reduction of value correction:		
- advances paid for fixed assets	3,170	3,170
- advances paid for inventories	26,428	197,248
- receivables from customers	1,074,747	400,500
	<u>1,104,345</u>	<u>600,918</u>
	1,107,599	611,772

Income from the revaluation of receivables from customers in the current year mainly relates to income from the revaluation of receivables for thermal energy (amounting to RSD 464,119 thousand) arising from the elimination of previously recorded corrections to receivables due to customers exceeding the currency payment limit for thermal energy in the Panonske TE TO Branch, as well as income from the revaluation of receivables for coal (amounting to RSD 337,991 thousand) based on the collection of receivables from the Bor Heating Plant, for which impairment was recognized in earlier reporting periods.

19. EXPENSES FROM THE REVALUATION OF FINANCIAL ASSETS EXPRESSED AT FAIR VALUE THROUGH THE INCOME STATEMENT

	In RSD thousand	
	For the year ending	
	31 December	
	2023	2022
Impairment expenses:		
- equity participation	-	12
- advances	556	2,668
- trade receivables for electricity	4,207,691	6,982,437
- other receivables	968,726	1,023,053
- receivables from related legal entities within the EPS Group (Note 41)	36,678	67,102
	<u>5,213,651</u>	<u>8,075,272</u>

Credit losses based on receivables from customers for electrical energy amounting to RSD 4,207,691 thousand (2022: RSD 6,982,437 thousand) have been recognized as an expense for value adjustments, as disclosed in Note 3.17.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

20. OTHER INCOME

	In RSD thousands	
	For the year ending	
	31 December	
	2023	2022
Income from reversal of long term provisions for restauration of mineral resources (Note 32)	768,155	89,395
Income from reversal of long-term provisions based on litigation (Note 32)	209,684	164,653
Income from the release of long-term reserves based on employee benefits (Note 32)	-	1,253,502
Gains from the sale of materials, equity investments, intangible assets, real estate, facilities, and equipment	9,655	46,025
Income from collected written-off receivables and reversal of receivables value and short-term financial placements	1,676	3,318
Income from liability reductions	31,806	38,860
Income from contracted risk protection	7,709	6,808
Income from reducing environmental protection obligations	209,204	494,230
Surplus	88,883	23,572
Other income	363,319	27,652
	1,690,091	2,148,015

Income from the release of long-term provisions based on employee benefits amounted to RSD 1,253,502 thousand in 2022, resulting from changes in actuarial assumptions in 2022 compared to 2021. Specifically, when determining the present value of future expected payments, the extrapolated yield curve on the Republic of Serbia's government bonds is used for discount rate calculation. The yield rate ranged from 3.67% to 6.80% in 2021, whereas in 2022, there was a significant decrease in the yield rate, consequently affecting the discount rate, which ranged from 0.36% to 4.48%.

Income from the reduction of environmental protection obligations amounted to RSD 209,204 thousand in 2023 (2022: RSD 494,230 thousand) based on the reduction of obligations to the Ministry of Environmental Protection of the Republic of Serbia, due to an overpayment of advance payments for 2022 compared to the amount determined by the final settlement of the environmental protection fee.

NOTES TO FINANCIAL STATEMENTS
31 December 2023

21. OTHER EXPENSES

	In RSD thousands	
	Year ended	
	31 December	
	2023	2022
Employee benefits paid to employees of public enterprises in Kosovo and Metohija	5,886,048	5,059,061
Loss arising from disposal, write-off, and sale of fixed assets, intangible assets, investments, and materials	1,051,810	430,891
Loss arising from write-offs of short-term receivables and rescheduled trade receivables	18,490	44,180
Loss arising from inventory disposal	91,270	30,995
Shortages	2,546	19,611
Cost of sponsorship and donations	518	15,580
Other related party relationship expenses (EPS Group)	284	-
Other expenses	1,891,556	2,087,124
	8,942,522	7,687,442

The cost of employee benefits amounting to RSD 5,886,048 thousand (2022: RSD 5,059,061 thousand) is recognised based on the transfer of funds for wages and salaries of staff employed in public enterprises in Kosovo and Metohija. The Government of the Republic of Serbia issued Conclusion 05 No. 02-4586/2003-001, dated 17th July 2003, governing the amount and method of paying compensation to staff employed in public enterprises in Kosovo and Metohija.

Loss on disposal and write-offs of fixed assets is recognised based equipment replaced due to its technical and technological obsolescence and/or malfunction during the revitalization of plant and equipment.

Other expenses of RSD 1,891,556 thousand (2022: RSD 2,087,124 thousand) mostly relate to the cost of paying Super on Meal Allowance to employees who work at surface mines, amounting to RSD 659,082 thousand (2022: RSD 594,270 thousand), archaeological survey cost, amounting to RSD 90,800 thousand (2022: RSD 108,807 thousand), and cost of financing public facilities, amounting to RSD 923,360 thousand (2022: RSD 932,249 thousand).

22. INCOME TAX

a) Components of income tax

	In RSD thousands	
	For the year ending	
	31 December	
	2023	2022
Tax expense for the period	17,716,804	-
Deferred tax income for the period	(2,373,936)	(2,173,829)
	15,342,868	(2,173,829)

NOTES TO FINANCIAL STATEMENTS
31 December 2023

22. INCOME TAX (continued)

b) Alignment of taxes and determination of pre-tax operating results and prescribed tax rates

	In RSD thousands	
	<u>2023</u>	<u>2022</u>
Profit / (loss) before tax	127,789,706	<i>Corrected</i> (74,808,281)
Tax on profit calculated at statutory tax rate - 15%	19,168,456	(11,221,242)
Tax effect on unrecognized expenses	3,931,720	2,610,946
Tax effect on expenses recognized on cash basis	(851,187)	(585,558)
Effect of capital gains	242	(2,589)
Tax effect on unrecognized revenues	(31,453)	(212,723)
Effect of transfer prices	158,115	127,176
Tax effect of unrecognized deferred tax assets – tax losses	(7,054,291)	7,054,291
Other	(21,266)	55,870
	<u>15,342,868</u>	<u>(2,173,829)</u>
<i>Effective tax rate</i>	12,01%	2,91%

c) Deferred tax liabilities

Deferred tax liabilities reported as of 31st December 2023, amounted to RSD 63,774,982 thousand (31st December 2022: RSD 66,157,129 thousand) relate to temporary differences between the basis on which properties, plants, and equipment are recognized in the tax balance sheet and the amounts at which these assets are stated in the Company's financial statements.

The changes in deferred tax liabilities were as follows:

	In RSD thousands	
	<u>2023</u>	<u>2022</u>
Balance as of 1st January	66,157,129	68,330,958
Effects on income statement	(2,373,936)	(2,173,829)
Balance as of 31st December	<u>63,783,193</u>	<u>66,157,129</u>

d) Tax losses

In 2023, the Company fully utilized the tax loss incurred in 2022, amounting to RSD 47,028,608 thousand, to reduce the taxable profit determined for the 2023 tax balance sheet. The tax effect of the utilized tax loss is RSD 7,054,291 thousand.

As of 31st December 2023, the Company has no tax losses carried forward to future periods for the profit tax account.

NOTES TO THE FINANCIAL STATEMENTS
31 Decembar 2023

23. INTANGIBLES, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT

Intangible Assets

	In RSD thousands				
	Concessions, patents, licences, trademarks, and service marks	Software and other rights	Other intangibles	Intangible assets under construction	Total
Cost					
1st January 2022	6,843,124	7,623,463	447	2,062,590	16,529,624
Increases/purchases	43,160	2,862	-	910,161	956,183
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
Impairment under IAS 36	-	-	-	(213,507)	(213,507)
Assignments in accordance with RS Government Conclusions	(530,525)	(1,283,046)	-	(804,070)	(2,617,641)
Write off/disposal	(458,460)	(21,052)	-	(130,600)	(610,112)
As of 31st December 2022	6,624,943	7,378,521	447	195,831	14,199,742
Increases/purchases	410,169	600	-	815,998	1,226,767
Transfer from work in progress (activation)	3,395	21,240	-	(22,031)	2,604
Write off/disposal	(124,986)	(405,217)	-	-	(530,203)
As of 31st December 2023	6,913,521	6,995,144	447	989,798	14,898,910
Accumulated amortization					
1st January 2022	2,944,349	3,295,376	334	-	6,240,059
Amortisation expense (Note 11)	1,190,632	1,121,939	28	-	2,312,599
Cession According to the Conclusion of the Government of the Republic of Serbia	(102,222)	(659,658)	-	-	(761,880)
Write off/disposal	(458,227)	(20,838)	-	-	(479,065)
As of 31st December 2022	3,574,532	3,736,819	362	-	7,311,713
Amortisation expense (Note 11)	1,269,672	1,293,124	28	-	2,562,824
Impairment	-	-	-	46	46
Write off/disposal	(121,179)	(342,535)	-	-	(463,714)
As of 31st December 2023	4,723,025	4,687,408	390	46	9,410,869
Net book value					
As of 31st December 2022	3,050,411	3,641,702	85	195,831	6,888,029
As of 31st December 2023	2,190,496	2,307,736	57	989,752	5,488,041

NOTES TO THE FINANCIAL STATEMENTS
31 Decembar 2023

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

Biological assets, and property plant and equipment

	Agricultural land and building land	Buildings	Plant and equipment	Investment property	Biologic al assets	Other PP&E	Assets under construction	PP&E leased (with the right of use exceeding one year)	Prepayme nts for PP&E in the country	Prepayment s to foreigners for PP&E	PPE Total
Cost value											
1st January 2022	88,375,460	510,847,662	941,452,145	710,453	502,441	166,822	106,414,992	206,795	6,521,559	11,739,609	1,666,937,938
Additions (vendor invoices)	1,716,528	11,532	2,442,402	-	44,095	-	59,649,517	8,238	2,895,547	1,854,523	68,622,382
Transfer within account group 02 (except for activation) or Transfer/transfer from another account group to account group 02	(3,705)	51,101	11,825	-	3,705	(51,101)	(682,529)	-	(1,887)	-	(672,591)
Transfers from investments 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 recultivation	1,036,485	-	-	-	-	-	-	-	-	-	1,036,485
Assignments on PP&E in accordance with RS Government Conclusions	-	-	(119,454)	-	-	-	-	-	-	-	(119,454)
Inventory Surpluses	4,505	-	3	-	-	-	-	-	-	-	4,508
Inventory Shortages	(14,365)	-	(3,353)	-	(618)	-	-	-	-	-	(18,336)
Sale	-	(4,572)	(258,515)	-	-	-	-	-	-	-	(263,087)
Derecognition of PP&E	(14,268)	(284,264)	(7,106,959)	-	(10,063)	(676)	(815)	(176,096)	-	-	(7,593,141)
Transferred as non-cash investment - increase in capital (ODS)	(82,810)	(828,408)	-	-	-	-	-	-	-	-	(911,218)
Impairment - IAS 36	-	-	-	-	-	-	(1,257,365)	-	-	-	(1,257,365)
Other changes	(944)	-	(10,623)	-	-	4,791	-	1,093	(1,459,489)	(7,841,822)	(9,306,994)
As of 31st December 2022	92,704,332	516,693,341	948,535,523	710,453	539,560	125,030	143,480,261	40,030	7,955,730	5,752,310	1,716,536,570
1st January 2023	92,704,332	516,693,341	948,535,523	710,453	539,560	125,030	143,480,261	40,030	7,955,730	5,752,310	1,716,536,570
Additions (vendor invoices)	2,170,357	25,789	4,156,154	-	3,145	-	41,073,339	1,883	15,064,462	5,253,312	67,748,441
Transfer within account group 02 (except for activation) or transfer from another account group to account group 02	(2,934)	-	2,566	-	2,459	-	(388,761)	-	(2)	-	(386,672)
Transfers from investment 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)	(6,026,161)	-	(71,338)	-	-	(3,270)	-	-	(7,062,523)
Transfer to available-for-sale assets (Note 25)	(529,443)	-	-	-	-	-	(211,648)	-	-	-	(741,091)
Other changes	(5)	(723)	(13,181)	-	-	1,179	(7,537)	647	(1,675,274)	(2,716,511)	(4,411,405)
As of 31st December 2023	85,087,101	517,809,401	953,625,843	773,781	473,826	126,209	175,926,354	39,290	21,344,916	8,289,111	1,763,495,832

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23. 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 in the country	Prepayments to foreigners for PP&E	PPE Total
Accumulated amortization											
1st January 2022	35,059,678	242,308,699	571,715,750	358,379	-	59,844	333,252	124,833	417,079	8,883	850,386,397
Amortization expense (Note 11)	1,506,326	6,189,254	25,788,815	11,633	-	1,908	-	51,313	-	-	33,549,249
Transfer within account group 02 (except for activation) or transfer from another account group to account group 02	-	16,240	(247)	-	-	(16,240)	-	-	-	-	(247)
Inventory Shortage	-	-	(875)	-	-	-	-	-	-	-	(875)
Sale	-	(4,190)	(224,903)	-	-	-	-	-	-	-	(229,093)
Derecognition of PP&E	-	(67,008)	(6,343,619)	-	-	(674)	-	(161,326)	-	-	(6,572,627)
Transfer to assets held-for-sale i	-	-	-	-	-	-	-	-	-	-	-
Assignments on PP&E in accordance with RS Government Conclusions	-	-	(37,329)	-	-	-	-	-	-	-	(37,329)
Transferred as non-cash investment - Increase in capital (EDS)	-	(423,323)	-	-	-	-	-	-	-	-	(423,323)
Impairment - IAS 36	-	-	-	-	-	-	74,725	-	-	-	74,725
Other changes	(945)	(37)	(2,098)	1	-	982	-	-	12,566	-	10,469
As of 31st December 2022	36,565,059	248,019,635	590,895,494	370,013	-	45,820	407,977	14,820	429,645	8,883	876,757,346
1st January 2023	36,565,059	248,019,635	590,895,494	370,013	-	45,820	407,977	14,820	429,645	8,883	876,757,346
Amortization expense (Note 11)	1,481,503	6,287,553	26,555,533	11,633	-	-	-	9,012	-	-	34,345,234
Transfer within account group 02 (except for activation) or transfer from another account group to Account group 02	-	-	(7,870)	-	-	-	-	-	-	-	(7,870)
Assignments on PP&E 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)	(4,368,847)	-	-	-	-	(1,402)	-	-	(4,446,589)
Other changes	(6)	(1,466)	(12,171)	-	-	2,708	(1,145)	-	(3,170)	(8,883)	(24,133)
As of 31st December 2023	32,670,806	254,229,382	612,929,417	431,440	-	48,528	2,702,812	22,430	426,475	0	903,461,290
Net book value											
As of 31 December 2022	56,139,273	268,673,706	357,640,029	340,440	539,560	79,210	143,072,284	25,210	7,526,085	5,743,427	839,779,224
As of 31 December 2023	52,416,295	263,580,019	340,696,426	342,341	473,826	77,681	173,223,542	16,860	20,918,441	8,289,111	860,034,542

NOTES TO FINANCIAL STATEMENTS
31st December 2023

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

Biological assets, and property plant and equipment (continued)

As of 31st December 2023, and 31st December 2022, the Company's PPE was neither pledged nor mortgaged.

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

As of 31st December 2023, the fair value of investment property amounted to RSD 1,188,098 (31st December 2022: RSD 1,305,237 thousand).

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 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 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 29th January 2021). By Government Conclusion 05 No.: 023-10578/2020-1, dated 17th December 2020, the Plan for the Implementation of Activities for the Reorganisation of Elektrodistribucija Srbije doo Beograd was adopted. Based on this Plan the Company:

- committed to increase the capital of Elektrodistribucije Srbije d.o.o., Beograd through a transfer of current assets amounting to RSD, 37,272 thousand, and property, equipment, and intangible assets of RSD 18,226,921 thousand, as a non-cash investment. On 23rd December 2020, the change regarding the non-cash investment was registered with the Serbian Business Registers Agency,
- concluded 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 29th December 2020, based on the Decision of the Supervisory Board. On 31st December 2020, the change was registered with the Serbian Business Registers Agency.

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

The remaining stake will be registered with the Serbian Business Registers Agency within the timeline specified in the Founding Act of Elektrodistribucija Srbije d.o.o., Beograd.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

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

Further with the aim of reorganising of Operator of distribution system EPS Distribucija doo Belgrade, in 2022, based on the Founder's byelaw and approval, the Company 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 31).

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 Conclusion 05 No: 464-8943/2023 dated 6th October 2023 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 31).

Impairment of non-current assets

In accordance with adopted accounting policies (Note 3.14) the Company 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 Company estimates the recoverable amount of such assets and determines the recoverable value of an individual asset or a cash generating unit 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 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 3.18 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 the Company recognized impairment in the 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 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.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

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

Prepayments for property, plant and equipment

Prepayments for property, plant, and equipment, which as of 31st December 2023 were carried at RSD 29,207,552 thousand (31st December 2022: RSD 13,269,512 thousand) are relative to:

- the construction of a wind park in Kostolac, based on a contract concluded on 13th 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 of 31st December 2023, total prepayments given on such basis amounted to RSD 6,347,861 thousand (31st 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 two companies, namely Metaling doo Beograd and Energotehnika Južna Bačka doo. As of 31st 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 two companies, namely HIDRO-TAN doo Beograd and ANSAL STEEL DOO Beograd. As of 31st December 2023, prepayments given on such basis amounted to RSD 3,988,699 thousand (31st 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 of 31st 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 Company and a consortium made-up of three companies namely, Rudis doo Trbovlje, Millenium team doo, Energotehnika Južna Bačka doo, and MVM EGI Zrt. As of 31st December 2023, prepayments given on such basis amounted to RSD 1,874,862 thousand.
- 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 20th November 2013. The project is partly financed through debt finance (Loan Agreement concluded of 17th 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 of 31st 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 13th 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 of 31st December 2023, total prepayments given on such basis amounted to RSD 1,108,842 thousand (31st 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 of 31st December 2023, prepayments given on such basis amounted to RSD 989,570 thousand (31st 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 Nemačka. As of 31st December 2023, prepayments given on such basis amounted to RSD 983,144 thousand.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

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

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	Equipme nt	Total
Cost value				
1 January 2023	3,491	33,269	3,270	40,030
Additions	-	-	1,883	1,883
Disposals	-	-	(3,270)	(3,270)
Other	-	647	-	647
Cost value as of 31 December 2023	3,491	33,916	1,883	39,290
Accumulated amortisation				
1 January 2023	872	12,640	1,308	14,820
Amortisation	527	7,606	879	9,012
Disposals	-	-	(1,402)	(1,402)
Accumulated amortisation as of 31 December 2023	1,399	20,246	785	22,430
Net book value				
1 January 2023	2,619	20,629	1,962	25,210
Net book value as of 31 December 2023	2,092	13,670	1,098	16,860

The Company recognised the following lease liabilities:

	In RSD thousand	
	31 December 2023	1 January 2023
Short-term lease liability	7,438	8,878
Long-term lease liability	8,519	11,850
Total lease liabilities	15,957	20,728

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

	31 st December 2023		In RSD thousand 1 st January 2023	
	Present value	Contractual (undiscounted) cash flows	Present value	Contractual (undiscoun ted) cash flows
Minimum lease payments				
Less than 1 year	7,438	8,134	8,878	9,597
1 to 5 years	8,519	8,543	11,850	15,856
Over 5 years	-	-	-	-
As at	15,957	16,677	20,728	25,453

NOTES TO FINANCIAL STATEMENTS
31st December 2023

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

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

	31st December 2023	In RSD thousand 31st December 2022
Lease interest expense	801	1,313
Variable lease payments that depend on the use/ consumption of the underlying asset	1,653,130	786,279
Short-term lease expense	61,988	186,463
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 of 31st December 2023.

Total cash outflow from a lease liability recorded in the 2023 Cash Flow Statement amounted to RSD 9,445 thousand (2022: RSD 64,663).

NOTES TO FINANCIAL STATEMENTS
31st December 2023

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

	31 st December 2023	In RSD thousand 31 st December 2022
Equity Investments		
Investments in subsidiaries - Note 41	4,273,077	4,220,455
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>
	<u>4,590,961</u>	<u>4,534,272</u>
Long term investments - domestic		
Long-term loans	1,861,908	2,136,924
Other long-term financial investments		
Other long-term financial investments	1,231,126	1,131,083
Less: Allowance for impairment of other long-term financial investments	(766,219)	(771,775)
	<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>
	<u>184,668</u>	<u>222,346</u>
	<u>7,102,444</u>	<u>7,252,850</u>

NOTES TO FINANCIAL STATEMENTS
31st December 2023

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

Equity Investments

Investments in subsidiaries

As of 31st December 2023 and 2022, investments in subsidiaries were relative to the following legal entities:

	%	31 st December 2023	In RSD thousand 31 st December 2022
	of ownership		
EPS Trgovanje d.o.o., Ljubljana	100%	66,304	66,304
Kolubara - Građevinar d.o.o., Lazarevac	71.90%	1,771,606	1,771,606
Elektrosever d.o.o., Severna Mitrovica	100%	1,182	1,182
HES Gornja Drina d.o.o., Foča	51%	2,381,363	2,381,363
Moravske hidroelektrane d.o.o., Beograd	100%	52,622	-
		4,273,077	4,220,455

Moravske hidroelektrane d.o.o., Beograd

As disclosed in Note 1, in 2023, the Company obtained control over 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 13th November 2009), the 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 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 29th December 2022, the shareholders of Moravske hidroelektrane d.o.o., Belgrade RWE Generation Hydro GmbH and the 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% stake with all the rights and obligations of majority shareholder in Moravske hidroelektrane do.o., Belgrade. By signing this contract, JP EPS Supervisory Board Decision No.12.01.460297/27-19 of 28th August 2019, which was approved by RS Government Decision 05 No. 023-4052/2020 dated 21st May 2020, was completed.

By purchasing the stake, the Company 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's Decision No. BD 32972/2023 of 7th April 2023.

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 (31st December 2021: RSD 125,741 thousand). In 2018, the Company's receivables were converted into the capital of Fabrika automobila Priboj a.d., the adjudicated bankrupt, in accordance with the Pre-Prepared Plan for the Reorganization of the adjudicated bankrupt, which became effective on 25th October 2017. On 22nd 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 Company's Proprietary account.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

24 LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (continued)

Equity Investments (continued)

- Equity investment in „Trayal korporacija“ a.d. Kruševac amounting to RSD 329,151 thousand (31st December 2022: RSD 329,151 thousand) made in 2019 through the conversion of the 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).
- Equity investment in „Simpo“ a.d. Vranje amounting to RSD 585,568 thousand (31st December 2022: RSD 585,568 thousand) made through the conversion of the Company's receivables into the share capital of „Simpo“ a.d. Vranje in accordance with the PPPR (PPPR effective by Decision No. 10.St.8/2018). The conversion of a part of receivables into share capital of RSD 245,342 thousand and RSD 340,226 thousand, was carried out in 2019 and 2020 respectively.
- Equity investment in „Yumco“ a.d. Vranje of RSD 804,810 thousand (31st 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 26th May 2021. The RS Government issued Conclusion 05 No.: 023-8981/2021- 1, dated 30 September 2021, approving that creditor, inclusive of the Company, may convert receivables pertaining to the period between the cut-off date as per PPPR up to 26th May 2021, plus related interest, and the RS Government Conclusion date, i.e. 30th September 2021. the Company's Supervisory Board passed Decision No.: 12.01.208645/6-22 of 7th April 2022 approving the implementation of the RS Government Conclusion.
- Equity investment in AD „Holding industrija kablova Jagodina“ amounts to RSD 447,819 thousand (31st December 2022: RSD 449,059 thousand). The Commercial Court in Kragujevac passed Decision No. 1 Reo 6/2017, dated 22nd February 2018, confirming the adoption of PPPR. The Decision became effective as of 11th March 2019. The RS Government issued Conclusion 05 No. 023-7837/2017, dated 17th August 2017, by which the Company is obliged to have its receivables from A.D. „Holding industrija kablova Jagodina“ as at 31st August 2016 converted into permanent capital. The Company's Supervisory Board passed Decision No.: 12.01.537296/31-17th of 31st 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 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 previous construction works done on HPP „Komarnica“ with a view to passing a Decision to jointly construct the HPP. The project has been going on since 1992. The provisions of 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 Company signed Annexes to the Agreement on the joint financing of previous construction works on HPP „Komarnica“, dated 1992, namely: Annex No.1, dated 13th August 2007; Annex No. 2, dated 13th July 2011; Annex No. 3 dated 5th February 2014; and Annex No. 4, dated 13th March 2017. On 3rd 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.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

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

Equity investments measured using the equity accounting method

As of 31st December 2023, the Company did not have equity investments in associates whereas as at 31st December 2022, the Company had equity investments in associates amounting to RSD 407,614 thousand namely, in the following companies:

		In RSD thousand	
	%	31 December 2023	31 December 2022
	<u>of ownership</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

Ibarske hidroelektrane d.o.o., Kraljevo

Based on interstate agreements, the 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 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 3rd 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 16th July 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 15th April 2022 by being deleted from the Business Registers Agency's Registry.

Moravske hidroelektrane d.o.o., Beograd

As disclosed in Note 1, the Company gained control of Moravske hidroelektrane d.o.o., Beograd in 2023 by increasing its shareholding stake. The Company reclassified its shareholding stake in Moravske hidroelektrane d.o.o., Beograd from equity investments in associates to equity investments in subsidiaries.

Long term investments - domestic

As of 31st December 2023, long-term investments amounting to RSD 1,861,908 thousand (31st December 2022: RSD 2,136,924 thousand) are wholly relative to 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 disclosed in Note 1, as of 31st December 2020, the Company lost control of „Elektrodistribucija 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 Company.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

24. 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 30th December 2005) further works on the construction of the body of Rovni dam and reservoir are planned in 2006, 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 Company recognized prior period impairment loss.
- Collateral of RSD 363.212 thousand for transactions on the organized electricity market (SEEPEX). As disclosed in Note 5 (c), the Company is involved in trading electricity at the SEEPEX stock exchange, and as a trading participant is obliged to fulfil the trading conditions issued by the European commodity clearing AG, which, among other things, require a collateral with a view to ensuring the satisfaction of performance obligations of all trading participants.
- Receivables from employees amounting to RSD 101,969 thousand (31st December 2022: RSD 2,176 thousand). By the Company's Supervisory Board Decision No. 12.01.-603121/32-2021, dated 1st December 2021, and by the Decision Amending Decision No. 12.01.270924/12-23 dated 29th March 2023, employees who have lost a lawsuit against the 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 Company in 48 monthly or 96 half-monthly payments.

Long-term receivables

Rescheduled trade receivables

As of 31st December 2023, rescheduled trade receivables for delivered electricity and services amounting to RSD 830,292 thousand/gross (31st December 2022: RSD 705,588 thousand), predominantly of RSD 520,312 thousand (31st 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: 29th 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 of 31st December 2023, loans to employees amounting to RSD 162,567 thousand (31st December 2022: RSD 196, 535 thousand) are relative to solidarity apartments bought by company employees. These apartments are sold to company 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 FINANCIAL STATEMENTS
31st December 2023

25. INVENTORIES AND FIXED ASSETS INTENDED FOR SALE

	In RSD thousand	
	31 st December 2023	31 st December 2022
Raw materials	14,552,560	13,549,043
Externally sourced coal	4,675,679	618,046
<i>Less: Allowance for impairment</i>	<u>(4,976,728)</u>	<u>(4,066,879)</u>
	<u>14,251,511</u>	<u>10,100,210</u>
Spare parts	24,729,441	21,338,060
Tools and small inventory	1,261,787	1,249,002
<i>Less: Allowance for impairment of spare parts, tools and small inventory</i>	<u>(2,898,211)</u>	<u>(2,808,568)</u>
	<u>23,093,017</u>	<u>19,778,494</u>
Total raw material, spare parts, tools, and small inventory	<u>37,344,528</u>	<u>29,878,704</u>
Work in progress	544,243	498,891
Finished goods – coal	4,655,245	2,614,740
Finished goods – other	-	5,739
	<u>5,199,488</u>	<u>3,119,370</u>
	<u>42,544,016</u>	<u>32,998,074</u>
Merchandise	637	1,376
<i>Less: Allowance for impairment</i>	<u>(99)</u>	<u>(99)</u>
	<u>538</u>	<u>1,277</u>
Fixed assets intended for sale	<u>741,091</u>	-
	<u>741,091</u>	-
Advances paid to foreign entities for supplies and services:		
- advance payments to legal entities within the EPS Group (note 41)	158,114	175,882
- other advances paid for inventories and services	4,329,288	3,405,062
<i>Less: Allowance for impairment of advances given</i>	<u>(244,539)</u>	<u>(255,122)</u>
	<u>4,242,863</u>	<u>3,325,822</u>
Advances paid to foreign entities for supplies and services:		
- advance payments to legal entities within the EPS Group (note 41)	515,683	1,834,348
- other advances paid for inventories and services	169,449	45,831
<i>Less: Allowance for impairment of advances given</i>	<u>(18,892)</u>	<u>(32,984)</u>
Advances paid to foreign entities for supplies and services:	<u>666,240</u>	<u>1,847,195</u>
	<u>48,194,748</u>	<u>38,172,368</u>

NOTES TO FINANCIAL STATEMENTS
31st December 2023**25. INVENTORIES AND FIXED ASSETS INTENDED FOR SALE (continued)**

Fixed assets intended for sale, as of 31st December 2023, amounting to RSD 741,091 thousand, relate to real estate for which the Company's Assembly decided on 8th November 2023, and the Government of RS gave prior approval to the Decision on the sale of real estate by Resolution No. 464-12106/2023 dated 7th December 2023. The subject of disposal is construction land and a building under construction with accounting values of RSD 529,443 thousand and RSD 211,648 thousand, respectively, forming a business-energy complex in Block 20 in New Belgrade. The real estate is being disposed of in a public tender process under the conditions stipulated by the Law on Public Property.

Other advances for inventory and services in the country amounted to RSD 4,329,288 thousand as of 31st December 2023 (31st December 2022: RSD 3,405,062 thousand), including advances given to the company JP Srbijagas in the amount of RSD 3,426,399 thousand (31st December 2022: RSD 1,908,199 thousand).

Advances given to legal entities within the EPS Group amounted to RSD 515,683 thousand as of 31st December 2023 (31st December 2022: RSD 1,834,348 thousand) and relate to an advance given to the dependent legal entity EPS Trading d.o.o., Ljubljana, based on the Contract for the Sale of Electric Energy and Cross-Border Transmission Capacities concluded on 5th July 2022.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

26. TRADE RECEIVABLES

	In RSD thousand	
	31 st December 2023	31 st December 2022
Customers -related legal entities within the EPS group (Note 41):		
- in country	14,981	10,524
- abroad	1,644,711	1,002,716
<i>Less: Adjustment of receivables from related parties legal entities within the EPS Group</i>	<u>(8,463)</u>	<u>(8,311)</u>
	<u>1,651,229</u>	<u>1,004,929</u>
Customers - Public Company "Elektrokosmet", Pristina	19,694,346	17,906,575
<i>Less: Correction of receivables 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
- sale of 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 heat and process 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: Adjustment of the value of trade receivable in country</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)
- sale of 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 heat and process 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	4,853,715	5,014,780
<i>Less: Value correction of foreign customers</i>	<u>(4,824,124)</u>	<u>(5,006,943)</u>
	<u>29,591</u>	<u>7,837</u>
Other trade receivables	757,580	715,998
<i>Less: Correction of the value of other trade receivables</i>	<u>(615,797)</u>	<u>(516,774)</u>
	<u>141,783</u>	<u>199,224</u>
	<u>88,988,035</u>	<u>64,989,481</u>

NOTES TO FINANCIAL STATEMENTS
31st December 2023

26. TRADE RECEIVABLES (continued)

In accordance with the Conclusion of the Government of the Republic of Serbia, number 021-6624/2009-002, adopted at the session of the Government on 30th November 2009, the Company, by utilizing its available capacities, provides electric energy for the supply of areas predominantly inhabited by Serbian population in the northern part of the Autonomous Province of Kosovo and Metohija. Based on the aforementioned, receivables were recognized for the supplied electric energy to the Public Enterprise "Elektrokosmet", Pristina, amounting to RSD 19,694,346 thousand (31st December 2022: RSD 17,906,575 thousand). At the same time, the unrecovered amount was recognized as an expense through indirect write-off.

27. OTHER SHORT-TERM RECEIVABLES

	In RSD thousand	
	31 st December 2023	31 st December 2022
Receivables from legal entities within the EPS group	11,952	-
Other receivables from specific operations	15,727	19,704
Receivables based on the fee for the Public Media Service	5,491,277	4,782,206
Receivables for interest:		
- legal entities within the EPS group (note 41)	71,277	34,752
- for delivered energy (physical persons)	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	1,243,596	736,801
Receivables based on insurance for incurred damages	2,386	7,494
Receivables from collection points	220,871	167,838
Receivables based on refunded fees	201,083	213,647
Receivables based on overpaid taxes and contributions	325,133	1,167,970
Other receivables from the state	547,607	507,947
Other receivables from legal entities within the EPS group (note 41)	9,790	7,993
Other receivables	1,035,529	1,980,255
Differentiated value-added tax	4,360,448	3,398,596
Receivables for overpaid profit tax	-	2,387,396
	<u>27,760,787</u>	<u>29,117,853</u>
Minus: Correction of the value of other receivables		
Other receivables from specific operations	(13,393)	(10,728)
Receivables based on the fee for the Public Media Service	(872,166)	(1,206,697)
Receivables for interest:	(920,996)	(150,303)
- for delivered energy (physical persons)	(3,834,677)	(5,510,571)
- for delivered energy (legal entities)	(2,899,762)	(2,880,075)
- for delivered energy (companies in restructuring)	(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)
Receivables for interest and other receivables from related legal entities within the EPS Group	(74,256)	(37,730)
Other receivables	(686,425)	(1,004,399)
	<u>(10,282,606)</u>	<u>(11,584,371)</u>
	<u>17,478,181</u>	<u>17,533,482</u>

NOTES TO FINANCIAL STATEMENTS
31st December 2023

27. OTHER SHORT-TERM RECEIVABLES (continued)

Accounts receivable related to the Public Media Service fee pertain to the Company's receivables as an electricity supplier from end customers based on the Public Media Service fee (Note 5). According to regulatory requirements, all risks associated with collecting receivables based on the Public Media Service fee from customers fall on the Company. The Company has assessed the likelihood of collecting these receivables, based on which an adjustment to the value of receivables has been recognized, amounting to RSD 872,166 thousand as of 31st December 2023 (2022: RSD 1,206,697 thousand).

Accounts receivable related to overpaid taxes and contributions amount to RSD 325,133 thousand as of 31st December 2023 (2022: RSD 1,167,970 thousand), with the majority, RSD 236,934 thousand (2022: RSD 966,594 thousand), pertaining to receivables from the Environmental Protection Fund of the Republic of Serbia, based on overpaid advances for 2022 and 2023 compared to the final settlement amount for environmental protection fees determined by the competent authority's administrative act after the approval date of the financial statements for the previous reporting period.

The deferred value-added tax as of 31st December 2023, amounts to RSD 4,360,448 thousand (31st December 2022: RSD 3,398,596 thousand) and represents previously paid tax utilized by the Company after the balance sheet date to reduce its obligations related to owed value-added tax.

28. SHORT-TERM FINANCIAL INVESTMENTS

	31st December 2023	In RSD thousand 31st December 2022
Short-term loans and borrowings – domestic	-	175
Current maturity of long-term loans granted in the country	341,719	313,185
Current maturity of long-term loans granted to legal entities within the EPS Group (Note 41)	269,021	269,021
Current maturity of other long-term financial placements given to legal entities within the EPS Group (Note 41)	415,966	415,966
Current maturity of other long-term financial placements	278,611	241,166
<i>Less: Correction of the value of short-term loans and placements in the country</i>	<i>(967,816)</i>	<i>(979,568)</i>
	<u>337,501</u>	<u>259,945</u>
Current maturity of rescheduled receivables - electric energy		
Current maturity of rescheduled claims for coal, thermal energy and tech. steam and services	98,145	291,036
<i>Less: Correction of the value of other short-term financial placements</i>	<i>2,339</i>	<i>2,963</i>
Short-term loans and borrowings – domestic	<i>(98,079)</i>	<i>(265,429)</i>
	<u>2,405</u>	<u>28,570</u>
	<u>339,906</u>	<u>288,515</u>

The current maturity of other long-term financial placements provided to legal entities within the EPS Group amounting to RSD 415,966 thousand (31st December 2022: RSD 415,966 thousand) relates to receivables from the dependent legal entity "Kolubara - Građevinar" d.o.o., Lazarevac, which have been reprogrammed in accordance with the Pre-prepared Reorganization Plan (UPPR) dated 29th June 2017. According to the mentioned UPPR, the Company is classified into the "Class D" of creditors. For this class of creditors, a grace period of 6 months is provided, starting from the date of the UPPR application. The total repayment period (including the grace period) is 18 months, during which the obligations are settled in equal quarterly instalments. The defined interest rate is 1% annually. The Company has assessed the expected credit losses based on the mentioned receivables from the dependent legal entity and, because of the assessment, recognized an impairment loss in previous years amounting to RSD 415,966 thousand.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

28. SHORT-TERM FINANCIAL INVESTMENTS (continued)

The current maturity of loans provided to legal entities within the EPS Group amounting to RSD 269,021 thousand (31st December 2022: RSD 269,021 thousand) entirely relates to receivables from the dependent legal entity "Kolubara - Građevinar" d.o.o., Lazarevac, based on a long-term loan. The loan was approved for a period of four years, including a grace period of one year, until 1st July 2020, with interest calculated at the reference rate of the National Bank of Serbia. As of 31st December 2023, the receivable related to the mentioned loan has fully matured and been corrected.

29. CASH AND CASH EQUIVALENTS

	In RSD thousand	
	31st December 2023	31st December 2022
Current accounts:		
- in RSD	27,934,052	7,132,569
- in foreign currency	4,633,968	397,622
	<u>32,568,020</u>	<u>7,530,191</u>
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	20	53
Securities – cash equivalents	1,880	2,662
Restricted cash	244,626	250,856
<i>Less: Allowance for impairment of dinar cash funds with limited use</i>	<u>(244,626)</u>	<u>(250,856)</u>
	<u>34,820,770</u>	<u>10,167,518</u>

Deposits for coverage under letters of credit, stated as of 31st December 2023, amount to RSD 2,225,906 thousand (31st December 2022: RSD 2,609,767 thousand) and pertain to a guaranteed deposit for the settlement of obligations under documentary letters of credit opened with Bank of China a.d. Belgrade, serving as payment instruments for the company's obligations arising from coal purchase contracts concluded with Shen Hua Hong Kong International Trading Limited, Hong Kong.

The adjustment of cash equivalents relates to cash deposits held with banks undergoing bankruptcy proceedings.

30. PREPAID EXPENSES AND OTHER ACCRUALS

	In RSD thousand	
	31st December 2023	31st December 2022
Prepaid expenses	26,404	26,408
Deferred expenses	1,238,400	1,223,445
Other accruals from related legal entities within the EPS Group (Note 41)	3,313	2,622
Other prepaid expenses	<u>2,098,895</u>	<u>1,183,517</u>
	<u>3,367,012</u>	<u>2,435,992</u>

Differentiated expenses, as of 31st December 2023, amounting to RSD 1,238,400 thousand (31st December 2022: RSD 1,223,445 thousand), entirely relate to property insurance and employee insurance expenses for the period following the balance sheet date.

NOTES TO FINANCIAL STATEMENTS

31st December 2023

30. PREPAID EXPENSES AND OTHER ACCRUALS (continued)

Other active deferred items include an amount of RSD 794,194 thousand related to booked allowances issued to the legal entity "Elektrodistribucija Srbije" d.o.o., Belgrade, during January and February 2024 based on invoiced electric energy for compensating losses in the distribution system for the accounting period of December 2023. The remaining amount of other active deferred items pertains to the calculated value-added tax in cases where the Company is a tax debtor, which was paid after the balance sheet date.

31. EQUITY**Basic capital**

The Government of the Republic of Serbia adopted Decision No. 023-1457/2023 on 6th April 2023, regarding the change of the Company's legal form from a public enterprise to a non-public joint-stock company under the full business name "Joint Stock Company Electric Power Industry of Serbia," Belgrade, which will continue to perform the activities of a public enterprise in the same manner as before the change of legal form.

According to this decision, the total share capital of the 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 RSD 365,105,090 thousand.

By the Decision of the Business Registers Agency No. BD 36389/2023 dated 13th April 2023, the registration of the change of data regarding the legal form and the change of the company name to Joint Stock Company "Electric Power Industry of Serbia," Belgrade, was carried out. As a Joint Stock Company, as of the same date, it takes over the assets, rights, obligations, and employees of the Public Enterprise.

As of 31st December 2023, the share capital of the Company consisted of the stake of the Republic of Serbia, as the sole member with 100% participation in the share capital.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

31. EQUITY (continued)

Changes in equity

Changes in equity in 2023 and 2022 are disclosed below:

	In RSD thousand					
	Basic capital	Revaluation reserves	Actuarial earnings / (losses)	Profit/ (losses) on securities available for sale	Retained earnings / (accumulated loss)	Total
Balance on 31st December 2021	360,532,532	446,477,997	(2,562,832)	(410,271)	(203,376,623)	600,660,803
Correction of beginning balance (Note 4)					(124,565)	(124,565)
Corrected balance on 1st January 2022	360,532,532	446,477,997	(2,562,832)	(410,271)	(203,501,188)	600,536,238
Effects of fair value changes of financial instruments	-	-	-	(4,954)	-	(4,954)
Disposal of fixed assets	-	(2,499,683)	-	-	1,851,455	(648,228)
Actuarial gains, provisions for employee benefits upon retirement (note 32)	-	-	852,203	-	-	852,203
Transfer to the Republic of Serbia (without compensation) of participation in the capital of "Electric Power Distribution of Serbia" Ltd., Belgrade (note 23)	-	(289,710)	-	-	(209,909)	(499,619)
Transfer of assets to "Electric Power Distribution of Serbia" Ltd., Belgrade, according to the Decision of the Government of the Republic of Serbia (note 23)	-	-	-	-	(3,688,987)	(3,688,987)
Other assessments	362,807	-	-	-	(362,807)	-
Distribution of profits	-	-	-	-	(55)	(55)
Loss for the current year	-	-	-	-	(72,634,452)	(72,634,452)
Balance on 31st December 2022	360,895,339	443,688,604	(1,710,629)	(415,225)	(278,545,943)	523,912,146
Effects of fair value changes of financial instruments	-	-	-	(1,367)	-	(1,367)
Disposal of fixed assets	-	(2,250,273)	-	-	595,285	(1,654,988)
Actuarial losses, provisions for employee benefits upon retirement (note 32)	-	-	(2,621,870)	-	-	(2,621,870)
Transfer of assets to the Republic of Serbia, Belgrade, according to the Decision of the Government of the Republic of Serbia (note 23)	-	(18,646)	-	-	(45,852)	(64,498)
Other adjustments	4,209,751	-	-	-	(4,209,751)	-
Current year profit	-	-	-	-	112,446,838	112,446,838
Balance on 31st December 2023	365,105,090	441,419,685	(4,332,499)	(416,592)	(169,759,423)	632,016,261

NOTES TO FINANCIAL STATEMENTS
31st December 2023

31. EQUITY (continued)

Changes in equity (continued)

During 2022, the Company transferred immovable property to "Elektrodistribucija Srbije" d.o.o., Belgrade, with a total value of RSD 499,619 thousand, based on the Property Transfer Agreement without compensation dated 17th May 2022 (note 23).

Additionally, as disclosed in notes 15, 23, and 25, in accordance with the Implementation Plan for activities related to the reorganization of the Distribution System Operator "EPS Distribucija" d.o.o. Belgrade ("Elektrodistribucija Srbije" d.o.o., Belgrade), and based on the Government Decision No. 023-7436/2022 dated 30th September 2022, the Company transferred information systems, equipment, and material stocks totaling RSD 3,688,987 thousand to "Elektrodistribucija Srbije" d.o.o., Belgrade, without compensation, charged to accumulated losses.

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. This includes RSD 1,669 thousand for land and RSD 62,829 thousand for equipment (note 15). The mentioned transfer of assets was made at the expense of revaluation reserves and accumulated losses.

32. LONG-TERM PROVISIONS

	In RSD thousand	
	31 December 2023	31 December 2022
Long term provisions for retirement benefits and jubilee awards	18,669,078	12,396,184
Long-term provisions for litigations	2,463,834	2,939,490
Long-term, provisions for environmental rehabilitation	18,818,762	21,587,246
Other long-term provisions	24	24
	39,951,698	36,922,944

Long term provisions for employee benefits

As at 31 December 2023, Long-term provisions for employee benefits amounting to RSD 18,669,078 thousand (31 December 2022: RSD 12,396,184 thousand), are relative to provisions for retirement benefits and jubilee awards for 10, 20, 30, 35 and 40 years of service with the Company, and are recognised using the projected unit credit method. In determining the present value of estimated future payments, the Company used a 3,11% to 6,94% discount rate (2022: 3,67% to 6,80%), and the assumption that the annual staff turnover is between 0,06% and 2,56% (2022: 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-employment benefits, due to changes in actuarial assumptions, or remeasurement of net liability, is recognized as a separate item within equity amounting to RSD 2,621,870 thousand (2022: RSD 852,203 thousand), or as actuarial gain or loss through profit or loss.

Long-term provisions for litigations

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

NOTES TO FINANCIAL STATEMENTS
31st December 2023

32. 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, the Company used a 3,11% to 6,57% discount rate, 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). If the costs of the future expected payments for each landfill were increased by RSD 100,000 thousand, the amount of provisioning would increase by RSD 1,497,642 thousand (in the case of a decrease by RSD 100,000 thousand, the amount of provisioning would decrease by RSD 1,497,642 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 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 - retirement benefits, and jubilee awards	Provision for litigations	Provision for environme ntal rehabilitati on	Other long-term provisions	Total
1 January 2022	14,877,228	2,845,319	20,112,294	24	37,834,865
New provisions charged to Income statement (Note 14)	1,147,862	336,412	573,765	-	2,058,039
New provisions recognised in OCI (Note 31)	(852,203)	-	-	-	(852,203)
New provisions charged to Long-term assets (Note 23)	-	-	1,036,485	-	1,036,485
Utilized during the year	(1,523,201)	(77,588)	(45,903)	-	(1,646,692)
Unused amounts reversed (Note 20)	(1,253,502)	(164,653)	(89,395)	-	(1,507,550)
As at 31 December 2022	12,396,184	2,939,490	21,587,246	24	36,922,944
New provisions charged to Income statement (Note 14)	5,621,148	24,578	1,245,728	-	6,891,454
New provisions recognised in OCI (Note 31)	2,621,870	-	-	-	2,621,870
Derecognition of provision credited to Long-term assets (Note 23)	-	-	(3,205,046)	-	(3,205,046)
Utilized during the year	(1,970,124)	(290,550)	(41,011)	-	(2,301,685)
Unused amounts reversed (Note 20)	-	(209,684)	(768,155)	-	(977,839)
As of 31 December 2023	18,669,078	2,463,834	18,818,762	24	39,951,698

NOTES TO FINANCIAL STATEMENTS
31st December 2023

32. 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
1st January 2022	4,913,794	9,963,434	14,877,228
<i>Items recognized in the Income statement:</i>			
Interest expense (Note 14)	258,732	481,402	740,134
Current service cost (Note 14)	82,300	325,428	407,728
Actuarial gain (Note 20)	-	(1,223,270)	(1,223,270)
Reversed amount credited to Income (Note 20)	(30,232)	-	(30,232)
<i>Included in OCI:</i>			
Actuarial gain (Note 31)	(852,203)	-	(852,203)
Payments to employees	(287,413)	(1,235,788)	(1,523,201)
As of 31st December 2022	4,084,978	8,311,206	12,396,184
<i>Items recognized in the Income statement:</i>			
Interest expense (Note 14)	200,096	380,398	580,494
Current service cost (Note 14)	237,247	538,974	776,221
Actuarial loss (Note 14)	-	4,264,433	4,264,433
<i>Included in OCI:</i>			
Actuarial loss (Note 31)	2,621,870	-	2,621,870
Payments to employees	(508,932)	(1,461,192)	(1,970,124)
As of 31st December 2023	6,635,259	12,033,819	18,669,078

NOTES TO FINANCIAL STATEMENTS
31st December 2023

33. LONG-TERM LIABILITIES

	31st December 2023	In RSD thousand 31st 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 loans 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 foreign loans and borrowings	131,243,657	113,586,816
<i>Less: Current portion of long-term foreign loans</i>	<i>(21,714,769)</i>	<i>(29,841,686)</i>
	<u>109,528,888</u>	<u>83,745,130</u>
	15,957	20,728
<i>Less: Current portion of lease liabilities</i>	<i>(7,438)</i>	<i>(8,878)</i>
	<u>8,519</u>	<u>11,850</u>
	<u>134,939,427</u>	<u>114,480,289</u>

I Loans taken out before 1990 refinanced with

1. Paris Club of Creditors

Payments on long-term loans refinanced with Paris Club 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 Creditors were recognized in accordance with the Agreed Minutes on FRY Debt Consolidation and the Law Governing the Relations between the Federal Republic of Yugoslavia and Legal Entities and Banks within the Territory of the Federal Republic of Yugoslavia (FRY Official Gazette No. 36/2002), 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 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, the Company closed annexes to the original contracts approving an additional discount amounting to 15% of the relevant principal.

2. London Club of Creditors

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

NOTES TO FINANCIAL STATEMENTS
31st December 2023

33. LONG-TERM LIABILITIES (continued)

I Refinanced loans realised from the funds(continued)

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

II Borrowings from foreign governments

1. Borrowings from the government of the Republic of Poland

The borrowing from the government of the Republic of Poland was approved during 2003 in the amount of USD 49,996,617 and was wholly used by 31st 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 24th 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 is 10 years as of the Agreement's effective date, with the possibility of extension. By supplementing the Loan Agreement, dated 31st May 2022, at the Company's request the creditor extended facility utilisation by 1st April 2024.

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 loan borrowing funds until 20th December 2023, after which it will be paid from Company funds. Maturity dates are 20th May and 20th November, whereby the repayment of the principal, according to under the Amortization Plan in Appendix 3 of the Loan Agreement, and Annex 1 of the Loan Agreement, commences on 20th November 2016, and completes on 20th November 2026.

• ***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 20th 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 26th 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 31st May 2017, facility utilisation was extended to 31st December 2018. After the expiration of the term of use, 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 21st January and 21st July of each calendar year. The amount of the loan withdrawn by 4th June 2017 is repaid in 20 equal consecutive half-yearly instalments between 21st July 2017 and 21st January 2027. The amount of the loan withdrawn between 5th June 2017 and 31st December 2018 is repaid in 17 equal consecutive semi-annual instalments, from 21st January 2019 to 21st 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).

NOTES TO FINANCIAL STATEMENTS
31st December 2023

33 LONG-TERM LIABILITIES (continued)

II Borrowings from foreign governments (continued)

- The loan agreement for the preferred buyer for the second phase of the Kostolac-B Power Plant Projects package was concluded on 17th 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 25th May 2022, with the possibility of extension. At the request of the Borrower, the Lender approved the extension of facility utilisation by 31st December 2023, and subsequently by 30th April 2024. The liabilities are due semi-annually on 21st January and 21st July of each calendar year. The principal is repaid from 21st July 2022 to 21st 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. After 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 21st 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 its liability due in January 2023 totalling USD 32,490,525.45, for the principal and the above-mentioned loan charges. The liability of the borrower towards 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 towards the Republic of Serbia. The liabilities due to the Republic of Serbia as a Borrower amounting to USD 31,681,445.55, the unpaid principal and July 2022 expenses, were settled by JSC EPS 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.

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 January 2015 however, the bank extended the drawdown period by 31 January 2017, when the undrawn part of the borrowing amounting to 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 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.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

33. LONG-TERM LIABILITIES (continued)

III Borrowings from international financial organizations (continued)

- EUR 200 million was agreed on 30 October 2015, for a period of 15 years, including grace period of 18 months. The defined date for effectiveness of borrowing funds is 29 September 2016, while the ultimate date for usage of borrowing funds is to be determined as a date upon expiry of one year from date of effectiveness of borrowing funds. 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 Company used granted funds for early repayment of loans with banks.
- EUR 300 million was agreed on 15th 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. The availability period is determined 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.

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. As the final deadline for the use of borrowed funds has been set 31 December 2015 with the possibility of deadline extension. This deadline has been extended several times. In June 2023, a request for an extension of the term of use of the available funds 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 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.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

33 LONG-TERM LIABILITIES (continued)

III Borrowings from International financial organizations (continued)

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 made in 23 equal half-yearly instalments, from the originally agreed repayment period of 30 December 2021 to 30 December 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 30 June 2024, until 30 December 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 Company was exempt from this cost between 30 March 2019 and 30 June 2019. Management fee amounts to 0.75% of the total amount of the loan and is paid once from the 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 Company's own funds on 4 December 2023.

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.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

33 LONG-TERM LIABILITIES (continued)

III Borrowings from international financial organizations (continued)

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 Company, the Company can use the loan funds of SDR 12.24 million. Funds were drawn down up to 30 June 2012, with the exception that the amount of SDR 441,151.20 was cancelled. The borrowing is to be repaid in instalments maturing on 15 March and 15 September in the period from 2015 to 2025, free of interest. Service charge amounts to 0.75% annually and is calculated on the unpaid portion of the principal. Fee for the commitment of funds on the principal amount of the principal amount which is not withdrawn amounts to no more than 0.5% annually.

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

Based on Borrowing Agreement (Project of urgent recovery from floods) concluded on 9 October 2014, between the Republic of Serbia, as the Borrower, and the IBRD, as the Creditor, in 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 October 5, 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.

IV Commercial banks - euro-denominated loans

Loans for project financing

• **Komercijalna banka a.d. Beograd**

EUR 15 million was contracted on December 12, 2019. As of 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 October 15, 2023, and the last on April 15, 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.

• **Banca Intesa a.d. Beograd**

EUR 45 million was contracted on December 9, 2019. As of 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.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

33 LONG-TERM LIABILITIES (continued)

IV Commercial banks - euro denominated loans (continued)

• **Banca Intesa a.d. Beograd**

EUR 30 million was contracted on 9 December 2019. As of 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.

• **Vojvođanska banka a.d. Novi Sad**

EUR 30 million was contracted on 6 December 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.

• **OTP banka**

EUR 15 million was contracted on 10 December 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.

Working capital loans denominated 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.), which changed the terms of loan repayment 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.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

33 LONG-TERM LIABILITIES (continued)

IV Commercial banks - Euro-denominated loans (continued)

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.

- **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%.

V Working capital loans denominated in RSD

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 FINANCIAL STATEMENTS
31st December 2023

33 LONG-TERM LIABILITIES (continued)

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

No.	LOANS	Currency	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)							175,840,331	166,220,505
A	FOREIGN CURRENCY BORROWINGS (I+II+III+IV+V)							168,340,331	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.	Promissory 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.	Promissory 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.	Promissory 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.	Promissory 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.	Promissory 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.	Promissory 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.	Promissory 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.	Promissory 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	Promissory 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	Promissory notes	179,241	214,761
4	European Union	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 FOREIGN 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 and 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.	Promissory 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.	Promissory 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	Promissory notes	15,446,241	15,842,905

NOTES TO FINANCIAL STATEMENTS
31st December 2023

33 LONG-TERM LIABILITIES (continued)

No.	LOANS	Currency	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	1,611,139	1,759,835
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 1st 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 1st of every month	3M EURIBOR + 5,00%	Promissory notes	3,524,365	3,764,094
8	Postanska stedionica	EUR	0	01.10.2023 30.08.2027	on the 1st 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 1st 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 1st 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 1st 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	113,883	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 1st 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 1st 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 8,055,692 thousand has been reclassified to short-term liabilities.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

33. 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 Company concluded numerous 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:

Creditor	Currency	Contract value	Withdrawn amount
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

	In RSD thousand		
	31 December 2023	31 December 2022	Index
Up to 1 year	40,989,923	51,832,566	79,08
1 to 5 years	95,168,652	73,959,486	128,688
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

Currency	31 December 2023		31 December 2022	
	In F/X	In RSD thousand	In F/X	In RSD thousand
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

NOTES TO FINANCIAL STATEMENTS
31st December 2023

33 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:

	Cash flows			Non-cash items				As at 31 December 2023	
	1 January 2023	Proce eds	Repay ment	Direct tranche to Supplier	Conver sion of expens es to princip al	Reclassifica tion	Currency translation differences		Other
2023									
Long-term borrowings	166,220,505	30,223,82	(29,695,789)	15,739,904	443,976	(2,806,010)	(4,283,090)	(2,986)	175,840,332
Other short-term financial liabilities	30,234	153,419	(90,671)	-	-	-	-	65,296	158,278
Lease liabilities	20,728	28	(9,445)	-	-	-	-	4,646	15,957
Total liabilities arising from financial activities	166,271,467	30,377,269	(29,795,905)	15,739,904	443,976	(2,806,010)	(4,283,090)	66,956	176,014,567
2022									
Long-term borrowings	147,029,810	37,759,139	(40,932,676)	24,612,525	104,444	(2,957,872)	600,796	4,339	166,220,505
Other long-term financial liabilities	14	-	(16)	-	-	-	-	2	-
Other short-term financial liabilities	9,800	20,152	(52,213)	-	-	-	(19)	52,514	30,234
Lease liabilities	79,905	-	(64,663)	-	-	-	3	5,483	20,728
Total liabilities arising from financial activities	147,119,529	37,779,291	(41,049,568)	24,612,525	104,444	(2,957,872)	600,780	62,338	166,271,467

NOTES TO FINANCIAL STATEMENTS
31st December 2023

34. LONG-TERM DEFERRED INCOME AND RECEIVED DONATIONS

	In RSD thousand	
	31 st December 2023	31 st December 2022
Donations received:		
- from the Government of the RS and other state authorities	903,069	684,833
- from abroad	7,745,756	8,086,276
- in country	22,326	52,757
	8,671,151	8,823,866

On 29th December 2022, a Protocol was signed between the Ministry of Mining and Energy and the Company regarding the implementation of the Government Decision No. 401-11262/2022 dated 29th December 2022, adopting the Program on the allocation and use of subsidy funds to public non-financial enterprises and organizations. The Protocol stipulated that the Government of the Republic of Serbia, through the relevant ministry, would provide a portion of the funds needed for the reconstruction of turbines at units A3-A6 of the TPP Nikola Tesla A for the further realization of the Belgrade Heating Pipeline Project from Obrenovac to Novi Beograd. The transport pipeline connects the heat source - the thermal power plant TPP "Nikola Tesla A" in Obrenovac with the district heating plant in Novi Beograd. This project aims to provide heating for Belgrade. Based on this, the Company recognized subsidies amounting to RSD 226,100 thousand as of 31st December 2023 (31st December 2022: RSD 416,500 thousand).

The Company received funds in the form of financial and technical assistance from agencies and similar international bodies, initially recognized as deferred income. All international agreements or treaties were ratified by the National Assembly of the Republic of Serbia.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

34. LONG-TERM DEFERRED INCOME AND RECEIVED DONATIONS (continued)

Changes in deferred income based on donations received during 2022 and 2021 were as follows:

	31st December 2023	In RSD thousand 31st December 2022
Balance at the beginning of the year	8,823,866	8,573,770
Worth. trans. wed. from third parties free of charge (donations)	147,662	158,748
Cancellation of deferred income in favour of current income on a systematic basis (Note 7)	(384,195)	(218,840)
RS subsidies for the reconstruction of blocks A3-A6 in the TENT Branch, as part of the construction of the Obrenovac-Belgrade heat pipeline	226,100	416,500
Other	(142,282)	(106,312)
	8,671,151	8,823,866

35. SHORT-TERM FINANCIAL LIABILITIES

	31st December 2023	In RSD thousand 31st December 2022
<i>Liabilities in foreign currency</i>		
Part of long-term loans abroad that mature up to one year	21,714,769	29,841,686
Part of the country's long-term loans in foreign currency that matures up to one year	16,175,154	15,000,883
	37,889,923	44,842,569
<i>Liabilities in RSD</i>		
The part of long-term loans in the country in dinars that is due up to one year	3,100,000	6,989,997
Part of other long-term liabilities due up to one year	7,438	8,878
Part of liabilities based on leasing	3,107,438	6,998,875
	3,364	3,016
Other short-term financial liabilities in foreign currency	157,931	27,218
	41,158,656	51,871,678

Liabilities arising from long-term loans abroad maturing within one year amounted to RSD 21,714,769 thousand (31st December 2022: RSD 29,841,686 thousand). These include loans from international financial organizations totalling RSD 8,659,371 thousand (31st December 2022: RSD 17,472,161 thousand), loans from governments amounting to RSD 12,981,599 thousand (31st December 2022: RSD 10,847,807 thousand), and loans from commercial banks totalling RSD 73,798 thousand (31st December 2022: RSD 1,521,718 thousand).

Liabilities arising from long-term loans in foreign currencies within the country maturing within one year amounted to RSD 16,175,154 thousand (31st December 2022: RSD 15,000,883 thousand). This includes obligations from the Paris Club creditors totalling RSD 2,318,939 thousand (31st December 2022: RSD 3,991,064 thousand), obligations from other refinanced loans amounting to RSD 188,801 thousand (31st December 2022: RSD 193,371 thousand), loans granted by domestic commercial banks totalling RSD 13,667,414 thousand (31st December 2022: RSD 10,816,261 thousand), while the amount of RSD 187 thousand as of 31st December 2022, pertains to other liabilities.

Liabilities arising from long-term loans in domestic currency maturing within one year amounted to RSD 3,100,000 thousand (31st December 2022: RSD 6,989,997 thousand) and relate to liquidity loans granted to the Company during 2021 by domestic commercial banks.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

36. RECEIVED ADVANCES, DEPOSITS, AND GUARANTEES

	In RSD thousand	
	31 st December 2023	31 st December 2022
Advances received:		
- from related legal entities within the EPS Group (Note 41)	813	499
- in RSD	76,096	307,221
- in foreign currency	137	137
Deposits and caution money received	223,516	128,548
Advances received from individuals in RSD	1,277	973
	301,839	437,378

37. LIABILITIES FROM OPERATING ACTIVITIES

	In RSD thousand	
	31 st December 2023	31 st December 2022
Suppliers - legal entities within the EPS group in the country (Note 41)	181,211	111,535
Suppliers - other related legal entities in the country	57,228	182,611
	238,439	294,146
Suppliers in the country	22,247,301	36,781,858
AD "Elektromreža Srbije", Belgrade	1,021,616	1,754,210
"Elektrodistribucija Srbije" d.o.o., Belgrade	25,767,259	34,455,764
	49,036,176	72,991,832
Suppliers abroad	12,922,093	18,455,400
Other business liabilities:		
- obligations based on expropriation from business	63,603	306,391
- obligations based on compensation for damages from business	20,578	10,474
- other	2,713,379	2,534,453
	2,797,560	2,851,318
	64,994,268	94,592,696

Liabilities to the legal entity "Elektrodistribucija Srbije" d.o.o., Belgrade, as of 31st December 2023, amounted to RSD 25,767,259 thousand (31st December 2022: RSD 34,455,764 thousand) and relate to obligations to "Elektrodistribucija Srbije" d.o.o., Belgrade, based on access fees to the distribution system (note 9).

Liabilities to the legal entity AD "Elektromreža Srbije" stated as of 31st December 2023, amounted to RSD 1,021,616 thousand (31st December 2022: RSD 1,754,210 thousand) and pertain to obligations based on access and utilization fees for the electricity transmission system, capacity lease, and balancing responsibility (note 9).

Liabilities to foreign suppliers stated as of 31st December 2023, amounted to RSD 12,922,093 thousand (31st December 2022: RSD 18,455,400 thousand) and relate to assumed obligations regarding the renovation and revitalization of facilities and equipment, financed through borrowed funds (note 33).

NOTES TO FINANCIAL STATEMENTS
31st December 2023

38. OTHER SHORT-TERM LIABILITIES

	31st December 2023	In RSD thousand 31st December 2022
		<i>Corrected</i>
Liabilities from specific jobs	1,955,846	1,946,863
Other liabilities towards employees	222,643	134,267
Liabilities for unpaid wages and salaries, net	1,355,528	1,264,680
Liabilities for taxes and contributions:		
- charged to employee	534,047	502,608
- charged to employees	375,660	462,286
Other liabilities for wages and salaries	27,856	28,910
Liabilities for interests and financing costs	29,930	111,279
Liabilities for dividends and profit share	3,032,107	3,032,107
Liabilities towards the members of the NO and the Audit Commission	2,102	395
Liabilities towards individuals	33,213	30,048
Other liabilities	25,700,781	63,868,579
Liabilities based on calculated value added tax	9,335,826	7,206,230
Tax liabilities from results	5,041,033	2,007,671
Fees for the use of water and other public goods	17,715,391	-
Fee for energy efficiency	1,337,187	631,682
Fees for environmental protection	89,544	87,682
Other liabilities based on other public revenues	3,019,745	2,387,925
Liabilities based on excise duty	57,136	376,542
Liabilities for other taxes, customs duties and other duties	5,257,595	4,062,770
Liabilities from specific jobs	77,259	111,431
	75,200,429	88,253,955

Liabilities from specific operations as of 31st December 2023, amounted to RSD 1,955,846 thousand (31st December 2022: RSD 1,946,863 thousand) and relate to obligations for the Public Media Service fee, which the Company, as an electricity supplier, is obligated to collect from end customers on behalf of the Public Media Service (notes 5 and 27).

Liabilities for dividends and profit sharing as of 31st December 2023, amounted to RSD 3,032,107 thousand (31st December 2022: RSD 3,032,107 thousand). These pertain to obligations to the founder recognized in previous years based on decisions of the Supervisory Board regarding profit distribution in favour of the founder, in accordance with the Law on the Budget of the Republic of Serbia. They also include obligations to current and former employees for their share of profit determined in financial statements for the year ending 31st December 2015, in accordance with a decision of the Supervisory Board dated 6th December 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 5, other liabilities as of 31st December 2023, include contractual obligations to electricity customers on guaranteed and commercial supply based on prepayments and undisposed payments from customers, amounting to RSD 2,549,146 thousand (31st December 2022: RSD 2,306,800 thousand).

Deferred liabilities for declared VAT relate to the owed tax for the subsequent tax period, paid after reducing the previous value-added tax, post balance sheet date.

Liabilities for public revenues were settled by the Company after the balance sheet date within the deadlines prescribed by tax regulations and/or tax administrative acts. In case such acts are not received, the Company is obligated to make advance payments up to the determined liability until receiving the said acts from tax and other authorities.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

39. SHORT TERM ACCRUALS

	In RSD thousand	
	31 st December 2023	31 st December 2022
Calculated costs	1,819,673	1,128,247
Other passive accruals	2,977,084	927,131
	4,796,757	2,055,378

Accrued expenses as of 31st December 2023, amounted to RSD 1,819,673 thousand (31st December 2022: RSD 1,128,247 thousand), including an amount of RSD 1,629,976 thousand (31st December 2022: RSD 1,056,484 thousand) recognized for interest expenses on loans and credits for which no accounting documentation has been received.

Other deferred liabilities include amounts of value-added tax included in advances to suppliers (gross principle of value-added tax recognition).

40. OFF-BALANCE SHEET LIABILITIES

	In RSD thousand	
	31 st December 2023	31 st December 2022
Received material for finishing and processing	79	79
Given guarantees and other forms of securing obligations	183,329,086	204,812,634
Received guarantees and other forms of securing claims	63,205,168	56,176,172
Other off-balance sheet records	68,934	68,934
	246,603,267	261,057,819

NOTES TO FINANCIAL STATEMENTS
31st December 2023

41. TRANSACTIONS WITH RELATED PARTIES

a) *Balance sheet*

The following balances of receivables and payables resulted from transactions performed with related legal entities:

	In RSD thousand	
	31 st December 2023	31 st December 2022
Equity participations (Note 24)		
EPS Trgovanje d.o.o. Ljubljana	66,304	66,304
Kolubara - Građevinar d.o.o. Lazarevac	1,771,606	1,771,606
Elektrosever d.o.o.	5,878	1,182
HES Gornja Drina d.o.o. Foča	2,381,363	2,381,363
Moravske hidroelektrane d.o.o.	47,926	-
	4,273,077	4,220,455
Short-term financial investments (note 28)		
Kolubara - Građevinar d.o.o. Lazarevac	684,987	684,987
Less: Correction of value of short-term financial investments	(684,987)	(684,987)
	-	-
Inventories - Advances Given (Note 25)		
EPS Trgovanje d.o.o. Ljubljana	515,683	1,834,348
Kolubara - Građevinar d.o.o. Lazarevac	158,114	175,882
Less: Correction of the value of advances given	(135,284)	(135,284)
	538,513	1,874,946
Fixed assets - Advances given		
Kolubara - Građevinar d.o.o. Lazarevac	210,777	222,767
Less: Correction of the value of advances given for fixed assets	(100,548)	(100,548)
	110,229	122,219
Trade receivables (note 26)		
EPS Trgovanje d.o.o. Ljubljana	1,644,711	1,002,716
Kolubara - Građevinar d.o.o. Lazarevac	14,981	10,524
Less: Adjustment of the value of receivables from related legal entities within EPS Group	(8,463)	(8,311)
	1,651,229	1,004,929
Other receivables (note 27)		
Kolubara - Građevinar d.o.o. Lazarevac (claims for interest and other claims)	81,067	42,745
Less: Adjustment of the value of receivables from related legal entities within EPS Group	(74,256)	(37,730)
	6,811	5,015
Accruals (note 30)		
Kolubara - Građevinar d.o.o. Lazarevac	3,313	2,622
Total assets	6,583,172	7,230,186

NOTES TO FINANCIAL STATEMENTS
31st December 2023

41. TRANSACTIONS WITH RELATED LEGAL ENTITIES (continued)

a) Balance sheet (continued)

	In RSD thousand	
	31 st December 2023	31 st December 2022
Operating liabilities (Note 37)		
Kolubara - Građevinar d.o.o. Lazarevac	181,211	111,535
	181,211	111,535
Advances received (Note 36)		
Kolubara - Građevinar d.o.o. Lazarevac		
	813	499
	813	499
Total liabilities		
Operating liabilities (Note 37)	182,024	112,034
Receivables/(liabilities) - net	6,401,148	7,118,152

b) Income statement

Overview of income and expenses generated from transactions with related legal entities:

	In RSD thousand	
	2023	2022
Income from the sale of electricity (Note 5)		
EPS Trading, Ljubljana	14,584,608	1,283,755
Kolubara - Građevinar d.o.o. Lazarevac	38,688	19,740
	14,623,296	1,303,495
Income from the sale of products and services (Note 5)		
Kolubara - Građevinar d.o.o. Lazarevac	60,350	36,298
	60,350	36,298
Other operating income (note 7)		
Kolubara - Građevinar d.o.o. Lazarevac	10,856	11,155
Moravske hidroelektrane d.o.o.	284	-
	11,140	11,155
Financial income (note 16)		
EPS Trading, Ljubljana	810	777
Kolubara - Građevinar d.o.o. Lazarevac	37,217	21,384
	38,027	22,161
Fuel and energy costs (note 9)		
EPS Trading, Ljubljana	1,381,458	5,570,117
	1,381,458	5,570,117
Cost of production services (note 13)		
Kolubara - Građevinar d.o.o. Lazarevac	1,161,925	916,585
	1,161,925	916,585
Financial expenses (note 17)		
EPS Trading, Ljubljana	1,842	2,023
	1,842	2,023
Expenses based on impairment of receivables (note 19)		
Kolubara - Građevinar d.o.o. Lazarevac	36,678	67,102
	36,678	67,102
Income/(expenses), net	12,150,910	(5,182,718)

NOTES TO FINANCIAL STATEMENTS
31st December 2023

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 st December 2023	31 st December 2022 <i>Corrected</i>
Indebtedness a)	176,098,083	166,351,967
Cash and cash equivalents	34,820,770	10,167,518
Net indebtedness	141,277,313	156,184,449
Capital b)	632,016,261	523,912,146
Total debt to equity ratio	0,22	0,30

- 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.

Financial instruments categories

	In RSD thousand	
	31 st December 2023	31 st December 2022
Financial assets		
Equity investments	4,590,961	4,534,272
Long-term financial investments and receivables	2,511,483	2,718,578
Trade receivables	88,988,035	64,989,481
Short-term loans and short-term financial investments	339,906	288,515
Other receivables	10,895,312	9,153,416
Cash and cash equivalents	34,820,770	10,167,518
	142,146,467	91,851,780
Financial liabilities		
Long-term borrowings	134,939,427	114,480,289
Business obligations	64,994,268	94,592,696
Other short-term liabilities	30,751,882	68,988,876
Current portion of long-term borrowings	40,997,361	51,841,444
Short-term financial liabilities	161,295	30,234
	271,844,233	329,933,539

The Company's main financial instruments are cash and cash equivalents, receivables from customers for sales and interest, and obligations to suppliers, primarily intended to finance the Company's ongoing operations. Under normal business conditions, the Company is exposed to the risks listed below.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

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

	In RSD thousand			
	Assets		Liabilities	
	31 st December 2023	31 st December 2022	31 st December 2023	31 st December 2022
EUR	12,658,141	4,785,072	95,552,901	76,589,024
JPY	25,625	5,091	13,889,996	17,638,947
CHF	1	1	786,472	2,092,734
USD	12,010,727	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 the foreign exchange rate. The following table presents details of the sensitivity analysis of the Company to a 10% increase and decrease in the dinar exchange rate against given foreign currencies. The 10% sensitivity rate is used for internal display of foreign exchange risk and represents management's estimate of reasonably expected changes in foreign currency exchange rates. Sensitivity analysis includes only outstanding receivables and liabilities denominated in foreign currency and adjusts their translation at the end of the period for a 10% change in foreign exchange rates.

	In RSD thousand			
	31 st December 2023		31 st December 2022	
	Strengthening RSD	Weakening RSD	Strengthening RSD	Weakening RSD
EUR	8.289.476	(8.289.476)	7,180,395	(7,180,395)
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 of current period	15.739.961	(15.739.961)	16,347,911	(16,347,911)

NOTES TO FINANCIAL STATEMENTS
31st December 2023

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Currency risk (continued)

The Company's sensitivity to changes in foreign currencies has decreased in the current period, mainly because of nominal reductions in liabilities denominated in euros, dollars, and Japanese yen.

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.

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:

	In RSD thousand	
	31st December 2023	31st December 2022
Financial Assets		
<i>Non-interest bearing</i>		
- Equity interests	4,590,961	4,534,272
- Long-term financial placements and long-term receivables	766,340	766,219
- Trade receivables	88,988,035	64,989,481
- Cash and cash equivalents	2,273,820	2,651,757
- Other receivables	503,157	
	<u>97,122,313</u>	<u>72,941,729</u>
<i>Fixed interest rate</i>		
- Long-term financial placements and long-term receivables	506,735	432,690
- Short-term loans and short-term financial placements	2,370	29,554
- Cash and cash equivalents	32,546,950	7,515,761
	<u>33,056,055</u>	<u>7,978,005</u>
<i>Variable interest rate</i>		
- Long-term financial placements and long-term receivables	1,238,408	1,519,669
- Short-term loans and other short-term financial placements	337,536	258,961
- Other receivables	10,392,155	9,153,416
	<u>11,968,099</u>	<u>10,932,046</u>
	<u>142,146,467</u>	<u>91,851,780</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:

NOTES TO FINANCIAL STATEMENTS
31st December 2023

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk (continued)

	In RSD thousand	
	31 st December 2023	31 st December 2022
Financial Liabilities		
<i>Non-interest bearing</i>		
- Liabilities to suppliers	64,994,268	94,592,696
- Other liabilities	30,443,545	63,501,207
	<u>95,437,813</u>	<u>158,093,903</u>
<i>Fixed interest rate</i>		
- Long-term loans	25,321,520	30,642,809
- Current portion of long-term loans	19,275,154	21,990,880
	<u>44,596,674</u>	<u>52,633,689</u>
<i>Variable interest rate</i>		
- Long-term loans	109,609,388	83,837,480
- Other long-term liabilities	8,519	-
- Other liabilities	308,337	5,487,669
- Current portion of long-term loans	21,722,207	29,850,564
- Short-term financial liabilities	161,295	30,234
	<u>131,809,746</u>	<u>119,205,947</u>
	<u>271,844,233</u>	<u>329,933,539</u>

The sensitivity analyses presented in the following text are established based on the exposure to changes in interest rates for instruments at the balance sheet date. For liabilities with variable rates, the analysis is compiled under the assumption that the remaining amount of assets and liabilities on the balance sheet date remained unchanged throughout the year. An increase or decrease of 1% represents, as assessed by management, realistically possible changes in interest rates. If the interest rate were 1% higher/lower, with all other variables remaining unchanged, the Company would incur an operational loss for the year ending 31st December 2023, amounting to RSD 1,198,416 thousand (31st December 2022: RSD 1,082,789 thousand). This situation is attributed to exposure.

Credit risk

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

NOTES TO FINANCIAL STATEMENTS
31st December 2023

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

Trade receivables and contract assets

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

	Gross exposure	In RSD thousand	
		Allowance	Net exposure
Not due trade receivables	52,892,897	(1,086,604)	51,806,293
Overdue, corrected accounts receivable	106,757,985	(69,576,243)	37,181,742
31st December 2023	159,650,882	(70,662,847)	88,988,035
Not due trade receivables	34,607,971	(537,813)	34,070,158
Overdue, corrected accounts receivable	99,258,734	(68,339,411)	30,919,323
31st December 2022	133,866,705	(68,877,224)	64,989,481

In the structure of customer receivables, receivables from customers for electricity consumption dominate. As of 31st December 2023, the Company's exposure to credit risk based on receivables from customers for electricity consumption amounts to RSD 75,515,606 thousand, or about 85%.

	Gross exposure	In RSD thousand	
		Allowance	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.

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.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

Expected credit loss assessment for trade receivables from electricity (continued)

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 of 31st December 2023:

	Weighted- average loss rate	In RSD thousand	
		Gross exposure	Credit loss
Guaranteed supply			
Not past due receivables	1.95%	24,125,382	470,311
0-30	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
30	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
30	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 FINANCIAL STATEMENTS
31st December 2023

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:

	Long-term financial investments	Long-term receivables	Trade receivables	Receivables from specific operations	Other receivables	Short-term financial investments	Cash and cash equivalents	Total
Balance on 1st January 2022	2,467,704	1,562,461	63,137,290	1,101,674	9,168,218	1,078,891	267,729	78,783,967
Correction of opening balance	-	-	(338,347)	-	338,347	-	-	-
			62,798,943					
Corrected balance on 1st January 2022	2,467,704	1,562,461	62,798,943	1,101,674	9,506,565	1,078,891	267,729	78,783,967
Allowances through Income statement	104,160	1,657	6,544,045	117,357	1,258,687	46,698	-	8,072,604
Write-off of receivables and investments	-	(770,228)	(37,622)	(1,406)	(422,907)	(91,484)	(16,873)	(1,340,520)
Income regarding to adjustment of allowance – collection of receivables and reduced allowance (note 18)	(3)	(16,084)	(387,507)	(200)	(7,560)	-	-	(411,354)
Foreign exchange differences	-	-	1,228	-	-	-	-	1,228
Collection of previously impaired receivables (note 20)	-	-	(3,318)	-	-	-	-	(3,318)
Transfers within receivables	(138,114)	(72,778)	(31,005)	-	31,005	210,892	-	-
Increase based on valuation of securities	617	-	-	-	-	-	-	617
Posting a correction based on UPPR (note 24)	1,250,530	-	-	-	-	-	-	1,250,530
Other	(1)	-	(7,540)	-	1,156	-	-	(6,385)
Balance on 31st December 2022	3,684,893	705,028	68,877,224	1,217,425	10,366,946	1,244,997	250,856	86,347,369
Allowances through Income statement	-	33,145	3,262,882	-	1,917,068	-	-	5,213,095
Write-off of receivables and investments	(380,101)	-	(2,944,538)	(234,436)	(506,373)	-	(6,230)	(4,071,678)
Income regarding to adjustment of allowance – collection of receivables and reduced allowance (note 18)	-	(940)	(859,483)	(10,887)	(185,818)	(17,619)	-	(1,074,747)
Conversion of receivables into participation	54,936	(54,936)	-	-	-	-	-	-
Collection of previously impaired receivables (note 20)	-	-	(1,676)	-	-	-	-	(1,676)
Transfers within receivables	(5,556)	150,416	2,328,438	(116,379)	(2,212,059)	(144,860)	-	-
Increase based on valuation of securities	52	-	-	-	-	-	-	52
Other	-	(764)	-	29,836	17,283	(16,623)	-	29,732
Balance on 31st December 2023	3,354,224	831,949	70,662,847	885,559	9,397,047	1,065,895	244,626	86,442,147

NOTES TO FINANCIAL STATEMENTS
31st December 2023

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Trade payables management

Liabilities to suppliers as of 31st December 2023, amounted to RSD 64,994,268 thousand (31st December 2022: RSD 94,592,696 thousand). The Company settled its liabilities to suppliers during 2023 under conditions of constrained liquidity.

Liquidity risk

The ultimate responsibility for liquidity risk management lies with the Company's management, which has established an appropriate management system for the short-term, medium-term, and long-term financing needs of the Company, as well as liquidity risk management, maintaining adequate cash reserves through continuous monitoring of planned and actual cash flows, and maintaining an adequate maturity matching of financial assets and liabilities.

Liquidity risk and credit risk tables

Presented in the following tables are details on remaining agreed maturities of Company'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 Company could collect funds.

Financial assets maturity

In RSD thousand 31 st December 2023						
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Non-interest bearing	91.487.351	246.422	31.360	-	5.357.180	97.122.313
Fixed interest rate	32.546.915	2.405	363.212	-	143.523	33.056.055
Variable interest rate	8.740.665	-	337.797	1.861.908	1.027.729	11.968.099
	132.774.931	248.827	732.369	1.861.908	6.528.432	142.146.467

In RSD thousand 31 st December 2022						
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Non-interest bearing	66.924.805	712.284	-	-	5.304.640	72.941.729
Fixed interest rate	7.516.744	28.571	362.688	-	70.002	7.978.005
Variable interest rate	10.137.697	-	256.821	152.187	385.341	10.932.046
	84.579.246	740.855	619.509	152.187	5.759.983	91.851.780

The following tables display details of the remaining contractual maturities of the Company's obligations. The amounts shown are based on undiscounted cash flows arising from financial obligations based on the earliest date on which the Company will be obligated to settle such obligations.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial liabilities maturity

	In RSD thousand					
	31 st December 2023					
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Non-interest bearing	75,825,784	19,554,801	57,228	-	-	95,437,813
Fixed interest rate	-	-	19,275,154	-	25,321,520	44,596,674
Variable interest rate	396,236	-	21,875,471	109,537,407	-	131,809,114
	76,222,020	19,554,801	41,207,853	109,537,407	25,321,520	271,843,601

	In RSD thousand					
	31 st December 2022					
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Non-interest bearing	125,024,242	32,646,845	422,816	-	-	158,093,903
Fixed interest rate	-	-	21,990,880	-	30,642,809	52,633,689
Variable interest rate	5,492,645	-	29,887,672	83,825,630	-	119,205,947
	130,516,887	32,646,845	52,301,368	83,825,630	30,642,809	329,933,539

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

	In RSD thousand			
	31 st December 2023		31 st December 2022	
	Net book value	Fair value	Net book value	Fair value
Financial assets				
Equity investments	4,590,961	4,590,961	4,534,272	4,534,272
Long-term financial assets and long-term receivables	2,511,483	2,511,483	2,718,578	2,718,578
Trade receivables	88,988,035	88,988,035	64,989,481	64,989,481
Short-term loans and short-term financial investments	339,906	339,906	288,515	288,515
Other receivables	10,895,312	10,895,312	9,153,416	9,153,416
	34,820,770	34,820,770	10,167,518	10,167,518
	142,146,467	142,146,467	91,851,780	91,851,780
Financial liabilities				
Long-term borrowings	134,930,908	134,930,908	114,480,289	114,480,289
Other long-term liabilities	8,519	8,519	-	-
Trade payables	64,994,268	64,994,268	94,592,696	94,592,696
Other short-term financial liabilities	30,751,882	30,751,882	68,988,876	68,988,876
Current portion of long-term loans	40,997,361	40,997,361	51,841,444	51,841,444
	161,295	161,295	30,234	30,234
	271,844,233	271,844,233	329,933,539	329,933,539

NOTES TO FINANCIAL STATEMENTS
31st 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 is 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 Company the value of which amounts to RSD 2,949,072 thousand (31 December 2022: RSD 3,374,172 thousand). The outcomes of these lawsuits are uncertain. As at 31 December 2023, based on corporate management estimates, the Company created a provision for contingent loss that may arise from these lawsuits (Note 32) totalling RSD 2.463.834 thousand (31 December 2022: RSD 2,939,490 thousand). As for other lawsuits for which a provision for contingent loss has not been made, corporate management believes that no significant loss can be generated from these lawsuits.

Commitments resulting from investment contracts

As of 31st December 2023, for purchases of property, plant, and equipment, the Company'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 of 31 December 2022, total commitments resulting from PPE investment contracts amounted to RSD 60,229,222 thousand.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

43. COMMITMENTS AND CONTINGENCIES (continued)

Contingent liabilities based on agreements concluded with Local Government Units

The Company 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 Company 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 to settle the Company's total commitments has not been 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 Company has no control, and the value and probability of occurrence cannot be reliably established.

The Company has recognised operating liabilities for each completed project as disclosed in table below:

Ordinal No.	Agreement Title	In RSD thousand Total contract value recorded by 31.12.2023.
1.	Relocation Programme for the settlement of Vreoci	2,461,042
2.	Agreement on implementing the relocation program for parts of settlements of 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 Company 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 Company, despite relational capital, has no control as stated in Note 1. End Users, according to binding borrowing agreements, are companies from the territory of AP KiM.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

43. COMMITMENTS AND CONTINGENCIES (continued)

As stated in Note 33, in accordance with the provisions of the *Law governing the relations between the Republic of Serbia and the banks in bankruptcy caused by failure to meet obligations towards foreign creditors* (RS Official Gazette No. 45/05), when The Republic of Serbia undertook these obligations under 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*, being the original debtors or guarantors toward the Paris Club and London Club Creditors (FRY Official Gazette Nos. 36/02 and 7/03), the Company concluded agreements with the Deposit Insurance Agency by which it regulated its obligations towards the Republic of Serbia arising from legal transactions in which it is the ultimate debtor.

44. RECONCILIATION OF RECEIVABLES AND LIABILITIES

In accordance with Article 22 of the Accounting Law, the Company reconciled receivables and payables with debtors and creditors. The reconciliation of receivables and payables was conducted as of 31st October 2023. There were 8,127 unreconciled placements and receivables amounting to RSD 2,592,383 thousand, constituting 17% of the total number of receivables and 2% of the total recognized placements and receivables as of 31st October 2023. There were 2,882 unreconciled obligations amounting to RSD 11,860,632 thousand, representing 21% of the total number of obligations and 36% of the total recognized obligations as of 31st October 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 tax authorities regarding the transactions and activities of the Company may differ from that of management. The statute of limitations for tax obligations is five years. This practically means that tax authorities have the right to determine the payment of outstanding obligations within a period of five years from when the obligation arose.

46. EVENTS AFTER BALANCE SHEET DATE

Loans with international financial institutions

Negotiations are underway with the EBRD bank regarding securing a loan for the rehabilitation of several large hydroelectric power plants (Bistrica, Potpeć, Đerdap).

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 Kostolac wind farm

On 29th January 2024, an agreement on financing the construction project of the Kostolac wind farm was signed between the Republic of Serbia, the German KfW bank, and the Company. This project will involve the construction of a wind farm with a total installed capacity of 66 MW in the TE KO Branch, on the site of closed and rehabilitated surface coal mines. The project is financed by loans and donations from the German KfW bank, donations from the European Union, and funds from the Company.

The expected completion of the works is in 2025. Access roads and connections to state roads will be built for usage and maintenance, as well as a substation of 35/110 kV and a distribution facility for grid connection. Construction will take place at multiple locations, including Drmno, Petka, Ćirikovac, and Klenovnik. The lifespan of the wind farm is projected to be 20 years.

NOTES TO FINANCIAL STATEMENTS
31st December 2023

46. EVENTS AFTER BALANCE SHEET DATE (continued)

Company "Elektrosever" LLC North Mitrovica

As part of the negotiation process with the Provisional Institutions of Self-Government in Pristina, mediated by the European Union, several agreements related to the energy issue have been reached: the Energy Arrangement from 2013, the Action Plan in the field of energy from 2014, the EU mediator's conclusions from 2015, and the Roadmap for the Implementation of Energy Agreements from 2013 and 2015, reached in 2022.

Based on these agreements, the Company exercises founding rights in the Company "Elektrosever" LLC North Mitrovica, which is headquartered in the territory of the Autonomous Province of Kosovo and Metohija. Through Elektrosever LLC North Mitrovica, based on these agreements, the Company commenced supplying electricity to the population in four municipalities in northern Kosovo and Metohija as of 1st January 2024.

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

In order to ensure conditions for the smooth operation of the company and the security of electricity supply, the Company Assembly adopted Decision No. 12.01.238650/4-2024 on 19th March 2024, regarding the increase of the cash contribution in the capital of the dependent company "Elektrosever" LLC North Mitrovica, in the amount of EUR 23,000,000, which the Company will pay successively within six months from the date of adoption of the decision.

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