

**PUBLIC ENTERPRISE ELEKTROPRIVREDA SRBIJE
BEOGRAD**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
AND INDEPENDENT AUDITOR'S REPORT**

CONTENTS

Auditor's report

Consolidated Income statement

Consolidated Statement of other comprehensive income

Consolidated Balance sheet

Consolidated Statement of changes in equity

Consolidated Cash flow statement

Notes to the financial statements



Independent Auditor's Report

To the Shareholder of Joint Stock Company "Elektroprivreda Srbije" Beograd (former Javno preduzeće Elektroprivreda Srbije, Beograd)

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Javno preduzeće Elektroprivreda Srbije, Beograd (the "Parent Company") and its subsidiaries (together – the "Group") as at 31 December 2022, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Law on Accounting in the Republic of Serbia.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated income statement for the year ended 31 December 2022;
- the consolidated statement of other comprehensive income for the year ended 31 December 2022;
- the consolidated balance sheet as at 31 December 2022;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flows statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies 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 consolidated financial statements section of our report.

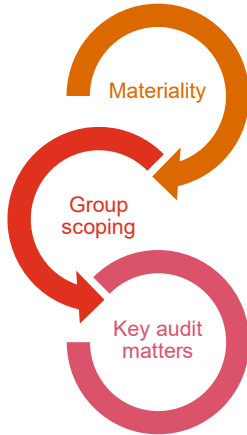
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Law on Auditing in the Republic of Serbia that are relevant to our audit of the consolidated financial statements in the Republic of Serbia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Auditing in the Republic of Serbia.

Our audit approach

Overview



- Overall Group materiality: RSD 3,534,807 thousand, which represents 1% of the revenue for the year ended on 31 December 2022.
- We conducted audit work at 4 reporting units in 3 countries.
- The Group engagement team and PwC network firms audited all subsidiaries.
- Our audit scope addressed 100% of the Group's revenues and 100% of the Group's absolute value of underlying profit before tax.
- Estimation of decommissioning and environmental protection provision
- Impairment test of property, plant and equipment

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

Materiality

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

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

Overall Group materiality	RSD 3,534,807 thousand
How we determined it	1% of the revenues for the year ended 31 December 2022.
Rationale for the materiality benchmark applied	We determined our materiality should be based on operating revenues. This benchmark is more representative for the Group as other benchmarks such as net result are affected by the significant fluctuations in electricity prices. We have chosen 1% which, in our view, is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above RSD 176,000 thousand, 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Estimation of decommissioning and environmental protection provisions</p> <p>Provisions associated with decommissioning, environmental protection and restoration are disclosed in Note 33 to the consolidated financial statements; a description of the accounting policy and key judgements and estimates is included in Note 3.6 and Note 4.</p> <p>The calculation of decommissioning and environmental protection provisions requires significant management judgement because of the inherent complexity in estimating future costs, discount rates and maturity of liabilities.</p> <p>The decommissioning of landfills and dumps for ash and slag in Thermal Power Plants Kostolac, Kolubara, Morava, Nikola Tesla A and Nikola Tesla B (further in Thermal Power Plants) is an evolving activity and consequently there is limited historical precedent against which to benchmark estimates of future costs. These factors increase the complexity involved in determining accurate accounting provisions that are material to the Group's consolidated balance sheet.</p> <p>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</p>	<p>We critically assessed management's annual review of provisions performed as at 31 December 2022. Testing involved understanding of the legal or constructive obligations with respect to the environmental protection and decommissioning of each asset based on the estimated useful life of assets and relevant cost to complete restoration.</p> <p>Of particular note, we performed the following procedures:</p> <ul style="list-style-type: none"> - We assessed the external expert' qualifications and expertise; - Identified and tested the cost assumptions which have the most significant impact on provisions by inspecting the studies provided by external management' expert; - Used our internal valuation experts to evaluate reasonableness of the discount rate applied to the cost assumptions and compared it to the Serbian treasury notes for the similar periods; - Verified the mathematical accuracy of the underlying models; - Verified the completeness of data by cross referencing with other non-financial data and other work performed on property, plant and equipment;



estimation Management calculated provision to be included as at 31 December 2022.

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.

- Obtained the sensitivity analysis prepared by management for the change in key assumptions (discount rate and cost estimates). We tested mathematical accuracy of calculations.

Impairment test of property, plant and equipment

Refer to Note 3.14 (significant accounting policies), Note 4 (use of key judgements), and Note 24 (property, plant and equipment).

As at 31 December 2022, Group's property, plant and equipment amounts RSD 840,983,119 thousand out of which RSD 839,239,664 thousand relate to the property, plant and equipment of the Parent Company.

At the end of each reporting period the Group assesses whether there is any indication of impairment of non-current assets. If any such indication exists, the Group estimates the recoverable amount of non-current assets and determines the recoverable amount at the level of individual assets or a cash generating unit in order to take note of any impairment of the asset or a cash generating unit. The Group identified internal and external impairment indicators related to the Parent Company that are disclosed in Note 24.

The impairment test for the Parent Company was carried out by external valuers (the "external valuers"). The external valuers were engaged by the management and performed their work in accordance with the International Standards.

Impairment test at the level of CGU was conducted as at 31 December 2022 by applying the Income Approach.

The management assessed that external valuer has adequate experience on the market where the Parent Company operates. The management reviewed and approved the result of the impairment test. Results are disclosed in Note 24.

When auditing impairment test we performed the following procedures:

We engaged PwC internal valuation experts to inspect the impairment test report for the Parent Company. We assessed whether the methodology used was in accordance with the International Standards and was suitable for the purpose of financial reporting.

We assessed the external valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered other engagements which may exist between the Group and the external valuers.

We attended meetings with management, our internal PwC valuation experts and the external valuers, at which the valuations and the key assumptions therein were discussed.

We carried procedures, on a sample basis, to satisfy ourselves of the accuracy of the property information supplied to the external valuers.

Obtained the sensitivity analysis prepared by management for the change in key assumptions. We tested mathematical accuracy of calculations

Finally, we assessed the adequacy of relevant disclosures in the notes to consolidated financial statements.



How we tailored our Group audit scope

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

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

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

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

Based on this process, we identified 4 reporting units in 3 countries that, in our view, required full scope audit. Together, these reporting units accounted for 100% of the Group's revenue and 100% of the Group's absolute value of underlying result before tax.

Reporting on the other information including the consolidated Annual report

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

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

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

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

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



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

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

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

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

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

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

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

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



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

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

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

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

Refer to original signed
Serbian version

Milivoje Nešović
Licensed Auditor

Belgrade, 18 July 2023

Refer to original signed
Serbian version

PricewaterhouseCoopers d.o.o., Beograd

To be filled in by the legal entity – entrepreneur

Registration number	2	0	0	5	3	6	5	8	Activity code	3	5	1	4	TIN – Tax identification number	1	0	3	9	2	0	3	2	7
Company Public Enterprise Elektroprivreda Srbije Beograd																							
Head office Belgrade, 13 Balkanska Street																							

CONSOLIDATED INCOME STATEMENT
for the period from 1 January 2022 to 31 December 2022

- in thousands of Dinars -

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A. OPERATING REVENUES (1002+1005+1008+1009-1010+1011+1012)	1001		358,516,446	319,632,739
60	I. INCOME FROM THE SALE OF MERCHANDISE (1003+1004)	1002		1,307,464	4,510,427
600, 602 and 604	1. Sales of merchandise - domestic market	1003		3,690	3,821
601, 603 and 605	2. Sales of merchandise - foreign market	1004		1,303,774	4,506,606
61	II. INCOME FROM SALES OF PRODUCTS AND SERVICE (1006+1007)	1005	6	352,173,224	300,837,822
610, 612 and 614	1. Sales of products and services - domestic market	1006	6	352,087,004	300,791,989
611, 613 and 615	2. Sales of products and services - foreign market	1007	6	86,220	45,833
62	III. INCOME FROM OWN USE OF PRODUCTS, SERVICE AND MERCHANDISE	1008	7	1,085,150	1,174,440
630	IV. INCREASE OF FINISHED GOOD, WORK IN PROGRESS AND SERVICES IN PROGRESS	1009		866,400	4,623
631	V. DECREASE OF FINISHED GOOD, WORK IN PROGRESS AND SERVICES IN PROGRESS	1010			802,435
64 and 65	VI. OTHER OPERATING INCOME	1011	8	2,994,950	3,535,182
68 except 683, 685, 686	VII. INCOME FROM ASSETS VALUATION ADJUSTMENTS (EXCEPT FINANCIAL)	1012	9	89,258	10,372,680

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	B. OPERATING EXPENSES (1014+1015+1016+1020+1021+1022+1023+1024)	1013		420,190,943	331,208,203
50	I. COST OF GOODS SOLD	1014		5,516,570	1,025,278
51	II. COST OF MATERIAL, FUEL AND ENERGY	1015	10	285,394,008	187,664,671
52	III. COSTS OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES (1017 + 1018 + 1019)	1016	11	46,734,463	48,914,438
520	1. Cost of salaries and fringe benefits	1017	11	36,855,157	38,295,694
521	2. Cost of taxes and contributions on salaries and fringe benefits charged to employer	1018	11	6,823,974	7,294,354
52 except 520 and 521	3. Other personal expenses	1019	11	3,055,332	3,324,390
540	IV. DEPRECIATION COSTS	1020	12	35,936,265	35,253,986
58, except 583, 585, 586	V. EXPENSES FROM ADJUSTMENT OF PROPERTY VALUE	1021	13	1,989,473	11,006,335
53	VI. COSTS OF PRODUCTION SERVICES	1022	14	24,685,186	22,844,350
54 except 540	VII. COST OF PROVISIONS	1023	15	2,073,294	2,620,663
55	VIII. NON-PRODUCTION COSTS	1024	16	17,861,684	21,878,482
	C. OPERATING PROFIT (1001-1013) ≥ 0	1025		-	-
	D. OPERATING LOSS (1013-1001) ≥ 0	1026		61,674,497	11,575,464
	E. FINANCIAL INCOME (1028+1029+1030+1031)	1027	17	8,187,046	4,709,602
660 and 661	I. FINANCIAL INCOME INCURRED WITH PARENT COMPANIES AND SUBSIDIARIES AND OTHER ASSOCIATED COMPANIES	1028	17	1,004,247	834,550
662	II. INCOME FROM INTEREST	1029	17	4,115,159	3,257,692

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
663 and 664	III. FX GAINS AND INCOME FOR THE EFFECTS OF CURRENCY CLAUSE	1030	17	3,036,955	581,716
665 and 669	IV. OTHER FINANCIAL INCOME	1031	17	30,685	35,644
	F. FINANCIAL EXPENSES (1033+1034+1035+1036)	1032		8,481,438	6,413,885
560 and 561	I. FINANCIAL EXPENSES INCURRED WITH PARENT COMPANIES, SUBSIDIARIES AND OTHER ASSOCIATED COMPANIES	1033		-	-
562	II. COSTS OF INTERESTS	1034	18	3,924,151	1,671,642
563 and 564	III. FX LOSSES AND LOSSES FOR CURRENCY CLAUSE EFFECTS	1035	18	4,363,363	4,457,549
565 and 569	IV. OTHER FINANCIAL EXPENSE	1036	18	193,924	284,694
	G. FINANCIAL PROFIT (1027-1032) ≥ 0	1037		-	-
	H. FINANCIAL LOSS (1032-1027) ≥ 0	1038		294,392	1,704,283
683, 685 and 686	I. INCOME FROM FINANCIAL ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE THROUGH INCOME STATEMENT	1039	19	614,056	6,782,081
583, 585 and 586	J. EXPENSES FROM FINANCIAL ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE THROUGH INCOME STATEMENT	1040	20	8,008,262	5,907,642
67	K. OTHER INCOME	1041	21	2,144,299	5,971,063
57	L. OTHER EXPENSES	1042	22	7,688,856	9,474,336
	M. TOTAL INCOME (1001 + 1027 + 1039 + 1041)	1043		369,461,847	337,095,485
	N. TOTAL EXPENSE (1013 + 1032 + 1040 + 1042)	1044		444,369,499	353,004,066
	O. PROFIT FROM OPERATIONS BEFORE TAXATION (1043 - 1044) ≥ 0	1045		-	-
	P. LOSS FROM OPERATIONS BEFORE TAXATION (1044 - 1043) ≥ 0	1046		74,907,652	15,908,581
69 - 59	Q. NET OPERATING PROFIT FROM DISCONTINUED OPERATIONS, CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS FROM EARLIER PERIODS	1047		-	-
59 - 69	R. NET OPERATING LOSS FROM DISCONTINUED OPERATIONS, CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS FROM EARLIER PERIODS	1048		-	-
	S. PROFIT BEFORE TAXATION (1045 - 1046 + 1047 - 1048) ≥ 0	1049		-	-
	T. LOSS BEFORE TAXATION (1046 - 1045 + 1048 - 1047) ≥ 0	1050		74,907,652	15,908,581
	U. CORPORATE INCOME TAX				
721	I. TAX EXPENSES FOR THE PERIOD	1051	23	5,847	2,605,356

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
722 debit balance	II. DEFERRED TAX COSTS FOR THE PERIOD	1052		-	-
722 credit balance	III. DEFERRED TAX INCOME FOR THE PERIOD	1053	23	2,178,535	2,949,037
723	T. EMPLOYER'S EARNINGS PAID OUT	1054		-	-
	U. NET PROFIT (1049 – 1050 – 1051 – 1052 + 1053 – 1054)≥0	1055		-	-
	V. NET LOSS (1050 – 1049 + 1051 + 1052 – 1053 + 1054)≥0	1056		72,734,964	15,564,900
	I. NET PROFIT ATTRIBUTABLE TO MINORITY INVESTORS	1057		-	-
	II. NET PROFIT ATTRIBUTABLE TO MAJORITY INVESTORS	1058		-	-
	III. NET LOSS ATTRIBUTABLE TO MINORITY INVESTORS	1059		2,813	45,367
	IV. NET LOSS ATTRIBUTABLE TO MAJORITY INVESTORS	1060		72,732,151	15,519,533
	V. EARNINGS PER SHARE				
	1. Basic earnings per share	1061		-	-
	2. Diluted earnings per share	1062		-	-

In _____

Legal representative

Stamp

Date _____ 20 _____

To be filled in by the legal entity - entrepreneur

Registration number	2	0	0	5	3	6	5	8	Activity code	3	5	1	4	TIN – Tax identification number	1	0	3	9	2	0	3	2	7
Company Public Enterprise Elektroprivreda Srbije Beograd																							
Head office Belgrade, 13 Balkanska Street																							

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the period from 1 January 2022 to 31 December 2022

- in thousands of Dinars -

Account group, Account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A. NET RESULT FROM OPERATIONS				
	I NET PROFIT (AOP 1055)	2001		-	-
	II NET LOSS (AOP 1056)	2002		72,734,964	15,564,900
	B. OTHER COMPREHENSIVE PROFIT OR LOSS				
	a) Items that will not be reclassified subsequently to profit or loss				
	1. Revaluation of intangibles and PPE				
330	a) increase in revaluation reserves	2003	32	-	37,017,490
	b) decrease in revaluation reserves	2004		-	-
	2. Actuarial gains (losses) on defined benefit plans				
331	a) gains	2005	32	857,108	
	b) losses	2006	32		441,390
	3. Share of other comprehensive income of associates				
333	a) gains	2007		-	-
	b) losses	2008		-	-
	b) Items that may be reclassified subsequently to profit or loss				
	1. Gains or losses on investments in equity instruments				
332	a) gains	2009		-	-
	b) losses	2010		-	-
	2. Foreign currency translation differences for foreign Operations				
334	a) gains	2011		-	
	b) losses	2012	32	5,091	31

Account group, Account	ITEM	AOP	Note no,	Amount	
				Current year	Previous year
1	2	3	4	5	6
335	3. Gains and losses on hedge of investment in foreign operations				
	a) gains	2013		-	-
	b) losses	2014		-	-
336	4. Cash flow hedges				
	a) gains	2015		-	-
	b) losses	2016		-	-
337	5. Gains and losses on available for sale financial assets				
	a) gains	2017	32	-	1,501
	b) losses	2018	32	4,954	-
	I. OTHER COMPREHENSIVE GROSS PROFIT (2003+2005+2007+2009+2011+2013+2015+2017) - (2004+2006+2008+2010+2012+2014+2016+2018) ≥ 0	2019		847,063	36,577,570
	II. OTHER COMPREHENSIVE GROSS LOSS (2004+2006+2008+2010+2012+2014+2016+2018) - (2003+2005+2007+2009+2011+2013+2015+2017) ≥ 0	2020		-	-
	III. DEFERED TAX EXPENSE ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2021	23		5,552,624
	IV. DEFERED TAX INCOME ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2022		-	-
	V. OTHER COMPREHENSIVE NET PROFIT (2019-2020-2021+2022)≥0	2023		847,063	31,024,946
	VI. OTHER COMPREHENSIVE NET LOSS (2020-2019+2021-2022) ≥ 0	2024		-	-
	C. TOTAL COMPREHENSIVE NET RESULT FOR THE PERIOD				
	I. TOTAL COMPREHENSIVE NET PROFIT (2001-2002+2023-2024)≥0	2025		-	15,460,046
	II. TOTAL COMPREHENSIVE NET LOSS (2002-2001+2024-2023)≥0	2026		71,887,901	-
	D. TOTAL COMPREHENSIVE NET PROFIT OR LOSS (2028+2029)=AOP 2025 ≥ 0 or AOP 2026 > 0	2027		71,887,901	15,460,046
-	1. Attributable to owners	2028		71,885,088	15,505,586
	2. Attributable to non-controlling interest	2029		2,813	45,367

In _____

Legal representative

Stamp

Date _____ 20 _____

To be filled in by the legal entity - entrepreneur

Registration number	2	0	0	5	3	6	5	8	Activity code	3	5	1	4	TIN – Tax identification number	1	0	3	9	2	0	3	2	7
Company Public Enterprise Elektroprivreda Srbije Beograd																							
Head office Belgrade, 13 Balkanska Street																							

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

- in thousands of Dinars -

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2021	Opening balance as at 1 January 2021
1	2	3	4	5	6	7
	ASSETS					
00	A UNPAID SUBSCRIBED CAPITAL	0001		-	-	-
	B FIXED ASSETS ((0003 + 0009 + 0017 + 0018 + 0028)	0002		853,778,903	833,647,317	796,152,907
01	I. INTANGIBLE ASSETS (0004 + 0005 + 0006 + 0007 + 0008)	0003		9,223,829	12,606,283	16,912,588
010	1. Investment in development	0004		-	-	-
011, 012, 014	2. Concessions, patents, licenses, similar rights, software and other intangible assets	0005	24	8,933,348	10,476,183	10,678,620
013	3. Goodwill	0006		-	-	-
015, 016	4. Intangible assets taken in leasing and intangible assets in prepare	0007	24	290,481	2,130,100	6,233,968
017	5. Advance payments for acquisition of intangible assets	0008		-	-	-
02	II. PROPERTY, PLANT AND EQUIPMENT (0010 + 0011+0012 + 0013 + 0014 + 0015 + 0016)	0009		840,983,119	817,427,106	774,224,945
020, 021, 022	1. Land and buildings	0010	24	325,748,756	322,794,489	325,030,876
023	2. Machinery and equipment	0011	24	358,091,487	370,151,709	341,061,456
024	3. Investment property	0012	24	343,080	354,908	417,698

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2021	Opening balance as at 1 January 2021
1	2	3	4	5	6	7
025, 027	4. Property, plant and equipment under lease and property, plant and equipment under construction	0013	24	143,448,577	105,949,339	87,256,788
026, 028	5. Other property, plants and equipment and investments in others real estate, plants and equipment	0014	24	79,210	106,978	118,473
029 (part)	6. Advance payments for property, plant and equipment - domestic	0015	24	7,403,866	5,992,767	6,085,130
029 (part)	7. Advance payments for property, plant and equipment- foreign	0016	24	5,868,143	12,076,916	14,254,524
03	III. BIOLOGICAL ASSETS	0017	24	539,560	502,441	489,076
04 and 05	IV. LONG TERM FINANCIAL PLACEMENTS AND LONG TERM RECEIVABLES (0019 + 0020 + 0021 + 0022 + 0023 + 0024 + 0025 + 0026 + 0027)	0018		3,032,395	3,111,487	4,526,298
040 (part), 041 (part) and 042 (part)	1. Shares in the capital of legal entities (except for the share in the capital which valued by the participation method)	0019	25	285,833	290,795	325,873
040 (part), 041 (part) and 042 (part)	2. Shares in the capital that are valued by the method of participation	0020	25	27,984	27,984	406,462
043, 050 (part) and 051 (part)	3. Long-term placements with the parent, dependents and other related persons and long-term claims from these in country	0021		-	-	-
044, 050 (part), 051 (part)	4. Long-term placements with the parent, dependents and other related persons and long-term claims from these-foreign	0022		-	-	-
045 (part) and 053 (part)	5. Long-term loans to domestic entities	0023	25	2,136,924	2,350,992	2,490,896
045 (part) and 053 (part)	6. Long-term loans to foreign entities	0024		-	-	-
046	7. Long-term financial investments (valued securities at depreciated value)	0025		-	-	-
047	8. Purchased own shares and repurchased own shares	0026		-	-	-
048, 052, 054, 055 and 056	9. Other long term investment and other long term receivables	0027	25	581,654	441,716	1,303,067
28 (part), except 288	V. Long term accruals	0028		-	-	-

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2021	Opening balance as at 1 January 2021
1	2	3	4	5	6	7
288	C. DEFERRED TAX ASSETS	0029		-	-	-
	D. CURRENT ASSETS (0031 + 0037 + 0038 + 0044 + 0048 + 0057+ 0058)	0030		131,391,226	125,855,173	121,740,963
class 1 except account group 14	I. INVENTORIES (0032 + 0033 + 0034 + 0035 + 0036)	0031		36,390,449	32,371,862	34,698,635
10	1. Material, spare parts, tools and small inventory	0032	26	29,926,711	26,359,707	26,953,869
11 and 12	2. Work in progress and finished products	0033	26	3,161,638	2,295,414	3,093,405
13	3. Merchandise	0034	26	1,553	1,749	2,738
150, 152 and 154	4. Advance payments domestic	0035	26	3,287,666	1,745,586	4,428,157
151, 153 and 155	5. Advance payments foreign	0036	26	12,881	1,969,406	220,466
14	II Non-current assets held for trading	0037		0	163,509	0
20	III TRADE RECEIVABLES (0039 + 0040 + 0041 + 0042+ 0043)	0038		63,991,772	62,823,538	57,146,071
204	1. Trade receivables - domestic	0039	27	63,777,491	62,622,573	56,573,034
205	2. Trade receivables - foreign	0040	27	9,293	74,417	262,503
200,202	3. Trade receivables from the parent company, dependent persons and other related companies in the country	0041		-	-	-
201,203	4. Trade receivables from the parent company, dependent persons and other related companies – foreign	0042		-	-	-
206	5. Other trade receivables	0043	27	204,988	126,548	310,534
21, 22, 27	IV. OTHER SHORT TERM RECEIVABLES (0045+0046+0047)	0044		14,124,370	13,845,705	6,642,428

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2021	Opening balance as at 1 January 2021
1	2	3	4	5	6	7
21,22 expect 223 and 224,27	1.Other receivables	0045	28	10,595,515	9,934,951	6,593,020
223	2. Receivables for overpaid tax to gain	0046	28	2,383,078	3,750,495	
224	3. Receivables based on overpaid other taxes and contribution	0047	28	1,145,777	160,259	49,408
23	V SHORT TERM FINANCIAL PLACEMENTS (0049 + 0050 + 0051 + 0052 + 0053 + 0054 + 0055 + 0056)	0048		304,716	248,307	218,059
230	1. Short-term loans and placements - parent and subsidiary legal entities	0049		-	-	-
231	2. Short-term loans and placements – other related companies	0050		-	-	-
232, 234 (part)	3. Short-term credits, loans and placements in the country	0051	29	258,961	212,486	205,512
233, 234 (part)	4. Short-term credits, loans and placements- foreign	0052		-	-	-
235	5. Securities that valued at amortized value	0053		-	-	-
236 (part)	6. Financial resources that valued at fair value	0054		-	-	-
237	7. Purchased own shares and repurchased own shares	0055		-	-	-
236 (part), 238 and 239	8.Other short term financial placements	0056	29	45,755	35,821	12,547
24	VI. CASH AND CASH EQUIVALENTS	0057	30	14,145,781	13,469,299	20,384,815
28 (part), except 288	VII. PREPAYMENTS AND ACCRUED INCOME	0058	31	2,434,138	2,932,953	2,650,955
	E. TOTAL ASSETS = OPERATING ASSETS (0001 + 0002 + 0029 + 0030)	0059		985,170,129	959,502,490	917,893,870
88	F. OFF BALANCE ASSETS	0060	41	261,361,449	250,042,706	231,090,249
	EQUITY AND LIABILITIES					
	A. EQUITY (0402 + 0403 + 0404 + 0405 + 0406 - 0407 + 0408 + 0411 - 0412) ≥ 0	0401		524,808,854	601,519,825	600,522,341
30, expect 306	I. BASIC CAPITAL	0402	32	360,895,339	360,532,532	360,003,089

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2021	Opening balance as at 1 January 2021
1	2	3	4	5	6	7
31	II. UNPAID SUBSCRIBED CAPITAL	0403		-	-	-
306	III. OWN SHARES PURCHASED	0404		-	-	-
32	IV. RESERVES	0405		45,653	45,400	44,776
330 and credit balance of accounts 331, 332, 333, 334, 335, 336 and 337	V. POSITIVE REVALUATION RESERVES AND UNREALIZED GAINS ON FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME	0406	32	445,707,223	447,666,415	423,820,119
debit balance of accounts 331, 332, 333, 334, 335, 336 and 337	VI. UNREALIZED LOSSES ON FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME	0407	32	3,016,678	3,006,281	2,963,659
34	VII. RETAINED EARNINGS (0409+0410)	0408		-	-	-
340	1. Retained earnings from previous years	0409		-	-	-
341	2. Retained earnings from current year	0410		-	-	-
	VIII. NON-CONTROLLING INTEREST	0411		-	-	-
35	IX. ACCUMULATED LOSS (0413+0414)	0412		278,822,683	203,718,241	180,381,984
350	1. Previous year's losses	0413	32	206,087,719	188,153,341	180,381,984
351	2. Current year loss	0414	32	72,734,964	15,564,900	-
	B. LONG - TERM PROVISIONS AND LIABILITIES (0416+0420+0428)	0415		151,517,819	130,748,888	148,406,785
40	I. LONG - TERM PROVISIONS (0417 + 0418 + 0419)	0416		37,036,831	37,965,081	40,791,474

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2021	Opening balance as at 1 January 2021
1	2	3	4	5	6	7
404	1. Provisions for employees benefits	0417	33	12,474,516	14,972,214	17,311,238
400	2. Provisions for costs incurred during the warranty period	0418		-	-	-
40, expect 400 and 404	3. Other long term provisions	0419	33	24,562,315	22,992,867	23,480,236
41	II. LONG-TERM LIABILITIES (0421 + 0422 + 0423 + 0424 + 0425 + 0426 + 0427)	0420		114,480,988	92,783,807	107,615,311
410	1. Liabilities that can be converted into capital	0421	34	80,500	80,500	80,500
411 (part) and 412 (part)	2. Long-term loans and others long-term liabilities to the parent company, dependents and other related company in country	0422		-	-	-
411 (part) and 412 (part)	3. Long-term loans and others long-term liabilities to the parent company, dependents and other related company- foreign	0423		-	-	-
414 and 416 (part)	4. Long-term loans, loans and obligations based on leasing in the country	0424	34	30,653,861	21,168,498	22,855,410
415 and 416 (part)	5. Long-term loans, loans and obligations based on leasing aboard	0425	34	83,746,627	71,533,476	84,676,818
413	6. Liabilities for long-term securities	0426		-	-	-
419	7. Other long-term liabilities	0427	34	-	1,333	2,583
49 (part), except 498 and 495 (part)	III. Long term accruals	0428		-	-	-
498	C. DEFERRED TAX LIABILITIES	0429	23	66,191,537	68,370,071	65,766,488
495 (part)	D. DONATIONS RECEIVED	0430	35	8,826,018	8,575,955	8,681,462
	E. SHORT-TERM RESERVATIONS and SHORT-TERM LIABILITIES (0432 + 0433 + 0441 + 0442 + 0449 + 0453 + 0454)	0431		233,825,901	150,287,751	94,516,794
467	I. SHORT- TERM RESERVATIONS	0432		-	-	-
42, expect 427	II. SHORT-TERM FINANCIAL LIABILITIES (0434 + 0435 + 0436 + 0437 + 0438 + 0439 + 0440)	0433		51,875,264	54,422,372	18,393,513
420 (part) and 421 (part)	1. Liabilities based on loans according to parent, dependent and others related parties in the country	0434			3,070	3,070
420 (part) and 421 (part)	2. Liabilities based on loans according to parent, dependent and others related parties aboard	0435		-	-	-

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2021	Opening balance as at 1 January 2021
1	2	3	4	5	6	7
422 (part), 424 (part), 425 (part), and 429 (part)	3. Liabilities based on credits and loans from persons other than domestic banks	0436	36	10,201	59,442	29,951
422 (part), 424 (part), 425 (part), and 429 (part)	4. Liabilities based on loans from domestic banks	0437	36	22,022,785	24,402,808	9,100,855
423, 424 (part), 425 (part) and 429 (part)	5. Credits, loans and liabilities from abroad	0438	36	29,842,278	29,957,052	9,259,637
426	6. Liabilities on short-term securities of value	0439		-	-	-
428	7. Financial liabilities derivatives	0440		-	-	-
430	III. RECEIVED ADVANCES PAYMENTS, DEPOSITS AND BAILS	0441	37	450,944	1,047,637	926,620
43 except 430	IV. LIABILITIES FROM BUSINESS OPERATIONS (0443 + 0444 + 0445 + 0446 + 0447 + 0448)	0442		94,732,237	72,802,015	48,181,388
431 and 433	1. Trade payables parent, subsidiary legal entities and others connected company - domestic	0443	38	182,611	23,477	60,917
432 and 434	2. Trade payables parent, subsidiary legal entities and others connected company- foreign	0444		-	-	-
435	3. Trade payables – domestic	0445	38	73,175,531	52,476,787	40,858,195
436	4. Trade payables – foreign	0446	38	18,522,777	18,201,995	5,264,636
439 (part)	5. Liabilities under promissory notes	0447		-	-	-
439 (part)	6. Other liabilities from business operations	0448	38	2,851,318	2,099,756	1,997,640
44, 45, 46 expect 467, 47,48	V. OTHER SHORT-TERM LIABILITIES (0450 + 0451+ 0452)	0449		84,711,976	20,542,466	25,404,455
44,45,46 expect 467	1.Other short-term liabilities	0450	39	71,341,259	8,103,656	11,832,357
47,48, expect 481	2.Liabilities for VAT and other public income	0451	39	13,370,717	12,438,810	10,375,427
481	3.Liabilities for income tax	0452	39	-	-	3,196,671
427	VI. LIABILITIES BASED ON ASSETS HELD FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS	0453		-	-	-

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2021	Opening balance as at 1 January 2021
1	2	3	4	5	6	7
49 (part) except 498	VII. ACCRUALS AND DEFERRED INCOME	0454	40	2,055,480	1,473,261	1,610,818
	F. LOSS OVER CAPITAL (0415+0429+0430+0431-0059) ≥ 0 = (0407+0412-0402-0403-0404-0405- 0406-0408-0411) ≥ 0	0455		-	-	-
	G. TOTAL EQUITY AND LIABILITIES (0401+0415+0429+0430+0431-0455)	0456		985,170,129	959,502,490	917,893,870
89	H. OFF BALANCE LIABILITIES	0457	41	261,361,449	250,042,706	231,090,249

In _____

Legal representative

Stamp

date _____ 20 _____

To be filled in by legal entity – entrepreneur

Registration number	2	0	0	5	3	6	5	8	Activity code	3	5	1	4	TIN – Tax identification number	1	0	3	9	2	0	3	2	7
---------------------	---	---	---	---	---	---	---	---	---------------	---	---	---	---	---------------------------------	---	---	---	---	---	---	---	---	---

Company Public Enterprise Elektroprivreda Srbije Beograd

Head office Belgrade, 13 Balkanska Street

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 01 January 2022 to 31 December 2022

- In thousands of Dinars -

	DESCRIPTION	AOP	Basic Equity (group 30 without 306 and 309)		AOP	Other basic equity (account 309)		AOP	Unpaid subscribed equity (group 31)
			2	3		3	4		
1.	Balance as at 01.01. of the previous year	4001	359,931,642	4010	71,447	4019	-	-	
2.	Correction of material errors and changes in accounting policies	4002	-	4011	-	4020	-	-	
3.	Adjusted opening balance as at 01.01. of the previous year (1+2)	4003	359,931,642	4012	71,447	4021	-	-	
4.	Changes in the previous year _____	4004	529,443	4013	-	4022	-	-	
5.	Balance at the end of the previous year 31.12. (3+4)	4005	360,461,085	4014	71,447	4023	-	-	
6.	Correction of material errors and changes in accounting policies	4006	-	4015	-	4024	-	-	
7.	Corrected opening balance of the current year 01.01. (5+6)	4007	360,461,085	4016	71,447	4025	-	-	
8.	Changes in the current year _____	4008	362,807	4017	-	4026	-	-	
9.	Balance at end of the year 31.12. (7+8)	4009	360,823,892	4018	71,447	4027	-	-	

	DESCRIPTION	AOP	Emission premium and reserves (account 306 and group 32)		AOP	Revaluation reserves and retained earnings and losses (group 33)		AOP	Retained Earnings (group 34)
			5	6		6	7		
1.	Balance as at 01.01. of the previous year	4028	44,776	4037	420,856,460	4046	-	-	
2.	Correction of material errors and changes in accounting policies	4029	-	4038	-	4047	-	-	
3.	Adjusted opening balance as at 01.01. of the previous year (1+2)	4030	44,776	4039	420,856,460	4048	-	-	
4.	Changes in the previous year	4031	624	4040	23,803,674	4049	-	-	
5.	Balance at the end of the previous year 31.12. (3+4)	4032	45,400	4041	444,660,134	4050	-	-	
6.	Correction of material errors and changes in accounting policies	4033	-	4042	-	4051	-	-	
7.	Corrected opening balance of the current year 01.01. (5+6)	4034	45,400	4043	444,660,134	4052	-	-	
8.	Changes in the current year _____	4035	253	4044	-1,969,589	4053	-	-	
9.	Balance at end of the year 31.12. (7+8)	4036	45,653	4045	442,690,545	4054	-	-	

	DESCRIPTION	AOP	Loss (group 35)		Participations without control rights		Total (corresponds to position AOP 0401) (2+3+4+5+6+7-8+9) ≥ 0
1	2		8		9		10
1.	Balance as at 01.01. of the previous year	4055	179,905,643	4064	-	4073	600,998,682
2.	Correction of material errors and changes in accounting policies	4056	476,341	4065	-	4074	-
3.	Adjusted opening balance as at 01.01. of the previous year (1+2)	4057	180,381,984	4066	-	4075	600,522,341
4.	Changes in the previous year	4058	23,336,257	4067	-	4076	-
5.	Balance at the end of the previous year 31.12. ____ (3+4)	4059	203,718,241	4068	-	4077	601,519,825
6.	Correction of material errors and changes in accounting policies	4060	-	4069	-	4078	-
7.	Corrected opening balance of the current year 01.01. ____ (5+6)	4061	203,718,241	4070	-	4079	601,519,825
8.	Changes in the current year	4062	75,104,442	4071	-	4080	-
9.	Balance at end of the year 31.12. ____ (7+8)	4063	278,822,683	4072	-	4081	524,808,854

	DESCRIPTION	AOP	Loss above capital amount (corresponds to position AOP 0455) (2+3+4+5+6+7-8+9) <0
1	2		11
1.	Balance as at 01.01. of the previous year	4082	-
2.	Correction of material errors and changes in accounting policies	4083	-
3.	Adjusted opening balance as at 01.01. of the previous year (1+2)	4084	-
4.	Changes in the previous year	4085	-
5.	Balance at the end of the previous year 31.12. (3+4)	4086	-
6.	Correction of material errors and changes in accounting policies	4087	-
7.	Corrected opening balance of the current year 01.01. _____ (5+6)	4088	-
8.	Changes in the current year	4089	-
9.	Balance at end of the year 31.12. (7+8)	4090	-

In _____

Legal representative

Stamp

Date _____ 20 _____

To be filled in by legal entity – entrepreneur

Registration number	2	0	0	5	3	6	5	8	Activity code	3	5	1	4	TIN – Tax identification number	1	0	3	9	2	0	3	2	7
---------------------	---	---	---	---	---	---	---	---	---------------	---	---	---	---	---------------------------------	---	---	---	---	---	---	---	---	---

Company Public Enterprise Elektroprivreda Srbije Beograd

Head office Belgrade, 13 Balkanska Street

CONSOLIDATED CASH FLOW STATEMENT

for the period from 01 January 2022 to 31 December 2022

- in thousands of Dinars -

Item	AOP	Amount	
		Current year	Previous year
1	2	3	4
A. CASH FLOW FROM OPERATING ACTIVITIES			
I. Cash inflow from operating activities (1 to 4)	3001	292,133,831	277,351,898
1. Sales and advances received in the country	3002	285,387,455	268,925,519
2. Sales and advances received abroad	3003	3,683,710	4,740,526
3. Interest received from business activities	3004	1,192,632	2,226,733
4. Other inflows from regular operations	3005	1,870,034	1,459,120
II Cash outflows from operating activities (1 till 8)	3006	290,249,297	237,989,211
1. Payments to suppliers and advances made in the country	3007	84,841,643	92,082,115
2. Payments to suppliers and advances made abroad	3008	98,599,400	27,059,696
3. Salaries, salary allowances and other personal expenses	3009	48,363,038	51,383,930
4. Interest paid in the country	3010	2,141,595	2,003,077
5. Interest paid abroad	3011	1,244,785	425,339
6. Income tax	3012	4,334,620	9,552,535
7. Outflows based on other public revenues	3013	50,724,216	55,482,519
8. Other outflows from business activities	3014	-	-
III. Net cash inflow from business activities (I - II)	3015	1,884,534	39,362,687
IV. Net cash outflow from business activities (II - I)	3016	-	-
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
I. Cash inflows from investing activities (1 to 5)	3017	350,593	1,376,888
1. Sale of shares and stakes (net inflows)	3018	-	-
2. Sale of intangible assets, property, plant, equipment and biological assets	3019	24,584	12,986
3. Other financial investments (net inflows)	3020	136,772	970,763
4. Interests received from investing activities	3021	189,237	393,139
5. Dividends received	3022	-	-
II. Cash outflow from investing activities (1 till 3)	3023	58,030,154	50,705,478
1. Purchase of shares and stakes (net outflows)	3024	-	1,152

ITEM	AOP	Amount	
		Current year	Previous year
1	2	3	4
2. Purchase of intangible investments, property, plant, equipment and biological assets	3025	57,676,322	50,704,326
3. Other financial investments (net outflows)	3026	353,832	
III. Net cash inflow from investing activities (I-II)	3027	-	-
IV. Net cash outflow from investing activities (II-I)	3028	57,679,561	49,328,590
C. CASH FLOW FROM FINANCING ACTIVITIES			
I. Cash inflows from financing activities (1 till 7)	3029	97,650,962	24,731,554
1. Increase of basic capital	3030	-	-
2. Long-term loans in country	3031	36,183,512	22,171,878
3. Long-term loans abroad	3032	1,575,627	2,559,585
4. Short-term loans in country	3033	1,671	-
5. Short-term loans abroad	3034	-	-
6. Other long-term liabilities	3035	-	91
7. Other short-term liabilities	3036	59,890,152	-
II. Cash outflows from financing activities (1 till 8)	3037	41,053,045	21,680,596
1. Purchase of own shares and stakes	3038	-	-
2. Long-term loans in country	3039	29,372,332	9,384,525
3. Long-term loans abroad	3040	11,560,344	9,100,994
4. Short-term loans in country	3041	3,070	-
5. Short-term loans abroad	3042	-	-
6. Other liabilities	3043	53,387	58,440
7. Financial leasing	3044	63,857	136,602
8. Paid dividends	3045	55	3,000,035
III. Net cash inflows from financing activities (I-II)	3046	56,597,917	3,050,958
IV. Net cash outflows from financing activities (II-I)	3047	-	-
D. TOTAL CASH INFLOWS (3001 + 3017 + 3029)	3048	390,135,386	303,460,340
E. TOTAL CASH OUTFLOWS (3006 + 3023 + 3037)	3049	389,332,496	310,375,285
F. NET CASH INFLOWS (3048 - 3049) ≥ 0	3050	802,890	-
G. NET CASH OUTFLOWS (3049 - 3048) ≥ 0	3051	-	6,914,945
H. CASH AT THE BEGINNING OF THE CALCULATION PERIOD	3052	13,469,299	20,384,815
I. POSITIVE EXCHANGE RATE DIFFERENCES DUE TO CALCULATION OF CASH	3053	853	1,175
J. NEGATIVE EXCHANGE RATE DIFFERENCES DUE TO CALCULATION OF CASH	3054	127,261	1,746
K. CASH AT THE END OF REPORTING PERIOD (3050 - 3051 + 3052 + 3053 - 3054)	3055	14,145,781	13,469,299

In _____

Date _____ 20 _____

Stamp

Legal representative

PUBLIC ENTERPRISE ELEKTROPRIVREDA SERBIA, BELGRADE

**Notes to the Consolidated Financial Statements
31 December 2022**

CONTENTS	Page
Consolidated Financial statements:	
Consolidated Income Statement	1 – 2
Consolidated Other Comprehensive Income	3
Consolidated Balance Sheet	4 – 6
Consolidated Statement of Changes in Equity	7
Consolidated Cash Flow Statement	8
Notes to the Consolidated Financial Statements	9 – 118

CONSOLIDATED INCOME STATEMENT
For the period 1 January – 31 December 2022
In RSD thousand

	<u>Note</u>	<u>2022.</u>	<u>2021.</u> <i>Adjusted</i>
Operating income			
Income from sales of goods	6	1,307,464	4,510,427
Income from sales of goods and services	6	352,173,224	300,837,822
Income from activation of goods and effects	7	1,085,150	1,174,440
Increase in the value of inventories of unfinished and finished goods		866,400	4,623
Decrease in the value of inventories of unfinished and finished goods		-	(802,435)
Other operating income	8	2,994,950	3,535,182
Income from property value adjustments (except financial)	9	89,258	10,372,680
		<u>358,516,446</u>	<u>319,632,739</u>
Expenses from operating activities			
Cost of goods sold		(5,516,570)	(1,025,278)
Cost of material, fuel, and energy	10	(285,394,008)	(187,664,671)
Wages and salaries and other personal expenses	11	(46,734,463)	(48,914,438)
Depreciation expense	12	(35,936,265)	(35,253,986)
Expenses from adjustment of property value (except financial)	13	(1,989,473)	(11,006,335)
Cost of production services	14	(24,685,186)	(22,844,350)
Cost of provisioning	15	(2,073,294)	(2,620,663)
Other expenses	16	(17,861,684)	(21,878,482)
		<u>(420,190,943)</u>	<u>(331,208,203)</u>
Operating profit/(loss)		<u>(61,674,497)</u>	<u>(11,575,464)</u>
Financial income			
Financial income from parent company, subsidiaries and other related parties	17	1,004,247	834,550
Interest income	17	4,115,159	3,257,692
Foreign exchange gains and gains on currency clause effect (third parties)	17	3,036,955	581,716
Other financial income	17	30,685	35,644
		<u>8,187,046</u>	<u>4,709,602</u>
Financial expenses			
Interest expenses	18	(3,924,151)	(1,671,642)
Foreign exchange losses and losses on currency clause effect (third parties)	18	(4,363,363)	(4,457,549)
Other financial expenses	18	(193,924)	(284,694)
		<u>(8,481,438)</u>	<u>(6,413,885)</u>
Gain/(loss) on financing activities			
		<u>(294,392)</u>	<u>(1,704,283)</u>
Income from adjustments of other assets carried at fair value through profit and loss	19	614,056	6,782,081
Expenses from adjustments of other assets carried at fair value through profit and loss	20	(8,008,262)	(5,907,642)
Other income	21	2,144,299	5,971,063
Other expenses	22	(7,688,856)	(9,474,336)
Total income		<u>369,461,847</u>	<u>337,095,485</u>
Total expenses		<u>(444,369,499)</u>	<u>(353,004,066)</u>
Profit/(loss) before tax		<u>(74,907,652)</u>	<u>(15,908,581)</u>

(continued)

CONSOLIDATED INCOME STATEMENT (continued)
For the period 1 January – 31 December 2022
In RSD thousand

	<u>Note</u>	<u>2022.</u>	<u>2021.</u> <i>Adjusted</i>
Profit/(loss) before tax		<u>(74,907,652)</u>	<u>(15,908,581)</u>
Income tax			
Tax expense for period	23	(5,847)	(2,605,356)
Deferred tax expense for period	23	<u>2,178,535</u>	<u>2,949,037</u>
Net profit/(loss)		<u>(72,734,964)</u>	<u>(15,564,900)</u>
Attributable to owners		<u>(72,732,151)</u>	<u>(15,519,533)</u>
Attributable to non-controlling interest		<u>(2,813)</u>	<u>(45,367)</u>

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

On behalf of the Company:

Dušan Živković
Acting general manager

CONSOLIDATED OTHER COMPREHENSIVE INCOME
For the period 1 January – 31 December 2022
In RSD thousand

	<u>Note</u>	<u>2022.</u>	<u>2021.</u> <i>Adjusted</i>
Net operating profit			
Net profit/(loss)		(72,734,964)	(15,564,900)
Other Comprehensive gain / (loss), gross			
a) Items that will not be reclassified to profit or loss			
Change in revaluation of property, plant and equipment and intangible assets	32	-	37,017,490
Other gross comprehensive income/(loss)	32	857,108	(441,390)
		<u>857,108</u>	<u>36,576,100</u>
b) Items that will be reclassified to profit or loss in future periods			
Gains or losses based on consolidated recalculations financial reports of foreign operations	32	(5,091)	(31)
Gains/(losses) on securities measured at fair value through other comprehensive income	32	(4,954)	1,501
		<u>(10,045)</u>	<u>1,470</u>
Other Comprehensive gain / (loss), gross		<u>847,063</u>	<u>36,577,570</u>
Deferred tax income/(expense) on other comprehensive gain or loss for the period	23	-	(5,552,624)
Other Comprehensive gain / (loss), net		<u>847,063</u>	<u>31,024,946</u>
Total Comprehensive gain / (loss), net		<u>(71,887,901)</u>	<u>15,460,046</u>
Total comprehensive gain / (loss), net attributed to majority owner		<u>(71,885,088)</u>	<u>15,505,586</u>
Total comprehensive gain / (loss), net attributed to minority investors		<u>(2,813)</u>	<u>(45,367)</u>

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

In RSD thousand

	Note	31 December 2022	31 December 2021 <i>Adjusted</i>	1 January 2021 <i>Adjusted</i>
ASSETS				
Non-current assets				
Intangible assets				
Concessions, patents, licences, trademarks, software and other intangible assets	24	8,933,348	10,476,183	10,678,620
Intangible assets taken in leasing and intangible assets in prepare	24	290,481	2,130,100	6,233,968
		9,223,829	12,606,283	16,912,588
Property, plant and equipment				
Land and buildings	24	325,748,756	322,794,489	325,030,876
Machinery and equipment	24	358,091,487	370,151,709	341,061,456
Investment property	24	343,080	354,908	417,698
Property, plant and equipment under lease and property plant and equipment under construction	24	143,448,577	105,949,339	87,256,788
Other property, plant and equipment and investments on third party property, plants and equipment	24	79,210	106,978	118,473
Advances on property, plant and equipment in the country		7,403,866	5,992,767	6,085,130
Advances on property, plant and equipment- foreign	24	5,868,143	12,076,916	14,254,524
		840,983,119	817,427,106	774,224,945
Biological assets	24	539,560	502,441	489,076
Long-term financial placements and long-term receivables				
Participations in the capital of legal entities (except participation in equity valued using the equity method)	25	285,833	290,795	325,873
Equity investments that are valued using the method participation	25	27,984	27,984	406,462
Long term investments – domestic	25	2,136,924	2,350,992	2,490,896
Other long-term financial investments and other long term receivables	25	581,654	441,716	1,303,067
		3,032,395	3,111,487	4,526,298
Current assets				
Inventory				
Material, spare parts, tools and inventory	26	29,926,711	26,359,707	26,953,869
Work in progress and ongoing services	26	3,161,638	2,295,414	3,093,405
Merchandise	26	1,553	1,749	2,738
Advances paid for supplies and services in the country	26	3,287,666	1,745,586	4,428,157
Advances paid to foreign persons for supplies and services	26	12,881	1,969,406	220,466
		36,390,449	32,371,862	34,698,635
Fixed assets held for sale and cessation of business		-	163,509	-
Trade receivables				
Trade receivables – domestic	27	63,777,491	62,622,573	56,573,034
Trade receivables – foreign	27	9,293	74,417	262,503
Other trade receivables	27	204,988	126,548	310,534
		63,991,772	62,823,538	57,146,071
Other short-term receivables				
Other receivables	28	10,595,515	9,934,951	6,593,020
Claims for overpaid income tax	28	2,383,078	3,750,495	-
Claims based on overpaid taxes and contribution	28	1,145,777	160,259	49,408
		14,124,370	13,845,705	6,642,428

(continued)

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

CONSOLIDATED BALANCE SHEET
For the period 1 January – 31 December 2022 (continued)
In RSD thousand

	Note	31 December 2022	31 December 2021 <i>Adjusted</i>	1 January 2021 <i>Adjusted</i>
Short-term financial investments				
Short-term loans and borrowings - domestic	29	258,961	212,486	205,512
Other short term financial investments	29	45,755	35,821	12,547
		304,716	248,307	218,059
Cash and cash equivalents	30	14,145,781	13,469,299	20,384,815
Prepaid expenses and other accruals	31	2,434,138	2,932,953	2,650,955
Total assets		985,170,129	959,502,490	917,893,870
Off-balance sheet assets	41	261,361,449	250,042,706	231,090,249
Equity and liabilities				
Equity				
Basic capital	32	360,895,339	360,532,532	360,003,089
Reserves		45,653	45,400	44,776
Positive revaluation reserves and unrealized gains on the basis of financial assets and other components of the rest comprehensive result	32	445,707,223	447,666,415	423,820,119
Unrealised gain/(loss) from securities and other comprehensive income items	32	(3,016,678)	(3,006,281)	(2,963,659)
Loss		(278,822,683)	(203,718,241)	(180,381,984)
Previous years' loss	32	(206,087,719)	(188,153,341)	(180,381,984)
Current year loss	32	(72,734,964)	(15,564,900)	-
		524,808,854	601,519,825	600,522,341
Long-term provisions and liabilities				
Long-term provisions				
Provisions for fees and other benefits employees	33	12,474,516	14,972,214	17,311,238
Other long-term provisions	33	24,562,315	22,992,867	23,480,236
		37,036,831	37,965,081	40,791,474
Long-term liabilities				
Liabilities convertible into equity	34	80,500	80,500	80,500
Long term loans, borrowings and lease liabilities - domestic	34	30,653,861	21,168,498	22,855,410
Long term loans, borrowings and lease liabilities – foreign	34	83,746,627	71,533,476	84,676,818
Other long-term liabilities	34	-	1,333	2,583
		114,480,988	92,783,807	107,615,311
Long-term passive accruals		-	-	-
Deferred tax liabilities	23	66,191,537	68,370,071	65,766,488
Long-term deferred income and received donations	35	8,826,018	8,575,955	8,681,462
Short-term reservations and short-term financial liabilities				
Short-term financial liabilities				
Liabilities based on loans to parent, subsidiary and other related legal entities in the country		-	3,070	3,070
Liabilities based on credits and loans from persons other than domestic banks	36	10,201	59,442	29,951
Liabilities based on loans from domestic banks	36	22,022,785	24,402,808	9,100,855
Credits, loans and liabilities from abroad	36	29,842,278	29,957,052	9,259,637
		51,875,264	54,422,372	18,393,513
Customer prepayments, deposits and caution money	37	450,944	1,047,637	926,620

(continued)

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

CONSOLIDATED BALANCE SHEET
For the period 1 January – 31 December 2022 (continued)
In RSD thousand

	Note	31 December 2022	31 December 2021	1 January 2021
			<i>Adjusted</i>	<i>Adjusted</i>
Operating liabilities				
Trade payables parent, subsidiary legal entities and others connected company - domestic	38	182,611	23,477	60,917
Trade payables – domestic	38	73,175,531	52,476,787	40,858,195
Trade payables – foreign	38	18,522,777	18,201,995	5,264,636
Other operating liabilities	38	2,851,318	2,099,756	1,997,640
		94,732,237	72,802,015	48,181,388
Other current liabilities				
Other current liabilities	39	71,341,259	8,103,656	11,832,357
Liabilities for VAT and other public income	39	13,370,717	12,438,810	10,375,427
Liabilities for income tax	39	-	-	3,196,671
		84,711,976	20,542,466	25,404,455
Short-term passive accruals	40	2,055,480	1,473,261	1,610,818
Total equity and liabilities		985,170,129	959,502,490	917,893,870
Off-balance liabilities	41	261,361,449	250,042,706	231,090,249

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
During the period from 1 January - 31 December 2022
In RSD thousand

	Items of equity				Items of other comprehensive income	Total equity
	Basic capital	Reserves	Loss	Retained earnings	Revaluation reserves and unrealized losses and gains	
Opening balance as at 1 January 2021	359,931,642	71,447	44,776	179,905,643	420,856,460	600,998,682
Effects of retroactive correction materially errors and changes in accounting policies	-	-	-	476,341	-	(476,341)
Restated opening balance as at 1 January 2020	359,931,642	71,447	44,776	180,381,984	420,856,460	600,522,341
Net movements in 2021	529,443	-	624	23,336,257	23,803,674	997,484
Closing balance as at 31 December 2021	360,461,085	71,447	45,400	203,718,241	444,660,134	601,519,825
Effects of retroactive correction materially errors and changes in accounting policies	-	-	-	-	-	-
Restated opening balance as at 1 January 2022	360,461,085	71,447	45,400	203,718,241	444,660,134	601,519,825
Net movements in 2022	362,807	-	253	75,104,442	(1,969,589)	(76,710,971)
Closing balance as at 31 December 2022	360,823,892	71,447	45,653	278,822,683	442,690,545	524,808,854

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

CONSOLIDATED CASH FLOW STATEMENT
During the period from 1 January - 31 December 2022
In RSD thousand

	2022.	2021.
Cash flows from operating activities		
Cash inflows from operating activities	292,133,831	277,351,898
Sales and advances received-domestic	285,387,455	268,925,519
Sales and advances received-foreign	3,683,710	4,740,526
Interests from operating activities	1,192,632	2,226,733
Other proceeds from operating activities	1,870,034	1,459,120
Cash outflows from operating activities	290,249,297	237,989,211
Payments and prepayments to suppliers- domestic	84,841,643	92,082,115
Payments and prepayments to suppliers- foreign	98,599,400	27,059,696
Salaries, fringe benefits and other personal expenses	48,363,038	51,383,930
Interest paid- domestic	2,141,595	2,003,077
Interest paid-foreign	1,244,785	425,339
Income tax	4,334,620	9,552,535
Charges for services that qualify as public revenues	50,724,216	55,482,519
Cash inflows/(outflow) from operating activities, Net	1,884,534	39,362,687
Cash flows from investing activities		
Cash inflows from investing activities	350,593	1,376,888
Sale of intangible assets, property, plant, equipment and biological assets	24,584	12,986
Other financial investments	136,772	970,763
Interests received from investing activities	189,237	393,139
Cash outflows from investing activities	58,030,154	50,705,478
Purchase of shares and stakes	-	1,152
Purchase of intangible assets, property, plant, equipment and biological assets	57,676,322	50,704,326
Other financial outflows, net	353,832	-
Cash inflow/(outflow) from investing activities, Net	57,679,561	(49,328,590)
Cash flows from financing activities		
Cash inflows from financing activities	97,650,962	24,731,554
Long-term loans – domestic	36,183,512	22,171,878
Long-term loans – foreign	1,575,627	2,559,585
Short-term loans – domestic	1,671	-
Other long-term liabilities	-	91
Other short-term liabilities	59,890,152	-
Cash outflows from financing activities	41,053,045	21,680,596
Long-term loans – domestic	29,372,332	9,384,525
Long-term loans - foreign	11,560,344	9,100,994
Short-term loans – domestic	3,070	-
Other liabilities	53,387	58,440
Finance lease	63,857	136,602
Dividends paid	55	3,000,035
Inflows/(outflows) from financing activities, Net	56,597,917	3,050,958
Total cash inflow	390,135,386	303,460,340
Total cash outflow	389,332,496	310,375,285
Net cash inflow	802,890	-
Net cash outflow	-	6,914,945
Cash at the beginning of the accounting period	13,469,299	20,384,815
Foreign exchange gains on translation of cash	853	1,175
Foreign exchange losses on translation of cash	127,261	1,746
Foreign exchange gains on translation of cash	14,145,781	13,469,299

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

1. GENERAL INFORMATION AND BUSINESS ACTIVITY

The Public Enterprise "Elektroprivreda Srbije", Belgrade, 13 Balkanska street, was founded by the Serbian Government's Decision on establishing a public company for the production, distribution, and trade of electricity 05 number 023-396/2005-1 (RS Official Gazette, No. 12/2005). The operations of PE Elektroprivreda Srbije, Beograd were harmonised with the Law on Public enterprises by the Decision on harmonising the operations of PE Elektroprivreda Srbije with the Law on Public enterprises (RS Official Gazette, No. 50/13), in other words, by the Decision on harmonising the operations of PE Elektroprivreda Srbije, Beograd with the Law on Public Enterprises, (RS Official Gazette, number. 105/16, 31/18), the operations of PE Elektroprivreda Srbije, Beograd were harmonised with the Law on Public Enterprises (RS Official Gazette, No. 15/16).

The basic registered capital of PE „Elektroprivreda Srbije“ represents the monetary value of the subscribed capital of the Government of the Republic of Serbia, the Company's Founder. It comprises (a) movable and immovable property, money, securities and other assets used in the operations of the Public Enterprise for the production, transmission and distribution of electricity, which was established under the Law on Electricity (RS Official Gazette, Nos: 45/91, 53/93, 67/93, 48/94, 69/94 and 44/95), and (b) funding investments of JP "Elektroprivreda Srbije" in public and other enterprises (its subsidiaries) established under the Decision on establishing a Public Enterprise for the Production, Distribution and Trade of Electricity (RS Official Gazette, Nos: 12/05 and 54/10). Public Enterprise „Elektroprivreda Srbije“ invested a portion of these assets in its subsidiaries to enable their operations in accordance with the rules governing the legal status of companies, having obtained prior consent from its Founder. In 2021, the Company's Founder made additional non-monetary investments of RSD 529,442 thousand in the Public Enterprise "Elektroprivreda Srbije", Belgrade and "Elektrodistribucija Srbije", d.o.o. Belgrade. This change was registered with the Serbian Business Registers Agency by decision BD 99520/2021 dated 7 December 2021.

The Government of the Republic of Serbia issued a Conclusion on accepting the Baseline for the reorganization of JP "Elektroprivreda Srbije" 05 number 023-784/2012 dated 16 November 2012 and a Conclusion on accepting the Reorganization Program of the Public Enterprise "Elektroprivreda Srbije" 05 number: 023-15149/ 2014 of 27 November 2014, by which the following has been determined: the need to change the legal form of the Company into a joint-stock company, the need for a clear separation of legal, organisational, and financial activities of general interest from market activities, the need to achieve maximum business efficiency..

Some of these requirements were implemented through status changes:

- 1 July 2015 - merger of subsidiaries engaged in energy production and coal production into the Company,
- 4 January 2016 – a portion of ODS "EPS Distribucija assets was separated and merged into the Company
- 1 June 2016 - merger of "EPS Snabdevanje" into to the Company.

Furthermore, before 1 January 2021, the Public Enterprise "Elektroprivreda Srbije" was the sole founder of the Distribution System Operator "EPS Distribucija" d.o.o. Belgrade, 1-3 Masarikova street, registered to perform electricity distribution and distribution system management. Namely, by the Government's Decision 05 Number: 023-10578/2020-1 of December 17, 2020, the Plan for implementing activities aimed at reorganizing the distribution system operator "EPS Distribucija" d.o.o. Belgrade was adopted., based on which JP "Elektroprivreda Srbije":

1. made an additional non-monetary investment comprising: property and equipment owned by JP EPS, intangible assets, its shareholders capital in other legal entities and receivables totalling RSD 18,264,193,294.00 thousand, thereby increasing the basic capital of the Distribution System Operator "EPS Distribution", d.o.o. Belgrade. The change was registered with the Serbian Business Registers Agency on 23 December 2020,
2. concluded the Agreement on the transfer of shares in the Distribution System Operator "EPS Distribucije" d.o.o. Belgrade from JP "Elektroprivreda Srbija" to the Republic of Serbia number 12.01.655216/1-20, dated 29 December 2020 (certified on the same day by a notary public), based on the Decision of the Supervisory Board. The change was registered with the Serbian Business Registers Agency on 31 December 2020. The provisions of Article 7 of the Transfer Agreement stipulate that the Agreement produces legal effect between the contracting parties on the certification date by the competent authority, and on third parties on the date of registering the changes in the Registry of business entities, by which the Public Company "Elektroprivreda Srbije" lost control, i.e. the right to direct relevant activities of the Distribution System Operator "EPS Distribucije" d.o.o. Belgrade.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

1. GENERAL INFORMATION AND BUSINESS ACTIVITY (continued)

With the amendments to the founding act of the Distribution System Operator "EPS Distribucije" d.o.o. Belgrade:

- the company changed its business name to "Elektrodistribucija Srbije" d.o.o. Belgrade. The change was registered with the Business Registers Agency on 29 January 2021
- regarding the unsubscribed non-monetary capital of RSD 18,264,193 thousand, it was arranged that the subscribed non-monetary investment would be subscribed within five years of the date of registering the basic capital increase.

Following the loss of control, the Public Company "Elektroprivreda Srbije" entered part of its stake, and the remaining part will be executed within the deadlines stipulated in the founding act of "EPS Distribucija" d.o.o.

On 9 December 2022, the Parent Company's Supervisory Board passed Decision No.: 12.01.846279/6-22 to adopt the Draft Decision on changing the Company's legal form into a joint-stock-company. By this decision it is proposed that the Company founder enter transformation and continue activities on the implementation of the Government's Decision on adopting the Program for restructuring Public Enterprise „Elektroprivreda Srbije” 05 No.: 023-15149/2014, dated 27 November 2014.

As disclosed in note 46, on 6 April 2023, the Serbian Government adopted Decision No. 023-1457/2023 on changing the Parent Company's legal form from public enterprise to non-public joint stock company under the full business name Akcionarsko društvo "Elektroprivreda Srbije", Belgrade. The new abbreviated business name is EPS AD Beograd.

The change was registered with the Serbian Business Registers Agency on 13 April 2023 by the BRA's Decision No. BD 36389/2023. The founder and sole shareholder of the Parent Company is the Republic of Serbia.

Under the provisions of Article 22 of the Business Registers Agency Law (RS Official Gazette Nos. 99/2011, 83/2014, 31/2019 and 105/2021), the change of the legal form and business name will have a legal effect on third parties in the future, i.e. as of the day following the day the Business Registers Agency passed the Decision.

As at 31 December 2022, 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. The Company was founded by the Company's Supervisory Board Decision No. 12.01.19169/3-2016, dated 20 January 2016, with the approval of the Government of the Republic of Serbia - Decision No. 05 No. 023-923/2016, dated 11 February 2016. The Company was registered on 7 November 2018. The Company did not start doing business.

In addition to the above, the Parent Company :

1. acquired a 71.90% stake in the legal entity "Kolubara - Građevinar" d.o.o. Lazarevac, Janka Stajčića 1, based on the conversion of the Public Company's receivables into share capital in accordance with the pre-prepared reorganization plan of "Kolubare - Građevinar" d.o.o. Lazarevac on December 14, 2017,
2. acquired a 51% share in the company "Hidroelektroenergetski sistem Gornja Drina" doo Foča, 19 Nemanjina street, Republika Srpska by joining a member and increasing the Company's capital on November 19, 2020, i.e. by having the share registered with the Business Registers Agency of the District Commercial Court in Trebinje.

The Company is the founder of three public companies in Kosovo and Metohija, namely: Public company for the production of thermoelectric energy of TE "Kosovo", Obilić, Public company for the production, processing and transport of coal PK "Kosovo", Obilić, and Public company for the distribution of electricity of energy "Elektrokosmet", Pristina, over which the Company has not had any administrative or management control since June 1999. The Public Enterprise "Electricity of Serbia" shall harmonise its legal documents on establishing public energy companies headquartered in the Autonomous Province of Kosovo and Metohija with the laws, decisions, and regulations governing the conditions and the manner of performing energy activities within three months of meeting the conditions for harmonising the organization, the activities and the operations with these regulations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

1. GENERAL INFORMATION AND BUSINESS ACTIVITY (continued)

In addition to the above, the Parent Company has significant participation in the company "Moravske hidroelektrane" d.o.o., Belgrade, founded with RWE Generation Hydro GmbH, Federal Republic of Germany (RWE AG), with a share in the company's capital of 49%, amounting to EUR 255,095. The goal of establishing the company is to build a hydroelectric power plant system on the river Velika Morava, with at least 5 (five) hydroelectric power plants with a total power of about 150 (one hundred and fifty) MW. On 29 December 2022, the members of the company "Moravske hidroelektrane" d.o.o., Belgrade, RWE Generation Hydro GmbH and JP EPS, concluded Contract no 1500 E1201-903628/1-22 on the sale of shares and intellectual property rights over the preliminary technical documentation. RWE Generation Hydro GmbH, as the majority member, sells 51% of the shares with all the rights and obligations that the majority member has in the company "Moravske hidroelektrane" d.o.o., Belgrade, whereby the Parent Company acquires 100% of the capital of the company "Moravske hidroelektrane". d.o.o., Belgrade. The change was registered by BRA's Decision No. BD 32972/2023 dated 7 April 2023 (notes 25 and 46).

The Parent Company had a significant share capital in the company „Ibarske hidroelektrane“ d.o.o., Kraljevo. As disclosed in Note 25, on 31 January 2022, the process for forced liquidation of „Ibarske hidroelektrane“ d.o.o., was initiated and completed on 15 April 2022.

With the adoption of the new Law on Energy at the end of 2014, the local energy legislation has been harmonized with the provisions of the Third Energy Package of the European Union. The process of introducing competition in the energy market in Serbia continues with a view to increasing the efficiency of the sector through marketplace mechanisms for electricity production and supply, while regulating transmission and distribution of electricity as natural monopolies. Energy activities are also performed by other business entities (legal entities or entrepreneurs), provided that they receive a relevant license from the Energy Agency of the Republic of Serbia.

The activities of the Public Enterprise are regulated by the Law on Energy ("Official Gazette of the RS" no. 145/14, 95/18 - other laws and 40/21), the Law on Mining and Geological Research ("Official Gazette of the RS" no. 101/15, 95/18 - other laws and 40/21), the Law on Energy Efficiency and Rational Use of Energy (Official Gazette of RS No. 40/21), and other significant rules and regulations.

The main activity of the Company is the supply of electricity - Activity Code 3514 - Trade in Electricity. In addition to the main activity, the Company performs other activities: production of electricity; production, processing, and transport of coal; production of steam and hot water in combined processes, etc. The Company carries out the production and the commercial and guaranteed supply of electricity in its branches, which are registered with the Business Registers Agency:

- HPP ĐERDAP Branch, Trg Kralja Petra 1, Kladovo,
- Branch DRINSKO-LIMSKE HPP, Trg Dušana Jerkovića 1, Bajina Bašta
- TENT branch, Bogoljuba Uroševića-Crnog 44, Obrenovac,
- TE-KO KOSTOLAC branch, Nikole Tesla 5-7, Kostolac,
- PANONSKE TE-TO branch, Bulevar Oslobođenja 100, Novi Sad,
- RB KOLUBARA branch, Svetog Sava 1, Lazarevac ,
- RENEWABLE SOURCES Branch, Carice Milice 2, Belgrade,
- EPS Supply Branch, Carice Milice 2, Belgrade.

The Parent Company has a licence to perform electricity supply services (License no. 312-137/2015-L-I dated 23 December 2015 with a ten-year validity period) and a license to perform public electricity supply services (License no. 312-149/2016-L- dated 25 August 2016, valid until a guaranteed supplier is selected, however for a period not exceeding ten years).

The company has a license for the performance of electricity supply activities number 312-137/2015-L-I dated December 23, 2015 with a ten-year validity period and a license for the performance of public electricity supply energy activities number 312-149/2016-L- And from August 25, 2016, with a period of validity until the selection of a guaranteed supplier, and a maximum of ten years.

For the reporting period, the Government of the Republic of Serbia passed a Decision on appointing a reserve supplier 05 No: 312-9267/2020 (RS Official Gazette No. 140/2020), dated 19 November 2020. By this Decision the Serbian Government appointed the Company to be the Reserve Supplier for end users not entitled to a guaranteed supply for a period of two years, starting from the date of the New Decision, at a rate of 66,72 EUR/MWh, exclusive of VAT.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022
1. GENERAL INFORMATION AND BUSINESS ACTIVITY (continued)

This decision was replaced with the Decision on Appointing the Supplier of Last Resort 05 No: 312-9219/2022-1 („RS Official Gazette No. 127/2022), dated 17 November 2022. By this New Decision, the Serbian Government appointed the Company to be the Reserve Supplier for end users not entitled to a guaranteed supply for a period of six months starting from the date of this Decision, at a rate of 392.50 EUR/MWh, exclusive of VAT. The reserve supply price includes 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 reserve supply price is determined annually using a predetermined rate.

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

Energy activity	No. of Contract	Date of Contract	Validity period
Storage of oil, oil derivatives and biofuels	311.02-121/2016-П-I	26.01.2017.	10 years
Combined production of electricity and heat energy	312-120/2016-П-I	10.02.2017.	30 years
Production of electricity	312-119/2016-П-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-П-I	27.12.2021.	10 years

The public company "Elektroprivreda Srbije", Belgrade (hereinafter: "Parent Company" or "Company"), as a controlling company and its subsidiaries make up EPS Group (together: "Group").

As at 31 December 2022, the Group had 20.481 employees (31 December 2021: 20.724 employees).

The bodies of the Public Company are the Supervisory Board and the Director, whose competences are determined by the Law on Public Companies, the Founding Act, and the Statute.

The Founder's bylaws, by which the Reorganization Program of the Public Enterprise "Elektroprivreda Srbije" is adopted, define among other things the procedure for establishing property rights on production facilities and other immovables over which the Parent Company can establish property rights. After accepting the Reorganization Program of the Public Enterprise "Elektroprivreda Srbije", the Founder gave its consent for the Company, as the registered holder of the right of use on buildings, particular parts of buildings (office buildings, auxiliary buildings, warehouses, garages, energy production facilities and energy production facility services) and land on which the facilities have been built, to be registered 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 significant regulations governing the real rights on immovable property. Bylaws regulating the Company's rights on immovable property over which the Company cannot establish ownership rights under the Law on Public Property, which are required for the Parent Company to perform energy and mining activities, are pending adoption.

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS ACCOUNTING PRINCIPLES
2.1. Basis of preparation and presentation of consolidated financial statements

Consolidated financial statements include statements of the parent company JP "Elektroprivreda Srbije" Belgrade and other subsidiaries in Serbia and abroad:

	%	
	2022.	2021.
"EPS Trgovanje" d.o.o. Ljubljana, Republic of Slovenia	100%	100%
"Elektrosever" d.o.o. Northern Mitrovica, Kosovo and Metohija	100%	100%
"Kolubara - Građevinar" d.o.o. Lazarevac	71.90%	71.90%
"Hydroelectric power system Gornja Drina" d.o.o., Foča, Republic of Srpska	51%	51%

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

The consolidated financial statements were prepared according to the principle of full consolidation with the disclosure of minority interest in the consolidated financial statements, which refers to a dependent legal entity in whose capital the Parent Company participates with less than 100%.

All amounts of transactions and balances that arose from the mutual business relations of the parent and subsidiary companies were eliminated during consolidation.

For the purposes of compiling consolidated financial statements, financial statements of subsidiaries "EPS Trgovanje" d.o.o. Ljubljana and "HES Gornja Drina" d.o.o., Foča, expressed in the functional currencies of the subsidiaries (EUR and BAM respectively), were converted into the reporting currency of the Parent Company (Dinar), by converting assets and liabilities according to the official average at the exchange rate on the balance sheet date, and income and expenses at the average exchange rate during the year. The resulting exchange rate differences are recognized as a separate component of capital within reserves based on the translation of financial statements in foreign currency.

2.2. Basis of preparation and presentation of financial statements

The Group's consolidated financial statements comprise the consolidated balance sheet as at 31 December 2022, the consolidated income statement, the consolidated other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as a summary of significant accounting policies and notes to the consolidated financial statements.

The Group's consolidated financial statements for the period 1 Jan 2022 - 31 Dec 2022 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 the 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 the line items in the consolidated financial statements was performed 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 10 September 2020 ("Official Gazette of the RS" ' No. 123/2020), and which were officially published in the Republic of Serbia, except for the part of the direct transfer of revaluation reserves to retained earnings when property, 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 primary and secondary legislation in the Republic of Serbia. The translation of the above-mentioned International Accounting Standards and the International Financial Reporting Standards applies to the financial statements prepared as at 31 December 2021.

The consolidated financial statements have been prepared in accordance with the historical cost principle, unless otherwise stated in the accounting policies given below.

In compiling these consolidated financial statements, the Group applied the accounting policies explained in note 3.

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

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

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

- Amendments to the reference to the conceptual framework in IFRS standards (issued in March 2018, effective for annual periods beginning on or after January 1, 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 January 1, 2020);
- Amendments to IFRS 3 "Business combinations" - definition of business (business) issued in October 2018, effective for annual periods beginning on or after January 1, 2020);
- Revised framework for financial reporting - amendments published in March 2018;

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS
ACCOUNTING PRINCIPLES (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 that start on or after January 1, 2020);
- Amendments to IFRS 16 "Leases" - benefits granted to lessees due to the Covid-19 pandemic (amendments published in May 2020, effective for annual periods beginning on or after June 1, 2020).
- Reform of the benchmark interest rate (phase 2) – amendments to IFRS 4, IFRS 9, IFRS 7, IFRS 16 and IAS 39, (amendments announced in August 2020, effective for annual periods beginning on or after January 1, 2021);
- Amendments to IFRS 3 "Business Combinations" - updating the reference to the conceptual framework (issued in May 2020, effective for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 16 "Property, plant and equipment" - proceeds from the sale before the intended use of assets in construction (issued in May 2020, effective for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - harmful contracts, contract fulfillment costs (issued in May 2020, effective for annual periods beginning on or after January 1, 2022); and
- Annual improvements to IFRS (IFRS 1, IFRS 9, IFRS 16, IAS 41) resulting from the standard improvement cycle project for the period from 2018 to 2020 issued in May 2020 (effective for annual periods beginning on or after January 1, 2022).

2.4. Published standards and interpretations that have not yet entered into force

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

- IFRS 17 "Insurance Contracts" - revised and issued during 2017 as a complete standard (initially, effective for annual periods beginning on or after January 1, 2021 - with amendments from June 25, 2020, the International Accounting Standards Board has decided to postpone the application of this standard for annual periods beginning on or after January 1, 2023), including amendments for the initial application of IFRS 17 and related amendments to IFRS 9 "Financial Instruments" for the presentation of comparative data.;
- Amendments to IAS 1 "Presentation of the Consolidated Financial Statements" - classification of liabilities into long-term and short-term liabilities (issued in January 2020, effective for annual periods beginning on or after January 1, 2023);
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Entities" - Sale or transfer of assets without compensation between the investor and its associate or joint entity (amendments adopted in September 2014, start of application delayed is for an indefinite period);
- 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 January 1, 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 years).
- Amendments to IAS 1 Presentation of Financial Statements – Classification of liabilities as either current or non-current, containing a number of covenants included by the lender in borrowing arrangements (issued in January 2020, effective for periods beginning on or after 1 January 2024);
- Amendments to IFRS 16 Leases - Measuring lease liabilities in a sale and leaseback (issued in September 2022, effective for periods beginning on or after 1 January 2024).

2.5. Going concern principle

Considering the movement of energy prices and the impact of the energy crisis on operations during 2022, the management of the Group considered the impact of the aforementioned on future revenues and especially on the Group's cash flow and concluded that the going concern principle was adequately applied. In this regard, the consolidated financial statements were prepared in accordance with the going concern principle which implies that the Group will continue to operate in the foreseeable future.

The impact of the energy crisis on the Group's operations is disclosed in note 2.7., while the ability to secure funding and liquidity is described in note 42 in the Liquidity Risk section.

2.6. Comparative figures

2.6.1 Opening balance adjustments

Opening balance adjustments are presented in Note 5. For the effects of error adjustment, the Group has adjusted and reconciled comparative figures in the 2021 consolidated financial statements.

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

2.7. Impact of the energy crises to the business operations of the Company

The Global energy market experienced disruptions in Autumn 2021. The crisis in the Energy Sector began in the aftermath of the COVID-19 pandemic. Due to an increase in demand for natural gas, attributable to economic recovery after COVID-19 and supply issues (limited supply and stock of natural gas), the price of natural gas hits highest level. This increased the demand for coal, and caused spikes in coal prices. High gas and coal prices, reduced production of wind energy in Europe, and costly permits on the carbon market caused prices of electricity to shoot up. The rise in gas, energy and oil prices was particularly strong in the second half of 2021, and intensified even further in 2022.

The global energy crises unavoidably expanded to Serbian affecting the Group's operations.

Lower volumes of extracted coal in „Rudarski basen Kolubara“ and damages of a coal mill in Nikola Tesla Power Plant that happened at 2021 year-end affected energy production.

Problems of primary production led to electricity imports at high market price, high consumption of fuel oil and fuel additives that support production, and to high consumption of gas due to over-exploitation of the thermal power plant unit Panonska TE-TO. Increased imports of electricity were also due to bad hydrological conditions influencing hydrological water balance.

Energy purchasing with a view to balancing and optimising energy consumption:

	Realization 2020	Realization 2021	Realization 2022
GWh	484	1,413	3,102
€/MWh	45.02	214.82	247.76

During the period Jan-Dec 2022, the Parent Company purchased electricity at an average price of 247.76 EUR/MWh. For the sake of comparison, before the outbreak of the global energy crisis the price of electricity on HUPX Hungarian Power Exchange was approx. 60 EUR/MWh. This means that the cost of imported electricity, which amounted to RSD 90.3 billion in 2022, would have been around RSD 22.5 billion before the outbreak of the crisis.

The Parent Company purchased electricity from imported sources at an average price of 247.76 EUR/MWh and sold it at an average price of approx. 71.5 EUR/MWh.

EUR/MWh												
Година	2022											
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
ОЕПСС - комерцијално снабдевање	65,67	65,92	66,40	66,87	67,22	67,52	68,00	68,20	78,27	78,86	79,01	78,90
ОЕПСС - резервно снабдевање	97,50	97,50	97,50	97,50	97,50	97,50	97,50	97,50	123,50	123,50	123,50	123,50
ОЕПСС - гарантовано снабдевање	30,69	29,22	28,52	27,60	27,21	27,99	28,22	27,61	31,30	31,07	32,03	32,75
HUPX	204,77	194,27	285,58	189,18	204,84	236,79	371,10	495,29	391,35	193,94	222,74	261,15

The global energy crises generated high energy prices that could affect Serbian business entities and power transmission/distribution companies (procurement of electricity to cover losses in electricity distribution grid). To that end, the Serbian Government recommended that the Parent Company provide commercial customers, EMS a.d. and EDS d.o.o with electricity at prices significantly lower than market prices. This exposed the Parent Company to financial risk. In other words, the risk of increased energy prices was completely transferred to the Company, due to which the Group incurred significant financial damages that affected the Group's 2022 financial performance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

These consolidated financial statements are prepared in accordance with the generally accepted accounting principles, under the historical convention, with subsequent valuation of all relevant events affecting assets and liabilities as 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 Group is mainly engaged in the production, supply and distribution of electricity to various types of end customers. In addition, the Company also generates revenues from the sale of coal, heat, other products and the provision of services.

Revenue is recognized when the Group fulfils the obligation to perform under the contract with the buyer by transferring goods and services, or when the buyer acquires control over the goods and services.

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

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

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

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

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

In the event that 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).

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

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

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

3.2. Effects of changes in exchange rates

At the end of each reporting period, the effects of changes in exchange rates are recognised:

- for monetary items at the middle exchange rate on the reporting date in favour of income and expenses,
- for non-monetary assets measured at fair value expressed in foreign currency at the middle exchange rate on the day when the fair value is determined,
- for non-monetary assets stated at historical cost (cost) at the middle exchange rate on the date of the transaction.

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

3.2. Effects of changes in exchange rates

The date of the transaction for the purpose of determining the exchange rate used in the initial recognition of related assets, expenses or income (or any part thereof) is the date on which the entity initially recognizes non-monetary assets or non-monetary liabilities arising from the payment or receipt of advances. If there are multiple payments or, receipt of advances, the date of the transaction is determined for each payment or receipt of advances.

Exceptionally, paragraph 2. these items do not apply when the related 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 of the non-monetary asset or non-monetary liability arising from the advance.

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

Exchange 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 in profit or loss in the individual financial statements of foreign operations. In financial statements that include in financial reports that include foreign operations, such exchange rate differences are initially recognized in other comprehensive income and are transferred from equity to profit 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 a contractually agreed sharing of control over an arrangement, which exists only when decisions about relevant activities require the unanimous decision of the parties sharing control.

Activities for which the contract does not provide for the establishment of joint control are not considered a joint arrangement.

- Based on the structure and legal form of the arrangement and the conditions agreed upon by the parties, the participant recognizes the joint arrangements as:
- joint business, if the parties who have joint control over the arrangement have rights to the property and responsibility for the obligations related to the arrangement,
- joint venture, if the parties who have joint control of the arrangement have rights to the net assets of the arrangement.

In a joint arrangement, a participant recognizes:

- its property, including its participation in jointly owned property,
- its obligations, including its share in the obligations that have been assumed,
- its income from the sale of its participation in the results arising from of joint business, including its share of income from the sale of the results of joint business,
- its expenses, including its share in all expenses that were jointly incurred.

A joint venture participant recognises its interest in the joint venture as an interest using the equity method.

Transactions and business events in which the acquirer obtains control over one or more businesses are included as business combinations.

In the case of business combinations involving members of the EPS Group that are under joint control, the individual financial statements of the continuing legal entity do not contain comparable information of the company that ceases to exist.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

3.4. Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds.

Borrowing costs may include:

- interest costs calculated using the effective interest method,
- financial burdens related to financial leasing and
- exchange rate differences arising from borrowing in foreign currency, in the amount up to which they are considered adjustment of interest expenses.

Borrowing costs that are directly attributable to the acquisition, construction or construction of assets, and take a substantial period to get ready for their intended use or sale (qualifying assets), are added to the cost of those assets. All other borrowing costs are recognized in the income statement in the period in which they are incurred.

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

3.5. Employee benefits

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

Compensation of employees is recognized as an expense during the accounting period when the employee worked and as a liability, after deducting any amount already paid.

The Group provides jubilee awards, retirement benefits and other benefits in accordance with the general acts of the Group, i.e. undertaking to pay:

- severance pay upon retirement in the amount of 3 salaries of the employee earned or to be earned for the month preceding the month in which the severance pay is paid, or in the amount of 3 average salaries per employee paid in the Parent Company or in relevant subsidiary, or in the amount determined by the Law if it is more favourable for the employee, and
- jubilee awards for 10, 20, 30, 35 and 40 years of continuous work in the Parent Company or in relevant subsidiary, in the amount of 1, 2, 3, 3.5 and 4 paid average salaries in the Company for the previous twelve months.

Expected employee benefit costs are accrued over the period of employment. These liabilities are estimated on an annual basis 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 and have a maturity that approximates the maturities of related liabilities.

Any increase/decrease in the present value of liabilities based on defined benefits of employees upon termination of employment, due to changes in actuarial (demographic and financial) assumptions, or remeasurement of net liability, is recognized as actuarial gain or loss in the statement of total other results. special capital item.

3.6. Provisions

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

Litigation

Provisions for legal claims and other provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

3.5. Provisions (continued)

Environmental restoration and environmental protection

The amount recognized as a provision for future costs of dismantling and removing the plant and restoring the site on which it is located is the best estimate of the expenditure required to settle the present obligation at the balance sheet date on the basis of applicable laws and regulations, which is susceptible to changes due to amendments made to the laws and regulations and their interpretations.

3.7. Government grants, donations and assistance

Government grants represent government assistance in the form of the transfer of resources to the Group on the basis of meeting certain conditions in the past or future relating to the business activities of the Group. They exclude those forms of State aid that cannot be reasonably valued as well as transactions with the State that cannot be distinguished from the entity's normal business transactions.

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

Government grants are recognized as income in the period necessary to relate them to the related costs for which they are intended to be reimbursed, as follows:

1. allocations related to assets that are depreciated in the amount of calculated depreciation,
2. allocations of funds that are not depreciated during the period when the costs related to the fulfillment of obligations are incurred,
3. allocations received as part of financial or tax assistance in the period when the set conditions are met,
4. allocations received as compensation for expenses or losses already incurred or for emergency financial assistance without further costs on that basis in the period when the funds were received, as an extraordinary item with mandatory disclosure.

If circumstances arise that lead to the repayment of the assignment, the repayment of the assignment shall be charged to the deferred income arising from the assignment. To the extent that the repayment is greater than the deferred income or if there is no deferred income, the repayment is immediately recognized as an expense.

State aid is a measure of the state with the intention of providing economic benefits specific to the Group, for which the value cannot be reliably determined, as well as transactions with the state that cannot differ from the usual business transactions of the Company (advice, guarantee, etc.).

3.8. Taxes and contributions

Current income tax

Current income tax is calculated and paid in accordance with the Law on Income Tax applicable in the Republic of Serbia. Current income tax is paid at the rate of 15% on the tax base defined in the 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, which may be carried forward to subsequent fiscal periods, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

3.8. Taxes and contributions (continued)

Taxes and contributions not related to performance

Taxes and contributions not related to performance comprise property tax and other taxes and contributions under national and municipal regulations.

3.9. Property, plant and equipment

Property, plant and equipment is initially measured at cost. Cost comprises of: 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 the asset increase the asset's carrying value, where the investment is made: to upgrade the asset, to replace its part or service other than within the framework of regular maintenance, where it is probable that future economic benefits associated with such investment will flow into the Company, and where the cost of the investment can be measured reliably. Gains or losses on disposal of property, plant and equipment are determined as the difference between the expected net proceeds from sale and the carrying amount of an item adjusted for revaluation reserves, if they have been previously created 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 item and item 3.13. The calculation of their depreciation, as well as the recognition and measurement of the recoverable amount of these assets is performed as stated in items 3.11., 3.13. and 3.14.

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

- hydroelectric power plant buildings,
- thermal power plant buildings,
- buildings for electricity distribution and distribution system management,
- coal mine buildings,
- commercial and business buildings, except 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 equipment of river and lake navigation,
- traction vehicles and other equipment for railway traffic on rails,
- means of transport for performing energy activities.

At revaluation value, after initial recognition, the following are also stated::

- land of any type and purpose of use,
- administrative and other buildings or separate parts of buildings in which 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 of catering and tourism, except for real estate classified as investment real estate.

Also property, plants and equipment in subsidiaries whose registered predominant activity is not energy activity after initial recognition are reported at the revalued amount in case they are used for the performance of activities specified in the articles of incorporation of the subsidiary companies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

The fair value of property, plant and equipment is the price that would be obtained to sell the asset or paid to transfer the obligation in a regular transaction between market participants at the measurement date.

The fair value measurement techniques used are consistently applied as follows:

Fair value estimation techniques, which are used, are consistently applied, namely:

- 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 are indications that the carrying amount differs significantly from the fair value at the balance sheet date, and mandatory once in a period of 3 to 5 years.

Motor vehicles determined by the law governing road traffic safety as a passenger vehicle, other means of transport, equipment for arranging and maintaining office and other premises, apartments that do not serve the registered activity and other equipment and tools and inventory whose service life is longer than one year, are stated at cost after initial recognition.

3.10. Investment property

Investment property is property (land or a building or part of a building or both) held by the 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, provided that it is probable that the entity will obtain future economic benefits from the asset and that the cost of an asset can be reliably measured.

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

For the purposes of disclosure, it performs all measurements of the fair value of investment property.

Investment property is amortised over its useful life on a straight-line-basis or on an 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 recognised 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 on an 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	12.50% - 20.00%

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

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

3.11. Depreciation of property, plant and equipment (continued)

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

The effect of changes in the useful life of an asset is recognized as income or expense for current and future periods.

3.12. Leasing

On the date of the contract, the Group assesses whether the contract is a leasing contract, i.e. whether it contains elements of leasing. The contract is a leasing contract, that is, it 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.

On the lease commencement date, each lease:

- in relation to the transfer of risks and benefits associated with property ownership, the lease is classified as financial or business,
- in relation to the duration of the lease agreement, the lease is classified as short-term or long-term (which with on the first day of the leasing period has a duration of more than 12 months),
- is classified as a low-value lease, in case the object of the lease is an asset whose value is RSD 500 thousand or less.

During the duration of the leasing contract, the leasing period is re-examined in the event of significant events or significant changes in circumstances over which the lessee has control and which affect the real probability that the lessee will/will not use any of the options that he/she has not taken into account during the initial determination of the leasing period.

The Group as a lessee

From the first day of the lease, the Group as the beneficiary of the lease recognizes in the report in the financial position:

- assets with the right of use separately from other assets, and
- liabilities based on the lease separately from other liabilities.

On the lease commencement date, right-of-use assets are measured at cost, which includes initially measured liabilities, all lease payments made on or before the first day of the lease less any incentives received, all initial direct costs incurred by the lessee and estimated the costs of dismantling and removing the property that is the subject of leasing, unless these costs were incurred for the purposes of inventory production.

The lease liability, on the first day of the lease term, is measured by the present value of all payments related to the lease that have not been made on that day. The present value of all payments is determined by discounting at the interest rate contained in the lease or, if the lease interest rate cannot be identified, at the 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.

Assets with the right of use are subsequently valued at purchase value, except in the case of classes of real estate, plant and equipment from point 3.9 acquired in the financial leasing business, which are subsequently valued at the revalued amount.

Depreciation of assets with the right of use is calculated on a straight-line basis, starting from the first day of the term:

- until the end of the useful life of the asset, in the event that the lease agreement transfers ownership at the end of the lease term or it is certain that the purchase option will be exercised, and
- until the end useful life of the asset or until the end of the leasing period, whichever is earlier, in all other cases.

In the case of a short-term lease or a lease relating to an asset of low value, all payments are recognized as an expense on a straight-line basis over the term of the lease.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

3.12. Leasing (continued)

Company as a lessor

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

The net investment in the lease referred to in paragraph 1 is equal to the gross investment discounted at the interest rate included in the lease and includes all fixed payments, net of all incentives that will be paid in connection with the lease, variable payments that depend on a certain index or rate, all guaranteed residual value, the price of using the purchase option if there is a real probability that the lessee will use that option and penalties for terminating the contract, if the duration of the lease shows that the lessee used that option.

Financial income is recognized based on a model that reflects a constant periodic rate of return on the net investment throughout the entire lease term in the case of financial leasing.

In the event that the Group acts as a producer or intermediary of the subject of financial leasing, the following is recognised:

- income, which represents the fair value of the property that is the subject of leasing or, if it is lower, the present value of the lease payments discounted at the market interest rate,
- sales costs, which represents the purchase or book value of the property that is the subject of leasing, if they differ, reduced by the current value of the non-guaranteed residual value,
- profit or loss from the sale in accordance with point 3.1.

Payments under operating leases are recognized as income on a straight-line basis or on another systematic basis where it better represents the pattern of diminishing returns from the asset. Initial direct costs incurred in connection with obtaining a business lease are added to the book value of the asset that is the subject of the business lease and are recognized as an expense 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 amortisation and any impairment losses.

The amortisation of intangible assets is computed on a straight-line basis in order to fully write off the cost of the assets over their estimated useful lives. The estimated useful lives and amortisation rates in for major classes of intangible assets, unless otherwise indicated in the contract, are as summarised below:

	Year	Rate %
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.

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

3.14. Impairment of non-financial assets

The value of an asset is reduced when the carrying amount exceeds the amount that can be recovered using the asset.

At each balance sheet date, an assessment is made of any indications that the asset is impaired.

Regardless of whether there are indications of impairment, intangible assets with unlimited validity and intangible assets that are not yet in use are tested for impairment once a year. In the event that the asset in question is initially recognized during the reporting period, impairment testing is performed before the end of the reporting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

3.14. Impairment of non-financial assets (continued)

If there is any indication that an asset may be impaired, the remaining useful life, depreciation method or residual value of the asset is checked and adjusted in accordance with the standard applicable to that asset, although no impairment loss is recognized.

The recoverable amount of an asset or cash-generating unit is the fair value less costs to sell and its value in use, whichever is greater.

If there is any indication that an asset is impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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 inventory acquisition, as decreased for trading discounts, rebates and similar items.

The net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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

Basic and auxiliary material used in production is not written off below the cost price, i.e. the purchase price if it is expected that the finished products, in which they will be contained, will be sold at or above cost price.

In the event that the cost price of finished products is higher than the net realizable price of finished products, the net realizable value of inventories is estimated on a representative sample using the replacement cost method. If it is determined that there is an impairment of inventories, the calculation of impairment for all items of inventory is performed by projecting the results obtained on the sample to the entire inventory.

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

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

When there are no longer circumstances that previously caused inventories to fall below cost / cost or when there is evidence of an increase in net realizable value due to changed economic circumstances, the amount written off is returned through the income statement so that the new carrying amount corresponds to cost. or a change in cost that is lower.

The calculation of the output (consumption) of inventories is recognized using the weighted average cost method. Tools and small inventory are written off once during commissioning.

Inventories of work in progress and finished goods are measured at cost, i.e. net realizable price if lower. The cost of inventories of work in progress and finished goods includes costs directly related to production units and indirect (fixed and variable) costs incurred in the production of finished products and does not include abnormally high amounts of consumed materials, labour or other production costs, storage costs, except if not necessary in the production process of the next stage, 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 when the Company becomes a party to the contractual parties using its accounting policies at the settlement date, i.e.:

- recognition on the date when the asset is transferred to the Company or when the Company delivers the asset and

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

3.16. Financial instruments (continued)

- ceases to be recognized on the date when the delivery of assets by the Company (fulfillment of the contractual obligation, cancellation or expiration).

Financial assets, other than trade receivables and financial liabilities, are initially recognized at their fair value increased or decreased, in the case of a financial asset or financial liability not measured at fair value through profit or loss, for directly attributable transaction costs. the acquisition or issue of a financial asset or financial liability. 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.

Receivables from sales 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 cease to be valid or when the Group transfers the financial asset and the transfer qualifies for derecognition.

A financial asset is transferred only when the Group transfers contractual rights to receive cash flows from the financial asset or retains the rights to receive, but undertakes to pay cash flows to one or more recipients.

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

Classification and subsequent measurement of financial instruments

Classification

For the purpose of subsequent measurement, on the date of initial recognition, financial assets are classified into one of three categories:

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

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

- The asset is held within a business model whose objective is to hold assets in order to collect 0 contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the asset is held within the framework of a business model whose goal is achieved both through the collection of contractual cash flows and through the sale of the financial asset,
- the contractual terms of the financial asset result on given dates in cash flows that are exclusively principal payments and interest on the outstanding principal amount.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

3.16. Financial instruments (continued)

During the initial recognition of equity participations that are not held for trading purposes, the Group may irrevocably decide to show subsequent changes at fair value within other comprehensive income. Such determination is made on an individual basis, for each participation separately.

All financial assets that are not measured at amortized value or at fair value through other comprehensive income, as described above, are measured at fair value through the income statement. This includes financial assets that are held for trading, managed and whose performance is measured on the basis of fair value, and which are measured at fair value through the income statement. In addition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized value or at fair value through other comprehensive income, 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 Group classifies financial liabilities at amortized value for subsequent measurement purposes, except for the following:

- financial liabilities at fair value through the income statement,
- financial obligations that arise when the transfer of a financial asset does not qualify for derecognition or the permanent participation approach is applied,
- contracts on financial guarantees,
- obligations to provide a loan at an interest rate lower than the market rate,
- potential fees recognized by the acquirer in a business combination to which IFRS 3 applies.

Subsequent measurement of financial assets and liabilities

After the initial measurement, financial assets are measured:

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

In the case of modification of the agreed cash flows of a financial asset, which do not result in the cessation of recognition of the financial asset, the gross carrying amount of the financial asset is recalculated with the recognition of profit or loss in the income statement.

Financial placements and receivables

Participation in the capital of subsidiaries, participation in the capital of associates and joint ventures are included in the individual financial statements of the Group using the cost method.

For the purposes of subsequent measurement, financial resources, as follows:

- participation in the capital of other legal entities, other securities with the characteristics of contracted cash flows and sales, are classified as financial assets measured at fair value through other total result;
- long-term placements to subsidiaries and other related legal entities in the country and abroad, long-term placements in the country and abroad, securities and other long-term financial placements with characteristics of contracted cash flows 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

3.16. Financial instruments (continued)

Short-term receivables and placements are measured at the transaction price, which represents the amount of compensation the company expects to be entitled to in exchange for the transfer of promised goods and services to the customer, excluding amounts charged on behalf of third parties.

For measurement purposes after initial recognition, financial instruments are classified into the following categories:

- financial assets and financial liabilities at fair value through the income statement (held for trading),
- financial assets available for sale,
- held-to-maturity investments,
- loans and receivables originated by the Group and which are not held for trading and
- derivatives.

The 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 resources were obtained.

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

Other long-term placements

Participations in the capital of other legal entities and other long-term placements are initially included according to the cost method. After initial recognition, they are measured by:

- fair values, if they are held for trading or are available for sale, and which have a quoted market value on an active market,
- at purchase value, if they are held for trading or are available for sale, and which do not have a quoted market value on the active market,
- amortized value, if they have a fixed maturity date,
- purchase value, if they do not have a fixed maturity date.

Any difference, increase or decrease, between the stated amount and the subsequent measurement is recognized as a separate capital item, for instruments that are available for sale and have a quoted market value in an active market, except in the case of existence of objective evidence of impairment, when any difference recognized in the income statement. Any difference between the stated amount and the subsequent measurement of other financial instruments is recognized as a gain or loss in the period in which it arose.

3.17. Impairment of the financial assets

At each reporting date, provisions for losses on financial instruments are measured, except in the case of operating receivables, in the amount of:

- which is equal to the expected credit risks over the life of the financial instrument, if the credit risk has increased significantly compared to the initial recognition;
- in the amount corresponding to the twelve-month expected credit losses, in case the credit risk of the financial instrument has not increased significantly compared to the initial recognition.

The amount of the change in expected credit losses, at the reporting date, is recognized as a gain or loss in the income statement by indirectly adjusting the gross carrying amount through the allowance account, except in the case of financial assets measured at fair value through profit or loss. Any impairment of financial assets measured at fair value through other comprehensive income is recognized in other comprehensive income until the same asset is derecognised or reclassified, except for gains or losses on impairment and foreign exchange differences.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

3.17. Impairment of the financial assets (continued)

The maximum period to be taken into account when measuring expected credit losses is the maximum agreed period, including the option to extend, except in the case of loans and outstanding liabilities when the period in which the Company is exposed to credit risk is taken into account, even if that period is longer than the maximum of the agreed period. For loan obligations and financial guarantee agreements, the date from which the Company becomes a party to an irrevocable obligation 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 of receivables from customers for the sale of electricity is carried out according to the following groups of receivables, unless otherwise stated, which arise based on:

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

The assessment of the collectability of receivables is carried out by groups and subgroups through the use of a provisioning matrix using provisioning coefficients. They are calculated based on historical credit loss data and updated periodically to reflect credit losses.

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

- households (sub-segment formed on the basis of the geographical area: Belgrade, Novi Sad, Kragujevac, Kraljevo and Niš),
- small customers (sub-segment formed on the basis of the geographical area: Belgrade, Novi Sad, Kragujevac, Kraljevo and Niš),
- commercial consumers, and
- reserve supply consumers.

The following table shows the applied loss rates by consumer segment for the calculation of expected credit losses as of 31 December 2022:

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%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

3.17. Impairment of the financial assets (continued)

Commercial and backup supply

Number of days in delay	% expected credit losses (range)	
	Backup 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%

For the calculation of expected credit losses of sued trade receivables on commercial and reserve supply, as at 31 December 2021, the rates of 90.56% and 92.69% were used respectively, while the rate of expected credit losses of trade receivables in the process of reorganization, bankruptcy or liquidation is 100%.

Receivables from customers, regardless of which group of receivables they belong to, and whose receivables as of the day of assessment amount to RSD 200 million and more are assessed individually.

Exceptionally, receivables from customers in the process of reorganization (pre-prepared reorganization plan), in bankruptcy or liquidation, regardless of the amount of debt, can be assessed individually.

The following table shows the applied loss rates by consumer segment for the calculation of expected credit losses as at 31 December 2021:

Guaranteed supply

Number of days in delay	% expected credit losses (range)	
	Households	Small consumers
Not- due	0.70% - 4.04%	1.89% - 6.02%
1 – 30	2.30% - 11.65%	4.86% - 11.00%
31 – 60	4.03% - 16.60%	7.36% - 16.39%
61 – 90	5.92% - 21.35%	8.94% - 21.70%
91 – 180	8.47% - 26.17%	9.90% - 26.78%
181 – 270	26.60% - 44.77%	12.08% - 46.27%
271 +	63.16%	63.16%

Commercial and reserve supply

Number of days in delay	% expected credit losses (regular receivables)	
	Backup supply	Commercial consumers
Not- due	8.12%	1.73%
1 – 30	11.62%	6.22%
31 – 60	31.74%	17.15%
61 – 90	41.43%	30.51%
91 – 180	45.68%	38.40%
181 – 270	55.42%	53.64%
271 – 360	79.19%	71.61%
361 +	93.14%	92.53%

For the calculation of expected credit losses of sued trade receivables on commercial and reserve supply, as at 31 December 2021, the rates of 92.53% and 93.14% were used, while the rate of expected credit losses of trade receivables in the process of reorganization, bankruptcy or liquidation is 100%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022**4. SIGNIFICANT ACCOUNTING ESTIMATES**

Below are presented the key assumptions related to the future and other sources of assessment, uncertainties on the balance sheet date that represent a significant risk, for material corrections of the amount of the balance sheet positions in the next financial year.

Depreciation and depreciation rate

Estimates of the useful lives of property, equipment and intangible assets are based on historical experience with similar assets, as well as anticipated technical progress and changes in economic and industrial factors. The adequacy of the estimate of the remaining useful life of fixed assets is analyzed once a year based on current forecasts.

Determining the fair value of real estate, plant and equipment

Items of real estate, plant and equipment of the parent company that are intended for the performance of energy activities, immovable property, as well as real estate, plant and equipment of subsidiaries whose registered predominant activity is not energy activity, in the event that they are used for the performance of activities specified in the founding act subsidiaries (note 3.9), are measured at fair value for financial reporting purposes. When estimating the fair value of these items, the Group uses observable data from the market to the extent that it is available and hires third-party authorized appraisers to estimate the value.

Note 24 discloses the effects of changes in the fair value of real estate, plant and equipment, as well as information on valuation techniques.

Impairment of value of non-financial assets

As disclosed in note 3.14, the Group assesses at each reporting date whether there are any indications that the value of an asset is impaired.

As at 31 December 2021, testing was performed for potential impairment of real estate, plant, equipment, and intangible assets, as part of the fair value assessment of real estate, plant, and equipment owned by the Parent Company and subsidiaries, with the balance as of 1. January 2021. The recoverable amount of tested assets is determined as the value in use by discounting future cash flows at the level of the units that generate assets (branches and subsidiaries). Key assessments in this domain relate to projections of future cash flows and the amount of the discount rate. Possible changes in these parameters have an impact on the level of a certain value in the use of units that generate cash, and therefore can have an impact on the level of determined impairment, that is, on the conclusion that impairment does not exist.

Based on the conducted testing of the potential impairment of the assets on the day of the assessment, it was determined that the value in use, i.e. the recoverable amount of the assets, which includes intangible assets at the level of the units that generate assets (branches and subsidiaries), as well as in the overall observed EPS Group, is higher from the book value, as a result of which there is no basis for impairment of the Group's assets and individual cash-generating units.

In addition, when assessing the value of real estate, plant and equipment under preparation, as well as intangible assets under preparation, with the balance on the day of the assessment, it was determined that the book value of real estate, plant and equipment under preparation and intangible assets under preparation also includes items that have been discontinued, where there is significant uncertainty of realizing future economic benefits arising from resources and limited access to those benefits from legal rights, and as a result, an impairment loss on real estate, plant and equipment and intangible assets in preparation has been determined (note 24).

With the balance as of 31 December 2021, the management of the Group concluded that there are no additional indicators of impairment for the listed items of non-financial assets, internal or external, and that there is no additional impairment of them in relation to the impairment determined with the balance as of day 1. January 2021, except for the part of real estate, plant and equipment under preparation, where the Group concluded that there are indicators of impairment for assets that are not in the location and in the condition necessary to be in the functional readiness that was expected at the time of initial recognition and where significant progress in preparation or construction has not occurred for a long period of time and where the status of further construction is currently unknown. For this asset, the Group conducted an impairment test and recognized impairment losses in the income statement for 2021 in the total amount of RSD 888,520 thousand (note 24).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

4. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Based on the conducted testing of the potential impairment of assets on December 31, 2022, the Group determined that the value in use, i.e. the recoverable amount of the assets, is higher than the book value, as a result of which there is no basis for impairment of the Group's non-financial assets, except for part of intangible assets, real estate, plants and equipment under preparation, on the basis of which an impairment loss was recognized in the income statement for 2022 in the total amount of RSD 1,545,597 thousand (notes 13 and 24).

Long-term provisions for the costs of restoration of natural resources

Long-term provisions based on the costs of restoration of natural resources relate, for the most part, to provisions for the final recultivation of the land on which the slag and ash dumps in the Kostolac and Nikola Tesla thermal power plants are located. Estimates on this basis require management judgment regarding the amount of land reclamation obligations that will arise in the future.

Changes in the valuation of existing liabilities may be the result of a change in the estimation of the timing of future costs or the discount rates used during the initial valuation of provisions. The amount of the recognized provision is the best estimate of the costs necessary to settle the present obligation at the balance sheet date based on the applicable legal regulations, and is also subject to changes due to revisions and changes of laws and accompanying regulations and their interpretation. Due to the subjective nature of these provisions, there is uncertainty regarding the amount and estimated time of occurrence of these costs. Note 33 discloses the effects of changing the key parameters of the provision for the final reclamation of the land where the slag and ash landfill is located, which relate to the discount rate and the life of the landfill.

Provisions for litigation

In general, provisions are subject to significant estimates. The Group assesses the likelihood that adverse events may occur as a result of past events and makes an estimate of the amount required to settle the liability. Although the Group respects the principle of prudence when making estimates, given that there is a large amount of uncertainty, in certain cases the actual results may deviate from these estimates.

Provision for expected credit losses

IFRS 9 introduces a forward-looking "expected credit loss" model. This requires significant judgment regarding how changes in economic factors affect expected credit losses, which are determined on a probability-weighted basis.

The "expected credit loss" model applies to financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income, but not to investments in equity instruments.

Employee benefits

The present value of liabilities for retirement benefits and jubilee awards is determined by actuarial valuation. Actuarial valuation involves the use of assumptions related to the discount rate, expected salary growth, mortality rate and employee turnover. When determining the appropriate discount rate, the Group's management starts from an interest rate that would be equivalent to the rate on government bonds of the Republic of Serbia. The mortality rate is based on publicly available mortality tables. Future wage growth is based on expected inflation rates.

Fair Value

The fair value of financial instruments for which there is no active market is determined by applying appropriate valuation methods. The Group applies professional judgment when selecting appropriate methods and assumptions.

The Group's business policy is to disclose information about the fair value of assets and liabilities for which there is official market information and when the fair value differs significantly from the book value. In the Republic of Serbia, there is not enough market experience, as well as stability and liquidity in the purchase and sale of receivables and other financial assets and liabilities, since official market information is not available at all times. Therefore, fair value cannot be reliably determined in the absence of an active market. The management of the Group carries out a risk assessment and in cases where it is estimated that the value at which the property is kept in the business books will not be realized, it carries out a value correction. In the opinion of the Group's management, the amounts in these consolidated financial statements reflect the value which, in the circumstances, is the most reliable and useful for reporting purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

5. CORRECTIONS OF OPENING BALANCES

a) Overview of corrections - balance sheet

The effects of the corrections and reclassifications made on the balance sheet as at 1 January 2022 and 1 January 2021 are presented as follows:

In RSD thousand						
	1 January 2022		1 January 2022		1 January 2021	
	Before corrections	Correction	After corrections	Before corrections	Correction	After corrections
ASSETS						
Non-current assets						
Intangible assets	12,642,830	(36,547)	12,606,283	16,912,588	-	16,912,588
Property, plant and equipment	817,735,880	(308,774)	817,427,106	774,560,910	(335,965)	774,224,945
Biological assets	502,441	-	502,441	489,076	-	489,076
Equity investments and long-term fin. placements	3,111,487	-	3,111,487	4,526,298	-	4,526,298
	<u>833,992,638</u>	<u>(345,321)</u>	<u>833,647,317</u>	<u>796,488,872</u>	<u>(335,965)</u>	<u>796,152,907</u>
Current assets						
Inventory	32,502,171	(130,309)	32,371,862	34,784,217	(85,582)	34,698,635
Fixed assets held for sale	163,509	-	163,509	-	-	-
Trade receivables	62,823,537	1	62,823,538	57,146,071	-	57,146,071
Other claims, VAT, claims based on overpaid taxes and contributions	13,845,706	(1)	13,845,705	6,642,428	-	6,642,428
Short-term financial placements	248,307	-	248,307	218,059	-	218,059
Cash and cash equivalents	13,469,299	-	13,469,299	20,384,815	-	20,384,815
Accruals	2,932,953	-	2,932,953	2,650,955	-	2,650,955
	<u>125,985,482</u>	<u>(130,309)</u>	<u>125,855,173</u>	<u>121,826,545</u>	<u>(85,582)</u>	<u>121,740,963</u>
Total assets	<u>959,978,120</u>	<u>(475,630)</u>	<u>959,502,490</u>	<u>918,315,417</u>	<u>(421,547)</u>	<u>917,893,870</u>
EQUITY AND LIABILITIES						
Equity						
Issued capital	360,577,932	-	360,577,932	360,047,865	-	360,047,865
Revaluation reserves and unrealized gains based on shares and others components of other comprehensive result	447,666,415	-	447,666,415	423,820,119	-	423,820,119
Unrealized loss / (gain) based on shares	(3,006,281)	-	(3,006,281)	(2,963,659)	-	(2,963,659)
Accumulated gain/(loss)	<u>(203,186,257)</u>	<u>(531,984)</u>	<u>(203,718,241)</u>	<u>(179,905,643)</u>	<u>(476,341)</u>	<u>(180,381,984)</u>
	<u>602,051,809</u>	<u>(531,984)</u>	<u>601,519,825</u>	<u>600,998,682</u>	<u>(476,341)</u>	<u>600,522,341</u>
Long-term liabilities and provisions						
Long-term provisions	37,965,081	-	37,965,081	40,791,474	-	40,791,474
Long-term liabilities and borrowings	92,783,807	-	92,783,807	107,615,311	-	107,615,311
Long-term deferred income and donations received	8,575,955	-	8,575,955	8,681,462	-	8,681,462
Deferred tax liabilities	68,368,511	1,560	68,370,071	65,766,488	-	65,766,488
	<u>207,693,354</u>	<u>1,560</u>	<u>207,694,914</u>	<u>222,854,735</u>	<u>-</u>	<u>222,854,735</u>
Short-term liabilities						
Short-term financial liabilities	54,422,372	-	54,422,372	18,393,513	-	18,393,513
Advances received	1,047,637	-	1,047,637	926,620	-	926,620
Trade payables	72,802,015	-	72,802,015	48,181,388	-	48,181,388
Other short-term liabilities	20,487,672	54,794	20,542,466	25,349,661	54,794	25,404,455
Accruals	1,473,261	-	1,473,261	1,610,818	-	1,610,818
	<u>150,232,957</u>	<u>54,794</u>	<u>150,287,751</u>	<u>94,462,000</u>	<u>54,794</u>	<u>94,516,794</u>
Total equity and liabilities	<u>959,978,120</u>	<u>(475,630)</u>	<u>959,502,490</u>	<u>918,315,417</u>	<u>(421,547)</u>	<u>917,893,870</u>

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

5. CORRECTIONS OF OPENING BALANCES (continued)

b) Overview of corrections – Income statement

Effects of corrections and reclassifications on the consolidated income statement in the period from 1 January to 31 December 2021 are shown as follows:

	Year ended on 31 December 2021 Before corrections	Correction	In RSD thousand Year ended on 31 December 2021 After corrections
OPERATING REVENUES			
Revenue from sales	4,510,427	-	4,510,427
Revenues from the sale of products and services	300,837,822	-	300,837,822
Revenues from activation of goods and effects	1,174,440	-	1,174,440
(Increase)/decrease in inventory value	(797,812)	-	(797,812)
Revenue from adjustment of property value (except financial assets)	10,372,680	-	10,372,680
Other operating revenue	3,736,770	(201,588)	3,535,182
	<u>319,834,327</u>	<u>(201,588)</u>	<u>319,632,739</u>
OPERATING EXPENSES			
Cost of goods sold	(1,196,723)	171,445	(1,025,278)
Cost of material, fuel and energy	(187,664,671)	-	(187,664,671)
Salary expenses, salary compensation and other personal expenses	(48,914,438)	-	(48,914,438)
Depreciation expenses	(35,264,387)	10,401	(35,253,986)
Expenses from adjustment of property value (except financial)	(11,006,335)	-	(11,006,335)
Costs of production services	(22,807,803)	(36,547)	(22,844,350)
Provision costs	(2,620,663)	-	(2,620,663)
Non-material costs	(21,878,482)	-	(21,878,482)
	<u>(331,353,502)</u>	<u>145,299</u>	<u>(331,208,203)</u>
OPERATING INCOME	<u>(11,519,175)</u>	<u>(56,289)</u>	<u>(11,575,464)</u>
Finance income	4,709,602	-	4,709,602
Finance cost	(6,413,885)	-	(6,413,885)
Other income and income from adjustment the value of financial assets that are reported at fair value through the income statement	12,767,728	(14,584)	12,753,144
Other expenses and adjustment expenses the value of financial assets that are reported at fair value through the income statement	(15,381,978)	-	(15,381,978)
INCOME BEFORE TAX	<u>(15,837,708)</u>	<u>(70,873)</u>	<u>(15,908,581)</u>
Tax expense of the period	(2,605,356)	-	(2,605,356)
Deferred tax income of the period	2,950,597	(1,560)	2,949,037
NET INCOME	<u>(15,492,467)</u>	<u>(72,433)</u>	<u>(15,564,900)</u>

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

5. CORRECTIONS OF OPENING BALANCE (continued)

c) Impact of corrections on accumulated loss

Correction description	У хиљадама динара	
	1 January 2022	1 January 2021
Balance of accumulated loss, previously disclosed	<u>(203,186,257)</u>	<u>(179,905,643)</u>
1) Cessation of recognition of assets in preparation upon subsequent payment documentation	(345,321)	(335,965)
2) Recognition of inventory impairment	(130,309)	(85,582)
3) Recognition of obligations based on receiving employees who work in particularly difficult conditions	(54,794)	(54,794)
4) Other	<u>(1,560)</u>	<u>-</u>
Balance of accumulated loss, Adjusted	<u>(203,718,241)</u>	<u>(180,381,984)</u>

d) Effects of corrections on the income statement for the period January - December 2021

Correction description	In RSD thousand
	2021
Loss, previously reported	<u>(15,492,467)</u>
1) Cessation of recognition of intangible assets in preparation according to subsequently received documentation	(36,547)
2) Recognition of inventory impairment	(44,727)
3) Other	<u>8,841</u>
Balance of accumulated loss, Adjusted	<u>(15,564,900)</u>

e) Effects of corrections on the statement of cash flow

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

6. SALES

Source of income

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

	In thousand RSD	
	For the year ending 2022	2021
Revenues from electricity sales	314,511,093	277,416,192
Sales revenue of A.D. "Electric Network of Serbia", Belgrade (a)	34,100,247	18,630,990
Revenues from sales of goods	4,470,936	5,087,577
Revenues from sales of services	16,781	3,833,788
Other (b)	<u>381,631</u>	<u>379,702</u>
	<u>353,480,688</u>	<u>305,348,249</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

6. SALES (continued)

- (a) The turnover of RSD 34,100,247 thousand (2021: RSD18,630,990 thousand) arrived at with A.D. "Elektromreza Srbije", Belgrade (EMS) is relative to the sale of electricity and the provision of services to the energy entity - the transmission system operator, while the increase in income in the reporting period compared to 2021 is mostly due to the sale of electricity for system balancing purposes.

Namely, the Parent Company provides system services of primary, secondary and tertiary regulation and delivers electricity on the grounds of balancing responsibility, as well as for the consumption of the Transmission System Operator and compensation for losses of electricity in the transmission system, based on contract commitments under the Law on energy and operating rules relating to the operation of the transmission system and the functioning of the market. Under the Law on Energy, the prices of auxiliary services: primary regulation, voltage regulation, as well as system services of secondary and tertiary regulation, are regulated prices.

- (b) Other income reported in 2022 amounting to RSD 377,937 thousand (2021: 375,881 thousand dinars) is relative to Agent Service Fees of the Parent Company i.e. Public Media Service Tax Calculation and Collection (note 27). Namely, the Parent Company and Public Media Institutions *Radio Television of Serbia* and *Radio Television of Vojvodina* have concluded an agreement regulating the procedure under the Law on Temporary Regulation of Fee Collection Methods for the Public Media Service ("Official Gazette of RS", no. 112/2015, 108/2016, 153/2020, 129/2021), which stipulates that when calculating and collecting charges for delivered electricity, the Parent Company also charges customers for the tax in question, with a fee amounting to 3% of the funds transferred to public media institutions. The most recent amendments to the Law have extended the collection of the public media service fee by 31 December 2023. In the reporting period, the fee amounts to RSD 299 (2021: RSD 299).

Disaggregation of revenue from contracts with customers

Revenues from electricity sales

Revenues from the sale of electricity refer to the following sources of income:

	In thousand RSD	
	For year ended	
	31 December	
	2022	2021
Revenues from sales on the domestic market:		
- Sales of electricity to households (a)	103,673,625	105,409,892
- Electricity sales - open market customers (a)	191,737,655	146,414,051
- Electricity sales - third parties (economy) (a)	14,046,131	13,769,150
- Electricity sales - licensed customers (a)	2,231,459	4,532,163
- Electricity sales - stock exchange trading (b)	1,140,767	2,525,768
- Revenues from electricity sales of PE "Elektrokosmet", Pristina (c)	291,462	214,238
-	<u>313,121,099</u>	<u>272,865,262</u>
-		
- Revenue from sales of electricity on foreign markets - third parties (d)	1,389,994	4,550,930
-	<u>1,389,994</u>	<u>4,550,930</u>
-		
-	<u>314,511,093</u>	<u>277,416,192</u>

- (a) Revenue from the sale of electricity is recognized based on the turnover arrived at with end customers: individuals, small customers or customers who have the right to freely choose a supplier upon fulfilling the requirements stipulated by the Energy Law.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

6. SALES (continued)

The conditions for energy delivery and supply, and the measures taken in the event of threats to energy security due to disturbances in the operation of the energy system or market disturbances, and on which basis sales are recognized, are regulated by the Energy Law, the Law on Energy Efficiency and Rational Use of Energy (RS Official Gazette No. 40/21), the Regulation on the Conditions of Delivery and Supply of Electricity (RS Official Gazette No. 63/13, 91/18), the Decision on electricity guaranteed supply price approved by the Founder (RS Official Gazette No. 77/19, with an amendment to RS Official Gazette No. 154/20, which is effective as of 01 February 2021), Rules on the operation of the electricity market (RS Official Gazette No. 120/12, 120/14) and other. Namely, the above regulations govern:

1. The conditions and the manner of issuing approval for connection to the system and connection of the system, as well as the manner of providing evidence that the requirements for connecting the facility have been met,
2. The place of metering and place of delimitation of responsibility for delivered electricity,
3. The conditions and the 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 the 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 the 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 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 the 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 the measures for supplying electricity customers,
14. The billing period and the mandatory content of the invoice for delivered electricity,
15. The conditions for concluding the contract on sale of electricity and contract content,
16. The conditions and the manner of meeting obligations by the supplier and the public supplier.

The contract on the sale of electricity, in addition to the general elements of the law on contract and tort, comprises: the rights and obligations regarding the power and the quantity of electricity, the dynamics of supply, the rights and obligations of suppliers and end customers in case of default, and in case of temporary suspension of delivery, the contract term and the rights and obligations the event of contract termination, the method of calculating taken energy and the terms of payment which cannot be less than 8 days, the method of informing the buyer about price changes and other electricity supply terms, the manner of resolving disputes and other elements depending on the specifics and the type of service provided by the supplier.

Time frame for execution

In accordance with the system operation 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 for all other metering points in the transmission and distribution network 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

6. SALES (continued)

Determining the transaction price

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

- for customers with the right to a guaranteed supply, the price is determined in accordance with the adopted Methodology for determining the price of electricity for a guaranteed supply adopted by the Energy Agency of the Republic of Serbia. The price is applied after obtaining the consent of the Agency,
- for customers in commercial supply, the price is determined on the basis of price movements on reference electricity exchanges, i.e. according to market principles,
- for reserve supply customers, a single price is applied at the level offered by JP EPS in the public tender for the selection of a back-up supplier announced by the Government of the Republic of Serbia in accordance with the Law on Energy. For the reporting period, the Government of the Republic of Serbia, by Decision 05 No: 312-9267/2020 ("Official Gazette of the RS" No. 140/2020) designated the Parent Company as a reserve supplier for a period of two years from the date of the new decision, i.e. until 19 November 2022, at a price of EUR 66.72/MWh, and by Decision 05 Number: 312-9219/2022-1 from 17 November 2022, the new price of reserve supply is EUR 392.50/MWh.

Receivables for delivered electricity are due, as a rule, on the 28th of the month for the previous month. Exceptionally, the maturity date may differ from the stated deadline for strategic, large key 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 public procurement conditions.

Customers of electricity on guaranteed supply from the category of "households" who fulfil their financial obligation from the electricity bill within the due date, are granted a discount of 5%. A discount of 5% is calculated on the amount in the invoice related to the charge for "billing power", "cost of the guaranteed supplier" and "energy", and is stated and approved in the next bill for the consumed electricity by determining the cash the obligation for that accounting period is reduced by the amount of the calculated and approved discount.

Additionally, to ensure efficient use of energy as well as energy savings, the Company adopted the RS Government Decision 05 No:312-7254/2022, dated 16 September 2022, by which households entitled to guaranteed power supply are granted a discount on energy bills (calculated electricity power, cost incurred by the Supplier of Last Resort, and cost of energy), starting with October 2022 bills through to March 2023 bills, in the following manner:

- 15% discount - households that have reduced their electricity consumption by more than 5% but less than or equal to 20%, compared to the same month last year,
- 20% discount - households that have reduced their electricity consumption by more than 20% but less than or equal to 30%, compared to the same month last year,
- 30% discount - households that have reduced their electricity consumption by more than 30% compared to the same month last year.

- (b) The Parent company trades electricity on the „SEEPEX“ Stock Exchange, which started operating on 17 February 2016 in Belgrade. „SEEPEX“ a.d. Belgrade is a licensed operator for the organized electricity market, which was formed on the basis of a partnership between A.D. "Elektromreža Srbije", Belgrade and „EPEX SPOT“ as a stock company. The goal of „SEEPEX“ is to provide a transparent and reliable mechanism for forming the wholesale price of the electricity market by matching supply and demand at a fair and transparent price and to enable all transactions concluded on „SEEPEX“ to be delivered and paid for.
- (c) In accordance with the Decision of the Government of the Republic of Serbia No. 021-6624/2009-002 of 30 November 2009, the Parent Company engaged its capacities in order to provide electricity for the northern part of Kosovo and Metohija, on the basis of which revenue of 291,462 thousand dinars was recognized in 2022 (2021: 214,238 thousand dinars). In the reporting year, the Parent Company did not deliver electricity through the transmission network, as the Kosovo electricity distribution operator KOSTT did not fulfil its commitments. By 2020 year end, KOSTT became a special control environment of the European Network of Transmission System Operators for Electricity
- (d) The sale of electricity on the foreign market refers to the sale of electricity to the company Mješoviti holding Elektroprivreda Republika Srpska (Bosnia and Herzegovina) in the amount of 81,623 thousand dinars and to the sale of electricity realized through the subsidiary company "EPS Trgovanje" d.o.o. Ljubljana, in the amount of 1,303,744 thousand dinar.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

6. SALES (continued)

Revenue from the sales of goods

Revenues from the sale of goods relate to the following:

	In RSD thousand	
	For the year ending	
	31 December	
	2022	2021
Revenue from the sales of coal:		
– third parties	1,829,061	2,671,899
	<u>1,829,061</u>	<u>2,671,899</u>
Revenue from the sales of thermal energy	2,157,729	1,972,341
Revenue from the sales of technological steam and gas	97,290	98,736
Revenue from the sales of other goods	386,856	344,601
–		
–	<u>4,470,936</u>	<u>5,087,577</u>

Income from the sale of products is relative to income from the sale of coal, thermal energy, technological steam and gas and other products on the domestic and foreign markets. Revenue from the sale of coal amounting to RSD 1,829,061 thousand reported for the year ended on 31 December 2022 is relative to deliveries of coal to third parties by the Kolubara Mining Basin Branch, Lazarevac in the amount of RSD1,374,388 thousand, and Branches of Thermal Power Plant and Kostolac Mines in the amount of RSD 454,673 thousand.

Revenue from the sale of thermal energy amounting to RSD 1,811,746 thousand (2021: RSD 1,601,201 thousand) is relative to the supply of thermal energy, inclusive of deliveries of thermal energy produced in the Pannonian TE-TO Branch,

Revenue from the sale of other products reported in 2022. in the amount of 386,856 thousand dinars, most of them relate to the income from the sale of lime, in the amount of 117,285 thousand dinars (2021: 133,775 thousand dinars), and to the income from the sale of clay, in the amount of 94,367 thousand dinars (2021: 58,887 thousand dinars) to third parties.

Revenues from the sales of services

Revenues from the provision of services relate to the following:

	In RSD thousand	
	For the year ended	
	31 December	
	2022	2021
Revenues from other services – third parties	16,781	3,833,788
–		
–	<u>16,781</u>	<u>3,833,788</u>

Income from other services for the year 2021 in the amount of 3,833,788 thousand dinars, includes the amount of 3,806,394 thousand dinars related to income from services provided to the company "Elektro distribucija Srbije" d.o.o., Belgrade related to economic - financial and commercial affairs, corporate affairs services, IT and telecommunications support services, public relations services, market support, support in the planning of energy facilities, networks and investments and maintenance of electrical energy facilities and measuring points (in accordance with the Agreement on provision of services - SLA contract). As stated in note 1, on 17 December 2020, the process of reorganization of the company "Elektro distribucija Srbije" d.o.o. was started. as a result, in February 2021, the Service Agreement - SLA between the parent company and "Elektro distribucija Srbije" d.o.o., Belgrade was terminated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

6. SALES (continued)

Geographical region

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

	In RSD thousand	
	For the year ended	
	31 December	
	2022	2021
Serbia	352,095,291	300,795,810
Slovenia (HUPX, CROPEX, BSP SouthPool)	1,303,774	4,506,606
Republic of Srpska	81,623	44,324
Other markets	-	1,509
-	353,480,688	305,348,249

Dynamics of revenue recognition

The dynamics of revenue recognition is presented in the table below:

	In RSD thousand	
	For the year ended	
	31 December	
	2022	2021
Products and services recognized at a particular time	4,671,562	13,877,705
Products and services recognized over time	348,809,126	291,470,544
-	353,480,688	305,348,249

As stated above, the billing period for all interconnection metering points in the transmission and distribution network is a calendar month with the reading of billing meters on the first day of the following month, which is performed by transmission and distribution system operators in accordance with the Law on Energy, when the Parent Company performs recognition of income and when it has the right to charge, and the customer during the accounting period, calendar month, is able to acquire all essential benefits from the electricity delivered during the accounting period.

The table below provides information on the nature and dynamics of fulfilling obligations for selected key revenue sources:

Sale type	The nature and dynamics of fulfilling obligations	Revenue recognition
Sales of electricity to end customers	<p>These contracts with customers refer to the sale of electricity to customers on a guaranteed supply, ie on commercial and backup supply.</p> <p>Contracts with customers on a 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, so the contract period is one billing period that is invoiced to the buyer.</p> <p>Contracts with customers on commercial supply are concluded for a certain period of time, however according to the Rules for changing suppliers (prescribed by the regulatory body of the Energy Agency of the Republic of Serbia) the customer has the right to terminate the contract at any time without paying penalties for early termination. represents one billing period that is invoiced to the customer.</p>	<p>Revenue is recognized over time, based on the invoice issued to the customer.</p>
Sale of electricity to customers on the open market, licensed customers and stock exchange business	<p>Revenues from the sale of electricity to licensed and customers on the open market refer to the supply of electricity to customers who have a license to perform energy activities. In addition, the Group generates income from trading on the stock exchange. Each individual order represents a contract. The Group considers that on that basis, the delivery of electricity on the basis of a specific order is the fulfillment of the obligation to perform under the contract.</p>	<p>Revenue from sales to open market customers and licensed customers is recognized over time, based on the invoice issued to the customer, while revenue from stock exchange operations is recognized at a particular point in time.</p>

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

6. SALES (continued)

Sales type	The nature and dynamics of fulfilling obligations	Revenue recognition
Sale of electricity to EMS	The subject 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.
Sales of coal, thermal energy, products, technological steam and gas	Each individual order represents a contract. The Group considers that on that basis, any delivery of goods or provision of services on the basis of a specific order represents the fulfillment of the obligation to perform under the contract. Invoices are issued upon delivery of goods or on a monthly basis, depending on the type of product and the customer. Payment terms vary depending on contract terms and conditions, however, the general payment term is within 30 days or less. Invoices, ie invoices for thermal energy are issued monthly with a maturity of payment within 15 to 60 days. Invoices, ie invoices for technological pair are issued monthly with maturity within 15 days.	Revenue from the sale of coal is recognized at a certain point in time, after delivery, ie. upon invoicing to the customer while revenues from the sale of thermal energy, technological steam and gas are recognized over time.

Balances under contracts with customers

The table below provides information on receivables, contractual assets and contractual obligations under customer contracts:

	31 December 2022	In RSD thousand 31 December 2021
Receivables from contracts with customers – recorded within "Trade receivables" (Note 27)	63,991,772	62,823,538
Receivables from contracts with customers – recorded within "Other short-term receivables" items (Note 28)	4,415,631	2,847,641
Receivables based on the contracts with customers - recorded within "long-term financial placements and long-term receivables" (Note 25)	2,217	5,590
Receivables based on contracts with customers – recorded within "Short-term financial placements and long-term claims"	69,908	102,254
Contract assets	580	-
Contract liabilities	450,944	1,047,637

7. WORK PERFORMED BY THE ENTITY AND CAPITALISED

	In RSD thousand For the year ending 31 December 2022.	2021.
Income from activation and consumption of products for own use	1,016,248	1,173,125
Income from activation of services for own use	68,902	1,315
	1,085,150	1,174,440

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

8. OTHER OPERATING INCOME

	In RSD thousand	
	For the year ended 31 December	
	2022	2021
		<i>Adjusted</i>
Income from premiums, subventions, subsidies, recourses, compensations and refunds of tax duties	720,435	214,668
Income from the cancellation of deferred income, in accordance with the accounting policy (Note 35)	218,873	222,740
Income from donations, premiums, subsidies and grants from abroad (IPA Funds)	158,748	158,338
	1,098,056	595,746
Income from compensations from insurance for damages	436,721	175,292
Income from rents	143,609	327,395
Other operating income	1,316,564	2,436,749
	2,994,950	3,535,182

In 2022, Income from donations, premiums, subsidies and grants amounting to RSD 1,098,056 thousand (2021: RSD 595,746 thousand), of which RSD 158,748 thousand (2021: RSD 158,338 thousand) is relative to recognized consulting services (studies, elaborations) on environmental projects for the reconstruction of electro filters TENT A4, B2, TEK A5, where the Ministry of Environmental Protection is co-financing the project with RSD 720,364 thousand (2021: RSD 214,668 thousand) is recognized on the basis of the refraction of excise duties on oil derivatives and bioliquids used in the production process. The remainder of RSD 218,874 thousand (2021: RSD 222,740 thousand) is relative to recognised income that is breaking even with donation expenses.

Income from collected insurance claims amounting to RSD 436,721 thousand (2021: RSD 152,292 thousand) is predominantly relative to recognized mill plant TENT - B losses and damages amounting to RSD 145,906 thousand.

Other operating income comprise income from subsequent electricity borrowings amounting to RSD 515,216 thousand (2021: 550,452 thousand dinars) pertaining to the engagement of public executors and court costs in electricity charges enforcement proceedings, income from the sale of secondary raw materials and secondary products generated during the maintenance of energy production facilities amounting to RSD 354,259 thousand (2021: RSD 558,196 thousand), and income from recharged costs of goods and serviced delivered to "Elektrodistibucija Srbije" doo amounting to RSD 334,885 thousand (2021: RSD 1,117,996 thousand), based on supplier contracts concluded at a time when "Elektrodistibucija Srbije" d.o.o was the Group's related party

9. INCOME FROM PROPERTY VALUE ADJUSTMENTS (EXCEPT FINANCIAL)

	In RSD thousand	
	For the year ended 31 December	
	2022	2021
Income from property value adjustments:		
- property, plant and equipment	-	10,362,359
- inventory	73,142	-
- other assets	16,116	10,321
	89,258	10,372,680

In 2021, Income from property value adjustment of RSD 10,362,359 thousand, mainly income amounting to RSD 10,354,917 thousand is relative to the effects of property, plant and equipment valuation (impairment reversal) performed as at 1 January 2021, based on the Independent Appraisal Report (Note 24).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

10. COST OF MATERIAL, FUEL AND ENERGY

	In RSD thousand	
	For the year ended	
	31 December	
	2022	2021
Raw materials	840,704	798,457
Cost of material for the maintenance and spare parts	9,528,892	9,391,068
Cost of small inventories and tyres	292,700	403,860
Cost of oil and lubricants	244,306	166,143
H&S equipment	358,899	389,752
Cost of office and other overheads material	410,511	457,065
Other	537,090	371,416
	<u>12,213,102</u>	<u>11,977,761</u>
Cost of electricity:		
- -on domestic market	110,789,264	56,096,501
- -on foreign market	1,151,013	899,889
	<u>111,940,277</u>	<u>56,996,390</u>
Cost of transmission of electricity AD „Elektromreza Srbije”, Beograd	27,122,039	14,498,874
Distribution system access fee costs	93,148,947	86,360,871
Cost of oil and oil derivatives	13,752,914	8,845,097
Cost of gas used in production	10,954,291	7,262,561
Cost of coal	16,187,584	1,661,219
Cost of other energy	74,854	61,898
	<u>161,240,629</u>	<u>118,690,520</u>
	<u>285,394,008</u>	<u>187,664,671</u>

Costs of purchased electricity

A significant increase in the cost of purchased electricity in 2022 is conditioned by the negative effects of the energy crisis that began in the second half of 2021, as disclosed in note 2.7.

Electricity procurement costs refer to the procurement of electricity:

- from legal entities that have a license to trade in electricity in the amount of RSD 66,976,602 thousand dinars (2021: 31,116,929 thousand dinars),
- through the SEEPEX stock exchange in the amount of RSD 22,155,590 thousand (2021: 2,682,565 thousand dinars),
- from Mixed Holding "Elektroprivreda Republika Srpska" a.d. Trebinje in the amount of RSD 1,151,013 thousand (2021: RSD 899,889 thousand), and
- from privileged electricity producers in the amount of RSD 21,657,014 thousand (2021: RSD 22,297,003 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. Namely, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

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

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

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

From 1 January 2015 to 31 December 2020, incentive fees for privileged power producers amounted to RSD 0.093/kWh. The Regulation on incentive fees for privileged producers of electricity adopted by the Government of the Republic of Serbia stipulates that the fee status will change every year depending on the volume of electricity generated by renewables sources. At 2020 year-end, the Government passed the Decree on the 2021 incentive fee, prescribing the fee to amount to RSD 0.437/kWh. As of 1 August 2022, a new Regulation on the incentive fee is effective, prescribing the fee of RSD 0.801 /kWh.

Fee for accessing the electricity distribution system

The cost of accessing the distribution system (network fee) amounting to RSD 93,148,947 thousand (2021: RSD 86,360,871 thousand) is recognized at a transaction price defined by "Elektrodistribucija Srbije" d.o.o. Belgrade with the consent of the Energy Agency, in accordance with the Law on Energy. The decision on setting prices to access to the electricity distribution system (RS Official Gazette No. 95/21) established a new higher fee for accessing the electricity distribution system, which is effective as of 1 October 2021, and on average 10% higher than the previous fee.

Fee for accessing the electricity transmission system

The Parent Company and A.D. "Electricity Network of Serbia", Belgrade concluded a Contract on accessing and using the power transmission system, leasing facilities and balancing responsibilities. Based on the aforementioned, expenses in the reporting period amounted to RSD 27,122,039 thousand (2021: RSD 14,498,874 thousand).

The Decision on setting prices to access the electricity transmission system ("Official Gazette of RS" No. 95/21) establishes a new higher fee for accessing the electricity distribution system, which is effective as of 1 October 2021 and approved by the Council of the Energy Agency in an Official Letter No. 501/2021-D-02/1 on 24 September, 2021.

The recognised cost relating to the Parent Company's balancing responsibility under its contractual commitments, and higher energy expenditures (oil and natural gas) compared to the previous reporting period result from disturbances in the production of electricity, and from the increase in energy prices on the market at 2021 year-end.

The 2022 cost of coal of RSD 16,187,584 thousand (2021: RSD 1,661,219 thousand) is predominantly relative to the costs of coal purchased externally, i.e. from coal mines in the surroundings (Romania, Greece, Montenegro, Bosnia and Herzegovina, Republika Srpska) amounting to RSD 11,962,945 thousand; from Shen Hua Hong Kong International Trading Ltd amounting to RSD 1,916,824 thousand; and from JP PEU Resavica amounting to RSD 557,997 thousand. The remainder of RSD 1,749,818 thousand is relative to costs directly attributable to import duties, transportation, handling, and other expenses relating to coal procurement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

11. SALARY EXPENSES, SALARY COMPENSATION AND OTHER PERSONAL EXPENSES

	In RSD thousand	
	For the year ending 31 December	
	<u>2022.</u>	<u>2021.</u>
Cost of gross salaries and salary compensation	36,855,157	38,295,694
Taxes and contributions on wages and salaries paid by employer	6,823,974	7,294,354
Cost of special service and temporary service Agreements	11,948	274,568
Costs of compensation to individuals on the basis of other contracts	450,453	392,648
Fees paid to Supervisory and Managing Board members and other managing bodies	17,896	17,669
Cost of transportation of employees	1,186,210	1,192,589
Cost of per diem allowances and compensation of expenses on business trips	86,076	78,057
Cost of providing assistance to employees	307,460	381,719
Other personal expenses	995,289	987,140
	<u>46,734,463</u>	<u>48,914,438</u>

Employee salaries in public companies and corporations founded by the Republic of Serbia, or an autonomous province or a local self-government unit, and in their subsidiaries engaged in activities of general interest (Companies) are calculated and paid in accordance with the Law on Public Companies, the Law on Determining the Maximum Salary in the Public Sector ("Official Gazette of the RS" No. 93/12) and the Decree on the Manner and Control of Calculation and Payment of Salaries in Public Enterprises ("Official Gazette of the RS" No. 27/14). The maximum salary in the public sector cannot be higher than the amount obtained by multiplying the highest coefficient for the position, determined by the law governing the salaries of civil servants and employees and the base determined by the budget law for the current year. Furthermore, the Law on Public Companies prescribes that an Annual Business Plan, approved by the Founder, is to be adopted for each calendar year, and is to contain among other things elements for a comprehensive review of the Group's Policy on employment and employee wages and salaries in accordance with the projected wage growth in the public sector set by the RS Government for the year.

Other personal expenses amounting to RSD 813,091 thousand (2021: RSD 774,122 thousand), are predominantly related to the Parent Company's commitments under the Collective Agreement (work disability prevention program, cultural and sports activities of employees, health insurance benefits for employees, loans, etc.) which in tax terms are considered taxable fringe benefits.

12. DEPRECIATION/AMORTISATION EXPENSE

	In RSD thousand	
	For the year ended 31 December	
	<u>2022</u>	<u>2021</u>
Depreciation/amortization expense:		<i>Adjusted</i>
- intangible assets (Note 24)	2,312,599	2,221,104
- property, plant and equipment (Note 24)	33,572,400	32,904,912
- property, plant and equipment with the right of use for over one year (Note 24)	51,266	127,970
	<u>35,936,265</u>	<u>35,253,986</u>

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

	In RSD thousand	
	For the year ending	
	31 December	
	2022.	2021.
Expenses from adjustment of property value:		
– property, plant and equipment	1,545,624	9,928,761
– inventory	442,730	1,077,476
– other property	1,119	98
	1,989,473	11,006,335

As at 31 December 2022, the management of the Parent Company concluded that there are indicators of impairment of intangible assets, property, plant and equipment under construction, assets that are not on the location and in the condition necessary for them to be capable of operating in the manner of initial recognition, where significant progress in preparation or construction has not been made for a long time, and where the status of further construction is currently unknown. The Company tested these assets for impairment and recognized impairment losses totalling RSD 1,545,624 thousand in the 2022 Income statement (notes 4 and 24).

2021 expenses arising on property value adjustments amounting to RSD 8,655,550 thousand are predominantly relative to the negative effects of property, plant and equipment valuation performed as at 1 January 2021, based on the Independent Appraisal Report (Note 24). Additionally, expenses arising on property value adjustments comprise impairment loss on a commercial building under construction in New Belgrade, Block 20, amounting to RSD 888,520 thousand (Note 24).

Expenses arising on inventory value adjustment amounting to RSD 442,730 thousand (2021: RSD 1,077,476 thousand) are predominantly relative to the impairment of spare parts held on stock based on internal assessment of their value in use in TE Kostolac and RB Kolubara branches.

14. COST OF PRODUCTION SERVICES

	In RSD thousand	
	For the year ended	
	31 December	
	2022	2021
		<i>Adjusted</i>
Maintenance services	19,534,490	17,042,059
Cost of information system maintenance	1,476,231	1,994,083
PTT Services	1,430,843	1,383,700
Utility costs	584,330	569,723
Cost of services for various tests, analysis, preparing technical and project documentation, reports and projects	394,364	411,569
Costs of services and assistance in the production process	303,751	337,500
Costs of the separator and the work of the workers at the crushing plant	212,953	-
Costs of meter reading services	-	394,506
Transportation services	255,121	194,044
Rental cost	294,067	215,990
Advertising, fairs and marketing costs	36,206	61,200
Work safety cost	100,922	134,910
Costs of services on reclamation and environmental protection	61,908	105,066
	24,685,186	22,844,350

Cost of maintenance in the amount of 19,543,490 thousand dinars (2021: 17,042,059 thousand dinars) primarily relate to maintenance services of the Company's production facilities.

PTT services include cost of preparation and sending electricity bills to end customers in the amount of 1,284,870 thousand dinars (2021: 1.198.724 thousand dinars) in branch EPS Snabdevanje..

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

15. PROVISION EXPENSES

	In RSD thousand	
	For the year ended	
	31 December	
	2022.	2021.
Provision for the cost of restoring natural resources	573,765	520,842
Provisions for benefits and other employee benefits	1,160,949	1,879,932
Provisions for litigation	338,580	219,889
	2,073,294	2,620,663

In 2022, the Parent Company made a provision for environmental rehabilitation costs to be made payable for the recultivation of soil on which mining operations have occurred, and for the purpose of bringing the land to its initial condition after exploitation. 2022 Recultivation Costs amounting to RSD 150,186 thousand were calculated for RB Kolubara Branch. Additionally, as disclosed in note 33, the Parent Company made a provision for the final recultivation of land on which landfills for disposal of ash and slag are located in thermal power plants Kostolac, Kolubara, Morava, Nikola Tesla A and Nikola Tesla B. In 2022 the Company recognized expenses amounting to RSD 423,579 thousand (2021: RSD 412,684 thousand).

In 2022, the Group made a provision for retirement benefits amounting to RSD 1,160,949 thousand (2021: RSD 1,879,932 thousand), to be made payable upon termination of employment, and for employee benefits inclusive of jubilee awards amounting to a present obligation arising from past events, in accordance with the provisions of the Labour Law and Company bylaws (Notes 3.5 and 33).

Provisions for litigation are made at the best estimate of the expenditure required to settle the present obligation for legal proceedings against the Group, which in 2022 were estimated to be RSD 338,580 thousand (2021: RSD 219,889 thousand).

16. OTHER OPERATING EXPENSES

	In RSD thousand	
	For the year ending	
	31 December	
	2022.	2021.
Water use charges	1,970,270	2,342,214
Use of public interest resources fee	4,317	1,766
Environmental fee (Note 39)	2,442,039	4,019,058
Property tax	670,353	620,843
Other indirect taxes and contributions	1,669,901	2,431,488
Utilization of mineral resources	1,847,155	1,885,691
Entertainment expenses	22,856	18,632
Cost of payments operations and banking services	133,306	173,429
Subscription cost	24,218	34,163
Legal and advocacy services	1,146,790	1,558,672
Other non-material services	1,300,808	2,218,449
Intellectual services	236,790	461,854
Insurance costs	1,412,659	1,295,058
Health Service costs	157,832	173,563
Membership fees and contributions to the trade union	276,047	353,840
Security services, protection of buildings and work health and safety	2,033,554	2,197,079
Other non-production services	2,512,789	2,092,683
	17,861,684	21,878,482

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

16. OTHER OPERATING EXPENSES (continued)

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

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

The Law on Fees for the Use of Public Goods further introduced a fee for improving energy efficiency amounting to RSD 0.015/kWh. The fee for energy efficiency improvement of delivered energy/energy sources to end customers/consumers is determined by the Parent Company, being an energy company engaged in energy supply activities and holding a license to perform such activities under the law governing energy. The fee is included in the bill for energy/energy sources delivered to end customers/consumers. The energy charge is levied on the consumer based on the quantity of electricity supplied, which is determined by reading consumption through metering devices at the place of handover, in accordance with the law governing energy, and by lowering electricity costs when purchased from privileged power producers.

The fee for environmental protection amounting to RSD 2,442,039 thousand (2021:RSD 4,019,058 thousand) comprise the charge for sulphur dioxide, nitrogen dioxide and powdery material emissions generated by power plants in TE Nikola Tesla and TE Kostolac branches amounting to RSD 2,209,903 thousand (2021: RSD 2,584,765 thousand) and RSD 203,804 thousand (2021: RSD 1,422,427 thousand) respectively. A significantly reduced fee for environmental protection at TPP Kostolac is attributable to the commissioning of the new desulphurization system at PP Kostolac in early 2021.

Activities aimed at reducing emissions of polluting substances into the air generated by plants at TPP Nikola Tesla are under way. The construction of flue gas desulphurization plants in TENT A and TENT B is planned by the end of 2024. It is expected that emissions of sulphur dioxide will be reduced by 10-15 times.

Other indirect taxes and fees comprise VAT calculated on property transferred without compensation as part of the transformation of Elektro distribucija Srbije" doo. As disclosed in Notes 24 and 26, with a view to transforming the Distribution System Operator "EPS Distribucija" doo Belgrade, based on the Founder's bylaw, on 31 October 2022, the Parent Company passed a decision to transfer information systems equipment, and stock items of materials and supplies, totalling RSD 3,688,987 thousand, to "Elektro distribucija Srbije" d.o.o., Beograd. The transfer transaction is considered taxable under the Law on Value Added Tax. The Company calculated VAT of RSD 769,457 thousand and expensed it in the same period as to which it relates.

Court costs, for the most part, in the amount of RSD 878,243 thousand dinars (2021: 1,033,434 thousand dinars) relate to the costs of hiring private executors in the EPS Supply branch.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

17. FINANCIAL INCOME

	In RSD thousand	
	For the year ended 31 December	
	2022	2021
Financial income arising from related parties	1,004,247	834,550
Foreign exchange gains	3,022,272	578,511
Gains on currency clause effects	14,683	3,205
	<u>3,036,955</u>	<u>581,716</u>
Interest income:		
- based on receivables from customers for electricity	3,479,766	2,532,008
- on the basis of short-term financial investments	96,986	261,881
- on the basis of a fee for public media service	363,694	291,793
- other interest income (on all other bases)	174,713	172,010
	<u>4,115,159</u>	<u>3,257,692</u>
Other financial income	30,685	35,644
	<u>8,187,046</u>	<u>4,709,602</u>

For all monetary items whose settlement is required in foreign currency, the effects of changes in FX rates on the maturity date, ie on the balance sheet date, are recognized in income and expenses, as well as for monetary items for which the contract provides protection of receivables / liabilities by currency clause, that is, collection / settlement in RSD equivalent of foreign currency. Positive FX rate differences expressed in 2022 in the amount of 3,022,272 thousand dinars (2021: 578,511 thousand dinars) mostly, in the amount of 1,675,897 thousand dinars, relate to unrealized exchange rate differences on loans approved by foreign creditors. During 2022, the value of the dinar remained almost unchanged compared to the EUR currency, but that is why the dinar strengthened in 2022 compared to the YPU currency by 7.93% on an annual basis, which contributed to the growth of positive exchange differences based on loans denominated in YPU currency.

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

18. FINANCIAL EXPENSES

	In RSD thousand	
	For the year ended 31 December	
	2022	2021
Other Financial expenses	193,924	284,694
Interest expenses:		
- on the basis of obligations towards AD "Elektromreža Srbije", Belgrade	-	68
- other interest expenses (on all bases)	3,859,023	1,629,532
- interest expenses for untimely paid public revenues	63,810	37,546
- interest expenses for leasing - assets with the right to use for more than a year	1,318	4,496
	<u>3,924,151</u>	<u>1,671,642</u>
Costs of effects of foreign currency clause	3,212	13,395
Foreign exchange losses	4,360,151	4,444,154
	<u>4,363,363</u>	<u>4,457,549</u>
	<u>8,481,438</u>	<u>6,413,885</u>

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

18. FINANCIAL EXPENSES (continued)

Other interest expenses include interest expenses on loans in the amount of 3,211,927 thousand dinars (2021: 1.629.532 thousand dinars). During 2022, 3M EURIBOR increased from -0.57% to 2.32%, which contributed to an increase in interest expenses since most of the interest rates on received loans are linked to EURIBOR.

Foreign exchange losses reported in 2022 in the amount of 4,360,151 thousand dinars (2021: 4,444,154 thousand dinars) for the most part, in the amount of 2,008,511 thousand dinars, relate to unrealized exchange rate differences on loans approved by foreign creditors. During 2022, the value of the dinar weakened in relation to the USD currency by 5.99% on an annual basis, which also contributed to an increase in negative exchange rate differences, since the largest part of loan obligations pegged to the USD currency.

Other financial expenses in the amount of 193,924 thousand dinars (2021: 284,694 thousand dinars) refer to the Commitment fee and Management fee based on the credit arrangement with foreign creditors.

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

	In RSD thousand	
	For the year ended	
	31 December	
	2022	2021
Income from adjustment of long - term investments	11,703	3,609
Collection and impairment of:		
- given advances for fixed assets	3,170	4,790
- given advances for inventories	197,256	7,498
- trade receivables	401,927	6,766,184
	<u>602,353</u>	<u>6,778,472</u>
	614,056	6,782,081

Revenues from adjusting the value of receivables from customers reported in 2021 in the amount of RSD 6,766,184 thousand dinars refer mainly to collected claims for delivered electricity in the amount of RSD 6,323,914 thousand, for which impairment was recognized in the previous reporting period. In the structure of collected receivables, the most significant amount refers to the collection of receivables from customers "JP PEU Resavica". The aforementioned customer fully settled the debt to the Group, which amounted to RSD 3,556,851 thousand. In addition, in December 2021, the claim from the customer "Infrastruktura železnice Srbije" a.d. was partially collected in the amount of RSD 1,827,629 thousand.

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

	In RSD thousand	
	For the year ended	
	31 December	
	2022	2021
Expenses from value adjustments of:		
- participates in the capital	12	379,630
- advances	2,668	1,047
- trade receivables for electricity	6,982,437	3,943,708
- other receivables	1,023,145	1,583,257
	<u>8,008,262</u>	<u>5,907,642</u>

Credit losses based on trade receivables in the amount of 6,982,437 thousand dinars (2021: 3,943,708 thousand dinars) are recognized as an expense in the manner of disclosure as disclosed in Note 3.17.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

The expenses of the impairment of the participation in the capital include the correction of the value of the participation in the capital of the company "Ibarske hidroelektrane" d.o.o., Kraljevo in the amount of RSD 379,630 thousand (Notes 1 and 25).

21. OTHER INCOME

	In RSD thousand	
	For the year ended	
	31 December 2022	2021 <i>Adjusted</i>
Gains from sale of materials, equity participation, intangible assets investments, real estate, plant and equipment	36,308	428,824
Income from cancellation of long-term provisions on the basis of employee benefits (Note 33)	1,259,013	3,158,510
Income from reversal of long-term renewal provisions natural resources (Note 33)	89,395	-
Income from collected written-off receivables and cancellations value adjustments of receivables and short-term financial placement	3,318	1,856
Income from reduction of liabilities	38,860	149,573
Income from cancellation of long-term provisions based on litigation (Note 33)	164,677	987,950
Revenues from contracted risk protection	6,808	24,716
Revenues from reduction of environmental obligations	494,230	7,335
Surpluses	23,650	22,521
Other income	28,040	1,189,778
	2,144,299	5,971,063

Income from reversal of provision for long-term employee benefits, amounting to RSD 3,158,510 thousand in 2021, derives from the reduction of the number of employees in 2022, as disclosed in note 1.

Income from environmental protection liability decreases, amounting to RSD 494,230 thousand in 2022 (2021:RSD 7,335 thousand), derives from a decrease in waste water charges amounting to RSD 146,174 thousand, and a decrease in environmental protection charges due to higher advance payments made in 2021 than the officially established charge for 2021.

Other income amounting to RSD 1,189,118 thousand recorded in 2021 is predominantly relative to income arising from reacquiring a right-of-use over a commercial building under construction in New Belgrade/Block 20. Namely, the Serbian Planning and Building Law prescribes that, as of its effective date, legal entities whose founder is the Republic of Serbia, and who are registered as holders of the right-of-use over state-owned undeveloped or developed building land, shall have their right-of-use over such immovable property removed without compensation, and transferred to the RS i.e. the Founder. Based on the above, and in accordance with Founder's bylaw (the RS Government Decision 05 No: 023-10110/2019-01 of 10 October 2019), the Parent Company had its right-of-use over a portion of the business building under construction in New Belgrade/Block 20 removed in 2019, and the property was transferred to public ownership. Based on the aforementioned, the right of use of RSD 1,100,168 thousand was expensed in the Company's 2019 Income Statement. On 20 May 2021, the RS Government issued Conclusion 05 No: 023-4720/2021 by which Conclusion 05 number: 023-10110/2019-01 dated 10 October 2019 was repealed (canceled). On the grounds of the aforementioned, Income amounting to RSD 1,100,168 thousand was recognised

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

22. OTHER EXPENSES

	In RSD thousand	
	For the year ended	
	31 December	
	2022	2021
Expenses for contributions paid to employees from public enterprises from Kosovo and Metohija	5,059,061	4,991,434
Losses from disposal, write-off and sale of fixed assets, intangible assets, participations and materials	438,978	3,226,889
Losses from write - off of short - term receivables and rescheduled trade receivables	44,436	74,811
Inventory expenditure losses	21,941	-
Shortages	19,661	8,917
Sponsorship and donation costs	15,801	87,010
Other expenses	2,088,978	1,085,275
	7,688,856	9,474,336

Expenditures on the basis of compensation paid to employees in the amount of 5,059,061 thousand dinars (2021: 4,991,434 thousand dinars) are recognized for salaries and salaries contribution for employees in public enterprises from Kosovo and Metohija. The Government of the Republic of Serbia adopted Conclusion 05 No. 02-4586/2003-001 of 17 July 2003, which regulates the amount and method of payment of salary compensation for employees in companies on the territory of the AP Kosovo and Metohija.

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

Other expenses in the amount of 2,088,978 thousand dinars (2021: 1,085,275 thousand dinars) mostly refer to the costs of providing additional food to employees at surface mines in the amount of 594,270 thousand dinars (2021: 659,419 thousand dinars), the costs of archaeological research in the amount of RSD 108,807 thousand dinars (2021: 120,440 thousand dinars), as well as to the costs of financing public purpose facilities in the amount of 932,249 thousand dinars (2021: 142,541 thousand dinars).

23. INCOME TAX

a) Components of income tax

	In RSD thousand	
	For the year ended	
	31 December	
	2022	2021
Tax expense for the period	5,847	2,605,356
Deferred tax income for the period	(2,178,535)	(2,949,037)
	(2,172,688)	(343,681)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

23. INCOME TAX (continued)

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

	In RSD thousand	
	For the year ended	
	31 December	2021
	2022	Adjusted
Profit / (loss) before tax	(74,907,652)	(15,908,581)
Tax on profit calculated at statutory tax rate - 15%	(11,236,148)	(2,386,287)
Tax effect on unrecognized expenses	2,619,183	4,105,907
Tax effect on expenses recognized on cash basis	(589,448)	(580,124)
Tax effect of unrecognized income	(213,553)	(622,114)
Effect of transfer prices	127,176	113,280
Tax effects of unrecognized deferred tax assets (tax losses)	7,244,513	-
Tax effect of tax losses used in the current period on the basis of which deferred tax assets were not recognized	(19,216)	(29,171)
Tax effects of adjustments made in process of consolidation	26,220	61,373
The effect of a higher tax rate under the non-resident subsidiary legislation	3,981	350
Other	(135,396)	(1,006,895)
	(2,172,688)	(343,681)
Effective tax rate	-	-

c) Deferred tax liabilities

Deferred tax liabilities presented as at 31 December 2022. in the amount of 66,191,537 thousand dinars (31 December 2021: 68,370,071 thousand dinars) relates to temporary differences between the carrying amount of property, plant and equipment are recognised in the tax balance and the amounts at which these assets are stated in the consolidated financial statements of the Group.

Movements on the deferred tax liabilities were as follows:

	In RSD thousand	
	For the year ended	
	31 December	2021
	2022	Adjusted
Balance as at 1 January	68,370,071	65,766,488
Effects on income statement	(2,178,535)	(2,949,037)
Assessment effect (Note 24)	-	5,552,624
Other	1	(4)
Balance as at 31 December	66,191,537	68,370,071

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

23. INCOME TAX (continued)

d) Tax losses and credits

As of 31 December 2022, the Group did not report deferred tax assets in the amount of 7,116,780 thousand dinars (31 December 2021: 95,145 thousand dinars) based on tax losses carried forward due to the uncertainty that future taxable profits, against which the deferred tax assets can be used, will be available.

The aforementioned tax losses expire in the following periods:

<u>Year of origin</u>	<u>Expiration year</u>	<u>The amount of calculated tax loss</u>	<u>In RSD thousand Tax loss carried forward to the income tax account of future periods</u>
2018	2023	273,547	41,032
2019	2024	143,047	21,457
2022	2027	47,028,608	7,054,291
		<u>47,445,202</u>	<u>7,116,780</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

24. INTANGIBLE ASSETS, BIOLOGICAL RESOURCES, PROPERTY, PLANT AND EQUIPMENT

Intangible assets

	In RSD thousand				
	Concessions, patents, licenses, trademarks and service marks	Software and other rights	Other intangible assets	Intangible assets under development	Total
Purchase value					
Balance at 1 January 2021	8,513,375	6,760,972	121,956	6,233,968	21,630,271
Additions	157,284	27,908	-	1,332,029	1,517,221
Transfer from other accounts within the group 02 or from other group accounts	-	-	-	(62,047)	(62,047)
Transfer from investments in progress (activation)	1,127,154	1,101,069	-	(2,228,223)	-
Impairment in accordance with IAS 36	-	-	-	(199,369)	(199,369)
Disposals	(216,157)	-	-	-	(216,157)
Non-monetary contribution - recapitalization of "Elektrodistribucija Srbije" d.o.o. (Note 1)	(509,681)	(266,517)	(94,958)	(2,909,711)	(3,780,867)
Cessation of recognition of intangible assets based on subsequently received documentation (note 5)	-	-	-	(36,547)	(36,547)
Other changes	-	34	-	-	34
Balance at 31 December 2021	9,071,975	7,623,466	26,998	2,130,100	18,852,539
Additions	43,160	2,862	-	937,301	983,323
Transfer from other accounts within the group 02 or from other group accounts	-	4,755	-	(8,664)	(3,909)
Transfer from investments in progress (activation)	727,644	1,051,539	-	(1,620,079)	159,104
Assignment according to the Conclusions of the Government of the RS in 2022	(530,525)	(1,283,046)	-	(804,070)	(2,617,641)
Effects of valuation of intangible assets	-	-	-	(213,507)	(213,507)
Disposals	(463,383)	(21,052)	(58)	(130,600)	(615,093)
Balance at 31 December 2022	8,848,871	7,378,524	26,940	290,481	16,544,816
Accumulated amortization					
Balance at 1 January 2021	2,373,651	2,274,363	69,669	-	4,717,683
Amortization expense (Note 12)	1,078,475	1,133,087	9,542	-	2,221,104
Disposals	(192,379)	-	-	-	(192,379)
Non-monetary contribution - recapitalization of EPS Distribution (EDS) (note 1)	(315,398)	(112,074)	(72,710)	-	(500,182)
Other changes	-	1	29	-	30
Balance at 31 December 2021	2,944,349	3,295,377	6,530	-	6,246,256
Amortization expense (Note 12)	1,190,632	1,121,939	28	-	2,312,599
Assignment according to the Conclusions of the Government of the RS in 2022	(102,222)	(659,658)	-	-	(761,880)
Disposals	(458,227)	(20,838)	-	-	(479,065)
Other changes	-	-	3,077	-	3,077
Balance at 31 December 2022	3,574,532	3,736,820	9,635	-	7,320,987
Net book value					
At 31 December 2021	6,127,626	4,328,089	20,468	2,130,100	12,606,283
At 31 December 2022	5,274,339	3,641,704	17,305	290,481	9,223,829

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

Biological resources, property, plant and equipment

	Agricultural and construction land	Buildings	Machinery and equipment	Investment property	Biological assets	Other property, plant and equipment	Constructio n in progress	Property, plants and equipment leased (with the right of use for more than one year)	Advances on property, plant and equipment in the country	Advances to foreigners for property, plant and equipment	Total
Purchase value											
Balance before correction on January 1, 2021	89,443,993	507,639,352	924,438,179	778,289	489,076	211,311	87,923,043	-	6,422,187	14,263,407	1,631,608,837
Correction of the initial balance on January 1, 2021	-	-	-	-	-	-	(335,965)	-	-	-	(335,965)
Corrected balance as of January 1, 2021	89,443,993	507,639,352	924,438,179	778,289	489,076	211,311	87,587,078	-	6,422,187	14,263,407	1,631,272,872
First application of IFRS 16	-	-	-	-	-	-	-	177,503	-	-	177,503
Increases (purchasing by supplier's invoice)	2,794,658	106,000	3,115,026	-	-	-	47,922,182	-	2,629,698	771,004	57,338,568
Recognition of property, plant and equipment (note 5)	-	-	-	-	-	-	16,790	-	-	-	16,790
Transfer within account group 02 (except for activation) or transfer from another account group to account group 02	(8,975)	48,815	97,725	(48,815)	10,265	-	(658,777)	-	(100,827)	-	(660,589)
Transfer from another account group to account group 02	52,902	2,157,636	26,107,656	-	-	-	(28,318,194)	-	-	-	-
Transfers from investments in progress (activation)	-	-	-	-	-	-	204,436	-	-	-	204,436
Investments under own direction	-	-	19,183	-	-	-	-	-	-	-	19,183
Funds received from third parties without compensation (donations received)	(3,621,516)	12,036,751	14,055,184	(1,797)	-	(2,276)	(133,298)	-	-	-	22,333,048
Revaluation (effects of subsequent valuations)	529,443	-	-	-	-	-	-	-	-	-	529,443
Owner's non-cash contribution (note 32)	-	-	9,083	-	1,167	-	1,100,168	-	-	-	1,100,168
Recognition of the building under construction - Block 20	-	-	(9,040)	-	(1,883)	-	-	-	-	-	10,250
Redundancies according to the census	-	(2,432)	(314,964)	-	-	-	-	-	-	-	(10,923)
Shortages according to the census	-	(64,061)	(15,959,389)	-	(6,358)	(102)	-	-	-	-	(317,396)
Sale	-	-	-	-	-	-	(888,520)	-	-	-	(888,520)
Derecognition of real estate, plant and equipment	(1,365)	(977,512)	-	-	-	-	-	-	-	-	(978,877)
Impairment in accordance with IAS 36	(179,613)	(9,668,720)	(9,464,555)	-	-	(48,517)	(607,781)	-	-	-	(19,969,186)
Transfer to assets intended for sale	(1)	14,171	(19)	-	10,174	6,406	(23,670)	29,426	(2,626,024)	(2,948,612)	(5,538,149)
Adjusted balance as of December 31, 2021	89,009,526	511,290,000	942,094,069	727,677	502,441	166,822	106,200,414	206,929	6,325,034	12,085,799	1,668,608,711
Balance as of January 1, 2022	89,009,526	511,290,000	942,094,069	727,677	502,441	166,822	106,200,414	206,929	6,325,034	12,085,799	1,668,608,711
Increases (purchasing by supplier's invoice)	1,719,624	11,532	2,552,446	-	44,095	-	60,214,173	8,980	2,869,305	1,854,523	69,274,678
Transfer within account group 02 (except for activation) or 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)
Transfer from another account group to account group 02	1,687,446	6,900,290	12,128,052	-	-	5,194	(20,880,086)	-	-	-	(159,104)
Transfers from investments in progress (activation)	-	-	-	-	-	-	236,547	-	-	-	236,547
Investments under own direction	1,036,485	-	-	-	-	-	-	-	-	-	1,036,485
Increase/decrease in recognized funds based on the estimated value of expenditures for the recultivation of ash and slag landfills	-	-	(119,454)	-	-	-	-	-	-	-	(119,454)
Assignments to NPOs according to the Conclusions of the RS Government adopted in 2022	4,505	-	3	-	-	-	-	-	-	-	4,508
Redundancies according to the census	(14,365)	-	(3,353)	-	(618)	-	-	-	-	-	(18,336)
Shortages according to the census	-	(4,572)	(258,515)	-	-	-	-	-	-	-	(263,087)
Sale	(14,268)	(284,356)	(7,128,959)	-	(10,063)	(676)	(815)	(176,096)	-	-	(7,615,233)
Derecognition of real estate, plant and equipment	-	-	-	-	-	-	(1,257,365)	-	-	-	(1,257,365)
Impairment in accordance with IAS 36	(82,810)	(828,408)	-	-	-	-	-	-	-	-	(911,218)
Transferred as a non-monetary contribution - recapitalization of EDS	(944)	-	(10,623)	-	-	4,791	-	1,093	(1,459,489)	(8,063,296)	(9,528,468)
Balance as of December 31, 2022	93,341,494	517,135,587	949,265,491	727,677	539,560	125,030	143,830,339	40,906	7,732,963	5,877,026	1,718,616,073

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

Biological resources, property, plant and equipment (continued)

	Agricultural and construction land	Buildings	Machinery and equipment	Investment property	Biological assets	Other property, plant and equipment	Constructio n in progress	Property, plants and equipment leased (with the right of use for more than one year)	Advances on property, plant and equipment in the country	Advances to foreigners for property, plant and equipment	Total
Accumulated depreciation											
<i>Correction of the initial balance on January 1, 2021</i>											
Corrected balance as of January 1, 2021	33,375,675	238,676,794	583,376,723	360,591	-	92,838	330,290	-	337,057	8,883	856,558,851
Depreciation expense	1,678,321	6,109,350	25,100,544	16,606	-	91	-	127,970	-	-	33,032,882
Transfer within account group 02 (except for activation) or transfer from another account group to account group 02	33	18,890	-	(9,550)	-	-	-	-	-	-	9,373
Funds transferred to third parties free of charge (donations given)	-	-	68	-	-	-	-	-	-	-	68
Revaluation (effects of subsequent valuations)	16,964	2,492,137	(18,909,295)	5,122	-	8,299	2,962	-	-	-	(16,383,811)
Stockcount shortage	-	-	(8,770)	-	-	-	-	-	-	-	(8,770)
Sales	-	-	(306,444)	-	-	-	-	-	-	-	(306,444)
Derecognition of Property, Plant and Equipment	-	(30,078)	(11,538,087)	-	-	(65)	-	-	-	-	(11,568,230)
Transfer to assets intended for sale	-	(365,689)	-	-	-	-	-	-	-	-	(365,689)
Non-monetary contribution - recapitalization of EDS (Note 1)	(11,315)	(4,456,045)	(5,759,328)	-	-	(43,661)	-	-	-	-	(10,270,349)
Effects of change in useful life	-	-	(5,803)	-	-	-	-	-	-	-	(5,803)
Other changes	-	-	(7,248)	-	-	2,342	-	(3,218)	(4,790)	-	(12,914)
Balance as of December 31, 2021	35,059,678	242,445,359	571,942,360	372,769	-	59,844	333,252	124,752	332,267	8,883	850,679,164
Balance as of January 1, 2022											
Balance as of January 1, 2022	35,059,678	242,445,359	571,942,360	372,769	-	59,844	333,252	124,752	332,267	8,883	850,679,164
Depreciation expense (note 12)	1,506,326	6,202,164	25,850,175	11,827	-	1,908	-	51,266	-	-	33,623,666
Transfer within account group 02 (except for activation) or transfer from another account group to account group 02	-	16,240	(247)	-	-	(16,240)	-	-	-	-	(247)
Stockcount shortage	-	-	(875)	-	-	-	-	-	-	-	(875)
Sales	-	(4,190)	(224,903)	-	-	-	-	-	-	-	(229,093)
Derecognition of Property, Plant and Equipment	-	(72,948)	(6,355,921)	-	-	(674)	-	(161,326)	-	-	(6,590,869)
Assignments to NPO according to the Conclusions of the RS Government adopted in 2022	-	-	(37,329)	-	-	-	-	-	-	-	(37,329)
Transferred as a non-monetary contribution - recapitalization of ODS	-	(423,323)	-	-	-	-	-	-	-	-	(423,323)
Impairment in accordance with IAS 36	-	-	-	-	-	-	74,725	-	-	-	74,725
Other changes	(945)	(36)	744	1	-	982	-	(1)	(3,170)	-	(2,425)
Balance as of December 31, 2022	36,565,059	248,163,266	591,174,004	384,597	-	45,820	407,977	14,691	329,097	8,883	877,093,394
Net book value											
At January 1, 2022	53,949,848	268,844,641	370,151,709	354,908	502,441	106,978	105,867,162	82,177	5,992,767	12,076,916	817,929,547
At December 31, 2022	56,776,435	268,972,321	358,091,487	343,080	539,560	79,210	143,422,362	26,215	7,403,866	5,868,143	841,522,679

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

As at 31 December 2022 and 31 December 2021 the Group has no pledges and mortgages established on property, plant and equipment.

During 2022 the amount of capitalized borrowing costs amounted to RSD 1,070,705 thousand (2021: 715,195 thousand dinars).

The fair value of investment properties as of 31 December 2022 is 1,307,877 thousand dinars (as of 31 December 2021: 1,280,351 thousand dinars).

During 2022, the Parent Company recognized a reduction in the value of intangible assets, properties, plant and equipment under construction, in the amount of:

- 709,615 thousand dinars for intangible assets, property, plant and equipment under construction, for which the Parent Company's management assessed that the assets were not at the location and in the condition necessary to be in the functional readiness that is expected at the time of initial recognition and where there was no significant progress in preparation or construction for a long period of time and where the status of further construction is currently unknown or further investment will not continue due to physical and/or technological obsolescence, and
- 835,982 thousand dinars for property under construction in the Kostolac TE KO Branch, and according to the contract concluded between the Company and the contractor "Italiana Costruzioni" SPA Italy and the company BAUWESEN d.o.o., Lazarevac in the capacity member of the group of bidders. The subject of the contract was the construction of an industrial track from the "Stig" railway station to the Kostolac B Thermal Power Plant as part of the First Phase of the Kostolac B Thermal Power Plant Package Project.

As disclosed in Note 1, the Law on Public Property regulates the right of public property and determines other property rights of the Republic of Serbia, the autonomous province and local self-government units. In the process of resolving the issue of rights over real estate, the Founder passed several acts for production facilities, parts of production facilities and land intended for regular use, except for facilities that according to the Law on Public Property belong to goods in general use, as well as for real estate serving general purpose, and which the Group has recognized as the holder of the right of use, holder or actual user of the facilities, that the Group may be registered as the owner in the public books. In the following periods, the procedure for resolving the property and legal issue over real estate continues.

Also, the Law on Planning and Construction of the RS stipulates that legal entities founded by the Republic of Serbia and registered as holders of the right to use undeveloped and constructed construction land in state ownership, on the day the law enters into force lose the right to use those properties which pass into the right of public ownership of the Founder without compensation. On this basis, and in accordance with the act of the Founder (Conclusion of the Government of the Republic of Serbia 05 no: 023-10110/2019-01 from 10 October 2019 in 2019, the Group's right to use on part of the business facility under construction in block 20 in New Belgrade, which is acquired in public ownership, ceased, on the basis of which the expense in the income statement in the amount of RSD 1,100,168 thousand dinars was recognized. On May 20, 2021, the Government of the Republic of Serbia issued Conclusion 05 number: 023-4720/2021, which repeals (cancels) the above-mentioned Conclusion of the Government of the Republic of Serbia dated October 10, 2019, on the basis of which the asset under preparation was recognized in the amount of RSD 1,100,168 thousand and income in the same amount (Note 21).

The Parent Company hired an independent appraiser to evaluate the market value of the part of the mentioned commercial building under construction in block 20. Based on the appraiser's report, the Company recognized expenses from the depreciation of the value of the building in the amount of RSD 888,520 thousand (Note 13).

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

Revaluation of property, plant and equipment

As stated in note 1, the Parent Company undertook to transfer, as a non-monetary contribution, current assets in the value of RSD 37,272 thousand in favour of "Elektrodistribucija Srbije" d.o.o., Belgrade, and in the name of increasing the basic capital and property, equipment and intangible assets in the amount of RSD 18,226,921 thousand. On this basis, during 2021 and 2022 the parent company transferred part of the property worth RSD 13,479,141 thousand to the legal entity "Elektrodistribucija Srbije" d.o.o. Belgrade, namely:

Asset description	Carrying amount in 2021	Carrying amount in 2022	Amount to be transferred
Intangible assets	3,280,685	-	-
Land	168,298	82,811	917,452
Buildings	5,212,675	416,808	3,830,328
Equipment	3,705,227	-	-
Other PPE	4,856	-	-
Assets under construction (construction in progress)	607,781	-	-
Total	12,979,522	499,619	4,747,780

As disclosed in note 16, the Parent Company in 2022 transferred, with the consent of the Founder, to the property of "Elektrodistribucija Srbije" d.o.o., Belgrade equipment and information systems intended for the performance of electricity distribution activities, with a total value of 1,937,885 thousand dinars, of which the amount of 1,855,760 thousand dinars refers to information systems (intangible assets), and 82,125 thousand dinars to equipment.

The aforementioned asset transfer was carried out without compensation and recorded in the accumulated loss of the Group (note 32).

Revaluation of property, plant and equipment

As of 1 January 2021, an independent appraiser has assessed the fair value of the Company's property, plant and equipment and determined their fair value with the following effects:

In millions of RSD						
	Book value	Estimated fair value	Effect on other expenditure s in IS	Effect on deferred tax liabilities	Effect on other revenues in IS	Effect on revaluation reserves
Land	49,891	46,123	(2,778)	(306)	1,053	(1,737)
Buildings	268,923	278,591	(882)	1,227	2,370	6,953
Plants and equipment	341,388	374,353	(4,860)	4,634	6,932	26,259
Investment property	512	500	-	(2)	-	(10)
Other PPE	118	118	-	-	-	-
PPE in preparation	87,590	87,454	(136)	-	-	-
Advances for PPE	20,333	20,333	-	-	-	-
	768,755	807,472	(8,656)	5,553	10,355	31,465

The applied assessment methods are:

- market approach (method of direct price comparison) for land, administrative and other buildings for office work, catering and tourism and
- cost approach (method of amortized replacement costs), for all other assets that are carried at fair value, in accordance with accounting policies (Note 3.9).

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

Impairment of fixed assets

In accordance with the adopted accounting policies (note 3.14), the Group assesses at each reporting date whether there are any indications that the value of an asset is impaired. If there are such indications, the Group considers the recoverable value of such assets and determines the recoverable amount of the individual asset or cash-generating unit in order to assess the possible impairment of the asset or cash-generating unit.

Indicators of impairment

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

- In 2022 and 2021, operating loss and net loss were recognised in the Parent Company's income statement;
- 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 (the effect of the energy crises is described in more detail in Note 2.6);
- Lower volumes of extracted coal in „Rudarski basen Kolubara“ and damages of a coal mill in Nikola Tesla Power Plant that happened at 2021 year-end affecting energy production increased the demand for energy imports at prices significantly higher than last year which, in turn, significantly affected the Company's performance;
- Electricity prices for guaranteed supply customers and commercial customers were subject to Government regulation and limitations throughout the 2022, and were significantly lower than the market price at which the Parent Company was purchasing the electricity (Note 2.6);

The trends that affect the economy and weak macroeconomic indicators (rising energy prices, rising inflation, supply chain disruption, downturn, etc.) have generated higher interest rates compared to earlier periods, which has an impact on determining the asset's recoverable amount due to a higher discount rate used to calculate the asset's value-in-use and its consequential reduction, which can also cause the assets to become impaired;

Impairment Test

As at 30 September 2022, and 31 December 2022, the Parent Company performed impairment testing at a cash generating unit (CGU) level. Two separate impairment tests were conducted. The impairment test conducted as at 31 December 2022 was an update of the 30 September 2022 impairment test performed to see if there were any changes on net cash flow projections, any events occurring in the period October-December 2022, and any effects of the changes in the carrying value of assets subject to impairment testing. Groups of CGUs refer to each individual unit of the Parent Company. The recoverable amount of each CGU is calculated based on the value-in-use model. The calculations are based on cash flow projections before tax, the Company's 2023-2025 Business Plan, and cash flow projections over the asset's remaining useful life. The delivery of power by 2026 and beyond has been projected in a manner that the share of guaranteed power supply shall gradually decrease in favour of commercial supply, and that the share of power exports shall increase. Income and expenses not directly energy-related to be generated/ incurred by 2026 and beyond are forecast in accordance with the projected inflation rate.

Projections of future cash flows from operating activities are based on the current state of the assets tested for impairment as at the specified date and exclude the effects of any company restructuring in the future, and of any future effects of capacity expansion either through opening of new plants or expansion at or improvement of existing sites. Estimates of future cash flows include the present earning capacity of the CGU.

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

Other key assumptions on which the management of the Parent Company based its cash flow projections were as follows:

- Electricity prices for guaranteed energy supply and commercial consumption are projected separately. In both cases, three pricing scenarios for 2023 to 2025 were considered. As for the guaranteed energy supply, the first (basic) scenario implies a price increase in 2023 and 2024 in accordance with the plans and measures of the Serbian Government while the projected price increase in 2025 implies adjusting prices with the projected inflation rate, and a slight price increase over the projected rate of inflation. As for the other two scenarios, the projections are influenced by pricing decisions, which would be in line with the Serbian Energy Agency's formula for increasing prices in 2024 or 2025, with possible further corrections to be made. In all three scenarios, rising prices will comply with the projected rate of inflation. As for the commercial consumptions, the first scenario implies pricing to be in line with expected price increases in accordance with the plans and measures of the Serbian Government while for 2025 and beyond, the projections involve free price formation without restrictions on prices, all in accordance with expected market price movements. The other two scenarios involve imposing price controls in 2023, and abolishing the control of prices as of 2024.
- Projections of electricity import and export prices are based on the prices realised, and on traded HUPX and EEX futures.
- The discount rate is calculated pre tax, and represents the industry's weighted average cost of capital. The discount rate is calculated for each Company Unit (CGU). The discount rate ranges from 6.5% to 9% depending on the particular Company Unit for 30 September 2022 and range from 9.5% to 10.5% for impairment test as at 31 December 2022.
- Inflation is projected based on the Revised Fiscal Strategy for 2023, with projections for 2024 and 2025. Therefore, in the impairment testing, the projected inflation rate for 2023 is 11.1 %; for 2024 it is 5 %; and for 2025 it is 3.5 %. For 2026 and beyond, the projected long term inflation rate is 3 %.
- The projected long term growth rate is 2.2 percent, and for the years beyond the forecast period 2%.

Based on the impairment test performed as at 31 December 2022, the Parent Company has determined that the asset's value in use and recoverable amount exceed its carrying value, and has therefore concluded that the Parent Company's non-financial assets are not impaired. Impairment testing was performed under the three scenarios. Namely, under the first, basic scenario, and under the remaining additional scenarios. Net cash flow projections under the three approaches used for impairment testing, and subsequent assessment of the recoverable amount of the asset undergoing testing for impairment showed no impairment. The projected recoverable amount (value in use) ranged between RSD 3.2 billion and RSD 3.9 billion, which significantly exceeds the carrying value of the asset subject to impairment testing. Three scenarios were developed to calculate expected cash flows i.e. to estimate the probability of occurrence in each scenario. Since the impairment test performed under three different scenarios showed that the asset was not impaired, the Parent Company concluded that it was not necessary to calculate expected net cash flows for impairment testing as at 31 December 2022.

Advances made for property, plant and equipment

Advance payments for property, construction and equipment, which as of 31 December 2022 were reported in the amount of 13,272,009 thousand (31 December 2021: 18,069,683 thousand) mostly relate to:

- implementation of the second phase of the "KOSTOLAC-B POWER PLANT PROJECTS" project package according to the agreement concluded between the Group and China Machinery Engineering Corporation ("CMEC") dated November 20, 2013. The project is financed partly on the basis of the loan agreement concluded on December 17, 2014 between the Government of the Republic of Serbia, as the borrower, and the Chinese Export-Import Bank, as the lender (note 34), and partly from own funds. As of December 31, 2022, the total amount of advance payments on this basis is 3,699,384 thousand dinars (December 31, 2021: 10,830,868 thousand dinars);

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

Advances made for property, plant and equipment

- construction of a plant for exhaust gas desulfurization of the Nikola Tesla A Thermal Power Plant, based on the contract concluded on September 8, 2017 between the Parent Company and the consortium formed by Mitsubishi Hitachi Power Systems Ltd. and "Jedinstvo" a.d. Sevojno. With the balance as of December 31, 2022, the total amount of advances given on this basis amounts to 178,037 thousand dinars (December 31, 2021: 677,210 thousand dinars);
- construction of a plant for exhaust gas desulfurization of the Nikola Tesla B Thermal Power Plant, based on the contract concluded on October 13, 2020, between the Company and a consortium composed of Mitsubishi Power Ltd Japan, a branch of Mitsubishi Power Ltd. Belgrade, Energetika Južna Bačka d.o.o. Novi Sad, Goša montaza a.d. Belgrade, EX ING B&P d.o.o. Belgrade. With the balance as of 31. December 2022, the total amount of advances given on this basis amounts to 2,008,418 thousand dinars (31 December 2021: 3,324,747 thousand dinars);;
- for the construction of the wind park in Kostolac, a contract was concluded with the consortium consisting of Siemens Gamesa Renewable Energy A/S and Siemens Gamesa Renewable energy d.o.o. The total amount of the advance given on this basis, as of 31 December 2022, amounts to 3,057,062 thousand dinars;
- for the delivery of conveyors with belt B = 2000 mm, a contract was concluded with AD Goša Fabrika opreme i mashina, Smederevska palanka, as the leader of a group of contractors consisting of: HIDRO-TAN DOO Belgrade and ANSAL STEEL DOO Belgrade. The amount of the advance on this basis, as of 31 December 2022, amounts to 2,313,085 thousand dinars;
- for the procurement of a rotary excavator with a capacity of 6600 m³/hour, a contract was signed with the Company with limited liability for engineering, construction and maintenance of energy facilities Energotehnika - Južna Bačka Novi Sad. The advance payment, as of 31 December 31 2022, amounts to 897,058 thousand dinars.

Right-of-use assets and lease liabilities

Until 31 December 2020, leasing of property, plant and equipment is classified as financial or operating leasing. From 1 January 2021, a lease is recognized as a right-of-use asset with an associated obligation from the date the leased asset becomes available for use by the Group.

Changes in recognized assets with the right to use by asset category in 2022 are given in the following table:

	In RSD thousand			
	Land	Buildings	Equipment	Total
Book value as of January 1, 2022.	3,782	197,051	6,096	206,929
Increases	2,198	6,906	-	9,104
Reductions	-	(176,097)	-	(176,097)
Other	-	1,094	(124)	970
Book value as of December 31, 2022	5,980	28,954	5,972	40,906
Accumulated depreciation on January 1, 2022.	570	124,243	187	124,752
Depreciation expense	719	48,846	1,701	51,266
Disposals	-	(161,326)	-	(161,326)
Other	(1)	-	-	(1)
Accumulated depreciation on December 31, 2022.	1,288	10,959	2,444	14,691
Net book value January 1, 2022	3,212	73,612	5,353	82,177
Net book value December 31, 2022	4,692	17,995	3,528	26,215

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

Advances made for property, plant and equipment (continued)

The Group has recognized lease liabilities as follows:

	In RSD thousand	
	December 31, 2022	January 1 2022
Short-term lease liabilities	9,179	57,898
Long-term lease liabilities	12,549	22,224
Total liabilities based on leasing	21,728	80,122

Liabilities based on recognized right-of-use assets as of December 31, 2022 and December 31, 2021 in accordance with IFRS 16 are shown as follows:

	In RSD thousand			
	December 31, 2022		January 1, 2022	
	Current value	Contractual undiscounted cash flows	Current value	Contractual undiscounted cash flows
Minimum lease payments				
Up to 1 year	9,179	10,601	57,898	59,088
From 1 to 5 years	12,149	18,328	21,632	22,489
Over 5 years	400	406	592	611
Total	21,728	29,335	80,122	82,188

The effects recognized in the Income Statement based on IFRS 16 are as follows:

	In RSD thousand	
	December 31, 2022	December 31, 2021
Interest expenses based on leasing	1,318	4,496
Variable lease payments that depend on usage / consumption	1,209	10,504
Expenses related to short-term leasing	291,798	201,887
Expenses related to the leasing of assets of low value	1,060	1,639

Certain real estate leases contain variable payment terms linked to their consumption. Different payment terms are used for different reasons, including minimizing the fixed cost base. Variable lease payments that depend on use / consumption are recognized 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 measured as of December 31, 2022.

The total cash outflow from leasing reported in the Cash Flow Statement in 2022 was 63,857 thousand dinars (2021: 136,602 thousand dinars).

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

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

	31 December 2022	In RSD thousand 31 December 2021
<i>Investment in the capital of legal entities</i>		
Shares in the capital of other legal entities	2,819,321	1,567,813
<i>Less: Allowance for impairment of participation in the capital of other legal entities</i>	(2,533,488)	(1,277,018)
	<u>285,833</u>	<u>290,795</u>
<i>Investments in associates and joint ventures</i>		
Investments in associates and joint ventures	407,614	407,614
<i>Less: Allowance for impairment of investments in associates and joint ventures</i>	(379,630)	(379,630)
	<u>27,984</u>	<u>27,984</u>
	<u>313,817</u>	<u>318,779</u>
<i>Long-term loans in the country</i>		
Provide long-term loans	2,136,924	2,350,992
<i>Other long-term financial investments</i>		
Other long-term financial investments	1,143,967	962,091
<i>Less: Allowance for impairment of other long-term financial investments</i>	(784,659)	(779,951)
	<u>359,308</u>	<u>182,140</u>
<i>LONG-TERM RECEIVABLES</i>		
Rescheduled trade receivables for electricity and services:		
- households	-	-
- legal entities	705,588	1,568,009
Rescheduled receivables from customers for coal, thermal energy, technological steam	-	42
Loans to employees:		
- sold apartments	196,535	225,923
- housing loans	25,251	28,063
	<u>927,374</u>	<u>1,822,037</u>
<i>Less: Allowance for impairment</i>		
- rescheduled trade receivables for electricity and services from households	(703,371)	(1,562,461)
- rescheduled trade receivables for electricity and services from legal entities	(1,657)	-
	<u>(705,028)</u>	<u>(1,562,461)</u>
	<u>222,346</u>	<u>259,576</u>
	<u>3,032,395</u>	<u>3,111,487</u>

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

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

Share in capital in legal entities

Share in capital in other legal entities

Equity investments in other legal entities include the following:

- Investment in the bankruptcy debtor "Fabrika automobila Priboj" a.d. amounting to RSD 125,747 thousand (31 December 2021: RSD 125,741 thousand). In 2018, the Parent Company's receivables were converted into the equity of the bankruptcy debtor "Fabrika automobila Priboj" a.d., in accordance with Pre-pack Reorganization Plan, which became effective as of 25 October 2017. On 22 March 2018, at the Central Register for Securities, the shares of Car Factory Priboj a.d. amounting to RSD 261,910 thousand were transferred to the Company's account (261,910 shares with par value of RSD 1,000.00 per share)
- Investment in the company "Trayal Corporation" a.d. Kruševac amounting to RSD 329,151 thousand (31 December 2021: RSD 329,151 thousand) was made in 2019 through the conversion of the Company's receivables into the equity of the company "Trayal Corporation" a.d. Kruševac in accordance with the Pre-pack Reorganization Plan (UPPR) (final UPPR by the Decision of the Commercial Court in Kraljevo, No. 4. Reo.2 / 2017).
- Investment in the company "Simpo" a.d. Vranje amounting to RSD 585,568 thousand (31 December 2021: RSD 585,568 thousand) was made through the conversion of the Company's receivables into the equity of "Simpo" a.d. Vranje in accordance with the Pre-pack Reorganization Plan (final UPPR by Decision No. 10.St.8 / 2018). The conversion of a portion of receivables amounting to RSD 245,342 thousand and RSD 340,226 thousand was performed in 2019 and 2020 respectively.
- Investment in the company Yumco a.d. Vranje amounting to RSD 804,810 thousand. The Commercial Court in Leskovac issued Decision No. 04. Reo 1/2020 confirming the adoption of the UPPR. The aforementioned decision became effective as of 26 May, 2021.
- The RS Government adopted Conclusion 05 number: 023-8981/2021-1 of September 30, 2021, by which it agreed that creditors, inclusive of the Parent Company, convert their receivables and related interest generated between the UPPR cut-off date and 26 May 2021 by 30 September 2021, which is the RS Government Decision Date. The Parent Company's Supervisory Board passed Decision No. 12.01.208645/6-22 dated 7 April 2022, by which it agreed to implement the Conclusion of the Government of the RS.
- Investment in joint-stock company "Holding industrija kablova Jagodina" amounting to RSD 449,059 thousand. The Commercial Court in Kragujevac issued Decision Posl. no. 1. Reo 6/2017 dated 22 February 2018 confirming the adoption of the UPPR. The decision became effective on 11 March 2019. The Government of the RS adopted Conclusion 05 No. 023-7837/2017 of 17 August, 2017 by which it obligates the Company to convert its receivables from AD "Holding industrija kablova Jagodina" as at 31 August 2016 into equity. The Parent Company's Supervisory Board passed Decision No. 12.01.537296/31-17 dated 31 October 2017, by which it agreed to implement the Conclusion of the Government of the RS.
- The amount of RSD 247,210 thousand is relative to investments under the Agreement on the Joint Financing of Previous Works on the HPP "Komarnica" Project concluded with Elektroprivreda Montenegro with a view to arriving at a consensus on a potential joint construction of a hydroelectric power plant, the execution of which has been under way since 1992. The Agreement regulates the Contracting Parties' property relations in the manner that investments made by the Contracting Parties shall be their funding investments in the event that both Parties decide to continue with the joint construction of the hydroelectric power plant, or their intangible assets if both Parties give up on the project. The Parent Company also concluded Annexes to the Agreement on the Joint Financing of Previous Works on the HPP "Komarnica" Project dated 1992, namely: Annex No. 1 of 13 August 2007, Annex No. 2 of 13 July 2011, Annex No. 3 of 5 February 2014, and Annex No. 4 of 13 March 2017. On 3 June 2020, an additional investment was made in HPP "Komarnica" amounting to EUR 13,132. In the reporting period, no additional investments were made.

As of December 31, 2022, the above-mentioned investments in the equity of other legal entities are fully impaired, except for investments in capital based on the agreement on joint financing of the implementation of previous works on the Komarnica HPP project.

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

Equity accounted investments

Investments in associates and joint ventures amounting to RSD 407,614 thousand, gross, as at 31 December 2022 (31 December 2021: RSD 407,614 thousand) comprise investments in the following entities:

	%	In RSD thousand	
	ownership	31 December 2022	31 December 2021
„Ibarske hidroelektrane" d.o.o., Kraljevo	49%	379,630	379,630
„Moravske hidroelektrane" d.o.o., Beograd	49%	27,984	27,984
		407,614	407,614

„Ibarske hidroelektrane" d.o.o., Kraljevo

Based on present Conventions, the Parent Company and the Italian company "SECI ENERGIA", concluded an Agreement on establishing a joint commercial company "Ibarske hidroelektrane" d.o.o. Kraljevo, where "SECI ENERGIA" has a 51% stake, and the Parent Company a 49% stake. The company was created with a goal to build a hydroelectric power plant system on the river Ibar, which would consist of ten hydroelectric power plants with a total capacity of about 102 MW. On 3 December 2010 "Ibarske hidroelektrane" d.o.o. was registered with the competent authority.

In 2021, the Italian side withdrew from the project and the company was left without a legal representative. On 16 July 2021, the Business Registers Agency passed a decision by which the Application for change of data - change of legal representative - was adopted, as the Director of "Ibarske hidroelektrane" d.o.o. had resigned. The Company Law stipulates that where the company does not register a new legal representative within three months, the procedure for forced liquidation is initiated. As disclosed in Note 46, the compulsory liquidation procedure was initiated on 31 January 2022 and completed on 15 April 2022, and the company was deleted from the Registry of the Business Registers Agency.

In 2021, the Parent Company recorded impairment loss on investment in PP "Ibarska Hydroelectric" amounting to RSD 379,630 thousand.

„Moravske hidroelektrane doo" Belgrade

Based on a Memorandum of Understanding concluded with a German company RWE Innogy GmbH, (RWE AG), and upon approval of the RS Government (Conclusion 05 no. 018-7493/2009 dated 13 November 2009), the Parent Company and RWE AG concluded an agreement on establishing the company "Moravske hidroelektrane" d.o.o. with the following equity interests:

- RWE AG, Germany - EUR 2,040,000 investment = 51% ownership stake
- Parent Company - EUR 1,960,000 investment = 49% ownership stake .

Out of the total subscribed capital contribution of EUR 2,040,000, RWE paid a total of EUR 265,100. The Parent Company paid EUR 255,095 out of the total subscribed capital contribution of EUR 1,960,000.

As a way to provide funding, on 27 September 2021, the Directors of "Moravske hidroelektrane" d.o.o. passed a Decision specifying that company members are required to pay a portion of the subscribed capital that has not been paid, totalling EUR 20,000. The Decision specifies that, under Article 7.1 of the Agreement on establishing the company "Moravske hidroelektrane" d.o.o. Beograd, company members, are to pay a portion of their subscribed capital in the following manner:

- RWE AG, Germany - EUR 10,200
- Parent Company - EUR 9,800.

The Parent Company paid the above amount pertaining to the portion of the subscribed capital in RSD equivalent, thus increasing its capital contribution as at 31 December 2021 compared to the previous year and the same date.

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

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

Share in capital of joined legal entities and joint ventures

At the Shareholders' Assembly of Moravske hidroelektane" d.o.o., Belgrade held on 17 December 2021, a Decision on a capital reduction of EUR 3.479.805 was passed. By the decision on capital reduction, the company's subscribed basic capital was reduced to its paid-in capital, and the company members were released from the obligation to contribute their subscribed but not paid-in capital. In January 2022, the change was registered with the Registry of the Business Registers Agency.

On December 29, 2022, members of the company "Moravske hidroelektrane" d.o.o., Belgrade, RWE Generation Hydro GmbH and JP EPS, concluded contract number 1500 E1201-903628/1-22 on the sale of shares and intellectual property rights over the preliminary technical documentation. RWE Generation Hydro GmbH, as the majority member, sells 51% of the shares with all the rights and obligations that the majority member has in the company "Moravske hidroelektrane" d.o.o., Belgrade.

By purchasing these shares at a price of EUR 510,000, JP EPS becomes the majority and sole owner of the capital of "Moravske hidroelektrane" d.o.o., and acquires exclusive intellectual property rights on the Preliminary Technical Documentation for the construction of hydropower plants without any temporal, territorial or other restrictions, while any intellectual property rights in the Preliminary Technical Documentation of RWE Generation Hydro GmbH shall cease. The change was registered by the Decision of the Agency for Economic Registers number BD 32972/2023 of April 7, 2023.

This contract implemented JP EPS Supervisory Board Decision No. 12.01.460297/27-19 of 28 August 2019 on investing in "Moravske hidroelektrane" d.o.o., which was approved by the Government of the Republic of Serbia by Resolution 05 no. 023-4052/2020 dated 21 May 2020.

The goal of the establishment of the company is the construction of a hydroelectric power plant system on the Velika Morava River, which consists of at least 5 (five) hydroelectric power plants with a total power of about 150 MW. Registration of PD "Moravska hydroelectric power plant" d.o.o. Belgrade in the register with the competent authority was carried out on August 23, 2011.

Long term financial investments - domestic

As at 31 December 2022, long-term loans amounting to RSD 2,136,924 thousand (31 December 2021: RSD 2,350,992 thousand) are fully relative to loans concluded by and between the Parent Company and International financial institutions on behalf of the Parent Company's former subsidiary "Elektrodistribucija Srbije" d.o.o., Belgrade for financing projects such as the purchase of equipment for the reconstruction of five 110/xkV/kV substations namely Petrovac, Šabac, Gornji Milanovac, Lešnica and Aleksinac, with accompanying services and equipment for the distribution network, as well as for the emergency flood rehabilitation project. As disclosed in note 1, on 31 December 2020, the Company lost control over "Elektrodistribucija Srbije" d.o.o. by transferring its stake to the Republic of Serbia, free of charge, whereby "Elektrodistribucija Srbije" d.o.o. does not deny its obligations toward the Company based on the above.

Other long term financial investments

Other long-term financial investments include, among others, the following:

- Investment in "Rovni" water reservoir of RSD 637,205 thousand. The investment is relative to a joint investment in the Public Company "Kolubara", Valjevo. The investment has the goal of constructing a dam and creating a reservoir "Rovni", the purpose of which is water supply to be used by population and industry, defense against flooding in the surrounding municipalities, and meeting the needs of the Parent Company. Based on the RS Government Decree on the 2006 Program for Construction, Reconstruction and Maintenance of Water Management Facilities (RS Official Gazette No. 117 dated 30 December 2005) further works on constructing a dam and creating a reservoir "Rovni", are planned for 2006, with the 100% participation of the Government. The investment was made to ensure the necessary conditions for the implementation of TPP Kolubara B Project. Due to significant regulatory changes, primarily relating to the recognition of items such as asset pooling structures, ownership of water management assets, and other, the Company recognized an impairment loss in prior periods for these assets.
- Collateralised transactions on the organized electricity market (SEPEX) amounting to RSD 362,687 thousand. As stated in note 5 (v), the Parent Company trades electricity on the "SEPEX" stock exchange, and as a trading participant it is obliged to fulfill the trading requirements issued by the European commodity clearing AG, which, among other things, requires pledged collaterals so as to ensure that all trading participants fulfill their respective obligations

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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

Long term receivables

Rescheduled receivables from customers

Rescheduled receivables from customers for electricity and services stated with the balance as of December 31, 2022 in the gross amount of 705,588 thousand dinars, most of which, in the amount of 558,786 thousand dinars, refer to claims from the city of Kragujevac, which with the consent of the Founder regulated in such a way that the amount of the debt is settled in ten consecutive annual annuities with a grace period until February 29, 2020, as well as that during the repayment of the debt on the total amount of the principal debt, which is the subject of the Agreement, interest is calculated in the amount of the reference interest rate NBS.

Placements to employees

Placements to employees on the basis of sold apartments shown with the balance as of December 31, 2022 in the amount of 196,535 thousand dinars (December 31, 2021: 225,923 thousand dinars) refer to the purchased solidarity apartments by the Company's employees. The aforementioned apartments were sold to employees for a period of 20 to 40 years with repayment in monthly instalments that are adjusted to the movement of retail prices, and at most up to the growth of the average salary in the Republic of Serbia.

26. INVENTORY

	31 December 2022	In RSD thousand 31 December 2021 <i>Adjusted</i>
Materials	14,217,639	10,719,657
<i>Less: Allowance for impairment of materials</i>	<u>(4,079,796)</u>	<u>(3,888,874)</u>
	<u>10,137,843</u>	<u>6,830,783</u>
Spare parts	21,366,610	20,469,706
Tools and inventory	1,251,005	1,631,495
<i>Less: Allowance for impairment of spare parts, tools and inventory</i>	<u>(2,828,747)</u>	<u>(2,572,277)</u>
	<u>19,788,868</u>	<u>19,528,924</u>
Total material, spare parts, tools and inventory	<u>29,926,711</u>	<u>26,359,707</u>
Work in progress	510,237	495,023
Finished goods – coal	2,614,740	1,774,152
Finished goods – other	36,661	26,239
	<u>3,161,638</u>	<u>2,295,414</u>
	<u>33,088,349</u>	<u>28,655,121</u>
Finished Goods	1,652	1,848
<i>Less: Allowance for impairment of finished goods</i>	<u>(99)</u>	<u>(99)</u>
	<u>1,553</u>	<u>1,749</u>
Advances paid for inventories and services in the country:		
- other advances given for inventories and services	3,409,472	1,870,496
<i>Less: Allowance for impairment of given advances</i>	<u>(121,806)</u>	<u>(124,910)</u>
	<u>3,287,666</u>	<u>1,745,586</u>
Advances paid abroad for inventories and services:		
- others given advances for inventories and services	45,865	2,199,190
<i>Less: Allowance for impairment of given advances</i>	<u>(32,984)</u>	<u>(229,784)</u>
	<u>12,881</u>	<u>1,969,406</u>
	<u>36,390,449</u>	<u>32,371,862</u>

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

26. INVENTORY (continued)

As disclosed in notes 16 and 24, during 2022, the Parent Company transferred, free of charge, to "Elektrodistribucija Srbije" d.o.o., Belgrade, inventories intended for the performance of electricity distribution activities in the value of 1,751,830 thousand dinars.

Other advances for inventories and services in the country in the amount of 3,409,472 thousand dinars as at 31 December 2022 (31 December 2021: 1,870,496 thousand dinars) include advances given to JP Srbijagas in the amount of 1,908,199 thousand dinars (31 December 2021: 730,313 thousand dinars).).

27. TRADE RECEIVABLES

	31 December 2022	In RSD thousand 31 December 2021 <i>Adjusted</i>
Customers – other related parties (PE "Elektrokosmet Pristina")	17,906,575	16,610,866
<i>Less: allowance for impairment from Public Enterprise "Elektrokosmet", Pristina</i>	<u>(17,906,575)</u>	<u>(16,610,866)</u>
	-	-
Customers on domestic market:		
- sale of electricity – households	32,901,859	33,921,124
- sale of electricity – legal entities	9,866,087	10,050,686
- sale of electricity - companies in restructuring and in bankruptcy	13,099,935	12,094,102
- other – companies under restructuring and in bankruptcy	1,268,258	1,276,895
- for delivered electricity – licenced customers	99,676	102,766
- for delivered electricity - customers on the open electricity market	36,080,211	29,565,923
- A.D.„Elektromreza Srbije”, Beograd	3,042,930	3,560,924
- "Elektrodistribucija Srbije "d.o.o., Beograd	8,674,144	9,105,867
- sale of coal	2,797,975	2,573,994
- sale of technological steam	643,815	610,872
- sale of heat energy	735,012	707,823
- trade receivables for services	6,210	6,744
	<u>109,216,112</u>	<u>103,577,720</u>
<i>Less: allowances for impairment on domestic market</i>		
- sale of electricity – households	(9,595,961)	(5,311,790)
- sale of electricity – legal entities	(4,344,431)	(7,913,878)
- sale of electricity - companies in restructuring and in bankruptcy	(13,099,935)	(12,094,102)
- other companies under restructuring and in bankruptcy	(1,268,258)	(1,276,868)
- for delivered electricity – licenced customers	(7,072)	(7,072)
- for delivered electricity - customers on the open electricity market	(9,232,846)	(6,297,709)
- "Elektrodistribucija Srbije "d.o.o., Beograd	(4,805,441)	(4,873,855)
- sale of coal	(2,373,270)	(2,385,235)
- sale of technological steam	(628,824)	(585,101)
- sale of heat energy	(77,147)	(204,130)
- trade receivables for services	(5,436)	(5,407)
	<u>(45,438,621)</u>	<u>(40,955,147)</u>
Customers on domestic market, net	<u>63,777,491</u>	<u>62,622,573</u>
Customers – foreign	5,016,236	4,815,118
<i>Less: allowances for impairment of foreign customers</i>	<u>(5,006,943)</u>	<u>(4,740,701)</u>
	<u>9,293</u>	<u>74,417</u>
Other trade receivables	723,892	583,519
<i>Less: Allowances for impairment of other trade receivables</i>	<u>(518,904)</u>	<u>(456,971)</u>
	<u>204,988</u>	<u>126,548</u>
	<u>63,991,772</u>	<u>62,823,538</u>

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

27. TRADE RECEIVABLES (continued)

In accordance with the Conclusion of the Government of the Republic of Serbia, number 021-6624/2009- 002, adopted at the Government session on 30 November 2009, the Company, by engaging its available capacities, provides electricity to supply areas with a majority population of Serbs in the north of the AP Kosovo and Metohija . On the basis of the above, the recognition of claims on the basis of delivered electricity to the Public Company "Elektrokosmet", Pristina in the amount of RSD 17,906,575 thousand dinars (31 December 2021: 16,610,866 thousand dinars). At the same time, the unpaid amount was recognized as an expense by indirect write-off.

28. OTHER RECEIVABLES

	31 December 2022	In RSD thousand 31 December 2021 <i>Adjusted</i>
Other receivables from specific operations	26,124	16,459
Receivables for Public Media Service charge	4,782,206	4,478,657
Receivables for interest:		
- for delivered energy (households)	1,615,844	1,223,853
- for delivered energy (legal entities)	8,457,758	7,022,027
- for delivered energy (companies in restructuring)	2,880,075	2,878,048
- other legal entities	382,225	287,977
Receivables from employees	736,808	1,026,100
Receivables from insurance companies for damages	7,494	6,407
Receivables from billing	167,838	153,983
Receivables based on refundable benefits	214,744	209,175
Receivables based on overpaid taxes and contributions	1,165,681	161,308
Other receivables from the state	507,947	268,012
Other receivables	1,980,257	2,621,693
Receivables for overpaid income tax	2,383,078	3,750,495
	<u>25,308,079</u>	<u>24,104,194</u>
<i>Less: allowance for impairment for other receivables</i>		
Other receivables from specific operations	(17,148)	(16,017)
Receivables for Public Media Service charge	(1,206,697)	(1,092,077)
Receivables for interest:		
- for delivered energy (households)	(150,303)	(116,330)
- for delivered energy (legal entities)	(5,363,005)	(4,879,357)
- for delivered energy (companies in restructuring)	(2,880,075)	(2,878,048)
Receivables from employees	(11,572)	(7,951)
Receivables based on overpaid taxes and contributions	(19,904)	(1,049)
Other receivables from the state	(815)	(815)
Other receivables	(1,534,190)	(1,266,845)
	<u>(11,183,709)</u>	<u>(10,258,489)</u>
	<u>14,124,370</u>	<u>13,845,705</u>

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

28. OTHER RECEIVABLES (continued)

Receivables based on the fee for the Public Media Service refer to the claim of the Parent Company as an electricity supplier from end customers based on the fee for the Public Media Service (Note 6). In accordance with the regulatory requirement, all risks related to the collection of receivables based on the fee for the Public Media Service from customers are borne by the Parent Company. The Group has assessed the possibility of collecting these receivables, on the basis of which a correction in the value of the receivables was recognized, which, as of December 31, 2022 in the amount of 1,206,697 thousand dinars (2021: 1,092,077 thousand dinars).

Receivables based on overpaid taxes and contributions in the amount of 1,165,681 thousand dinars as of December 31, 2022 (2021: 161,308 thousand dinars) mostly, in the amount of 966,594 thousand dinars, relate to claims from the Environment protection Fund of the Republic of Serbia, on the basis of a higher advance payment for 2021 and 2022 compared to the amount determined by the final calculation of the environmental protection fee according to the administrative act of the competent authority after the date of approval of the financial statements for the previous reporting period.

Other short-term receivables stated in the amount of 1,980,257 thousand dinars (2021: 2,621,693 thousand dinars) include the amount of 676,148 thousand dinars related to receivables from Keller kszf, Budapest based on clearing operations on the European organized electricity market, as well as the amount of 242,740 thousand dinars related to receivables from the legal entity "Elektrodistribucija Srbije" d.o.o., Belgrade based on re-invoiced delivered goods and services provided, and according to binding contracts with suppliers.

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

29. SHORT-TERM FINANCIAL INVESTMENTS

	31 December 2022	In RSD thousand 31 December 2021
Short-term loans and borrowings – domestic	111,791	111,849
Current maturity of long-term loans granted in the country	313,185	171,619
Current maturity of other long-term financial placements	240,182	240,634
<i>Less: allowance for impairment of short-term loans and placements - domestic</i>	<u>(406,197)</u>	<u>(311,616)</u>
	<u>258,961</u>	<u>212,486</u>
Current maturity of rescheduled claims - electricity	291,036	255,205
Current maturity of rescheduled claims for coal, thermal energy and technical steam and services	2,963	2,741
Short-term deposits in domestic banks	16,201	16,616
Other short-term financial placements	984	-
<i>Less: allowance for impairment of short-term financial placements</i>	<u>(265,429)</u>	<u>(238,741)</u>
	<u>45,755</u>	<u>35,821</u>
	<u>304,716</u>	<u>248,307</u>

30. CASH AND CASH EQUIVALENTS

	31 December 2022	In RSD thousand 31 December 2021
Current accounts:		
- in RSD	7,294,896	12,075,074
- in foreign currency	4,213,558	1,367,047
Deposits for cover under letters of credit in foreign currency	2,609,767	22
Cash desk	24,845	24,553
Special purpose cash funds	53	27
Securities – cash equivalents	2,662	2,576
Money whose use is limited or whose value is reduced	250,856	267,729
<i>Less: Correction of the value of monetary assets, the use of which is limited or the value is reduced</i>	<u>(250,856)</u>	<u>(267,729)</u>
	<u>14,145,781</u>	<u>13,469,299</u>

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

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

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

31. PREPAID EXPENSES AND OTHER ACCRUALS

	31 December 2022	In RSD thousand 31 December 2021
Prepaid expenses	26,408	26,408
Deferred expenses	1,224,201	1,256,106
Other prepaid expenses	1,183,529	1,650,439
	2,434,138	2,932,953

Accrued expenses shown with the balance as of December 31, 2021 in the amount of RSD 1,224,201 thousand (31 December 2021: 1,256,106 thousand dinars) in their entirety refer to the costs of property insurance and employee insurance for the period after the balance sheet date.

Other accruals include amounts of calculated value added tax in the case when the Group is a tax debtor, which was paid in the period after the balance sheet date.

32. EQUITY

Basic capital

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

The valuation of the assets and equity of the Parent Company was carried out with the aim of continuing the reorganization process and changing the legal form to a joint stock company.

Other capital

Other capital shown in the balance sheet of the Group as of December 31, 2022 in the amount of RSD 71,447 thousand (31 December 2021: 71,447 thousand) refers to own non-business sources, which were transferred during the first application of the new accounting regulations of the Republic of Serbia on January 1, 2004.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

32. EQUITY (CONTINUED)

Changes in equity Changes in equity in 2022 and 2021 are disclosed below:

	In RSD thousand									
	Basic and other capital	Legal reserves	Revaluation reserves	Translation reserves	Actuarial earnings / (losses)	Profit/ (losses) on securities available for sale	Retained earnings / (accumulated loss)	Capital belonging to the majority owner	Participation without the right of control	Total
Balance at 31 December 2020	360,003,089	44,776	423,811,725	(1,602)	(2,541,891)	(411,772)	(181,871,742)	599,032,583	1,966,099	600,998,682
Correction of beginning balance (Note 5)	-	-	-	-	-	-	(476,341)	-	-	(476,341)
Corrected balance at 31 December 2020	360,003,089	44,776	423,811,725	(1,602)	(2,541,891)	(411,772)	(182,348,083)	598,556,242	1,966,099	600,522,341
Effects of fair value change in financial Instruments	-	-	-	-	-	1,501	-	1,501	-	1,501
Disposal of fixed assets	-	-	-	(31)	-	-	-	(31)	-	(31)
Effects of exchange rate differences on the basis recalculation of foreign business	-	-	(3,733,561)	-	-	-	1,935,393	(1,798,168)	-	(1,798,168)
Allocation of profit to reserves	-	624	-	-	-	-	-	624	-	624
Actuarial losses (Note 33)	-	-	-	-	(441,390)	-	-	(441,390)	-	(441,390)
Cancellation of actuarial losses based on the transfer of employees to "Elektrodistribucija Srbije" d.o.o.	-	-	-	-	397,246	-	(397,246)	-	-	-
Effects of PPE assessment (Note 24)	-	-	37,017,490	-	-	-	-	37,017,490	-	37,017,490
Effects of PPE valuation on deferred tax liabilities (Note 23)	-	-	(5,552,624)	-	-	-	-	(5,552,624)	-	(5,552,624)
Assignment of shares in the capital of "Elektrodistribucija Srbije" d.o.o. to the Republic of Serbia.	-	-	(3,884,957)	-	-	-	(9,326,294)	(13,211,251)	-	(13,211,251)
Founder's non-monetary contribution	529,443	-	-	-	-	-	-	529,443	-	529,443
Current year loss	-	-	-	-	-	-	(15,519,533)	(15,519,533)	(45,367)	(15,564,900)
Other	-	-	-	-	-	-	16,790	16,790	-	16,790
Balance at 31 December 2021	360,532,532	45,400	447,658,073	(1,633)	(2,586,035)	(410,271)	(205,638,973)	599,599,093	1,920,732	601,519,825
Effects of fair value change in financial Instruments	-	-	-	-	-	(4,954)	-	(4,954)	-	(4,954)
Disposal of fixed assets	-	-	(2,526,703)	-	-	-	1,878,475	(648,228)	-	(648,228)
Effects of exchange rate differences on the basis recalculation of foreign business	-	-	-	(5,091)	-	-	-	(5,091)	-	(5,091)
Allocation of profit to reserves	-	253	-	-	-	-	(308)	(55)	-	(55)
Actuarial losses (Note 33)	-	-	-	-	857,108	-	-	857,108	-	857,108
Cancellation of actuarial losses based on the transfer of employees to "Elektrodistribucija Srbije" d.o.o.	-	-	(289,710)	-	-	-	(209,909)	(499,619)	-	(499,619)
Assignment of property according to the Conclusions of the Government of the RS in 2022	-	-	-	-	-	-	(3,688,987)	(3,688,987)	-	(3,688,987)
Other estimates	362,807	-	-	-	-	-	(362,807)	-	-	-
Current year loss	-	-	-	-	-	-	(72,732,151)	(72,732,151)	(2,813)	(72,734,964)
Other	-	-	1	(240)	-	-	14,058	13,819	-	13,819
Balance at 31 December 2022	360,895,339	45,653	444,841,661	(6,964)	(1,728,927)	(415,225)	(280,740,602)	522,890,935	1,917,919	524,808,854

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

32. EQUITY (continued)

Reduction of the total capital based on the transfer without compensation to the Republic of Serbia of investment in the equity of the company "EPS Distribucija" d.o.o., Belgrade in the amount of RSD 13,211,251 thousand, includes the value of transferred property, plant and equipment, in the amount of RSD 13,173,818 thousand (Notes 1 and 24) the value of the transferred shares in the capital of other legal entities in the amount of RSD 37,005 thousand, and the value of current assets in the amount of RSD 428 thousand. The reduction of the total capital on this basis is expressed according to the values of the mentioned assets determined by the Decision of the Supervisory Board on the increase of the basic capital of "Elektrodistribucije Srbije" d.o.o., Belgrade.

Based on the above-mentioned, during the year 2022, the Company transferred to "Elektrodistribucije Srbije" d.o.o., Belgrade immovables in the total value of RSD 499,619 thousand on the basis of the Agreement on Transfer of Property Rights to Real Estate free of charge dated May 17 in 2022 (note 24).

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

33. LONG-TERM PROVISIONS

	31 December 2022	In RSD thousand 31 December 2021
Long-term provision for retirement benefits and jubilee rewards	12,474,516	14,972,214
Long-term provision for litigations	2,975,045	2,880,549
Long-term provision for environmental restoration	21,587,246	20,112,294
Other long-term provisions	24	24
	37,036,831	37,965,081

Long-term provisions for employee benefits

Long-term provisions for employee benefits shown with the balance as of 31 December 2022 in the amount of RSD 12,474,516 thousand dinars (31 December 2021: 14,972,214 thousand dinars) refer to provisions for employee benefits based on severance pay in retirement and on the basis of jubilee awards for 10, 20, 30, 35 and 40 years of continuous work in the Group, and were recognized using the projected unit crediting method. When determining the present value of future expected payments, a discount rate ranging from 3.67% to 6.80% was used, with the assumption that the annual fluctuation rate ranges from 0.03% to 2.28%, while the wage growth rate is 0.6883%. To calculate the present value of future expected payments, the mortality tables published by the Republic of Serbia Statistical Office were used. Any difference, as a consequence of the remeasurement of the current value of the obligation based on severance pay, and due to changes in actuarial assumptions and experience projections, in the reporting year 2022 was recognized as a separate capital item within the total other result in the amount of RSD 857,108 thousand dinars (2021: 441,390 thousand dinars), and the difference, which is not a consequence of changes in actuarial assumptions and empirical projections, is recognized through the income statement.

Long-term provision for litigations

The Group formed a long-term provision for the estimated negative effects of court cases that were initiated against the Group and were active on the date of the reporting period. This assessment was based on the assessment of the outcome of disputes, which was carried out by the legal department of the Group.

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

33. LONG-TERM PROVISION (continued)

Long-term provisions for environmental restoration

Long-term provisions based on the costs of restoration of natural resources refer to provisions formed for the recultivation of land on which mining operations have been completed in order to bring the land to its original state after the end of exploitation.

Long-term provisions based on the costs of restoration of natural resources, for the most part, in the amount of 18,633,620 thousand dinars (December 31, 2021: 17,173,555 thousand dinars), refer to provisions for the final recultivation of the land on which the slag and ash landfill is located in thermal power plants Kostolac, Kolubara, Morava, Nikola Tesla A and Nikola Tesla B.

The regulation on disposal of waste in landfills, adopted on the basis of the Law on Waste Management, among other things, prescribes the manner and procedures of landfill closure, as well as subsequent maintenance after landfill closure. According to the aforementioned Regulation, the area of the landfill or one of its parts is closed when the conditions specified in the permit and the main project for closing the entire landfill or one of its parts are met. Landfills are covered and protective layers are applied in accordance with the procedures and mode of operation of the landfill. After the landfill is closed, maintenance, protection, control and monitoring of the closed landfill are ensured, in accordance with the Regulation. As part of the regular production process, the Parent Company manages slag and ash landfills that are generated during production due to the burning of coal in the Kostolac, Kolubara, Morava, Nikola Tesla A and Nikola Tesla B thermal power plants. Landfills are of different capacity, age, technical solution and with different remaining life of exploitation.

Changes on the long-term provisions in 2022 and 2021 are disclosed in the table below:

	In RSD thousand				
	Provision for retirement benefits and jubilee awards	Provision for litigations	Provision for environmental restoration	Other long-term provision	Total
Balance at 1 January 2021	17,311,238	3,851,061	19,629,151	24	40,791,474
New provisions recognized in the income statement (Note 15)	1,879,932	219,889	520,842	-	2,620,663
New provisions recognized in other comprehensive income (note 32)	441,390	-	-	-	441,390
Reduction resulting from payments / other waivers of future economic benefits	(1,501,836)	(202,451)	(37,699)	-	(1,741,986)
Cancellation of reservation (Note 21)	(3,158,510)	(987,950)	-	-	(4,146,460)
Balance at 31 December 2021	14,972,214	2,880,549	20,112,294	24	37,965,081
New provisions recognized in the income statement (Note 15)	1,160,949	338,580	573,765	-	2,073,294
New provisions recognized in other comprehensive income (note 32)	(857,108)	-	-	-	(857,108)
New provisions recognized in favor of fixed assets (note 24)	-	-	1,036,485	-	1,036,485
Reduction resulting from payments / other waivers of future economic benefits	(1,542,526)	(79,407)	(45,903)	-	(1,667,836)
Cancellation of reservation (Note 21)	(1,259,013)	(164,677)	(89,395)	-	(1,513,085)
Balance at 31 December 2022	12,474,516	2,975,045	21,587,246	24	37,036,831

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

33. LONG-TERM PROVISIONS (continued)

Changes in the present value of calculated retirement benefits and jubilee awards in 2022 and 2021 are given in the following table:

	In RSD thousand		
	<u>Severance pay for retirement</u>	<u>Jubilee awards</u>	<u>Total</u>
Balance at 1 January 2021	5,280,670	12,030,568	17,311,238
<i>Items recognized in the income statement:</i>			
Interest expenses (Note 15)	103,930	198,841	302,771
Cost of ongoing services (Note 15)	235,007	693,937	928,944
Actuarial losses (Note 15)	-	648,217	648,217
Amount of termination during the current year to the benefit of revenue (note 21)	(888,940)	(2,269,570)	(3,158,510)
<i>Included in the total other result:</i>			
Actuarial losses (Note 32)	441,390	-	441,390
Payments to employees	(203,011)	(1,298,825)	(1,501,836)
Balance at 31 December 2021	4,969,046	10,003,168	14,972,214
<i>Items recognized in the income statement:</i>			
Interest expenses (Note 15)	261,159	483,341	744,500
Cost of ongoing services (Note 15)	85,568	330,881	416,449
Actuarial losses (Note 15)	-	(1,228,781)	(1,228,781)
Amount of termination during the current year to the benefit of revenue (note 21)	(30,232)	-	(30,232)
<i>Included in the total other result:</i>			
Actuarial losses (Note 32)	(857,108)	-	(857,108)
Payments to employees	(299,983)	(1,242,543)	(1,542,526)
Balance at 31 December 2022	4,128,450	8,346,066	12,474,516

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

34. LONG-TERM LIABILITIES

	31 December 2022	In RSD thousand 31 December 2021
Liabilities convertible to equity	80,500	80,500
Long-term borrowings: domestic in RSD and foreign currency	52,633,689	45,539,282
<i>Less: Current portion of long-term borrowings: domestic in RSD and foreign currency</i>	<u>(21,990,880)</u>	<u>(24,393,008)</u>
	30,642,809	21,146,274
Long-term borrowings – foreign	113,586,816	101,490,528
<i>Less: Current portion of long-term borrowings: foreign</i>	<u>(29,841,686)</u>	<u>(29,957,052)</u>
	83,745,130	71,533,476
Other long-term liabilities:	-	105
<i>Less: Current portion of other long-term liabilities</i>	<u>-</u>	<u>-</u>
	-	105
Liabilities based on leasing	19,639	80,122
<i>Less: Current portion of liabilities based on leasing</i>	<u>(8,587)</u>	<u>(57,898)</u>
	11,052	22,224
Liabilities based on leasing - foreign	2,071	-
<i>Less: Current portion of liabilities based on leasing - foreign</i>	<u>(592)</u>	<u>(-)</u>
	1,497	-
Rescheduled public revenues liabilities:	1,614	2,772
<i>Less: Current portion</i>	<u>(1,614)</u>	<u>(1,544)</u>
	-	1,228
	<u>114,480,988</u>	<u>92,783,807</u>

I Refinanced borrowings released from the funds Period prior to 1990

1. Paris Club of Creditors

The repayment of liabilities arising from the refinanced long-term borrowings from the Paris Club of Creditors realised through domestic banks was frozen upon the introduction of the United Nations' Sanctions in May 1992. The liabilities arising from the debt to the Paris Creditor Club members were recognized, in accordance with the Reconciled Minutes of the 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), who are the Original Debtors or Guarantors toward the Paris Club Creditors and the balance reconciled with the National Bank of Serbia, in the amount of 49% of the relevant principal, based on the concluded bilateral agreements. The Law provided the possibility of the additional write-off of liabilities in three years to the maximum amount of 66.67%.

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

2. London Club of Creditors

In 2005 The Parent company wrote off 62% of the new principal of the debt to the London Club of Creditors on 30 September 2004 and reconciled the amount 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 are due on 1 May 2010 and 1 November 2024, respectively. The interest of 3.75% has been calculated to the newly determined principal as of 1 November 2005 until 1 November 2009, and as of 1 November 2009 until 1 November 2024 the interest charged to this principal will total 6.75% annually, and will be settled in semi-annual annuities.

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

34. LONG-TERM LIABILITIES (continued)

I *Refinanced borrowings realised from the funds of (continued)*

3. *International banks for reconstruction and development*

In accordance with the Agreement between the Government of the Federal Republic of Yugoslavia and the IBRD dated 17 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 installments in the period from 15 June 2005 to 15 December 2031 and carries a variable interest rate. On 17 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 governments 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 used in full by 31 December 2005. The agent is Vojvođanska banka a.d. Novi Sad. The borrowing is repaid in semi-annual installments starting from 2005 and is to be completed in 2024. Interest is accrued semi-annually by applying the annual rate of 0.75 %.

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

The Government of Japan, is financing the project of flue gas desulphurization plant construction at "Nikola Tesla" Thermal Power Plant. Financing is done through the Japan International Cooperation Agency (JICA). The borrowing of JPY 28,252 billion was agreed on 24 November 2011. Agreement is concluded for the period of 15 years and repayment period is 10 years following the five-year grace period. Utilization period of loan funds is 10 years after the Borrowing Agreement effectiveness, with possibility of extension. At the Group's request in the annex of the Loan Agreement, dated 31 May 2022, the creditor extended the term of use until 1 April 2024.

The interest rate is 0.6% annually, except for the borrowing portion used for payment of consultant services, where the interest is accrued at the rate of 0.01% annually. The commitment fee, amounting to 0.10% per annum, is capitalized, i.e. paid from borrowing funds until 20 December 2021, after which it will be paid from the parent company's funds. Maturity dates are 20 May and 20 November, whereby the repayment of the principal, according to the amortization plan in Appendix 3 and Annex 1 of the Loan Agreement, commences on 20 November 2016 and completes on 20 November 2026.

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

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

- Borrowing Agreement for subsidized buyer for stage I of the Kostolac-B Power Plant Projects Package, concluded on 26 December 2011 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 valid from the date of contract, 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 31 May 2017, the term of use was extended to 31 December 2018. After the expiration of the term of use, and in accordance with Article 3.3 of the Agreement, part of the loan in the amount of USD 6,361 million was automatically canceled. The obligations are due semi-annually, on January 21 and July 21 of each calendar year. The amount of the withdrawn loan until June 4, 2017 is repaid in 20 equal consecutive half-yearly installments in the period from 21 July 2017. to January 21, 2027. The amount of the loan withdrawn between June 5, 2017 and December 31, 2018 is repaid in 17 equal consecutive semi-annual installments, from January 21, 2019 to January 21, 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).

34. 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 17 December 2014 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. The deadline for using the funds is May 25, 2022, with the possibility of an extension. At the request of the borrower, the creditor approved the extension of the availability period until December 31, 2023. The obligations mature semi-annually, on January 21 and July 21 of each calendar year. The principal is repaid in the period from 21 July 2022 to 21 January 2035, with an interest rate of 2.50% per year, a one-time loan processing fee of 0.25% of the contracted value and a commission on the undrawn part of the loan of 0.25% per year. After the extension of the availability period for payments was made until 25 May 2022, the withdrawn amount is repaid in 26 equal semi-annual installments, from 21 July 2022 to 21 January 2035, and for payments from 25 May 2022 until the term of use, withdrawn amount is repaid in 23 equal installments, from 21 January 2024 to 21 January 2035. JP EPS was not able to settle the obligation due in July 2022 in the total amount of USD 31,681,445.55, based on the above-mentioned loans, and the obligation to the creditor was settled by the MF UJD from the budget, which created an obligation to the Republic of Serbia. In accordance with the above, in the tabular Overview of all loans with the balance as of 31 December 2022, this obligation to the creditor is presented as settled.

III Borrowings from international financial organizations

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

Financial agreements were concluded with the European Bank for Reconstruction and Development (EBRD) in period from 2001 to 2015 for the following amounts:

- EUR 40 million was agreed on 2 September 2010. On 22 December 2016 The Bank extended the ultimate date until which funds are available up to 2 September 2018. After the expiration of the term of use, in accordance with the provisions of Section 7.02.(a) of the Standard Provisions of 1 October 2007, on 2 September 2018, part of the loan in the amount of EUR 35,101,334 was canceled, so that the agreed loan amount amounts to EUR 4,898,666. According to the provisions of the relevant Agreement, the principal repayment commenced on 2 September 2013 and is to be executed in 18 semi-annual installments by 2 March 2022. The borrowing accrues variable interest rate, which consists of EURIBOR and mark-up of 1% annually, with the option to choose a fixed interest rate. Commission on unused portions of the loan amounts to 0.5% annually. Management fee amounts to 1% of total loan amount and is paid once out of borrowed funds..
- EUR 80 million was agreed on 28 July 2011. The ultimate date until which funds are available is set at 28 January 2015, where the bank extended the drawdown period up to 31 January 2017, when the undrawn part of the borrowing in the amount of EUR 1,472,316.67 was canceled. According to the provisions of the relevant Agreement, the principal repayment commences as of 31 January 2015 and is to be executed in 17 equal semi-annual installments by 31 January 2023. The borrowing accrues variable interest rate, which consists of EURBOR and mark-up of 1% annually, with the option to choose a fixed interest rate. Commission on unused portion of borrowing amounts to 0.5% annually. Management fee amounts to 1% of total borrowing amount, and is paid once out of borrowed funds..
- EUR 45 million was agreed on 7 December 2011. The originally agreed deadline for using the loan funds (7 December 2014) was extended until 31 December 2020, and then until 15 December 2022. At the beginning of December 2022, the creditor was sent a request for an extension of availability, so with the consent of the creditor, the deadline was extended until 30 June 2023. The amount of EUR 12.3 million was canceled on 31 October 2014. According to the provisions of the relevant Agreement, the principal repayment commenced on 30 April 2015 and is to be executed in 18 equal semi-annual installments until 31 October 2023. The borrowing accrues variable interest rate, which consists of EURBOR and mark-up in the amount of 1% annually, with the option to choose 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 borrowing funds.
- - EUR 200 million was agreed on 30 October 2015, for a period of 15 years, including a grace period of 18 months. The ultimate date for usage of borrowing funds is to be determined as a date upon expiry of one year from the date of effectiveness of borrowing funds, with the option of extension. Defined date of effectiveness of borrowing funds is 29 September 2016. The loan funds were withdrawn in full by October 18, 2016. According to the terms of the Agreement, repayment of the principal will commence on 15 June 2017, in 27 equal semi-annual installments, until 15 June 2030. The borrowing accrues variable interest rate, which consists of EURIBOR and mark-up in the amount of 1% annually, with the option to choose 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 borrowing funds. The Company used granted funds for early repayment of loans with banks.

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

34. LONG-TERM LIABILITIES (continued)**III Borrowings from International Financial Organization (continued)****1. KfW**

With the German financial organization KfW financial agreements were executed in the period from 2001 through 2017 as follows:

- EUR 36 million (with an additional EUR 10 million in grants) on January 2, 2008. The deadline for using the loan funds was extended several times with the creditor's consent, the first time until December 31, 2019. Loan funds that have not been withdrawn until December 31 2019, in the amount of 1,258,701.37 EUR were available until December 30, 2021. Given that the available loan funds were not fully used until then, the Bank extended the deadline for using the remaining funds until December 30, 2022. On December 30 2022 unused loan funds in the amount of EUR 64,633.00 were cancelled. Principal repayment began on June 30 2013 and ended on December 30, 2022. The interest rate is determined two days before the use of each individual tranche and is fixed at that level until the date when KfW informs the Company of the reduced interest rate for the entire loan, which will be determined after the last payment of the loan, and will be fixed at that level until the end of the repayment period. The interest rate of each tranche is defined as the rate determined by KfW two days before the date of payment of the corresponding part of the loan based on the effective costs of financing KfW on the EURO capital market at the time of payment for maturities that, as closely as possible, coincide with the maturities of the part of the loan to be to be paid increased by the margin (1.75% per year). The commission on the unused part of the loan is 0.25% per year. The management fee is 1.00% of the total loan amount and is paid once from the borrower's own funds.
- 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 option of deadline extension. This deadline has been extended to 31 December 2020, then until 30 December 2021, and then until 30 December 2022. At the end of December 2022, a request for an extension of the term of use of the available funds until June 30, 2023 was sent to the creditor. 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. As the final date for utilization of borrowing funds was set 30 December 2015, which has been extended to 30 June 2020. Unused loan funds after the deadline of use in the amount of EUR 51.60 were canceled with the creditor's consent. According to the provisions of the Borrowing Agreement, the principal repayment commenced on 30 December 2015 in 19 equal semi-annual instalments, where in the event of extension of date for utilization of borrowing funds, repayment would commence 3 years later, on 30 December 2018, in 13 equal semi-annual instalments. A fixed interest rate has been agreed and is to be determined by KfW annually two days before the disbursement for each portion of the borrowing received based on the expenses incurred by KfW on the EUR capital market under terms that best correspond to the fixed interest rate period increased by 0.40% for the portion of the loan of EUR 25 million, and by 1.15% for the portion of the borrowing of EUR 40 million. After each payment, KfW consolidates these rates into a uniform rate for the total borrowing amount, which is fixed to the end of the repayment period. Commission for unused portion of the 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 45 million was agreed on 28 February 2017. As the final deadline for the use of borrowed funds is set 30 June 2022 with the option of deadline extension. According to the Borrowing Agreement loan principal repayment is to be repaid in 14 equal semi-annual instalments starting on 30 June 2022, ending to 30 December 2028. A Fixed interest rate has been agreed and amounts to 0.80% annually, with the Parent Company being exempted from this cost in the period from March 30, 2019 to June 30, 2019. Commission for unused portion of the borrowing amounts to 0.25% annually. Management fee amounts to 0.75% of total borrowing amount, and is paid once out of Borrowers own funds. Considering the numerous problems in the implementation of the project and the impossibility of implementing it in accordance with the rules agreed with the Bank and within the time limit that would ensure the continuation of the uninterrupted operation of Tent A, in November 2021, the contract termination procedure was initiated. In a letter dated January 2022, the creditor agreed to cancel the payment of the remaining part of the loan in the amount of EUR 44,853,251.84, without compensation. The disbursed loan amount of EUR 146,748.16 plus interest and commission costs on the unused portion of the loan was paid to the creditor on February 14, 2022.

34. LONG-TERM LIABILITIES (continued)

III Borrowings from International Financial Organization (continued)

- 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. The originally agreed deadline for using loan and grant funds (December 30, 2021) was extended to 30 December 2024. Also, the repayment of the principal, which is realized in 23 equal half-yearly installments, from the originally agreed repayment period of 30 December 2021 to 30 December 2032, was postponed by two years, that is, the first loan installment was repaid in 2021, and the other 22 installments 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, with the fact that the Group was exempt from this cost in the period from March 30, 2019 to June 30, 2019. The commission for organizing the work amounts to 0.75% of the total amount of the loan, and is paid once from the Group's own funds.

3. Borrowings 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 European Investment Bank on 30 October 2003, a loan of EUR 22 million was extended to the Group. The borrowing was fully drawn in 10 tranches in the period until 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 2027. The first installment is due on 25 November 2010 and the last installment is due on 9 December 2027. The applicable interest rate is set for each tranche individually and is fixed until the end of repayment period.

4. Borrowing from the World Bank (WB)

- *International Development Association (IDA)*

Pursuant to 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 amount of EUR 227.48 million, the Republic of Serbia has via Loan Sub agreement, agreed on 19 February 2015, transferred to the Group rights to use a portion of the loan funds, in amount of EUR 157.11 million. By amending the sub-agreement on the loan from October 4, 2017, the amount of the loan that the Republic of Serbia transferred to the Group was reduced, so that it now amounts to EUR 139.74 million. By amending the sub-agreement on the loan, on October 5, the Republic of Serbia cancelled a part of the loan in the amount of EUR 3.2 million. After the expiration of the loan repayment period, which was until October 31, 2019, on March 10, 2020, the Group 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 2020 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 May 1 and November 1, starting from November 1, 2023 to May 1, 2044. The interest rate is the sum of the six-month EURIBOR and the variable margin, which currently stands at 0.99% per annum. The fee for undrawn funds is 0.25% per annum, and is calculated on the amount of undrawn loan funds.

34. LONG-TERM LIABILITIES (continued)

IV Commercial banks and loans in EUR

1. Komercijalna banka a.d. Beograd

EUR 15 million was contracted on 12 December 2019. The loan funds were fully withdrawn on 17 November 2020. The loan repayment term is up to 10 years, with a grace period of up to 4 years. The repayment of the principal is in 12 equal consecutive half-yearly installments, with the first principal installment due on 15 October 2023. and the last one on 15 April 2029. Payment dates are April 15 and October 15. The loan is subject to 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 (no agreed floor). The commission on undrawn funds is 0.25% per year, and is calculated from 01 January 2020. years. A one-time commission for organizing the work (management fee) has not been contracted.

1. Banca Intesa a.d. Beograd

EUR 45 million was contracted on 9 December 2019. The loan funds were withdrawn in full by 14 November 2022. The loan repayment term is up to 10 years, with a grace period of up to 4 years. The repayment of the principal is in 12 equal consecutive half-yearly installments, with the first principal installment due on 15 October 2023. and the last one on 15 April 2029. years. Payment dates are April 15 and October 15. The loan is subject to 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 (no agreed floor). The commission on undrawn funds is 0.25% per year, and is calculated from 01 January .2020. A one-time commission for organizing the work (management fee) has not been contracted.

EUR 30 million was contracted on 9 December 2019. The loan funds were withdrawn in full by 13 March 2023. The loan repayment term is up to 10 years, with a grace period of up to 4 years. The repayment of the principal is in 12 equal consecutive half-yearly installments, with the first principal installment due on 15 October 2023. and the last one on 15 April 2029. Payment dates are April 15 and October 15. The loan is subject to 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 (no agreed floor). The commission on undrawn funds is 0.25% per year, and is calculated from 01 January 2020. years. A one-time commission for organizing the work (management fee) has not been contracted.

2. Vojođanska banka a.d. Novi Sad

EUR 30 million was contracted on 9 December 2019. The loan is managed by OTP banka Srbija a.d. Novi Sad (legal successor of Vojođanska banka a.d. Novi Sad). Loan funds are available in the period from 01 January 2020. until 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 April 15 and October 15. The loan is subject to 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. The commission on undrawn funds amounts to 0.25% per annum, and is calculated from 1 January 2020. A one-time management fee has not been agreed.

2. OTP Banka

EUR 15 million was contracted on 9 December 2019. Loan funds are available in the period from 1 January 2020 until 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 April 15 and October 15. The loan is subject to 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. The commission on undrawn funds amounts to 0.25% per annum, and is calculated from 1 January 2020. A one-time management fee has not been agreed.

34. LONG-TERM LIABILITIES (continued)

IV Commercial banks and loans in EUR (continued)

Loans for current assets in euro (continued)

In order to ensure liquidity for the purpose of purchasing gas, electricity and paying tax obligations, contracts were concluded with commercial banks in the total amount of 175 million. EUR. In August 2022, these Agreements were annexed (except for the 2022 agreements concluded with OTP Bank and Erste Bank), which changed the terms of loan repayment in 48 monthly instalments starting from 1 October 2023. until 30 August 2027. years. 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 70 million. EUR with Erste bank a.d. Novi Sad and Eurobank Direktna akcionarsko društvo Belgrade
- Agreement concluded in 2021 for 5 million. EUR with Banka Poštanska štedionica a.d. Beograd.
- Agreement concluded in 2021 for 10 million. EUR with Agroindustrijsko komercijalska banka AIK banka Beograd.
- Agreement concluded in 2021 for 50 million. EUR with NLB Komercijalna banka a.d. Beograd. Annex 1 was concluded in July 2022, and Annex 2 of the Basic Agreement in August.

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

- Loan agreement concluded in 2021 for 15 million. EUR 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. years. 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 million. EUR 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.

In order to ensure liquidity for the purpose of purchasing gas and electricity, contracts were concluded with Unicredit Bank Srbija AD Belgrade in the total amount of 75 million. EUR and that:

- The agreement concluded in January 2022 for 50 million. EUR. Annex 1 from August 2022 changed the terms of repayment of the loan in 48 monthly instalments starting from 1 October 2023. until 30 August 2027. years. Interest is calculated and paid monthly at the agreed interest rate as the sum of 3M EURIBOR and a fixed margin.
- Agreement concluded in March 2022 for 25 million. EUR with Unicredit Bank Srbija AD Belgrade. Annex 1 from August 2022 changed the terms of repayment of the loan in 48 monthly instalments starting from 1 October 2023. until 30 August 2027. years. Interest is calculated and paid monthly at the agreed interest rate as the sum of 3M EURIBOR and a fixed margin

Both loans (EUR 75 million) were fully repaid early in December 2022.

3. VTB bank (Europe) SE

EUR 72 million was contracted on 17 June 2021, with a grace period until 17 September 2022. Loan funds are available until 17 June 2022. Loan funds were available until 17 June 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. One-time loan processing fee is 0.50%.

34. LONG-TERM LIABILITIES (continued)

V Loans for current assets in local currency

In order to secure the working capital needed to finance the current obligations that arise in the regular business activities of JP EPS, the safe supply of electricity to customers, the safe and reliable operation of the electric power system, as well as to secure funds for the purpose of financing the purchase of electricity from renewable sources, contracts were concluded on loans with commercial banks in dinars, namely:

- In 2020 in the total amount of RSD 11,020 billion contracts are concluded with: Komercijalna banka a.d. Beograd; Erste bank a.d. Novi Sad; Bank Poštanska štedionica a.d. Beograd; Agro-industrial commercial bank AIK banka Beograd; OTP bank Srbija ad Novi Sad; Vojvođanski bank a.d. Novi Sad and Banca Intesa a.d. Novi Sad. The loans were repaid in 24 equal monthly instalments starting from 1 January 2021 to 1 December 2022. Interest is calculated monthly as the sum of 1M BELIBOR and fixed margin.
- The contract concluded in 2020 with Unicredit Bank Srbija AD Belgrade in the amount of RSD 1.160 billion. The loan is repaid in 24 equal monthly instalments starting from 1 July 2021 to 1 June 2023. Interest is calculated monthly as the sum of 1M BELIBOR and fixed margin.
- The contract concluded in 2022 with Banca Intesa a.d. Novi Sad in the amount of RSD 3.0 billion. The loan is repaid in 24 equal monthly installments starting from 1 January 2023 to 1 December 2024. Interest is calculated monthly as the sum of 1M BELIBOR and fixed margin.
- The contract concluded in 2022 with Agroindustrijsko komercijalna banka AIK banka Beograd for the amount of RSD 4.0 billion. Annex 1 was concluded in August 2022. The loan is repaid in 48 equal monthly installments starting from 1 October 2023 until 30 August 2027. Interest is calculated monthly as the sum of 1M BELIBOR and fixed margin.
- Contracts concluded in 2021 in total amount of RSD 9,600 billion with: Komercijalna banka a.d. Beograd; Unicredit Bank Serbia AD Belgrade; Agro-industrial commercial bank AIK banka (Sberbank) Belgrade and OTP bank Srbija ad Novi Sad. Loans are repaid in 24 equal monthly installments starting from 20 January 2022 to 20 December 2023. Interest is calculated monthly as the sum of 1M BELIBOR and fixed margin.
- The contract concluded in 2021 with Banka Poštanska štedionica a.d. Belgrade in the amount of RSD 3.0 billion. Annex 1 was concluded in August 2022. The loan is repaid in 48 equal monthly installments starting from 1 October 2023 to 1 September 2027. Interest is calculated monthly as the sum of 1M BELIBOR and fixed margin.

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

34. LONG-TERM LIABILITIES (continued)

An overview of all borrowings as at 31 December 2022 presented in the table below:

No.	LOANS	Currency	ORIGINAL CURRENCY				Means of security	Equivalent value in RSD 000	
			Principal	Maturity date	Repayment schedule	Interest rate		31.12.2022.	01.01.2022.
TOTAL BORROWINGS (A+B)							166,220,505	147,029,810	
A	FOREIGN CURRENCY BORROWINGS (I+II+III+IV+V+VI)							151,730,508	128,049,816
I	REFINANCED BORROWINGS REALIZED FROM THE FUNDS OF (1+2+3+4)							10,185,739	13,477,006
1	PARIS CLUB OF CREDITORS							9,681,191	12,848,822
1.1	AUSTRIA	EUR	757,043	30.09.2008. 31.03.2024.	30.03. и 30.09.	Amarketrate/EUR + 0.6% p.a.	Promissory Notes	88,818	139,076
1.2	FRANCE	EUR	8,730,080	22.09.2008. 22.03.2024.	22.03. и 22.09.	5.9% p.a.	Promissory Notes	1,024,234	1,603,815
1.3	GERMANY	EUR	5,791,024	22.09.2008. 22.03.2024.	22.03. и 22.09.	5.5% p.a..	Promissory Notes	679,417	1,063,877
1.4	CANADA	EUR	12,675,415	22.09.2008. 22.03.2024.	22.03. и 22.09.	Euribor/EUR + 0.5% p.a.	Promissory Notes	1,487,110	2,328,618
1.5	SWITZERLAND	CHF	17,523,915	22.09.2008. 22.03.2024.	22.03. и 22.09.	Libor/CHF + 0.5% p.a.	Promissory Notes	2,089,802	3,111,377
1.6	USA	USD	1,420,054	22.09.2008. 22.03.2024.	22.03. и 22.09.	5.375% p.a.	Promissory Notes	156,421	230,582
1.7	RUSSIA	USD	34,070,253	22.03.2006. 22.03.2034.	22.03. и 22.09.	0.5517% p.a.	Promissory Notes	3,752,889	3,688,384
1.8	JAPAN	JPY	484,382,092	22.09.2008. 22.03.2024.	22.03. и 22.09.	2.839% p.a.	Promissory Notes	402,499	683,093
2	LONDON CLUB OF CREDITORS	USD	2,176,440	01.05.2010. 01.11.2024.	01.05. и 01.11.	3.75% -11/09. fixed 6.75% 11/24.	Promissory Notes	239,738	339,284
3	IBRD	EUR	1,830,516	15.06.2005. 15.12.2031.	15.06. и 15.12.	6.75% p.a. 11/24	Promissory Notes	214,761	238,740
4	E3	EUR	426,596	17.10.2012. 17.10.2016.	17.04. и 17.10.	6M Euribor p.a.	-	50,049	50,160
II	LOANS GRANTED BY STATE GOVERNMENTS							72,842,804	56,770,972
1	Polish borrowing	USD	790,167	2005. - 2024.	15.06. и 15.12.	0.75% p.a.	Guarantee RS	87,038	199,214
2	Japanese – JICA	JPY	20,624,116,518	20.11.2016. 20.11.2026	20.05 и 20.11	0.60% p.a.. (Principal 1) 0.01% p.a.. (Principal 2)	Guarantee RS	17,137,692	16,020,943
3	Export-Import Bank of China I	USD	131,634,015	21.07.2017. 21.01.2027.	21.01. и 21.07.	3%	Promissory Notes	14,499,684	16,720,273
4	Export-Import Bank of China II	USD	373,289,423	21.07.2022. 21.01.2035.	21.01. и 21.07.	2.5% p.a.	Promissory Notes	41,118,390	23,830,542
III	LOANS FROM INTERNATIONAL FINANCIAL ORGANIZATIONS							39,222,294	42,352,388
1	EBRD III (4.9 mil. EUR)	EUR	0	02.09.2013. 02.03.2022.	02.03. и 02.09.	6M EURIBOR + 1% p.a.	Guarantee RS	0	41,034
2	EBRD IV (78.5 mil. EUR)	EUR	5,179,466	31.01.2015. 31.01.2023.	31.01. и 31.07.	VAR. EURIBOR + 1% p.a.	Guarantee RS	607,667	1,827,037
3	EBRD V (32.7 mil. EUR)	EUR	7,174,678	30.04.2015. 31.10.2023.	30.04. и 31.10.	6M EURIBOR + 1% p.a..	Guarantee RS	841,750	1,295,194
4	EBRD VI (200 mil. EUR)	EUR	111,111,111	15.06.2017. 15.06.2030.	15.06. и 15.12.	VAR. EURIBOR + 1% p.a.	Guarantee RS	13,035,822	14,806,635
5	EIB II (22 mil. EUR)	EUR	5,159,999	25.11.2010. 09.12.2027.	09.06. и 09.12.; 25.05. и 25.11.	fixed for each tranche of 3.879%. up to 5.248%.	Guarantee RS	605,384	779,177
6	KfW IV (36 mil. EUR)	EYP	-	30.06.2013. 30.12.2019.	30.06. и 30.12.	variable rate + margin of 1.75%.	Guarantee RS	-	-
7	KfW V (70 mil. EUR)	EUR	20,468,170	30.12.2018. 30.06.2025.	30.06. и 30.12.	variable rate– 0.5%	Guarantee RS	2,401,375	3,563,205
8	KfW VI (65 mil. EUR)	EUR	19,999,931	30.12.2018. 30.12.2024.	30.06. и 30.12.	variable rate + 0.4% for EUR 25 million . and variable + 1.15% for EUR 40 million.	Guarantee RS	2,346,440	3,527,455
9	KfW VII (45 mil. EUR)	EUR	-	30.06.2022. 30.12.2028.	30.06. и 30.12.	0.80% p.a.	Guarantee RS	-	17,255
10	KfW VIII (80 mil. EUR)	EUR	26,495,720	30.12.2021. 30.12.2034.	30.06. и 30.12.	0.85% p.a.	-	3,108,541	16,755
11	Wb IDA (12.24 mil. SDR)	XDR	2,949,712	15.09.2015. 15.03.2025.	15.03. и 15.09.	-	Guarantee RS	432,410	600,667
12	WB IBRD (139.7 mil. EUR)	EUR	135,037,339	01.11.2023. 01.05.2044.	01.05. и 01.11.	6M EURIBOR + variable margin	Promissory notes	15,842,905	15,877,974

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

34. LONG-TERM LIABILITIES (continued)

No.	LOANS	Currency	ORIGINAL CURRENCY				Means of security	Equivalent value in RSD 000	
			Principal	Maturity date	Repayment schedule	interest rate		31.12.2022.	Principal
IV	ПОСЛОВНЕ БАНКЕ КРЕДИТИ У ЕВРИМА							29,401,178	15,375,107
1	Komercijalna banka 15m	EUR	15,000,000	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 1.95%	Promissory notes	1,759,836	1,763,732
2	Banca Intesa 45m	EUR	45,000,000	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 3.50%	Promissory notes	5,279,508	2,497,993
3	Banca Intesa 30m	EUR	17,453,097	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 3.75%	Promissory notes	2,047,639	-
4	Vojvodjanska banka 30m	EUR	-	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 3.75%	Promissory notes	-	-
5	OTP banka 15m	EUR	-	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 3.75%	Promissory notes	-	-
6	ERSTE banka	EUR	32,083,333	01.10.2023 30.08.2027	every 01. of month	3M EURIBOR + 5.00%	Promissory notes	3,764,094	4,115,374
7	EUROBANK DIREKTNA	EUR	32,083,333	01.10.2023 30.08.2027	every 01. of month	3M EURIBOR + 5.00%	Promissory notes	3,764,094	4,115,374
8	Postanska stedionica	EUR	4,583,333	01.10.2023 01.09.2027	every 01. of month	1M BELIBOR + 3.50%	Promissory notes	537,728	587,911
9	AIK banka	EUR	9,166,667	01.10.2023 30.08.2027	every 01. of month	3M EURIBOR + 5.00%	Promissory notes	1,075,455	-
10	Komercijalna banka	EUR	45,832,464	01.10.2023 30.08.2027	every 01. of month	3M EURIBOR + 5.00%	Promissory notes	5,377,175	-
11	OTP banka	EUR	-	01.07.2022 01.06.2023	every 15th of the month until 01.07.22. and on the 1st of the month until the end of the payment period	3M EURIBOR + 3.30%	Promissory notes	-	-
12	OTP banka	EUR	-	01.07.2022 01.06.2023	every 15th of the month until 01.07.22. and on the 1st of the month until the end of the payment period	3M EURIBOR + 3.30%	Promissory notes	-	-
13	UNICREDIT banka	EUR	-	01.10.2023 01.09.2027	every 01. of month	3M EURIBOR + 5.00%	Promissory notes	-	-
14	UNICREDIT banka	EUR	-	01.10.2023 01.09.2027	every 01. of month	3M EURIBOR + 5.00%	Promissory notes	-	-
15	OTP banka	EUR	32,083,428	01.10.2023 30.08.2027	every 01. of month	3M EURIBOR + 5.00%	Promissory notes	3,764,105	-
16	ERSTE banka	EUR	5,000,000	25.01.2023 25.12.2023	every 01. of month	3M EURIBOR + 3.95%	Promissory notes	586,612	-
17	VTB BANK (EUROPE) SE,	EUR	12,315,917	17.09.2022. 17.12.2023.	17.03. 17.06. 17.09. 17.12.	3M EURIBOR + 3.75% margin If the EURIBOR value is less than 0. it will be considered that the value is 0	Promissory notes	1,444,933	2,294,723
V	Other							78,493	74,343
1	IBRD 1469-5 - EMS AD	EUR	14,555	15.03.2005. 15.09.2031.	15.03. и 15.09.	1/3-5.44% p.a. и 2/3-euribor		1,708	1,898
2	Tehnexport	УСД	697,086			-		76,785	72,445

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

34. LONG-TERM LIABILITIES (continued)

No.	LOANS	Currency	ORIGINAL CURRENCY				Means of security	Equivalent value in RSD 000	
			Principal	Maturity date	Repayment schedule	interest rate level		31.12.2022.	Principal
Б	LOANS IN RSD							14,489,997	18,979,994
1	Komercijalna banka	RSD	-	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.70%	Promissory notes	-	290,000
2	Komercijalna banka	RSD	-	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.90%	Promissory notes	-	290,000
3	ERSTE banka	RSD	-	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.93%	Promissory notes	-	290,000
4	Postanska stedionica	RSD	-	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.97%	Promissory notes	-	290,000
5	ERSTE banka	RSD	-	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.99%	Promissory notes	-	290,000
6	AIK banka	RSD	-	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3.00%	Promissory notes	-	580,000
7	OTP banka	RSD	-	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3.01%	Promissory notes	-	580,000
8	Vojvodjanska banka	RSD	-	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3.01%	Promissory notes	-	290,000
9	Komercijalna banka	RSD	-	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.90%	Promissory notes	-	290,000
10	ERSTE banka	RSD	-	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.99%	Promissory notes	-	290,000
11	Vojvodjanska banka	RSD	-	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3.01%	Promissory notes	-	290,000
12	Vojvodjanska banka	RSD	-	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3.02%	Promissory notes	-	580,000
13	OTP banka	RSD	-	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3.02%	Promissory notes	-	580,000
14	Banca Intesa	RSD	-	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.49%	Promissory notes	-	580,000
15	UniCredit bank	RSD	290,000,000	01.07.2021 01.06.2023	01.06. и 01.07.	1M BELIBOR + 3.00%	Promissory notes	290,000	870,000
16	Banca Intesa	RSD	3,000,000,000	01.01.2023 01.12.2024	every 01. of month	1M BELIBOR + 2.70%	Promissory notes	3,000,000	-
17	AIK banka	RSD	4,000,000,000	01.10.2023 30.08.2027	every 01. of month	1M BELIBOR + 3.50%	Promissory notes	4,000,000	-
18	Komercijalna banka	RSD	300,000,000	20.01.2022 20.12.2023	20.06. и 20.12.	1M BELIBOR + 0.95%	Promissory notes	300,000	600,000
19	Komercijalna banka	RSD	299,997,139	20.01.2022 20.12.2023	20.01. и 20.12.	1M BELIBOR + 1.05%	Promissory notes	299,997	599,994
20	Komercijalna banka	RSD	300,000,000	20.01.2022 20.12.2023	20.01. и 20.12.	1M BELIBOR + 0.85%	Promissory notes	300,000	600,000
21	Komercijalna banka	RSD	300,000,000	20.01.2022 20.12.2023	20.01. и 20.12.	1M BELIBOR + 0.74%	Promissory notes	300,000	600,000
22	UniCredit bank	RSD	300,000,000	20.01.2022 20.12.2023	20.01. и 20.12.	1M BELIBOR + 2.62%	Promissory notes	300,000	600,000
23	AIK banka	RSD	900,000,000	20.01.2022 20.12.2023	20.01. и 20.12.	1M BELIBOR + 1.92%	Promissory notes	900,000	1,800,000
24	OTP banka	RSD	600,000,000	20.01.2022 20.12.2023	20.01. и 20.12.	1M BELIBOR + 1.91%	Promissory notes	600,000	1,200,000
25	AIK (Sberbanka)	RSD	900,000,000	20.01.2022 20.12.2023	20.01. и 20.12.	1M BELIBOR + 2.20%	Promissory notes	900,000	1,800,000
26	OTP banka	RSD	900,000,000	20.01.2022 20.12.2023	20.01. и 20.12.	1M BELIBOR + 1.93%	Promissory notes	900,000	1,800,000
27	Postanska stedionica	RSD	2,400,000,000	01.10.2023 01.09.2027	every 01. of month	1M BELIBOR + 3.50%	Promissory notes	2,400,000	3,000,000
	CURRENT PORTION OF LONG-TERM LOANS							51,832,566	54,350,060
A	Foreign currency loans							44,842,569	42,260,063
B	Loans in RSD							6,989,997	12,089,997
	TOTAL LONG-TERM PORTION							114,387,939	92,679,750
A	Foreign currency loans							106,887,939	85,789,753
B	Loans in RSD							7,500,000	6,889,997

Pursuant to the assumed contractual obligations, i.e. annuity plans and other important terms of the contract, including the fulfillment of appropriate financial indicators, part of the long-term obligations in the amount of 19,627,447 thousand dinars was reclassified as a short-term obligation.

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

34. LONG-TERM LIABILITIES (continued)

Analysis of approved loans withdrawals

In order to finance the specific projects to increase production capacities in thermo and hydro power plants, in the period from 2003 to 2019 the Company executed various loan agreements with international financial institutions, to which the Federal Republic of Yugoslavia and the State Union of Serbia and Montenegro or Republic of Serbia served as guarantors:

<u>Creditor</u>	<u>Currency</u>	<u>Contracted Amount</u>	<u>Draw Down</u>
EBRD IV	EUR	78,527,683	78,527,683
EBRD V	EUR	32,700,000	24,395,989
EBRD VI	EUR	200,000,000	200,000,000
EIB II	EUR	22,000,000	22,000,000
KfW IV	EUR	36,000,000	35,935,367
KfW V	EUR	70,000,000	65,468,170
KfW VI	EUR	64,999,948	64,999,948
KfW VII	EUR	146,748	146,748
KfW VIII	EUR	80,000,000	27,345,288
IDA	EUR	11,798,849	11,798,849
JICA	SDR	28,252,000,000	24,359,460,518
EXIM Bank of China I	JPY	286,639,231	286,639,231
EXIM Bank of China II	USD	608,260,000	384,404,062
Borrowing from the Republic of Poland	USD	49,996,617	49,996,617
WB IBRD	USD	135,402,191	135,402,191
Commercial banks	EUR	436,599,345	379,052,442
Commercial banks	RSD	31,779,994,277	31,779,994,277

Analysis of long term loans maturities

<u>In RSD thousand</u>	<u>31 December 2022</u>	<u>31 December 2021</u>	<u>Index</u>
Up to one year	51,832,566	54,350,060	95.37
From one to five years	73,959,486	59,427,095	124.45
Over five years	40,428,453	33,252,655	121.58
Total	166,220,505	147,029,810	113.05

Analysis of borrowings per requested discharging currency

<u>Currency</u>	<u>31 December 2022</u>		<u>31 December 2021</u>	
	<u>Amount in Currency</u>	<u>In RSD thousand</u>	<u>Amount in Currency</u>	<u>In RSD thousand</u>
EUR	611,453,215	71,737,159	531,994,348	62,553,012
USD	544,077,438	59,930,946	433,776,314	45,080,724
CHF	17,523,915	2,089,802	27,379,534	3,111,377
YPU	21,108,498,610	17,540,191	18,506,515,040	16,704,036
XDR	2,949,712	432,410	4,129,597	600,667
RSD	14,489,997,139	14,489,997	18,979,994,266	18,979,994
Total		166,220,505		147,029,810

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

34. LONG-TERM LIABILITIES (continued)

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

The following tables provide reconciliation between the opening and closing balances for liabilities arising from financing activities for the year ended 31 December 2022 and 2021:

	In RSD thousand									
	Balance as at 1 January 2022	Cash flows		Non-cash changes						Balance as at 31 December 2022
		Proceeds	Repayment	Direct tranche to supplier	Conversion of costs into debt principal	First-time application of IFRS 16 (note 4)	Debt write- off	Foreign exchange movement	Other	
2022.										
Loans and borrowings (long term and short term)	147,032,880	37,760,810	(40,935,746)	24,612,525	104,444	-	(2,957,872)	600,796	4,339	166,222,176
Other long-term financial liabilities	105	-	(16)	-	-	-	-	-	(89)	-
Other short-term financial liabilities	12,572	20,152	(53,371)	-	-	-	-	(19)	52,514	31,848
Liabilities based on financial leasing	80,122	-	(63,857)	-	-	-	-	3	5,460	21,728
Total liabilities from financing activities	147,125,679	37,780,962	(41,052,990)	24,612,525	104,444	-	(2,957,872)	600,780	62,224	166,275,752
2021.										
Loans and borrowings (long term and short term)	125,886,094	24,731,463	(18,485,519)	11,544,794	-	-	-	3,356,050	(2)	147,032,880
Other long-term financial liabilities	28,090	-	(174)	-	-	-	-	-	(27,811)	105
Other short-term financial liabilities	14,140	-	(58,267)	-	-	-	-	-	56,699	12,572
Liabilities based on financial leasing	-	-	(136,602)	-	-	177,503	-	198	39,023	80,122
Total liabilities from financing activities	125,928,324	24,731,463	(18,680,562)	11,544,794	-	177,503	-	3,356,248	67,909	147,125,679

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

35. LONG-TERM DEFERRED INCOME AND RECEIVED DONATIONS

	31 December 2022	In RSD thousand 31 December 2021
Received donations:		
- from the Government of RS and other state authority	684,833	276,198
- foreign	8,086,276	8,238,827
- domestic	54,909	60,930
	8,826,018	8,575,955

On 29 December 2022, a Protocol was signed between the Ministry of Mining and Energy and the Company on the implementation of Government Decision 05 No: 401-11262/2022 dated 29 December 2022, which adopts the Program on the allocation and use of subsidies to public non-financial enterprises and organizations. The Protocol stipulates that the Government of the Republic of Serbia, through the line ministry, in the period from 2022 to 2024, will provide part of the funds needed for the reconstruction of the turbines on blocks TENT A3-A6 for the further implementation of the Obrenovac-Novı Belgrade heating pipeline construction project. The transport heat pipe of the non-urban heat pipe connects the heat source - thermal power plant "Nikola Tesla A" in Obrenovac with the heating plant (TO) Novi Beograd. This project foresees the heating of Belgrade. Based on the above, the Company recognized subsidies in the amount of 416,500 thousand dinars on 31 December 2022.

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

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

	31 December 2022	In RSD thousand 31 December 2021
Opening balance	8,575,955	8,681,462
The value of funds transferred from third parties without compensation (donations)	158,748	275,570
Reversal of deferred income in favor of current income on a systematic basis (note 8)	(218,873)	(222,740)
RS subsidies for the reconstruction of blocks A3-A6 in the TENT Branch, and as part of the construction of the Obrenovac-Belgrade heat pipeline	416,500	-
Other	(106,312)	(158,337)
Closing balance	8,826,018	8,575,955

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

36. SHORT TERM FINANCIAL LIABILITIES

	31 December 2022	In RSD thousand 31 December 2021
<i>Liabilities in foreign currency</i>		
Current portion of long-term loans – foreign that mature up to one year	29,841,686	29,957,052
Current portion of long-term loans – domestic in foreign currency with a maturity of up to one year	15,000,883	12,303,011
Part of liabilities based on leasing abroad that is due up to one year	592	-
	<u>44,843,161</u>	<u>42,260,063</u>
<i>Liabilities in RSD</i>		
Short-term domestic loans	1,671	-
Current portion of long-term loans – domestic in RSD that matures up to one year	6,989,997	12,089,997
Current portion of the reprogrammed obligations based on public revenues that are due up to one year	1,614	1,544
Current portion of other long-term loans that matures up to one year	-	-
Current portion of the obligations based on leasing	8,587	57,898
	<u>7,001,869</u>	<u>12,149,439</u>
Other short-term financial liabilities in foreign currency	3,016	3,016
Other short-term financial liabilities in RSD	27,218	9,854
	<u>51,875,264</u>	<u>54,422,372</u>

Obligations based on long-term loans abroad that mature up to one year in the amount of RSD 29,841,686 thousand (31 December 2021: 29,957,052 thousand dinars) refer to loans from international financial organizations in the amount of RSD 17,472,161 thousand, loans granted by state governments in the amount of 10,847,807 thousand dinars and loans granted by commercial banks in the amount of 1,521,718 thousand dinars.

Liabilities based on long-term loans in the country in foreign currency that mature up to one year in the amount of RSD 15,000,883 thousand consist of liabilities based on the Paris Club of Creditors in the amount of RSD 3,991,064 thousand and liabilities based on other refinanced loans in the amount of 193,371 thousand dinars, the amount of 10,816,261 thousand dinars refers to loans approved by domestic commercial banks, while the amount of 187 thousand dinars refers to other liabilities.

Liabilities based on long-term loans in the country in dinars that mature within one year in the amount of 6,989,997 thousand dinars refer to liquidity loans granted to the Parent Company by domestic commercial banks.

37. CUSTOMER PREPAYMENTS, DEPOSITS AND CAUTION MONEY

	31 December 2022	In RSD thousand 31 December 2021
Advances received:		
- in RSD	321,286	863,704
- in foreign currency	137	26,078
Deposits and sureties received	128,548	156,855
Advances received from households in dinars	973	1,000
	<u>450,944</u>	<u>1,047,637</u>

Received advances in dinars, stated with the balance as of 31 December 2022 in the amount of RSD 321,286 thousand (31 December 2021: 863,704 thousand dinars) the most significant part, in the amount of 244,734 thousand dinars (31 December 2021: 584,692 thousand dinars) refer to advances received from customers for electricity on commercial supply.

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

38. OPERATING LIABILITIES

	31 December 2022	In RSD thousand 31 December 2021
Suppliers - other related legal entities in the country	182,611	23,477
	<u>182,611</u>	<u>23,477</u>
Trade payables - domestic	36,965,557	22,719,505
AD "Elektromreza Srbije", Belgrade	1,754,210	2,304,873
"Elektrodistribucija Srbije" d.o.o., Belgrade	34,455,764	27,452,409
	<u>73,175,531</u>	<u>52,476,787</u>
Trade payables - foreign	18,522,777	18,201,995
Other trade payables:		
- expropriation liabilities	306,391	95,202
- liabilities for compensation for damages from operations	10,474	8,220
- other	2,534,453	1,996,334
	<u>2,851,318</u>	<u>2,099,756</u>
	<u>94,732,237</u>	<u>72,802,015</u>

Liabilities to the legal entity "Elektrodistribucija Srbije" d.o.o., Belgrade, stated with the balance as of 31 December 2022 in the amount of 34,455,764 thousand dinars (31 December 2021: 27,452,409 thousand dinars) relate to obligations towards "Elektrodistribucija Srbije" d.o.o., Belgrade based on the fee for access to the distribution system. As disclosed in note 10, the Decision on determining prices for access to the electricity distribution system ("Official Gazette of RS" No. 95/21) established a new, increased fee for access to the electricity distribution system, which is effective from 1 October 1 2021, and which is on average 10% higher compared to the previously valid price.

Liabilities to suppliers abroad include an amount of RSD 224,038 thousand (31 December 2021: 5,368,402 thousand dinars) based on the purchase of electricity from non-residents who have a license to perform wholesale supply activities due to the occurrence of circumstances related to the production of electricity, as stated in note 9, which was settled after balance sheet date. The remaining amount refers to the assumed obligations in connection with the renewal and revitalization of plants and equipment, which are financed from borrowed funds (Note 34).

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

39. OTHER CURRENT LIABILITIES

	31 December 2022	In RSD thousand 31 December 2021 <i>Adjusted</i>
Obligations from specific jobs	1,946,863	1,933,655
Other obligations towards employees	145,622	111,254
Liabilities for unpaid wages and salaries, net	1,290,539	1,363,232
Liabilities for taxes and contributions:		
- charged to employee	512,386	544,103
- charged to employer	331,357	425,254
Other liabilities for wages and salaries	29,994	59,289
Liabilities for interests and financing costs	111,755	67,242
Liabilities for dividends and profit share	3,032,107	3,032,107
Liabilities towards members of Executive and Supervisory board	1,090	1,127
Liabilities towards individuals	30,996	32,425
Other liabilities	63,908,550	533,968
Deferred value added tax	3,800,704	3,356,720
Obligations based on value added tax	1,906,092	2,239,970
Fees for the use of water and other public goods	638,011	836,126
Fees for energy efficiency	87,682	91,583
Fees for environmental protection	2,388,278	1,962,154
Other obligations based on other public revenues	375,749	293,489
Obligations based on excise duty	4,062,770	3,584,341
Obligations for other taxes, customs duties and other duties	111,431	74,427
	84,711,976	20,542,466

Obligations from specific jobs reported on 31 December 2022 in the amount of 1,946,863 thousand dinars (31 December 2021: 1,933,655 thousand dinars) refer to obligations based on the fee for the Public Media Service, which the Company as the electricity supplier is obliged to collect from the end customers for the account of the Public Media Service (Notes 6 and 28).

Obligations for dividends and profit sharing reported on December 31, 2022 in the amount of 3,032,107 thousand dinars (31 December 2021: 3,032,107 thousand dinars) refer to obligations towards the founder recognized in earlier years based on the decision of the Supervisory Board of the Company on the distribution of profit in favor of the founder, and in accordance with the Law on the Budget of the Republic of Serbia, and on obligations to employees and former employees in the name of participation in the profit determined according to the financial statements for the year ending on 31 December 2015., in accordance with the decision of the Supervisory Board of 6 December 2018.

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

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

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

40. SHORT-TERM ACCRUED EXPENSES

	31 December 2022	In RSD thousand 31 December 2021
Accrued expenses	1,128,247	724,598
Other accruals	927,233	748,663
	2,055,480	1,473,261

The calculated costs shown with the balance as of 31 December 2022 in the amount of 1,128,247 thousand dinars (31 December 2021: 724,598 thousand dinars) in the amount of 1,056,484 thousand dinars (31 December 2021: 655,947 thousand dinars) recognised according the calculation of interest on loans and credits for which no accounting document has been received.

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

41. OFF BALANCE SHEET ASSETS AND LIABILITIES

	31 December 2022	In RSD thousand 31 December 2021
Material for processing	79	16,169
Issued guarantees and other types of collateral for liabilities	205,116,264	197,016,267
Received guarantees and other types of collateral for receivables	56,176,172	52,941,336
Other off-balance sheet records	68,934	68,934
	261,361,449	250,042,706

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

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

	31 December 2022	In RSD thousand 31 December 2021
		<i>Adjusted</i>
Indebtedness a)	166,356,252	147,206,179
Cash and cash equivalents	14,145,781	13,469,299
Net indebtedness	152,210,471	133,736,880
Capital b)	524,808,854	601,519,825
Total debt to equity ratio	0.29	0.22

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

- 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 consolidated financial statements.

Financial instruments categories

	31 December 2022	In RSD thousand 31 December 2021
Financial assets		
Equity investments	313,817	318,779
Long-term financial investments and receivables	2,718,578	2,792,708
Trade receivables	63,991,772	8
Short-term loans and short-term financial investments	304,716	248,307
Other receivables	9,148,403	8,440,431
Cash and cash equivalents	14,145,781	13,469,299
	90,623,067	88,093,062
Financial liabilities		
Long-term borrowings	114,480,988	92,782,474
Other long-term liabilities	-	1,333
Trade payables	94,732,237	72,802,015
Other short-term liabilities	69,030,271	5,599,397
Current portion of long-term borrowings	51,843,359	54,409,502
Short-term financial liabilities	31,905	12,870
	330,118,760	225,607,591

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

Objectives of financial risk management

Financial risks include market risk (foreign exchange risk and interest risk), credit risk and liquidity risk.. Financial risks are reviewed on a timely basis and are primarily avoided by lowering the exposure of the Group to these risks. The Group 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 Group 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 Group's exposure to market risk, nor in the Company's approach to measure and manage aforementioned risk.

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Currency risk

The Group is exposed to currency risk primarily through cash and cash equivalents and trade payables which are denominated in foreign currency. The Group 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 Group's economic environment largely depends on government commerce measures, including establishing appropriate legal and regulatory framework.

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

	Assets		Liabilities	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
EUR	7,601,625	7,849,801	76,667,358	74,622,162
JPY	5,091	30,890	17,638,947	16,927,685
CHF	1	1	2,092,734	3,115,742
GBP	-	-	-	217
USD	2,803,674	9,606,072	74,751,284	53,829,126
XDR	432,410	600,666	433,365	601,993

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

	31 December 2022		31 December 2021	
	RSD	RSD weakening	RSD	RSD weakening
	strengthening		strengthening	
EUR	6,906,573	(6,906,573)	6,677,236	(6,677,236)
JPY	1,763,386	(1,763,386)	1,689,679	(1,689,679)
CHF	209,273	(209,273)	311,574	(311,574)
GBP	-	-	22	(22)
USD	7,194,761	(7,194,761)	4,422,305	(4,422,305)
XDR	96	(96)	133	(133)
The result				
current period	16,074,089	(16,074,089)	13,100,949	(13,100,949)

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

Interest rate risk

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

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk (continued)

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

	31 December 2022	In RSD thousand 31 December 2021
Financial assets		
<i>Interest-free:</i>		
- Equity-investments	313,817	318,779
- Long-term financial investment and long-term receivables	779,103	779,951
- Trade receivables	63,991,772	8
- Cash and cash equivalents	2,652,757	37,724
	<u>67,737,449</u>	<u>63,959,992</u>
<i>Fixed interest-rate:</i>		
- Long-term financial investments and long-term receivables	432,690	279,980
- Short-term loans and short-term financial investments	45,755	35,821
- Cash and cash equivalents	11,493,024	13,431,575
	<u>11,925,714</u>	<u>13,747,376</u>
<i>Variable interest-rate</i>		
- Long-term financial investments and long-term receivables	1,506,785	1,732,777
- Short-term loans and short-term financial investments	258,961	212,486
- Other receivables	9,148,403	8,440,431
	<u>10,914,149</u>	<u>10,385,694</u>
	<u>90,623,067</u>	<u>88,093,062</u>

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

	31 December 2022	In RSD thousand 31 December 2021
Financial liabilities		
<i>Interest-free:</i>		
- Trade payables	94,732,237	72,802,015
- Other liabilities	64,051,301	99,667
	<u>158,783,538</u>	<u>72,901,682</u>
<i>Fixed interest rate:</i>		
- Long-term borrowings	30,642,809	21,146,274
- Current portion of long-term borrowings	21,990,880	24,393,008
- Short-term financial liabilities	1,614	1,544
- Other long-term liabilities	-	1,228
	<u>52,635,303</u>	<u>45,542,054</u>
<i>Variable interest rate</i>		
- Long-term borrowings	83,838,179	71,636,200
- Other long-term liabilities	-	105
- Other liabilities	4,978,970	5,499,730
- Current portion of long-term borrowings	29,852,479	30,016,494
- Short-term financial liabilities	30,291	11,326
	<u>118,699,919</u>	<u>107,163,855</u>
	<u>330,118,760</u>	<u>225,607,591</u>

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk (continued)

Sensitive analysis presented is established based on exposure to changes in interest rates for non-derivative instruments at the balance sheet date. For liabilities with variable interest rate, analysis has been compiled under the assumption that the remaining amount of assets and liabilities on the balance sheet date remained the same during the business year. Increase or decrease of 1% represents, according to the Management, is an estimation of a realistically plausible change in interest rates. If the interest rates are 1% higher/lower, with all other variables unchanged, the Group would have sustained operating loss/realized profit for the year then ended 31 December 2022 in the amount of 1,007,848 thousand dinars (31 December 2021: 967,782 thousand dinars). This situation is attributed to Group's exposure to interest rate risk, which is based on variable interest rates that are calculated on short-term borrowings.

Credit risk

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

Trade receivables and contract assets

The Group's exposure to credit risk based on trade receivables and contractual assets as of December 31, 2022 and December 31, 2021 is presented in the following table:

	Gross exposure	Allowance	In RSD thousand Net exposure
Not due trade receivables	34,607,971	(537,813)	34,070,158
Overdue, impaired accounts receivable	98,254,844	(68,333,230)	29,921,614
31 December 2022	132,862,815	(68,871,043)	63,991,772
Not due trade receivables	31,626,646	(622,846)	31,003,800
Overdue, impaired accounts receivable	93,960,577	(62,140,839)	31,819,738
31 December 2021	125,587,223	(62,763,685)	62,823,538

In the structure of receivables from customers, receivables for electricity present a major part. As of 31 December 2022, the Group's exposure to credit risk based on receivables from customers for the sale of electricity amounts to 57,827,890 thousand dinars, which is about 88%:

	Gross exposure	Allowance	In RSD thousand Net exposure
Guaranteed supply	49,043,287	14,875,150	34,168,137
Commercial supply	37,936,518	14,716,113	23,220,405
Reserved supply	5,850,350	5,411,002	439,348
	92,830,155	35,002,265	57,827,890

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.

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

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

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

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

The following table provides information about exposure to the credit risk and expected credit losses for trade receivables for guaranteed, commercial and reserve supply customers as at 31 December 2022:

	Weighted- average loss rate	Gross exposure	In RSD thousand Credit loss
Guaranteed supply			
Not past due receivables	2.1%	15,451,454	324,667
Less than 30 days	5.9%	4,436,955	261,024
31-60	9.5%	2,396,346	228,552
61-90	13.1%	1,724,646	225,485
91-180	17.0%	2,885,951	491,303
181-270	34.6%	1,879,997	651,406
271+	62.6%	20,267,938	12,692,713
		49,043,287	14,875,150
Commercial supply			
Not past due receivables	1.1%	19,030,078	203,827
Less than 30 days	5.4%	3,185,398	172,179
31-60	57.7%	793,307	457,428
61-90	27.7%	168,211	46,616
91-180	42.9%	493,440	211,665
181-270	80.9%	1,180,931	955,378
271-360	68.9%	285,469	196,733
361+	97.4%	12,799,684	12,472,287
		37,936,518	14,716,113
Reserved supply			
Not past due receivables	7.4%	126,438	9,319
Less than 30 days	11.2%	68,123	7,662
31-60	95.4%	534,284	509,834
61-90	39.0%	17,073	6,666
91-180	80.6%	69,455	55,983
181-270	93.5%	977,866	914,516
271-360	87.2%	63,296	55,172
361+	96.4%	3,993,815	3,851,850
		5,850,350	5,411,002

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Movement table of impairment of the value of financial assets

Movement table of impairment of financial assets for 2022 and 2021 is presented in the following table:

	In RSD thousand						
	Long-term financial investments	Long-term receivables	Trade receivables	Receivables from specific operations	Other receivables	Short-term financial investments	Total
Balance at 1 January 2021	3,474,197	2,295,521	90,550,499	1,075,263	9,542,475	1,322,322	108,260,277
Allowances through Statement of profit and loss	379,630	-	4,634,925	66,666	809,356	16,018	5,906,595
Write-off of receivables and investments	(411)	(289)	(144,381)	(4,913)	(25,025)	(171,909)	(346,928)
Income regarding to adjustment of allowance (Note 19)	-	(2,926)	(6,599,417)	(26,816)	(680)	(139,954)	(6,769,793)
Foreign exchange differences	-	-	-	-	3,276	-	3,276
Collection of previously impaired receivables (Note 21)	-	-	(1,856)	-	-	-	(1,856)
Transfers	1	421,621	369,456	(2,106)	(764,730)	(24,242)	-
Posting a correction based on UPPR	-	(2,539)	2,539	-	-	-	-
Decrease based on valuation of securities	574	-	-	-	-	-	574
Transfer of property from JP EPS to "Elektrodistribucija Srbije" d.o.o.	(219,893)	(1,334,593)	(26,178,886)	-	(414,256)	(453,749)	(28,601,377)
Assignment of PPE to the Republic of Serbia in the capital of "Elektrodistribucija Srbije" d.o.o.	(1,197,594)	-	-	-	-	-	(1,197,594)
Other	95	185,666	130,806	-	(21)	1,871	318,417
Balance at 31 December 2021	2,436,599	1,562,461	62,763,685	1,108,094	9,150,395	550,357	77,571,591
Allowances through Statement of profit and loss	98,462	1,657	6,544,045	117,357	1,242,212	1,861	8,005,594
Write-off of receivables and investments	-	(770,228)	(37,622)	(1,406)	(422,907)	(41,798)	(1,273,961)
Income regarding to adjustment of allowance	(3)	(16,084)	(387,507)	(200)	(9,836)	-	(413,630)
Foreign exchange differences	-	-	1,228	-	-	-	1,228
Collection of previously impaired receivables	-	-	(3,318)	-	-	-	(3,318)
Transfers	(88,428)	(72,778)	-	-	-	161,206	-
Posting a correction based on UPPR	1,250,530	-	-	-	-	-	1,250,530
Decrease based on valuation of securities	617	-	-	-	-	-	617
Other	-	-	(9,468)	-	-	-	(9,468)
Balance at 31 December 2022	3,697,777	705,028	68,871,043	1,223,845	9,959,864	671,626	85,129,183

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Trade payables management

Trade payables as of 31 December 2022 were reported in the amount of 94,592,696 thousand dinars (31 December 2021: 72,802,015 thousand dinars). During 2022, the Group settled its obligations to suppliers in conditions of difficult liquidity.

Liquidity risk

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

As disclosed in note 46, events after the balance sheet date have a significant positive impact on the Group's operations during 2023.

An approved increase in the price of guaranteed electricity supply and the fact that on 1 June 2023 the Government of the RS agreed that the amount of 34,698,000 thousand dinars is approved to the Group as compensation for damages due to the implementation of RS Government measures to limit the selling price of electricity for covering the losses in the transmission or distribution system until the end of 2022, will have a positive impact on the group's operating income, operating result and cash flow in 2023.

In addition, the Group concluded or is in the process of negotiations to conclude new loans with international financial institutions. The loan concluded on 15 March 2023 with the European Bank for Reconstruction and Development (EBRD) in the amount of EUR 300 million was signed with the guarantee of the Republic of Serbia. Compliance with loan covenants, as well as conditions from loan agreements, are disclosed in note 34.

Liquidity risk and credit risk tables

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

Financial assets maturity

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

	In RSD thousand 31 December 2021					
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest-free	60,640,751	2,217,223	-	-	1,102,017	63,959,991
Fixed interest rate	13,431,575	35,821	182,140	-	97,840	13,747,376
Variable interest rate	7,835,949	-	212,486	2,337,260	-	10,385,695
	81,908,275	2,253,044	394,626	2,337,260	1,199,857	88,093,062

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial liabilities maturity

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

	In RSD thousand 31 December 2021					Total <i>Adjusted</i>
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Interest-free	50,290,520	20,367,178	2,243,984	-	-	72,901,682
Fixed interest rate	-	-	24,393,008	1,228	21,147,818	45,542,054
Variable interest rate	5,572,147	-	29,957,052	71,634,656	-	107,163,855
	55,862,667	20,367,178	56,594,044	71,635,884	21,147,818	225,607,591

In the following table are presented present values of financial assets and financial liabilities and their fair value as at 31 December 2022 and 31 December 2021:

	31 December 2022		31 December 2021	
	Net book value	Fair value	Net book value	Fair value
Financial assets				
Equity investments	313,817	313,817	318,779	318,779
Long-term financial assets and long-term receivables	2,718,578	2,718,578	2,792,708	2,792,708
Trade receivables	63,991,772	63,991,772	62,823,538	62,823,538
Short-term loans and short-term financial investments	304,716	304,716	248,307	248,307
Other receivables	9,148,403	9,148,403	8,440,431	8,440,431
Cash and cash equivalents	14,145,781	14,145,781	13,469,299	13,469,299
	90,623,067	90,623,067	88,093,062	88,093,062
Financial liabilities				
Long-term borrowings	114,480,988	114,480,988	92,782,474	92,782,474
Other long-term liabilities	-	-	1,333	1,333
Trade payables	94,732,237	94,732,237	72,802,015	72,802,015
Other short-term financial liabilities	69,030,271	69,030,271	5,599,397	5,599,397
Current portion of long-term loans	51,843,359	51,843,359	54,409,502	54,409,502
Short-term financial liabilities	31,905	31,905	12,870	12,870
	330,118,760	330,118,760	225,607,591	225,607,591

This version of the consolidated financial statement 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 the consolidated financial statements takes precedence over this translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Assumptions for estimation of fair value of financial instruments

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

43. CONTINGENCIES AND COMMITMENTS

Litigations

With the balance as of 31 December 2022, there are legal disputes against the Group, the value of which is RSD 3,430,451 thousand (31 December 2021: 3,676,931 thousand dinars). The final outcome of these lawsuits is uncertain. Based on the management's assessment, on 31 December 2022 the Group formed a provision for potential losses that may arise from the aforementioned disputes (note 33) in the total amount of RSD 2,975,045 thousand (31 December 2021: 2,880,549 thousand dinars). According to the remaining amount of court cases that are being conducted against the Group, for which no provision has been made for potential losses, the Group's management believes that no materially significant losses can arise for the Group.

Commitments based on contracted investments

For the purpose of acquiring property, plant and equipment, as at 31 December 2022 The Company has assumed a contractual obligation with the following suppliers in relation to production branches and the Company Management:

Supplier	Contractual amount	Realized as of 31.12.2022	Branch:
Konzorcijum Elnos BL Koessler GmbH & Co KG	973,113	648,730	Obnoviljivi izvori
WEIRTurkey Mineralleri LTD	474,504	335,506	TE KO Kostolac
Extra Auto Transport	375,185	81,493	TE KO Kostolac
EX ING B&P DOO Beograd	3,694,576	1,483,231	TE Nikola Tesla
Energotehnika-Južna Bačka DOO	3,693,051	2,030,796	TE Nikola Tesla
Mitsubishi Power LTD	15,952,491	6,569,882	TE Nikola Tesla
Hidro-Tan DOO Beograd	1,102,839	582,577	Obnoviljivi izvori
China Machinery Engineering Corporation (CMEC)	78,824,413	58,981,968	TE KO Kostolac
Power Machines PJSC	4,590,293	2,417,218	HE Djerdap
Nari Group Corporation	1,565,137	1,383,379	Obnoviljivi izvori
ESOTECH Družba za Ril	1,146,286	40,974	TE Nikola Tesla
ELEKTROMONTAŽA DOO Kraljevo	1,405,278	-	TE Nikola Tesla
Siemens Gamesa Renewable	13,919,482	-	TE KO Kostolac
Konzorcijum Mitsubishi Hitachi Power Systems Ltd., Itochu Corporation, Mitsubishi Hitachi Power Systems Europe GmbH i Jedinstvo AD Sevojno	25,000,927	20,994,714	TE Nikola Tesla
Toshiba International Europe LTD	3,062,115	-	Drinsko-limske HE
	155,779,690	95,550,468	

The total amount of commitments based on contractual investments in real estate, plant and equipment as at 31 December 2021 amounted to RSD 80,759,834 thousand.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

43. CONTINGENCIES AND COMMITMENTS (continued)

Contingent liabilities under agreements with local governments (continued)

Based on the financing of infrastructure projects, the Parent Company has potential obligations towards local self-governments, and according to the agreements which, most often, regulate the issue of regulating watercourses and infrastructure corridors, regulating areas of mining and related activities, protecting water sources, moving settlements and relocating facilities, building or adapting educational, cultural, health, religious, sports, infrastructural facilities, wastewater treatment plants, water and other facilities, including maintenance of water levels in rivers belonging to the Black Sea basin, removal of harmful effects of sedimentation, etc. with the participation of local self-governments, namely in the part of co-financing or providing conditions for construction in accordance with the regulations governing planning and construction, expropriation of real estate in places of local self-government, etc.

However, there are significant uncertainties regarding the probability of future events that are not fully under the control of the Parent Company, such as: hydrometeorological conditions, water level, fulfillment of obligations assumed by local self-governments - signatories to the agreement, as well as the consent of the owners of the same facilities. In some of the agreements (program bases and the like), the estimated value of the Parent Company's required funds for financing the total commitments was not established, and according to some agreements from earlier years, even though the value was projected, it was not realized, at least not in the scope originally determined, given that no events occurred that would lead to an outflow of economic benefits. The execution of the agreement with local self-governments will be confirmed only by the fulfillment of the obligations of local self-governments or by the occurrence or non-occurrence of one or more uncertain future events, over which the Parent Company has no influence and for which the amount and probability of occurrence cannot be reliably determined.

For each realization of the matter in question, business liabilities were recognized, as disclosed in the following table:

No.	Agreement name	In RSD thousand Total recorded under agreements until 31.12.2022
1.	Program basis for relocation of Vreoci settlement	2,455,822
2.	Agreement on the implementation of the resettlement program for parts of the settlements of Baroševac and Zeoke	1,488,052
3.	Agreement regulating mutual relations related to relocation of facilities with public functions from the area of KO Mali Borak and KO Skobalj	468,041
4.	Agreement on financing the relocation of cultural monuments located in the zone of influence of mining work	36,120
5.	Agreement on the regulation of mutual relations on the occasion of the opening of the surface mine "Radljevo" - Phase I (part relating to the first phase 6,242,448,002 RSD)	2,641,499
6.	Agreement on the regulation of mutual relations on the financing of repair and improvement of infrastructure facilities on the territory of the City of Požarevac	360,533
7.	Real Estate Expropriation of Relocation of Settlements and Development of the Zone of the Main Facility in Relation to the Construction of HEPS Đerdap 2	402,172

Liabilities against Deposit Insurance Agency

The Group has not reconciled its liabilities with the Deposit Insurance Agency, 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 refers to liabilities to creditors of the London Club and for basic debt in the amount of USD 42,148,080.27 and interest in the amount of USD 45,019,418.89, which is equivalent on the balance sheet date to the amount of 9,601,631 thousand dinars.

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

As stated in Note 34, the Group, in accordance with the provisions of the Law on Regulation of Relations between the Republic of Serbia and Banks in Bankruptcy on the Basis of Taking Foreign Loans, ie Loans ("Official Gazette of RS" No. 45/05), in the case when The Republic of Serbia undertook these obligations under the Law on the Regulation of Relations between the Federal Republic of Yugoslavia and Legal Entities and Banks from the Territory of the Federal Republic of Yugoslavia which are the original debtors or guarantors to the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

43. CONTINGENCIES AND COMMITMENTS (continued)

creditors of the Paris and London Club (Official Gazette of the FRY, Nos. 36/02 and 7 / 03), concluded agreements with the Agency by which it regulated its obligations towards the Republic of Serbia, and in legal transactions in which the ultimate debtor.

44. RECONCILIATION OF RECEIVABLES AND LIABILITIES

In accordance with Article 22 of the Law on Accounting, the Group reconciled claims and liabilities with debtors and creditors. Reconciliation of claims and liabilities was carried out with the balance as of September 30 2022. The number of non-compliant placements and claims is 6,789 in the amount of RSD 11,004,528, which is 3% of the total number of claims and 9% of the total value of recognised placements and claims as of September 30 September 2022. The number of non-compliant liabilities is 7,333 in the amount of 3,694,189 thousand dinars, which represents 10% of the total amount of liabilities and 5% of the total value of recognized liabilities as of September 30, 2022.

45. TAX RISKS

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

46. EVENTS AFTER BALANCE SHEET DATE

Price of electricity for guaranteed supply

At the meeting held on 28 November 2022, the Council of the Energy Agency approved the Decision on the Price of Guaranteed Electricity Supply. The average price of electricity for customers entitled to a guaranteed supply at regulated prices (households and small customers), which is determined based on the maximum approved income and the estimated amount of electricity for sale to customers entitled to a guaranteed supply, amounts to 8,797 din/kWh, exclusive of taxes and fees (or 12.401 din/kWh, inclusive of excise duty, fees and taxes), and is 8% higher than the current average price. This price of guaranteed electricity supply is applicable as of 1 January 2023.

Furthermore, on 28 March 2023, the Council of the Energy Agency approved the Decision on the Regulated Price of Guaranteed Electricity Supply, No 12.01-244136/2-2023 dated 17 March 17 2023. The Pricing Decision specifies the new average price of electricity (inclusive of the cost of accessing the distribution system) amounting to RSD 9.501 /kWh, which represents an average price increase of 8% compared to the previously established average price. The price per kWh, inclusive of fees, excise duty and tax amounts to RSD 13.309, and is applicable as of 1 May 2023.

Loans concluded with international financial institutions

In accordance with the Supervisory Board Decision dated 29 November 2022, on 24 January 2023, KfW Bank approved the extension of the term of the Loan for Financing the Project Rehabilitation of HPP Zvornik from 30 December 2022 to 30 June 2023.

On March 15, 2023, a Loan Agreement of EUR 300 million was signed with the European Bank for Reconstruction and Development (EBRD) with the guarantee of the Republic of Serbia. The loan facility envisages the drawdown of two tranches upon satisfying the conditions referred to in the Loan Agreement, part of which is in the competence of the Parent Company, and part in the competence of the Republic of Serbia.

Negotiations with KfW Bank on a Liquidity Facility Agreement of EUR 100 million have started. The basis for negotiation are the same as with the EBRD as it involves parallel financing.

Change of legal form

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

46. EVENTS AFTER BALANCE SHEET DATE (continued)

Change of legal form (continued)

Pursuant to the aforementioned decision, the total share capital of the Parent Company is converted into 36,510,509 ordinary shares with the right to vote, with a nominal value of 10,000 dinars each, so that the Republic of Serbia acquires all 100 percent of the shares of the joint-stock company with a total value of 365,105,090 thousand dinars.

Furthermore, on April 6, 2023, the Government passed Decision No. 023-3090/2023 on amendments and additions to the Parent Company's founding document and the Statute of the Joint Stock Company "Elektroprivreda Srbije". Among other things, the Decision states that ordinary shares are issued, transferred and recorded in the form of an electronic record in the information system of the Central Registry, Depository and Securities Clearing and will bear the ISIN number and CFI code that will be assigned to them by the Central Registry, Depository and securities clearing. In accordance with the mentioned decision, the Parent Company undertook to harmonize other general acts within 9 months from the date of the decision.

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

It was further specified that the management of the Parent Company is organized as bicameral, and the Company's bodies are:

- Assembly - By the Decision of the Government of the Republic of Serbia 24 number 119-3415/2023 of April 25, 2023, the Founder appointed an authorized representative in the Assembly of the Joint Stock Company "Elektroprivreda Srbije". The authorized representative of the Founder was appointed for a period of four years;
- Supervisory board - members of the supervisory board are appointed by the Assembly for a period of up to four years. The Supervisory Board was appointed by the Decision of the Assembly of June 8, 2023; and
- Executive Board - The Executive Board has seven executive directors, one of whom is the General Director and they are appointed by the Supervisory Board for a period of up to four years. The acting director of the Parent Company continues to perform the function of acting General Director of the joint stock company, that is, the executive directors of the Parent Company continue to perform the function of executive directors within the Executive Board.

In accordance with the above-mentioned decision, the Parent company undertook to harmonize other general acts within 9 months from the date of the decision.

Based on the decision of the Agency for Business Registers No BD 36389/2023 dated 13 April 2023, the registration of the change of Parent Company's legal form as well as the change of the Parent Company's business name to Akcionarsko društvo "Elektroprivreda Srbije" Beograd was carried out. The Company as a Joint Stock Company takes over the assets, rights, obligations and employees of the Public Company on the same date.

Moravske HE

As disclosed in notes 1 and 25, on April 7, 2023, the Parent Company became the majority and sole owner of the capital of the company "Moravske hidroelektrane" d.o.o.

Damage compensation - other operating revenue in 2023

On 24 May 2023, the Company submitted a Request to the Ministry of Mining and Energy of the Republic of Serbia for compensation for damages caused by limiting the price of electricity supplied by the Parent Company to companies EMS a.d. and EDS d.o.o. in the period from October 2021 to December 2022, based on the Decision of the Government of the Republic of Serbia No. 312-11315/2022 dated 29 December 2022. On the basis of the aforementioned Request, the Government issued Decision No. 312-4780/2023-1 dated June 1, 2023, in which it agreed that the amount of 34,698,000 thousand dinars be recorded to the Parent Company as compensation due to the implementation of measures to limit the selling price of electricity by losses in the transmission or distribution system are compensated until the end of 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

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:

	31. December 2022.	In RSD 31. December 2021.
EUR	117.3224	117.5821
USD	110.1515	103.9262
CHF	119.2543	113.6388
JPY	<u>0.830954</u>	<u>0.902603</u>