

**PUBLIC ENTERPRISE ELEKTROPRIVREDA SERBIA,
BELGRADE**

Notes to the financial statements December 31, 2022

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INCOME STATEMENT**For the Year Ended 31 December 2022****In RSD thousands**

	Note	2022.	2021. <i>Corrected</i>
Operating income			
Income from sales of goods and services	5	353,221,498	305,131,362
Income from activation of goods and effects	6	1,084,593	1,174,440
Increase in the value of inventories of unfinished and finished goods		864,723	-
Decrease in the value of inventories of unfinished and finished goods		-	(781,917)
Other operating income	7	3,004,100	3,534,097
Income from property value adjustments (except financial)	8	196,008	10,421,155
		358,370,922	319,479,137
Expenses from operating activities			
Cost of goods sold		-	(217)
Cost of material, fuel, and energy	9	(290,545,234)	(188,308,847)
Wages and salaries and other personal expenses	10	(46,199,057)	(48,351,439)
Depreciation expense	11	(35,861,848)	(35,190,027)
Expenses from adjustment of property value (except financial)	12	(2,091,964)	(11,004,657)
Cost of production services	13	(25,359,981)	(23,287,982)
Cost of provisioning	14	(2,058,039)	(2,578,108)
Other expenses	15	(17,766,938)	(21,777,816)
		(419,883,061)	(330,499,093)
Operating profit/(loss)		(61,512,139)	(11,019,956)
Financial income			
Financial income from parent company, subsidiaries and other related parties	16	1,026,408	844,866
Interest income	16	4,112,335	3,257,122
Foreign exchange gains and gains on currency clause effect (third parties)	16	3,036,835	581,679
Other financial income	16	30,649	35,225
		8,206,227	4,718,892
Financial expenses			
Financial expenses from parent company, subsidiaries and other related parties	17	(2,023)	(255)
Interest expenses	17	(3,922,005)	(1,648,806)
Foreign exchange losses and losses on currency clause effect (third parties)	17	(4,362,927)	(4,457,007)
Other financial expenses	17	(193,893)	(284,674)
		(8,480,848)	(6,390,742)
Gain/(loss) on financing activities		(274,621)	(1,671,850)
Income from adjustments of other assets carried at fair value through profit and loss	18	611,772	6,779,451
Expenses from adjustments of other assets carried at fair value through profit and loss	19	(8,075,272)	(5,918,899)
Other income	20	2,148,015	5,973,859
Other expenses	21	(7,687,442)	(9,488,348)
		(13,002,927)	(2,653,937)
Total income		369,336,936	336,951,339
Total expenses		(444,126,623)	(352,297,082)
Profit/(loss) before tax		(74,789,687)	(15,345,743)

(continued)

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INCOME STATEMENT
For the Year Ended 31 December 2022
In RSD thousands

	<u>Note</u>	<u>2022.</u>	<u>2021.</u>
Profit/(loss) before tax		<u>(74,789,687)</u>	<u>(15,345,743)</u>
Income tax			
Tax expense for period			
Deferred tax expense for period	22	-	(2,603,693)
Deferred tax income for period	22	<u>2,173,829</u>	<u>2,919,429</u>
Net profit/(loss)		<u>(72,615,858)</u>	<u>(15,030,007)</u>

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

On behalf of the Company:

Dušan Živković
Acting general manager

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

	Note	2022.	2021.
Net operating profit			
Net profit/(loss)		(72,615,858)	(15,030,007)
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	31	-	36,880,400
Actuarial gains (losses) on defined benefit plans	31	852,203	(434,382)
		852,203	36,446,018
b) Items that will be reclassified to profit or loss in future periods			
Gains/(losses) on securities measured at fair value through other comprehensive income	31	(4,954)	1,501
		(4,954)	1,501
Other gross comprehensive income/(loss)		847,249	36,447,519
Deferred tax income/(expense) on other comprehensive period's gain or loss	22	-	5,532,060
Net other comprehensive income/(loss)		847,249	30,915,459
Total other comprehensive income/ (loss)		(71,768,609)	15,885,452

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BALANCE SHEET
As at 31 December 2022
In RSD thousand

	Note	31. December 2022.	31. December 2021. <i>Corrected</i>	1. January 2021. <i>Corrected</i>
ASSETS				
Non-current assets				
Intangible assets				
Concessions, patents, licenses, similar rights, software and other intangible assets	23	6,692,198	8,226,975	8,468,268
Intangible assets in development	23	195,831	2,062,590	6,232,531
		6,888,029	10,289,565	14,700,799
Property, plant and equipment				
Land and buildings	23	324,812,979	321,854,745	324,209,269
Machinery and equipment	23	357,640,029	369,736,395	340,658,615
Investment property	23	340,440	352,074	402,616
Property, plant and equipment in progress	23	143,097,494	106,163,702	87,491,746
Other property, plant and equipment and investments in other's property, plants and equipment	23	79,210	106,978	118,473
Advance payments for property, plant and equipment - domestic		7,526,085	6,104,480	6,145,968
Advance payments for property, plant and equipment-foreign	23	5,743,427	11,730,726	14,254,524
		839,239,664	816,049,100	773,281,211
Biological assets				
	23	539,560	502,441	489,076
		539,560	502,441	489,076
Long-term financial investments				
Equity investments (except participation in equity valued using the equity method)	24	4,506,288	3,916,984	2,760,618
Equity investments that are valued using the equity method	24	27,984	27,984	406,462
Long-term financial investments in parent, subsidiaries and other related parties and long term receivables from these parties	24	-	-	-
Long term investments – domestic	24	2,136,924	2,350,992	2,490,896
Other long-term financial investments	24	581,654	441,716	1,303,067
		7,252,850	6,737,676	6,961,043
Current assets				
Inventory				
Material, spare parts, tools and inventory	25	29,878,704	26,320,122	26,879,453
Work in progress and ongoing services	25	3,119,370	2,254,648	3,036,564
Merchandise	25	1,277	1,519	2,281
Advances paid for inventories and services - domestic	25	3,325,822	1,822,632	4,574,694
Advances paid for inventories and services - foreign	25	1,847,195	1,969,737	219,761
		38,172,368	32,368,658	34,712,753
Fixed assets held for sale and cessation of business				
		-	163,509	-
		-	163,509	-
Trade receivables				
Trade receivables – domestic	26	63,777,491	62,622,573	56,573,034
Trade receivables – foreign	26	7,837	73,667	262,503
Trade receivables –parent, subsidiaries and other related parties - domestic	26	2,213	3,287	5,121
Trade receivables– parent, subsidiaries and other related parties – foreign	26	1,002,716	-	-
Other trade receivables	26	199,224	105,453	285,073
		64,989,481	62,804,980	57,125,731
Other short-term receivables				
Other receivables	27	13,998,020	13,458,669	9,298,869
Claims for overpaid income tax	27	2,387,396	3,749,429	-
Claims based on overpaid taxes and contribution	27	1,148,066	162,678	51,130
		17,533,482	17,370,776	9,349,999

(continued)

BALANCE SHEET (continued)
As at 31 December 2022
In RSD thousand

	Note	31 December 2022	31 December 2021	1 January 2021
			<i>Corrected</i>	<i>Corrected</i>
Short-term financial investments				
Short-term loans and borrowings - domestic	28	258,961	212,486	205,513
Other short term financial investments	28	29,554	19,205	707
		288,515	231,691	206,220
Cash and cash equivalents	29	10,167,518	12,370,822	19,610,430
Prepaid expenses and other accruals	30	2,435,992	2,933,376	2,649,593
TOTAL ASSETS		987,507,459	961,822,594	919,086,855
Off-balance sheet assets	40	261,057,819	249,614,916	231,090,249
Liability				
Equity				
Basic capital	31	360,895,339	360,532,532	360,003,089
Positive revaluation reserves and unrealized gains on the basis of financial assets and other components of the rest comprehensive result	31	444,549,155	446,486,339	422,753,697
Unrealised gain/(loss) from securities and other comprehensive income items	31	(2,986,405)	(2,981,445)	(2,945,810)
Retained earnings				
Previous years' retained earnings	31	22,594,615	22,594,615	10,743,000
Current year retained earnings	31	-	-	11,851,615
Loss				
Previous years' loss	31	(228,381,541)	(211,022,505)	(203,123,473)
Current year loss	31	(72,615,858)	(14,948,733)	-
		524,055,305	600,660,803	599,282,118
Long-term provisions and liabilities				
Long-term provisions				
Provisions for fees and other benefits employees	32	12,396,184	14,877,228	17,223,616
Other long-term provisions	32	24,526,760	22,957,637	23,476,246
		36,922,944	37,834,865	40,699,862
Long-term liabilities				
Liabilities convertible into equity	33	80,500	80,500	80,500
Long term loans and borrowings – domestic	33	30,654,659	21,168,304	22,855,410
Long term loans and borrowings – foreign	33	83,745,130	71,533,476	84,676,818
Other long-term liabilities	33	-	14	14
		114,480,289	92,782,294	107,612,742
Long-term passive accruals		-	-	-
Deferred tax liabilities	22	66,157,129	68,330,958	65,718,331
Long-term deferred income and received donations	34	8,823,866	8,573,770	8,679,277
Short term provisions and short-term financial liabilities				
Short-term financial liabilities				
Loans and borrowings from borrowers that are not domestic banks	35	8,878	57,875	28,076
Loans from domestic banks	35	22,021,114	24,402,808	9,100,855
Loans, borrowings and liabilities from abroad	35	29,841,686	29,957,052	9,259,637
		51,871,678	54,417,735	18,388,568
Customer prepayments, deposits and caution money	36	437,378	1,033,325	921,752

(continued)

BALANCE SHEET (continued)
As at 31 December 2022
In RSD thousand

	Note	31 December 2022	31 December 2021	1 January 2021
			<i>Corrected</i>	<i>Corrected</i>
Trade payables				
Trade payables - parent, subsidiaries, and other related parties – domestic	37	294,146	90,510	141,573
Trade payables - parent, subsidiaries and other related parties abroad	37	-	-	-
Trade payables - domestic	37	72,991,832	52,348,394	40,739,568
Trade payables – abroad	37	18,455,400	18,156,667	5,263,600
Other trade payables	37	2,851,318	2,099,756	1,997,640
		94,592,696	72,695,327	48,142,381
Other short-term liabilities				
Other short-term liabilities	38	71,238,863	7,989,834	11,766,282
Value added tax liabilities	38	16,871,933	16,030,465	13,068,977
Corporate income tax liabilities	38	-	-	3,195,792
		88,110,796	24,020,299	28,031,051
Short term accruals	39	2,055,378	1,473,218	1,610,773
Total liabilities		987,507,459	961,822,594	919,086,855
Off-balance sheet liabilities	40	261,057,819	249,614,916	231,090,249

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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 equity	Other basic equity	Loss	Retained earnings	Revaluation reserves and unrealized losses and gains	
Opening balance as at 1 January 2021	359,931,642	71,447	202,885,039	22,594,615	419,807,887	599,520,552
Effects of retroactive correction materially errors and changes in accounting policies	-	-	238,434	-	-	(238,434)
Restated opening balance as at 1 January 2021.	359,931,642	71,447	203,123,473	22,594,615	419,807,887	599,282,118
Net movements/changes/amendments? in 2021	529,443	-	22,847,765	-	23,697,007	1,378,685
Closing balance as at 31 December 2021	360,461,085	71,447	225,971,238	22,594,615	443,504,894	600,660,803
Effects of retroactive correction materially errors and changes in accounting policies	-	-	-	-	-	-
Restated opening balance as at 1 January 2022	360,461,085	71,447	225,971,238	22,594,615	443,504,894	600,660,803
Net movements in 2022	362,807	-	75,026,161	-	(1,942,144)	(76,605,498)
Closing balance as at 2022	360,823,892	71,447	300,997,399	22,594,615	441,562,750	524,055,305

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NOTES TO FINANCIAL STATEMENTS

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	290,802,677	277,101,935
Sales and advances received-domestic	285,070,973	268,700,956
Sales and advances received-foreign	2,657,085	4,701,273
Interests from operating activities	1,172,947	2,220,531
Other proceeds from operating activities	1,901,672	1,479,175
Cash outflows from operating activities	291,695,134	237,772,583
Payments and prepayments to suppliers- domestic	85,713,681	92,491,966
Payments and prepayments to suppliers- foreign	99,848,244	27,067,141
Salaries, fringe benefits and other personal expenses	47,775,372	50,809,846
Interest paid- domestic	2,140,296	2,003,077
Interest paid-foreign	1,244,785	425,339
Corporate income tax	4,332,878	9,548,915
Other cash outflows from operating activities	50,639,878	55,426,299
Net cash inflow /(outflow) from operating activities	(892,457)	39,329,352
Cash flow from investing activities		
Cash inflows from investing activities	369,115	1,380,553
Sale of shares and stakes	-	-
Sale of intangible assets, property, plant, equipment and biological assets	24,584	12,832
Other financial investments (net inflows)	136,772	975,152
Interests received from investing activities	207,759	392,569
Cash outflows from investing activities	58,153,221	51,005,628
Purchase of shares and stakes (net outflows)	594,266	1,192,596
Purchase of intangible assets, property, plant, equipment and biological assets	57,205,123	49,813,032
Other financial outflows, net	353,832	-
Cash inflow/(outflow) from investing activities, Net	(57,784,106)	(49,625,075)
Cash flow from financing activities		
Cash inflow from financing activities	97,649,291	24,731,463
Increase of basic capital	-	-
Long-term loans- domestic	36,183,512	22,171,878
Long-term loans- foreign	1,575,627	2,559,585
Short-term loans- domestic	-	-
Short-term loans- foreign	-	-
Other long-term liabilities	-	-
Other short-term liabilities	59,890,152	-
Cash outflow from financing activities	41,049,623	21,674,777
Purchase of own shares and stakes	-	-
Long term loans – domestic	29,372,332	9,384,525
Long term loans – foreign	11,560,344	9,100,994
Short term loans – domestic	-	-
Short term loans – foreign	-	-
Other liabilities	52,229	58,440
Financial leasing	64,663	130,783
Dividends paid	55	3,000,035
Net cash inflow/(outflow) from financing activities	56,599,668	3,056,686
Total cash inflow	388,821,083	303,213,951
Total cash outflow	390,897,978	310,452,988
Net cash inflow/(outflow)	(2,076,895)	(7,239,037)
Cash at the beginning of the reporting period	12,370,822	19,610,430
Positive exchange rate difference based on cash translation	852	1,175
Negative exchange rate difference based on cash translation	(127,261)	(1,746)
Cash at the end of reporting period	10,167,518	12,370,822

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NOTES TO FINANCIAL STATEMENTS
31 December 2022

1. GENERAL INFORMATION AND BUSINESS ACTIVITY

The Public Enterprise "Elektroprivreda Srbije", Belgrade, Balkanska 13, was established by the Decision of the Government of the Republic of Serbia on the establishment of a public company for the production, distribution and trade of electricity 05 number 023-396/2005-1 (RS Official Gazette, number 12/2005). With the decision on the harmonization of the operations of the Public Enterprise for the production, distribution and trade of electricity with the Law on Public Enterprises ("Official Gazette of the RS", number 50/13), the operation of the Public Enterprise "Elektroprivreda Srbije" Belgrade was carried out with the Law on Public Enterprises ("Official Gazette of the RS", No. 119/12), i.e. the Decision on Harmonization of the Business of the Public Enterprise "Elektroprivreda Srbije", Belgrade with the Law on Public Enterprises ("Official Gazette of the RS" No. 105/16, 31/18), the business was harmonized of the Public Enterprise "Elektroprivreda Srbije", Belgrade with the Law on Public Enterprises ("Official Gazette of RS", number 15/16).

The registered basic capital of the Public Enterprise "Elektroprivreda Srbije" is the monetary value of the registered stake of the founder - the Government of the Republic of Serbia, which consists of movable and immovable things, money, securities, property rights and other assets that the Public Enterprise for the production, transmission and distribution of electricity operates in. energy and coal production "Elektroprivreda of Serbia", established by the Law on Electricity ("Official Gazette of the RS", no. 45/91, 53/93, 67/93, 48/94, 69/94 and 44/95) and the funds that make stake of JP "Elektroprivreda Srbije" in public and other forms of enterprises that it founded (hereinafter: subsidiaries) in accordance with the Decision on the Establishment of a Public Enterprise for the Production, Distribution and Trade of Electricity ("Official Gazette of the RS", No. 12 /05 and 54/10). Part of the same items was entered by the Public Enterprise "Elektroprivreda Srbije" as a stake in the subsidiary companies for the performance of activities in accordance with the regulations governing the legal position of companies with the prior consent of the Founder. In the course of 2021, the Founder contributed additional non-monetary capital in the amount of 529,442 thousand RSD to the capital of the Public Enterprise "Elektroprivreda Srbije", Belgrade and "Elektrodistribucija Srbije", d.o.o. Belgrade, which change was registered in the APR Registry by decision BD 99520/2021 of December 7, 2021.

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

Part of the above-mentioned activities was carried out by implementing status changes:

- on July 1, 2015 - the merger of subsidiary companies for energy production and coal production to the Company,
- on January 4, 2016 - the separation of part of the assets of the company ODS "EPS" was carried out Distribution" with the merger to the Company and
- on June 1, 2016 - the merger of the company "EPS Snabdevanje" to the Company was carried out.

Then, in the period preceding January 1, 2021, the Public Enterprise "Elektroprivreda Srbije" was also the sole founder of the Distribution System Operator "EPS Distribucija" d.o.o. Belgrade, Masarikova 1-3, registered for the activity of electricity distribution and distribution system management. Namely, by Government 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. was adopted. Belgrade, based on which JP "Elektroprivreda Srbije":

- introduced a new non-monetary contribution, namely real estate and equipment owned by JP EPS, as well as intangible assets, participation in the capital of other legal entities and claims in the total value of 18,264,193,294.00 RSD, thereby increasing the basic capital of the Distribution System Operator "EPS Distribution", d.o.o. Belgrade, which change in registration of non-monetary deposit was registered in the Register of Business Entities APR on December 23, 2020,
- 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 December 29, 2020 (certified on the same day by a notary public), based on the Decision of the Supervisory Board, which change was registered in the Register of Business Entities APR on December 31, 2020. The provisions of Article 7 of the Transfer Agreement stipulate that the Agreement produces legal effect between the contracting parties on the date of certification by the competent authority, and on third parties on the date of entry of the changes in the register of economic entities, whereby the Public Company "Elektroprivreda Srbije" lost the power of control, i.e. the right to gives him the ongoing ability to direct the relevant activities of the Distribution System Operator "EPS Distribucije" d.o.o. Belgrade.

NOTES TO 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 business name of the company was changed to "Elektrodistribucija Srbije" d.o.o. Belgrade and change was registered in the Register of Business Entities APR on January 29, 2021
- and for the non-cash capital in the value of 18,264,193 thousand dinars, it was arranged that the registered non-cash contribution will be charged no later than five years from the date of registration decisions on increasing the basic capital.

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

On 9 December 2022, the 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, the Government of the Republic of Serbia adopted Decision No. 023-1457/2023 on April 6, 2023 on changing the legal form of the Company from a public enterprise to a 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 aforementioned change was registered in the Agency for Business Registers of the Republic of Serbia on April 13, 2023, by Decision of the Agency for Business Registers No. BD 36389/2023. The founder and sole shareholder of the Company is the Republic of Serbia.

Pursuant to the provisions of Article 22 of the Law on the Registration Procedure at the Agency for Business Registers ("Official Gazette of the RS", no. 99/2011, 83/2014, 31/2019 and 105/2021), the change of legal form and business name have a legal effect according to third parties for the future, i.e. the day after the Decision of the Agency for Economic Registers.

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 Public Enterprise "Elektroprivreda Srbije":

1. acquired a 71.90% stake in the legal entity "Kolubara - Građevinar" d.o.o. Lazarevac, Janka Stajčića 1, on the basis of the conversion of claims of the Public Company into the share capital in accordance with the pre-prepared reorganization plan of "Kolubara - Građevinar" d.o.o. Lazarevac on December 14, 2017,
2. acquired a 51% share in the company "Hidroelektroenergetski sistem Gornja Drina" doo Foča, Nemanjina no. 19, Republika Srpska by joining a member and increasing the Company's capital, namely on November 19, 2020, by registering in the Register of Business Entities of the District Commercial Court in Trebinje.

The Company is the founder of three public companies from the territory of Kosovo and Metohija, namely: Public company for the production of thermoelectric energy 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 since June 1999 he has had no administrative and management control. Acts on the establishment of public companies for the performance of energy activities with headquarters in the territory of the Autonomous Province of Kosovo and Metohija, the Public Company "Electricity of Serbia" shall comply with the law, decisions and regulations governing the conditions and manner of performance of energy activities within three months from the day when acquire conditions for harmonizing their organization, work and business with those regulations.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

1. GENERAL INFORMATION AND BUSINESS ACTIVITY (continued)

In addition to the above, the 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% in the value of EUR 255,095. The goal of the establishment of the company is the construction of a system of hydroelectric power plants on the Velika Morava River, which consists of at least 5 (five) hydroelectric power plants with a total power of about 150 (one hundred and fifty) MW. On December 29, 2022, the members of the company "Moravske hidroelektrane" d.o.o., Belgrade RWE Generation Hydro GmbH and JP EPS concluded the 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, which change was registered by the Decision of the Agency for Securities Registers No. BD 32972/2023 dated April 7, 2023 (notes 25 and 46).

The Company had a significant share capital in the company „Ibarske hidroelektrane“ d.o.o., Kraljevo. As disclosed in Note 24, 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 area of energy in domestic legislation was harmonized with the provisions of the Third Energy Legislative Package of the European Union, which continued the process of introducing competition into the electricity sector in Serbia, in order to increase the efficiency of the sector through the effect of market mechanisms in production and electricity supply, while maintaining the economic regulation of electricity transmission and distribution activities as natural monopolies. Energy activities are also performed by other economic entities (legal entities or entrepreneurs) under the condition of obtaining the appropriate license from the Energy Agency of the Republic of Serbia.

The performance of the activities of the Public Enterprise is 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 material 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 commercial and guaranteed supply of electricity in its branches, which are registered in the Agency for Business Registers:

- 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 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. 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.

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

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-Л-I	26.01.2017.	10 years
Combined production of electricity and heat energy	312-120/2016-Л-I	10.02.2017.	30 years
Production of electricity	312-119/2016-Л-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-Л-I	27.12.2021.	10 years

The abbreviated business name of the Company is: JP EPS, Belgrade.

As of December 31 2022. the Company had 19.631 employees (December 31, 2021: 20.235 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 Acts of the Founders adopting the Reorganization Program of the Public Enterprise "Elektroprivreda Srbije", among other things, also defined the procedure for establishing property rights on production facilities, i.e. other immovable properties on which the Company's property rights can be established. In the period after the acceptance of the Reorganization Program of the Public Enterprise "Elektroprivreda Srbije", the Founder gave his consent that the Company, as the registered holder of the right of use on buildings and special parts of buildings (office buildings, auxiliary buildings, warehouses, garages and others, facilities for the production of electricity and facilities in the function of facilities for the production of electricity) and the land on which they were built, can be registered as the owner in the real estate cadastre 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 material regulations regulating real rights on real estate. It is expected that acts will be adopted on the establishment of the appropriate right of the company on immovable properties on which the right of ownership cannot be established in accordance with the Law on Public Property, and which are necessary for the performance of the Company's energy and mining activities.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

2.1. Basis of preparation and presentation of financial statements

The Company's financial statements include the balance sheet as of December 2022, the income statement, the statement of other income, the statement of changes in equity and the statement of cash flows for the year then ended, as well as an overview of significant accounting policies and notes to financial statements.

The Company's financial statements for the period from January 1, 2022 to December 31, 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 Content and the form of financial report forms and the content and form of the statistical report form for economic companies, cooperatives and entrepreneurs ("Official Gazette of RS" No. 89/2020).

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

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

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

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

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

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

On the date of publication of these financial statements, the standards and amendments to the standards listed below were issued by the International Accounting Standards Board, as well as interpretations by the Committee for the Interpretation of International Financial Reporting Standards, but they 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 . years).
- 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
- 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).

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

- 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 . years).
- Amendment to IFRS3, 'Business Combinations' – Amendments updating a reference to the Conceptual Framework (issued in May 2020, effective for periods beginning on or after 1 January 2022);
- Amendments to IAS 16 'Property, plant and equipment' - Proceeds before Intended Use (issued in May 2020, effective for periods beginning on or after 1 January 2022);
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts, Cost of Fulfilling a Contract (issued in May 2020, effective for periods beginning on or after 1 January 2022);
- Annual Improvements to IFRS Standards 2018–2020 (IFRS 1, IFRS 9, IFRS 16, IFRS 41) issued in May 2020 (effective for periods beginning on or after 1 January 2022);

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

As of the date of issuance of these financial statements, the following standards, their amendments and interpretations have been published, but have not yet entered into force:

- 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 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 1 "Presentation of 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).

2.4. Going concern principle

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

NOTES TO FINANCIAL STATEMENTS
31 December 2022
2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS ACCOUNTING PRINCIPLES (continued)

The impact of the energy crisis on the Company's operations is disclosed in note 2.6., while the ability to secure funding and liquidity is described in note 42 in the Liquidity Risk section.

2.5. Comparative figures
2.5.1 Corrections of opening balance

Corrections of the opening balance are presented in Note 5. For the effects of error correction, the Company has adjusted and reconciled comparative data in the financial statement for 2021.

2.6. 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 Company'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 lead 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:

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

During the period Jan-Dec 2022, the 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 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.

		2022											
Година	Месец	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

EUR/MWh

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 Company provide commercial customers, EMS a.d. and EDS d.o.o with electricity at prices significantly lower than market prices. This exposed the Company to financial risk. In other words, the risk of increased energy prices was completely transferred to the Company, due to which the Company incurred significant financial damages that affected the Company's 2022 financial performance.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

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

3.1. Revenues

The Company is mainly engaged in the production, supply and distribution of electricity to various types of end customers. 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 Company 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:
 - o when the buyer simultaneously receives and consumes the benefits arising from the execution of the contract,
 - o when the buyer has the power to control the creation of goods or the provision of services while the property is being created or increased,
 - o when the goods and services provided by the Company cannot be used in an alternative manner and the Company has an enforceable right to payment of compensation for the performance of obligations by a certain date, based on the measurement of progress in the execution of the contract,
- at one point in time, when the buyer gains control of the property.

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

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

Advance payment and received advances (collection of fees before the company transfers goods and services under the contract) are not 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 Company's usual business practices (Note 5).

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

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

3.2. Effects of changes in exchange rates

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

- 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.

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 business, a participant in a joint business acknowledges:

- 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 recognizes its interest in the joint venture as an interest using the equity method.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

3.3. Joint arrangements and business combinations (continued)

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.

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 Company 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 Company provides jubilee awards, retirement benefits and other benefits in accordance with the general acts of the Company, 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 Company, if it is more favourable for the employee, and
- jubilee awards for 10, 20, 30, 35 and 40 years of continuous work in the Company, 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

3.6. Provisions

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

Litigation

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

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

Environmental restoration 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 Company on the basis of meeting certain conditions in the past or future relating to the business activities of the Company. 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:

- allocations related to assets that are depreciated in the amount of calculated depreciation,
- allocations of funds that are not depreciated during the period when the costs related to the fulfilment of obligations are incurred,
- allocations received as part of financial or tax assistance in the period when the set conditions are met,
- 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 Company, 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.).

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

3.8. Taxes and contributions

Current income tax

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

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

Deferred income tax

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

A deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits, 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.

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.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

3.9. Property, plant and equipment

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.

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:

- market access, 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 years, are stated at cost after initial recognition.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

3.10. Investment property

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

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

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

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

For the 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 recognized in profit or loss.

3.11. Depreciation of property, plant and equipment

Property, plant and equipment are amortised over their useful lives on a straight-line-basis or 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:

	Rate (%)
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%

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.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

3.12. Leasing

On the date of the contract, the Company 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 500 thousand dinars 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 company as a lessee

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

1. assets with the right of use separately from other assets, and
2. 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 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 Company acts as a producer or intermediary of the subject of financial leasing, the following is recognized:

- 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 amortization and any impairment losses.

The amortization 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 amortization rates in for major classes of intangible assets, unless otherwise indicated in the contract, are as summarized 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

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.

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 Company 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

3.15. Inventory (continued)

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
- ceases to be recognized on the date when the delivery of assets by the Company (fulfilment 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 Company transfers the financial asset and the transfer qualifies for derecognition.

A financial asset is transferred only when the Company 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

3.16. Financial instruments (continued)

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

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

- The asset is held within a business model whose objective is to hold assets in order to collect 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.

During the initial recognition of equity participations that are not held for trading purposes, the Company 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 Company 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 Company 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

3.16. Financial instruments (continued)

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 Company 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.

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

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

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

Shares in the capital of related companies

Shares in the capital of dependent legal entities are shown at the amount of their purchase value.

Other long-term placements

Equity investments of other legal entities and other long-term placements are initially included according to the cost method. After initial recognition, the following measures are taken:

- fair values, if they are held for trading or are available for sale, and which have a quoted market value in an active market,
- at cost, if they are held for trading or are available for sale, and which do not have a quoted market value in an active market;
- depreciated value, if they have a fixed maturity,
- purchase value, if they do not have a fixed maturity.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

3.16. Financial instruments (continued)

Any difference, increase or decrease, between the stated amount and the subsequent measurement is recognized as a separate item of equity, for available-for-sale instruments that have a quoted market value in an active market, unless there is 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 arises.

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

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

At 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

3.17. Impairment of financial assets

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.

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.

Assessment of collectability of receivables is performed by groups and subgroups through the use of the provision matrix by applying the provisioning coefficient. They are calculated on the basis of historical data on credit losses and are periodically updated to reflect credit losses.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

3.17. Impairment of financial assets (continued)

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

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

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

Guaranteed supply

Number of days in delay	% expected credit losses (range)	
	Households	Small consumers
Non- due	0.63% - 4.01%	1.82% - 5.97%
1 – 30	2.10% - 11.55%	4.62% - 10.91%
31 – 60	3.70% - 16.46%	6.47% - 16.25%
61 – 90	5.45% - 21.17%	7.84% - 21.52%
91 – 180	7.87% - 25.95%	8.72% - 26.56%
181 – 270	25.29% - 44.40%	11.07% - 46.20%
271 +	62.62%	62.62%

Commercial and backup supply

Number of days in delay	% expected credit losses (regular receivables)	
	Backup supply	Commercial customers
Non- 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 on settled claims from customers on commercial and reserve supply, as of December 31, 2022, rates of 90.56% и 92.69% were used, respectively, while the rate of expected credit losses on claims from customers in the reorganization process, in bankruptcy or liquidation is 100%.

Claims from customers, regardless of which group of claims they belong to, and whose claims with a balance on the day of assessment amount to 200 million dinars or more, are assessed individually.

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

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

3.17. Impairment of financial assets (continued)

The applied loss rates by consumer segment for the calculation of expected credit losses as of December 31, 2021 were as follows:

Guaranteed supply

Number of days in delay	% expected credit losses (range)	
	Households	Small consumers
Non-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 backup supply

Number of days in delay	% expected credit losses (regular receivables)	
	Backup supply	Commercial customers
Non-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 and 100%.

3.18. 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.

Amortisation and amortisation rates

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 industry factors. The adequacy of the estimate of the remaining useful life of fixed assets is analysed once a year based on current forecasts.

Determining the fair value of real property, plant and equipment

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

Note 23 discloses the effects of changes in the fair value of real property, plant and equipment, as well as information on valuation techniques.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

3.18. Significant accounting estimates

Impairment of value of non-financial assets

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

On December 31, 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, with the balance as of January 1, 2021. The recoverable amount of the tested assets was determined as value in use by discounting future cash flows at the level of the Company's branches. 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 amount of a certain value in the use of units that generate cash, and therefore can have an impact on the amount 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 unit that generates the assets (level: branch, Management and technical centres), as well as in the overall observed Company, higher than the book value, as a result of which there is no basis for impairment of the Company's assets and individual units that generate cash.

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 include 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 consequently an impairment loss on real estate, plant and equipment and intangible assets in preparation has been determined (note 23).

With the balance as of December 31, 2021, the Company's management 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

1. January 2021, except in the part of real estate, plant and equipment under preparation, where the Company 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 Company conducted an impairment test and recognized impairment losses in the income statement for 2021 in the total amount of RSD 888,520 thousand (note 23).

Based on the impairment test performed on December 31, 2022, the Company 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 the impairment of the Company's non-financial assets, except for part of the intangible assets, property, plants and equipment under construction, on the basis of which an impairment loss was recognized in the income statement for the year 2022 in the total amount of 1,545,597 thousand dinars (notes 12 and 23).

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

3.18. Impairment of financial assets (continued)

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

Long-term provisions based on the costs of restoration of natural resources refer, for the most part, to provisions for the final reclamation of the land where the slag and ash dumps are located in the thermal power plants Kostolac and Nikola Tesla. Estimates on this basis require management 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 time of origination, future costs or discount rates used during the initial valuation of provisions. The amount of the provision recognized 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 32 discloses the effects of changing the key parameters of the provision for the final reclamation of the land on which the slag and ash landfill is located, which relate to the discount rate and the life of the landfill.

Provisions for litigation

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

Provision for expected credit losses

IFRS 9 replaces the "incurred losses" model in IAS 39 with a forward-looking model of "expected credit losses". This requires significant judgment as to how changes in economic factors affect expected credit losses determined on a weighted probability 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 the obligation for retirement benefits, jubilee awards and accrued unused holidays is determined based on an actuarial valuation. The actuarial valuation involves assumptions relating to the discount rate, a forecasted salary increase, mortality rates and employee turnover. In determining the appropriate discount rate, Management considers interest rates equivalent to those applied to the Republic of Serbia bonds. The mortality rate is based on publicly available mortality tables. The future salary increase 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 Company applies professional judgment when choosing appropriate methods and assumptions.

The Company'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 Company 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 Company's management, the amounts in these financial statements reflect the value that, under the circumstances, is the most reliable and useful for reporting purposes.

NOTES TO FINANCIAL STATEMENTS
31 December 2022
4. CORRECTIONS OF OPENING BALANCES
a) Overview of corrections – balance sheet

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

	1 January 2022 Before corrections	Correction	1 January 2022 after corrections	1 January 2022 before corrections	Correction	1 January 2022 after corrections
ASSETS						
Non-current assets						
Intangible assets	10,326,112	(36,547)	10,289,565	14,700,799	-	14,700,799
Property, plant and equipment	816,147,158	(98,058)	816,049,100	773,379,269	(98,058)	773,281,211
Biological assets	502,441	-	502,441	489,076	-	489,076
Equity investments and long-term fin. placements	6,737,676	-	6,737,676	6,961,043	-	6,961,043
	<u>833,713,387</u>	<u>(134,605)</u>	<u>833,578,782</u>	<u>795,530,187</u>	<u>(98,058)</u>	<u>795,432,129</u>
Current assets						
Inventory	32,498,967	(130,309)	32,368,658	34,798,335	(85,582)	34,712,753
Assets held for sale	163,509	-	163,509	-	-	-
Accounts receivables	62,804,980	-	62,804,980	57,125,731	-	57,125,731
Other receivables, VAT, receivables for overpaid taxes and contributions	17,370,776	-	17,370,776	9,349,999	-	9,349,999
Short term financial placements	231,691	-	231,691	206,220	-	206,220
Cash and cash equivalents	12,370,822	-	12,370,822	19,610,430	-	19,610,430
Prepaid expenses	2,933,376	-	2,933,376	2,649,593	-	2,649,593
	<u>128,374,121</u>	<u>(130,309)</u>	<u>128,243,812</u>	<u>123,740,308</u>	<u>(85,582)</u>	<u>123,654,726</u>
Total assets	<u>962,087,508</u>	<u>(264,914)</u>	<u>961,822,594</u>	<u>919,270,495</u>	<u>(183,640)</u>	<u>919,086,855</u>
LIABILITIES						
Equity						
Basic capital	360,532,532	-	360,532,532	360,003,089	-	360,003,089
Revaluation reserves and unrealized gains based on shares and others components of other comprehensive result	446,486,339	-	446,486,339	422,753,697	-	422,753,697
Unrealized loss based on shares and others components of other comprehensive result	(2,981,445)	-	(2,981,445)	(2,945,810)	-	(2,945,810)
Accumulated gain / (loss)	(203,056,915)	(319,708)	(203,376,623)	(180,290,424)	(238,434)	(180,528,858)
	<u>600,980,511</u>	<u>(319,708)</u>	<u>600,660,803</u>	<u>599,520,552</u>	<u>(238,434)</u>	<u>599,282,118</u>
Long-term liabilities and provisions						
Long-term provisions	37,834,865	-	37,834,865	40,699,862	-	40,699,862
Long-term liabilities and borrowings	92,782,294	-	92,782,294	107,612,742	-	107,612,742
Long-term deferred income and donations received	8,573,770	-	8,573,770	8,679,277	-	8,679,277
Deferred tax liabilities	68,330,958	-	68,330,958	65,718,331	-	65,718,331
	<u>207,521,887</u>	<u>-</u>	<u>207,521,887</u>	<u>222,710,212</u>	<u>-</u>	<u>222,710,212</u>
Short-term liabilities						
Short-term financial liabilities	54,417,735	-	54,417,735	18,388,568	-	18,388,568
Advances received	1,033,325	-	1,033,325	921,752	-	921,752
Accounts payable	72,695,327	-	72,695,327	48,142,381	-	48,142,381
Other short-term liabilities	23,965,505	54,794	24,020,299	27,976,257	54,794	28,031,051
Accruals	1,473,218	-	1,473,218	1,610,773	-	1,610,773
	<u>153,585,110</u>	<u>54,794</u>	<u>153,639,904</u>	<u>97,039,731</u>	<u>54,794</u>	<u>97,094,525</u>
Total liabilities	<u>962,087,508</u>	<u>(264,914)</u>	<u>961,822,594</u>	<u>919,270,495</u>	<u>(183,640)</u>	<u>919,086,855</u>

NOTES TO FINANCIAL STATEMENTS
31 December 2022
4. CORRECTIONS OF OPENING BALANCES (continued)
b) Overview of corrections – income statement

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

	Year ended on 31 December 2021 Before corrections	Correction	In RSD thousands Year ended on 31 December 2021 After corrections
OPERATING INCOME			
Income from the sale of products and Services	305,131,362	-	305,131,362
Revenues from activation of goods and Effects	1,174,440	-	1,174,440
(Increase)/decrease in inventory value	(781,917)	-	(781,917)
Income from value adjustments assets (except financial assets)	10,421,155	-	10,421,155
Other operating income	3,735,685	(201,588)	3,534,097
	<u>319,680,725</u>	<u>(201,588)</u>	<u>319,479,137</u>
OPERATING EXPENSES			
Purchase cost of sold goods	(171,662)	171,445	(217)
Costs of materials, fuel and energy	(188,308,847)	-	(188,308,847)
Salary expenses, salary compensation and other personal expenses	(48,351,439)	-	(48,351,439)
Depreciation costs	(35,190,027)	-	(35,190,027)
Costs of adjustment of value assets (other than financial)	(11,004,657)	-	(11,004,657)
Costs of production services	(23,251,435)	(36,547)	(23,287,982)
Cost of provisions	(2,578,108)	-	(2,578,108)
Non production expenses	(21,777,816)	-	(21,777,816)
	<u>(330,633,991)</u>	<u>134,898</u>	<u>(330,499,093)</u>
OPERATING RESULT	<u>(10,953,266)</u>	<u>(66,690)</u>	<u>(11,019,956)</u>
Finance income	4,718,892	-	4,718,892
Finance expense	(6,390,742)	-	(6,390,742)
Other income and income from adjusting the value of financial assets carried at fair value in income statement	12,767,894	(14,584)	12,753,310
Other expenses and expenses from adjusting the value of financial assets carried at fair value in income statement	(15,407,247)	-	(15,407,247)
LOSS BEFORE TAX	<u>(15,264,469)</u>	<u>(81,274)</u>	<u>(15,345,743)</u>
Tax expense for the period	(2,603,693)	-	(2,603,693)
Deferred tax expense for the period	2,919,429	-	2,919,429
NET LOSS	<u>(14,948,733)</u>	<u>(81,274)</u>	<u>(15,030,007)</u>

NOTES TO FINANCIAL STATEMENTS
31 December 2022

4. CORRECTIONS OF OPENING BALANCES (continued)

c) Impact of corrections on accumulated loss

Correction description	In RSD thousands	
	1 January 2022	1 January 2021
Balance of accumulated loss, previously disclosed	203,056,915	180,290,424
Derecognition of assets in development based on the subsequently received documents	130,309	98,058
Impairment of inventories	134,605	85,582
Recognition of liabilities for income for employees that work in difficult conditions.	54,794	54,794
Balance of accumulated loss, corrected	203,376,623	180,528,858

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

Description of the correction	In RSD thousands
	2021
Loss, as previously reported	(14,948,733)
1) Derecognition of intangible assets in development based on subsequently received documents	(36,547)
2) Reversal of operating expenses and income related to the impairment of inventories	(44,727)
Loss, corrected	(15,030,007)

e) Effects of corrections to the cash flow statement

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

6. INCOME FROM SALES OF GOODS AND SERVICES

Sources of income

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

	In RSD thousands for the year ending 31 December	
	2022	2021
Revenues from electricity sales	314,511,895	277,404,201
Sales revenue of A.D. "Electric Network of Serbia", Belgrade (a)	34,100,247	18,630,990
Revenues from sales of goods	4,225,779	4,902,726
Revenues from sales of services	5,637	3,817,564
Other (b)	377,940	375,881
	353,221,498	305,131,362

- (a) Turnover achieved with customer A.D. "Elektromreza Srbije", Belgrade (hereinafter: "EMS"), in the amount of 34,100,247 thousand dinars (2021: 18,630,990 thousand dinars) refers 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 Company provides system services of primary, secondary and tertiary regulation and delivers electricity on behalf of balancing responsibility, as well as for the own consumption of the Transmission System Operator and compensation for losses of electricity in the transmission system, based on the contracts under which it fulfils its obligations in accordance with the Law on energy and work rules related to the operation of the transmission system and the functioning of the market. According to 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

5. INCOME FROM SALES OF GOODS AND SERVICES (continued)

- (b) Other income reported in 2022 in the amount of 377.937 thousand dinars (2021: 375.881 thousand dinars) refers to compensation for business in which the Company acts as an agent - calculation and collection of fees for the Public Media Service (note 27). Namely, the Society and the Public Media Institution "Radio Television of Serbia" and the Public Media Institution "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 charging for the delivered electricity, the Company also charges customers for the tax in question, with a fee in the amount of 3% of the funds transferred to public media institutions. With the latest amendments to the Law, the collection of the fee for the public media service was extended until December 2023 and the amount of the fee in the reporting period is 299 dinars (2021. 299 dinars).

Disaggregated revenues based on contracts with customers

Income from the sale of electricity

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

	In RSD thousands	
	For the year ending	
	31. December	
	2022	2021
Sales on domestic market:		
- Sales of electricity to households (a)	103,673,625	105,409,892
- Electricity sales - open market customers (a)	191,743,332	146,419,008
- Sale of electricity - related parties within the EPS group (note 41) (b)	19,740	23,054
- Electricity sales - third parties (economy) (a)	14,046,132	13,769,150
- Electricity sales - licensed customers (a)	2,231,459	4,532,163
- Electricity sales - stock exchange trading (c)	1,140,767	2,525,768
- Revenues from electricity sales of PE "Elektrokosmet", Pristina (d)	291,462	214,238
	<u>313,146,517</u>	<u>272,893,273</u>
Revenue from sales of electricity on foreign markets - third parties (e)	81,623	44,324
Income from the sale of electricity on the foreign market - related parties within the EPS group (note 41) (e)	1,283,755	4,466,604
	<u>1,365,378</u>	<u>4,510,928</u>
	<u>314,511,895</u>	<u>277,404,201</u>

- (a) Revenues from the sale of electricity are recognized on the basis of turnover to end customers: individuals, small customers or customers who have the right to freely choose a supplier upon fulfilment of conditions in accordance with the Energy Law.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

5. INCOME FROM SALES OF GOODS AND SERVICES (continued)

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

1. conditions and manner of issuing approvals for connection to the system and connection of the system, as well as the manner of proving the fulfilment of conditions for connection of the facility,
2. place of metering and place of delimitation of responsibility for delivered electricity,
3. conditions and manner of connection of temporary facilities, construction sites and facilities in trial operation or other facilities in accordance with the law governing the construction of facilities,
4. 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. 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. conditions and manner of suspension of electricity supply, as well as the rights and obligations of the system operator, supplier, i.e. public supplier and end customers,
7. conditions and manner of rational consumption and saving of electricity,
8. conditions for the supply of customer facilities which cannot be suspended from the delivery of electricity due to unfulfilled obligations for the delivered electricity or in other cases,
9. the manner of regulating the mutual relations between the supplier, the system operator and the end customer to whom the supply of electricity cannot be suspended;
10. conditions and manner of measuring the delivered electricity;
11. method of calculation of unauthorized electricity;
12. manner of informing the end customer;
13. conditions and measures for supplying electricity customers;
14. billing period and mandatory content of the invoice for collection of delivered electricity,
15. conditions for concluding the contract on sale of electricity and the content of the contract;
16. conditions and manner of fulfilling the obligations of the supplier and the public supplier.

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

Time frame and fulfilment of execution

In accordance with the rules of operation of the system operator, 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 FINANCIAL STATEMENTS
31 December 2022

5. INCOME FROM SALES OF GOODS AND SERVICES (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 guaranteed supply, the price is determined in accordance with the adopted Methodology for determining the price of electricity for guaranteed supply, adopted by the Energy Agency of the Republic of Serbia. The price is applied after obtaining the consent of the Agency,
- for customers on commercial supply, the price is determined on the basis of price movements on reference electricity exchanges, i.e. according to market principles,
- for back-up 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, passed Decision 05 No.: 312-9267/2020 (RS Official Gazette No. 140/2020) by which it appointed the Company to perform the last resort supply over a two-year period starting from the date of the New Decision through to 19 November 2022, and to ensure the continuity of consumers' energy supply at a price of 66.72 EUR/MWh. By Decision 05 number: 312-9219/2022-1, dated 17 November 2022, the new price for back-up power supply was 392.50 EUR/MWh.

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

A 5% discount is granted to customers of guaranteed supply of electricity from the "household" category who fulfil their financial obligation from the electricity bill by the due date. A discount in the amount of 5% is calculated on the amount in the invoice that refers to the charge for "calculating power", "cost of the guaranteed supplier" and "energy", and it is shown and approved in the following invoice for the consumed electricity by adding the determined monetary amount 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) Revenues from the sale of electricity to related legal entities within the EPS group in the amount of 19,740 thousand dinars as a whole refer to the sale of electricity to the related legal entity Kolubara - Građevinar d.o.o. Lazarevac.
- (c) The company trades electricity on the "SEEPEX" stock exchange, which started operating on February 17, 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 the company A.D. "Elektromreža Srbije", Belgrade and EPEX SPOT as a joint stock company. The goal of "SEEPEX" is to provide a transparent and reliable mechanism for the formation of 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.
- (d) In accordance with the Decision of the Government of the Republic of Serbia No. 021-6624/2009-002 of November 30, 2009, the company engaged its capacities in order to provide electricity for the northern part of Kosovo and Metohija, on the basis of which revenues in the amount of 291,462 thousand dinars in 2022 (2021: 214,238 thousand dinars). In the reporting year, the Company did not deliver electricity through the transmission network, since the obligations assumed by the Kosovo electricity distribution operator KOSTT, which at the end of 2020 became a special control environment in the European Network of Transmission System Operators (ENTSO-E).

NOTES TO FINANCIAL STATEMENTS
31 December 2022

5. INCOME FROM SALES OF GOODS AND SERVICES (continued)

- (e) 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 1,283,755 thousand dinars.

Revenue from sales of goods

Revenues from the sale of goods relate to the following:

	In RSD thousands	
	For the year ending	
	31 December	
	2022	2021
Revenue from sales of coal:		
– related parties within the EPS group (note 41)	36,298	46,995
– third party	1,829,061	2,671,899
	<u>1,865,359</u>	<u>2,718,894</u>
Revenue from sales of thermal energy	2,157,729	1,972,341
Revenue from sales of technological steam and gas	97,290	98,736
Revenue from sales of other goods	<u>105,401</u>	<u>112,755</u>
	<u>4,225,779</u>	<u>4,902,726</u>

Income from the sale of products refers to the income from the sale of coal, thermal energy, technological steam and gas and other products on the domestic and foreign markets. Revenues from the sale of coal reported for the year ending on December 31, 2022. in the amount of 1,865,061 thousand dinars refer to deliveries of coal to third parties by the Kolubara Mining Basin Branch, Lazarevac in the amount of 1,374,388 thousand dinars, and Branches of Thermal Power Plant and Kostolac Mines in the amount of 454,673 thousand dinars.

Revenues from the sale of thermal energy refer to the supply of thermal energy, which includes deliveries of thermal energy produced in the Pannonian TE-TO Branch, in the amount of 1,811,746 thousand dinars (2021: 1,601,201 thousand dinars).

Revenues from sales of services

Revenues from the provision of services relate to the following:

	In RSD thousands	
	For the year ending	
	31 December	
	2022	2021
Revenue from other services– related parties (note 41)	-	692
Revenue from other services – third parties	<u>5,637</u>	<u>3,816,872</u>
	<u>5,637</u>	<u>3,817,564</u>

2021 Income from Other Services amounting to RSD 3,816,872 thousand comprises income of RSD 3,806,394 thousand from services to „Elektro distribuciji Srbije“ d.o.o., Beograd. The services were provided under the Service Agreement (Service Level Agreement - SLA) and included services relating to economic, financial and commercial affairs, corporate services, IT support services, PR services, market support services, support in planning energy facilities, network and investments, maintenance of power stations and measuring points. As disclosed in Note 1, Elektro distribucija Srbije entered a restructuring process on 17 December 2020 and for that reason the Service Agreement between the Company and Elektro distribucija Srbije d.o.o., Beograd was terminated in February 2021.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

5. INCOME FROM SALES OF GOODS AND SERVICES (continued)

Geographical region

In the following table, revenues from contracts with customers are divided by customer locations:

	In RSD thousands	
	For the year ending	
	31. December	
	2022.	2021.
Serbia	351,856,120	300,620,434
Slovenia	1,283,755	4,466,604
Republic of Srpska	81,623	44,324
.		
.	353,221,498	305,131,362

Dynamics of revenue recognition

The dynamics of revenue recognition is shown in the following table:

	In RSD thousands	
	For the year ending	
	31 December	
	2022	2021
Products and services recognized at a certain point in time	3,117,164	9,174,981
Products and services recognized over time	350,104,334	295,956,381
.		
.	353,221,498	305,131,362

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 Company performs recognition of income and when he has the right to charge, and the customer during the accounting period-calendar month, has the ability to acquire all essential benefits from the electricity delivered during the accounting period.

The following table shows information on the nature and dynamics of compliance for key selected revenue sources:

Sale type	The nature and dynamics of fulfilling obligations	Revenue recognition
Sales of electricity to end customers	These contracts with customers refer to the sale of electricity to customers on guaranteed supply, that is, on commercial and backup supply.	Revenue is recognized over time, based on the bill or invoice issued to the customer.
	Contracts with customers on guaranteed supply are concluded for an indefinite period, and the customer has the right to terminate the contract at any time without penalty for early termination of the contract, therefore the contract period represents one accounting period that is invoiced to the customer.	
	Contracts with customers for commercial supply are concluded for a certain period of time, however, according to the Rules for changing suppliers (prescribed by the regulatory body of the Energy Agency of the Republic of Serbia), the customer has the right to terminate the contract at any time without paying a penalty for early termination of the contract, therefore the contract period represents one accounting period that is invoiced to the customer.	
Sale of electricity to customers on the open market, licensed customers and stock exchange business	Revenues from the sale of electricity to licensees and customers on the open market refer to deliveries of electricity to customers who have a license to perform energy activities. In addition, the Company generates income from trading on the stock exchange. Each individual order constitutes a contract. The company believes that on this basis, the delivery of electricity based on a specific order represents the fulfilment of the performance obligation under the contract.	Revenue from sales to customers on the open market and licensed customers is recognized over time, based on the bill or invoice issued to the customer, while revenue from stock exchange business is recognized at a certain point in time.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

5. INCOME FROM SALES OF GOODS AND SERVICES (continued)

Sale 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	<p>Each individual order constitutes a contract. The company believes that on this basis, every delivery of goods or provision of services based on a specific order represents the fulfilment of the obligation to perform according to the contract.</p> <p>Accounts or invoices are issued upon delivery of goods or on a monthly basis, depending on the type of product and customer. Payment terms vary depending on the contractual terms and conditions, however, the general payment term is within 30 days or less.</p> <p>Accounts, i.e. invoices for thermal energy are issued monthly with payment due within 15 to 60 days.</p> <p>Invoices, i.e. invoices for technological steam, are issued monthly with payment due within 15 days.</p>	Income from the sale of coal is recognized at a certain time, upon delivery, i.e. upon invoicing to the customer, while revenues from the sale of thermal energy, technological steam and gas are recognized over time.

Balances under contracts with customers

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

	31 December 2022	In RSD thousand 31 December 2021
Receivables based on contracts with customers - shown in within the "trade receivables" position (note 26)	64,989,481	64,476,150
Receivables based on contracts with customers - shown in within the position "other short-term receivables" (note 27)	5,569,409	4,468,136
Receivables based on contracts with customers - which are shown under the position "long-term financial placements and long-term receivables" (note 24)	2,217	5,590
Receivables from contracts with customers that are disclosed withing "short term financial placements and long term receivables"	69,908	102,254
Contract assets	580	-
Contract liabilities	437,378	1,033,325

6. 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	1,015,691	1,173,125
Income from activation of services for own use	68,902	1,315
	1,084,593	1,174,440

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

NOTES TO FINANCIAL STATEMENTS
31 December 2022
7. OTHER OPERATING INCOME

	In RSD thousand	
	For the year ending	
	31 December	
	2022	2021
		<i>Corrected</i>
Income from premiums, subsidies, recourses, compensations and refunds of tax duties	720,364	214,668
Income from the cancellation of deferred income, in accordance with the accounting policy (Note 34)	218,840	222,740
Income from donations, premiums, subsidies and grants from abroad (IPA Funds)	158,748	158,338
Income from compensations from insurance for damages	435,948	174,128
Income from rents from legal entities within the EPS group (Note 41)	101	25
Other operating income from legal entities within the EPS group (Note 41)	11,054	1,183
Income from rents	142,481	326,266
Other operating income	1,316,564	2,436,749
	3,004,100	3,534,097

Income from donations, premiums, subsidies and grants in 2022 amounts to 1,097,952 thousand dinars (2021: 595,746 thousand dinars), of which the amount of 158,748 thousand dinars (2021: 158,338 thousand dinars) refers to recognized consulting services (studies, elaborations) related to projects for environmental protection for the reconstruction of electro filters TENT A4, B2, TEK A5, and in which the Ministry of Environmental Protection is co-financing, amounting to 720,364 thousand dinars (2021: 214,668 thousand dinars) is recognized on the basis of the refraction of excise duties on oil derivatives and bioliquids used in the production process, and the remaining income in the amount of 218,840 thousand dinars (2021: 222,740 thousand dinars) refers to the income recognized in the amount of expenses related to the use of funds received from donations.

Income from the collection of insurance claims in the amount of 435,948 thousand dinars (year 2021: 174,128 thousand dinars) mostly refers to the recognized damage to the mill plant TENT - B in the amount of 145,906 thousand dinars.

Other operating income includes income from the subsequent borrowing of electricity buyers in the amount of RSD 495,561 thousand (2021: 550,782 thousand dinars) on behalf of the engagement of private executors and court costs in the procedure of compulsory collection of electricity, income from the sale of secondary raw materials and secondary products that arise during the maintenance of production facilities intended for the production of electricity in the amount of RSD 354,259 thousand (2021: 558,196 thousand dinars) and income based on pre-invoiced delivered goods and provided services to the legal entity "Elektrodistibucija Srbije" doo in the amount of RSD 334,885 thousand (2021: 1,117,996 thousand dinars), and according to binding contracts with suppliers concluded in the period when the legal entity "Elektrodistibucija Srbije" d.o.o. was connected person with the Society.?? and according to binding contracts with suppliers concluded in the period when the legal entity "Elektrodistibucija Srbije" doo was a related entity to the Company.

8. INCOME FROM ADJUSTMENT OF PROPERTY VALUE (EXCEPT FINANCIAL)

	In RSD thousand	
	For year ended	
	31 December	
	2022	2021
Income from adjustment of property value:		
- property, plant and equipment	-	10,350,904
- inventories	179,892	62,501
- other assets	16,116	7,750
	196,008	10,421,155

NOTES TO FINANCIAL STATEMENTS
31 December 2022

8. INCOME FROM ADJUSTMENT OF PROPERTY VALUE (EXCEPT FINANCIAL) (continued)

In 2021, Income from the adjustment of property values amounted to RSD 10,350,904 thousand, for the most part, in the amount of RSD 10,343,462 thousand refer to the stated effects of the assessment of the value of property, plant and equipment (cancellation of previously recognized impairment) carried out with the balance on January 1, 2021 according to the report of an independent appraiser (note 23).

9. COST OF MATERIAL, FUEL AND ENERGY

	In RSD thousands For the year ending 31 December	
	2022.	2021.
Cost of basic materials	686,128	585,290
Cost of material for the maintenance and spare parts	9,503,027	9,363,883
Cost of small inventories and tyres	287,185	400,524
Cost of oil and lubricants	244,306	166,143
H&S equipment	358,899	389,530
Cost of office and other overheads material	408,786	454,409
Other	543,596	391,994
	<u>12,031,927</u>	<u>11,751,773</u>
Cost of electricity:		
- From related parties within EPS group (Note 41)	5,570,117	1,027,536
- On domestic market	110,789,206	56,096,497
- On foreign market	1,151,013	899,889
	<u>117,510,336</u>	<u>58,023,922</u>
Electricity transmission and procurement from AD "Elektromreža Srbije", Belgrade	27,122,039	14,498,874
Distribution system access fee	93,148,947	86,360,871
Petroleum derivatives	13,478,958	8,640,734
Natural gas costs	10,954,291	7,262,561
Cost of coal	16,223,882	1,708,214
Cost of other energy	74,854	61,898
	<u>161,002,971</u>	<u>118,533,152</u>
	<u>290,545,234</u>	<u>188,308,847</u>

Costs of purchased electricity

From the total cost of purchasing electricity, 95,853,395 thousand dinars are related to procurement in the function of balancing and optimization.

A significant increase in the cost of purchased electricity in 2022 is due to 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 the dependent legal entity "EPS Trgovanje", Ljubljana, Slovenia in the amount of 5,570,117 thousand dinars (2021: 1,027,536 thousand dinars),
- 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 dinars (2021: 2,682,565 thousand dinars),
- from Mixed Holding "Elektroprivreda Republika Srpska" a.d. Trebinje in the amount of RSD 1,151,013 thousand dinars (2021: 899,889 thousand dinars), as well as
- from privileged electricity producers in the amount of RSD 21,657,014 thousand dinars (2021: 22,297,003 thousand dinars).

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

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

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

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

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

In the period from January 1, 2015 to December 31, 2020, the amount of compensation for the incentive of privileged producers was 0.093 din/kWh. The Regulation on compensation for the incentive of privileged producers of electricity, adopted by the Government of the Republic of Serbia, stipulates that the compensation changes every year depending on the production of electricity from renewable sources. At the end of December 2020, the Government passed the Decree on the amount of the required incentive fee for 2021, which defined the amount of the same in the amount of 0.437 din/kWh. On August 1, 2022, a new Regulation on the amount of the required fee for incentives came into force, according to which the amount of the fee is 0.801 din/kWh.

Fee for access to the electricity distribution system

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

Fee for access to the electricity transmission system

The Company concluded a contract with the company A.D. "Electricity Network of Serbia", Belgrade on access and use of electricity transmission systems, lease of capacity and balance responsibility. On the above basis, in the reporting period, expenses were realized in the amount of RSD 27,122,039 thousand dinars (2021: 14,498,874 thousand dinars).

The decision on setting prices for access to the electricity transmission system ("Official Gazette of RS" No. 95/21) established a new, increased fee for access to the electricity transmission system, which is in effect from October 1, 2021 and on which was approved by the Council of the Energy Agency on September 24, 2021 by letter no. 501/2021-D-02/1.

Recognised costs related to the responsibility balance of the Company in accordance with the assumed contractual obligations, as well as energy expenditure (oil and natural gas) in a larger amount compared to the previous reporting period, are the result of disturbances in the production of electricity, as well as an increase in energy prices on the market at the end of 2021.

Coal costs for the year 2022, expressed in the amount of RSD 16,223,882 thousand dinars (2021: 1,708,214 thousand dinars) mostly refer to the costs of externally procured coal from coal mines in the surrounding area (Romania, Greece, Montenegro, Bosnia and Herzegovina, Republika Srpska) in the amount of 11,962,945 thousand dinars, then from Shen Hua Hong Kong International Trading Ltd in the amount of 1,916,824 thousand dinars and JP PEU Resavica in the amount of 557,997 thousand dinars. The remaining amount of 1,786,115 thousand dinars refers to the directly attributable costs of import duties, transportation and other manipulative costs related to the procurement of coal.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

10. SALARY EXPENSES, SALARY COMPENSATION AND OTHER PERSONAL EXPENSES

	In RSD thousands	
	For the year ending	
	31 December	
	2022	2021
Cost of gross salaries and salary compensation	36,421,420	37,847,690
Taxes and contributions on wages and salaries paid by employer	6,755,283	7,220,930
Cost of special service and temporary service	11,948	274,568
Costs of compensation to individuals on the basis of other contracts	435,695	381,304
Fees paid to Supervisory and Managing Board members and other managing bodies	7,719	8,208
Cost of transportation of employees	1,183,097	1,177,017
Cost of per diem allowances and compensation of expenses on business trips	85,519	77,616
Cost of providing assistance to employees	307,045	381,218
Other personal expenses	991,331	982,888
	46,199,057	48,351,439

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

Other personal expenses, for the most part, in the amount of RSD 813,091 thousand dinars (2021: 774,122 thousand dinars), refer to the Company's obligations under the Collective Agreement (prevention of work disability, cultural and sports activities of employees, expenses for providing assistance to employees for treatment, loans, etc.) which, in terms of tax regulations, are considered to belong to the employees on whom public revenues are paid.

11. DEPRECIATION EXPENSE

	In RSD thousands	
	For the year ending	
	31 December	
	2022	2021
Depreciation/Amortisation expense:		
– intangible assets (Note 23)	2,312,599	2,218,006
– property, plant and equipment (Note 23)	33,497,936	32,843,970
– property, plant and equipment with the right to use it for more than one year (Note 23)	51,313	128,051
	35,861,848	35,190,027

NOTES TO FINANCIAL STATEMENTS
31 December 2022
12. COSTS FROM ADJUSTMENT OF PROPERTY VALUE (EXCEPT FINANCIAL)

	In RSD thousands For the year ending 31 December	
	2022	2021
Costs from adjustment of property value		
– property, plant and equipment	1,545,624	9,905,063
– inventories	545,221	1,099,496
– other property	1,119	98
	2,091,964	11,004,657

As of December 31, 2022, the Company's management has concluded that there are indicators of impairment of intangible assets, real estate, plant and equipment in preparation for assets that are not in the location and in the condition necessary to be in the functional readiness that was expected in at the moment of initial recognition and where significant progress in preparation or construction has not occurred for a long period of time and where the status of further construction is currently unknown. For this asset, the Company conducted an impairment test and recognized impairment losses in the income statement for 2022 in the total amount of RSD 1,545,624 thousand (notes 3.17 and 23).

Expenses from adjustment of property values for 2021, for the most part, in the amount of RSD 8,631,853 thousand, refer to the reported negative effects of the assessment of the value of property, plant and equipment carried out with the balance on January 1, 2021, and according to the report of the independent appraiser (Note 23). In addition, the expenses from adjustment of the value of property, plant and equipment also include expenses recognized on the basis of the impairment of the commercial building which is under construction in Block 20 (New Belgrade) in the amount of RSD 888,520 thousand (Note 23).

Expenses from adjusting the value of stocks in the amount of 545,221 thousand dinars (2021: 1,099,496 thousand dinars) mostly refer to the devaluation of spare parts on stock based on the internal assessment of their use value in the branches of TE Kostolac, in the amount of 287,727 thousand dinars, and RB Kolubara, in the amount of 176,015 thousand dinars.

13. COST OF PRODUCTION SERVICES

	In RSD thousands For the year ending 31 December	
	2022	2021
		<i>Corrected</i>
Maintenance services	19,430,652	16,939,216
Cost of information system maintenance	1,474,493	1,993,021
PTT Services	1,428,360	1,380,381
Other costs of production services from legal entities within the EPS group (Note 41)	916,585	601,617
Utility costs	573,584	560,003
Cost of services for various tests, analysis, preparing technical and project documentation, reports and projects	387,725	408,012
Costs of services and assistance in the production process	303,751	337,500
Meter reading costs	212,953	-
Transportation services	-	394,506
Rental cost	245,321	189,902
Advertising, fairs and marketing costs	188,732	182,969
Work safety cost	34,995	60,879
Cost of recultivation and environmental protection costs	100,922	134,910
Utility costs	61,908	105,066
	25,359,981	23,287,982

Cost of maintenance in the amount of 19,430,652 thousand dinars (2021: 16,939,216 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 FINANCIAL STATEMENTS
31 December 2022
14. PROVISION EXPENSES

	In RSD thousands	
	For the year ending	
	31 December	
	2022	2021
Provision for the cost of restoring natural resources	573,765	520,842
Provisions for benefits and other employee benefits	1,147,862	1,870,852
Provisions for litigations	336,412	186,414
	2,058,039	2,578,108

In the course of 2022, the company made a reservation for the costs of restoration of natural resources, which will be paid for the recultivation of land on which mining operations have been completed, and for the purpose of bringing the land to its original state after the end of exploitation. The calculation of provisions for land reclamation costs for the year 2022 was made for the RB Kolubara Branch in the amount of 150,186 thousand dinars. In addition, as disclosed in note 32, the Company made a provision for the final reclamation of the land on which the ash and slag landfills are located in the Kostolac, Kolubara, Morava, Nikola Tesla A and Nikola Tesla B thermal power plants and accordingly recognized expenses in 2022. year in the amount of 423,579 thousand dinars (2021: 412,684 thousand dinars).

During 2022. the Company made a provision for benefits and other benefits to employees upon termination of employment in the amount of 1,147,862 thousand dinars (2021: 1,870,852 thousand dinars), which will be paid upon termination of employment and benefits to employees that include benefits based on jubilee awards in the amount of current liabilities based on past events, arising from the provisions of the Labour Law and general acts of the Company (Notes 3.5 and 32).

Provisions for litigation are formed according to the best estimate of expenses required to settle the current liability based on current litigation against the Company, which in 2022. is estimated at RSD 336,412 thousand (2021: 186,414 thousand dinars).

15. OTHER OPERATING EXPENSES

	In RSD thousands	
	For the year ending	
	31 December	
	2022	2021
Water use charges	1,970,203	2,342,002
Use of public interest resources fee	2,122	1,762
Environmental fee (Note 38)	2,441,789	4,018,808
Property tax	667,193	617,829
Other indirect taxes and contributions	1,664,174	2,427,538
Utilization of mineral resources	1,838,701	1,879,248
Representation expenses	21,830	17,818
Cost of payments operations and banking services	129,474	167,576
Subscription cost	24,218	34,130
Legal and advocacy services	1,144,465	1,554,587
Other non-material services	1,260,538	2,162,222
Professional services	218,420	450,952
Insurance costs	1,406,714	1,290,090
Health Service costs	157,049	172,684
Membership fees and contributions to the trade union	273,963	352,852
Security services, protection of buildings and work health and safety	2,033,554	2,197,079
Other non-production services	2,512,531	2,090,639
	17,766,938	21,777,816

NOTES TO FINANCIAL STATEMENTS
31 December 2022

15. 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 и 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.

Then, within the fee for the use of energy and energy products, the Law on Fees for the Use of Public Goods introduced a fee for improving energy efficiency in the amount of 0.015 RSD / kWh. Determining the fee for energy efficiency improvement for delivered energy and / or energy to the end customer / consumer is done by the Company, as an energy entity that performs energy supply activities and has a license to perform these activities in accordance with the law governing energy, when issuing invoices for delivered energy and / or energy to the end customer / consumer. The obligation on the basis of compensation is determined on the basis of the quantity of delivered electricity, determined on the basis of reading consumption through metering devices at the place of handover, in accordance with the law governing energy and by reducing electricity purchased at selling price from producers .

The costs of fees for environmental protection in the amount of 2,441,390 thousand dinars (2021: 4,018,808 thousand dinars) include fees based on the emission of sulphur dioxide, nitrogen dioxide and powdery materials in the facilities of the branches of TE Nikola Tesla, in the amount of 2,209,903 thousand dinars (2021: 2,584,765 thousand dinars), and TE Kostolac, in the amount of 203,804 thousand dinars (2021: 1,422,427 thousand dinars). A significant reduction in the costs of the environmental protection fee at the Kostolac Thermal Power Plant is a consequence of the commissioning of the new desulphurization system at the Kostolac Thermal Power Plant B in early 2021.

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

The costs of other indirect taxes and fees mostly relate to VAT calculated on the transfer of property without compensation as part of the recapitalization of the company "Elektrodistribucija Srbije" doo As disclosed in Notes 23 and 25, in order to reorganize the Distribution System Operator " EPS Distribucija" doo Belgrade, and on the basis of the Founder's act, the Company made a decision on October 31, 2022 on the transfer of information systems and equipment and stocks of materials and assets, in the total amount of 3,688,987 thousand dinars, to the ownership of "Elektrodistribucije Srbije" d.o.o., Belgrade. The aforementioned transfer is considered taxable turnover in accordance with the provisions of the Law on Value Added Tax, on the basis of which the Company calculated VAT in the amount of 769,457 thousand dinars and recognized it as an expense of the period.

Court costs, for the most part, in the amount of RSD 878,243 thousand dinars (2021: 1,033,424 thousand dinars) , relate to the costs of hiring private executors in the Branch EPS Snaabdevanje.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

16. FINANCIAL INCOME

	In RSD thousands For the year ending 31 December	
	2022	2021
Financial income arising from related parties in EPS Group (Note 41):		
- interest income	21,384	10,189
- foreign exchange gains	777	127
- other financial income	-	-
	<u>22,161</u>	<u>10,316</u>
Financial income from other related legal entities	<u>1,004,247</u>	<u>834,550</u>
Foreign exchange gains	3,022,152	578,474
Gains on currency clause effects	14,683	3,205
	<u>3,036,835</u>	<u>581,679</u>
Interest income:		
- based on receivables from customers for electricity	3,479,766	2,532,008
- on the basis of short-term financial investments	94,164	261,881
- on the basis of a fee for public media service	363,694	291,793
- other interest income	174,711	171,440
	<u>4,112,335</u>	<u>3,257,122</u>
Other financial income	<u>30,649</u>	<u>35,225</u>
	<u>8,206,227</u>	<u>4,718,892</u>

For all monetary items whose settlement is required in foreign currency, the effects of changes in FX rates on the maturity date, i.e. on the balance sheet date, are recognized in income and expenses, as well as for monetary items for which the contract provides protection of receivables / liabilities by currency clause, that is, collection / settlement in RSD equivalent of foreign currency. Positive FX rate differences expressed in 2022 in the amount of RSD 3,022,152 thousand dinars (2021: 578,474 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

17. FINANCIAL EXPENSES

	In RSD thousands For the year ending 31 December	
	2022	2021
Financial expenses from related parties in EPS Group (Note 41):		
- foreign exchange losses	2,023	255
	<u>2,023</u>	<u>255</u>
Other financial expenses	<u>193,893</u>	<u>284,674</u>
Interest expenses:		
- on the basis of obligations towards AD "Elektromreža Srbije", Belgrade:	-	68
- other interest expenses (on all bases)	3,857,423	1,607,488
- interest expenses for untimely paid public revenue	63,269	36,744
- interest expenses for leasing - assets with the right to use for more than a year	1,313	4,506
	<u>3,922,005</u>	<u>1,648,806</u>
Losses on currency clause effect	3,177	13,395
Foreign exchange losses	4,359,750	4,443,612
	<u>4,362,927</u>	<u>4,457,007</u>
	<u>8,480,848</u>	<u>6,390,742</u>

Other interest expenses include interest expenses on loans in the amount of 3,857,423 thousand dinars (2021: 1,607,488 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.

Negative exchange rate differences reported in 2022 in the amount of 4,359,750 thousand (2021: 4,443,612 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 193,893 thousand dinars (2021: 284,674 thousand dinars) refer to the Commitment fee and Management fee based on the credit arrangement with foreign creditors.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

18. INCOME FROM ADJUSTMENTS OF OTHER ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT AND LOSS

	In RSD thousands For the year ending 31 December	
	2022.	2021.
Income from adjustment of long - term investments	10,854	3,199
Collection and reduction of value correction:		
- advances paid for fixed assets	3,170	4,790
- advances paid for inventories	197,248	7,469
- receivables from customers	400,500	6,763,993
	600,918	6,776,252
	611,772	6,779,451

Revenues from adjusting the value of receivables from customers reported in 2021 in the amount of RSD 6,763,993 thousand (2020: RSD 664,264 thousand) 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 Company, 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.

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

	In RSD thousands For the year ending 31 December	
	2022.	2021.
Impairment expenses:		
- equity participation	12	379,630
- advances	2,668	866
- trade receivables for electricity	6,982,437	3,943,708
- other receivables	1,023,053	1,581,993
- receivables from related legal entities within the EPS Group (Note 41)	67,102	12,702
	8,075,272	5,918,899

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.

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 24).

NOTES TO FINANCIAL STATEMENTS
31 December 2022

20. OTHER INCOME

	In RSD thousands For the year ending 31 December	
	2022.	2021. <i>Corrected</i>
Gains from sale of materials, equity investments, intangible assets investments, real estate, plant and equipment	46,025	434,860
Income from cancellation of long-term provisions on the basis of employee benefits (Note 32)	1,253,502	3,158,510
Income from reversal of long term provisions for restauration of mineral resource	89,395	-
Income from collected written-off receivables and reversal of provision of receivables and short term financial placements	3,318	1,856
Income from reduction of liabilities	38,860	149,156
Income from cancellation of long-term provisions based on litigation (Note 32)	164,653	986,240
Income from secured damages	6,808	24,716
Income from reversal of environmental provision	494,230	7,335
Surplus	23,572	22,068
Other income	27,652	1,189,118
	2,148,015	5,973,859

Income from the cancellation of long-term provisions based on employee benefits in the amount of 3,158,510 thousand dinars in 2021 is a consequence of the reduction in the number of employees in the Company, and as disclosed in note 1, during 2022.

Revenues from reduction of liabilities reported in 2022 in the amount of 494,230 thousand dinars (in 2021, 7,335 thousand dinars) refer to revenues from the reduction of liabilities based on the fee for discharged water in the amount of 146,174 thousand dinars and revenues from the reduction of liabilities based on fees for environmental protection and on the basis of more paid advance payments for the year 2021 compared to the amount determined by the final decisions for the year 2021.

Other income reported in the amount of RSD 1,189,118 thousand dinars y 2021 mostly refers to the income recognized on the basis of the reacquisition of the right to use the commercial building under construction in Block 20 in New Belgrade. Namely, in the Law on Planning and Construction of the RS, it is regulated that legal entities whose founder is the Republic of Serbia and which are registered as holders of the right of use on undeveloped and constructed construction land in state ownership, on the date of entry into force of the mentioned law, lose the right of use on those immovable properties that they pass into the right of the public property of the Founder without compensation. Based on the above, and in accordance with the Act of the Founder (Decision of the Government of the Republic of Serbia 05 number: 023-10110/2019-01 of October 10, 2019), in 2019 the right to use JP EPS on part of the business building under construction in Block 20 in New Belgrade, which is acquired into public ownership, on the basis of which expenditure was recognized in the income statement in 2019 in the amount of 1,100,168 thousand dinars. 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 05 number: 023-10110/2019-01 of October 10, 2019. year, and on what basis was recognized income in the amount of RSD 1,100,168 thousand.

NOTES TO FINANCIAL STATEMENTS
31 December 2022
21. OTHER EXPENSES

	In RSD thousand For the year ending 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	430,891	3,226,889
Losses from write - off of short - term receivables and rescheduled trade receivables	44,180	74,120
Inventory expenditure losses	30,995	17,281
Shortages	19,611	8,839
Sponsorship and donation costs	15,580	86,914
Other expenses	2,087,124	1,082,871
	7,687,442	9,488,348

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 July 17, 2003, which regulates the amount and method of payment of salary compensation for employees in companies on the territory of the AP Kosovo and Metohija.

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 2,087,124 thousand dinars (2021: 1,082,871 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).

22. INCOME TAX
a) Components of income tax

	In RSD thousands For the year ending 31 December	
	2022.	2021.
Tax expense for the period	-	<i>Corrected</i> 2,603,693
Deferred tax income for the period	(2,173,829)	(2,919,429)
	(2,173,829)	(315,736)

NOTES TO FINANCIAL STATEMENTS
31 December 2022
22. INCOME TAX (continued)
b) Harmonization of taxes and products of business results before taxation and prescribed tax rates

	2022	In RSD thousand 2021
Profit / (loss) before tax	(74,789,687)	(15,345,743)
Tax on profit calculated at statutory tax rate - 15%	(11,218,453)	(2,301,861)
Tax effect on unrecognized expenses	2,610,946	4,082,496
Tax effect on expenses recognized on cash basis	(585,558)	(577,817)
Effect of capital gains	(2,589)	-
Tax effect on unrecognized revenues	(212,723)	(621,857)
Effect of transfer prices	127,176	113,280
Tax effect of unrecognized deferred tax assets – tax losses	7,239,782	-
Other	(132,410)	(1,009,977)
	(2,173,829)	(315,736)
<i>Effective tax rate</i>	2.9%	2.1%

c) Deferred tax liabilities

Deferred tax liabilities presented as at 31 December 2021 in the amount of RSD 66,157,129 thousand dinars (31 December 2021: 68,330,958 thousand dinars) relates to temporary differences between the carrying amount of property, plant and equipment are recognized in the tax balance and the amounts at which these assets are stated in the financial statements of the Company.

Movements on the deferred tax liabilities were as follows:

	2022	2021
Balance as at 1 January	68,330,958	65,718,331
Effects on income statement	(2,173,829)	(2,919,429)
Assessment effect (Note 23)	-	5,532,059
Other	-	(3)
Balance as at 31 December	66,157,129	68,330,958

d) Tax losses and credits

As of December 31, 2022, the Company did not report deferred tax assets in the amount of 7,054,291 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

Year of origination	Year of termination	Amount of calculated tax loss	In RSD thousand Tax loss carried forward
2022	2027	47,028,608	7,054,291
		47,028,608	7,054,291

NOTES TO FINANCIAL STATEMENTS
31 December 2022

23. 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 develop ment
				Total
Cost or fair value				
Balance at 1 January 2021	6,326,476	6,760,972	95,405	6,232,531
Increases/acquisitions	115,331	27,908	-	1,265,956
Transfer from other accounts within the group 02 or from other group accounts	-	-	-	(62,047)
Transfer from investments in progress (activation)	1,127,154	1,101,069	-	(2,228,223)
Revaluation of intangible assets	-	-	-	(199,369)
Transferred as a non-monetary contribution—additional ODS	(509,681)	(266,517)	(94,958)	(2,909,711)
Write off/disposal	(216,157)	-	-	-
Derecognition of intangible assets based on the subsequently received documents (note 4)	-	-	-	(36,547)
Other changes	-	34	-	-
Balance at 31 December 2020	6,843,123	7,623,466	447	2,062,590
Increases/acquisitions	43,160	2,862	-	910,161
Transfer from other accounts within the group 02 or from other group accounts	-	4,755	-	(8,664)
Transfer from investments in progress (activation)	727,644	1,051,539	-	(1,620,079)
Impairment – IAS 36	-	-	-	(213,507)
Transfer based on the Government Decisions	(530,525)	(1,283,046)	-	(804,070)
Write off/disposal	(458,460)	(21,052)	-	(130,600)
Balance at 31 December 2022	6,624,942	7,378,524	447	195,831
Accumulated amortization				
Balance at 1 January	2,373,651	2,274,363	66,571	-
Amortization expense (Note 11)	1,078,475	1,133,087	6,444	-
Transferred as a non-monetary contribution—additional ODS	(315,398)	(112,074)	(72,710)	-
Write off/disposal	(192,379)	-	-	-
Other changes	-	1	30	-
Balance at 31 December	2,944,349	3,295,377	335	-
Amortization expense (Note 11)	1,190,632	1,121,939	28	-
Transfer to Elektrodistribucija Srbije based on the Decision of RS Government	(102,222)	(659,658)	-	-
Write off/disposal	(458,227)	(20,838)	-	-
Balance at 31 December 2022	3,574,532	3,736,820	363	-
Net book value				
At 31 December 2021	3,898,774	4,328,089	112	2,062,590
At 31 December 2022	3,050,410	3,641,704	84	195,831

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

Biological resources, property, plant and equipment

	In RSD thousands										
	Land	Buildings	Machinery and equipment	Investment property	Biological assets	Other property, plant and equipment	Construction in progress	Real estate, plants and equipment leased (with the right of use for more than one year)	Advances on real estate, plant and equipment in the country	Advances to foreigners for real estate, plant and equipment	Total
<i>Cost or fair value</i>											
Balance at 1 January 2021 as previously reported	88,972,020	507,192,665	923,717,063	760,736	489,076	211,311	87,920,094	-	-	-	1,630,094,209
Corrections of opening balance at 1 January 2021	-	-	-	-	-	-	(98,058)	-	-	-	(98,058)
Corrected balance as of 1 January 2021	88,972,020	507,192,665	923,717,063	760,736	489,076	211,311	87,822,036	-	6,567,837	14,263,407	1,629,996,151
First application of IFRS 16	-	-	-	-	-	-	-	177,519	-	-	177,519
Increases (purchasing by supplier's invoice)	2,792,721	104,277	3,063,875	-	-	-	47,918,592	-	2,629,698	424,814	56,933,977
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)
Transfers from investments in progress (activation)	52,902	2,157,636	26,107,656	-	-	-	(28,318,194)	-	-	-	-
Investments conducted internally	-	-	-	-	-	-	204,436	-	-	-	204,436
Funds received from third parties free of charge (donations received)	-	-	19,183	-	-	-	-	-	-	-	19,183
Revaluation (effects of subsequent valuations)	(3,781,672)	12,042,823	14,184,501	(1,468)	-	(2,276)	(133,298)	-	-	-	22,308,610
Owner's non-monetary contribution - property by the conclusions of the Government of the RS adopted in 2021	529,443	-	-	-	-	-	-	-	-	-	529,443
Recognition of the building under construction - Block 20	-	-	-	-	-	-	1,100,168	-	-	-	1,100,168
Count surplus	-	-	9,083	-	1,167	-	-	-	-	-	10,250
Count shortage	-	-	(9,040)	-	(1,883)	-	-	-	-	-	(10,923)
Disposals	-	(2,432)	(314,964)	-	-	-	-	-	-	-	(317,396)
Derecognition of property, plant and equipment	-	(64,061)	(15,958,363)	-	(6,358)	(102)	-	-	-	-	(16,028,884)
Transfer to assets held for sale	(1,365)	(977,512)	-	-	-	-	-	-	-	-	(978,877)
Transferred as a non-monetary contribution—additional ODS capital	(179,613)	(9,668,720)	(9,464,555)	-	-	(48,517)	(607,781)	-	-	-	(19,969,186)
Impairment - IAS 36	-	-	-	-	-	-	(888,520)	-	-	-	(888,520)
Other changes	(1)	14,171	(19)	-	10,174	6,406	(23,670)	29,276	(2,575,149)	(2,948,612)	(5,487,424)
Balance at 31 December 2021	88,375,460	510,847,662	941,452,145	710,453	502,441	166,822	106,414,992	206,795	6,521,559	11,739,609	1,666,937,938
Balance at 1 January 2022	88,375,460	510,847,662	941,452,145	710,453	502,441	166,822	106,414,992	206,795	6,521,559	11,739,609	1,666,937,938
Increases (purchasing by supplier's invoice)	1,716,528	11,532	2,442,402	-	44,095	-	59,649,517	8,238	2,895,547	1,854,523	68,622,382
Transfer within account group 02 (except for activation) or transfer from another account group to account group 02	(3,705)	51,101	11,825	-	3,705	(51,101)	(682,529)	-	(1,887)	-	(672,591)
Transfers from investments in progress (activation)	1,687,446	6,900,290	12,128,052	-	-	5,194	(20,880,086)	-	-	-	(159,104)
Investments conducted internally	-	-	-	-	-	-	236,547	-	-	-	236,547
Increase/decrease in provisions for land recultivation of the slag and ash dump sites	1,036,485	-	-	-	-	-	-	-	-	-	1,036,485
Transfer based on the Government Decisions during 2022	-	-	(119,454)	-	-	-	-	-	-	-	(119,454)
Count surplus	4,505	-	3	-	-	-	-	-	-	-	4,508
Count shortage	(14,365)	-	(3,353)	-	(618)	-	-	-	-	-	(18,336)
Disposals	-	(4,572)	(258,515)	-	-	-	-	-	-	-	(263,087)
Derecognition of property, plant and equipment	(14,268)	(284,264)	(7,106,959)	-	(10,063)	(676)	(815)	(176,096)	-	-	(7,593,141)
Transferred as a non-monetary contribution—additional ODS capital	(82,810)	(828,408)	-	-	-	-	-	-	-	-	(911,218)
Impairment - IAS 36	-	-	-	-	-	-	(1,257,365)	-	-	-	(1,257,365)
Other changes	(944)	-	(10,623)	-	-	4,791	-	1,093	(1,459,489)	(7,841,822)	(9,306,994)
Balance at 31 December 2022	92,704,332	516,693,341	948,535,523	710,453	539,560	125,030	143,480,261	40,030	7,955,730	5,752,310	1,716,536,570

NOTES TO FINANCIAL STATEMENTS
31 December 2022

23. INTANGIBLE ASSETS, BIOLOGICAL RESOURCES, PROPERTY, PLANT AND EQUIPMENT (continued)
Biological resources, property, plant and equipment (continued)

Biological resources, property, plant and equipment (continued)								In RSD thousands			
	Land	Buildings	Machinery and equipment	Investment property	Biological assets	Other property, plant and equipment	Construction in progress	Real estate, plants and equipment leased (with the right of use for more than one Year)	Advances on real estate, plant and equipment in the country	Advances to foreigners for real estate, plant and equipment	Total
Accumulated depreciation											
Balance at 1 January 2021	33,375,675	238,579,741	583,058,448	358,120	-	92,838	330,290	-	421,869	8,883	856,225,864
Depreciation expense (note 11)	1,678,321	6,102,405	25,046,741	16,412	-	91	-	128,051	-	-	32,972,021
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 received from third parties free of charge (donations received)	-	-	68	-	-	-	-	-	-	-	68
Revaluation (effects of subsequent valuations)	16,964	2,459,474	(18,764,495)	(6,603)	-	8,299	2,962	-	-	-	(16,283,399)
Count shortage	-	-	(8,770)	-	-	-	-	-	-	-	(8,770)
Disposals	-	-	(306,444)	-	-	-	-	-	-	-	(306,444)
Derecognition of property, plant and equipment	-	(30,078)	(11,537,419)	-	-	(65)	-	-	-	-	(11,567,562)
Transfer to assets held for sale	-	(365,689)	-	-	-	-	-	-	-	-	(365,689)
Transferred as a non-monetary contribution—additional EDS capital	(11,315)	(4,456,045)	(5,759,328)	-	-	(43,661)	-	-	-	-	(10,270,349)
Effect of change in useful life	-	-	(5,803)	-	-	-	-	-	-	-	(5,803)
Other changes	-	1	(7,248)	-	-	2,342	-	(3,218)	(4,790)	-	(12,913)
Balance at 31 December 2021	35,059,678	242,308,699	571,715,750	358,379	-	59,844	333,252	124,833	417,079	8,883	850,386,397
Balance at 1 January 2022	35,059,678	242,308,699	571,715,750	358,379	-	59,844	333,252	124,833	417,079	8,883	850,386,397
Depreciation expense (note 11)	1,506,326	6,189,254	25,788,815	11,633	-	1,908	-	51,313	-	-	33,549,249
Transfer within account group 02 (except for activation) or transfer from another account group to account group 02	-	16,240	(247)	-	-	(16,240)	-	-	-	-	(247)
Count shortage	-	-	(875)	-	-	-	-	-	-	-	(875)
Disposals	-	(4,190)	(224,903)	-	-	-	-	-	-	-	(229,093)
Derecognition of property, plant and equipment	-	(67,008)	(6,343,619)	-	-	(674)	-	(161,326)	-	-	(6,572,627)
Transfer to assets held for sale	-	-	-	-	-	-	-	-	-	-	-
Transfer based on the Government Decisions during 2022	-	-	(37,329)	-	-	-	-	-	-	-	(37,329)
Transferred as a non-monetary contribution—additional EDS capital	-	(423,323)	-	-	-	-	-	-	-	-	(423,323)
Impairment - IAS 36	-	-	-	-	-	-	74,725	-	-	-	74,725
Other changes	(945)	(37)	(2,098)	1	-	982	-	-	12,566	-	10,469
Balance at 31 December 2022	36,565,059	248,019,635	590,895,494	370,013	-	45,820	407,977	14,820	429,645	8,883	876,757,346
Net book value											
At 1 January 2021	53,315,782	268,538,963	369,736,395	352,074	502,441	106,978	106,081,740	81,962	6,104,480	11,730,726	816,551,541
At 31 December 2021	56,139,273	268,673,706	357,640,029	340,440	539,560	79,210	143,072,284	25,210	7,526,085	5,743,427	839,779,224

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

As at 31 December 2021 and 31 December 2020, the Company 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 thousands (2021: 715,195 thousand dinars).

The fair value of investment properties as of December 31 2022 is 1,305,237 thousand dinars (as of December 31 2021: 1,277,517 thousand dinars).

During 2022, the 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 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 Company has recognized as the holder of the right of use, holder or actual user of the facilities, that the Company 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 whose founder is the Republic of Serbia and which are registered as holders of the right of use on undeveloped and constructed construction land in state ownership, on the date of entry into force of the aforementioned law, lose the right of use on those immovable properties that they pass into the right of the public property of the Founder without compensation. Based on the above, and in accordance with the Founder's act (Decision of the Government of the Republic of Serbia 05 number: 023-10110/2019-01 dated October 10, 2019), in 2019 the Company's right to use part of the commercial building under construction in Block 20 ended. in New Belgrade, which is acquired as public property, on the basis of which expenditure was recognized in the income statement for 2019 in the amount of 1,100,168 thousand dinars. 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 20).

The Company in 2021, hired an independent appraiser to evaluate the market value of 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 12).

NOTES TO FINANCIAL STATEMENTS
31 December 2022
23. INTANGIBLE ASSETS, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)
Transfer of property to Elektrodistribucija Srbije

As stated in note 1, the Company undertook to transfer, as a non-monetary contribution, current assets in the value of RSD 37,272 thousand and real estate in favour of "Elektrodistribucija Srbije" d.o.o., Belgrade, and in the name of increasing the basic capita, equipment and intangible assets worth RSD 18,226,921 thousand. On this basis, in the course of 2021. and 2022. the Company transferred part of the property worth RSD 12,979,522 thousand to the legal entity "Elektrodistribucija Srbije" d.o.o. Belgrade, namely:

Asset description	Transferred during 2021	Transferred during 2022	Remained 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 15, in 2022, the Company 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 Company (note 31).

Revaluation of property, plant and equipment

As of January 1, 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 in IS	Effect on deferred tax liabilities	Effect on other revenues in IS	Effect on revaluation reserves	
Land	49,419	45,491	(2,772)	(330)	1,046	(1,872)
Buildings	268,613	278,320	(873)	1,232	2,368	6,980
Plants and equipment	340,986	373,934	(4,851)	4,630	6,929	26,240
Investment property	497	497	-	-	-	-
Other PPE	118	118	-	-	-	-
PPE in preparation	87,590	87,454	(136)	-	-	-
Advances for PPE	20,333	20,333	-	-	-	-
767,556	806,147	(8,632)	5,532	10,343	31,348	

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).

Impairment of non-current assets

In accordance with adopted accounting policies (Note 3.14), the Company assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of such assets and determines the recoverable 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.

23. INTANGIBLE ASSETS, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)*Indications of impairment*

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

- In 2022 and 2021, operating loss and net loss were recognised in the Company's balance sheet.
- In Autumn 2021, the global energy crises drove up coal and natural gas prices. The rise in gas, energy and oil prices was particularly strong in the second half of 2021, and intensified even further in 2022 (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;
- The price of electricity sold to end users entitled to a guaranteed supply at regular rates and to commercial customers was subject to Government regulation and limitations throughout the 2022, and was significantly lower than the market price at which the Company secured the supply of energy (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 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 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.

Other key assumptions for cash flow projection:

- 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2022**23. INTANGIBLE ASSETS, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)**

- 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 it is 2 percent.

Based on the impairment test performed as at 31 December 2022, the Company has determined that the asset's value in use and recoverable amount exceed its carrying value, and has therefore concluded that the 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 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 13,269,512 thousand dinars (31 December 2021: 17,835,206 thousand dinars) mostly relate to:

- implementation of the second phase of the "KOSTOLAC-B POWER PLANT PROJECTS" project package according to the agreement concluded between the Company 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 33), and partly from own funds. With the balance as of December the total amount of advances on this basis amounts to 3,699,384 thousand dinars (December 31, 2020: 10,830,868 thousand dinars);
- 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;

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

- 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 Company.

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
Net book value as of January 1. 2022	2,159	201,366	3,270	206,795
Increases	1,332	6,906	-	8,238
Reductions	-	(176,097)	-	(176,097)
Other	-	1,094	-	1,094
Net book value as of December 31. 2022	3,491	33,269	3,270	40,030
Accumulated depreciation as of 1 January 2022	403	124,243	187	124,833
Depreciation during the year	469	49,723	1,121	51,313
Reductions	-	(161,326)	-	(161,326)
Accumulated depreciation as of 31 December 2022	872	12,640	1,308	14,820
Net book value as of 1 January 2022	1,756	77,123	3,083	81,962
Net book value as of 31 December 2022	2,619	20,629	1,962	25,210

The Company has recognized lease liabilities as follows:

	In RSD thousand	
	31 December 2022	1 January 2022
Short-term lease liabilities	8,878	57,875
Long-term lease liabilities	11,850	22,030
Total liabilities based on leasing	20,728	79,905

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

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

	31 December 2022		In RSD thousand 1 January 2022	
	Current value	Contractual undiscounted cash flows	Current value	Contractual undiscounted cash flows
Minimum lease payments				
Up to 1 year	8,878	9,597	57,875	57,875
From 1 to 5 years	11,850	15,856	22,030	22,030
Over 5 years	-	-	-	-
Total	20,728	25,453	79,905	79,905

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

	31 December 2022	In RSD thousand 31 December 2021
Interest expenses based on leasing	1,313	4,506
Variable lease payments that depend on usage / consumption	786,279	575,382
Expenses related to short-term leasing	186,463	174,748
Expenses related to the leasing of assets of low value	1,060	1,639

Certain property 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 on the basis of leasing stated in the Cash Flow Report in 2022 was RSD 64,663 thousand dinars (2021: 130,783 thousand dinars).

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

	31 December 2022	In RSD thousand 31 December 2021
<i>Investment in the capital of legal entities</i>		
Investments in subsidiaries (Note 41)	4,220,455	3,626,189
<i>Investments in other companies</i>		
Investments in other companies	2,819,321	1,567,813
Less: Allowance for impairment of participation in the capital of other legal entities	(2,533,488)	(1,277,018)
	285,833	290,795
<i>Investments in associates and joint ventures</i>		
Investments in associates and joint ventures	407,614	407,614
Less: Allowance for impairment of investments in associates and joint ventures	(379,630)	(379,630)
	27,984	27,984
	4,534,272	3,944,968
<i>Long-term financial investments and long-term receivables from legal entities in country</i>		
Long-term financial investments in subsidiaries within EPS Group (Note 41)	-	44,837
Less: Allowance for impairment	-	(44,837)
	-	-
<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	1,131,083	948,359
Less: Allowance for impairment of other long-term financial investments	(771,775)	(766,219)
	359,308	182,140
<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
	927,374	1,822,037
Less: Allowance for impairment		
- rescheduled trade receivables for electricity and services from households	-	-
- rescheduled trade receivables for electricity and services from households	(703,371)	(1,562,461)
- sold apartments and housing loans	(1,657)	-
	(705,028)	(1,562,461)
	222,346	259,576
	7,252,850	6,737,676

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

Share in capital in legal entities

Share in capital in other legal entities

Shares in the capital of dependent legal entities as of December 31, 2022 and 2021 refer to the following legal entities:

	% Shares	31 December 2022	In RSD thousand 31 December 2021
"EPS Trgovanje" d.o.o.. Ljubljana	100%	66,304	66,304
"Kolubara - Građevinar" d.o.o.. Lazarevac	71.90%	1,771,606	1,771,606
"Elektrosever" d.o.o.. Severna Mitrovica	100%	1,182	1,182
"HES Gornja Drina" d.o.o. Foča	51%	2,381,363	1,787,097
		4,220,455	3,626,189

As stated in Note 1., the Company acquired a 51% share in the company for the production of electricity "Hidroelektroenergetski sistem Gornja Drina" d.o.o., Foča, Republika Srpska, by joining the member and increasing the capital of the company for the production of electricity of energy "Hidroelektroenergetski sistem Gornja Drina" d.o.o., on November 19, 2020. Total capital "Hidroelektroenergetski sistem Gornja Drina" d.o.o. amounts to 77,717,203.06 KM, with the Company's share amounting to 39,635,773.56 KM. In accordance with the founding act, the Company paid its contribution in three instalments, one of which was due in 2020, while the remaining two, in the total amount of 1,191,444 thousand dinars, were paid during 2021. The fourth, last instalment in the amount of 594,266 thousand dinars was paid on 1 November 2022. The goal of the investment is the construction and exploitation of HPP Buk Bijela, HPP Foča and HPP Paunci on the Drina river.

Share in capital in other legal entities

Equity investments in other legal entities include the following:

- Participation in the capital of the bankruptcy debtor "Fabrika automobila Priboj" a.d. in the amount of RSD 125,747 thousand (31 December 2021: 125.741 thousand dinars). In 2018, the Company's receivables were converted into the capital of the bankruptcy debtor "Fabrika automobila Priboj" a.d., in accordance with the Plan for the reorganization of the bankruptcy debtor prepared in advance, which became final on October 25, 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 261,910 shares with par value of RSD 1,000.00 per share) were transferred to the Company's Proprietary account.
- Participation in the capital of the company "Trayal Corporation" a.d. Kruševac in the amount of RSD 329,151 thousand (31 December 2021: 329.151 thousand dinars) acquired in 2019 through the conversion of the Company's receivables into the share capital of the company "Trayal Corporation" a.d. Kruševac in accordance with the Reorganization Plan prepared in advance (final UPPR by the Decision of the Commercial Court in Kraljevo, No. 4. Reo.2 / 2017).
- Participation in the capital of the company "Simpo" a.d. Vranje in the amount of RSD 585,568 thousand (31 December 2021: 585.568 thousand dinars) acquired through the conversion of the Company's receivables into the share capital of "Simpo" a.d. Vranje in accordance with the Reorganization Plan prepared in advance (final UPPR by Decision No. 10.St.8 / 2018). The conversion of part of the receivables in the amount of RSD 245.342 thousand was performed in 2019, and in 2020. in the amount of RSD 340,226 thousand.
- Participation in the capital of Yumco a.d. Vranje in the amount of 804,810 thousand dinars. The commercial court in Leskovac issued Decision No. 04. Reo 1/2020 confirming the adoption of the UPPR. The aforementioned decision became final on May 26, 2021.
- The Government of the RS adopted Conclusion 05 number: 023-8981/2021-1 of September 30, 2021, by which it agreed that the creditors, which include the Company, convert their claims that arose from the cut-off date from the UPPR until May 26, 2021, with associated interest until the date of the RS Government's decision, i.e. until September 30, 2021. The Supervisory Board of the Company adopted Decision No. 12.01.208645/6-22 of April 7, 2022, by which it agreed to implement the Conclusion of the Government of the RS.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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

Share in capital in other legal entities (continued)

- The share in the capital of the joint-stock company "Holding industrija kablova Jagodina" amounts to 449,059 thousand dinars. The Commercial Court in Kragujevac issued Decision Posl. no. 1. Reo 6/2017 of February 22, 2018, which confirms the adoption of the UPPR. The decision became final on March 11, 2019. The Government of the RS adopted Conclusion 05 No. 023-7837/2017 of August 17, 2017, which established the obligation for the Company to convert its claim from AD "Holding industrija kablova Jagodina" with the balance as of August 31, 2016 in permanent stake in capital. The Supervisory Board of the Company adopted Decision No. 12.01.537296/31-17 of October 31, 2017, by which it agreed with the implementation of the aforementioned Conclusion of the Government of the RS
- The amount of 247,210 thousand dinars refers to investments in capital based on the agreement on joint financing of the implementation of previous works on the HPP "Komarnica" project with Elektroprivreda Montenegro in order to make a decision on the possible joint construction of a hydroelectric power plant, the execution of which has been ongoing since 1992. The provisions of the contract regulate the property relations so that the invested funds constitute the founding roles of the contracted parties, if both parties decide to continue joint activity on the construction of the hydroelectric power plant, or intangible assets if both parties abandon the joint realization. The company also concluded annexes to the agreement on joint financing of the implementation of the previous works of HPP "Komarnica" from 1992, namely: Annex No. 1 of August 13, 2007, Annex No. 2 of July 13, 2011, Annex No. 3 of 5 of February 2014 and Annex No. 4 of March 13, 2017. On June 3, 2020, the stake in HE "Komarnica" was increased in the amount of EUR 13,132. In the reporting period, there were no additional payments on this basis.

Share in capital of joined legal entities and joint ventures

Share in capital of joined legal entities and joint ventures disclosed at 31 December 2022 in the amount of RSD 407,614 thousand (31 December 2021: RSD 406,462 thousand) relate to investment in equity of the following entities:

	%	In RSD thousand	
	<u>Ownership</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
„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

On the basis of the concluded interstate agreements, the Company and the company "SECI ENERGIA", Italy concluded an agreement on the establishment of the Commercial Company "Ibarske hidroelektrane" d.o.o. Kraljevo, in which "SECI ENERGIA" has 51%, and the Company has 49% of shares. The goal of establishing the company was the construction of a hydroelectric power plant system on the Ibar River, which would consist of ten hydroelectric power plants with a total capacity of about 102 MW. PD "Ibarske hidroelektrane" d.o.o. were entered in the register with the competent authority on December 3, 2010.

In 2021, the Italian side withdrew from the project and the company was left without a legal representative. On July 16, 2021, the APR issued a decision that adopted the registration application on the change of data - change of legal representative, and based on the resignation of the director of "Ibarske hidroelektrane"

d.o.o. The Law on Business Companies stipulates that, if 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 January 31, 2022, and ended on April 15, 2022, with the deletion of the company from the register of the Agency for Business Registers.

In 2021, the company devalued its participation in the capital of the legal entity "Ibarska Hydroelectric Power Plant" in the amount of 379,630 thousand dinars.

24. LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (continues)**Share in capital of joined legal entities and joint ventures (continued)***„Moravske hidroelektrane" d.o.o., Beograd*

In addition, according to the Memorandum of Understanding concluded with RWE Innogy GmbH, Germany, (RWE AG), upon the RS Government approval (Conclusion 05 no. 018-7493/2009 dated 13 November 2009), JP EPS and RWE AG entered into an agreement on establishment of the company "Moravske hidroelektrane" d.o.o. with the following equity interests:

- RWE AG, Germany invested EUR 2,040,000 which gives it 51% equity share.
- JP EPS invested EUR 1,960,000 that gives it 49% equity share.

The goal of establishing the Company is the construction of a system of hydroelectric power plants on the Velika Morava River, which consists of at least 5 (five) hydroelectric power plants with a total power of about 150 MW. The registration of PD "Moravske hidroelektrane" d.o.o., Belgrade in the register with the competent authority was made on August 23, 2011.

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

In order to provide funds for the needs of financing the work, the directors of the company "Moravske hidroelektrane" d.o.o. on 27 September 2021. they passed a Decision which determined that it was necessary for the members to pay a part of the subscribed but unpaid monetary share capital in the total amount of EUR 20,000. The decision determined that the members of the company, in accordance with Article 7.1 of the Agreement on the establishment of the company "Moravske hidroelektrane" d.o.o., Belgrade, should pay part of their registered financial contribution, as follows:

- RWE AG, Germany the amount of EUR 10,200 and
- the Company the amount of EUR 9,800.

The above-mentioned amount of part of the subscribed cash capital was paid by the Company in dinar equivalent, which resulted in an increase in the share in the capital of the said company on December 31, 2021 compared to the situation reported on the same day of the previous year.

Based on the Decision of the members of the company "Moravske hidroelektrane" d.o.o., Belgrade on the reduction of the basic capital from December 17, 2021, the Agency for Economic Registers has given On January 14, 2022, by Resolution no. BD 1619/2022 registered the mentioned decision. With the decision to reduce the basic capital, the registered capital of the company "Moravske hidroelektrane" d.o.o., Belgrade was reduced by the amount of EUR 3,479,805. With this Decision, the share capital is reduced to the level of the paid-in share capital, and the members of the company, JP EPS (49%) and RWE Generation Hydro GmbH (51%) are released from the obligation to enter the previously subscribed non-shared capital.

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

24. LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (continues)**Long term financial placements in country**

The given long-term loans stated with the balance as of December 31, 2022 in the amount of 2,136,924 thousand dinars (31 December 2021: 2,350,992 thousand dinars) refer in their entirety to loans concluded by the Company with international financial institutions for the account of its 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 December 31, 2020, the Company lost control over "Elektrodistribucija Srbije" d.o.o. by transferring its role free of charge to the Republic of Serbia, whereby "Elektrodistribucija Srbije" d.o.o. does not dispute its obligations to the Company on the above-mentioned basis.

Other long term financial placements

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

- Investment in the "Rovni" water reservoir in the amount of RSD 637,205 thousand. The aforementioned investment refers to a joint investment in the Public Company "Kolubara", Valjevo, and based on the construction of the body of the dam and reservoir "Rovni", whose purpose is water supply to the population and industry, flood protection in the surrounding municipalities, as well as for the needs of the Company. On the basis of the Decree of the Government of the Republic of Serbia on determining the program of construction, reconstruction and maintenance of water management facilities for the year 2006 ("Official Gazette of the RS" No. 117 of December 30, 2005) during 2006, further works on the construction of the dam body are planned and the reservoir "Rovni", with the participation of the Government of the Republic of Serbia in the amount of 100%. The investment in question was made in order to ensure the necessary conditions for the operation of the Kolubara B TPP project. Due to significant changes in regulatory requirements, which primarily relate to the way of recognition of originally pooled assets, the issue of ownership of water management assets, etc., the Company recognized impairment losses on the aforementioned basis in earlier years.
- Collateral for transactions performed on the organized electricity market (SEEPEX) in the amount of 362,687 thousand dinars. As stated in note 5 (v), the Company trades electricity on the "SEEPEX" stock exchange, and as a trading participant is obliged to fulfill the trading conditions issued by the European commodity clearing AG, which, among other things, require the deposit of collateral to ensure the fulfillment of the obligations of all trading participants.

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.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

25. INVENTORY

	31 December 2022	In RSD thousand 31 December 2021 <i>Corrected</i>
Materials	14,167,089	10,679,945
<i>Less: Allowance for impairment</i>	<i>(4,066,879)</i>	<i>(3,877,639)</i>
	<u>10,100,210</u>	<u>6,802,306</u>
Spare parts	21,338,060	20,442,525
Tools and small inventory	1,249,002	1,629,965
<i>Less: Allowance for impairment of spare parts, tools and small inventory</i>	<i>(2,808,568)</i>	<i>(2,554,674)</i>
	<u>19,778,494</u>	<u>19,517,816</u>
Total material, spare parts, tools and small inventory	<u>29,878,704</u>	<u>26,320,122</u>
Work in progress	498,891	474,757
Finished goods – coal	2,614,740	1,774,152
Finished goods – other	5,739	5,739
	<u>3,119,370</u>	<u>2,254,648</u>
	<u>32,998,074</u>	<u>28,574,770</u>
Merchandise	1,376	1,618
<i>Less: Allowance for impairment</i>	<i>(99)</i>	<i>(99)</i>
	<u>1,277</u>	<u>1,519</u>
Advances paid to foreign entities for supplies and services:		
- advance payments to legal entities within the EPS Group (note 41)	175,882	185,562
- other advances paid for inventories and services	3,405,062	1,864,520
<i>Less: Allowance for impairment of advances given</i>	<i>(255,122)</i>	<i>(227,450)</i>
	<u>3,325,822</u>	<u>1,822,632</u>
Advances paid to foreign entities for supplies and services:		
- advance payments to legal entities within the EPS Group (note 41)	1,834,348	365
- other advances paid for inventories and services	45,831	2,199,156
<i>Less: Allowance for impairment of advances given</i>	<i>(32,984)</i>	<i>(229,784)</i>
	<u>1,847,195</u>	<u>1,969,737</u>
	<u>38,172,368</u>	<u>32,368,658</u>

As disclosed in notes 15 and 23, during 2022, the 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 3,405,062 thousand dinars as at December 31, 2022 (December 31, 2021: 1,864,520 thousand dinars) include advances given to JP Srbijagas in the amount of 1,908,199 thousand dinars (31 December 2021: 730,313 thousand dinars).

Advances given to legal entities within the EPS group in the amount of 1,843,348 thousand dinars as at December 31, 2022 (December 31, 2021: RSD 365,000) entirely refer to the advance payment given to the subsidiary EPS Trgovanje d.o.o., Ljubljana based on the Agreement on the purchase and sale of electricity and cross-border transmission capacities concluded on July 5, 2022.

NOTES TO FINANCIAL STATEMENTS
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26. TRADE RECEIVABLES

	31 December 2022	In RSD thousand 31 December 2021
Customers - related legal entities within the EPS group (Note 41):		
- in country	10,524	10,902
- abroad	1,002,716	-
<i>Less: Adjustment of receivables from related parties legal entities within the EPS Group</i>	<u>(8,311)</u>	<u>(7,615)</u>
	<u>1,004,929</u>	<u>3,287</u>
Customers - Public Company "Elektrokosmet", Pristina	17,906,575	16,610,866
<i>Less: Correction of receivables from Public Enterprise "Elektrokosmet", Pristina</i>	<u>(17,906,575)</u>	<u>(16,610,866)</u>
	<u>-</u>	<u>-</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
- sale of 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 heat and process 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: Adjustment of the value of trade receivable in country</i>		
- sale of electricity – households	(9,595,961)	(5,311,790)
- sale of electricity – legal entities	(4,344,431)	(7,913,851)
- 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)
- sale of 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 heat and process 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	5,014,780	4,814,368
<i>Less: Value correction of foreign customers</i>	<u>(5,006,943)</u>	<u>(4,740,701)</u>
	<u>7,837</u>	<u>73,667</u>
Other trade receivables	715,998	559,062
<i>Less: Correction of the value of other trade receivables</i>	<u>(516,774)</u>	<u>(453,609)</u>
	<u>199,224</u>	<u>105,453</u>
	<u>64,989,481</u>	<u>62,804,980</u>

NOTES TO FINANCIAL STATEMENTS
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26. TRADE RECEIVABLES (continued)

In accordance with the Conclusion of the Government of the Republic of Serbia, number 021-6624/2009- 002, adopted at the Government session on November 30, 2009, the Company, by engaging its available capacities, provides electricity to supply areas with a majority population of Serbs in the north of the AP Kosovo and Metohija . On the basis of the above, the recognition of claims on the basis of delivered electricity to the Public Company "Elektrokosmet", Pristina in the amount of 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.

27. OTHER RECEIVABLES

	In RSD thousand	
	31 December 2022	31 December 2021
Receivables from specific operations	19,704	10,039
Receivables for Public Media Service charge	4,782,206	4,478,657
Receivables for interest:		
- legal entities within the EPS group (Note 41)	34,752	14,849
- for electricity – households	1,615,844	1,223,853
- for electricity – legal entities	8,457,758	7,022,027
- for electricity - companies in restructuring	2,880,075	2,878,048
- other legal entities	382,225	287,977
Receivables from employees	736,801	1,025,880
Receivables from insurance companies for damages	7,494	6,407
Receivables from billing	167,838	153,983
Refundable fee claims	213,647	207,817
Receivables for overpaid taxes and contributions	1,167,970	163,727
Other receivables from the state	507,947	268,012
Other receivables from legal entities within the EPS group (Note 41)	7,993	2,979
Other receivables	1,980,255	2,621,696
Deferred value added tax	3,398,596	3,525,288
Claims for overpaid income tax	2,387,396	3,749,429
	28,748,501	27,640,668
<i>Less: Adjustment of the value of other receivables</i>		
Other receivables from specific operations	(10,728)	(9,597)
Receivables for Public Media Service charge	(1,206,697)	(1,092,077)
Receivables for interest:		
- for electricity – households	(150,303)	(116,330)
- for electricity – legal entities	(5,363,005)	(4,879,357)
- for electricity - companies in restructuring	(2,880,075)	(2,878,048)
Receivables from employees	(11,572)	(7,947)
Receivables for overpaid taxes and contributions	(19,904)	(1,049)
Other receivables from the state	(815)	(815)
Receivables for interest and other receivables from legal entities within the EPS group	(37,730)	(17,827)
Other receivables	(1,534,190)	(1,266,845)
	(11,215,019)	(10,269,892)
	17,533,482	17,370,776

Receivables based on the fee for the Public Media Service refer to the claim of the Company as an electricity supplier from end customers based on the fee for the Public Media Service (Note 5). In accordance with the regulatory requirement, all risks related to the collection of receivables based on the fee for the Public Media Service from customers are borne by the Company. The company has assessed the possibility of collecting these receivables, on the basis of which a correction in the value of the receivables was recognized, which, as of December 31, 2022 in the amount of 1,206,697 thousand dinars (2021: 1,092,077 thousand dinars).

NOTES TO FINANCIAL STATEMENTS
31 December 2022

27. OTHER RECEIVABLES (continued)

Receivables based on overpaid taxes and contributions in the amount of 1,167,970 thousand dinars as of December 31, 2022 (2021: 163,727 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.

Deferred value added tax reported on December 31, 2022 in the amount of RSD 3,398,596 thousand (December 31, 2021: RSD 3,525,288 thousand) refers to the previous tax that the Company used after the balance sheet date for reduction of its liabilities for value added tax.

Other short-term receivables stated in the amount of 1,980,255 thousand dinars (2021: 2,621,696 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.

28. SHORT-TERM FINANCIAL INVESTMENTS

	31 December 2022	In RSD thousand 31 December 2021
Short-term loans and borrowings – domestic	175	233
Current maturity of long-term loans granted in the country	313,185	171,619
Current maturity of long-term loans granted to legal entities within the EPS Group (Note 41)	269,021	224,184
Current maturity of other long-term financial placements given to legal entities within the EPS Group (Note 41)	415,966	415,966
Current maturity of other long-term financial placements	241,166	240,634
<i>Less: Correction of the value of short-term loans and placements in the country</i>	<i>(979,568)</i>	<i>(840,150)</i>
	<u>259,945</u>	<u>212,486</u>
Current maturity of rescheduled receivables - electric energy	291,036	255,205
Current maturity of rescheduled claims for coal, thermal energy and tech. steam and services	2,963	2,741
<i>Less: Correction of the value of other short-term financial placements</i>	<i>(265,429)</i>	<i>(238,741)</i>
	<u>28,570</u>	<u>19,205</u>
	<u>288,515</u>	<u>231,691</u>

Current maturities of other long-term financial placements given to legal entities within the EPS Group in the amount of RSD 415,966 thousand (December 31, 2021: 415,966 thousand dinars), refer to claims from the dependent legal entity "Kolubara - Građevinar" d.o.o., Lazarevac, which were reprogrammed in accordance with the Pre-prepared Reorganization Plan (UPPR) of June 29, 2017. In accordance with the aforementioned UPPR, the Company is classified in class "D" of creditors. For this class of creditors, a "grace period" of 6 months is provided, starting from the date of application of the UPPR. The total repayment period (including the "grace period") is 18 months, during which the obligations are settled in equal quarterly annuities. The defined interest rate is 1% annually. The company performed an assessment of expected credit losses based on the aforementioned claims from a dependent legal entity and, as a result of the assessment, recognized an impairment loss in the amount of RSD 415,966 thousand.

The current maturity of loans granted to legal entities within the EPS Group in the amount of RSD 269,021 thousand dinars (31 December 2021: 224,184 thousand dinars) refers to part of the long-term loan that matures in the next 12 months, which the Company granted to a subsidiary Kolubara - Građevinar" d.o.o., Lazarevac (Note 24). On December 31, 2022, the company created a value adjustment for these receivables in the same amount.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

29. CASH AND CASH EQUIVALENTS

	In RSD thousand	
	31 December 2022	31 December 2021
Current accounts:		
- in RSD	7,132,569	12,000,972
- in foreign currency	397,622	342,694
	<u>7,530,191</u>	<u>12,343,666</u>
Deposits for cover under letters of credit in foreign currency	2.609.767	-
Cash desk	24,845	24,553
Special purpose cash funds	53	27
Securities – cash equivalents	2,662	2,576
Restricted cash	250,856	267,729
<i>Less: Allowance for impairment of dinar cash funds with limited use</i>	<u>(250,856)</u>	<u>(267,729)</u>
	<u>10,167,518</u>	<u>12,370,822</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.

30. PREPAID EXPENSES AND OTHER ACCRUALS

	In RSD thousand	
	31 December 2022	31 December 2021
Prepaid expenses	26,408	26,408
Deferred expenses	1,223,445	1,255,399
Other accruals from related legal entities within the EPS Group (Note 41)	2,622	1,142
Other prepaid expenses	<u>1,183,517</u>	<u>1,650,427</u>
	<u>2,435,992</u>	<u>2,933,376</u>

Accrued expenses shown with the balance as of December 31, 2021 in the amount of RSD 1,255,399 thousand (December 31 2021: RSD 1,255,399 thousand) 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 Company is a tax debtor, which was paid in the period after the balance sheet date.

31. EQUITY

Basic capital

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

The valuation of the assets and equity of the 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 Company 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 FINANCIAL STATEMENTS
31 December 2022

31. EQUITY (continued)

Changes in equity

Changes in equity in 2022 and 2021 are disclosed below:

	In RSD thousand					
	Basic capital	Revaluation reserves	Actuarial earnings / (losses)	Profit/ (losses) on securities available for sale	Retained earnings / (accumulated loss)	Total
Balance at 31 December 2020	360,003,089	422,745,355	(2,525,696)	(411,772)	(180,290,424)	599,520,552
Correction of beginning balance (Note 4)	-	-	-	-	(238,434)	(238,434)
Corrected balance at 1 January 2021	360,003,089	422,745,355	(2,525,696)	(411,772)	(180,528,858)	599,282,118
Effects of changes in the fair value of financial instruments	-	-	-	1,501	-	1,501
Disposal of fixed assets	-	(3,730,741)	-	-	1,905,782	(1,824,959)
Actuarial losses, provisions for employee benefits (Note 32)	-	-	(434,382)	-	-	(434,382)
Reversal of actuarial losses based on transfer of employees to Elektro distribucija Srbije d.o.o. Beograd	-	-	397,246	-	(397,246)	-
Effect of revaluation of PPE as at 1 January 2021 (note 23)	-	31,348,340	-	-	-	31,348,340
Non-monetary share of the founder	529,443	-	-	-	-	529,443
Transfer to the Republic of Serbia (without consideration) share in equity of Elektro distribucija Srbije d.o.o. Beograd (note 23)	-	(3,884,957)	-	-	(9,326,294)	(13,211,251)
Current year loss	-	-	-	-	(15,030,007)	(15,030,007)
Balance at 31 December 2021	360,532,532	446,477,997	(2,562,832)	(410,271)	(203,376,623)	600,660,803
Effects of changes in the fair value of financial instruments	-	-	-	(4,954)	-	(4,954)
Disposal of fixed assets	-	(2,499,683)	-	-	1,851,455	(648,228)
Actuarial losses, provisions for employee benefits (Note 32)	-	-	852,203	-	-	852,203
Transfer to the Republic of Serbia (without consideration) share in equity of Elektro distribucija Srbije d.o.o. Beograd (note 23)	-	(289,710)	-	-	(209,909)	(499,619)
Transfer of assets to Elektro distribucija Srbije d.o.o. Beograd based on the Government Decision (note 23)	-	-	-	-	(3,688,987)	(3,688,987)
Other changes	362,807	-	-	-	(362,807)	-
Profit distribution	-	-	-	-	(55)	(55)
Profit / loss for the current year	-	-	-	-	(72,615,858)	(72,615,858)
Balance at 31 December 2022	360,895,339	443,688,604	(1,710,629)	(415,225)	(278,402,784)	524,055,305

NOTES TO FINANCIAL STATEMENTS
31 December 2022
31. EQUITY (continued)

Reduction of the total capital based on the transfer without compensation to the Republic of Serbia of participation in the capital 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 23) the value of the transferred shares in the capital of other legal entities in the amount of RSD 13,173,818 thousand (note 23), 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 real estate 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 23). In addition, as disclosed in notes 15, 23 and 25, 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 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 account of the accumulated loss.

32. LONG-TERM PROVISIONS

	In RSD thousand	
	31 December 2022	31 December 2021
Long-term provision for retirement benefits and jubilee rewards	12,396,184	14,877,228
Long-term provision for litigations	2,939,490	2,845,319
Long-term provision for environmental restoration	21,587,246	20,112,294
Other long-term provisions	24	24
	36,922,944	37,834,865

Long-term provisions for employee benefits

Long-term provisions for employee benefits shown with the balance as of December 31, 2022 in the amount of RSD 14,877,228 thousand dinars (31 December 2021: 14,877,228 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 Company, 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 852,203 thousand dinars (2021: 434,382 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 Company formed a long-term provision for the estimated negative effects of court cases that were initiated against the Company 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 Company.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

32. 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 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 legi slation	Provision for environmental restoration	Other provision	Total
Balance at 1 January 2021	17,223,616	3,847,071	19,629,151	24	40,699,862
New provisions recognized in the income statement (note 14 и 17)	1,870,852	186,414	520,842	-	2,578,108
New provisions recognized in other comprehensive income (Note 31)	434,382	-	-	-	434,382
Used reservations	(1,493,112)	(201,926)	(37,699)	-	(1,732,737)
Cancellation of reservation (Note 20)	(3,158,510)	(986,240)	-	-	(4,144,750)
Balance at 31 December 2021	14,877,228	2,845,319	20,112,294	24	37,834,865
New provisions recognized in income statement (notes 14 and 17)	1,147,862	336,412	573,765	-	2,058,039
New provisions recognized in other comprehensive income (note 31)	(852,203)	-	-	-	(852,203)
New provisions recognized in assets (note 23)	-	-	1,036,485	-	1,036,485
Provisions used during the year	(1,523,201)	(77,588)	(45,903)	-	(1,646,692)
Unused amount reversed (note 20)	(1,253,502)	(164,653)	(89,395)	-	(1,507,550)
Balance 31 December 2022	12,396,184	2,939,490	21,587,246	24	36,922,944

NOTES TO FINANCIAL STATEMENTS
31 December 2022

32. 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		
	Retirement benefits	Jubilee awards	Total
Balance at 1 January 2021	5,230,452	11,993,164	17,223,616
<i>Items recognized in the income statement:</i>			
Interest expense (note 14)	102,878	197,990	300,868
Current service costs (note 14)	230,635	692,082	922,717
Actuarial losses (note 14)	-	647,267	647,267
Reversal during the year that represents income (note 20)	(888,940)	(2,269,570)	(3,158,510)
<i>Items recognized in other comprehensive income:</i>			
Actuarial losses (note 31)	434,382	-	434,382
Payment to employees	(195,613)	(1,297,499)	(1,493,112)
Balance at 31 December 2021	4,913,794	9,963,434	14,877,228
<i>Items recognized in the income statement:</i>			
Interest expense (note 14)	258,732	481,402	740,134
Current service charge (note 14)	82,300	325,428	407,728
Actuarial gains (note 14)	-	(1,223,270)	(1,223,270)
Reversal during the year that represents income (note 20)	(30,232)	-	(30,232)
<i>Items recognized in other comprehensive income:</i>			
Actuarial gains (note 31)	(852,203)	-	(852,203)
Payment to employees	(287,413)	(1,235,788)	(1,523,201)
Balance at 31 December 2022	4,084,978	8,311,206	12,396,184

NOTES TO FINANCIAL STATEMENTS
31 December 2022

33. LONG-TERM LIABILITIES

	31 December 2022	In RSD thousand 31 December 2021
Liabilities convertible to equity	80,500	80,500
Obligations based on long-term credits and loans in the country in RSD and foreign currency	52,633,689	45,539,282
<i>Less: Current maturity of long-term loans in the country in RSD and foreign currency</i>	<i>(21,990,880)</i>	<i>(24,393,008)</i>
	<u>30,642,809</u>	<u>21,146,274</u>
Obligations based on long-term credits and loans in abroad	113,586,816	101,490,528
<i>Less: Current maturity of long-term loans abroad</i>	<i>(29,841,686)</i>	<i>(29,957,052)</i>
	<u>83,745,130</u>	<u>71,533,476</u>
Other long-term liabilities	-	14
<i>Less: Current portion of other long-term liabilities</i>	<i>-</i>	<i>-</i>
	<u>-</u>	<u>14</u>
Liabilities based on leasing	20,728	79,905
<i>Less: Current maturities of leasing obligations</i>	<i>(8,878)</i>	<i>(57,875)</i>
	<u>11,850</u>	<u>22,030</u>
	<u>114,480,289</u>	<u>92,782,294</u>

I Refinanced borrowings realised from the funds of

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 for 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 Company wrote off 62% of new principal of the debt to the London Club of Creditors on 30 September 2004 and reconciled the amount of new principal based on the communication and annuity plans provided by the National Bank of Serbia. 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.

33. 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 entered into 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 instalments 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 instalments 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. By supplementing the Loan Agreement, dated May 31, 2022, at the company's request the creditor extended the term of use until April 1, 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 December 20, 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 by and 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 from the date of contract became valid, which includes a grace period of up to 60 months. Loan funds are withdrawn during the grace period, with the possibility of extending the availability period. With the consent of EXIM Bank as of May 31, 2017. year, the term of use was extended to 31.12.2018. years. After the expiration of the term of use, and in accordance with Article 3.3 of the Agreement, part of the loan for the amount of USD 6.361 million was automatically cancelled. The 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 instalments in the period from July 21, 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 instalments, 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).

33. LONG-TERM LIABILITIES (continued)***II Borrowings from foreign governments (continued)***

- The loan agreement for the preferred buyer for the second phase of the Kostolac-B Power Plant Projects package was concluded on December 17, 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 July 21, 2022 to January 21, 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 made until May 25, 2022, the paid amount is repaid in 26 equal semi-annual instalments, from July 21, 2022 to January 21, 2035, and for payments from May 25, 2022 until the term of use, the paid amount is repaid in 23 equal instalments, from January 21, 2024 to January 21, 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 December 31, 2022, this obligation to the creditor is shown 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 cancelled, so that the agreed loan amount amounts to 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 instalments 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 portion 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 cancelled. 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 instalments 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 ultimate date until which funds are available is set on 7 December 2014, where the drawdown period has been extended to 31 December 2020. With the consent of the creditor, the term of using the loan was extended to 31 December 2021. The amount of EUR 12.3 million has been cancelled 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 instalments until 31 October 2023. The borrowing accrues variable interest rate, which consists of EURBOR and mark-up in 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.

33. LONG-TERM LIABILITIES (continued)***III Borrowings from International Financial Organization (continued)***

- EUR 200 million was agreed on 30 October 2015, for a period of 15 years, including 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 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 instalments, until 15 June 2030. The borrowing accrues variable interest rate, which consists of EURIBOR and mark-up in 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.

2. 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. years. 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 cancelled with the creditor's consent. According to the provisions of the Borrowing Agreement, the principal repayment commenced on 30 December 2015 in 19 equal semi-annual instalments, where in the event of extension of date for utilization of borrowing funds, repayment would commence 3 years later, on 30 December 2018, in 13 equal semi-annual instalments.

33. LONG-TERM LIABILITIES (continued)***III Borrowings from International Financial Organization (continued)***

- A fixed interest rate has been agreed and is to be determined by KfW annually two days before the disbursement for each portion of the borrowing received based on the expenses incurred by KfW on the EUR capital market under terms that best correspond to the fixed interest rate period increased by 0.40% for the portion of the loan of EUR 25 million, and by 1.15% for the portion of the borrowing of EUR 40 million. After each payment, KfW consolidates these rates into a uniform rate for the total borrowing amount, which is fixed to the end of the repayment period. Commission 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.
- EUR 80 million (with an additional EUR 1 million in grants) on November 29, 2017, and later on in June 29, 2022. year, an additional EUR 790,000.00 in grants. The originally agreed deadline for using loan and grant funds (December 30, 2021) was extended to December 30, 2024. years. Also, the repayment of the principal, which is realized in 23 equal half-yearly instalments, from the originally agreed repayment period of December 30, 2021 to December 30, 2032, was postponed by two years, that is, the first loan instalment was repaid in 2021. and the other 22 instalments will be repaid starting from June 30, 2024 until December 30, 2034. years. 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 Company 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 Company'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 Company. 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 instalment is due on 25 November 2010 and the last instalment 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.

33. LONG-TERM LIABILITIES (continued)**III Borrowings from International Financial Organization (continued)****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 Company 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 Company 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 Company returned to the creditor the previously withdrawn and unjustified amount of the loan, in the amount of EUR 364.8 thousand, so that the total loan amount on 31 December 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.

Loans for project financing**1. Komercijalna banka a.d. Beograd**

EUR 15 million was contracted on December 12, 2019. The loan funds were fully withdrawn on November 17, 2020. The loan repayment period is up to 10 years, with a grace period of up to 4 years. The repayment of the principal is in 12 equal consecutive semi-annual instalments, with the first instalment of the principal due on October 15, 2023, and the last on April 15, 2029. Payment dates are 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. The commission on undrawn funds amounts to 0.25% per annum, and is calculated from January 1, 2020. A one-time management fee has not been agreed.

2. Banca Intesa a.d. Beograd

EUR 45 million was contracted on December 9, 2019. The loan funds were withdrawn in full by November 14, 2022. The loan repayment period is up to 10 years, with a grace period of up to 4 years. The repayment of the principal is in 12 equal consecutive semi-annual instalments, with the first instalment of the principal due on October 15, 2023, and the last on April 15, 2029. Payment dates are 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. The commission on undrawn funds amounts to 0.25% per annum, and is calculated from January 1, 2020. A one-time management fee has not been agreed.

33. LONG-TERM LIABILITIES (continued)**IV Commercial bank loans in euros**

EUR 30 million was contracted on December 9, 2019. The loan funds were full withdrawn in full by March 13, 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 instalments, with the first principal instalment due on October 15, 2023. and the last one on April 15, 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 3.75% 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 01.01.2020. years. A one-time commission for organizing the work (management fee) has not been contracted.

3. Vojvođanska banka a.d. Novi Sad

EUR 30 million was contracted on December 9, 2019. The loan is managed by OTP banka Srbija a.d. Novi Sad (legal successor of Vojvođanska banka a.d. Novi Sad). Loan funds are available in the period from 01.01.2020. until December 31, 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 October 15, 2023, and the last on April 15, 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 January 1, 2020. A one-time management fee has not been agreed.

4. OTP Banka

EUR 15 million was contracted on December 9, 2019. Loan funds are available in the period from January 1, 2020 until December 31, 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 October 15, 2023, and the last on April 15, 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 January 1, 2020. A one-time management fee has not been agreed.

5. Loans for current assets in euros

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 October 1, 2023. until August 30, 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 komercijalna 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 October 1, 2023. until August 30, 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 January 25, 2023 until December 25, 2023. Interest is calculated monthly as the sum of 3M EURIBOR and a fixed margin.

NOTES TO FINANCIAL STATEMENTS
31 December 2022**33. LONG-TERM LIABILITIES (continued)****IV Loans for current assets in euro (continued)**

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 October 1, 2023. until August 30, 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 October 1, 2023. until August 30, 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.

6. VTB bank (Europe) SE

EUR 72 million was contracted on June 17, 2021, with a grace period until September 17, 2022. Loan funds are available until June 17, 2022. Loan funds were available until June 17, 2022. The agreed principal repayment period is five years and it is repaid quarterly, provided that the loan is withdrawn in full. A total of EUR 19,515,917.04 was withdrawn by the availability deadline. The loan is repaid in 6 instalments starting from September 19, 2022 until December 19, 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%.

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 January 1, 2021 to December 1, 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 July 1, 2021 to June 1, 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 January 1, 2023 to December 1, 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 October 1, 2023 until August 30, 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 January 20, 2022 to December 20, 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 October 1, 2023 to September 1, 2027. Interest is calculated monthly as the sum of 1M BELIBOR and fixed margin.

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31 December 2022

33. LONG-TERM LIABILITIES (continued)

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

No.	LOANS	Currency	ORIGINAL CURRENCY				Mean of security	Equivalent value in RSD 000	
			Principle as at 31 December 2022	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 FUNS OF (1+2+3+4)							10,185,739	13,477,006
1	PARIS CLUB 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% п,а,	Promissory note	88,818	139,076
1.2	FRANCE	EUR	8,730,080	22.09.2008. 22.03.2024.	22.03. и 22.09.	5.9% п,а,	Promissory note	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% п,а,	Promissory note	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% п,а,	Promissory note	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% п,а,	Promissory note	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% п,а,	Promissory note	156,421	230,582
1.7	RUSSIA	USD	34,070,253	22.03.2006. 22.03.2034.	22.03. и 22.09.	0.5517% п,а,	Promissory note	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% п,а,	Promissory note	402,499	683,093
2	LONDON CLUB CREDITORS	USD	2,176,440	01.05.2010. 01.11.2024.	01.05. и 01.11.	3.75% до 11/09, фиксна 6.75% до 11/24,	Promissory note	239,738	339,284
3	IBRD	EUR	1,830,516	15.06.2005. 15.12.2031.	15.06. и 15.12.	6.75% п,а, до 11/24	Promissory note	214,761	238,740
4	EZ	EUR	426,596	17.10.2012. 17.10.2016.	17.04. и 17.10.	6M Euribor п,а,	-	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% п,а,	Guarantee RS	87,038	199,214
2	Japanese borrowing - JICA	JPY	20,624,116,518	20.11.2016. 20.11.2026	20.05 и 20.11	0.60% п,а, (Principal 1) 0.01% п,а, (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% п,а,	Promissory note	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% п,а,	Promissory note	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% п,а,	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% п,а,	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% п,а,	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% п,а,	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)	EUR	0	30.06.2013. 30.12.2019.	30.06. и 30.12.	variable rate + 1.75%	Guarantee RS	0	0
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	0	30.06.2022. 30.12.2028.	30.06. и 30.12.	0.80%	Guarantee RS	0	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%		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 mil.EUR)	EUR	135,037,339	01.11.2023. 01.05.2044.	01.05. и 01.11.	6M EURIBOR + variable margin	Promissory note	15,842,905	15,877,974

NOTES TO FINANCIAL STATEMENTS
31 December 2022

33. LONG-TERM LIABILITIES (continued)

No.	LOANS	Currency	ORIGINAL CURRENCY				ORIGINAL CURRENCY	ORIGINAL CURRENCY	
			Principle as at 31 December 2022	Maturity date	Repayment schedule	Interest rate		31.12.2022.	01.01.2022.
IV	COMMERCIAL BANKS IN EURO							29,401,178	15,375,107
1	Komercijalna banka 15 mil	EUR	15,000,000	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 1.95%	Promissory note	1,759,836	1,763,732
2	Banca Intesa 45 mil	EUR	45,000,000	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 3.50%	Promissory note	5,279,508	2,497,993
3	Banca Intesa 30 mil	EUR	17,453,097	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 3.75%	Promissory note	2,047,639	0
4	Vojvodjanska banka 30mil	EUR	0	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 3.75%	Promissory note	0	0
5	OTP Banka 15 mil	EUR	0	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 3.75%	Promissory note	0	0
6	ERSTE BANKA	EUR	32,083,333	01.10.2023 30.08.2027	Every 01 st of the month	3M EURIBOR + 5.00%	Promissory note	3,764,094	4,115,374
7	EUROBANK DIREKTNA	EUR	32,083,333	01.10.2023 30.08.2027	Every 01 st of the month	3M EURIBOR + 5.00%	Promissory note	3,764,094	4,115,374
8	Postanska Stedionica	EUR	4,583,333	01.10.2023 01.09.2027	Every 01 st of the month	1M BELIBOR + 3.50%	Promissory note	537,728	587,911
9	AIK Banka	EUR	9,166,667	01.10.2023 30.08.2027	Every 01 st of the month	3M EURIBOR + 5.00%	Promissory note	1,075,455	0
10	Komercijalna banka	EUR	45,832,464	01.10.2023 30.08.2027	Every 01 st of the month	3M EURIBOR + 5.00%	Promissory note	5,377,175	0
11	OTP Banka	EUR	0	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 note	0	0
12	OTP banka	EUR	0	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 note	0	0
13	UNICREDIT banka	EUR	0	01.10.2023 01.09.2027	Every 01 st of the month	3M EURIBOR + 5.00%	Promissory note	0	0
14	UNICREDIT banka	EUR	0	01.10.2023 01.09.2027	Every 01 st of the month	3M EURIBOR + 5.00%	Promissory note	0	0
15	OTP banka	EUR	32,083,428	01.10.2023 30.08.2027	Every 01 st of the month	3M EURIBOR + 5.00%	Promissory note	3,764,105	0
16	ERSTE banka	EUR	5,000,000	25.01.2023 25.12.2023	Every 25 th of the month	3M EURIBOR + 3.95%	Promissory note	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, the value will be considered to be 0	Promissory note	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% п,а, и 2/3-euribor		1,708	1,898
2	Tehnexport	USD	697,086			-		76,785	72,445

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31 December 2022

33. LONG-TERM LIABILITIES (continued)

No.	LOANS	Currency	ORIGINAL CURRENCY				Means of security	Equivalent value in RSD 000	
			Loan balance at 31 December 2022	Maturity date	Repayment schedule	Interest rate		31.12.2022.	01.01.2022.
Б	КРЕДИТИ У ДИНАРИМА							14,489,997	18,979,994
1	Komercijalna banka	RSD	0	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.70%	Promissory note	0	290,000
2	Komercijalna banka	RSD	0	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.90%	Promissory note	0	290,000
3	ERSTE banka	RSD	0	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.93%	Promissory note	0	290,000
4	Postanska stredionica	RSD	0	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.97%	Promissory note	0	290,000
5	ERSTE banka	RSD	0	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.99%	Promissory note	0	290,000
6	AIK banka	RSD	0	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3.00%	Promissory note	0	580,000
7	OTP banka	RSD	0	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3.01%	Promissory note	0	580,000
8	Vojvodjanska banka	RSD	0	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3.01%	Promissory note	0	290,000
9	Komercijalna banka	RSD	0	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.90%	Promissory note	0	290,000
10	ERSTE banka	RSD	0	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.99%	Promissory note	0	290,000
11	Vojvodjanska banka	RSD	0	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3.01%	Promissory note	0	290,000
12	Vojvodjanska banka	RSD	0	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3.02%	Promissory note	0	580,000
13	OTP banka	RSD	0	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3.02%	Promissory note	0	580,000
14	Banca Intesa	RSD	0	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.49%	Promissory note	0	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 note	290,000	870,000
16	Banca Intesa	RSD	3,000,000,000	01.01.2023 01.12.2024	every 1st in month	1M BELIBOR + 2.70%	Promissory note	3,000,000	0
17	AIK banka	RSD	4,000,000,000	01.10.2023 30.08.2027	every 1st in month	1M BELIBOR + 3.50%	Promissory note	4,000,000	0
18	Komercijalna banka	RSD	300,000,000	20.01.2022 20.12.2023	20.06. и 20.12.	1M BELIBOR + 0.95%	Promissory note	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 note	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 note	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 note	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 note	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 note	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 note	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 note	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 note	900,000	1,800,000
27	Postanska stredionica	RSD	2,400,000,000	01.10.2023 01.09.2027	every 1st in month	1M BELIBOR + 3.50%	Promissory note	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, that is, 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 RSD19,627,447 thousand was reclassified as a short-term obligation.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

33. 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:

Creditor	Currency	Contracted Amount	Draw Down
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
European Investment Bank 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

	31 December 2022	31 December 2021	In RSD thousand Index
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

	31 December 2022		31 December 2021	
Currency	Amount in Currency	In RSD thousand	Amount in Currency	In RSD thousand
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

NOTES TO FINANCIAL STATEMENTS
31 December 2022

33. 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:

	Cash flows			Non-cash changes						Balance at 31 December 2022
	Balance at 1 January 2022.	Proceeds	Repayment	Direct tranche to supplier	Conversion of expenses to principal	First-time application of IFRS 16	Debt write-off	Foreign exchange movement	Other	
2022.										
Long-term borrowings	147,029,810	37,759,139	(40,932,676)	24,612,525	104,444	-	(2,957,872)	600,796	4,340	166,220,505
Other long-term financial liabilities	14	-	(16)	-	-	-	-	-	2	-
Other short-term financial liabilities	9,800	20,152	(52,213)	-	-	-	-	(19)	52,514	30,234
Liabilities based on financial leasing	79,905	-	(64,663)	-	-	-	-	3	5,483	20,728
Total liabilities from financing activities	147,119,529	37,779,291	(41,049,569)	24,612,525	104,444	-	(2,957,872)	600,780	62,339	166,271,467
2021.										
Long-term borrowings	125,883,024	24,731,463	(18,485,519)	11,463,749	-	-	-	3,356,050	81,043	147,029,810
Other long-term financial liabilities	28,090	-	(173)	-	-	-	-	-	(27,903)	14
Other short-term financial liabilities	9,696	-	(58,267)	-	-	-	-	-	58,371	9,800
Long-term borrowings	-	-	(130,783)	-	-	177,519	-	27	33,142	79,905
Total liabilities from financing activities	125,920,810	24,731,463	(18,674,742)	11,463,749	-	177,519	-	3,356,077	144,653	147,119,529

NOTES TO FINANCIAL STATEMENTS
31 December 2022

34. LONG-TERM DEFERRED INCOME AND RECEIVED DONATIONS

	In RSD thousand	
	31 December 2022	31 December 2021
Donations received:		
- from the Government of the RS and other state authorities	684,833	276,198
- from abroad	8,086,276	8,238,827
- in country	52,757	58,745
	8,823,866	8,573,770

On December 29, 2022, a Protocol was signed between the Ministry of Mining and Energy and the Company on the implementation of Government Decision 05 Number: 401-11262/2022 of December 29, 2022, which adopts the Program on the allocation and use of subsidies to public non-financial enterprises and organizations. The protocol stipulates that the Government of the Republic of Serbia, through the line ministry, in the period from 2022 to 2024, will provide part of the funds needed for the reconstruction of the turbines on blocks TENT A3-A6 for the further implementation of the Obrenovac-Novi 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 December 31, 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.

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

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

	In RSD thousand	
	31 December 2022	31 December 2021
Balance at the beginning of the year	8,573,770	8,679,277
Worth. trans. wed. from third parties free of charge (donations)	158,748	275,570
Cancellation of deferred income in favour of current income on a systematic basis (Note 7)	(218,840)	(222,740)
RS subsidies for the reconstruction of blocks A3-A6 in the TENT Branch, as part of the construction of the Obrenovac-Belgrade heat pipeline	416,500	-
Other	(106,312)	(158,337)
Balance at the end of the year	8,823,866	8,573,770

NOTES TO FINANCIAL STATEMENTS
31 December 2022

35. SHORT-TERM FINANCIAL LIABILITIES

	In RSD thousand	
	31 December 2022	31 December 2021
<i>Liabilities in foreign currency</i>		
Part of long-term loans abroad that mature up to one year	29,841,686	29,957,052
Part of the country's long-term loans in foreign currency that matures up to one year	15,000,883	12,303,011
	<u>44,842,569</u>	<u>42,260,063</u>
<i>Liabilities in RSD</i>		
The part of long-term loans in the country in dinars that is due up to one year	6,989,997	12,089,997
Part of other long-term liabilities due up to one year	-	-
Part of liabilities based on leasing	8,878	57,875
	<u>6,998,875</u>	<u>12,147,872</u>
Other short-term financial liabilities in foreign currency	3,016	3,016
Other short-term financial liabilities in dinars	27,218	6,784
	<u>51,871,678</u>	<u>54,417,735</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) thousand refer to loans from international financial organisations in the amount of RSD 17,472,161 thousands, loans granted by state governments in the amount of 10,847,807 thousands 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 (31 December 2021: 12,089,997 thousand dinars) refer to liquidity loans granted to the Company during 2021 by domestic commercial banks.

36. CUSTOMER PREPAYMENTS, DEPOSITS AND CAUTION MONEY

	In RSD thousand	
	31 December 2022	31 December 2021
Advances received:		
- from related legal entities within the EPS Group (Note 41)	499	396
- in RSD	307,221	848,996
- in foreign currency	137	26,078
Deposits and caution money received	128,548	156,855
Advances received from individuals in RSD	973	1,000
	<u>437,378</u>	<u>1,033,325</u>

Received advances in dinars, stated with the balance as of December 31 2022 in the amount of RSD 307,221 thousand (31 December 2021: 848,996 thousand dinars) the most significant part, in the amount 244,734 thousand dinars (31 December 2021: 584,692 thousand dinars) refer to advances received from customers for electricity on commercial supply.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

37. OPERATING LIABILITIES

	31 December 2022	In RSD thousand 31 December 2021
Suppliers - legal entities within the EPS group in the country (Note 41)	111,535	67,033
Suppliers - other related legal entities in the country	182,611	23,477
	<u>294,146</u>	<u>90,510</u>
Suppliers in the country	36,781,858	22,591,112
AD "Elektromreza Srbije", Belgrade	1,754,210	2,304,873
"Elektro distribucija Srbije" d.o.o., Belgrade	34,455,764	27,452,409
	<u>72,991,832</u>	<u>52,348,394</u>
Suppliers abroad	18,455,400	18,156,667
Other business liabilities:		
- obligations based on expropriation from business	306,391	95,202
- obligations based on compensation for damages from business	10,474	8,220
- other	2,534,453	1,996,334
	<u>2,851,318</u>	<u>2,099,756</u>
	<u>94,592,696</u>	<u>72,695,327</u>

Liabilities to the legal entity "Elektro distribucija 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 "Elektro distribucija Srbije" d.o.o., Belgrade based on the fee for access to the distribution system. As disclosed in note 9, 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 in effect from on 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 33).

NOTES TO FINANCIAL STATEMENTS
31 December 2022

38. OTHER CURRENT LIABILITIES

	31 December 2022	In RSD thousand 31 December 2021
		<i>Corrected</i>
Liabilities from specific jobs	1,946,863	1,933,655
Other liabilities towards employees	134,267	102,463
Liabilities for unpaid wages and salaries, net	1,264,680	1,335,937
Liabilities for taxes and contributions:		
- charged to employee	502,608	533,653
- charged to employees	319,127	412,319
Other liabilities for wages and salaries	28,910	58,461
Liabilities for interests and financing costs	111,279	65,270
Liabilities for dividends and profit share	3,032,107	3,032,107
Liabilities towards the members of the NO and the Audit Commission	395	431
Liabilities towards individuals	30,048	31,455
Other liabilities	63,756,982	397,223
Liabilities based on calculated value added tax	7,206,230	6,884,414
Tax liabilities from results	2,007,671	2,309,385
Fees for the use of water and other public goods	631,682	830,124
Fee for energy efficiency	87,682	91,583
Fees for environmental protection	2,387,925	1,961,801
Other liabilities based on other public revenues	376,542	294,390
Liabilities based on excise duty	4,062,770	3,584,341
Liabilities for other taxes, customs duties and other duties	111,431	74,427
	88,110,796	24,020,299

Obligations from specific operations reported on December 31 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 5 and 27).

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 favour of the founder, and in accordance with the Law on the Budget of the Republic of Serbia, and on obligations to employees and former employees in the name of participation in the profit determined according to the financial statements for the year ending on December 31, 2015. year, in accordance with the decision of the Supervisory Board of December 6, 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 Company after the balance sheet date within the terms stipulated by tax regulations and/or tax administrative acts. In the event that the same documents are not received, the Company has the obligation to pay in advance in the amount of the previously determined obligation until the receipt of the same documents from tax and other authorities

NOTES TO FINANCIAL STATEMENTS
31 December 2022

39. SHORT TERM ACCRUED EXPENSES

	In RSD thousand	
	31 December 2022	31 December 2021
Calculated costs	1,128,247	724,598
Other passive accruals	927,131	748,620
	2,055,378	1,473,218

The calculated costs shown with the balance as of December 31, 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 for the calculation of interest on loans and credits for which no accounting document has been received.

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

40. OFF-BALANCE SHEET ASSETS AND LIABILITIES

	In RSD thousand	
	31 December 2022	31 December 2021
Received material for finishing and processing	79	16,169
Given guarantees and other forms of securing obligations	204,812,634	196,588,477
Received guarantees and other forms of securing claims	56,176,172	52,941,336
Other off-balance sheet records	68,934	68,934
	261,057,819	249,614,916

NOTES TO FINANCIAL STATEMENTS
31 December 2022

41. TRANSACTIONS WITH RELATED PARTIES

a) *Balance sheet*

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

	31 December 2022	In RSD thousand 31 December 2021
Equity participations (Note 24)		
EPS Trgovanje d.o.o. Ljubljana	66,304	66,304
Kolubara - Građevinar d.o.o. Lazarevac	1,771,606	1,771,606
Elektrosever d.o.o.	1,182	1,182
HES Gornja Drina d.o.o. Foča	2,381,363	1,787,097
	<u>4,220,455</u>	<u>3,626,189</u>
Long-term financial investments (note 24)		
Kolubara - Građevinar d.o.o. Lazarevac	-	44,837
Less: Correction of value of long-term financial investments	-	(44,837)
	<u>-</u>	<u>-</u>
Short-term financial investments (note 28)		
Kolubara - Građevinar d.o.o. Lazarevac	684,987	640,150
Less: Correction of value of short-term financial investments	(684,987)	(640,150)
	<u>-</u>	<u>-</u>
Inventories - Advances Given (Note 25)		
EPS Trgovanje d.o.o. Ljubljana	1,834,348	365
Kolubara - Građevinar d.o.o. Lazarevac	175,882	185,562
Less: Correction of the value of advances given	(135,284)	(104,516)
	<u>1,874,946</u>	<u>81,411</u>
Fixed assets - Advances given		
Kolubara - Građevinar d.o.o. Lazarevac	222,767	196,525
Less: Correction of the value of advances given for fixed assets	(100,548)	(84,812)
	<u>122,219</u>	<u>111,713</u>
Inventories - Advances Given (Note 26)		
EPS Trgovanje d.o.o. Ljubljana	1.002.716	-
Kolubara - Građevinar d.o.o. Lazarevac	10.524	10,902
Less: Correction of the value of advances given	(8.311)	(7,615)
	<u>1.004.929</u>	<u>3,287</u>
Trade receivables (Note 27):		
Kolubara - Građevinar d.o.o. Lazarevac (claims for interest and other claims)	42,745	17,828
Less: Adjustment of the value of receivables from related legal entities within EPS Group	(37,730)	(17,827)
	<u>5,015</u>	<u>1</u>
Accruals (note 30)		
Kolubara - Građevinar d.o.o. Lazarevac	2,622	1,142
	<u>2,622</u>	<u>1,142</u>
Total assets	<u>7,230,186</u>	<u>3,823,743</u>

NOTES TO FINANCIAL STATEMENTS
31 December 2022

41. TRANSACTIONS WITH RELATED LEGAL ENTITIES (continued)

a) Balance sheet (continued)

	31 December 2022	In RSD thousand 31 December 2021
Operating liabilities (Note 37)		
Kolubara - Građevinar d.o.o. Lazarevac	111,535	67,033
	111,535	67,033
Advances received (Note 36)		
Kolubara - Građevinar d.o.o. Lazarevac	499	396
	499	396
Total liabilities	112,034	67,429
Receivables/(liabilities) - net	7,118,152	3,756,314

b) Income statement

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

	2022.	In RSD thousand 2021.
Income from the sale of electricity (Note 5)		
EPS Trading, Ljubljana	1,283,755	4,466,604
Kolubara - Građevinar d.o.o. Lazarevac	19,740	23,054
	1,303,495	4,489,658
Income from the sale of products and services (Note 5)		
Kolubara - Građevinar d.o.o. Lazarevac	36,298	47,687
	36,298	47,687
Other operating income (note 7)		
Kolubara - Građevinar d.o.o. Lazarevac	11,155	1,208
	11,155	1,208
Financial income (note 16)		
EPS Trading, Ljubljana	777	127
Kolubara - Građevinar d.o.o. Lazarevac	21,384	10,189
	22,161	10,316
Fuel and energy costs (note 9)		
EPS Trading, Ljubljana	5,570,117	1,027,536
	5,570,117	1,027,536
Cost of production services (note 13)		
Kolubara - Građevinar d.o.o. Lazarevac	916,585	601,617
	916,585	601,617
Financial expenses (note 17)		
EPS Trading, Ljubljana	2,023	255
	2,023	255
Expenses based on impairment of receivables (note 19)		
Kolubara - Građevinar d.o.o. Lazarevac	67,102	12,702
	67,102	12,702
Income/(expenses), net	(5,182,718)	2,906,759

NOTES TO FINANCIAL STATEMENTS
31 December 2022

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>Corrected</i>
Indebtedness a)	166,351,967	147,200,029
Cash and cash equivalents	10,167,518	12,370,822
Net indebtedness	156,184,449	134,829,207
Capital b)	524,055,305	600,660,803
Total debt to equity ratio	0.30	0.22

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

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

Significant accounting policies that pertain to financial instruments

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

Financial instruments categories

	31 December 2022	In RSD thousand 31 December 2021
Financial assets		
Equity investments	4,534,272	3,944,968
Long-term financial investments and receivables	2,718,578	2,792,708
Trade receivables	64,989,481	62,804,980
Short-term loans and short-term financial investments	288,515	231,691
Other receivables	9,660,548	11,965,722
Cash and cash equivalents	10,167,518	12,370,822
	92,358,912	94,110,891
Financial liabilities		
Long-term borrowings	114,480,289	92,782,280
Other long-term liabilities	-	14
Business obligations	94,592,696	72,695,327
Other short-term liabilities	68,988,876	5,546,570
Current portion of long-term borrowings	51,841,444	54,407,935
Short-term financial liabilities	30,234	9,800
	329,933,539	225,441,926

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

NOTES TO FINANCIAL STATEMENTS
31 December 2022

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Objectives of financial risk management

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

Market risk

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

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

Currency risk

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

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

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

	Assets		Liabilities	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
EUR	4,785,072	6,825,449	76,589,024	74,533,426
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 Company is sensitive to changes in foreign exchange rates of currencies. The table below represents details of sensitivity analysis of the Company to increase and decrease of 10% in exchange rates of Serbian dinar to foreign currencies. The sensitivity rate of 10% is used for internal review of currency risk and represents an estimate of the Management of reasonably expected changes in foreign exchange rates. Sensitivity analysis includes only unsettled receivables and liabilities disclosed in foreign currency and harmonizes their translation at period end for change of 10% in foreign exchange rates.

	31 December 2022.		31 December 2021	
	Strengthening RSD	Weakening RSD	Strengthening RSD	Weakening RSD
EUR	7,180,395	(7,180,395)	6,770,798	(6,770,798)
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 of current period	16,347,911	(16,347,911)	13,194,511	(13,194,511)

NOTES TO FINANCIAL STATEMENTS
31 December 2022

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Currency risk (continued)

of the Company to changes in foreign currencies decreased in the current period, mainly based on the effects of a nominal decrease in liabilities denominated in euros and Japanese yen.

Interest rate risk

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

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

	31 December 2022	RSD thousand 31 December 2021
Financial assets		
<i>Interest-free:</i>		
- Equity-investments	4,534,272	3,944,968
- Long-term financial investment and long-term receivables	766,219	766,219
- Trade receivables	64,989,481	62,804,980
- Cash and cash equivalents	<u>2,651,757</u>	<u>36,702</u>
	<u>72,941,729</u>	<u>67,552,869</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	28,571	19,205
- Cash and cash equivalents	<u>7,515,761</u>	<u>12,334,120</u>
	<u>7,977,022</u>	<u>12,633,305</u>
<i>Variable interest-rate</i>		
- Long-term financial investments and long-term receivables	1,519,669	1,746,509
- Short-term loans and short-term financial investments	259,944	212,486
- Other receivables	<u>9,660,548</u>	<u>11,965,722</u>
	<u>11,440,161</u>	<u>13,924,717</u>
	<u>92,358,912</u>	<u>94,110,891</u>

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

NOTES TO FINANCIAL STATEMENTS
31 December 2022

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk (continued)

	In RSD thousand	
	31 December 2022	31 December 2021
Financial liabilities		
<i>Interest-free:</i>		
- Trade payables	94,592,696	72,695,327
- Other liabilities	63,501,207	58,901
	<u>158,093,903</u>	<u>72,754,228</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
	<u>52,633,689</u>	<u>45,539,282</u>
<i>Variable interest rate:</i>		
- Long-term borrowings	83,837,480	71,636,006
- Other long-term liabilities	-	14
- Other liabilities	5,487,669	5,487,669
- Current portion of long-term borrowings	29,850,564	30,014,927
- Short-term financial liabilities	30,234	9,800
	<u>119,205,947</u>	<u>107,148,416</u>
	<u>329,933,539</u>	<u>225,441,926</u>

The sensitivity analyses presented in the following text are established based on the exposure to changes in interest rates for the instruments at the balance sheet date. For liabilities with a variable rate, the analysis was compiled under the assumption that the remaining amount of assets and liabilities on the balance sheet date was unchanged throughout the year. An increase or decrease of 1% represents, on the part of the management, an assessment of a realistically possible change in interest rates. If the interest rate is 1% higher/lower, and all other variables remain unchanged. The company would suffer an operating loss for the year ending on December 31, 2022 in the amount of 1,077,658 thousand dinars (31 December 2021: 932,237 thousand dinars). This situation is attributed to exposure.

Credit risk

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

NOTES TO FINANCIAL STATEMENTS
31 December 2022

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

Trade receivables and contract assets

The Company's exposure to credit risk based on trade receivables and contractual assets as of 31 December and 31 December 2021 is shown 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, corrected accounts receivable	99,258,734	(68,339,411)	30,919,323
31 December 2022	133,866,705	(68,877,224)	64,989,481
Not due trade receivables	31,626,646	(622,846)	31,003,800
Overdue, corrected accounts receivable	93,946,272	(62,145,092)	31,801,180
31 December 2021	125,572,918	(62,767,938)	62,804,980

Trade receivables for electricity are predominant in the breakdown of trade receivables. As at 31. December 2022 the Company is exposed to credit risk for trade receivables for sold electricity in the amount of RSD 57.827.890 thousand or around 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.

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

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

NOTES TO FINANCIAL STATEMENTS
31 December 2022

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

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

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

		In RSD thousand	
	Weighted- average loss rate	Gross exposure	Credit loss
Guaranteed supply			
Not past due receivables	2.1%	15,451,454	324,667
0-30	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
30	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
30	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

NOTES TO FINANCIAL STATEMENTS
31 December 2022

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

The table of changes in the value correction of financial assets for 2022 and 2021 is presented in the following table:

	Long-term financial investments	Long-term receivables	Trade receivables	Receivables from specific operations	Other receivables	Short-term financial investments	Total
Balance at January 2021	3,594,565	2,295,521	90,514,412	1,068,843	9,541,375	1,761,182	108,775,898
Allowances through Statement of profit and loss	379,630	-	4,635,325	66,666	820,394	16,018	5,918,033
Write-off of receivables and investments	-	(289)	(144,381)	(4,913)	(17,136)	(171,909)	(338,628)
Income regarding to adjustment of allowance – collection of receivables and reduced allowance (note 18)	-	(2,926)	(6,596,816)	(26,816)	(680)	(139,954)	(6,767,192)
Foreign exchange differences	-	-	-	-	3,276	-	3,276
Collection of previously impaired receivables	-	-	(1,856)	-	-	-	(1,856)
Transfers within receivables	(89,673)	421,621	369,456	(2,106)	(764,730)	65,432	-
Posting a correction based on UPPR	-	(2,539)	2,539	-	-	-	-
Increase based on valuation of securities	574	-	-	-	-	-	574
Transfer of assets from JP EPS in „ODS EPS Distribucija“ d.o.o,	(219,893)	(1,334,593)	(26,178,886)	-	(414,256)	(453,749)	(28,601,377)
Assignment to the Republic of Serbia without compensation for participation in the capital "ODS EPS Distribucija" d.o.o,	(1,197,594)	-	-	-	-	-	(1,197,594)
Other	95	185,666	168,145	-	(25)	1,871	355,752
Balance at 31 December 2021	2,467,704	1,562,461	62,767,938	1,101,674	9,168,218	1,078,891	78,146,886
Allowances through Statement of profit and loss	104,160	1,657	6,544,045	117,357	1,258,687	46,698	8,072,604
Write-off of receivables and investments	-	(770,228)	(37,622)	(1,406)	(422,907)	(91,484)	(1,323,647)
Income regarding to adjustment of allowance – collection of receivables and reduced allowance (note 18)	(3)	(16,084)	(387,507)	(200)	(7,560)	-	(411,354)
Foreign exchange differences	-	-	1,228	-	-	-	1,228
Collection of previously impaired receivables	-	-	(3,318)	-	-	-	(3,318)
Transfers within receivables	(138,114)	(72,778)	-	-	-	210,892	-
Increase based on valuation of securities	617	-	-	-	-	-	617
Posting a correction based on UPPR (note 24)	1,250,530	-	-	-	-	-	1,250,530
Other	(1)	-	(7,540)	-	1,156	-	(6,385)
Balance 31 December 2022	3,684,893	705,028	68,877,224	1,217,425	9,997,594	1,244,997	85,727,161

NOTES TO FINANCIAL STATEMENTS
31 December 2022

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Trade payables management

Trade payables as of December 31, 2022 were reported in the amount of 94,592,696 thousand dinars (31 December 2021: 72,695,327 thousand dinars). During 2022, in conditions of difficult liquidity the company settled its obligations towards suppliers.

Liquidity risk

The final responsibility for liquidity risk management rests with the Company's management, which has established an appropriate management system for the needs of the Company'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 Company's operations during 2023.

An approved increase in the price of electricity of guaranteed 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 Company as damage compensation 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 company's operating income, operating result and cash flow in 2023.

In addition, the Company concluded or is in the process of negotiations to conclude new loans with international financial institutions. The loan concluded on March 15, 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 33.

Liquidity risk and credit risk tables

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

Financial assets maturity

	In RSD thousand 31 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	66,924,805	712,284	-	-	5,304,640	72,941,729
Fixed interest rate	7,515,761	28,571	362,688	-	70,002	7,977,022
Variable interest rate	10,645,812	-	256,821	152,187	385,341	11,440,161
	85,086,378	740,855	619,509	152,187	5,759,983	92,358,912

	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	61,121,521	1,717,141	-	-	4,714,207	67,552,869
Fixed interest rate	12,334,120	19,205	182,140	-	97,840	12,633,305
Variable interest rate	11,406,076	-	212,486	2,306,155	-	13,924,717
	84,861,717	1,736,346	394,626	2,306,155	4,812,047	94,110,891

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

NOTES TO FINANCIAL STATEMENTS
31 December 2022

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial liabilities 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
Interest-free	125,024,242	32,646,845	422,816	-	-
Fixed interest rate	-	-	21,990,880	-	30,642,809
Variable interest rate	5,492,645	-	29,887,672	83,825,630	-
	130,516,887	32,646,845	52,301,368	83,825,630	30,642,809
					329,933,539

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
Interest-free	50,143,066	20,367,178	2,243,984	-	-
Fixed interest rate	-	-	24,393,008	-	21,146,274
Variable interest rate	5,571,216	-	30,014,927	71,562,273	-
	55,714,282	20,367,178	56,651,919	71,562,273	21,146,274
					225,441,926

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

31 December 2022		In RSD thousand 31 December 2021	
Net book value	Fair value	Net book value	Fair value
Financial assets			
Equity investments	4,534,272	4,534,272	3,944,968
Long-term financial assets and long-term receivables	2,718,578	2,718,578	2,792,708
Trade receivables	64,989,481	64,989,481	62,804,980
Short-term loans and short-term financial investments	288,515	288,515	231,691
Other receivables	9,660,548	9,660,548	11,965,722
Cash and cash equivalents	10,167,518	10,167,518	12,370,822
	92,358,912	92,358,912	94,110,891
Financial liabilities			
Long-term borrowings	114,480,289	114,480,289	92,782,280
Other long-term liabilities	-	-	14
Trade payables	94,592,696	94,592,696	72,695,327
Other short-term financial liabilities	68,988,876	68,988,876	5,546,570
Current portion of long-term loans	51,841,444	51,841,444	54,407,935
Short-term financial liabilities	30,234	30,234	9,800
	329,933,539	329,933,539	225,441,926

NOTES TO 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 December 31, 2021. there are legal disputes against the Company, the value of which is RSD 3,374,172 thousand (31 December 2021: 3,641,701 thousand dinars). The final outcome of these lawsuits is uncertain. Based on the management's assessment, on 31 December 2022 the Company formed a provision for potential losses that may arise from the aforementioned disputes (note 32) in the total amount of RSD 2,939,490 thousand (31 December 2021 2,845,319 thousand dinars). According to the remaining amount of court cases that are being conducted against the Company, for which no provision has been made for potential losses, the Company's management believes that no materially significant losses can arise for the Company.

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	Realised as of 31.12.2022,	Branch
Consortium Elnos BL Koessler GmbH & Co KG	973,113	648,730	Obnovljivi 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	Obnovljivi 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	Obnovljivi izvori
ESOTECH Družba za Ril	1,146,286	40,974	TE Никола Тесла
ELEKTROMONTAŽA DOO Kraljevo	1,405,278	-	TE Никола Тесла
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 Никола Тесла
Toshiba International Europe LTD	3,062,115	-	Дринско-Лимске ХЕ
	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.

Contingent liabilities under agreements with local governments

Based on the financing of infrastructure projects, the 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

43. CONTINGENCIES AND COMMITMENTS (continued)

However, there are significant uncertainties regarding the probability of future events that are not fully under the control of the 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 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 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:

Serial 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 to the Deposit Insurance Agency

The Company has not reconciled its liabilities to 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 44,315,085.03 and interest in the amount of USD 42,174,423.43, which in RSD equivalent on the balance sheet date amounts to RSD 9,988,526 thousand.

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

As stated in Note 34, the Company, 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 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 Parent Company 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 recognized

NOTES TO FINANCIAL STATEMENTS
31 December 2022

44. RECONCILIATION OF RECEIVABLES AND LIABILITIES (continued)

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 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

Change of legal form

On April 6, 2023, the Government of the Republic of Serbia adopted Decision No. 023-1457/2023 on the change of the 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.

Pursuant to the aforementioned decision, the total share capital of the 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 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 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 Company's business name to Akcionarsko društvo "Elektroprivreda Srbije" was carried out, Belgrade. The 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 Joint Stock 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.

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.

NOTES TO FINANCIAL STATEMENTS
31 December 2022

46. EVENTS AFTER BALANCE SHEET DATE (continued)

Price of electricity for guaranteed supply

At the meeting held on November 28, 2022, the Council of the Energy Agency approved the decision on the price of electricity for guaranteed supply. The average price of electricity for customers entitled to guaranteed supply at regulated prices (households and small customers), determined at based on the maximum approved income and the estimated amount of electricity for sale to customers on the guaranteed supply, it amounts to 8,797 din/kWh without taxes and fees (or 12.401 din/kWh with excise duty, fees and taxes) and is higher than the existing average price of 8%. This electricity price for guaranteed supply will be applied starting January 1, 2023.

Furthermore, on March 28, 2023, the Council of the Energy Agency approved the Decision on the regulated price for guaranteed supply, number 12.01-244136/2-2023 dated March 17, 2023. This Decision on the price established a new average the price of electricity (which also includes the cost of access to the distribution system) in the amount of 9.501 din/kWh, which represents an average price increase of 8% compared to the previously established average price. The price per kWh with fees, excise duty and tax is 13.309 dinars and will be applied starting May 1, 2023.

Loans with international financial institutions

In accordance with the Decision of the Supervisory Board dated November 29, 2022, KfW Bank approved on January 24, 2023 the extension of the deadline for the use of funds for the financing of the Zvornik HPP Rehabilitation project from December 30, 2022 to June 30, 2023. .

On March 15, 2023, a Loan Agreement was signed with the European Bank for Reconstruction and Development (EBRD) with the guarantee of the Republic of Serbia in the amount of EUR 300 million. The loan consists of two tranches, the withdrawal of which will be possible after fulfilling the conditions defined in the contract, part of which is in the competence of the Company, and part in the competence of the Republic of Serbia.

Negotiations have begun with KfW Bank in order to conclude an agreement on a liquidity loan in the amount of EUR 100 million, based on the same principles as the agreement withby the European Bank for Reconstruction and Development (EBRD), since it is about parallel financing.

Compensation for damages

On May 24, 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 Company to EMS a.d. companies. and EDS d.o.o. in the period from October 2021 to December 2022, based on the Decision of the Government of the Republic of Serbia No. 312-11315/2022 of December 29, 2022. 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 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.

47. FOREIGN EXCHANGE RATES

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

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