

**PUBLIC ENTERPRISE ELEKTROPRIVREDA SRBIJE  
BEOGRAD**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
AND INDEPENDENT AUDITOR'S REPORT**



## Independent Auditor's Report

To the Owner and management of Javno preduzeće Elektroprivreda Srbije:

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### Our qualified opinion

In our opinion, except for the effects of the matters described in the Basis for qualified opinion section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Javno preduzeće Elektroprivreda Srbije (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2020, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Law on Accounting in the Republic of Serbia.

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### Basis for qualified opinion

As at 31 December 2020, the Group did not recognize a provision for decommissioning of landfills and dumps for ash and slag in Thermal Power Plants Kostolac, Kolubara, Morava, Nikola Tesla A and Nikola Tesla B, as required by IAS 37 – "Provisions, contingent liabilities and contingent assets". In the absence of information to assess the amount of provision for decommissioning, we were unable to satisfy ourselves as to the value of provisions, related assets and expenses in the financial statements. The audit report for the year ended 31 December 2019 was qualified with this respect.

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

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

### Independence

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

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

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## Other information including the consolidated Annual Report

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

In addition, considering the knowledge and understanding of the Group and its environment obtained during the audit, we are required to report if we have identified material misstatements in the consolidated Annual Report. As described in the *Basis for qualified opinion* section above, we were unable to obtain sufficient evidence about the amount of provision for decommissioning, related assets and expenses in the consolidated financial statements. We are unable to conclude whether or not the consolidated Annual report is materially misstated with respect to this matter.

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## Responsibilities of management for the consolidated financial statements

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

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

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

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

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

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

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

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Refer to the original signed version

Milivoje Nešović  
Licenced auditor

PricewaterhouseCoopers d.o.o. Beograd

Belgrade, 23 July 2021

**To be filled in by the legal entity – entrepreneur**

Registration number	2	0	0	5	3	6	5	8	Activity code	3	5	1	4	TIN – Tax identification number	1	0	3	9	2	0	3	2	7
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Company Public Enterprise Elektroprivreda Srbije Beograd

Head office Belgrade, 13 Balkanska Street

## CONSOLIDATED INCOME STATEMENT

for the period from 1 January 2020 to 31 December 2020

- in thousands of Dinars -

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	<b>REVENUES FROM REGULAR OPERATIONS</b>				
60 to 65, except 62 and 63	<b>A. OPERATING REVENUES (1002+1009+1016+1017)</b>	1001		246,850,388	243,769,846
60	I. INCOME FROM THE SALE OF MERCHANDISE (1003+1004+1005+1006+1007+1008)	1002	6	3,921,242	3,987,461
600	1. Sales of merchandise to parent companies and subsidiaries - domestic market	1003		-	-
601	2. Sales of merchandise to parent companies and subsidiaries - foreign market	1004		-	-
602	3. Sales of merchandise to other associated companies - Domestic	1005		-	-
603	4. Sales of merchandise to other associated companies – foreign	1006		-	-
604	5. Sales of merchandise to domestic customers	1007	6	2,518	3,707
605	6. Sales of merchandise to foreign customers	1008	6	3,918,724	3,983,754
61	II. INCOME FROM SALES OF PRODUCTS AND SERVICE RENDERED (1010+1011+1012+1013+1014+1015)	1009	6	238,141,541	234,693,070
610	1. Sales of merchandise to parent companies and subsidiaries - domestic market	1010		-	-
611	2. Sales of merchandise to parent companies and subsidiaries - foreign market	1011		-	-
612	3. Sales of finished goods and services rendered to other associated entities - domestic	1012	6	1,227,521	1,048,787
613	4. Sales of finished goods and services rendered to other associated entities - foreign	1013		-	-
614	5. Sales of merchandise to domestic customers	1014	6	236,845,872	233,291,352
615	6. Sales of merchandise to foreign customers	1015	6	68,148	352,931
64	III. INCOME FROM PREMIUMS, SUBVENTIONS, DONATIONS, ETC.	1016	8	2,336,397	2,236,009

65	IV. OTHER OPERATING INCOME	1017	9	2,451,208	2,853,306
Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	<b>COSTS FROM REGULAR OPERATIONS</b>				
50 to 55, 62 and 63	<b>B. OPERATING EXPENSES (1019-1020-1021+1022+1023+1024+1025+1026+1027+1028+1029) ≥ 0</b>	1018		227,592,090	233,567,342
50	I. COST OF GOODS SOLD - COGS	1019		140,024	727,833
62	II. INCOME FROM THE OWN USE OF PRODUCTS, SERVICES AND MERCHANDISE	1020	7	4,043,374	4,240,222
630	III. INCREASE OF FINISHED GOODS, WORK IN PROGRESS AND SERVICES IN PROGRESS	1021		1,040,589	941,306
631	IV. DECREASE OF FINISHED GOODS, WORK IN PROGRESS AND SERVICES IN PROGRESS	1022		566,665	70,246
51 except 513	V. COST OF MATERIAL	1023	10	14,385,368	13,684,850
513	VI. COST OF FUEL AND ENERGY	1024	11	48,116,023	51,252,120
52	VII. COSTS OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1025	12	62,276,709	65,427,277
53	VIII. COSTS OF PRODUCTION SERVICES	1026	13	30,881,329	27,805,504
540	IX. DEPRECIATION COSTS	1027	14	49,645,278	47,850,404
541 to 549	X. LONG-TERM PROVISIONS COSTS	1028	15	4,219,780	7,177,967
55	XI. NON-PRODUCTION COSTS	1029	16	22,444,877	24,752,669
	<b>C. OPERATING PROFIT (1001-1018) ≥ 0</b>	1030		19,258,298	10,202,504
	<b>D. OPERATING LOSS (1018-1001) ≥ 0</b>	1031		-	-
66	<b>E. FINANCIAL INCOME (1033+1038+1039)</b>	1032		11,732,329	8,098,254
66, except 662, 663 and 664	I. FINANCIAL INCOME INCURRED WITH ASSOCIATED COMPANIES AND OTHER FINANCIAL INCOME (1034+1035+1036+1037)	1033		846,920	1,157,881
660	1. Financial income incurred with parent companies and Subsidiaries	1034		-	-
661	2. Financial income incurred with other associated companies	1035	17	811,239	791,505
665	3. Income from share in associated entities and joint ventures	1036		-	-

669	4. Other financial income	1037	17	35,681	366,376
662	II. INCOME FROM INTEREST (FROM THIRD PARTIES)	1038	17	5,745,066	6,171,843
663 and 664	III. FX GAINS AND INCOME FOR THE EFFECTS OF CURRENCY CLAUSE	1039	17	5,140,343	768,530
56	<b>F. FINANCIAL EXPENSES (1041+1046+1047)</b>	1040		2,027,293	3,198,064

Account group, account	ITEM	АОП	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
56, except 562, 563 and 564	I. FINANCIAL EXPENSES INCURRED WITH ASSOCIATED COMPANIES AND OTHER FINANCIAL EXPENSES (1042+1043+1044+1045)	1041		307,621	272,017
560	1. Financial expenses incurred with parent companies and Subsidiaries	1042		-	-
561	2. Financial expenses incurred with other associated companies	1043		-	-
565	3. Losses for share in loss of associated companies and joint ventures	1044		-	-
566 and 569	4. Other financial expenses	1045	18	307,621	272,017
562	II. COSTS OF INTERESTS (TO THIRD PARTIES)	1046	18	1,235,484	1,367,771
563 and 564	III. FX LOSSES AND LOSSES FOR CURRENCY CLAUSE EFFECTS	1047	18	484,188	1,558,276
	<b>G. FINANCIAL PROFIT (1032-1040)</b>	1048		9,705,036	4,900,190
	<b>H. FINANCIAL LOSS (1040-1032)</b>	1049		-	-
683 and 685	<b>I. INCOME FROM OTHER ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE</b>	1050	19	815,725	1,302,689
583 and 585	<b>J. EXPENSES FROM OTHER ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE</b>	1051	20	12,682,533	10,507,241
67 and 68, except 683 and 685	<b>K. OTHER INCOME</b>	1052	21	7,838,392	1,489,406
57 and 58, except 583 and 585	<b>L. OTHER EXPENSES</b>	1053	22	7,726,668	12,179,700
	<b>M. PROFIT FROM OPERATIONS BEFORE TAXATION (1030-1031+1048-1049+1050-1051+1052-1053)</b>	1054		17,208,250	-
	<b>N. LOSS FROM OPERATIONS BEFORE TAXATION (1031-1030+1049-1048+1051-1050+1053-1052)</b>	1055		-	4,792,152
69 minus 59	<b>O. NET OPERATING PROFIT FROM DISCONTINUED OPERATIONS</b>	1056		-	-
59 minus 69	<b>P. NET OPERATING LOSS FROM DISCONTINUED OPERATIONS</b>	1057		-	-
	<b>Q. PROFIT BEFORE TAXATION (1054-1055+1056-1057)</b>	1058		17,208,250	-
	<b>R. LOSS BEFORE TAXATION (1055-1054+1057-1056)</b>	1059		-	4,792,152
	<b>S. CORPORATE INCOME TAX</b>			-	-
721	I. TAX EXPENSES FOR THE PERIOD	1060	23	8,152,083	4,571,926
p.o. 722	II. DEFERRED TAX COSTS FOR THE PERIOD	1061		-	-
p.o. 722	III. DEFERRED TAX INCOME FOR THE PERIOD	1062	23		



				2,647,858	3,527,759
723	<b>T. EMPLOYER'S EARNINGS PAID OUT</b>	1063		-	-

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	<b>U. NET PROFIT (1058-1059-1060-1061+1062-1063)</b>	1064		11,704,025	-
	<b>V. NET LOSS (1059-1058+1060+1061-1062+1063)</b>	1065		-	5,836,319
	I. NET PROFIT ATTRIBUTABLE TO MINORITY INVESTORS	1066		-	
	II. NET PROFIT ATTRIBUTABLE TO MAJORITY INVESTORS	1067		11,728,844	-
	III. NET LOSS ATTRIBUTABLE TO MINORITY INVESTORS	1068		24,819	69,017
	IV. NET LOSS ATTRIBUTABLE TO MAJORITY INVESTORS	1069		-	5,767,302
	V. EARNINGS PER SHARE			-	
	1. Basic earnings per share	1070		-	-
	2. Diluted earnings per share	1071		-	-

In \_\_\_\_\_

Legal representative

Stamp

Date \_\_\_\_\_ 20\_\_\_\_\_

Financial statements forms prescribed by the Rulebook on the Content and Form of Financial Statements Forms for Companies, Cooperatives and Entrepreneurs (Official Gazette of RS. no. 95/2014 and 144/2014).

**To be filled in by the legal entity - entrepreneur**

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

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
for the period from 1 January 2020 to 31 December 2020

- in thousands of Dinars -

Account group, Account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	<b>A, NET RESULT FROM OPERATIONS</b>				
	I, NET PROFIT (AOP 1064)	2001		11,704,025	0
	II, NET LOSS (AOP 1065)	2002			5,836,319
	<b>B, OTHER COMPREHENSIVE PROFIT OR LOSS</b>				
	<b>a) Items that will not be reclassified subsequently to profit or loss</b>				
330	1, Revaluation of intangibles and PPE				
	a) increase in revaluation reserves	2003			0
	b) decrease in revaluation reserves	2004	34	41,754	29,296
331	2, Actuarial gains (losses) on defined benefit plans				
	a) gains	2005			0
	b) losses	2006	34	62,631	1,374,797
332	3, Gains or losses on investments in equity instruments				
	a) gains	2007			0
	b) losses	2008			0
333	4, Share of other comprehensive income of associates				
	a) gains	2009			0
	b) losses	2010			0
	<b>b) Items that may be reclassified subsequently to profit or loss</b>				
334	1, Foreign currency translation differences for foreign Operations				
	a) gains	2011	34	64	0
	b) losses	2012	34		2,565

Account group, Account	ITEM	AOP	Note no,	Amount	
				Current year	Previous year
1	2	3	4	5	6
335	2, Gains and losses on hedge of investment in foreign operations				
	a) gains	2013			0
	b) losses	2014			0
336	3, Cash flow hedges				
	a) gains	2015			0
	b) losses	2016			0
337	4, Gains and losses on available for sale financial assets				
	a) gains	2017			
	b) losses	2018	34	10,184	136,157
	I, OTHER COMPREHENSIVE GROSS PROFIT (2003+2005+2007+2009+2011+2013+2015+2017) - (2004+2006+2008+2010+2012+2014+2016+2018) ≥ 0	2019			0
	II, OTHER COMPREHENSIVE GROSS LOSS (2004+2006+2008+2010+2012+2014+2016+2018) - (2003+2005+2007+2009+2011+2013+2015+2017) ≥ 0	2020		114,505	1,542,815
	III, TAXES ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2021			0
	IV, OTHER COMPREHENSIVE NET PROFIT (2019-2020-2021) ≥ 0	2022			0
	V, OTHER COMPREHENSIVE NET LOSS (2020-2019+2021) ≥ 0	2023		114,505	1,542,815
	<b>C, TOTAL COMPREHENSIVE NET RESULT FOR THE PERIOD</b>				
	I, TOTAL COMPREHENSIVE NET PROFIT (2001-2002+2022-2023) ≥ 0	2024		11,589,520	0
	II, TOTAL COMPREHENSIVE NET LOSS (2002-2001+2023-2022) ≥ 0	2025			7,379,134
	<b>D, TOTAL COMPREHENSIVE NET PROFIT OR LOSS (2027+2028) = AOP 2024 ≥ 0 or AOP 2025 &gt; 0</b>	2026		11,589,520	7,379,134
	1, Attributable to owners	2027		11,589,520	7,310,117
	2, Attributable to non-controlling interest	2028		0	69,017

In \_\_\_\_\_

Legal representative

Stamp

Date \_\_\_\_\_ 20\_\_\_\_\_

**To be filled in by the legal entity - entrepreneur**

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

**CONSOLIDATED BALANCE SHEET**

As at 31 December 2020

- in thousands of Dinars -

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2019	Opening balance as at 1 January 2019
1	2	3	4	5	6	7
	<b>ASSETS</b>					
00	<b>A UNPAID SUBSCRIBED CAPITAL</b>	0001		-	-	-
	<b>B FIXED ASSETS (0003 + 0010 + 0019 + 0024 + 0034)</b>	0002		<b>790,761,760</b>	<b>1,043,272,480</b>	<b>1,049,273,436</b>
01	<b>I. INTANGIBLE ASSETS (0004 + 0005 + 0006 + 0007 + 0008 + 0009)</b>	0003	24	<b>17,009,104</b>	<b>12,930,876</b>	<b>9,079,979</b>
010, p.o. 019	1. Investment in development	0004		-	-	-
011, 012, p.o. 019	2. Concessions, patents, licenses, similar rights, software and other rights	0005	24	10,626,333	7,512,486	3,438,137
013, p.o. 019	3. Goodwill	0006		-	-	-
014, p.o. 019	4. Other intangible assets	0007	24	52,287	65,206	91,591
015, p.o. 019	5. Intangible assets in development	0008	24	6,330,484	5,353,184	5,550,251

016, p.o. 019	6. Advance payments for acquisition of intangible assets	0009		-	-	-
02	II. PROPERTY, PLANT AND EQUIPMENT (0011 + 0012 + 0013 + 0014 + 0015 + 0016 + 0017 + 0018)	0010	24	<b>768,737,282</b>	<b>1,024,740,516</b>	<b>1,031,297,812</b>
020, 021, p.o. 029	1. Land	0011	24	49,890,656	56,002,095	59,217,196
022, p.o. 029	2. Buildings	0012	24	268,962,558	333,925,759	337,400,014
023, p.o. 029	3. Machinery and equipment	0013	24	341,388,870	497,567,563	503,867,104
024, p.o. 029	4. Investment property	0014	24	511,650	520,592	536,554
025, p.o. 029	5. Other property, plant and equipment	0015	24	118,473	135,331	140,504
026, p.o. 029	6. Property, plant and equipment under construction	0016	24	87,592,753	117,273,245	109,396,448

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2019	Opening balance as at 1 January 2019
1	2	3	4	5	6	7
027, p.o. 029	7. Investment in PPE owned by third parties	0017	24	-	965	979
028, p.o. 029	8. Advance payments for property, plant and equipment	0018	24	20,272,322	19,314,966	20,739,013
03	III. BIOLOGICAL ASSETS (0020 + 0021 + 0022 + 0023)	0019	24	<b>489,076</b>	<b>442,343</b>	<b>437,519</b>
030, 031, p.o. 039	1. Forests and plantations	0020	24	489,076	442,343	437,519
032, p.o. 039	2. Livestock	0021		-	-	-
037, p.o. 039	3. Biological assets under construction	0022		-	-	-
038, p.o. 039	4. Advance payments for biological assets	0023		-	-	-
04. except 047	IV. LONG TERM FINANCIAL INVESTMENTS (0025 + 0026 + 0027 + 0028 + 0029 + 0030 + 0031 + 0032 + 0033)	0024	25	<b>4,227,934</b>	<b>4,606,390</b>	<b>7,996,247</b>
040, p.o. 049	1. Investments in subsidiaries	0025		-	-	-
041, p.o. 049	2. Investments in associates and joint ventures	0026	25	406,462	406,180	406,457
042, p.o. 049	3. Investments in other legal entities and other securities available for sale	0027	25	325,873	522,002	526,414
p.o. 043, p.o. 044, p.o. 049	4. Long-term loans to parent companies and to subsidiaries	0028		-	-	-
p.o. 043, p.o. 044, p.o. 049	5. Long-term loans to other associated companies	0029	25	-	-	306
p.o. 045, p.o. 049	6. Long-term loans to domestic entities	0030	25	2,490,896	-	181,581

p.o. 045, p.o. 049	7. Long-term loans to foreign entities	0031		-	-	-
046, p.o. 049	8. Securities held to maturity	0032		-	-	-
048, p.o. 049	9. Other long term investment	0033	25	1,004,703	3,678,208	6,881,489
05	V. LONG TERM RECEIVABLES (0035 + 0036 + 0037 + 0038 + 0039 + 0040 + 0041)	0034	26	<b>298,364</b>	<b>552,355</b>	<b>461,879</b>
050, p.o. 059	1. Long term receivables – parent companies and subsidiaries	0035		-	-	-
051, p.o. 059	2. Long term receivables – other associated entities	0036		-	-	-
052, p.o. 059	3. Long term trade receivables	0037		-	-	-
053, p.o. 059	4. Trade receivables for financial lease sales	0038		-	-	-



Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2019	Opening balance as at 1 January 2019
1	2	3	4	5	6	7
054, p.o. 059	5. Long term receivables for guarantees	0039		-	-	-
055, p.o. 059	6. Doubtful long term receivables	0040		-	-	-
056, p.o. 059	7. Other long term receivables	0041	26	298,364	552,355	461,879
288	<b>C. DEFERRED TAX ASSETS</b>	0042		-	-	-
	<b>D. CURRENT ASSETS (0044 + 0051 + 0059 + 0060 + 0061 + 0062 + 0068 + 0069 + 0070)</b>	0043		<b>121,966,247</b>	<b>117,686,849</b>	<b>124,293,214</b>
1	I. INVENTORIES (0045 + 0046 + 0047 + 0048 + 0049 + 0050)	0044	27	<b>34,923,923</b>	<b>37,904,461</b>	<b>32,988,740</b>
10	1. Material	0045	27	27,179,058	31,873,310	28,416,906
11	2. Work in progress	0046	27	702,815	149,115	202,339
12	3. Finished products	0047	27	2,390,590	2,470,365	1,628,824
13	4. Merchandise (goods, purchase for sale)	0048	27	2,837	4,500	3,230
14	5. Non-current assets held for trading	0049	27	-	1,825	4,812
15	6. Advance payments	0050	27	4,648,623	3,405,346	2,732,629
20	II. TRADE RECEIVABLES (0052 + 0053 + 0054 + 0055 + 0056 + 0057 + 0058)	0051	28	<b>57,146,071</b>	<b>46,153,341</b>	<b>42,679,120</b>

200, p.o. 209	1. Trade receivables - domestic parent companies and Subsidiaries	0052		-	-	-
201, p.o. 209	2. Trade receivables - foreign parent companies and subsidiaries	0053		-	-	-
202, p.o. 209	3. Trade receivables - domestic other associated entities	0054	28	-	-	152
203, p.o. 209	4. Trade receivables - foreign other related parties	0055		-	-	-
204, p.o. 209	5. Trade receivables - domestic third party	0056	28	56,573,034	45,980,764	42,477,737
205, p.o. 209	6. Trade receivables - foreign third party	0057	28	262,503	41,733	53,010
206, p.o. 209	7. Other trade receivables	0058	28	310,534	130,844	148,221
21	III. RECEIVABLES FROM SPECIFIC BUSINESS OPERATIONS	0059	29	2,880,881	2,388,114	2,946,975
22	IV. OTHER RECEIVABLES	0060	30	3,761,543	5,786,750	11,746,393

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2019	Opening balance as at 1 January 2019
1	2	3	4	5	6	7
236	V. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	0061		-	-	-
23 except 236 and 237	VI. SHORT-TERM FINANCIAL INVESTMENTS (0063 + 0064 + 0065 + 0066 + 0067)	0062	31	218,059	459,376	3,376,899
230, p.o. 239	1. Short-term loans and investments in parent companies and Subsidiaries	0063		-	-	-
231, p.o. 239	2. Short-term loans and investments in other related parties	0064		-	-	-
232, p.o. 239	3. Short term loans - domestic	0065	31	233	954	1,256
233, p.o. 239	4. Short term loans – foreign	0066		-	-	-
234, 235, 238, p.o. 239	5. Other short term investments	0067	31	217,826	458,422	3,375,643
24	VII. CASH AND CASH EQUIVALENTS	0068	32	20,384,815	20,707,055	27,282,085
27	VIII. RECEIVABLES FOR VAT	0069		-	-	-
28 except 288	IX. PREPAYMENTS AND ACCRUED INCOME	0070	33	2,650,955	4,287,752	3,273,002
	<b>E. TOTAL ASSETS = OPERATING ASSETS (0001 + 0002 + 0042 + 0043)</b>	0071		<b>912,728,007</b>	<b>1,160,959,329</b>	<b>1,173,566,650</b>
88	<b>F. OFF BALANCE ASSETS</b>	0072	44	231,090,249	261,513,717	230,969,097

	<b>EQUITY AND LIABILITIES</b>					
	<b>A. EQUITY (0402 + 0411 - 0412 + 0413 + 0414 + 0415 - 0416 + 0417 + 0420 - 0421) ≥ 0 = (0071 - 0424 - 0441 - 0442)</b>	0401		<b>611,270,217</b>	<b>827,917,007</b>	<b>840,898,339</b>
30	I. BASIC CAPITAL (0403 + 0404 + 0405 + 0406 + 0407 + 0408 + 0409 + 0410)	0402	34	<b>360,003,089</b>	<b>360,141,927</b>	<b>360,141,927</b>
300	1. Share capital	0403		-	-	-
301	2. Stakes in limited liability companies	0404		-	-	-
302	3. Participating interests	0405		-	-	-
303	4. State owned capital	0406	34	359,931,642	359,939,739	359,939,739
304	5. Socially owned capital	0407		-	-	-
305	6. Stakes in co-operatives	0408		-	-	-
306	7. Share premiums	0409		-	-	-
309	8. Other capital	0410	34	71,447	202,188	202,188

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2019	Opening balance as at 1 January 2019
1	2	3	4	5	6	7
31	II. UNPAID SUBSCRIBED CAPITAL	0411		-	-	-
047 and 237	III. OWN SHARES PURCHASED	0412		-	-	-
32	IV. RESERVES	0413	34	44,776	43,934	44,158
330	V. REVALUATION RESERVES FOR REVALUATION OF INTANGIBLES AND PPE	0414	34	423,849,599	600,273,199	607,983,020
33 except 330	VI. NON REALIZED PROFIT FROM SECURITIES (debit saldo of account group 33 except 330)	0415		-	-	-
33 except 330	VII. NON REALIZED LOSSES FROM SECURITIES (credit saldo of account group 33 except 330)	0416	34	2,955,265	3,191,548	1,683,159
34	VIII. RETAINED EARNINGS (0418+0419)	0417	34	<b>11,704,025</b>	-	-
340	1. Retained earnings from previous years	0418		-	-	-
341	2. Retained earnings from current year	0419	34	11,704,025	-	-
	IX. NON-CONTROLLING INTEREST	0420		-	-	-
35	X. ACCUMULATED LOSS (0422+0423)	0421		181,376,007	129,350,505	125,587,607

350	1. Previous year's losses	0422	34	181,376,007	<b>129,350,505</b>	<b>125,587,607</b>
351	2. Current year loss	0423		-	-	-
	<b>B. LONG - TERM PROVISIONS AND LIABILITIES (0425+0432)</b>	0424		132,115,114	134,749,819	134,245,714
40	I. LONG - TERM PROVISIONS (0426 + 0427 + 0428 + 0429 + 0430 + 0431)	0425		24,499,803	<b>25,645,939</b>	<b>20,336,106</b>
400	1. Provisions for costs incurred during the warranty period	0426		-	-	-
401	2. Provisions for the recovery of natural resources	0427	35	3,337,480	2,864,132	2,514,771
403	3. Provisions for restructuring costs	0428		-	-	-
404	4. Provisions for employees benefits	0429	35	17,311,238	18,979,073	14,965,799
405	5. Provisions for litigations	0430	35	3,851,061	3,802,710	2,855,512
402 and 409	6. Other long-term provisions	0431	35	24	24	24
41	II. LONG - TERM LIABILITIES (0433 + 0434 + 0435 + 0436 + 0437 + 0438 + 0439 + 0440)	0432	36	107,615,311	109,103,880	113,909,608
410	1. Liabilities that can be converted into capital	0433	36	80,500	<b>80,543</b>	<b>80,543</b>
411	2. Liabilities to parent companies and subsidiaries	0434		-	-	-
412	3. Liabilities to other associated companies	0435		-	-	-

413	4. Liabilities for long-term securities	0436		-	-	-
414	5. Long-term loans - domestic	0437	36	22,855,410	20,959,506	24,472,929
Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2019	Opening balance as at 1 January 2019
1	2	3	4	5	6	7
415	6. Long-term loans - foreign	0438	36	84,676,818	88,035,161	89,259,891
416	7. Liabilities for financial lease	0439	36	-	-	215
419	8. Other long-term liabilities	0440	36	2,583	28,670	96,030
498	<b>C. DEFERRED TAX LIABILITIES</b>	0441	23	<b>66,242,639</b>	90,020,535	93,548,294
42 to 49 (except 498)	<b>D. SHORT-TERM LIABILITIES (0443 + 0450 + 0451 + 0459 + 0460 + 0461 + 0462)</b>	0442		<b>103,100,037</b>	108,271,968	104,874,303
42	<b>I. SHORT-TERM FINANCIAL LIABILITIES (0444 + 0445 + 0446 + 0447 + 0448 + 0449)</b>	0443	37	<b>18,393,513</b>	<b>13,569,273</b>	<b>13,854,685</b>
420	1. Short-term loans from parent companies and subsidiaries	0444		-	-	-
421	2. Short-term loans from other associated companies	0445	37	3,070	3,070	2,000
422	3. Short-term loans - domestic	0446		-	-	-
423	4. Short-term loans - foreign	0447		-	-	-
427	5. Liabilities for fixed assets and assets of discounting operations held for sale	0448		-	-	-
424, 425, 426 and 429	6. Other short-term financial liabilities	0449	37	18,390,443	13,566,203	13,852,685

430	II. RECEIVED ADVANCES PAYMENTS, DEPOSITS AND BAILS	0450	38	926,620	5,432,804	4,754,973
43 except 430	III. LIABILITIES FROM BUSINESS OPERATIONS (0452 + 0453 + 0454 + 0455 + 0456 + 0457 + 0458)	0451		<b>48,181,388</b>	34,416,662	30,700,227
431	1. Trade payables - parent companies and subsidiaries - domestic	0452		-	-	-
432	2. Trade payables - parent companies and subsidiaries - foreign	0453		-	-	-
433	3. Trade payables - other associated companies - domestic	0454	39	60,917	131,316	89,560
434	4. Trade payables - other associated companies - foreign	0455		-	-	-
435	5. Trade payables – domestic	0456	39	40,858,195	26,012,840	21,436,733
436	6. Trade payables – foreign	0457	39	5,264,636	6,429,262	7,637,311
439	7. Other liabilities from business operations	0458	39	1,997,640	1,843,244	1,536,623
44, 45 and 46	IV. OTHER SHORT-TERM LIABILITIES	0459	40	11,736,656	14,110,512	15,331,921
47	V. LIABILITIES FOR VALUE ADDED TAX	0460	41	4,655,122	4,881,457	4,678,816
48	VI. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND OTHER DUTIES	0461	42	8,914,922	5,987,428	8,522,529



Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2019	Opening balance as at 1 January 2019
1	2	3	4	5	6	7
49 except 498	VII. ACCRUALS AND DEFERRED INCOME	0462	43	10,291,816	29,873,832	27.031.152
	<b>E. LOSS OVER CAPITAL (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402) ≥ 0 = (0441+0424+0442-0071) ≥ 0</b>	0463		-	-	-
	<b>F. TOTAL EQUITY AND LIABILITIES (0424+0442+0441+0401-0463) ≥ 0</b>	0464		<b>912,728,007</b>	<b>1,160,959,329</b>	<b>1,173,566,650</b>
89	<b>G. OFF BALANCE LIABILITIES</b>	0465	44	<b>231,090,249</b>	<b>261,513,717</b>	<b>230,969,097</b>

In \_\_\_\_\_

Legal representative

Stamp

date \_\_\_\_\_ 20\_\_\_\_\_

\_\_\_\_\_

**To be filled in by legal entity – entrepreneur**

Registration number	2	0	0	5	3	6	5	8	Activity code	3	5	1	4	TIN – Tax identification number	1	0	3	9	2	0	3	2	7
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Company Public Enterprise Elektroprivreda Srbije Beograd

Head office Belgrade, 13 Balkanska Street

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 01 January 2020 to 31 December 2020

- In thousands of Dinars -

No.	Description	Components of Equity					
		30		31		32	
		AOP	Core equity	AOP	Unpaid subscribed equity	AOP	Reserves
1	2	3	4	5			
	<b>Balance as at 01.01. of the previous year</b>						
1.	a) debit balance account	4001	-	4019	-	4037	-
	b) credit balance account	4002	440,471,579	4020	-	4038	43,556
	<b>Correction of material errors and changes in accounting policies</b>						
2.	a) corrections on the debit side of the account	4003	80,329,652	4021	-	4039	-
	b) corrections to the credit side of the account	4004	-	4022	-	4040	602
	<b>Adjusted opening balance as at 01.01. of the previous year</b>						
3.	a) corrected debit balance account (1a + 2a - 2b) ≥ 0	4005		4023	-	4041	-
	b) corrected credit balance accounts (1b - 2a + 2b) ≥ 0	4006	360,141,927	4024	-	4042	44,158
	<b>Changes in the previous year _____</b>						
4.	a) turnover on the debit side of the account	4007	-	4025	-	4043	224
	b) turnover on the credit side of the account	4008	-	4026	-	4044	-
	<b>Balance at the end of the previous year 31.12. _____</b>						
5.	a) debit account balance (3a + 4a - 4b) ≥ 0	4009	-	4027	-	4045	-
	b) credit balance accounts (3b - 4a + 4b) ≥ 0	4010	360,141,927	4028	-	4046	43,934
	<b>Correction of material errors and changes in accounting policies</b>						
6.	a) corrections on the debit side of the account	4011	-	4029	-	4047	-
	b) corrections to the credit side of the account	4012	-	4030	-	4048	-
	<b>Corrected opening balance of the current year 01.01. _____</b>						
7.	a) corrected debit balance accounts (5a + 6a - 6b) ≥ 0	4013	-	4031	-	4049	-
	b) corrected credit balance accounts (5b - 6a + 6b) ≥ 0	4014	360,141,927	4032	-	4050	43,934
	<b>Changes in the current year _____</b>						
8.	a) turnover on the debit side of the account	4015	138,838	4033	-	4051	-
	b) turnover on the credit side of the account	4016	-	4034	-	4052	842
	<b>Balance at end of the year 31.12. _____</b>						
9.	a) debit balance account (7a + 8a - 8b) ≥ 0	4017	-	4035	-	4053	-
	b) credit balance accounts (7b - 8a + 8b) ≥ 0	4018	360,003,089	4036	-	4054	44,776

No.	DESCRIPTION	Components of Equity					
		AOP	35	АОП	047 и 237	АОП	34
			Accumulated Loss		Treasury shares		Retained Earnings
	2		6		7		8
1.	<b>Balance as at 01.01. of the previous year</b>						
	a) debit balance account	4055	153,346,937	4073	-	4091	-
	b) credit balance account	4056	-	4074	-	4092	26,937,387
2.	<b>Correction of material errors and changes in accounting policies</b>						
	a) corrections on the debit side of the account	4057	-	4075	-	4093	26,937,387
	b) corrections to the credit side of the account	4058	27,759,330	4076	-	4094	-
3.	<b>Adjusted opening balance as at 01.01. of the previous year</b>						
	a) corrected debit balance account (1a + 2a - 2b) ≥ 0	4059	125,587,607	4077	-	4095	-
	b) corrected credit balance accounts (1b - 2a + 2b) ≥ 0	4060	-	4078	-	4096	-
4.	<b>Changes in the previous year _____</b>						
	a) turnover on the debit side of the account	4061	3,990,046	4079	-	4097	-
	b) turnover on the credit side of the account	4062	-	4080	-	4098	-
5.	<b>Balance at the end of the previous year 31.12 . _____</b>						
	a) debit account balance (3a + 4a - 4b) ≥ 0	4063	129,577,653	4081	-	4099	-
	b) credit balance accounts (3b - 4a + 4b) ≥ 0	4064	-	4082	-	4100	-
6.	<b>Correction of material errors and changes in accounting policies</b>						
	a) corrections on the debit side of the account	4065	-	4083	-	4101	-
	b) corrections to the credit side of the account	4066	227,148	4084	-	4102	-
7.	<b>Corrected opening balance of the current year 01.01. _____</b>						
	a) corrected debit balance accounts (5a + 6a - 6b) ≥ 0	4067	129,350,505	4085	-	4103	-
	b) corrected credit balance accounts (5b - 6a + 6b) ≥ 0	4068	-	4086	-	4104	-
8.	<b>Changes in the current year _____</b>						
	a) turnover on the debit side of the account	4069	52,025,502	4087	-	4105	-
	b) turnover on the credit side of the account	4070	-	4088	-	4106	11,704,025
9.	<b>Balance at end of the year 31.12 . _____</b>						
	a) debit balance account (7a + 8a - 8b) ≥ 0	4071	181,376,007	4089	-	4107	-
	b) credit balance accounts (7b - 8a + 8b) ≥ 0	4072	-	4090	-	4108	11,704,025

No.	DESCRIPTION	Components of Other Comprehensive Income					
		AOP	330	AOP	331	АОП	332
			Revaluation Reserves		Actuarial gains or losses		Gains or losses on investment in equity instruments
1	2		9		10		11
	<b>Balance as at 01.01. of the previous year</b>						
1.	a) debit balance account	4109	-	4127	1,379,713	4145	-
	b) credit balance account	4110	607,983,020	4128	-	4146	-
	<b>Correction of material errors and changes in accounting policies</b>						
2.	a) corrections on the debit side of the account	4111	-	4129	-	4147	-
	b) corrections to the credit side of the account	4112	-	4130	-	4148	-
	<b>Adjusted opening balance as at 01.01. of the previous year</b>						
3.	a) corrected debit balance account (1a + 2a - 2b) ≥ 0	4113	-	4131	1,379,713	4149	-
	b) corrected credit balance accounts (1b - 2a + 2b) ≥ 0	4114	607,983,020	4132	-	4150	-
	<b>Changes in the previous year _____</b>						
4.	a) turnover on the debit side of the account	4115	7,709,821	4133	1,374,797	4151	-
	b) turnover on the credit side of the account	4116	-	4134	-	4152	-
	<b>Balance at the end of the previous year 31.12. _____</b>						
5.	a) debit account balance (3a + 4a - 4b) ≥ 0	4117	-	4135	2,754,510	4153	-
	b) credit balance accounts (3b - 4a + 4b) ≥ 0	4118	600,273,199	4136	-	4154	-
	<b>Correction of material errors and changes in accounting policies</b>						
6.	a) corrections on the debit side of the account	4119	-	4137	-	4155	-
	b) corrections to the credit side of the account	4120	-	4138	-	4156	-
	<b>Corrected opening balance of the current year 01.01. _____</b>						
7.	a) corrected debit balance accounts (5a + 6a - 6b) ≥ 0	4121	-	4139	2,754,510	4157	-
	b) corrected credit balance accounts (5b - 6a + 6b) ≥ 0	4122	600,273,199	4140	-	4158	-
	<b>Changes in the current year _____</b>						
8.	a) turnover on the debit side of the account	4123	176,423,600	4141	-	4159	-
	b) turnover on the credit side of the account	4124	-	4142	212,619	4160	-
	<b>Balance at end of the year 31.12. _____</b>						
9.	a) debit balance account (7a + 8a - 8b) ≥ 0	4125	-	4143	2,541,891	4161	-
	b) credit balance accounts (7b - 8a + 8b) ≥ 0	4126	423,849,599	4144	-	4162	-

No.	DESCRIPTION	Components of Other Comprehensive Income					
		AOP	333	AOP	334 и 335	AOP	336
			Gains or losses on share in OCI of associated entities		Gains or losses on foreign operations and translation of financial statements		Gains or losses on cash flow hedges
1	2		12		13		14
	<b>Balance as at 01.01. of the previous year</b>						
1.	a) debit balance account	4163	-	4181	1,297	4199	-
	b) credit balance account	4164	-	4182	-	4200	-
	<b>Correction of material errors and changes in accounting policies</b>						
2.	a) corrections on the debit side of the account	4165	-	4183	2,934	4201	-
	b) corrections to the credit side of the account	4166	-	4184	-	4202	-
	<b>Adjusted opening balance as at 01.01. of the previous year</b>						
3.	a) corrected debit balance account (1a + 2a - 2b) ≥ 0	4167	-	4185	4,231	4203	-
	b) corrected credit balance accounts (1b - 2a + 2b) ≥ 0	4168	-	4186	-	4204	-
	<b>Changes in the previous year _____</b>						
4.	a) turnover on the debit side of the account	4169	-	4187	-	4205	-
	b) turnover on the credit side of the account	4170	-	4188	2,565	4206	-
	<b>Balance at the end of the previous year 31.12. _____</b>						
5.	a) debit account balance (3a + 4a - 4b) ≥ 0	4171	-	4189	1,666	4207	-
	b) credit balance accounts (3b - 4a + 4b) ≥ 0	4172	-	4190	-	4208	-
	<b>Correction of material errors and changes in accounting policies</b>						
6.	a) corrections on the debit side of the account	4173	-	4191	-	4209	-
	b) corrections to the credit side of the account	4174	-	4192	-	4210	-
	<b>Corrected opening balance of the current year 01.01. _____</b>						
7.	a) corrected debit balance accounts (5a + 6a - 6b) ≥ 0	4175	-	4193	1,666	4211	-
	b) corrected credit balance accounts (5b - 6a + 6b) ≥ 0	4176	-	4194	-	4212	-
	<b>Changes in the current year _____</b>						
8.	a) turnover on the debit side of the account	4177	-	4195	-	4213	-
	b) turnover on the credit side of the account	4178	-	4196	64	4214	-
	<b>Balance at end of the year 31.12. _____</b>						
9.	a) debit balance account (7a + 8a - 8b) ≥ 0	4179	-	4197	1,602	4215	-
	b) credit balance accounts (7b - 8a + 8b) ≥ 0	4180	-	4198	-	4216	-

No.	DESCRIPTION	Components of Other Comprehensive Income		AOP	Total equity [Σ(row 16 col 3 to col 15)]≥0	AOP	Loss above the value of equity [Σ(row 1a col 3 to col 15) - Σ(row 16 col 3 to col 15)] ≥ 0
		AOP	337				
			Gains or losses on AFS securities				
1	2		15		16		17
	<b>Balance as at 01.01. of the previous year</b>						
1.	a) debit balance account	4217	299,215	4235	920,408,380	4244	-
	b) credit balance account	4218	-				
	<b>Correction of material errors and changes in accounting policies</b>						
2.	a) corrections on the debit side of the account	4219	-	4236	79,510,041	4245	-
	b) corrections to the credit side of the account	4220	-				
	<b>Adjusted opening balance as at 01.01. of the previous year</b>						
3.	a) corrected debit balance account (1a + 2a - 2b) ≥ 0	4221	299,215	4237	840,898,339	4246	-
	b) corrected credit balance accounts (1b - 2a + 2b) ≥ 0	4222	-				
	<b>Changes in the previous year _____</b>						
4.	a) turnover on the debit side of the account	4223	136,157	4238	13,208,480	4247	-
	b) turnover on the credit side of the account	4224	-				
	<b>Balance at the end of the previous year 31.12. _____</b>						
5.	a) debit account balance (3a + 4a - 4b) ≥ 0	4225	435,372	4239	827,689,859	4248	-
	b) credit balance accounts (3b - 4a + 4b) ≥ 0	4226	-				
	<b>Correction of material errors and changes in accounting policies</b>						
6.	a) corrections on the debit side of the account	4227	-	4240	227,148	4249	-
	b) corrections to the credit side of the account	4228	-				
	<b>Corrected opening balance of the current year 01.01. _____</b>						
7.	a) corrected debit balance accounts (5a + 6a - 6b) ≥ 0	4229	435,372	4241	827,917,007	4250	-
	b) corrected credit balance accounts (5b - 6a + 6b) ≥ 0	4230	-				
	<b>Changes in the current year _____</b>						
8.	a) turnover on the debit side of the account	4231	23,600	4242	216,646,790	4251	-
	b) turnover on the credit side of the account	4232	-				
	<b>Balance at end of the year 31.12. _____</b>						
9.	a) debit balance account (7a + 8a - 8b) ≥ 0	4233	411,772	4243	611,270,217	4252	-
	b) credit balance accounts (7b - 8a + 8b) ≥ 0	4234	-				

In \_\_\_\_\_

Legal representative

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Date \_\_\_\_\_ 20 \_\_\_\_\_

**To be filled in by legal entity – entrepreneur**

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

**CONSOLIDATED CASH FLOW STATEMENT**  
for the period from 01 January 2020 to 31 December 2020

- in thousands of Dinars -

Item	AOP	Amount	
		Current year	Previous year
1	2	3	4
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
I. Cash inflow from operating activities (1 to 3)	3001	<b>185,358,803</b>	<b>191,907,085</b>
1. Sales and advance payments received	3002	180,076,985	184,769,152
2. Received interests from operating activities	3003	2,523,060	4,504,982
3. Other inflows from operating activities	3004	2,758,758	2,632,951
II. Cash outflows from operating activities (1 to 5)	3005	<b>138,305,770</b>	<b>146,466,994</b>
1. Payments to suppliers and advance prepayments	3006	6,727,570	13,003,284
2. Wages, salaries and other personal costs	3007	67,517,824	69,032,125
3. Paid interests	3008	2,352,736	3,099,932
4. Corporate income tax	3009	3,323,851	376,226
5. Other payments to tax authorities	3010	58,383,789	60,955,427
III. Net cash inflow from operating activities (I-II)	3011	<b>47,053,033</b>	<b>45,440,091</b>
IV. Net cash outflow from operating activities (II-I)	3012		
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
I. Cash inflow from investing activities (1 till 5)	3013	<b>1,214,393</b>	<b>6,575,681</b>
1. Sale of shares and stakes (net inflows)	3014	-	-
2. Sale of intangible assets, property, plant, equipment and biological assets	3015	-	19,046
3. Other financial investments (net inflows)	3016	-	5,759,207
4. Interests received from investing activities	3017	1,214,393	797,428
5. Dividends received	3018	-	-
II. Cash outflow from investing activities (1 till 3)	3019	<b>51,883,428</b>	<b>46,565,087</b>
1. Purchase of shares and stakes (net outflows)	3020	1,825	-
2. Purchase of intangible investments, property, plant, equipment and biological assets	3021	47,724,679	46,565,000
3. Other financial investments (net outflows)	3022	4,156,924	87

III. Net cash inflow from investing activities (I-II)	3023	-	-
IV. Net cash outflow from investing activities (II-I)	3024	50,669,035	39,989,406
<b>C. CASH INFLOW FROM FINANCING ACTIVITIES</b>			
I. Cash inflows from financing activities (1 till 5)	3025	3,368,408	1,070
ITEM	AOP	Amount	
		Current year	Previous year
1	2	3	4
1. Increase of basic capital	3026		
2. Long-term loans (net inflows)	3027	3,368,408	
3. Short-term loans (net inflows)	3028		1,070
4. Other long-term liabilities	3029		
5. Other short-term liabilities	3030		
II. Cash outflows from financing activities (1 till 6)	3031	58,012	12,020,827
1. Purchase of own shares and stakes	3032		-
2. Long-term loans (net outflows)	3033		12,009,950
3. Short-term loans (net outflows)	3034		-
4. Other liabilities (net outflows)	3035	57,364	1,190
5. Financial lease	3036	263	
6. Paid dividends	3037	385	9,687
III. Net cash inflows from financing activities (I-II)	3038	3,310,396	-
IV. Net cash outflows from financing activities (II-I)	3039		12,019,757
<b>D. TOTAL CASH INFLOWS (3001 + 3013 + 3025)</b>	3040	189,941,604	198,483,836
<b>E. TOTAL CASH OUTFLOWS (3005 + 3019 + 3031)</b>	3041	190,247,210	205,052,908
<b>F. NET CASH INFLOWS (3040 - 3041)</b>	3042	-	-
<b>G. NET CASH OUTFLOWS (3041 - 3040)</b>	3043	305,606	6,569,072
<b>H. CASH AT THE BEGINNING OF THE CALCULATION PERIOD</b>	3044	20,707,055	27,282,085
<b>I. POSITIVE EXCHANGE RATE DIFFERENCES DUE TO CALCULATION OF CASH</b>	3045	651	11,514
<b>J. NEGATIVE EXCHANGE RATE DIFFERENCES DUE TO CALCULATION OF CASH</b>	3046	17,285	17,472
<b>K. CASH AT THE END OF REPORTING PERIOD</b> (3042 - 3043 + 3044 + 3045 - 3046)	3047	20,384,815	20,707,055

In \_\_\_\_\_

Legal representative

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Date \_\_\_\_\_ 20 \_\_\_\_\_



**PUBLIC ENTITY ELEKTROPRIVREDA SRBIJE,  
BELGRADE**

**Consolidated Financial Statements for the  
Year Ended 31 December 2020**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2020**

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year Ended 31 December 2020

In RSD thousands

	<u>Note</u>	<u>2020</u>	<u>2019</u> <i>Corrected</i>
<b>Operating income</b>			
Income from sales of goods - on domestic market	6	2,518	3,707
Income from sales of goods - on foreign market	6	3,918,724	3,983,754
Income from sales of goods and services to other related parties – on domestic market	6	1,227,521	1,048,787
Income from sales of goods and services – on domestic market	6	236,845,872	233,291,352
Income from sales of goods and services – on foreign market	6	68,148	352,931
		<u>242,062,783</u>	<u>238,680,531</u>
<b>Income from premiums, subventions, grants and donation</b>	8	2,336,397	2,236,009
<b>Other operating income</b>	9	2,451,208	2,853,306
<b>Income from operating activities</b>		<u>246,850,388</u>	<u>243,769,846</u>
<b>Expenses from operating activities</b>			
<b>Operating expenses</b>			
Cost of goods sold		(140,024)	(727,833)
Work performed by the entity and capitalized (Decrease)/increase in inventories of unfinished goods and services	7	4,043,374	4,240,222
		473,924	871,060
Cost of material	10	(14,385,368)	(13,684,850)
Cost of fuel and energy	11	(48,116,023)	(51,252,120)
Wages and salaries and other personal expenses	12	(62,276,709)	(65,427,277)
Cost of production services	13	(30,881,329)	(27,805,504)
Amortization/Depreciation	14	(49,645,278)	(47,850,404)
Cost of long-term provisioning	15	(4,219,780)	(7,177,967)
Other operating expenses	16	(22,444,877)	(24,752,669)
		<u>(227,592,090)</u>	<u>(233,567,342)</u>
<b>Operating profit/(loss)</b>		<u>19,258,298</u>	<u>10,202,504</u>
<b>Financial income</b>			
Financial income from other related parties	17	811,239	791,505
Other financial income	17	35,681	366,376
Interest income (third parties)	17	5,745,066	6,171,843
Foreign exchange gains and gains on currency clause effect (third parties)	17	5,140,343	768,530
		<u>11,732,329</u>	<u>8,098,254</u>
<b>Financial expenses</b>			
Other financial expenses	18	(307,621)	(272,017)
Interest expense (third parties)	18	(1,235,484)	(1,367,771)
Foreign exchange losses and loss on currency clause effect (third parties)	18	(484,188)	(1,558,276)
		<u>(2,027,293)</u>	<u>(3,198,064)</u>
<b>Gain/(loss) on financing activities</b>		<u>9,705,036</u>	<u>4,900,190</u>
Income from adjustments of other assets carried at fair value through profit and loss	19	815,725	1,302,689
Expenses from adjustments of other assets carried at fair value through profit and loss	20	(12,682,533)	(10,507,241)
Other income	21	7,838,392	1,489,406
Other expenses	22	(7,726,668)	(12,179,700)
		<u>(11,755,084)</u>	<u>(19,894,846)</u>

(continued)

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

CONSOLIDATED INCOME STATEMENT (continue)

For the period 1 January - 31 December 2020

In RSD thousands

	<u>Note</u>	<u>2020</u>	<u>2019</u>
<b>Profit/(loss) before tax</b>	23	<u>17,208,250</u>	<i>Corrected</i> <u>(4,792,152)</u>
<b>Income tax</b>			
Tax expense for the period	23	(8,152,083)	(4,571,926)
Deferred tax income/(expense) for the period	23	<u>2,647,858</u>	<u>3,527,759</u>
<b>Net profit</b>		<u><b>11,704,025</b></u>	<u><b>(5,836,319)</b></u>
Attributable to owners		<u>11,728,844</u>	<u>(5,767,302)</u>
Attributable to non-controlling interest		<u>(24,819)</u>	<u>(69,017)</u>

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

On behalf of the Company:

Milorad Grčić  
Acting general manager

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the period 1 January – 31 December 2020

In RSD thousand

	<u>Note</u>	<u>2020</u>	<u>2019</u> <i>Corrected</i>
<b>Net operating profit</b>			
Net profit/(loss)		<u>11.704.025</u>	<u>(5.836.319)</u>
<b>Items that will not be reclassified to profit or loss</b>			
Increase (decrease) in revaluation reserves	34	(41.754)	(29.296)
Actuarial gains (losses) based on defined benefit plans		<u>(62.631)</u>	<u>(1.374.797)</u>
		<u>(104.385)</u>	<u>(1.404.093)</u>
<b>Items that will be reclassified to profit or loss in future periods</b>			
Gains/(losses) on translating the results in the consolidated financial statements of foreign operations	34	64	(2,565)
Gains/(losses) on securities measured at fair value through other comprehensive income	34	<u>(10,184)</u>	<u>(136,157)</u>
		<u>(10,120)</u>	<u>(138,722)</u>
<b>Other Comprehensive gain / (loss), gross</b>		<u>(114,505)</u>	<u>(1,542,815)</u>
Tax on other comprehensive gain or loss		-	-
<b>Other Comprehensive gain / (loss), net</b>		<u>(114,505)</u>	<u>(1,542,815)</u>
<b>Total Comprehensive gain / (loss), net</b>		<u>11,589,520</u>	<u>(7,379,134)</u>
<b>Total comprehensive gain / (loss),net attributed to majority owner</b>		11,589,520	(7,310,117)
<b>Total comprehensive gain / (loss),net attributed to minority investors</b>		-	(69,017)

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

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
31 Decemeber 2020  
CONSOLIDATED BALANCE SHEET  
For the period 1 January – 31 December 2020  
In RSD thousand

	Note	31 December 2020	31 December 2019 <i>Corrected</i>	1 January 2019 <i>Corrected</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Intangible assets</b>				
Concessions, patents, licences, trademarks, software and similar rights	24	10,626,333	7,512,486	3,438,137
Other intangibles	24	52,287	65,206	91,591
Intangible assets under construction	24	6,330,484	5,353,184	5,550,251
		<u>17,009,104</u>	<u>12,930,876</u>	<u>9,079,979</u>
<b>Property, plant and equipment</b>				
Land	24	49,890,656	56,002,095	59,217,196
Buildings	24	268,962,558	333,925,759	337,400,014
Machinery and equipment	24	341,388,870	497,567,563	503,867,104
Investment properties	24	511,650	520,592	536,554
Other property, plant and equipment	24	118,473	135,331	140,504
Construction in progress (CIP)	24	87,592,753	117,273,245	109,396,448
Investments in third party property, plant and equipment		0	965	979
Prepayments for property, plant and equipment	24	20,272,322	19,314,966	20,739,013
		<u>768,737,282</u>	<u>1,024,740,516</u>	<u>1,031,297,812</u>
<b>Biological assets</b>				
Forests and plantations	24	489,076	442,343	437,519
<b>Long-term financial investments</b>				
Investments in associates and joint ventures	25	406,462	406,180	406,457
Investments in other legal entities and other available for sale securities	25	325,873	522,002	526,414
Long-term financial investments in other related parties	25	-	-	306
Long term investments – domestic	25	2,490,896	-	181,581
Other long-term financial investments	25	1,004,703	3,678,208	6,881,489
		<u>4,227,934</u>	<u>4,606,390</u>	<u>7,996,247</u>
<b>Long-term receivables</b>				
Other long,term receivables	26	298,364	552,355	461,879
<b>Current assets</b>				
<b>Inventory</b>				
Material, spare parts, tools and inventory	27	27,179,058	31,873,310	28,416,906
Work in progress and ongoing services	27	702,815	149,115	202,339
Finished goods	27	2,390,590	2,470,365	1,628,824
Merchandise	27	2,837	4,500	3,230
Non-current assets held for sale	27	-	1,825	4,812
Prepaid inventory and services	27	4,648,623	3,405,346	2,732,629
		<u>34,923,923</u>	<u>37,904,461</u>	<u>32,988,740</u>
<b>Trade receivables</b>				
Trade receivables – domestic	28	56,573,034	45,980,764	42,477,737
Trade receivables – foreign	28	262,503	41,733	53,010
Trade receivables – domestic – other related parties	28	-	-	152
Other trade receivables	28	310,534	130,844	148,221
		<u>57,146,071</u>	<u>46,153,341</u>	<u>42,679,120</u>
<b>Receivables from specific operations</b>				
Other receivables	30	2,880,881	2,388,114	2,946,975
		3,761,543	5,786,750	11,746,393

(continued)

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
31 Decemeber 2020  
CONSOLIDATED BALANCE SHEET  
For the period 1 January – 31 December 2020 (continued)  
In RSD thousand

	Note	31 December 2020	31 December 2019 <i>Corrected</i>	1 January 2019 <i>Corrected</i>
<b>Short-term financial investments</b>				
Short-term loans and borrowings - domestic	31	233	954	1,256
Other short term financial investments	31	217,826	458,422	3,375,643
		<u>218,059</u>	<u>459,376</u>	<u>3,376,899</u>
<b>Cash and cash equivalents</b>				
Value added tax	32	20,384,815	20,707,055	27,282,085
Prepaid expenses and other accruals	33	-	-	-
		<u>2,650,955</u>	<u>4,287,752</u>	<u>3,273,002</u>
<b>TOTAL ASSETS</b>		<b><u>912,728,007</u></b>	<b><u>1,160,959,329</u></b>	<b><u>1,173,566,650</u></b>
<b>Off-balance sheet assets</b>				
	44	<u>231,090,249</u>	<u>261,513,717</u>	<u>230,969,097</u>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Basic capital	34	360,003,089	360,141,927	360,141,927
Other equity	34	44,776	43,934	44,158
Revaluation reserves based on revaluation of intangible assets, property, plant and equipment	34	423,849,599	600,273,199	607,983,020
Unrealised gain/(loss) from securities and other comprehensive income items	34	(2,955,265)	(3,191,548)	(1,683,159)
Previous years' retained earnings		-	-	-
Current year retained earnings		11,704,025	-	-
Previous years' loss	34	(181,376,007)	(129,350,505)	(125,587,607)
Current year loss	34	-	-	-
		<u>611,270,217</u>	<u>827,917,007</u>	<u>840,898,339</u>
<b>Long-term provisions and liabilities</b>				
<b>Long-term provisions</b>				
Provisions for environmental rehabilitation	35	3,337,480	2,864,132	2,514,771
Provisions for employee benefits	35	17,311,238	18,979,073	14,965,799
Provisions for litigations	35	3,851,061	3,802,710	2,855,512
Other long-term provisions	35	24	24	24
		<u>24,499,803</u>	<u>25,645,939</u>	<u>20,336,106</u>
<b>Long-term liabilities</b>				
Long-term liabilities	36	80,500	80,543	80,543
Long term loans and borrowings – domestic	36	22,855,410	20,959,506	24,472,929
Long term loans and borrowings – foreign	36	84,676,818	88,035,161	89,259,891
Finance lease liabilities	36	-	-	215
Other long-term liabilities	36	2,583	28,670	96,030
		<u>107,615,311</u>	<u>109,103,880</u>	<u>113,909,608</u>
<b>Deferred tax liabilities</b>	23	<u>66,242,639</u>	<u>90,020,535</u>	<u>93,548,294</u>
<b>Short-term liabilities</b>				
<b>Short-term financial liabilities</b>				
Other short-term financial liabilities	37	<u>18,393,513</u>	<u>13,569,273</u>	<u>13,854,685</u>

(continued)

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 31 Decemeber 2020  
 CONSOLIDATED BALANCE SHEET  
 For the period 1 January – 31 December 2020  
 In RSD thousand

	<u>Note</u>	<u>31 December 2020</u>	<u>31 December 2019</u> <i>Corrected</i>	<u>1 January 2019</u> <i>Corrected</i>
Customer prepayments, deposits and caution money	38	926,620	5,432,804	4,754,973
<b>Operating liabilities</b>				
Trade payables – other domestic related parties		60,917	131,316	89,560
Trade payables – domestic	39	40,858,195	26,012,840	21,436,733
Trade payables – foreign	39	5,264,636	6,429,262	7,637,311
Other operating liabilities	39	<u>1,997,640</u>	<u>1,843,244</u>	<u>1,536,623</u>
		<u>48,181,388</u>	<u>34,416,662</u>	<u>30,700,227</u>
<b>Other current liabilities</b>	40	11,736,656	14,110,512	15,331,921
<b>Liabilities for VAT</b>	41	4,655,122	4,881,457	4,678,816
<b>Liabilities for other taxes , contributions and duties</b>	42	8,914,922	5,987,428	8,522,529
<b>Accrued expenses</b>	43	<u>10,291,816</u>	<u>29,873,832</u>	<u>27,031,152</u>
		<u>35,598,516</u>	<u>54,853,229</u>	<u>55,564,418</u>
<b>Total liabilities</b>		<u><b>912,728,007</b></u>	<u><b>1,160,959,329</b></u>	<u><b>1,173,566,650</b></u>
<b>Off-balance liabilities</b>	44	<u><b>231,090,249</b></u>	<u><b>261,513,717</b></u>	<u><b>230,969,097</b></u>

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



PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

During the period from 1 January - 31 December 2020

In RSD thousand

	Items of equity			Items of other comprehensive income			Total equity	
	Basic capital	Reserves	Loss	Retained earnings	Revaluation reserves	Actuarial gains or losses		Gains/(losses) on available-for-sale securities
<b>Opening balance as at 1 January 2019</b>								
a) debit balance	-	-	125,864	-	-	1,379,713	303,446	127,547,310
b) credit balance	360,141,927	44,158	-	-	607,983,020	-	-	968,169,105
	360,141,927	44,158	(125,864,151)	-	607,983,020	(1,379,713)	(303,446)	840,621,795
<b>Restatement of opening balance</b>								
a) debit balance	-	-	-	-	-	-	-	-
b) credit balance	-	-	276,544	-	-	-	-	276,544
<b>Restated opening balance as at 1 January 2019</b>	360,141,927	44,158	(125,587,607)	-	607,983,020	(1,379,713)	(303,446)	840,898,339
<b>Movements in 2019</b>								
a) debit turnover	-	1,059	5,837,154	-	7,716,162	1,374,797	136,157	15,065,329
b) credit turnover	-	835	2,074,256	-	6,341	-	2,565	2,083,997
<b>Closing balance as at 31 December 2019</b>								
a) debit balance	-	-	129,350,505	-	-	2,754,510	437,038	132,542,053
b) credit balance	360,141,927	43,934	-	-	600,273,199	-	-	960,459,060
	<b>360,141,927</b>	<b>43,934</b>	<b>(129,350,505)</b>	<b>-</b>	<b>600,273,199</b>	<b>(2,754,510)</b>	<b>(437,038)</b>	<b>827,917,007</b>
<b>Movements in 2020</b>								
a) debit turnover	138,838	-	57,553,254	-	176,423,959	62,631	10,184	234,188,866
b) credit turnover	-	842	5,527,752	11,704,025	359	275,250	33,848	17,542,076
<b>Closing balance as at 31 December 2020</b>								
a) debit balance	-	-	181,376,007	-	-	2,541,891	413,374	184,331,272
b) credit balance	360,003,089	44,776	-	11,704,025	423,849,599	-	-	795,601,489
	<b>360,003,089</b>	<b>44,776</b>	<b>(181,376,007)</b>	<b>11,704,025</b>	<b>423,849,599</b>	<b>(2,541,891)</b>	<b>(413,374)</b>	<b>611,270,217</b>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

## CONSOLIDATED CASH FLOW STATEMENT

During the period from 1 January - 31 December 2020

In RSD thousand

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
<b>Cash inflows from operating activities</b>	<b>185,358,803</b>	<b>191,907,085</b>
Sales and advances received	180,076,985	184,769,152
Interests from operating activities	2,523,060	4,504,982
Other proceeds from operating activities	2,758,758	2,632,951
<b>Cash outflows from operating activities</b>	<b>138,305,770</b>	<b>146,466,994</b>
Payments and prepayments to suppliers	6,727,570	13,003,284
Salaries, fringe benefits and other personal expenses	67,517,824	69,032,125
Interest paid	2,352,736	3,099,932
Income tax	3,323,851	376,226
Charges for services that qualify as public revenues	58,383,789	60,955,427
<b>Cash inflows/(outflow) from operating activities, Net</b>	<b>47,053,033</b>	<b>45,440,091</b>
<b>Cash flows from investing activities</b>		
<b>Cash inflows from investing activities</b>	<b>1,214,393</b>	<b>6,575,681</b>
Sale of intangible assets, property, plant, equipment and biological assets	-	19,046
Other financial investments (net inflows)	-	5,759,207
Interests received from investing activities	1,214,393	797,428
<b>Cash outflows from investing activities</b>	<b>51,883,428</b>	<b>46,565,087</b>
Purchase of shares and stakes (net outflows)	1,825	-
Purchase of intangible assets, property, plant, equipment and biological assets	47,724,679	46,565,000
Other financial outflows, net	4,156,924	87
<b>Cash inflow/(outflow) from investing activities, Net</b>	<b>(50,669,035)</b>	<b>(39,989,406)</b>
<b>Cash flows from financing activities</b>		
<b>Cash inflows from financing activities</b>	<b>3,368,408</b>	<b>1,070</b>
Long-term loans (inflows)	3,368,408	-
Short-term loans (inflows)	-	1,070
<b>Cash outflows from financing activities</b>	<b>58,012</b>	<b>12,020,827</b>
Long-term loans (outflows)	-	12,009,950
Other liabilities	57,364	1,190
Finance lease	263	-
Dividends paid	385	9,687
<b>Inflows/(outflows) from financing activities, Net</b>	<b>3,310,396</b>	<b>(12,019,757)</b>
<b>Total cash inflow</b>	<b>192,794,845</b>	<b>198,483,836</b>
<b>Total cash outflow</b>	<b>193,100,451</b>	<b>205,052,908</b>
<b>Net cash inflow/(outflow)</b>	<b>(305,606)</b>	<b>(6,569,072)</b>
<b>Cash at the beginning of the accounting period</b>	<b>20,707,055</b>	<b>27,282,085</b>
Foreign exchange gains on translation of cash	651	11,514
Foreign exchange losses on translation of cash	(17,285)	(17,472)
<b>Foreign exchange gains on translation of cash</b>	<b>20,384,815</b>	<b>20,707,055</b>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**31 Decemeber 2020**

**1. GROUP ORGANISATION AND OPERATIONS**

The Government of the Republic of Serbia, at its session held on 27 January 2005 (RS Official Gazette, No. 12/2005), passed Decision 05 No.023-396/2005 1 to establish Public Enterprise Elektroprivreda Srbije to be involved in the production, distribution and trade of electricity (the Company). Based on the Decision on Harmonising the Operations of PE Elektroprivreda Srbije with the Law on Public Enterprises (Official Gazette of RS, number 105/16), the Serbian Government harmonized the Articles of Association of PE Enterprise Elektroprivreda Srbije with the Law on Public Enterprises (RS Official Gazette No 15/16).

The address of the Company's registered office is in Belgrade, at 13 Balkanska Street. The Company's ID No. is: 20053658. The Company's tax identification number is 103920327.

The Company operates under the name: Public Enterprise Elektroprivreda Srbije, Beograd. The Company's abbreviated name is JP EPS, Beograd.

Public Enterprise Elektroprivreda Srbije, Beograd (the Company), as controlling company (i.e. parent company) and its subsidiaries constitute EPS Group (together: the Group).

With the adoption of the new Energy Law at the end of 2014, the field 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 in the electricity sector in Serbia. 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 prior obtaining the appropriate license from the Energy Agency of the Republic of Serbia. In this regard, the acts of the Founders which adopt the reorganization program of the Public Company "Electric Power Industry of Serbia" determine the necessity of changing the legal form, clear legal, organizational and financial division of activities of general interest from market activities, as well as achieving maximum business efficiency. Part of the mentioned activities has been carried out.

The performance of the activities of the Public Enterprise is regulated by the Law on Energy ("Official Gazette of RS" No. 145/14, 95 / 18.40 / 21), the Law on Mining and Geological Research (Official Gazette of RS "No. 101/15, 95 / 18,40 / 21) and other material regulations.

The Group's principal activity of is energy supply - Code of Activity 3514. In addition to its principal activity, the Group in engaged in other operating activities such as electricity production, coal production, processing and transportation, steam and hot water production in combined processes, as well as in other activities. The activity of production and commercial and guaranteed supply of electricity is performed by the Company in the branches, which are registered in the Business Registers Agency:

- Branch HPP ĐERDAP, Trg Kralja Petra 1, Kladovo,
- Branch HPP DRINSKO-LIMSKE, Trg Dušana Jerkovića 1, Bajina Bašta,
- Branch TENT, Bogoljuba Uroševića-Crnog 44, Obrenovac,
- Branch TE-KO KOSTOLAC, Nikole Tesle 5-7, Kostolac,
- Branch PANONSKE TE-TO, Bulevar Oslobođenja 100, Нови Сад,
- Branch RB KOLUBARA, Svetog Save 1, Lazarevac,
- Branch OBNOVLJIVI IZVORI, Carice Milice 2, Beograd,
- Branch EPS Snabdevanje, Carice Milice 2, Beograd.

The company has a license to perform the activity of electricity supply, as well as to perform the activity of electricity production and combined production of electricity and heat. By the decision of the Energy Agency number 312-149/2016-L-I from August 25, 2016, the Company was issued a license to perform public procurement activities number 0253/16-LE-SN from August 25, 2018 until the selection of a guaranteed supplier.

For the reporting period, by the Decision on determining the reserve supplier 05 number: 312-11180/2018 of 22 November 2018 ("Official Gazette of RS" No. 91/18), the Government of RS appointed the Company as a reserve supplier of electricity to end customers who do not have the right to public supply for a period of two years from the date of this decision, at a price of 70.33 EUR/MWh, excluding VAT. The mentioned decision was in force until November 19, 2020, when the Government passed a new Decision 05 number: 312-9267/2020 ("Official Gazette of RS" no. 140/2020) by which it determined the Company as a reserve supplier in the period from two years from the date of the new decision, at a price of 66.72 EUR/MWh, without VAT.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**31 Decemeber 2020**

**1. GROUP AND ORGANISATION (continued)**

The activity of electricity distribution and distribution system management is performed by the Distribution System Operator "EPS Distribucija" d.o.o., Belgrade, a company over which the Company had control in the reporting period.

The Decision on Harmonising the Operations of PE Elektroprivreda Srbije with the Law on Public Enterprises, specifies that the management of the Public Enterprise the governing bodies of the Company are the Supervisory Board and the General Manager. Their competencies are prescribed by The Law on Public Enterprises, The Company's Articles of Association, and The Company's Statute.

As at 31 December 2020, the Group had 25,549 employees (31 December 2019:28,083).

The Acts of the Founders which adopt the Program of reorganization of the Public Company "Electric Power Industry of Serbia", among other things, define the procedure for establishing ownership rights on production facilities, ie other real estate on which the ownership right of the Company can be established. In the period after the acceptance of the Reorganization Program of the Public Company "Electric Power Industry of Serbia", the Founder agreed that the Company, as a registered holder of the right to use facilities and special parts of buildings (business buildings, ancillary buildings, warehouses, garages and others) and facilities in the function of facilities for electricity production) and the land on which they are built, may 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 law, 108/16, 113/17, 95/18), the Energy Act and other material regulations governing real rights to real estate. It is expected that the adoption of acts on the establishment of the appropriate right of the company on real estate on which the right of ownership cannot be established in accordance with the Law on Public Property, and which are necessary for performing energy and mining activities of the Company.

As stated above, in order to reorganize the Distribution System Operator "EPS Distribucija" d.o.o. Belgrade, and based on the act of the Founder, the Company is:

- entered a new non-monetary investment, namely real estate and equipment owned by the Company, as well as intangible assets, participation in the capital of other legal entities and receivables in the total value of 18,264,193 thousand dinars and thus increased the share capital of Distribution System Operator "EPS Distribucija" , d.o.o. Belgrade. This change was registered in the Register of Business Entities APR on December 23, 2020,
- concluded an Agreement on the transfer of shares in the Distribution System Operator "EPS Distribucija" d.o.o. Belgrade with PE "Electric Power Industry of Serbia" to the Republic of Serbia. This change was registered in the Register of Business Entities APR on December 31, 2020, whereby the Company lost control, ie the right that gives it the current ability to direct the relevant activities of the Distribution System Operator "EPS Distribucija" d.o.o. Belgrade (notes 25, 35 and 47) which, by the Decision of the Business Registers Agency BD 7344/2021 of January 29, 2021, changed its name to "Elektrodistribucija Srbije" d.o.o. Belgrade.

Therefore, these consolidated financial statements, in addition to the Balance Sheet, also contain financial information of the Distribution System Operator "EPS Distribucije" d.o.o. Belgrade for the reporting period, where all amounts of transactions that arose from the mutual business relations of the Company and ODS "EPS Distribucija" d.o.o. eliminated on consolidation. At the date of loss of control, the Group has in the consolidated Balance Sheet:

- ceased to recognize the assets and liabilities of the Distribution System Operator "EPS Distribucije" d.o.o. Belgrade,
- any amount owed to the Company by the Distribution System Operator "EPS Distribution" or owed to it by the DSO "EPS Distribution", recognized in accordance with IFRS 9 and other relevant IAS and IFRS,
- recognized a loss related to the former controlling interest at the expense of the transferred result (Note 47).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

1. GROUP AND ORGANISATION (continued)

Group organisational structure

Besides the Company, there are four subsidiary companies operating within the Group:

- "EPS Trgovanje" d.o.o., engaged in the trade of electricity, headquartered in Ljubljana, the Republic of Slovenia, was established on 1 July 2014..
- "Elektrosever" d.o.o., the electricity trading company headquartered in Severna Mitrovica, Kosovo and Metohija, was established based on the Company's Supervisory Board Decision No 12.01.19169/3-2016 of 20 January 2016, which was in line with the Government Decision 05 No. 023-923/2016 dated 11 February 2016. The Company was registered on 7 November 2018.
- "Kolubara - Građevinar" d.o.o., Lazarevac, a company engaged in construction projects within the mining infrastructure, and in the exploitation of non-metallic substances. On 14 December 2017, the Company acquired a 71.90% stake. The stake has been acquired through a conversion of company receivables into basic capital that was in line with an already prepared plan for the reorganisation of „Kolubara - Građevinar" d.o.o. Effective control over the said subsidiary was acquired during January 2018.
- Electricity Production Company "Hydroelectric Power System Gornja Drina" d.o.o., Foča, Republika Srpska, which was established for the implementation of the Project for construction and operation of HPP Buk Bijela, HPP Foča and HPP Paunci on the river Drina. The Group acquired a 51% stake in the legal entity "Hidroelektroenergetski sistem Gornja Drina" d.o.o., Foča, Republika Srpska on 19 November 2020 by the Registration Decision No. 062-0-Reg-20-000279 (Note 46).

The Company is the founder of three public companies situated in Kosovo and Metohija, namely:

- Public Enterprise for the production of thermoelectric energy Thermal Power Plants "Kosovo", Obilic,
- Public Enterprise for the production, processing and transportation of coal, PK "Kosovo" Obilic and
- Public Enterprise for electricity distribution "Elektrokosmet", Pristina.

The company has control over all of its subsidiaries, except the public enterprises from Kosovo. Since 1999, Kosovo has been under control of international community, therefore PE EPS has lost administrative and governing control over abovementioned companies.

In addition to the above, the Company has a significant share in the following companies:

- Company for combined production of thermoelectric and thermal energy "Energija Novi Sad", a.d. Novi Sad (ENS), established together with the City of Novi Sad – a 50% stake in the company's share capital.
- "Moravske hidroelektrane" d.o.o., Beograd established together with RWE Innogy GmbH, Germany (RWE AG) – a 49 % share in the capital amounting to EUR 1,960,000. The Company was established with a view to building hydro power plants on the river Morava, comprising no less than five hydro power plants with a total capacity of 150 MW.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

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

## 2.1. Consolidation scope and basics

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

	% учешћа	
	2020	2019
ODS "EPS Distribucija" d.o.o. Belgrade	-	100%
"EPS Trgovanje" d.o.o. Ljubljana, Republic of Slovenia	100%	100%
"Elektroserver" d.o.o. Severna Mitrovica, Kosovo and Metohija	100%	100%
"Kolubara – Gradjevinar" d.o.o. Lazarevac	71,90%	71,90%
"Hydroelectric Power System Gornja Drina" d.o.o., Foča, Republika Srpska	51%	-

Consolidated financial statements were prepared based on the full consolidation principle, including the consolidated financial statements' minority interest which concerns subsidiaries in whose equity the parent company participates with less than 100 percent.

All material transactions and balances which resulted from business relationships between the parent company and subsidiaries were eliminated during consolidation. Transactions and balances arising from mutual business relations between the Company and ODS "EPS Distribucija" d.o.o. are included as set out in Note 1.

In consolidated financial statements, financial statements of the subsidiary "EPS Trgovanje" d.o.o. Ljubljana reported in subsidiary's functional currency (EUR) are expressed in parent company's reporting currency (Dinar). While assets and liabilities are calculated using the official exchange rate on the balance sheet day, revenue and expenses are calculated based on the average exchange rate during the year. Foreign exchange differences are recognized as a separate component of equity as reserves based on financial statements foreign currency recalculation.

## 2.2. Basis of preparation and presentation of financial statements

The Group's consolidated financial statements include its Consolidated balance sheet as of 31 December 2020, and the Consolidated income statement, Consolidated statement of other comprehensive income, Consolidated statement of changes in equity and Consolidated cash flow statement for year then ended, and a summary of the significant accounting policies and the notes to the consolidated financial statements.

The Group's consolidated financial statements for the period from 1 January to 31 December 2020 are presented in a form pursuant to the Law on Accounting (Official Gazette of the Republic of Serbia no. 72/2019) and "Guidelines on the Prescribed Form and Content of the Financial Statements of Enterprises, Cooperatives and Entrepreneurial Ventures" (Official Gazette of the Republic of Serbia, no. 95/2014, 144/2014).

Recognition and estimate of the line items included in the consolidated financial statements have been performed in accordance with the provisions of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as determined in the Decision enacted by the Ministry of Finance no. 401-00-4980/2019-16 on 21 November 2019 (Official Gazette of the Republic of Serbia no.92/2019) officially issued in the Republic of Serbia, Rulebook on the Chart of Accounts and the Contents of Accounts in the Chart of Accounts (Official Gazette of RS number 95/2014), and other applicable Serbian regulation

The decision of the Ministry of Finance No. 401-00-4351/2020-16 of 10 September 2020 established a new translation of International Accounting Standards and International Financial Reporting Standards. These translations will be applied from the financial statements prepared as of December 31, 2021 ("Official Gazette of RS" No. 123/2020 and 125/2020), while they can be applied on a voluntary basis and when preparing financial statements as of December 31, 2020 (with the disclosure of relevant information in the notes to financial statements). The Company did not apply the new translated standards when preparing the financial statements for 2020, as disclosed in Note 2.5. and 2.6.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**31 Decemeber 2020**

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

**2.2. Basis of preparation and presentation of financial statements**

In the preparation of the acGrouping consolidated financial statements, the Group adhered to the accounting policies described in Note 3.

The Group's consolidated financial statements are stated in RSD thousand. The dinar is the official reporting currency in the Republic of Serbia.

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

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

- Amendments to the conceptual framework in IFRS standards (issued in March 2018, effective for annual periods beginning on or after 1 January 2020);

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - definition of materiality (issued in October 2018, effective for annual periods beginning on or after 1 January 2020 . years);

- Amendments to IFRS 3 "Business Combinations" - definition of business (business) issued in October 2018, effective for annual periods beginning on or after 1 January 2020);

- Revised Financial Reporting Framework - amendments published in March 2018, effective for annual periods beginning on or after 1 January 2020);

- Reform of the reference interest rate (phase 1) - amendments to IFRS 7, IFRS 9 and IAS 39, (amendments published in September 2019, effective for annual periods beginning on or after 1 January 2020);

- Amendments to IFRS 16 "Leases" - benefits granted to tenants due to the Covid-19 pandemic (amendments published in May 2020, effective for annual periods beginning on or after 1 June 2020);

**2.4. Standards and interpretations issued but not yet effective**

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

- IFRS 17 "Insurance Contracts" - revised and issued during 2017 as a complete standard (initially, effective for annual periods beginning on or after 1 January 2021 - as amended on 25 June 2020 , The International Accounting Standards Board has decided to defer the application of this standard for annual periods beginning on or after 1 January 2023);

- 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 1 January 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 1 January 2023);

- Amendments to IAS 16 "Property, Plant and Equipment" - proceeds from the sale before the intended use of assets under construction (issued in May 2020, effective for annual periods beginning on or after 1 January 2022);

- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - harmful contracts, contract performance costs (issued in May 2020, effective for annual periods beginning on or after 1 January 2022);

- Annual improvements to IFRSs (IFRS 1, IFRS 9, IFRS 16, IAS 41) resulting from a standard improvement cycle project for the period 2018-2020 issued in May 2020 (effective for annual periods beginning on or after after January 1, 2022);

- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Entities" - Sale or transfer of assets free of charge between an investor and its associate or joint venture (amendments adopted in September 2014, effective postponed indefinitely);

- Reform of the reference interest rate (phase 2) - amendments to IFRS 4, IFRS 9, IFRS 7, IFRS 16 and IAS 39, (amendments published in August 2020, effective for annual periods beginning on or after 1 January 2021);

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

**2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS ACCOUNTING PRINCIPLES (continued)****2.5. Standards and interpretations issued and effective in the past and current periods, that have been officially translated and adopted and that are applied on the consolidated financial statements for 2021**

At the date of these consolidated financial statements, the standards and their amendments presented in the text below were issued by the International Accounting Standards Board (IASB), and the interpretations presented below were issued by the International Financial Reporting Interpretations Committee, but they were translated and officially adopted in the Republic of Serbia in September 2020 and will be applied from the consolidated financial statements prepared as of December 31, 2021:

-IFRS 16 "Leasing" - issued during January 2016 (effective for annual periods beginning on or after 1 January 2019);

- IFRIC 23 "Uncertainties regarding the treatment of income taxes", issued in June 2017, effective for annual periods beginning on or after 1 January 2019;

- Annual Improvement Cycle of IFRS 2015-2017 - Amendments to IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes", IAS 23 "Borrowing Costs" (issued in December 2017, effective for annual periods beginning on or after 1 January 2019);

- Amendments to IAS 19, "Employee Benefits - Amendments, Reductions or Payments Based on Plans" (issued in December 2018, effective for annual periods beginning on or after 1 January 2019);

- Amendments to IAS 28 "Investments in Associates and Joint Ventures - Long-Term Interests in Associates and Joint Ventures" (issued in December 2017, effective for annual periods beginning on or after 1 January 2019) .

**2.6. Impact of Standards and interpretations issued and effective from the consolidated financial statements for 2021**

The key new standards and interpretations that have been translated by the Decision of the Ministry of Finance No. 401-00-4351/2020-16 of 10 September 2020 and which officially enter into force on 1 January 2020 are the following:

**IFRS 16 Leases**

IFRS 16 Leases (hereinafter: IFRS 16), published in January 2016 replaces existing leasing guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees while eliminating lease costs in the income statement that are replaced by depreciation costs based on write-offs of previously recognized assets. basis of the right to use the lease and establishes the principles for recognizing, measuring, presenting and disclosing leases. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items

*The Group as a lessor*

Lessor accounting remains similar to the current standard (hereinafter: IAS 17) – i.e. lessors continue to classify leases as finance or operating leases

*The Group as a lessee*

The nature of the operating lease expense is changed by applying IFRS 16 which requires the recognition of the depreciation expense based on the right to use the asset and the recognition of interest expense based on the related lease liability. On the other hand, in accordance with the current applicable standard, IAS 17, the Group recognizes the cost of operating leases on a straight-line basis over the lease term, and recognizes an asset or liability only when there is a time difference between the actual lease payment and the recognized cost.

The Group has conducted an initial assessment of the potential impact of IFRS 16 on its financial statements. The actual impact of the application of IFRS 16 on the financial statements for the period of the first application of the standard will depend on future economic conditions, the development of the Group's leasing portfolio and the Group's commitment to allowable recognition exemptions.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**31 Decemeber 2020**

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

**2.6. Impact of Standards and interpretations issued and effective from the consolidated financial statements for 2021 (continued)**

The Group will apply IFRS 16 "Leases" starting from January 1, 2021 using a modified retrospective approach. Therefore, the cumulative effect of the adoption of IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings in previous years on 1 January 2021, without adjusting (adjusting) the comparative figures.

As of December 31, 2020, it is estimated that the amount of future minimum lease payments under uninteruptible operating lease amounts to 233,062 thousand dinars, which represents the right to use the funds, as much as the corresponding lease obligation as of that date.

With respect to the initial implementation of IFRS 16, the following should be considered:

- the presented evaluation is preliminary because not all requirements of the transitional provisions have been finalized, so corrections are possible;
- the new standard requires the Group to audit its accounting processes and internal controls, and these changes have not yet been fully implemented;
- The Group has not completed testing and evaluation of control over the settlements. Consequently, the preliminary effects shown may be altered when implementation is complete;
- the systems and related controls, established in accordance with the new requirements, were not operational during the entire reporting period;
- new accounting policies, assumptions, judgments and valuation techniques in use are subject to change until the Group submits the first financial statements, which include the date of initial application.

**2.7. Going concern principle**

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

**2.8. Comparative figures**

**2.8.1. 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 consolidated financial statement for 2020.

Certain comparative data in Notes to financial statements have been reclassified in the current year in order to be harmonized with the current year presentation.

**2.9. COVID 19 impact**

On March 11, 2020, the World Health Organization announced that the spread of the coronavirus was a pandemic, as a result of which the Government of the Republic of Serbia ("the Government") declared a state of emergency on March 15, 2020.

In response to the potentially serious threat posed by COVID-19 to the health of the population, government authorities took measures to combat the pandemic, including the introduction of restrictions on cross-border movement of people, restrictions on foreign visitors and the "closure" of certain industrial sectors. conditioned by the then development of the situation. After 53 days from the introduction of the state of emergency, the National Assembly of Serbia lifted the state of emergency on May 7, 2020.

*Production and placement of electricity*

Within the Group, electricity and coal production capacities continued to operate stably during the state of emergency and to ensure a reliable supply of electricity to all consumers.

The Group 's production results indicate that the COVID - 19 pandemic did not have a major impact on production results or electricity sales

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

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

2.9. COVID 19 impact (continued)

Realized electricity production in 2020 of 34,009 GWh was 1% higher than planned and 2% higher than the previous year. Total deliveries of electricity for guaranteed and commercial supply in 2020 of 27,704 GWh are 1% higher than planned and are at the level of the previous year. Deliveries to other companies of 1,955 GWh are 2% higher than planned, and 3% higher than in the previous year.

*Procurement of electricity*

The procurement of electricity in 2020 amounted to 2,008 GWh and is 6% higher than planned, but 17% lower than the procurement in the previous year, as a result of higher electricity production compared to the previous year.

*Electricity prices*

- The COVID-19 pandemic did not have an impact on the price level of electricity for the needs of guaranteed supply in 2020 (regulated price) nor on the price for commercial supply (pre-agreed prices).
- The realized average selling price of electricity for deliveries to other companies (exports, licensed traders, etc.) in 2020 is 4,935 RSD/kWh. This price is 8% lower than planned and 1% lower than the previous year.
- The price of electricity at HUPLEX in January 2020 was 53.0 EUR/MWh, only to fall sharply to the lowest level in May 2020 of 23.6 EUR/MWh during the pandemic, and after that it tended to increase so that was already 45.7 EUR/MWh in September, and 58.2 EUR/MWh at the end of the year. In April and May 2020, when the prices on the stock exchange were the lowest, the Company did not realize the import or export of electricity.
- During the state of emergency, by the Conclusion of the Government of RS, the purchase of electricity from privileged and temporarily privileged producers was performed at the price recognized by the Energy Agency as the purchase price of electricity for guaranteed supply in the amount of 3,302 RSD/kWh. The plan for 2020 envisages an average purchase price of electricity from privileged and temporarily privileged producers in the amount of 12,817 RSD/kWh, and the realized price is 12,351 RSD/kWh.

*Electricity billing*

During the state of emergency, caused by the pandemic, there was a reduction in the level of collection from the sale of electricity in the first quarter of 2020. The collection rate in March was 91.3% and the plan envisages collection of 96.8%, but after the second quarter, the collection normalized and the reduced collection from the first quarter was compensated. Looking separately only at 2020, the percentage of collection execution as of December 31, 2020 is 98.37%.

*Repairs*

During the state of emergency, it was difficult to carry out repairs of the plant, so that certain repair works were postponed and performed in the second part of the year.

*Revenues from electricity sales*

In 2020, the Group generated higher operating revenues than planned by 1%, which is the result of higher production than planned by 1%, and changes in the structure of electricity consumption in favor of consumers with the right to commercial supply who have higher electricity prices. energy from consumers with the right to a guaranteed supply. Also, higher deliveries to other companies (exports, sales to licensed electricity traders and sales on the stock exchange) partially offset the decline in market prices.

*Management activities*

The Group's management carefully monitored the situation throughout the year and was ready to take appropriate measures to reduce the impact of negative events and circumstances if they occur.

In order to protect the safety and health of employees, the Group's management has taken all necessary measures in accordance with the recommendations of the competent state authorities.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**31 Decemeber 2020**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

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

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

**3.1. Revenues**

Revenues from contracts with customers - accounting policy in force since January 1, 2020

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

Revenue is recognized when the Group fulfills 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:
  - when the buyer simultaneously receives and consumes the benefits arising from the execution of the contract,
  - 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,
  - when the goods and services provided by the Group cannot be used in an alternative manner and the Group has an enforceable right to payment of compensation for the performance of obligations by a certain date, based on the measurement of progress in the execution of the contract,
- at one point in time, when the buyer gains control of the property.

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

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

Advance payment and received advances (collection of fees before the company transfers goods and services under the contract) are not recognized as income, ie 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 favor of third parties (VAT, energy efficiency fee, etc.) and approved discounts arising from the Group's usual business practices (Note 6).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

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

Revenues from contracts with customers - accounting policy in force since January 1, 2020 (continued)

*Income from connections of new customers*

Income from connection of new customers to distribution network are recognized in the amount of money received from the customers, when incurred – when customer is connected to distribution network or when the customer is provided with the ongoing access to a supply of services.

Donations received from customers are initially recognized as deferred income in the amount of fair value of received funds.

Deferred income on the basis of received grants is recognized in favour of income in the income statement in proportion to the estimated useful lives of the related assets.

**Revenue recognition – accounting policy applied before January 1, 2020**

*Revenue from sale of goods and rendering of services*

Income and expenses are recognised on accrual basis, meaning that transactions and other events are recognised when incurred, regardless of when the money is actually received or paid.

Revenue from the sale of electricity is recognised when electricity is delivered.

Revenue arising from the sale of goods is recognised when all the significant risks and rewards of ownership are transferred, which is as at the date when goods are delivered to the buyer.

Revenue is stated at fair value of the goods received or that will be received, net of rebates, VAT and excise.

Revenue from agreed services is recognised under the percentage of completion method.

*Income from connections of new customers*

Income from connection of new customers to distribution network are recognized in the amount of money received from the customers, when incurred – when customer is connected to distribution network or when the customer is provided with the ongoing access to a supply of services.

Deferred income on the basis of received grants is recognized in favour of income in the income statement in proportion to the estimated useful lives of the related assets.

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 favor 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 Z. 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 consolidated financial statements that include

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 Decemeber 2020**

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

**3.2. Effects of changes in exchange rates (continued)**

foreign operations, such exchange differences are initially recognized in other comprehensive income and transferred from equity to profit or loss on disposal of the net investment.

**3.3. 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.

**3.4. Employee benefits**

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

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

The Group provides jubilee awards, retirement benefits and other benefits in accordance with the general acts of the Group, ie. 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 Group, if it is more favorable for the employee, and
- jubilee awards for 10, 20, 30, 35 and 40 years of continuous work in the Group, in the amount of 1, 2, 3, 3.5 and 4 paid average salaries in the Group 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 CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

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

3.5. Provisions

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

*Litigation*

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

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

*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.

3.6. Government grants, donations and assistance

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

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

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

- 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 fulfillment 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 Group, for which the value cannot be reliably determined, as well as transactions with the state that cannot differ from the usual business transactions of the Group (advice, guarantee, etc.).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**31 Decemeber 2020**

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

**3.7. 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 Group's tax return. The tax base presented in the tax return comprises profit as presented in the Group'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.

**3.8. 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 Group, 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 3.12. 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 3.10., 3.12. and 3.13.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**31 Decemeber 2020**

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

**3.8. Property, plant and equipment (continued)**

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

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.

**3.9. Investment property**

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

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

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

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



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

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

## 3.9. Investment property (continued)

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.

## 3.10. Depreciation

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

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

	<u>Rate (%)</u>
Buildings and Thermal power plant facilities	1.30% - 4.00%
Buildings and Hydropower plan facilities	1.30% - 4.00%
Coal mine buildings	0.68% - 16.67%
Commercial buildings	1.18% - 1.43%
Other buildings inclusive of investment property	1.30% - 2.50%
Equipment in Thermal power plants	4.00% - 20.00%
Equipment in Hydropower plants	4.00% - 20.00%
Equipment in coal mine	1.63% - 13.57%
Transportation machinery	6.67% - 12.50%
Equipment for decoration and maintenance of office and other premises	10.00% - 20.00%
Other equipment not mentioned	12.50% - 20.00%
Buildings and Thermal power plant facilities	1.30% - 4.00%
Buildings and Hydropower plant facilities	<u>1.30% - 4.00%</u>

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

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

## 3.11. Lease

A lease is classified as finance lease where all the risks and rewards of ownership are transferred substantially to the lessor. Any other lease is classified as operating lease.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

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

## 3.12. 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:

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

The amortisation period and the amortisation method are reviewed at the end of each accounting period.

Depreciation expense adjustment is recognized as an expense in the income statement for the current and future periods.

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

## 3.13. 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.

## 3.14. 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, ie 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**31 Decemeber 2020**

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

**3.14. Inventory (continued)**

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 Group and companies are taken into account (primarily the purpose of keeping stocks, circumstances related to procurement, use for planned servicing, price of finished products, etc.).

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

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

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

Inventories of work in progress and finished goods are measured at cost, ie 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, labor 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.

**3.15. 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, ie:

- 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 (fulfillment of the contractual obligation, cancellation or expiration).

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

Receivables from sales are recognized at their transaction price.

***Derecognition of financial instruments***

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

31 Decemeber 2020

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)****3.15. Financial instruments (continued)**

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

**Classification and subsequent measurement of financial instruments - accounting policy in force from 1 January 2020***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 it is not classified as at fair value through profit or loss:

- 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.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes those financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL. In addition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

- financial liabilities at fair value through profit or loss,
- financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition or the permanent participation approach is applied,
- financial guarantee agreements,
- obligations to secure a loan at an interest rate lower than the market rate,
- contingent consideration recognized by the acquirer in a business combination to which IFRS 3 applies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

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

3.15. Financial instruments (continued)

***Classification and subsequent measurement of financial instruments - accounting policy in force since 1 January 2020 (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 Group using the cost method.

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

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

Exceptionally, in the event that recent information is not available (lack of quoted prices of equity instruments in an active market) sufficient to measure fair value or if there is a wide range of possible fair value measurements and cost is the best estimate of fair value in that range, equity participation other legal entities are subsequently measured at cost.

***Classification and subsequent measurement of financial instruments - accounting policy applied before January 1, 2020***

Short-term receivables and placements are measured at the transaction price, which is the amount of compensation that the Group expects to be entitled to in exchange for the transfer of promised goods and services to the customer, not including amounts collected on behalf of third parties.

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

- financial assets and financial liabilities at fair value through profit or loss (held for trading),
- financial resources available for sale,
- held-to-maturity investments,
- loans and receivables originated by the Group and not held for trading and
- derivatives.

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

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

*Equity investments in affiliated companies*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

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

***Classification and subsequent measurement of financial instruments - accounting policy applied before January 1, 2020 (continued)***

Interests in the capital of dependent legal entities are stated in 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.

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.

***Short-term receivables and placements***

Short-term receivables and placements include receivables from sales, and other receivables, short-term deposits with banks and other short-term placements.

Receivables from the sale of electricity and other effects are measured at the values from the original invoice. Invoiced interest related to the sale of goods and services is recognized as other receivables and is recognized in income in the period to which it relates.

Other receivables and placements originating from the Group are measured at amortized cost. Any difference between the stated amount and the subsequent measurement is recognized as a gain or loss in the period in which it arises.

***Cash and cash equivalents***

Cash and cash equivalents include cash in bank accounts and in cash.

**3.16. Impairment of financial assets*****Accounting policy in force since January 1, 2020***

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

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

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

The maximum period to be taken into account when measuring expected credit losses is the maximum agreed period, including the option to extend, except in the case of loans and outstanding liabilities when the period in which the Group is exposed to credit risk is taken into account, even if that period is longer than the maximum. of the agreed period. For loan obligations and financial guarantee agreements, the date from which the Group 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

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

## 3.16. Impairment of financial assets (continued)

**Accounting policy in force since 1 January 2020 (continued)**

Estimation of provisions for expected credit losses of receivables from customers for electricity supply is performed by the following groups of receivables, unless otherwise stated, which arise on the basis of:

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

Assessment of collectibility 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.

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 2020:

## Guaranteed supply

Number of days in delay	% expected credit losses (range)	
	Households	Small consumers
Non- due	0,84% - 4,26%	2,19% - 6,71%
1 – 30	2,68% - 12,47%	5,47% - 11,85%
31 – 60	4,69% - 16,96%	9,07% - 17,35%
61 – 90	6,96% - 21,60%	10,89% - 22,89%
91 – 180	10,09% - 27,15%	12,21% - 29,48%
181 – 270	31,58% - 47,94%	14,06% - 50,56%
271 +	64,91%	64,91%

## Commercial and backup supply

Number of days in delay	% expected credit losses (regular receivables)	
	Backup supply	Commercial consumers
Non- due	32,19%	2,96%
1 – 30	40,43%	9,58%
31 – 60	45,64%	24,55%
61 – 90	57,39%	40,54%
91 – 180	61,55%	50,19%
181 – 270	68,83%	67,49%
271 – 360	81,40%	81,01%
361 +	94,74%	95,10%

For the calculation of expected credit losses of sued trade receivables on commercial and reserve supply, as at 31 December 2020, the rate of 95.10% was used, while the rate of expected credit losses of trade receivables in the process of reorganization, bankruptcy or liquidation is 100%.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

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

## 3.16. Impairment of financial assets (continued)

**Accounting policy in force since 1 January 2020 (continued)**

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

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

*Other financial resources*

When it comes to other categories of financial assets (cash and cash equivalents, financial investments, securities), the Group applies the general approach for measuring impairment using the following formula:

$$ECL = \text{Default Probability (PD)} \times \text{Default Loss Amount (LGD)} \times \text{Settlement Exposure (EAD)} \times \text{Discount Factor}$$

For the purposes of individual assessment, the Group relies on data on non-payment of liabilities (PD) from external sources, ie data published by reputable rating agencies.

The Group distinguishes between situations in which the other contracting party is a legal entity or the State (ie state bodies and state enterprises). In the case of legal entities, the default rate published by one of the reputable agencies (Standard & Poors, Moody's, Fitch, etc.) applies.

In the case where the debtor is the State (or a government body, or a Group), the relevant information published by accepted external rating agencies (Standard & Poors, Moody's, Fitch, etc.) also applies.

LGD (loss given default) means the amount of loss in case of default. A 45% LGD was applied, as a generally accepted good business practice in the absence of other information.

**Accounting policy in force before January 1, 2020**

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of assets is impaired. A financial asset or group of financial assets is considered to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on estimated future cash flows. assets or groups of financial assets that can be measured reliably. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulties, default or delay in payment of interest or principal, the likelihood of bankruptcy or other financial reorganization, and where observable data indicate a measurable decrease in estimated future cash flows, such as changes in arrears or economic conditions that coincide with default.

*Impairment of receivables*

Unless otherwise stated, receivables from legal entities and natural persons for which the deadline for collection of at least 60 days has elapsed are adjusted for the value of receivables. Exceptionally, it is possible to assess the certainty of collection for these groups of debtors and individually.

## Impairment of receivables from electricity trade

The assessment of the certainty of the collection of trade receivables is performed by the following groups of receivables arising from:

- commercial supply
- backup supply
- guaranteed supply for subgroups:
  1. receivables from legal entities (transfer cases)
  2. receivables from households.

Assessment of collectibility of receivables is performed by groups and subgroups by applying the coefficient of uncollected receivables to the total amount of recognized (invoiced) receivables in the current reporting period, where:

- the coefficient of uncollected receivables is determined as the difference between number 1 and the coefficient obtained from the ratio of collected receivables and total receivables in the current and previous comparable reporting period,
- taking into account all events that occurred after the balance sheet date and until January 31 of the following year after the end of the business year for which the financial statements are prepared, ie events that occurred within 15 days after the end of each quarter.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

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

## 3.16. Impairment of financial assets (continued)

*Accounting policy in force before January 1, 2020 (continued)*

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

Receivables for which the collection deadline has expired for more than a year are written off indirectly in their entirety.

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

Direct write-off is performed only after the end of the court dispute or on the basis of the decision of the competent authority in accordance with the law and general acts of the Group.

Recognized ancillary receivables that include interest, forced collection costs and other costs that can be directly related to the amount of the principal debt are subsequently measured in the same manner and procedure as the principal debt.

## 3.17. Significant accounting estimates

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

*Amortisation / Depreciation and amortisation / depreciation rates*

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

*Provision for litigations*

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

*Provision for expected credit losses*

IFRS 9 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 forecaste 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 the financial instruments for which there is no active market is determined by applying appropriate evaluation methods. The Group uses its professional judgement to select appropriate methods and make assumptions.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

31 Decemeber 2020

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)****3.17. Significant accounting estimates (continued)**

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

**4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES**

The Group commenced the first application of IFRS 15 and IFRS 9 on 1 January 2020. The nature and effects of the application of these new accounting standards are described below.

Due to the transition methods chosen by the Group to apply these standards, the comparative information in these financial statements has generally not been adjusted to include the requirements of the new standards.

The Group has not previously begun to apply any standards, interpretations or amendments that have been issued but are not yet effective.

***IFRS 15 "Revenue from Contracts with Customers"***

The initial application of IFRS 15 did not affect the recognition of fee income from customer contracts, both in terms of recognition time and amount. The adoption of IFRS 15 led to changes in accounting policies and additional disclosures, but did not lead to adjustments in the income statement and opening balance of retained earnings on 1 January 2020, and therefore the effects of the initial application of IFRS 15 have not been determined and are not disclosed in attached financial statements.

***IFRS 9 Financial Instruments***

IFRS 9 prescribes the requirements for the recognition and measurement of financial assets, financial liabilities and some contracts for the purchase or sale of non-financial items. This standard supersedes the existing guidance in IAS 39 "Financial Instruments: Disclosures and Recognition" relating to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

IFRS 9 includes revised guidelines for the classification and measurement of financial instruments, including a new model of expected credit loss for accounting for impairment of financial assets and new general requirements for hedge accounting. Most of the requirements in IAS 39 regarding the classification and measurement of financial liabilities and derecognition of financial instruments have been transferred to IFRS 9 without amendment.

In 2020, the Group performed adjustments to relevant 2019 and 2017 comparative figures to ensure comparability with 2020 information.

The adoption of IFRS 9 "Financial Instruments" on 1 January 2020 resulted in changes in accounting policies and adjustments to amounts recognized in retained earnings.

In accordance with the transitional provisions in IFRS 9, the comparative information has not been adjusted.

As a consequence of the adoption of IFRS 9, the Group has considered the consequential amendments to IAS 1 "Presentation of Financial Statements", which require impairment of financial assets to be presented in separate items in the income statement and statement of other comprehensive income. It is concluded that there is no need for reclassification, since the Group already shows impairment of financial assets within the item Expenses from adjusting the value of other assets which are stated at fair value through the income statement (Note 20).

The total impact of the transition to IFRS 9 on the opening balance of retained earnings amounts to RSD 2,188,861 thousand, and can be exclusively attributed to the application of the new impairment requirements determined in accordance with IFRS 9.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 Decemeber 2020**

**4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Classification and evaluation*

IFRS 9 contains three main classification categories for financial assets: financial assets measured at amortized cost (AV), financial assets measured at fair value through other comprehensive income (FVOCI), and financial assets measured at fair value through balance sheet success (FVTPL). The classification of financial assets in accordance with IFRS 9 is generally based on the business model within which the financial asset is managed and its contractual cash flows. IFRS 9 eliminates previous IAS 39 categories of holding to maturity, holding for trading and available for sale.

IFRS 9 generally retains the existing requirements of IAS 39 for the classification and measurement of financial liabilities.

The following table explains the original measurement categories in accordance with IAS 39 and the new measurement categories for each class of financial assets of the Group in accordance with IFRS 9 as of January 1, 2020. There were no changes in the categories for measuring financial liabilities.

	Note	Classification in accordance with IAS 39	Classification in accordance with IFRS 9	IN RSD THOUSANDS	
				Book value according to IAS 39	Book value according to IFRS 9
<b>Financial assets</b>					
Other long-term financial assets	(a)	Loans and receivables	Depreciated value	298,364	298,364
Receivables from customers and other receivables	(a)	Loans and receivables	Depreciated value	60,759,832	62,967,959
Receivables for more paid income tax		Loans and receivables	Depreciated value	652,838	650,800
Short- term financial assets	(b)	Loans and receivables	Depreciated value	3,605,276	3,605,276
Cash and cash equivalents	(b)	Loans and receivables	Depreciated value	20,384,815	20,367,587
				<b>85,701,125</b>	<b>87,889,986</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 Decemeber 2020**

**4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)**

***IFRS 9 Financial Instruments (continued)***

The following table reconciles the carrying amounts of financial assets in accordance with IAS 39 with the carrying amounts in accordance with IFRS 9 when transitioning to IFRS 9, on 1 January 2020:

	Book value according to IAS 39	Reclassificati- on	Re- measurement	IN RSD THOUSANDS Book value according to IFRS 9
<b>Financial assets</b>				
Other long-term financial assets	298,364	-	-	298,364
Receivables from customers and other receivables	60,759,832	-	2,208,127	62,967,959
Receivables for more paid income tax	652,838	-	(2,038)	650,800
Short- term financial assets	3,605,276	-	-	3,605,276
Cash and cash equivalents	20,384,815	-	(17,228)	20,367,587
	<b>85,701,125</b>	<b>-</b>	<b>2,188,861</b>	<b>87,889,986</b>

*Impairment of financial assets*

IFRS 9 replaces the “incurred losses” model in IAS 39 with a forward-looking model of “expected credit losses”. The new impairment model is applied to financial assets measured at amortized cost, contractual assets and debt instruments at fair value through other comprehensive income, but not to investments in equity instruments. The Group has determined that the application of the impairment requirement in IFRS 9 on 1 January 2020 has the effect of reversing the provision for impairment as follows:

	Note	Provision for losses on 31.12.2019. according to IAS 19	Provision for losses on 1.1.2020. according to IFRS 9	Difference
<b>Financial assets</b>				
Other long-term financial assets		(3,075,883)	(3,075,883)	-
Receivables from customers and other receivables		(82,557,634)	(80,349,507)	2,208,127
Receivables for more paid income tax		-	(2,038)	(2,038)
Short- term financial assets		(11,661,548)	(11,661,548)	-
Cash and cash equivalents		(259,907)	(277,135)	(17,228)
<b>Total</b>		<b>(97,554,972)</b>	<b>(95,366,111)</b>	<b>2,188,861</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

## 5. CORRECTIONS OF OPENING BALANCES

## a) Overview of corrections – balance sheet

The effects of the corrections and reclassifications made on the balance sheet as at 31 December 2020 and 31 December 2019 are presented as follows:

	In RSD thousands					
	1 January 2020 Before corrections	Correctio n	1 January 2020 After corrections	1 January 2019 Before corrections	Correctio n	1 January 2019 After corrections
<b>ASSETS</b>						
<b>Non-current assets</b>						
Intangible assets	12,930,876	-	12,930,876	9,079,979	-	9,079,979
Property, plant and equipment	1,024,740,516	-	1,024,740,516	1,031,297,812	-	1,031,297,812
Biological assets	442,343	-	442,343	437,519	-	437,519
Long term financial placements	4,606,390	-	4,606,390	7,996,247	-	7,996,247
Long term receivables	552,355	-	552,355	461,879	-	461,879
	<u>1,043,272,480</u>	<u>-</u>	<u>1,043,272,480</u>	<u>1,049,273,436</u>	<u>-</u>	<u>1,049,273,436</u>
<b>Обртна имовина</b>						
Inventory	38,234,004	(329,543)	37,904,461	33,262,242	(273,502)	32,988,740
Trade receivables	54,329,008	(803)	54,328,205	57,373,295	(807)	57,372,488
Short-term financial placements	459,376	-	459,376	3,376,899	-	3,376,899
Cash and cash equivalents	20,706,070	985	20,707,055	27,281,100	985	27,282,085
VAT	4,554,952	(267,200)	4,287,752	3,540,202	(267,200)	3,273,002
	<u>118,283,410</u>	<u>(596,561)</u>	<u>117,686,849</u>	<u>124,833,738</u>	<u>(540,524)</u>	<u>124,293,214</u>
<b>Total assets</b>	<b><u>1,161,555,890</u></b>	<b><u>(596,561)</u></b>	<b><u>1,160,959,329</u></b>	<b><u>1,174,107,174</u></b>	<b><u>(540,524)</u></b>	<b><u>1,173,566,650</u></b>
<b>LIABILITIES</b>						
<b>Equity</b>						
Issued capital	360,185,861	-	360,185,861	360,186,085	-	360,186,085
Revaluation reserves	600,273,199	-	600,273,199	607,983,020	-	607,983,020
Unrealized gains and losses	(3,191,548)	-	(3,191,548)	(1,683,159)	-	(1,683,159)
Accumulated gain/(loss)	(129,577,653)	227,148	(129,350,505)	(125,864,151)	276,544	(125,587,607)
	<u>827,689,859</u>	<u>227,148</u>	<u>827,917,007</u>	<u>840,621,795</u>	<u>276,544</u>	<u>840,898,339</u>
<b>Long-term liabilities and provisions</b>						
Long-term provisions	27,241,601	(1,595,662)	25,645,939	21,925,123	(1,589,017)	20,336,106
Long-term liabilities	109,103,880	-	109,103,880	113,909,608	-	113,909,608
	<u>136,345,481</u>	<u>(1,595,662)</u>	<u>134,749,819</u>	<u>135,834,731</u>	<u>(1,589,017)</u>	<u>134,245,714</u>
<b>Deferred tax liabilities</b>	<u>90,006,062</u>	<u>14,473</u>	<u>90,020,535</u>	<u>93,533,821</u>	<u>14,473</u>	<u>93,548,294</u>
<b>Short-term liabilities</b>						
Short-term loans and borrowings	13,569,273	-	13,569,273	13,854,685	-	13,854,685
Advances received	5,432,804	-	5,432,804	4,754,973	-	4,754,973
Trade payables	34,344,187	72,475	34,416,662	30,627,752	72,475	30,700,227
Other short-term liabilities	13,978,279	132,233	14,110,512	15,199,688	132,233	15,331,921
VAT liabilities, other public income liabilities and accruals	40,189,945	552,772	40,742,717	39,679,729	552,768	40,232,497
	<u>107,514,488</u>	<u>757,480</u>	<u>108,271,968</u>	<u>104,116,827</u>	<u>757,476</u>	<u>104,874,303</u>
<b>Total liabilities</b>	<b><u>1,161,555,890</u></b>	<b><u>(596,561)</u></b>	<b><u>1,160,959,329</u></b>	<b><u>1,174,107,174</u></b>	<b><u>(540,524)</u></b>	<b><u>1,173,566,650</u></b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

## 5. 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, 2019 are shown as follows:

	Year ended on 31 December 2019 Before corrections	Correction	У хиљадама динара Year ended on 31 December 2019 After corrections
<b>OPERATING REVENUES</b>			
Revenue from sales	238,680,531	-	238,680,531
Other operating revenues	5,089,315	-	5,089,315
	<u>243,769,846</u>	<u>-</u>	<u>243,769,846</u>
<b>OPERATING EXPENSES</b>			
Cost of goods sold	(727,833)	-	(727,833)
Revenues from activating goods and services	4,240,222	-	4,240,222
(Increase)/ decrease in inventory value	871,060	-	871,060
Cost of material	(64,936,970)	-	(64,936,970)
Wages, salaries and other personnel expenses	(65,427,277)	-	(65,427,277)
Depreciation, amortization and long-term provision expenses	(55,035,016)	6,645	(55,028,371)
Other operating expenses	(52,558,173)	-	(52,558,173)
	<u>(233,573,987)</u>	<u>6,645</u>	<u>(233,567,342)</u>
<b>OPERATING INCOME</b>	<b><u>10,195,859</u></b>	<b><u>6,645</u></b>	<b><u>10,202,504</u></b>
Finance income	8,098,254	-	8,098,254
Finance costs	(3,198,064)	-	(3,198,064)
Other income	2,792,095	-	2,792,095
Other expenses	(22,630,900)	(56,041)	(22,686,941)
<b>INCOME BEFORE TAX</b>	<b><u>(4,742,756)</u></b>	<b><u>(49,396)</u></b>	<b><u>(4,792,152)</u></b>
Tax expense	(4,571,926)	-	(4,571,926)
Deferred tax income	3,527,759	-	3,527,759
<b>NET INCOME</b>	<b><u>(5,786,923)</u></b>	<b><u>(49,396)</u></b>	<b><u>(5,836,319)</u></b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

## 5. CORRECTIONS OF OPENING BALANCES (continued)

## c) Impact of corrections on accumulated loss

Correction description	In RSD thousands	
	1 January 2020	1 January 2019
<b>Balance of accumulated loss, previously disclosed</b>	<b>(129,577,653)</b>	<b>(125,864,151)</b>
Effects of corrections according to the recommendations given to the ODS in the DRI (State Audit Institution) report:		
- remeasurement of provisions for litigation	874,640	874,640
- reversal of deferred revenues based on depreciation of equipment received from donations	(544,509)	(544,509)
- re-examination of the net realizable value of the given advances	(224,006)	(224,006)
- reversal of prepaid expenses under agreements concluded with local governments	(167,252)	(167,252)
- reversal of prepaid expenses	(99,767)	(99,767)
- subsequent measurement of the net realizable value of inventories	(56,041)	-
	<b>(216,935)</b>	<b>(160,894)</b>
Remeasurement of provisions for the costs of restoration of natural resources	721,022	714,377
Recognized liabilities to suppliers upon subsequent receipt Invoices	(72,475)	(72,475)
Recognition of liabilities based on the income of employees who work in particularly difficult conditions	(129,974)	(129,974)
Other	(74,490)	(74,490)
<b>Balance of accumulated loss, corrected</b>	<b>(129,350,505)</b>	<b>(125,587,607)</b>

## d) Effects of corrections on the statement on cash flows

Above stated corrections did not have an impact on the reporting of cash flows from operations, investments and financing activities.

## 6. SALES REVENUE

## Sources of income

The Group generates revenues from contracts with customers through following sources of revenue:

	In RSD thousands	
	For the year ending	
	31 December	
	2020	2019
Revenues from electricity sales	223,660,769	219,249,726
Sales revenue of A.D. "Electric Network of Serbia", Belgrade (a)	11,069,064	11,623,671
Revenues from sales of goods	5,352,260	5,932,018
Revenues from sales of services	1,621,470	1,565,459
Other (b)	359,220	309,657
	<b>242,062,783</b>	<b>238,680,531</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 6. SALES REVENUE (continued)

## Sources of income (continued)

- (a) Turnover with buyer A.D. "Electric Network of Serbia", Belgrade (hereinafter: "EMS"), in the amount of 11,069,064 thousand dinars (2019: 11,623,671 thousand dinars) refers to the sale of electricity and the provision of services to the energy entity - transmission system operator. Namely, the Company provides system services of primary, secondary and tertiary regulation and delivers electricity on behalf of balancing responsibility, as well as for own consumption of the Transmission System Operator and compensation of electricity losses in the transmission system, based on contracts under which it fulfills obligations in accordance with the Law on energy and operating rules related to the operation of the transmission system and the functioning of the market. In accordance with the Law on Energy, the prices of ancillary services: primary regulation, voltage regulation, as well as system services of secondary and tertiary regulation, are regulated prices.
- (b) Other revenues reported in 2020 in the amount of RSD 359,220 thousand relate mostly in amount of RSD 317,047 thousands (2019: RSD 272,165 thousand) to remuneration for activities in which the Company acts as an agent - calculation and collection of fees for the Public Media Service (note 29). Namely, the Association and the Public Media Institution "Radio Television of Serbia" and the Public Media Institution "Radio Television of Vojvodina" concluded an agreement regulating the procedure under the Law on Temporary Regulation of the Manner of Charging Fees for Public Media Service ("Official Gazette of RS", no. 112/2015, 108/2016, 153/2020), which stipulates that during the calculation and collection of delivered electricity, the Company also debits customers for the fee, with a fee of 3% on 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 31, 2021, and the amount of the fee in the reporting period is 255 dinars, and from December 29, 2020 299 dinars (2019: 220 dinars).

*Disaggregated revenues based on contracts with customers**Revenues from electricity sales*

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

	In RSD thousands	
	For the year ending	
	31 December	
	2020	2019
Revenues from sales on the domestic market:		
- Sales of electricity to households (a)	96,678,394	91,336,161
- Electricity sales - open market customers (a)	105,322,397	106,684,828
- Electricity sales - third parties (economy) (a)	12,143,020	12,193,899
- Electricity sales - licensed customers (a)	2,315,889	2,207,238
- Electricity sales - stock exchange trading (b)	2,026,399	1,483,842
- Revenues from electricity sales of PE "Elektrokosmet", Pristina (c)	1,227,521	1,048,787
	<u>219,713,620</u>	<u>214,954,755</u>
Revenue from sales of electricity on foreign markets - third parties (d)	<u>3,947,149</u>	<u>4,294,971</u>
	<b><u>223,660,769</u></b>	<b><u>219,249,726</u></b>

- (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 fulfillment of conditions in accordance with the Energy Law.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 6. SALES REVENUE (continued)

*Disaggregated revenues based on contracts with customers (continued)**Revenues from electricity sales (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 fulfillment 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, ie 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 fulfillment 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.

*Determining the transaction price*

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

- for customers with the right to a guaranteed supply, the price is determined in accordance with the adopted Methodology for determining the price of electricity for a guaranteed supply adopted by the Energy Agency of the Republic of Serbia. The price is applied after obtaining the consent of the Agency.
- for customers in commercial supply, the price is determined on the basis of price movements on reference electricity exchanges, ie according to market principles.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6. SALES REVENUE (continued)

*Disaggregated revenues based on contracts with customers (continued)*

*Revenues from electricity sales (continued)*

- for customers in the reserve supply, a single price is applied in the amount offered by PE EPS in the public tender for the selection of the reserve supplier announced by the Government of the Republic of Serbia in accordance with the Law on Energy. For the reporting period, the Government of the Republic of Serbia by Decision 05 number: 312-11180/2018 designated the Group as a backup supplier for a period of two years from the date of the new decision, ie until November 22, 2020, at a price of 70.33 EUR / MWh , and by Decision 05 Number: 312-9267/2020. from 19 November 2020, the new price of reserve supply is 66.72 EUR/MWh.

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

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

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- (b)** The Group 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 Group A.D. "Elektromreža Srbije", Belgrade and EPEX SPOT as a joint stock Group. The goal of SEEPEX is to provide a transparent and reliable mechanism for forming the wholesale price of the electricity market by matching supply and demand at a fair and transparent price and to enable all transactions concluded on SEEPEX to be delivered and paid for.
- (c)** Pursuant to the Conclusion of the Government of the Republic of Serbia No. 021-6624 / 2009-002 of 30 November 2009, the Group engaged its capacities to provide electricity to the northern part of Kosovo and Metohija on the basis of which revenues in the amount of RSD 1.227.521 thousand were recognized in 2020 (2019: RSD 1,048,787 thousand).
- (d)** The sale of electricity on the foreign market refers to the sale of electricity to the Group Mixed Holding Elektroprivreda Republike Srpske (Bosnia and Herzegovina) in the amount of 28,425 thousand dinars and the sale of electricity realized through the subsidiary "EPS Trgovanje" d.o. o., Ljubljana, in the amount of RSD 3,918,724 thousand.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

## 6. SALES REVENUE (continued)

**Revenue from sales of goods**

Revenues from the sale of goods relate to the following:

	In RSD thousands	
	For the year ending	
	31 December	
	2020	2019
Revenue from sales of coal	3,289,334	3,092,166
Revenue from sales of thermal energy	1,634,339	2,236,686
Revenue from sales of technological steam and gas	114,538	113,738
Revenue from sales of other goods	314,049	489,428
	<b>5,352,260</b>	<b>5,932,018</b>

Revenues from the sale of coal reported for the year ended 31 December 2020 in the amount of RSD 3,289,334 thousand relate to coal deliveries to third parties by the Kolubara Mining Basin Branch, Lazarevac in the amount of RSD 2,793,634 thousand, and the Branch of the Thermal Power Plant and Mines Kostolac in the amount of 495,700 thousand dinars.

Revenues from the sale of thermal energy refer to the supply of thermal energy to local municipalities, which is produced in the: Panonske branch, in the amount of RSD 1,277,972 thousand (2019: RSD 1,905,479 thousand) Branch "Thermal Power Plant and Mines Kostolac" in amount of RSD 196,869 thousands, Branch "TPP Nikola Tesla" in amount of RSD 91,236 thousands and Branch "RB Kolubara" in amount of RSD 68,262 thousands).

**Revenues from sales of services**

Revenues from the provision of services relate to the following:

	In RSD thousands	
	For the year ending	
	31 December	
	2020	2019
Revenues from access and use of the distribution system (a)	1,292,535	1,192,492
Revenues from other services (b)	328,935	372,967
	<b>1,621,470</b>	<b>1,565,459</b>

- (a) Revenue from access to and use of the distribution system is recognized in the billing period beginning with the reading of billing and control meters on the first day of the month at 7:00 am and ending with reading of meters on the first day of the following month at 7:00 am in accordance with the rules work of the system operator with the consent of the Energy Agency, in accordance with the requirements of the Energy Law.

Pursuant to the regulatory requirement, the electricity distribution system operator is obliged to provide system users with access to the system at regulated prices on the principle of publicity and non-discrimination, in accordance with the provisions of this Law, as well as regulations and rules on system operation. Access to the system is regulated by an access contract concluded by the distribution system operator and the system user, in accordance with the rules on the operation of the system. In addition to the elements determined by the law governing the obligatory relations, the access contract contains: data on the place of handover, strength at the place of handover, billing period and method of calculation in accordance with the methodology for determining the price of access.

The price for access to the electricity distribution system is stated according to the tariffs determined by the Methodology for determining the price of access to the electricity distribution system ("Official Gazette of RS", No. 105/12, 84/13, 87/13, 143/14, 65/15, 109/15, 98/16 and 99/18), as follows:

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

## 6. SALES REVENUES (continued)

*Revenues from sales of services (continued)*

Users of system 1	Tariffs 2	Unit of measurement 3	Price in RSD 4
	Approved power	κW	98,583
	excessive power	κW	394,33
	higher daily tariff for active energy	κWh	0,947
	lower daily tariff for active energy	κWh	0,316
<b>Medium voltage consumption</b>	Reactive energy	kvarh	0,374
	excessive reactive energy	kvarh	0,748
	Approved power	κW	157,732
	excessive power	κW	630,93
	higher daily tariff for active energy	κWh	2,177
	lower daily tariff for active energy	κWh	0,726
	Reactive energy	kvarh	1,048
<b>Low voltage consumption</b>	excessive reactive energy	kvarh	2,095
	Approved power	κWh	49,291
	Aactive energy:		
	- single tariff measurement	κWh	2,789
	- two-tariff metering - higher daily tariff	κWh	3,187
	- two-tariff metering - lower daily tariff	κWh	0,797
	- managed consumption - higher daily tariff	κWh	2,709
<b>Wide consumption</b>	- managed consumption - lower daily tariff	κWh	0,677
<b>Public lighting</b>	active energy - public lighting	κWh	2,808

- (a) Revenues from other services are recognized on the basis of providing non-standard services of connection system operators (connection and metering point inspection, metering point installation and connection, metering meter replacement, issuance of conditions and opinions, etc.) at the request of the customer or system user or services in order to eliminate the consequences of the actions of the customer or user of the system contrary to the regulations, which are not included in the price of access to the system or through costs. The price of transactions is determined by the act of the distribution system operator on the prices of non-standard services, to which the Energy Agency gives its consent.

**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	
	2020	2019
Serbia	238,075,911	234,343,846
Slovenia	3,918,724	3,983,754
Reublic of Srpska	28,425	311,217
Other markets	39,723	41,714
	<b>242,062,783</b>	<b>238,680,531</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

## 6. REVENU FROM SALES (continued)

*Dynamics of revenue recognition*

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

	In RSD thousands	
	For the year ending 31 December	
	2020	2019
Products and services recognized at a particular time	9,877,441	9,422,157
Products and services recognized over time	232,185,342	229,258,374
	<b>242,062,783</b>	<b>238,680,531</b>

The recognition of revenue from the Group's execution obligations over time is generally based on the application of the methods of units produced or delivered.

As mentioned above, the billing period for all metering points of interconnection in the transmission and distribution network is a calendar month with reading of billing meters on the first day of the following month, performed by transmission and distribution system operators in accordance with the Energy Law, when the Company performs recognition of income and when he is entitled to collection, and the customer during the billing period-calendar month, has the ability to obtain all the essential benefits from electricity supplied during the billing period.

## Execution obligations

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 6. REVENUE FROM SALES (continued)

## Enforcement obligations (continued)

Type of sale	The nature and dynamics of fulfilling obligations	Revenue recognition
Sales of coal, thermal energy, products, technological steam and gas	Each individual order represents a contract. The Company considers that on that basis, any delivery of goods or provision of services on the basis of a specific order represents the fulfillment of the obligation to perform under the contract.	Revenue from the sale of coal is recognized at a certain point in time, after delivery, ie. upon invoicing to the customer while revenues from the sale of thermal energy, technological steam and gas are recognized over time.
	Invoices are issued upon delivery of goods or on a monthly basis, depending on the type of product and the customer. Payment terms vary depending on contract terms and conditions, however, the general payment term is within 30 days or less.	
	Invoices, ie invoices for thermal energy are issued monthly with a maturity of payment within 15 to 60 days.	
	Invoices, ie invoices for technological pair are issued monthly with maturity within 15 days.	
Revenues from access to and use of the electricity distribution system	Contracts with customers regarding customer access to distribution system are locked indefinitely, and the buyer is entitled termination of the contract at any time without penalty for early contract termination.	Revenues from fees for connection to the distribution network are recorded once as income when the customer connects to the network or when he is given constant access to service delivery, while revenues from the use of electricity distribution systems are recognized over time. Output methods are used to measure the progress made towards full compliance.
	Accounting period for calculaion and collection access service the distribution system is a calendar month.	
	Invoices are issued on the basis of contracts on a monthly basis, as a rule by the 20th of the month for the previous month. Terms of payment vary depending on contractual terms and conditions, however, the general terms of payment are within 30 to 60 per day of receipt of invoice.	
	Revenues from access services to the electricity distribution system are calculated at regulated prices.	
	The buyer simultaneously receives and consumes the benefits arising from the performance of the contract by the entity during that performance.	

## Balances under contracts with customers

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

	In RSD thousands	
	31 December 2020	31 December 2019
Receivables from contracts with customers - shown in the box "Sales receivables" items (Note 28)	57,146,071	46,153,499
Receivables from contracts with customers - shown in the box "other receivables" items (Note 30)	1,768,909	2,029,574
Trade receivables - which are shown in under "long-term receivables" (Note 26)	585	142,535
Contractual assets	1,222	2

Contractual assets relate to the Group's rights to compensation for work performed that have not yet been invoiced at the reporting date. Contractual assets are transferred to receivables when the rights become unconditional. The Group has no contractual obligations as of December 31, 2020.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 7. WORK PERFORMED BY THE ENTITY AND CAPITALISED

	In RSD thousands	
	For the year ending	
	31 December	
	2020	2019
Income from activation and consumption of products for own use	4,033,689	4,137,323
Income from activation of services for own use	9,685	102,899
	<b>4,043,374</b>	<b>4,240,222</b>

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

## 8. INCOME FROM PREMIUMS, SUBVENTIONS, GRANTS, DONATIONS AND OTHER OPERATING INCOME

	In RSD thousands	
	For the year ending	
	31 December	
	2020	2019
Income from premiums, subventions, grants and donations	529,669	653,542
Revenues from connection of electricity customers to power distribution system	1,806,728	1,582,467
	<b>2,336,397</b>	<b>2,236,009</b>

In 2020, Income from donations, premiums subventions and grants amounted to RSD 529,669 thousand, of which RSD 164,589 thousand is relative to funds for environmental protection and the reconstruction of electrostatic precipitators TENT A4, B2, TEK A5 received from the Ministry of Environmental Protection; RSD 143,486 thousand was recognised based on the refund of excise duties paid on oil derivatives and bioliquids used in the production process; whereas the remaining RSD 221,594 thousand is relative to income recognised in the amount of the cost associated with the use of donations.

Revenue from new grid connections consists of revenue calculated based on issued approvals for first-time customers of the electric power distribution system. The Entity charges system and connection costs to these new customers. Connection cost (determined in accordance with Energy Agency of the Republic of Serbia methodology) bears the applicant (be it company or an individual). Following construction, the connection becomes a part of the distribution system. New customer connection revenue also includes revenue from previously-connected customers whose used electricity power increased and is above the previously negotiated, revenue from previously-connected customers to whom power grid separation was approved, et cetera.

## 9. OTHER OPERATING INCOME

	In RSD thousands	
	For the year ending	
	31 December	
	2020	2019
Income from compensations from insurance for damages	269,083	185,051
Income from rents	685,676	735,695
Other operating income	1,496,449	1,932,560
	<b>2,451,208</b>	<b>2,853,306</b>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 9. OTHER OPERATING INCOME (continued)

Rental income is recognized based on the use of distribution poles for the needs of cable and other operators, whereby in 2020 the price is set at a minimum of EUR 20 (in RSD), per pole, annually (in 2019 : EUR 25).

Other operating revenues include revenues from subsequent borrowing of electricity customers in the amount of RSD 550,847 thousand (2019: RSD 727,937 thousand) for the engagement of private executors in the forced collection procedure as well as revenues from the sale of secondary raw materials and by-products arising in the process electricity production in the amount of RSD 699,898 thousand (2019: RSD 492,101 thousand).

## 10. COST OF MATERIAL

	In RSD thousands	
	For the year ending	
	31 December	
	2020	2019
Costs of basic materials	1,637,465	1,508,827
Cost of material for the maintenance and spare parts	9,727,304	9,688,767
Cost of small inventories and tyres	810,830	639,436
Cost of oil and lubricants	174,613	205,787
H&S equipment	783,863	684,378
Cost of office and other overheads material	531,481	479,932
Other	719,812	477,723
	<b>14,385,368</b>	<b>13,684,850</b>

## 11. COST OF FUEL AND ENERGY

	In RSD thousands	
	For the year ending	
	31 December	
	2020	2019
Cost of electricity:		
- on domestic market	19,318,697	18,997,058
- on foreign market	24,212	220,371
Cost of transmission of electricity PE EMS, Belgrade	19,937,191	20,408,428
Cost of other energy	63,913	81,559
Cost of coal purchased from third parties	2,065,425	1,426,961
Cost of oil and oil derivatives	4,174,362	4,734,264
Cost of gas used in production	2,532,223	5,383,479
	<b>48,116,023</b>	<b>51,252,120</b>

For the purpose of securing conditions for regular and safe supply of energy to tariff customers in the Republic of Serbia, the Group purchased electricity from entities operating in Serbia, and recorded an expense in the amount of RSD 19,318,697 thousand (2019 – RSD 18,997,058 thousand), out of which the amount of RSD 1,686,759 thousand relate to the purchase of electricity from third parties with a licence for electricity trading; amount of RSD 16,940,816 thousand relate to the purchase of electricity from privileged power producers; and the remaining amount of RSD 691,122 thousand relates to purchase of power via the commodity exchange SEEPEX.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 11. COST OF FUEL AND ENERGY (continued)

In the reporting period, the Energy Agency approved licenses for energy activities - production of electricity from renewable sources (wind farms) to companies that have met the prescribed requirements, which gave companies the right to operate in the domestic energy market and the right to incentives. in accordance with this Law on Energy, which resulted in an increase in expenditures based on the purchase of electricity from eligible producers.

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

The group has entered into an agreement with the company A.D. "Electric Network of Serbia", Belgrade on access and use of the system for transmission of electricity, lease of capacity and balance responsibility. On the above basis, in the reporting period, expenses were realized in the amount of RSD 19,937,191 thousand (2019: RSD 20,408,428 thousand).

The fee for access to the electricity transmission system was determined by the Decision on Determining Prices for Access to the Electricity Transmission System ("Official Gazette of RS" No. 10/17), which was approved by the Council of the Energy Agency on February 14, 2017 by letter No. 47/2017-D-02/1, and which has been in force since March 1, 2017. The decision on determining the prices for access to the electricity transmission system ("Official Gazette of RS" No. 77/19) determined a new, increased fee for access to the electricity transmission system, which is in force from November 1, 2019 and on which was approved by the Council of the Energy Agency on October 31, 2019 by letter no. 626/2019-D-02/1.

Tariff rates valid for 2020 are given in the following table:

Tariff element	Tariff rate	Unit of measurement	Price in RSD
1	2	3	4
<b>Power</b>	calculated power	kW	48,0148
	excessive power taken excessive power	kW	192,0592
<b>Active energy</b>	Higher daily	kWh	0,3822
	Lower daily	kWh	0,1911
<b>Reactive energy</b>	Reactive energy	kvarh	0,1942
	excessively taken reactive energy	kvarh	0,3885

On 14 December 2020, a new decision was made on setting prices for access to the electricity transmission system with effect from 1 February 2021 (Note 50).

The costs of consumed oil derivatives in the amount of RSD 4,174,362 thousand mostly relate to the consumed oil derivatives in the process of production and operation of propulsion equipment and machinery in the production branches of the Company.

The costs of natural gas for 2020 expressed in the amount of RSD 2,532,223 thousand (2019: RSD 5,383,479 thousand) primarily relate to procurement intended for combined production of electricity and heat, which in 2020 was significantly lower, and as a consequence of the favorable hydrological situation and sufficient electricity production of the Company.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 11. COST OF FUEL AND ENERGY (continued)

Coal costs for 2020 expressed in the amount of RSD 2,065,425 thousand (2019: RSD 1,426,961 thousand) refer to coal consumed in the production of electricity purchased from PE UCM Resavica.

## 12. SALARY EXPENSES, SALARY COMPENSATION AND OTHER PERSONAL EXPENSES

	In RSD thousands	
	For the year ending	
	31 December	
	2020	2019
Cost of gross salaries and salary compensation	49,143,644	47,428,058
Taxes and contributions on wages and salaries paid by employer	9,274,884	11,270,717
Cost of special service and temporary service Agreements	681,834	731,619
Costs of compensation to individuals on the basis of other contracts	413,928	368,699
Fees paid to Supervisory and Managing Board members and other managing bodies	14,395	8,929
Cost of transportation of employees	1,421,651	1,508,847
Cost of per diem allowances and compensation of expenses on business trips	109,975	190,416
Cost of providing assistance to employees	405,271	374,875
Other personal expenses	811,127	3,545,117
	<b>62,276,709</b>	<b>65,427,277</b>

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, in the amount of RSD 663,356 thousand, relate to the Group's obligations under the Collective Agreement (prevention of work disability, cultural and sports activities of employees, expenditures 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. In addition to the above, in the previous reporting period, other personal expenses included the amount of RSD 2,627,248 thousand recognized on the basis of the Group's commitments for the payment of incentive severance pay for voluntary termination of employment (total 1,019 employees in 2019) in accordance with the Optimization Plan the number of employees in the Group for the period from 2015 to 2019.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 13. COST OF PRODUCTION SERVICES

	In RSD thousands	
	For the year ending	
	31 December	
	2020	2019
Maintenance services	22,972,923	20,318,458
Cost of information system maintenance	1,817,143	1,803,469
Costs of meter reading services	1,810,541	1,604,515
PTT Services	1,474,065	1,452,838
Transportation services	173,424	97,803
Rental cost	228,342	231,201
Advertising, fairs and marketing costs	111,483	119,278
Scientific research	200,837	101,220
Cost of services for various tests, analysis, preparing technical and project documentation, reports and projects	317,636	401,567
Work safety cost	166,839	202,541
Costs of services and assistance in the production process	375,372	363,382
Inspection, repair, calibration, control and replacement of meters	253,347	16,747
Utility costs	630,879	588,347
Costs of services on reclamation and environmental protection	348,498	504,138
	<b>30,881,329</b>	<b>27,805,504</b>

Cost of maintenance in the amount of RSD 22,972,923 thousand (2019: RSD 20,318,458 thousand) primarily relate to maintenance services of the Group's production facilities, as well as costs of services for the construction of connections to the electricity distribution system.

PTT services include cost of preparation and sending electricity bills to end customers in the amount of RSD 1,000,501 thousand (2019: RSD 954,353 thousand) in branch EPS Snabdevanje.

## 14. DEPRECIATION/AMORTISATION EXPENSE

	In RSD thousands	
	For the year ending	
	31 December	
	2020	2019
Depreciation/amortization expense:		
- intangible assets (note 23)	2,564,589	1,153,121
- property, plant and equipment (note 23)	47,080,689	46,697,283
	<b>49,645,278</b>	<b>47,850,404</b>

## 15. COST OF LONG-TERM PROVISIONING

	In RSD thousands	
	For the year ending	
	31 December	
	2020	2019
Provision for the cost of restoring natural resources	448,211	376,870
Provisions for benefits and other employee benefits	2,206,072	4,786,070
Other long-term provisioning:		
- litigations	1,563,944	2,001,043
- other provisioning	1,553	13,984
	<b>4,219,780</b>	<b>7,177,967</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 15. COST OF LONG-TERM PROVISIONING (continued)

Cost of long-term provisions for retirement benefits and jubilee awards refers to provisions upon termination of employment and jubilee awards which the Group is obliged to pay in accordance with labour Law and General Acts of the Group.

During 2020, the Group made a provision for benefits and other benefits to employees upon termination of employment in the amount of RSD 2,206,072 thousand, which will be paid upon termination of employment and benefits to employees that include benefits based on jubilee awards in the amount of current liabilities based on past events, arising from the provisions of the Labor Law and general acts of the Group (Notes 3.4 and 35). The difference compared to the previous accounting period relates to the change in actuarial assumptions related to the discount rate, projected wage growth, mortality rate and employee turnover.

Provisions for litigation are formed according to the best estimate of expenses required to settle the current liability based on current litigation against the Group (Note 34), which in 2018 is estimated at RSD 1,563,944 thousand (2019: RSD 2,001,043 thousand).

## 16. OTHER OPERATING EXPENSES

	In RSD thousands	
	For the year ending	
	31 December	
	2020	2019
Water use charges	2,132,930	2,079,094
Use of public interest resources fee	196,190	187,095
Environmental fee	3,387,963	3,630,570
Property tax	1,296,483	1,298,684
Other indirect taxes and contributions	1,329,030	3,438,077
Utilization of mineral resources	2,266,869	2,121,446
Entertainment expenses	31,141	50,475
Cost of payments operations and banking services	306,197	210,145
Subscription cost	32,606	32,349
Legal and advocacy services	1,106,402	1,351,962
Other non-material services	1,599,412	1,688,226
Intellectual services	502,960	685,036
Other non-production services	2,663,276	2,966,918
Insurance costs	1,700,909	1,545,163
Health Service costs	206,537	332,544
Costs of VAT calculayed on electricity losses	437,871	511,826
Membership fees and contributions to the trade union	680,014	607,491
Security services, protection of buildings and work health and safety	2,568,087	2,015,568
	<b>22,444,877</b>	<b>24,752,669</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 16. OTHER OPERATING EXPENSES (continued)

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

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

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 (with delayed implementation after the adoption of bylaws, ie from July 1, 2019) 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 Group, 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 .

## 17. FINANCIAL INCOME

	In RSD thousands	
	For the year ending	
	31 December	
	2020	2019
Financial income arising from related parties	811,239	791,505
Other financial income	35,681	366,376
Interest income:		
- based on receivables from customers for electricity	4,843,169	4,929,901
- on the basis of short-term financial investments	371,638	661,562
- on the basis of a fee for public media service	256,912	291,097
- other interest income (on all other bases)	273,347	289,283
	5,745,066	6,171,843
Foreign exchange gains and gains on currency clause effect :		
- Foreign exchange gains	5,135,075	727,326
- Gains on currency clause effects	5,268	41,204
	5,140,343	768,530
	<b>11,732,329</b>	<b>8,098,254</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 17. FINANCIAL INCOME (continued)

For all monetary items whose settlement is required in foreign currency, the effects of changes in FX rates on the maturity date, ie on the balance sheet date, are recognized in income and expenses, as well as for monetary items for which the contract provides protection of receivables / liabilities by currency clause, that is, collection / settlement in RSD equivalent of foreign currency. Positive FX rate differences expressed in 2020 in the amount of RSD 5,135,075 thousand relate mostly to unrealized FX rate differences on loans granted by foreign lenders. The value of the RSD remained almost unchanged in relation to the currency EUR during 2020, but the RSD strengthened against the currencies USD, XDR, and YPU by 9.25 percent and 7.30 and 3.76 percent annually, respectively. has also contributed to an increase in positive FX rate differences.

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

## 18. FINANCIAL EXPENSES

	In RSD thousands	
	For the year ending	
	31 December	
	2020	2019
	<u>2020</u>	<u>2019</u>
Other Financial expenses	307,621	272,017
Interest expenses:		
- on the basis of obligations towards AD "Elektromreža Srbije", Belgrade	1,030	3,616
- Paris and London Club of Creditors	357,158	425,533
- on the basis of a renegotiated loan obligation of the People's Republic of China (Deposit Insurance Agency)	7,636	26,544
- other interest expenses (on all bases)	765,786	830,518
- interest expenses for untimely paid public revenues	103,874	81,560
	<u>1,235,484</u>	<u>1,367,771</u>
Foreign exchange losses and losses on currency clause effect:		
- costs of effects of foreign currency clause	2,075	12,249
- Losses on currency clause effect	482,113	1,546,027
	<u>484,188</u>	<u>1,558,276</u>
	<u><b>2,027,293</b></u>	<u><b>3,198,064</b></u>

Other interest expenses include interest expenses on loans in the amount of RSD 733,517 thousand.

Other financial expenses in the amount of RSD 307,621 thousand (2019 – RSD 272,017 thousand) mostly refer to Commitment fee and Management fee based on a loan arrangement with the foreign creditors.

For all monetary items for which settlement is required in foreign currency, the effects of changes in the FX rates on the maturity date or on the date of balance sheet are recognized as income and/or expense, as well as by monetary items under which the contract defines the protection of receivables/ liabilities with a currency clause, or collection/settlement in RSD equivalent of foreign currency.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	In RSD thousands	
	For the year ending	
	31 December	
	2020	2019
Income from adjustment of long - term investments	1,209	3,009
Collection and impairment of given advances for inventories	87,536	-
Collection and impairment of trade receivables	726,980	1,299,680
	<u>815,725</u>	<u>1,302,689</u>

Revenues from adjusting the value of trade receivables in the amount of RSD 726,980 thousand for 2020 (2019: RSD 1,299,680 thousand) relate mainly to collected receivables for delivered electricity in the amount of RSD 678,511 thousand, for which depreciation recognized in the previous reporting period.

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

	In RSD thousands	
	For the year ending	
	31 December	
	2020	2019
Expenses from value adjustments of:		
- advances	336,113	2,932
- trade receivables for electricity	11,066,675	8,243,911
- other receivables	1,279,745	2,260,398
	<u>12,682,533</u>	<u>10,507,241</u>

Credit losses based on trade receivables in the amount of RSD 11,066,675 thousand are recognized as an expense in the manner of disclosure as disclosed in Note 3.17.

Expenses on the basis of impairment of receivables include the expected credit losses from the contract with the buyer - "Elektrodistribucija Srbije" d.o.o. compensation for electricity losses (license to perform activities, obtained by the distribution system operator on April 1, 2021) in the amount of RSD 2,492,301 thousand and non-recognition of transferred services under the contract in the amount of RSD 832,531 thousand.

As disclosed in Notes 1 and 47, "Elektrodistribucija Srbije" d.o.o. Belgrade is no longer under the control of the Group and the Group ceased to recognize the assets and liabilities of the said legal entity as of the date, so that the expected credit losses are recognized in the individual financial statements of the Company, based on receivables from Elektrodistribucija Srbije d.o.o. Belgrade, have not been eliminated in the consolidation.

Expenses based on impairment of other receivables also include impairment of receivables from customers based on the fee for the Public Media Service in the amount of RSD 145,199 thousand (2019: RSD 1,117,455 thousand). In 2019, these expenses included recognized losses based on the impairment of long-term financial investments in the construction of the dam and multi-purpose accumulation "Rovni" in the amount of RSD 637,205 thousand.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 21. OTHER INCOME

	In RSD thousands	
	For the year ending	
	31 December	
	2020	2019
Income from reduction of liabilities	5,325,252	29,661
Income from adjusting the value of assets	2,104,705	262
Gains from sale of materials, equity participation, intangible assets investments, real estate, plant and equipment	21,856	81,188
Income from collected written-off receivables and cancellations value adjustments of receivables and short-term financial placement	107,608	47,145
Income from cancellation of long-term provisions based on litigation (Note 35)	180,049	406,841
Income from cancellation of long-term provisions on the basis of employee benefits (note 35)	9	25,017
Revenues from contracted risk protection	26,156	14,515
Revenues from reduction of environmental obligations	155	188,976
Surpluses	7,338	122,328
Other income	65,264	573,473
	<b>7,838,392</b>	<b>1,489,406</b>

Revenues from reduction of liabilities reported in 2020 in the amount of RSD 5,325,252 thousand include revenues from debt relief to the Company in the amount of RSD 4,900,554 thousand (principal RSD 4,781,076 thousand and interest RSD 119,478 thousand) in order to regulate the old clearing debt which the SSSR had towards the SFRY, and which was settled by deliveries intended for the reconstruction of HPP Djerdap.

Revenues from adjusting the value of assets reported in 2020 in the amount of RSD 2,104,705 thousand, mostly in the amount of RSD 1,958,627 thousand relate to revenues recognized based on the effects of changes in the useful life of intangible assets, real estate, plant and equipment. Namely, the Company and its subsidiary EPS Distribucija d.o.o. In 2020, they reviewed the remaining useful lives of intangible assets, plant and equipment that are still in use, and whose present value as at 31 December 2018, as well as at 31 December 2019, has been reduced to zero, i.e. whose present value at 31 December 2020 would be zero, and in situations where expectations based on new estimates of useful lives were significantly different from previous ones, adjusted depreciation rates to the new circumstances. The positive effects of estimating the useful lives of assets are recognized in favor of current period revenue.

Revenues from reduction of liabilities for environmental protection in 2019 recognized in the amount of RSD 188,976 thousand refer to revenues recognized on the basis of reduction of liabilities to the Environmental Protection Fund of the Republic of Serbia, on the basis of higher paid advance for 2018 in relation to the amount determined by the final calculation of the environmental protection fee according to the administrative act of the competent authority after the date of approval of the financial statements for the previous reporting period.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 22. OTHER EXPENSES

	In RSD thousands	
	For the year ending	
	31 December	
	2020	2019
		<i>Adjusted</i>
Expenses for contributions paid to employees from public enterprises from Kosovo and Metohija	5,265,938	5,577,079
Losses from disposal, write-off and sale of fixed assets, intangible assets, participations and materials	564,113	3,893,419
Inventory expenditure losses	108,006	192,615
Expenses based on impairment of fixed assets, intangible assets and participations	154,443	193,326
Expenses based on impairment of inventories	406,544	446,988
Shortages	3,958	5,861
Losses from write - off of short - term receivables and rescheduled trade receivables	54,849	620,176
Sponsorship and donation costs	113,443	163,609
Other expenses	1,055,374	1,086,627
	<b>7,726,668</b>	<b>12,179,700</b>

Expense in the amount of RSD 5,265,938 thousand (2019: RSD 5,577,079 thousand) is recognized for salaries and salaries contribution for employees in public enterprises from Kosovo and Metohija.

In the previous reporting period the Company recognized losses in the amount of RSD 2,741,642 thousand based on the termination of the right to use undeveloped construction land, water land, agricultural land, forests and forest land, as well as the termination of the right to use part of the business facility under construction, and registration public ownership over the same, based on the acts of the Owner on resolving the property status of the assets of the companies that make up the EPS Group in accordance with the Law on Public Property and other regulations.

Other expenses in the amount of RSD 1,055,374 thousand mostly relate to the costs of providing food to employees in surface mines in the amount of RSD 623,623 thousand, the costs of archaeological research in the amount of RSD 90,623 thousand, as well as the costs recognized by the Group undertaken under binding contracts, which arose as a result of the expansion of surface mines and / or construction of reservoirs and dams, in the amount of RSD 308,939 thousand .

## 23. INCOME TAX

## a) Components of income tax

	In RSD thousand	
	Year end	
	31 December	
	2020	2019
Tax expense for the period	8,152,083	4,571,926
Deferred tax income for the period	(2,647,858)	(3,527,759)
	<b>5,504,225</b>	<b>1,044,167</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 23. INCOME TAX (continued)

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

	<b>2020</b>	<b>In RSD thousand Year end 31 December 2019</b>
<b>Profit / (loss) before tax</b>	<u>17,208,250</u>	<u>Corrected (4,792,152)</u>
Tax on profit calculated at statutory tax rate - 15%	2,581,238	(718,823)
Tax effect on unrecognized expenses	3,357,828	3,470,311
Tax effect on expenses recognized on cash basis	(699,628)	(1,176,068)
Effect of capital gains	307	-
Tax effect on unrecognized revenues	(27,436)	(344,566)
Effect of transfer prices	137,233	99,934
The effect of a higher tax rate under the legislation of a non-resident subsidiary	627	827
Tax effects of adjustments made in process of consolidation	(107,513)	519,710
Tax effects of unrecognized deferred tax assets (tax losses)	737	-
Other	<u>260,832</u>	<u>(807,158)</u>
	<b><u>5,504,225</u></b>	<b><u>1,044,167</u></b>

## c) Deferred tax liability

Deferred tax liabilities presented as at 31 December 2020 in the amount of RSD 66,242,639 thousand (2019: RSD 90,020,535 thousand) 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:

	<b>2020</b>	<b>In RSD thousand Year end 31 December 2019</b>
<b>Balance as at 1 January</b>	<b>90,020,535</b>	<b>93,533,821</b>
Correction of the opening balance	-	14,473
	<b><u>90,020,535</u></b>	<b><u>93,548,294</u></b>
Effects on income statement	(2,647,858)	(3,527,759)
Loss of control over the subsidiary Elektrodistribucija Srbije d.o.o. Belgrade (note 47)	(21,130,036)	-
Other	<u>(2)</u>	<u>-</u>
<b>Balance as at 31 December</b>	<b><u>66,242,639</u></b>	<b><u>90,020,535</u></b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 23. INCOME TAX (continued)

## d) Unrecognized tax losses

As at 31 December 2020, the Group did not disclose deferred tax assets in the amount of RSD 163,185 thousand on the basis of transferred tax losses, realized in the dependent legal entity "Kolubara Građevinar" d.o.o. Lazarevac, due to the uncertainty that future taxable profits, at the expense of which the deferred tax funds can be used, will be available.

The above tax losses expire in the following periods:

<u>Year of origin</u>	<u>Expiration year</u>	<u>The amount of calculated tax loss</u>	<u>In RSD thousand Tax loss carried forward to the income tax account of future periods</u>
2016	2021	254,209	254,209
2017	2022	412,181	412,181
2018	2023	273,547	273,547
2019	2024	143,047	143,047
2020	2025	4,916	4,916
		<b>1,087,900</b>	<b>1,087,900</b>

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24. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets

Description	In RSD thousand				
	Concessions, patents, licenses, trademarks and service marks	Software and other rights	Other intangible assets	Intangible assets under development	Total
<b>Cost</b>					
<b>Balance at 1 January 2019</b>	<b>3,406,697</b>	<b>3,013,060</b>	<b>245,074</b>	<b>5,550,251</b>	<b>12,215,082</b>
Additions	125,421	5,611	-	4,934,409	5,065,441
Transfer from other accounts within the group 02 or from other group accounts	137,013	6,343	-	132,652	276,008
Transfer from investments in progress (activation)	2,726,675	2,199,622	-	(4,926,297)	-
Stockcount shortage	(2,650)	-	-	-	(2,650)
Impairment in accordance with IAS 36	-	-	-	(49,781)	(49,781)
Disposals	(62,921)	(49,006)	-	(279,203)	(391,130)
Own-account investments (account group 62)	-	-	-	168	168
Other changes	235	45,549	-	(9,015)	36,769
<b>Balance at 31 December 2019</b>	<b>6,330,470</b>	<b>5,221,179</b>	<b>245,074</b>	<b>5,353,184</b>	<b>17,149,907</b>
Additions	80,604	-	-	4,706,544	4,787,148
Transfer from other accounts within the group 02 or from other group accounts	-	-	-	28,389	28,389
Transfer from investments in progress (activation)	1,141,600	2,020,452	-	(3,162,052)	-
Impairment in accordance with IAS 36	-	-	-	(8,526)	(8,526)
Disposals	(775,277)	(110,191)	(10,470)	-	(895,938)
Own-account investments (account group 62)	-	-	-	364	364
Acquisition of subsidiary " HES Gornja Drina " (note 46)	2,186,899	-	26,551	1,437	2,214,887
Loss of control over subsidiary "Elektrodistribucija Srbije" d.o.o. (note 47)	(450,920)	(370,469)	(139,200)	(566,639)	(1,527,228)
Other changes	-	(1)	-	(22,217)	(22,218)
<b>Balance at 31 December 2020</b>	<b>8,513,376</b>	<b>6,760,970</b>	<b>121,955</b>	<b>6,330,484</b>	<b>21,726,785</b>
<b>Accumulated amortization</b>					
<b>Balance at 1 January 2019</b>	<b>2,179,976</b>	<b>801,644</b>	<b>153,483</b>	<b>-</b>	<b>3,135,103</b>
Amortization expense (Note 14)	503,730	623,006	26,385	-	1,153,121
Stockcount shortage	(2,650)	-	-	-	(2,650)
Disposals	(62,921)	(49,005)	-	-	(111,926)
Other changes	(166)	45,549	-	-	45,383
<b>Balance at 31 December 2019</b>	<b>2,617,969</b>	<b>1,421,194</b>	<b>179,868</b>	<b>-</b>	<b>4,219,031</b>
Amortization expense (Note 14)	1,198,830	1,336,973	28,786	-	2,564,589
Effects of change in useful life	(332,799)	(147,204)	(28,203)	-	(508,206)
Disposals	(771,033)	(110,191)	(10,470)	-	(891,694)
Acquisition of subsidiary " HES Gornja Drina " (note 46)	-	-	3,098	-	3,098
Loss of control over subsidiary "Elektrodistribucija Srbije" d.o.o. (note 47)	(339,316)	(226,410)	(103,411)	-	(669,137)
<b>Balance at 31 December 2020</b>	<b>2,373,651</b>	<b>2,274,362</b>	<b>69,668</b>	<b>-</b>	<b>4,717,681</b>
<b>Net book value</b>					
<b>At 31 December 2019</b>	<b>3,712,501</b>	<b>3,799,985</b>	<b>65,206</b>	<b>5,353,184</b>	<b>12,930,876</b>
<b>At 31 December 2020</b>	<b>6,139,725</b>	<b>4,486,608</b>	<b>52,287</b>	<b>6,330,484</b>	<b>17,009,104</b>

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
31 Decemeber 2020

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

Property, plant and equipment

	In RSD thousands									
	Land	Buildings	Machinery and equipment	Investment property	Biological assets	Other property, plant and equipment	Construction in progress	Prepayments for PP&E	Investments in third party PP&E	Total
<b>Cost</b>										
<b>Balance at 1 January 2019</b>	<b>80,001,674</b>	<b>668,465,521</b>	<b>1,441,592,072</b>	<b>783,935</b>	<b>437,519</b>	<b>269,552</b>	<b>110,532,930</b>	<b>21,599,486</b>	<b>1,396</b>	<b>2,323,684,085</b>
Additions	3,147,294	113,625	6,824,519	838	-	308	36,673,606	793,571	-	47,553,761
Transfers to/from other assets	360,318	6,182	114,841	(6,484)	6,739	900	257,185	-	-	739,681
Transfers from investments in progress(activation)	1,381,829	5,852,931	24,392,413	-	-	-	(31,627,173)	-	-	-
Investments conducted in own held	-	-	377	-	-	-	4,097,989	-	-	4,098,366
Funds received from third parties free of charge (donations received)	-	-	6,603	-	-	-	-	-	-	6,603
Funds transferred to third parties free of charge (given donations)	-	(8,784)	(547)	-	-	-	(6,602)	-	-	(15,933)
Stockcount surplus	-	-	61	-	-	-	-	-	-	61
Stockcount shortage	-	-	(2,317)	-	-	-	(530)	-	-	(2,847)
Sales	-	-	(617,578)	-	-	-	-	-	-	(617,578)
Assignment of PP&E according to the Conclusions of the Government	(6,051,858)	(805,872)	-	-	-	-	(1,100,168)	-	-	(7,957,898)
Derecognition of Property, Plant and Equipment	(913)	(1,701,134)	(9,269,376)	-	(1,915)	(5,758)	(201,651)	-	-	(11,180,747)
Impairment in accordance with IAS 36 (note 4)	-	-	-	-	-	-	(182,731)	-	-	(182,731)
Ohter changes	1,603	2,446	26,926	-	-	(5,091)	(481,988)	(2,268,257)	-	(2,724,361)
<b>Balance at 31 December 2019</b>	<b>78,839,947</b>	<b>671,924,915</b>	<b>1,463,067,994</b>	<b>778,289</b>	<b>442,343</b>	<b>259,911</b>	<b>117,960,867</b>	<b>20,124,800</b>	<b>1,396</b>	<b>2,353,400,462</b>
Additions	2,488,569	28,770	3,876,025	-	2,245	-	40,239,499	5,054,342	-	51,689,450
Transfers to/from other assets	(50,493)	-	353,309	-	50,320	-	(318,663)	-	-	34,473
Transfers from investments in progress(activation)	1,363,345	6,648,791	35,287,640	-	-	-	(43,299,776)	-	-	-
Investments conducted in own held	-	-	-	-	-	-	3,449,868	-	-	3,449,868
Funds received from third parties free of charge (donations received)	-	-	1,209	-	-	-	-	-	-	1,209
Funds transferred to third parties free of charge (given donations)	-	-	(223)	-	-	-	-	-	-	(223)
Stockcount surplus	-	-	6,800	-	-	-	-	-	-	6,800
Stockcount shortage	-	(2,099)	-	-	-	-	-	-	-	(2,099)
Sales	-	(252)	(40,146)	-	-	-	-	-	-	(40,398)
Derecognition of Property, Plant and Equipment	(5)	(317,360)	(4,256,448)	-	(5,832)	(108)	(58,768)	-	-	(4,638,521)
Impairment in accordance with IAS 36	-	-	-	-	-	-	(145,916)	-	-	(145,916)
Acquisition of subsidiary " HES Gornja Drina " (note 46)	-	41,153	275	-	-	-	2,949	-	-	44,377
Loss of control over subsidiary "Elektrodistribucija Srbije" d.o.o. (note 47)	(9,669,704)	(170,684,688)	(573,332,191)	-	-	(48,492)	(29,907,461)	(637,892)	(1,396)	(784,281,824)
Other changes	(80,063)	122	13,935	-	-	-	-	(3,855,656)	-	(3,921,662)
<b>Balance at 31 December 2020</b>	<b>72,891,596</b>	<b>507,639,352</b>	<b>924,978,179</b>	<b>778,289</b>	<b>489,076</b>	<b>211,311</b>	<b>87,922,599</b>	<b>20,685,594</b>	<b>-</b>	<b>1,615,595,996</b>

(to be continued)

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

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

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	Prepayments for PP&E	Investments in third party PP&E	Total
<b>Allowance</b>										
Balance at 1 January 2019	20,784,478	331,065,507	937,724,968	247,381	-	129,048	1,136,482	860,473	417	1,291,948,754
Depreciation expense (Note 14)	2,403,674	7,969,361	36,313,418	10,816	-	-	-	-	14	46,697,283
Transfers to/from other assets	-	190	309	(499)	-	-	-	-	-	-
Funds transferred to third parties free of charge (given donations)	-	(5,089)	(499)	-	-	-	-	-	-	(5,588)
Stockcount surplus	-	-	(580,652)	-	-	-	-	-	-	(580,652)
Sales	-	-	(1,879)	-	-	-	-	-	-	(1,879)
Stockcount shortage	-	-	-	-	-	-	-	-	-	-
Assignment of PP&E according to the Conclusions of the Government	(350,225)	(422,094)	-	-	-	-	-	-	-	(772,319)
Derecognition of Property, Plant and Equipment	-	(608,719)	(7,951,608)	-	-	(4,468)	(1)	-	-	(8,564,796)
Impairment in accordance with IAS 36	-	-	-	-	-	-	(90,235)	-	-	(90,235)
Other changes	(75)	-	(3,626)	(1)	-	-	(358,624)	(50,639)	-	(412,965)
<b>Balance at 31 December 2019</b>	<b>22,837,852</b>	<b>337,999,156</b>	<b>965,500,431</b>	<b>257,697</b>	<b>-</b>	<b>124,580</b>	<b>687,622</b>	<b>809,834</b>	<b>431</b>	<b>1,328,217,603</b>
Depreciation expense (Note 14)	759,894	8,076,157	38,233,448	8,942	-	2,216	-	-	32	47,080,689
Transfers to/from other assets	(173)	-	-	-	-	-	-	-	-	(173)
Funds transferred to third parties free of charge (given donations)	-	-	(223)	-	-	-	-	-	-	(223)
Stockcount shortage	-	(2,099)	-	-	-	-	-	-	-	(2,099)
Sales	-	(54)	(39,774)	-	-	-	-	-	-	(39,828)
Derecognition of Property, Plant and Equipment	-	(167,314)	(2,967,149)	-	-	(108)	-	-	-	(3,134,571)
Impairment in accordance with IAS 36	-	-	-	-	-	-	-	-	-	-
Effects of change in useful life	-	(1,593)	(1,441,032)	-	-	(7,686)	-	-	(110)	(1,450,421)
Acquisition of subsidiary " HES Gornja Drina " (note 46)	-	902	18	-	-	-	-	-	-	920
Loss of control over subsidiary "Elektrodistribucija Srbije" d.o.o. (note 47)	(596,477)	(107,236,929)	(415,683,952)	-	-	(29,804)	(357,776)	(412,055)	(353)	(524,317,346)
Other changes	(156)	8,568	(12,458)	-	-	3,640	-	15,493	-	15,087
<b>Balance at 31 December 2020</b>	<b>23,000,940</b>	<b>238,676,794</b>	<b>583,589,309</b>	<b>266,639</b>	<b>-</b>	<b>92,838</b>	<b>329,846</b>	<b>413,272</b>	<b>-</b>	<b>846,369,638</b>
<b>Net book value</b>										
At 31 December 2019	<u>56,002,095</u>	<u>333,925,759</u>	<u>497,567,563</u>	<u>520,592</u>	<u>442,343</u>	<u>135,331</u>	<u>117,273,245</u>	<u>19,314,966</u>	<u>965</u>	<u>1,025,182,859</u>
At 31 December 2020	<u>49,890,656</u>	<u>268,962,558</u>	<u>341,388,870</u>	<u>511,650</u>	<u>489,076</u>	<u>118,473</u>	<u>87,592,753</u>	<u>20,272,322</u>	<u>-</u>	<u>769,226,358</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

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

As at 31 December 2020 and 31 December 2019, the Group has no pledges and mortgages established on property, plant and equipment.

During 2020, the amount of capitalized borrowing costs amounted to RSD 1,129,211 thousand (2019: RSD 1,146,796 thousand).

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

On the above basis, during 2019, the Group's right to use on undeveloped construction land, water land, agricultural land, forests and forest land ceased. The public property of the Republic of Serbia is registered on the mentioned land. The present value of land on which the Company's right to use has ceased amount to RSD 6,085,411 thousand.

Also, the Law on Planning and Construction of the RS stipulates that legal entities founded by the Republic of Serbia and registered as holders of the right to use undeveloped and constructed construction land in state ownership, on the day the law enters into force lose the right to use those properties which pass into the right of public ownership of the Founder without compensation. On this basis, and in accordance with the act of the Founder (Conclusion of the Government of the Republic of Serbia) in 2019, the Group's right to use on part of the business facility under construction in block 20 in New Belgrade, which is acquired in public ownership, ceased, on the basis of which the expense in the income statement in the amount of 1,100,168 thousand dinars was recognized (note 22). Subsequent to balance sheet date, the Founder repealed the decision on confiscation of the commercial building under construction in Block 20 of New Belgrade, and decided to make a contribution in the equity of Public Enterprise "Elektroprivreda Srbije" and of "EDS" d.o.o. of ownership rights over developed construction land and the said building. A change in the Company's articles of association is expected.

Intangible assets, property, plant and equipment include the assets, in the amount of 18,226,921 thousand, that the Group will transfer to "EDS" d.o.o., Beograd after balance sheet date. Namely, based on the increased ownership share—capital increase, as indicated in Notes 1 and 42, the Company undertook to transfer to "EDS" d.o.o., Beograd, equity investments and other non-current assets in the amount of RSD 37,272 thousand and property, equipment and intangible assets in the amount of RSD 18,226,921 thousand, as follows:

<b>Asset description</b>	<b>Carrying amount In RSD 000</b>
Intangible assets	3,112,169
Land	1,168,561
Buildings	9,316,003
Equipment	3,888,441
Other PPE	4,964
Assets under construction (construction in progress)	736,783
<b>Total</b>	<b>18,226,921</b>

A portion of assets as per concluded agreements has been transferred up to the date of approval of these consolidated financial statement.

Advances given for property, plant and equipment, as at 31 December 2020 in the amount of RSD 20,272,322 thousand (2019 – RSD 19,314,966 thousand) mostly relate to the implementation of the second phase of the project "Kostolac B" implemented under an agreement concluded between the Group and the China Machinery Engineering Corporation ("CMEC") on 20 November 2013. The project is financed from loan agreement concluded, on 17 December 2014, between the Government of the Republic of Serbia, as a borrower, and Chinese Export-Import Bank, as the lender (note 36), and partly from own funds. As at 31 December 2020, the total amount of advances given on this basis amounts to RSD 14,654,539 thousand (2019: RSD 15,830,520 thousand).



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**31 Decemeber 2020**

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

**Property, plant and equipment (continued)**

Additionally, part of the advances given, in the amount of RSD 4,980,467 thousand (2019: RSD 2,507,743 thousand), relates to construction of desulphurisation of the exhaust gases facility for the Power Plant Nikola Tesla A, under an agreement concluded between the Company and Mitsubishi Hitachi Power Systems Ltd. and „Jedinstvo“ a.d. Sevojno consortium on 8 September 2017.

The fair value of investment property as at 31 December 2020 amounts to RSD 1,493,642 thousand (as at 31 December 2019: RSD 1,407,685 thousand).

*Estimation of the useful life of intangible assets, plant and equipment*

As disclosed in Note 21, in 2020 the Group reviewed the remaining useful live of its intangible assets, plant and equipment, as follows:

- assets that are still in use, but whose carrying amount in 2018 was reduced to zero,
- assets that are in use, but whose carrying amount in 2019 was written down in full to zero, and
- assets that are in use, but whose carrying amount in 2020 was written down to zero.

The effects of change in useful lives of assets as at 1 January 2020 were recognized as current period income in the amount of RSD 1,958,627 thousand (Note 21), charged against accumulated amortization. Besides this, and as the result of change in useful life, new annual amortization for 2020 was set in the amount of RSD 560,114 thousand.

*Impairment of assets in accordance with IAS 36*

For recognized intangible assets in progress (RSD 49,781 thousand) and property, plant and equipment in progress (RSD 92,496 thousand), which are not at the location and in the condition necessary for the asset to function, in the manner expected at the initial recognition, the Company during 2019 performed impairment testing and recognized losses on the stated basis in the amount of RSD 142,277 thousand. The calculation of the recoverable amount for each individual asset is based on an analysis of events and circumstances, primarily significant changes, with a negative effect in the technological environment in which the entity operates, evidence of obsolescence or physical damage to the asset, a report indicating that the economic performance of the asset is worse, etc.

*Revaluation of property, plant and equipment*

The Group uses a revaluation model to measure items of property, plant and equipment used in performing energy activities. The assessment was performed by an independent appraiser as of January 31, 2016 for the parent company and the subsidiary ODS "EPS Distribucija" d.o.o., and the effects of the assessment were recorded in the financial statements of the mentioned companies for 2016, while for the subsidiary "Kolubara - Građevinar" d.o.o. Lazarevac assessment was performed as of January 1, 2017, and the effects of the assessment were recorded in the financial statements of the subsidiary for 2017.

Fair value is determined using market approach (land and real estate for administrative and other use) and cost approach (assets used in energy and all other assets measured at fair value in accordance with the adopted accounting policy).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

## 25. LONG-TERM FINANCIAL INVESTMENTS

	31 December 2020	In RSD thousand 31 December 2019
Investments in associates and joint ventures	406,462	406,740
<i>Less: Allowance for impairment of investments in associates and joint ventures</i>	-	(560)
	<u>406,462</u>	<u>406,180</u>
Investments in other legal entities and other available for sale securities	3,019,708	6,900,544
<i>Less: Allowance for impairment of investments in other legal entities and other available for sale securities</i>	(2,693,835)	(6,379,102)
	<u>325,873</u>	<u>522,002</u>
Long-term loans	2,490,896	-
Other long-term financial investments	1,785,065	4,458,614
<i>Less: Allowance for impairment of other long-term financial investments</i>	(780,362)	(780,406)
	<u>1,004,703</u>	<u>3,678,208</u>
	<u><b>4,227,934</b></u>	<u><b>4,606,390</b></u>

**Share in capital of joined legal entities and joint ventures**

Share in capital of joined legal entities and joint ventures disclosed at 31 December 2020 in the amount of RSD 406,462 thousand (at 31 December 2019: RSD 406,740 thousand) relate to investment in equity of the following entities:

	%	У хиљадама динара	
	ownership	31 December 2020	31 December 2019
„Ibarske hidroelektrane" d.o.o., Kraljevo	49%	379,630	379,630
„Moravske hidroelektrane" d.o.o., Beograd	49%	26,832	26,550
„Energija Novi Sad" a.d., Novi Sad	50%	-	560
		<u><b>406,462</b></u>	<u><b>406,740</b></u>

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

Based on the closed international agreements, the Company and "SECI" from Italy entered into contractual arrangements on the establishment of the entity "Ibarske hidroelektrane" d.o.o., Kraljevo with the following equity interests:

- "SECI", Italy invested EUR 2,550,000 which gives it 51% equity share,
- JP EPS invested EUR 2,450,000 which gives it 49% equity share.

The founders undertook the obligation to pay in additional equity contributions totalling 25% of the investment value, in accordance with the investment and technical documentation for the construction of hydro power plants within the deadline set in the Company's management decisions. The work of the entity from the commencement of its registered activity will be financed from the equity and if it proves insufficient, the funds will be used from the borrowing that is to be approved by the Company and by "SECI". This does not apply to the construction of hydro power plants. 75% of investments into the hydro power plant construction will be funded from borrowings from a bank or another financial institution.

The objective of establishing this company is the construction of hydro power plants on the Ibar river, which will comprise ten hydro power plants with a total power of around 102 MW. The business entity "Ibarske hidroelektrane" d.o.o. was registered in the register with the competent authority on 3 December 2010.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**31 Decemeber 2020**

**25. LONG-TERM FINANCIAL INVESTMENTS (continued)**

***Share in capital of joined legal entities and joint ventures (continued)***

In accordance with the Decision on additional capital dated 22 April 2014, the share capital has been increased in the amount of RSD 242,500 thousand, as follows:

- "SECI" Italy's share increased in the amount of RSD 123,675 thousand
- Company's share increased in the amount of RSD 118,825 thousand.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

## 25. LONG-TERM FINANCIAL INVESTMENTS (continued)

**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.

In the previous period, EUR 494,901.96 was paid, of which RWE AG, Germany paid EUR 252,400, and the Company EUR 242,501.96.

In order to provide funds for the needs of financing the work, the directors of the company "Moravske hidroelektrane" d.o.o. on 20 August 2020, 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 4,901.96. 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 2,500 EUR and
- the Company the amount of EUR 2,401.96.

The aforementioned amount of the part of the subscribed money 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, 2020 in relation to the balance stated on the same day of the previous year. The remaining unpaid amount of the subscribed monetary part of the share capital of the Company will be paid in the amounts determined by the decision of the competent authority within the deadlines determined in accordance with applicable law.

The goal of company establishment is the construction of the hydro power plant system on the Velika Morava River comprised of at least five hydro power plants with the total power of about 150 MW. The Public Company "Moravske hidroelektrane" d.o.o. was entered into the registry maintained by the competent body as 23 August 2011.

*„Energija Novi Sad" a.d., Novi Sad*

Pursuant to Article 15 of the Agreement on Company Establishment of the Entity for Combined Thermal and Heat Energy "Energija Novi Sad" a.d. Novi Sad closed between JP EPS and the City of Novi Sad, in 2009 the Company paid in EUR 6,000 which at the payment date totalled RSD 560 thousand and was recognized as an equity investment into a newly-founded entity. "Energija Novi Sad" a.d., Novi Sad was established for the purpose of realizing the tender procedure for attracting a strategic partner for the project of modernization and expansion of TE-TO Novi Sad. Since the negotiations with the Consortium of Bidders were not successfully completed and the tender procedure was suspended, the Supervisory Board of the Company at its 61st regular session on September 30, 2019 adopted the initiative with the proposal to terminate the business of "Energija Novi Sad" a.d. Novi Sad.

Starting from July 2019, the company "Energija Novi Sad" a.d., was left without a legal representative. On December 5, 2019, the Business Registers Agency published a notice on the website of the Register of Business Entities that in accordance with Article 571, paragraph 1 of the Companies Act, the grounds for compulsory liquidation of the company were acquired, with an invitation to within 90 days, ie until March 4, 2020, eliminate the reasons for compulsory liquidation and to register changes in the relevant data in accordance with the legal regulations in the field of registration. Having in mind the above, the Company has depreciated its share in the capital of "Energija Novi Sad" a.d. in the amount of RSD 560 thousand in the financial statements for 2019. The procedure of forced liquidation over the mentioned company was initiated on June 8, 2020, and ended on August 11, 2020, when the Decision BDSL 7622/2020 on deleting the company from the register of business entities was passed.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 25. LONG-TERM FINANCIAL INVESTMENTS (continued)

**Share in capital in other legal entities**

Equity investments in other legal entities include the following:

- Participation in the capital of the legal entity "Rudnik Kovin" a.d.- entity in the privatization in the amount of RSD 86,376 thousand was acquired by conversion of receivables into capital, and based on the conclusion of the RS Government, on the basis of which the same entity was recapitalized by issuing 86,376 ordinary shares, nominal value of RSD 1,000.00 per share.
- Participation in the capital of the bankruptcy debtor "Fabrika automobila Priboj" a.d. in the amount of RSD 261,910 thousand. 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.
- The amount of RSD 247,210 thousand, which refers to investments in capital based on the agreement on joint financing of previous works on the HPP "Komarnica" project with Elektroprivreda Crne Gore in order to make a decision on possible joint construction of a hydropower plant, which has been underway since 1992. years. The provisions of the contract regulate property relations so that the invested funds form the founding roles of the contracting parties, if both parties decide to continue joint activity on the construction of the hydroelectric power plant, or intangible assets if both parties give up joint realization. The Company also concluded annexes to the agreement on joint financing of the implementation of previous works of HPP "Komarnica" from 1992, as follows: Annex No. 1 of 13 August 2007, Annex No. 2 of 13 July 2011, Annex No. 3 of 5 February 2014 and Annex No. 4 of 13 March 2017. After the reporting period, an increase in deposits in the amount of EUR 13,132 was recognized.
- Participation in the capital of the company AD for the production of petrochemical products, raw materials and chemicals "HIP - Petrohemija", Pancevo in the amount of RSD 1,197,594 thousand acquired through the conversion of receivables into capital, in accordance with the reorganization plan prepared in advance debt and conversion of receivables for the remaining amount of debt into the share capital of the company "HIP - Petrohemija", Pancevo. On April 24, 2020, the Supervisory Board of the Company passed the Decision No. 12.01.197077 / 2-20 on the transfer free of charge to the Republic of Serbia of the shares owned by the Company in the company "HIP - Petrohemija" a.d., Pancevo. This decision was made in order to implement the Conclusion of the Government of the Republic of Serbia 05 No. 023-2590 / 2020 of March 19, 2020, by which the Government agreed that the Company transfer to the Republic of Serbia free of charge 1,442,884 shares (2.16836% of capital) owned in the said company. The agreement on the transfer of shares between the Company and the Republic of Serbia was concluded and implemented in 2021 (Note 50).
- Participation in the capital of the company "Trayal Corporation" a.d. Kruševac in the amount of RSD 360,460 thousand 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 585,473 thousand 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.

As of December 31, 2020, the above-mentioned participations in the capital of other legal entities are fully impaired, except for investments in capital based on the agreement on joint financing of the implementation of previous works on the HPP "Komarnica" project.

**Long-term loans**

Long-term loans reported as at 31 December 2020 in the amount of RSD 2,490,896 thousand relate in full to loans that the Parent Company concluded with international financial institutions on behalf of former subsidiary „EDS“ d.o.o., Beograd, for financing projects such as the purchase of equipment for reconstructing five 110/xkV/kV substations in Petrovac, Šabac, Gornji Milanovac, Lešnica and Aleksinac, with related services for the distribution network and for the project of emergency repairs due to floods. Namely, as disclosed in Note 1 and 47, as at 31 December 2020 the Company lost control over “EDS” d.o.o. through transfer of its ownership interest without contribution to the Republic of Serbia, such that as at 31 December 2020 these receivables were reclassified from intercompany receivables to third party receivables and hence not eliminated in consolidation, whereby “EDS” d.o.o. does not dispute its liabilities toward the Company on the aforementioned basis.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 25. LONG-TERM FINANCIAL INVESTMENTS (continued)

*Other long-term financial investments*

Other long-term financial investments include the amount of RSD 1,000,000 thousand (31 December 2019: RSD 3,671,788 thousand) relating to the guarantee deposit in the name of securing the settlement of the obligation based on the service of access to the distribution system provided by the Company as an electricity supplier obliged to deposit with an authorized bank in accordance with the signed contract on access to and use of the electricity distribution system. The guarantee deposit is time-limited for a period of 24 months, with automatic reterm deposit for the period of the original term deposit, with an annual interest rate of 4.10%. The Company and the distribution system operator agreed in Annex No. 22 of the Basic Business Agreement No. 12.01-25718 / 6-21 dated March 1, 2021 to replace the earmarked (guarantee) deposit in the amount of RSD 1,000,000 thousand in its entirety with a bank guarantee as by means of financial security, whereby on March 11, 2021, the distribution system operator made the said deposit available to the Company, and the Guarantee Deposit Agreement was terminated by agreement on March 24, 2021.

Also, other long-term financial placements include investment in the accumulation of water "Rovni", in the amount of RSD 637,205 thousand. The mentioned investment refers to the joint investment in the Public Company "Kolubara", Valjevo, and on the basis of the construction of the dam body and the accumulation "Rovni" whose purpose is water supply of the population and industry, flood defense in the surrounding municipalities and for the needs of the Group. Based on the Decree of the Government of the Republic of Serbia on determining the program of construction, reconstruction and maintenance of water management facilities for 2006 (Official Gazette of RS No. 117 of December 30, 2005) during 2006, further works on construction of dams and reservoirs „Rovni” are planned, 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 provide the necessary conditions for the operation of the TPP Kolubara B. Due to significant changes in regulatory requirements, which primarily relate to the manner of recognition of originally associated funds, the issue of ownership of water resources, etc., the Group recognized impairment losses on this basis.

## 26. LONG-TERM RECEIVABLES

	31 December 2020	In RSD thousand 31 December 2019
Rescheduled trade receivables for electricity and services:		
- households	115,095	184,396
- legal entities	2,180,927	2,964,465
Rescheduled receivables from customers for coal, thermal energy, technological steam	42	46
Loans to employees:		
- sold apartments	266,545	359,227
- housing loans	31,276	52,812
Receivables from the Privatization Agency of RS	-	57,391
<i>Less: Allowance for impairment</i>		
- rescheduled trade receivables for electricity and services from households	(114,552)	(184,173)
- rescheduled trade receivables for electricity and services from legal entities	(2,180,927)	(2,822,199)
- receivables from the Privatization Agency of RS	-	(57,391)
- sold apartments and housing loans	(42)	(2,219)
	<b>298,364</b>	<b>552,355</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 26. LONG-TERM RECEIVABLES (continued)

Rescheduled trade receivables for electricity relate to receivables from households and legal entities for which an agreement on rescheduled receivables was concluded in line with the decisions by the Supervisory Board (number 860/4-13 dated 22 February 2013, number 1151/3-30 dated 2 April 2013 and number 2233/9-13 dated 25 July 2013). Namely, according to the aforementioned decisions, electricity customers with overdue liabilities as at 31 May 2013, and qualified customers who lost the right to public supply of electricity as at 31 December 2012, are allowed to repay the total debt in 120 instalments depending on the amount of the receivable and conditional write-off depending on the number of rescheduled instalments (up to 40% if one-off settlement of outstanding debt is paid, with no decrease if payment is in 60-120 instalments). In addition, no interest is charged on the outstanding amount owed during the duration of agreement, and in the event of two consecutive unpaid instalments, in spite of notice sent, the agreement shall be considered terminated.

Loans to employees that relate to the sale of apartments in the amount of RSD 266,545 thousand as at 31 December 2020 (2019: RSD 359,227 thousand) refer to the solidarity apartments purchased by the employees of the Group. The Group has sold the solidarity apartments to employees for a period of 40 years and repayment is done through monthly instalments that are adjusted with the corresponding indices of retail prices, up to a rate of growth of average earnings in the Republic of Serbia.

Loans to employees for housing loans at 31 December 2020 in the amount of RSD 31,276 thousand (2019: RSD 52,812 thousand) relate to loans for the housing needs of employees which are approved for a period of 20 or 40 years. Repayment of housing loans is linked to the EUR exchange rate and they were approved without interest or at a fixed interest rate of 1% per annum.

## 27. INVENTORY

	31 December 2020	In RSD thousand 31 December 2019 <i>Corrected</i>
Materials	10,851,547	17,982,690
<i>Less: Allowance for impairment</i>	<u>(2,972,176)</u>	<u>(3,126,941)</u>
	<u>7,879,371</u>	<u>14,855,749</u>
Spare parts	19,760,632	17,167,667
<i>Less: Allowance for impairment</i>	<u>(2,143,068)</u>	<u>(2,004,613)</u>
	<u>17,617,564</u>	<u>15,163,054</u>
Tools and inventory	1,692,461	2,000,911
<i>Less: Allowance for impairment</i>	<u>(10,338)</u>	<u>(146,404)</u>
	<u>1,682,123</u>	<u>1,854,507</u>
Work in progress and finished goods	749,752	195,119
Finished goods – coal	2,343,653	2,424,361
Merchandise	2,837	4,500
Fixed assets available for sale	-	1,825
	<u>3,096,242</u>	<u>2,625,805</u>
Advances given for inventories and services	5,105,168	3,939,350
<i>Less: Allowance for impairment</i>	<u>(456,545)</u>	<u>(534,004)</u>
	<u>4,648,623</u>	<u>3,405,346</u>
	<b><u>34,923,923</u></b>	<b><u>37,904,461</u></b>

Advances given for inventories and services as at 31 December 2020 in the amount of RSD 5,105,168 thousand include advances given to domestic legal entities in the amount of RSD 4,654,918 thousand and advances given to foreign suppliers in the amount of RSD 450,250 thousand. Of total advances as at that date, the major portion amounting to RSD 493,237 thousand is relative to advances for motor fuel (natural gas) given to PC "Srbijagas" under their Agreement for the gas year October 2020 - September 2021.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

## 28. TRADE RECEIVABLES

	In RSD thousand	
	31 December 2020	31 December 2019 <i>Corrected</i>
Customers – other related parties (PE "Elektrokosmet")	15,562,077	13,523,416
<i>Less: allowance for impairment</i>	<u>(15,562,077)</u>	<u>(13,523,416)</u>
	-	-
Customers on domestic market:		
- sale of electricity – households	47,743,837	79,956,093
- sale of electricity – legal entities	18,652,762	43,744,825
- sale of electricity - companies in restructuring and in bancruptcy	12,851,417	16,811,288
- other – companies under restructuring and in bankruptcy	1,277,171	1,287,455
- sale of electricity – licenced customers	41,611	19,240
- for delivered electricity - customers on the open electricity market	28,995,268	29,145,252
- A.D.„Elektromreza Srbije”, Beograd	1,610,601	1,539,222
- "Elektrodistribucija Srbije "d.o.o., Beograd	11,751,142	-
- sale of coal	2,688,809	2,763,688
- sale of heat and process steam	547,264	556,707
- sale of heat energy	579,912	719,746
- trade receivables for services	50,866	1,505,615
	<u>126,790,660</u>	<u>178,049,131</u>
<i>Less: allowances for impairment</i>		
- sale of electricity – households	(24,987,114)	(63,505,877)
- sale of electricity – legal entities	(12,988,709)	(38,804,922)
- "Elektrodistribucija Srbije "d.o.o., Beograd	(3,613,761)	-
- sale of electricity - companies in restructuring	(12,851,417)	(16,811,446)
- other – companies under restructuring and in bankruptcy	(1,277,171)	(1,287,455)
- sale of electricity – licenced customers	(7,072)	(7,072)
- for delivered electricity - customers on the open electricity market	(11,393,959)	(7,970,910)
- sale of coal	(2,424,122)	(2,411,083)
- sale of heat energy	(668,870)	(598,443)
- trade receivables for services	(5,431)	(671,159)
	<u>(70,217,626)</u>	<u>(132,068,367)</u>
Customers on domestic market, net	<b>56,573,034</b>	<b>45,980,764</b>
Customers – foreign	4,641,607	4,814,839
<i>Less: allowances for impairment</i>	<u>(4,379,104)</u>	<u>(4,773,106)</u>
	262,503	41,733
Other trade receivables	702,226	596,026
<i>Less: Allowances for impairment</i>	<u>(391,692)</u>	<u>(465,182)</u>
	<u>310,534</u>	<u>130,844</u>
	<b><u>57,146,071</u></b>	<b><u>46,153,341</u></b>

As disclosed in Notes 1 and 47, receivables from customers in the amount of RSD 23,488,724 thousand were not recognized for the reporting period, and any amount owed to the parent Company by "Elektrodistribucija Srbije" d.o.o. is recognized as a receivable under a contract with the customer in these consolidated financial statements. Credit losses are recognized for some of them, as stated in Note 20.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 28. 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 held on 30 November 2009, the Group uses its available production capacity in order to provide with electricity to the north of AP of Kosovo and Metohija. On the above basis, the receivables for delivered electricity to the Public entity "Elektrokosmet" Priština were recognized, in the amount of RSD 15,562,077 thousand (31 December 2019: RSD 13,523,416 thousand). Outstanding amount of these receivables is considered as impaired and accordingly, fully provided for.

Receivables for electricity delivered to entities under restructuring and in bankruptcy relate to the entities in the restructuring process initiated in the course of ownership transformation or to the entity in the bankruptcy proceedings. Since the collection of receivables from these customers is highly uncertain, allowance for impairment has been made in full amount.

## 29. RECEIVABLES FROM SPECIFIC OPERATIONS

	In RSD thousand	
	31 December 2020	31 December 2019
Other receivables from specific operations	39,332	52,506
Receivables for Public Media Service charge	3,916,812	3,484,033
<i>Less: Allowances for impairment</i>	<u>(1,075,263)</u>	<u>(1,148,425)</u>
	<b><u>2,880,881</u></b>	<b><u>2,388,114</u></b>

Receivables for Public Media Service charge as of 31 December 2020 in the amount of RSD 3,916,812 thousand (2019: RSD 3,484,033 thousand) relate to receivables from end customers for the purpose of financing the public media service in accordance with the Law on the Temporary Regulation of the Method of Tax Collection for the Public Media Service (Note 6). Pursuant to 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 Group has assessed the possibility of collecting receivables based on the fee for the Public Media Service, on the basis of which the value adjustment of these receivables was recognized as at 31 December 2020 in the amount of RSD 1,046,652 thousand.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 30. OTHER RECEIVABLES

	31 December 2020	In RSD thousand 31 December 2019
		<i>Corrected</i>
Receivables for interest:		
- for electricity – households	1,491,652	1,862,978
- for electricity – legal entities	6,213,529	5,346,395
- for electricity - companies in restructuring	2,864,063	2,864,063
- other legal entities (banks and sale of heat and process steam)	264,817	167,707
- for Public Service Media	499,166	413,048
Receivables from insurance companies	2,696	6,834
Receivables from billing	156,480	148,087
Receivables from employees	154,735	304,149
Receivables from customers financed from the budget and overpaid taxes and contributions	652,838	2,395,244
Other receivables	1,004,042	773,224
	<u>13,304,018</u>	<u>14,281,729</u>
<i>Less: allowance for impairment</i>		
- receivables from interest for electricity – households	(227,736)	(303,743)
- receivables from interest for electricity – legal entities	(5,455,872)	(4,430,666)
- receivables from interest for electricity - companies in restructuring	(2,864,063)	(2,864,063)
- receivables from interest for other receivables	(700,005)	(669,167)
Receivables from employees	(3,202)	(19,663)
Other receivables	(278,512)	(1,066)
Receivables for overpaid taxes and contributions	(13,085)	(206,611)
	<u>(9,542,475)</u>	<u>(8,494,979)</u>
	<b><u>3,761,543</u></b>	<b><u>5,786,750</u></b>

## 31. SHORT-TERM FINANCIAL INVESTMENTS

	31 December 2020	In RSD thousand 31 December 2019
Short-term loans and borrowings – domestic	111,849	112,570
Short-term rescheduled receivables for electricity	785,817	1,188,637
Current maturities of rescheduled trade receivables for electricity and services	588	81,857
Current maturities of other long-term financial investments	630,287	583,071
Short-term deposits in domestic banks	11,840	212,508
Other short-term financial investments	-	33,025
<i>Less: allowance for impairment</i>	(1,322,322)	(1,752,292)
	<u>218,059</u>	<u>459,376</u>

In accordance with the contract number 12.01.413476 /1-2019, on July 25, 2019, the Company deposited the amount of RSD 200,000 thousand with Jubmes banka a.d., Belgrade, for a period of 6 months, with a fixed annual interest rate of 3.70%. After the expiration of the term deposit period, on January 27, 2020, the bank paid the deposited funds to the Company.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Decemeber 2020

## 32. CASH AND CASH EQUIVALENTS

	31 December 2020	In RSD thousand 31 December 2019
		<i>Corrected</i>
Current accounts:		
- in RSD	19,219,934	19,864,818
- in foreign currency	1,146,785	764,710
Deposits for letters of credit coverage in RSD	-	26,613
Cash desk	5,159	14,413
Special purpose cash funds	1,217	16,294
Securities – cash equivalents	11,720	16,447
Dinar cash funds with limited use	259,907	681,117
<i>Less: Allowance for impairment of dinar cash funds with limited use</i>	<i>(259,907)</i>	<i>(677,357)</i>
	<b><u>20,384,815</u></b>	<b><u>20,707,055</u></b>

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

## 33. PREPAID EXPENSES

	31 December 2020	In RSD thousand 31 December 2019
		<i>Corrected</i>
Prepaid expenses	26,418	27,775
Deferred expenses	1,267,210	1,496,986
Other prepaid expenses	1,357,327	2,762,991
	<b><u>2,650,955</u></b>	<b><u>4,287,752</u></b>

Deferred expenses stated in 2020 amounting to RSD 1,267,210 thousands mostly refer to property insurance costs and employee compensation for the period after the balance sheet date.

Other prepaid expenses include calculated and paid value added tax in cases when the Group is a service recipient as a tax debtor.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**31 Decemeber 2020**

**34. EQUITY**

**Share capital**

On 1 September 2020 the Group concluded with the Republic of Serbia the Agreement of Transfer of Shares in the company „Minel Koncern“ a.d. Beograd, with transfer from the Group to the Republic of Serbia. With the execution of this Agreement the Group transferred without contribution to the Republic of Serbia 8,907 shares in this company, which on the date of signing of the Agreement amounted to 3.12372% of total equity of this company. The transfer was conducted based on the Decision of the Acting Director of the parent company number 12.01.350153/2-20 dated 18 August 2020 and on the RS Government's Conclusion 05 Number: 23-5877/2020 dated 23 July 2020, granting consent for the shares that the Group holds in „Minel Koncern“ a.d. Beograd to be transferred without contribution from the Group to the Republic of Serbia, to be reported within the Group's base capital. As a consequence, base capital of the Group decreased by RSD 8,097 thousand.

**Non-controlling interest**

Participations without the right to control as of December 31, 2020 amount to RSD 1,966,099 thousand and relate to the net assets of dependent legal entities, "Kolubara - Građevinar" d.o.o., Lazarevac and "Hidroelektroenergetski sistem Gornja Drina" d.o.o., Foča, which belongs as minority owners.

**Profit distribution**

At the meeting held on January 20, 2021, the Supervisory Board of the Company made a decision on the distribution of profits determined by the financial statements of the Company for the year ended December 31, 2019, as follows:

- in the amount of RSD 1,831,071 thousand, which represents 50% of the reported profit of the Company, to the founder in the name of participation in the profit, in accordance with the Law on Budget of the Republic of Serbia for 2020,
- the remaining amount of profit in the amount of RSD 1,831,071 thousand was distributed to cover losses carried forward.

The Government of the Republic of Serbia gave its consent to the decision of the Supervisory Board on the distribution of the Company's profit for 2019 by Decision 05 No. 41-381 / 2021-1 of January 21, 2021

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2020**

**34. EQUITY (continued)**

**Changes in equity**

Changes in equity in 2020 and 2019 are disclosed below:

	In RSD thousand									
	Basic capital	Legal reserves	Revaluation reserves	Translation reserves	Actuarial earnings / (losses)	Profit/ (losses) on securities available for sale	Retained earnings / (accumulated loss)	Capital belonging to the majority owner	Participation without the right of control	Total
<b>Balance at 1 January 2019</b>	<b>360,141,927</b>	<b>44,158</b>	<b>607,983,020</b>	<b>(4,231)</b>	<b>(1,379,713)</b>	<b>(299,215)</b>	<b>(125,646,904)</b>	<b>840,839,042</b>	<b>(217,247)</b>	<b>840,621,795</b>
<i>Correction of beginning balance (Note 5)</i>	-	-	-	-	-	-	276,544	276,544	-	276,544
<b>Corrected balance at 1 January 2019</b>	<b>360,141,927</b>	<b>44,158</b>	<b>607,983,020</b>	<b>(4,231)</b>	<b>(1,379,713)</b>	<b>(299,215)</b>	<b>(125,370,360)</b>	<b>841,115,586</b>	<b>(217,247)</b>	<b>840,898,339</b>
Loss from current year	-	-	-	-	-	-	(5,767,302)	(5,767,302)	(69,017)	(5,836,319)
Disposal of fixed assets	-	-	(7,716,162)	-	-	-	1,855,850	(5,860,312)	-	(5,860,312)
Effects of fair value change in financial Instruments	-	-	-	-	-	(136,157)	-	(136,157)	-	(136,157)
Effects of exchange rate differences on the basis recalculation of foreign business	-	-	-	2,565	-	-	-	2,565	-	2,565
Allocation of profit to reserves	-	835	-	-	-	-	(835)	-	-	-
Actuarial losses, provisions for employee benefits	-	-	-	-	(1,374,797)	-	-	(1,374,797)	-	(1,374,797)
Other	-	(1,059)	6,341	-	-	-	218,406	223,688	-	223,688
<b>Balance at 31 December 2019</b>	<b>360,141,927</b>	<b>43,934</b>	<b>600,273,199</b>	<b>(1,666)</b>	<b>(2,754,510)</b>	<b>(435,372)</b>	<b>(129,064,241)</b>	<b>828,203,271</b>	<b>(286,264)</b>	<b>827,917,007</b>
First-time adoption of IFRS 9 (note 4)	-	-	-	-	-	-	2,188,861	2,188,861	-	2,188,861
Acquisition of subsidiary " HES Gornja Drina " (note 46)	-	-	-	-	-	-	-	-	2,277,182	2,277,182
Profit / loss for the current year	-	-	-	-	-	-	11,728,844	11,728,844	(24,819)	11,704,025
Disposal of fixed assets	-	-	(1,306,256)	-	-	-	327,272	(978,984)	-	(978,984)
Effects of fair value change in financial Instruments	-	-	-	-	-	(10,184)	-	(10,184)	-	(10,184)
Effects of exchange rate differences on the basis recalculation of foreign business	-	-	-	64	-	-	-	64	-	64
Allocation of profit to reserves	-	842	-	-	-	-	(842)	-	-	-
Distribution of profits to the founder	-	-	-	-	-	-	(1,831,071)	(1,831,071)	-	(1,831,071)
Actuarial losses, provisions for employee benefits	-	-	-	-	(62,631)	-	-	(62,631)	-	(62,631)
Assignment to the Republic of Serbia (free of charge) of participation in the capital of "Minel Concern" a.d.	(8,097)	-	-	-	-	-	-	(8,097)	-	(8,097)
Loss of control over subsidiary Elektrodistribucija Srbije d.o.o. (note 47)	(130,741)	-	(175,117,703)	-	275,250	33,784	(55,721,341)	(230,660,751)	-	(230,660,751)
Other	-	-	359	-	-	-	734,437	734,796	-	734,796
<b>Balance at 31 December 2020</b>	<b>360,003,089</b>	<b>44,776</b>	<b>423,849,599</b>	<b>(1,602)</b>	<b>(2,541,891)</b>	<b>(411,772)</b>	<b>(171,638,081)</b>	<b>609,304,118</b>	<b>1,966,099</b>	<b>611,270,217</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 35. LONG-TERM PROVISIONS

	<b>31 December 2020</b>	<b>In RSD thousand 31 December 2019</b>
		<i>Corrected</i>
Long-term provision for environmental restoration	3,337,480	2,864,132
Long-term provision for retirement benefits and jubilee rewards	17,311,238	18,979,073
Long-term provision for litigations	3,851,061	3,802,710
Other long-term provisions	<u>24</u>	<u>24</u>
	<b><u>24,499,803</u></b>	<b><u>25,645,939</u></b>

As at 31 December 2020, Long term provisions for employee benefits amounting to RSD 17,311,238 thousand (31 December 2019: RSD 18,979,073 thousand), relate to provisions for retirement benefits and jubilee awards for 10, 20, 30, 35 and 40 years of service with the Group, recorded at the present value of estimated future payments. In determining the present value of estimated future payments to employees, the Group used discount rate ranging from 1.46% to 4.48%, assuming that the annual fluctuation rate ranges from 0% to 1.19%, while the wage growth rate is kept at zero. Mortality tables of the Republic of Serbia were used to calculate the present value of future expected discharges. Each difference, as a consequence of re-measuring the present value of the liability based on severance pay, and due to changes in actuarial assumptions and experiential projections, in the reporting year 2020 was recognized as a separate item of equity within the total other result of RSD 62,631 thousand (2019: RSD 1,374,797 thousand), and difference, which is not a consequence of changes in actuarial assumptions and experiential projections, is recognized in the income statement.

Long-term provision for environmental restoration in the amount of RSD 3,337,480 thousand were formed for the recultivation of the land or the bringing of the property in their original condition after the end of the exploitation.

The Group formed a long-term provisions for estimated negative effects of litigation in the amount of RSD 3,851,061 thousand (31 December 2019: RSD 3,802,710 thousand) which was initiated against the Group and which were active at the reporting period. This assessment was based on an assessment of the outcome of disputes made by the Group's legal department.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2020**

**35. LONG-TERM PROVISIONS (continued)**

Changes on the long-term provisions in 2020 and 2019 are disclosed in the table below:

	In RSD thousand					
	Provision for retirement benefits and jubilee awards	Provision for litigations	Provision for environmental restoration	Provision for protection of natural environment	Other provision	Total
<b>Balance at 1 January 2019</b>	<b>14,965,799</b>	<b>3,730,152</b>	<b>3,229,148</b>	-	<b>24</b>	21,925,123
Correction of beginning balance (Note 5)	-	(874,640)	(714,377)	-	-	<b>(1,589,017)</b>
<b>Corrected balance at 1 January 2019</b>	<b>14,965,799</b>	<b>2,855,512</b>	<b>2,514,771</b>	-	<b>24</b>	<b>20,336,106</b>
New provisions recognized in the income statement (Note 15)	4,786,070	2,001,043	376,870	-	13,984	7,177,967
New provisions recognized within the other comprehensive income (Note 34)	1,374,797	-	-	-	-	1,374,797
Used long-term provision	(2,122,576)	(647,004)	(27,509)	-	(13,984)	(2,811,073)
Repeal in favor of revenue (Note 21)	(25,017)	(406,841)	-	-	-	(431,858)
<b>Corrected balance at 31 December 2019</b>	<b>18,979,073</b>	<b>3,802,710</b>	<b>2,864,132</b>	-	<b>24</b>	<b>25,645,939</b>
New provisions for expenses (note 15)	2,206,072	1,563,944	448,211	-	1,553	4,219,780
New provisions - actuarial losses based on defined benefit plans	62,631	-	-	-	-	62,631
Reduction resulting from payments / other waivers of future economic benefits	(1,630,479)	(475,997)	-	-	(1,553)	(2,108,029)
Cancellation of reservation	(9)	(180,049)	-	-	-	(180,058)
Loss of control over subsidiary Elektrodistribucija Srbije d.o.o. (note 47)	(2,313,549)	(859,547)	-	-	-	(3,173,096)
Other	7,499	-	25,137	-	-	32,636
<b>Balance at 31 December 2020</b>	<b>17,311,238</b>	<b>3,851,061</b>	<b>3,337,480</b>	-	<b>24</b>	<b>24,499,803</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 36. LONG-TERM LIABILITIES

	31 December 2020	In RSD thousand 31 December 2019
Liabilities convertible to equity	80,500	80,543
Long-term borrowings: domestic	31,946,569	24,815,480
<i>Less: Current portion of long-term borrowings: domestic (note 37)</i>	<u>(9,091,159)</u>	<u>(3,855,974)</u>
	<u>22,855,410</u>	<u>20,959,506</u>
Long-term borrowings – foreign	93,936,455	97,669,466
<i>Less: Current portion of long-term borrowings: foreign (note 37)</i>	<u>(9,259,637)</u>	<u>(9,634,305)</u>
	<u>84,676,818</u>	<u>88,035,161</u>
Rescheduled public revenues liabilities:	4,444	39
<i>Less: Current portion (note 37)</i>	<u>(1,875)</u>	<u>(39)</u>
	<u>2,569</u>	<u>-</u>
Rescheduled liabilities toward suppliers	-	28,076
Other long-term liabilities	28,090	68,408
<i>Less: Current portion of other long-term liabilities (note 37)</i>	<u>(28,076)</u>	<u>(67,814)</u>
	<u>14</u>	<u>594</u>
	<b><u>107,615,311</u></b>	<b><u>109,103,880</u></b>

I **Refinanced borrowings realised from the funds of**Period prior to 19901. **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.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**36. LONG-TERM LIABILITIES (continued)****I Refinanced borrowings realised from the funds of (continued)**Period prior to 1990 (continued)**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.

**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.

The Company had in its business books recorded liabilities under the Loan Agreement from the International Bank for Reconstruction and Development (IBRD 2338-6) in the total amount of EUR 3,986,057.16. Since the IBRD write off the debt to the Republic of Serbia on the basis of loans from IBRD covered by Consolidation Loan C, the Republic of Serbia disbursed liabilities under Consolidation Loan C as of September 15, 2009, the Company is in accordance with the Decision of the Supervisory Board no. 12.01.109179/31-20 from February 20, 2020, and the documentation obtained from the Deposit Insurance Agency performed the derecognition of the above obligations to the IBRD on December 31, 2019.

Borrowings realised in the period 1990 - 2001**4. Borrowings from the People's Republic of China through domestic**

The Group recognized the liability arising from the borrowing facility used by the Company and PE EMS pursuant to the sub agreements no. 99012D, 99012E, 99012F and 99012G, as enacted with Beogradska banka a.d. Beograd and in accordance with the General Agreement dated 23 December 1999 signed between the borrower – Beogradska banka a.d., Beograd, and the lender, EXIM Bank of China, and endorsed by the state guarantee issued by SRY.

The Government of the Republic of Serbia, in its capacity of a guarantor, assumed the debt towards EXIM Bank of China from the People's Republic of China on 20 February 2009, by signing a Debt Restructuring Agreement. It has been agreed therein that 40% of debt be written off, so the new debt shall be determined as 60% of the total value of the sum of unpaid principal, accrued but unpaid interest and accrued penalty interest aggregated in the period ended 25 March 2009. Interest rate is contractually agreed as a six-month LIBOR further increased by 1.3%, shall be accrued as an actual number of days/360, and it shall be discharged semi-annually on 21 January and 21 July.

In case of delay in settling liabilities matured, a penalty interest rate of 1% above the regular interest has been agreed.

Pursuant to Article 6 of the Law Governing Relations between the Republic of Serbia and Banks in Bankruptcy regarding foreign loans and borrowings (Official Gazette of RS number 45 as of 31 May 2005) on 28 June 2010, the Company closed with the Deposit Insurance Agency an Agreement regulating the liabilities thereof towards the Republic of Serbia under same terms as those applied to the agreement signed between the Republic of Serbia and Chinese party relevant to the portion used by the Group.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 36. LONG-TERM LIABILITIES (continued)

## 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. *Borrowings 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, in accordance with the Contractual Agreement as of 8 December 2010 for implementation of stage I of the Kostolac-B Power Plant Projects Package.

The borrowing was agreed in the amount of USD 293 million, for a period of 180 months, including grace period of 60 months, after coming into effect of Borrowing Agreement for subsidized buyer. The period of using the borrowing funds is 60 months after coming into effect of Borrowing Agreement for subsidized buyer, with possibility of extending with the consent of EXIM Bank from 31.05.2017. 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 borrowing for the amount of USD 6,361 million was automatically canceled. The instalments mature for repayment semi-annually, on 21 January and 21 July each calendar year. The amount of the withdrawn borrowing until June 4, 2017 will be repaid in 20 equal consecutive semi-annual installments starting from July 21, 2017 until January 21, 2027. The amount of the withdrawn borrowing between June 5, 2017 and December 31, 2018 will be repaid in 17 equal consecutive semi-annual installments starting from January 21, 2019 to January 21, 2027. The agreed interest rate equals 3% annually, with the one-off loan origination fee of 1% of the agreed loan amount and the cost of financing of 0.75% annually.

- Borrowing Agreement for subsidized buyer for stage II of the Kostolac-B Power Plant Projects Package, concluded on 17 December 2014 between the Government of the Republic of Serbia, as the Borrower, and Chinese Export-Import Bank, as the Creditor, in accordance with the Contractual Agreement as of 20 November 2013 for implementation of stage II of the Kostolac-B Power Plant Projects Package.

The borrowing was agreed in amount of USD 608.26 million, for a period of 240 months, including grace period of 84 months. Usage period of loan funds is 25 May 2022, with possibility of extending. The instalments mature for repayment semi-annually, on 21 January and 21 July each calendar year. Repayment of the principals starts 21 July 2022, in 26 equal semi-annual instalments, ending 21 January 2035. The agreed interest rate equals 2.5% annually, with the one-off loan origination fee of 0.25% of the agreed borrowing amount and commission for the unused part of borrowing of 0.25% annually.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 36. LONG-TERM LIABILITIES (continued)

## II Borrowings from foreign governments (continued)

3. *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. 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, ie 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. In November 2016 due principal I amounted to JPY 5,572,856 and principal II due amounted to JPY 50,340,000. From 20 May 2017 to 20 May 2022 due principal I and II will amount to JPY 5,562,000 and JPY 50,333,000 respectively. On 20 November 2022 due principal I and II will amount to JPY 3,014,253,144 and JPY 50,333,000 respectively. From May 2023 to the end of repayment period, 20 November 2026, due principal I and II will amount to JPY 3,014,249,000 and JPY 50,333,000 respectively.

## III Borrowings from International Financial Organizations

1. *KfW*

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

- EUR 30 million was borrowed on 9 September 2005. The final date for the availability of funds borrowed was extended to 31 March 2014, up to when all funds have been used in full. Pursuant to the provisions contained in the Agreement, the principal repayment has commenced on 30 December 2010 in 20 equal instalments of EUR 1,500,000. The final maturity date is 30 June 2020, with which the loan was repaid. The borrowing was agreed interest-free. Guarantee costs, which are calculated on the unpaid portion of the principal, amount to 0.75% annually, while commission for unused funds of borrowing amount to 0.25% annually. The agreed fee for the environmental fund (2.5%) was never paid, because the environmental fund was not formed.
- EUR 36 million (with the additional amount of EUR 10 million not to be repaid) was borrowed on 2 January 2008. Deadline for usage of borrowing funds is extended until 31 December 2019. According to the Agreement, repayment of principal commences on 30 June 2013, to be completed on 30 December 2019. With the consent of the creditor, borrowing funds that have not been withdrawn by 31.12.2020. year, in the amount of EUR 1,011,722.02 will be available until 31.12.2021. year, and it will be repaid in two equal consecutive semi-annual installments. The interest rate is determined two days prior to usage of each individual tranche and is fixed at that level until KfW informs the Company on the consolidated interest rate for the entire borrowing which will be determined upon the execution of the last disbursement of the subject borrowing and will remain constant throughout the entire repayment period. Interest rate of each tranche is defined as the rate determined by KfW two days prior to date of repayment of appropriate portion of the borrowing based on effective financing costs of KfW on EURO capital market in moment of payment for maturities which, as close as possible, match maturities of borrowing portions on which payments should be made plus mark-up of 1.75% annually. Commission on unused portion of borrowing amounts to 0.25% annually. Management fee amounts to 1% of total borrowing amount, and is paid once out of Borrowers own funds.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 36. LONG-TERM LIABILITIES (continued)

## III Borrowings from International Financial Organizations (continued)

## 1. KfW (continued)

- 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. 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. According to the provisions of the Borrowing Agreement, the principal repayment commenced on 30 December 2015 in 19 equal semi-annual instalments, where in the event of extension of date for utilization of borrowing funds, repayment would commence 3 years later, on 30 December 2018, in 13 equal semi-annual instalments. A fixed interest rate has been agreed and is to be determined by KfW annually two days before the disbursement for each portion of the borrowing received based on the expenses incurred by KfW on the EUR capital market under terms that best correspond to the fixed interest rate period increased by 0.40% for the portion of the loan of EUR 25 million, and by 1.15% for the portion of the borrowing of EUR 40 million. After each payment, KfW consolidates these rates into a uniform rate for the total borrowing amount, which is fixed to the end of the repayment period. Commission for unused portion of the borrowing amounts to 0.25% annually. Management fee amounts to 1% of total loan amount and is paid once out of Borrowers own funds.
- EUR 45 million was agreed on 28 February 2017. As the final deadline for the use of borrowed funds is set 30 June 2022 with the option of deadline extension. According to the Borrowing Agreement loan principal repayment is to be repaid in 14 equal semi-annual instalments starting on 30 June 2022, ending to 30 December 2028. A Fixed interest rate has been agreed and amounts to 0.80% annually, with the Parent Company being exempted from this cost in the period from March 30, 2019 to June 30, 2019. Commission for unused portion of the borrowing amounts to 0.25% annually. Management fee amounts to 0.75% of total borrowing amount, and is paid once out of Borrowers own funds.
- EUR 80 million (with additional EUR 1 million of non-repayable funds) was agreed on 29 November 2017. As the final deadline for the use of borrowed funds is set 30 December 2021 with the option of deadline extension. According to the Borrowing Agreement loan principal repayment is to be repaid in 23 equal semi-annual instalments starting on 30 December 2021, ending to 30 December 2032. A Fixed interest rate has been agreed and amounts to 0.85% annually. Commission for unused portion of the borrowing amounts to 0.25% annually, with the Company being exempted from this cost in the period from March 30, 2019 to June 30, 2019. Management fee amounts to 0.75% of total borrowing amount, and is paid once out of Borrowers own funds.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 36. LONG-TERM LIABILITIES (continued)

## III Borrowings from International Financial Organization (continued)

## 2. Borrowings from the European Bank for Reconstruction and Development (EBRD)

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

- EUR 40 million was agreed on 2 September 2010. On 22 December 2016 The Bank extended the ultimate date until which funds are available up to 2 September 2018. After the expiration of the term of use, in accordance with the provisions of Section 7.02.(a) of the Standard Provisions of 1 October 2007, on 2 September 2018, part of the loan in the amount of EUR 35,101,334 was canceled, so that the agreed loan amount amounts to 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 canceled. According to the provisions of the relevant Agreement, the principal repayment commences as of 31 January 2015 and is to be executed in 17 equal semi-annual 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.
- 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2020**

**36. LONG-TERM LIABILITIES (continued)**

**III Borrowings from International Financial Organizations (continued)**

**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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 36. LONG-TERM LIABILITIES (continued)

## III Borrowings from International Financial Organization (continued)

## 3. Borrowings from the European Investment Bank (continued)

Based on the Financial Agreement on financing the EPS Project – electricity meters, closed on 29 November 2010 between the Company and the European Investment Bank, the Company was approved a loan of EUR 40 million. The borrowing will be drawn in 10 tranches in the period ending 30 June 2015.

The tranches will be repaid in equal annual, semi-annual and quarterly instalments or one-off. The date of maturity for the first instalment will be set at the date which immediately follows the expiry of three years from drawing the first tranche and the last date of tranche repayment will be set at the date that falls no earlier than four years and no later than twelve years from the tranche drawing date. If the tranche is repaid one-off and in full, the maturity date will be the date falling no earlier than three and no later than seven years from the tranche drawing date.

The interest rate and terms of tranche repayment are determined for each tranche separately at the tranche disbursement date. The interest rate is defined as fixed or variable rate, of which the EIB will inform the Company within 10 days after the commencement of any referent period for variable interest rate. There is a possibility to convert variable into fixed interest rate.

The term of the loan has been extended until June 30, 2020.

As the Company until 30 June 2020, which is Annex no. 1 was defined as the deadline for the use of credit funds, did not withdraw funds, the bank automatically canceled the undrawn loan funds after the expiration of the specified period.

## 4. Borrowings 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 Subagreement, 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 canceled 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 installments, 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 36. LONG-TERM LIABILITIES (continued)

**IV Liabilities and receivables based on Agreement between Republic of Serbia Government and Russian Federation Government**

Based on the Conclusion of the Government of the Republic of Serbia 05 No. 312-11997 / 2016 from 15 December 2016 part of the debt in the amount of RSD 5,113,300 thousand, was released, on the basis of the Agreement between the Government of the Republic of Serbia and the Government of the Russian Federation on settling the obligations of the former USSR for calculations related to goods trading between the former USSR and the former SFRY, and on the basis of agreement on mutual settlement of liabilities and receivables arising from the agreement between the Government of the Republic of Serbia and the Government of the Russian Federation on regulating the obligations of the former USSR and the former SFRY dated 27 April 2007, No. 12.01.141486 / 7-17 from 16 May 2017. Remaining part of the debt, in the amount of RSD 5,406,534 thousand, was reclassified into domestic long-term borrowings.

The Company undertook to settle the remaining part of the debt to the Republic of Serbia in dinar payments from its own funds. According to the repayment plan, the deadline for settling the remaining debt was 10 years with a grace period of 2 years. However, in accordance with the conclusion of the Government 05 Number: 401-10567 / 2020 from December 17, 2020, the Ministry of Finance canceled the payables based on this debt to the Company, so that on December 31, 2020, the Company has no obligations on this basis. Namely, as disclosed in Note 21, for part of the liabilities in the amount of RSD 4,900,554 thousand under the Agreement between the Government of the Republic of Serbia and the Government of the Russian Federation on regulating the obligations of the former USSR on settlements related to trade between the former USSR and former SFRY, income on the basis of debt release to the Company (in the amount of RSD 4,900,554 thousand, namely RSD 4,781,076 thousand on the basis of principal and RSD 119,478 thousand on the basis of interest).

**V Commercial banks****1. Komercijalna banka a.d. Belgrade**

EUR 15 million was contracted on December 12, 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 installments, with the first installment 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. Belgrade**

EUR 45 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 installments, with the first installment 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.

EUR 30 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 installments, with the first installment 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.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2020**

**36. LONG-TERM LIABILITIES (continued)**

**V Commercial banks (continued)**

**3. Vojvodjanska banka a.d. Novi Sad**

EUR 30 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 installments, with the first installment 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 installments, with the first installment 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.

**Loans for current assets**

1. In order to provide working capital required for liquidity in order to finance the purchase of electricity from renewable sources, contracts were concluded with commercial banks (Banca Intesa ad Belgrade, Unicredit bank Serbia) for a total amount of RSD 2,320,000 thousand.
2. In order to provide working capital needed to finance current liabilities arising in the regular business activities of the Company, in order not to jeopardize the secure supply of electricity to customers and security and reliability of the electricity system, concluded agreements with commercial banks (Komercijalna banka a.d. Belgrade, Erste bank a.d. Novi Sad, Vojvodjanska banka, OTP banka Srbija a.d. Belgrade) in the total amount of RSD 4,060,000 thousand.
3. In order to provide working capital needed to finance current liabilities arising in the regular business activities of the Company, in order not to jeopardize the secure supply of electricity to customers and the safety and reliability of the electricity system, concluded agreements with commercial banks (Komercijalna banka a.d. Belgrade, Erste bank a.d. Novi Sad, Vojvodjanska banka, OTP banka Srbija a.d. Belgrade, Banka Poštanska štedionica a.d. Belgrade, Agroindustrijsko komercijalna banka AIK banka a.d. Beograd) in the total amount of RSD 5,800,000 thousand.

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

An overview of all borrowings as at 31 December 2020 nad 2019 is presented in the table below:

No.	LOANS	Currency	ORIGINAL CURRENCY				Means of security	Equivalent value in RSD 000	
			Principal	Maturity date	Repayment schedule	Interest rate		31.12.2020.	31.12.2019.
	<b>TOTAL BORROWINGS</b>							<b>125,883,024</b>	<b>122,484,946</b>
<b>A</b>	<b>FOREIGN CURRENCY BORROWINGS (I+IV+V+VI+VII)</b>							<b>113,703,024</b>	<b>122,484,946</b>
<b>I</b>	<b>REFINANCED BORROWINGS REALIZED FROM THE FUNDS OF: (1+2+3+4+5+6)</b>							<b>16,255,773</b>	<b>24,813,208</b>
1	PARIS CLUB OF CREDITORS							15,370,686	18,384,521
1.1	AUSTRIA	EUR	1,554,583.59	30.09.2008.- 31.03.2024	30.03 and 30.09	Amarketrate/EUR+0.6%	Promissory Notes	182,788	220,992
1.2	FRANCE	EUR	17,927,166.52	22.09.2008.- 22.03.2024	22.03 and 22.09	5.90%	Promissory Notes	2,107,880	2,548,428
1.3	GERMANY	EUR	11,891,833.56	22.09.2008.- 22.03.2024	22.03 and 22.09	5.50%	Promissory Notes	1,398,244	1,690,478
1.4	CANADA	EUR	26,028,887.61	22.09.2008.- 22.03.2024	22.03 and 22.09	Euribor/EUR +0.5%	Promissory Notes	3,060,482	3,700,125
1.5	SWITZERLAND	CHF	35,985,254.00	22.09.2008.- 22.03.2024	22.03 and 22.09	6m Libor/CHF+0.5%	Promissory Notes	3,902,198	4,715,584
1.6	USA	USD	2,916,072.29	22.09.2008.- 22.03.2024.	22.03 and 22.09	5.375%	Promissory Notes	278,962	369,854
1.7	RUSSIA	USD	36,768,568.93	22.03.2006.- 22.03.2034.	22.03 and 22.09	0.5517%	Promissory Notes	3,517,417	3,978,350
1.8	JAPAN	JPY	994,675,708.46	22.09.2008.- 22.03.2024.	22.03 and 22.09	2.8390%	Promissory Notes	922,715	1,160,710
2	LONDON CLUB OF CREDITORS	USD	4,352,879.82	01.05.2010.- 01.11.2024.	01.05 and 01.11	3.75% until 11/09	Promissory Notes	416,413	570,873
3	IBRD	EUR	2,230,307.03	15.03.2005.- 15.12.2031.	15.03 and 15.09 15.06 and 15.12	6.75%. do 11/24	Promissory Notes	262,240	285,774
4	EZ	EUR	426,596.43	17.10.2012.- 17.10.2016.	17.04 and 17.10	6m Euribor		50,159	50,165
<b>II</b>	<b>BORROWINGS IN THE PERIOD FROM 1990-2001.</b>							<b>156,275</b>	<b>514,180</b>
5	Chinese borrowing	USD	1,633,584.84	21.07.2010.- 21.01.2021.	21.01 and 21.07	LIBOR6M+1.3%	Promissory Notes	156,275	514,180
<b>III</b>	<b>REPUBLIC OF SERBIA - MINISTRY OF FINANCE</b>							<b>-</b>	<b>5,007,695</b>
6	Russian borrowing	USD	47,729,336.55	30.03.2019. 30.09.2026.	30.03 and 30.09.	LIBOR6M+1%	Promissory Notes	-	5,007,695

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
31 December 2020

## 36. LONG-TERM LIABILITIES (continued)

No.	LOANS	Currency	ORIGINAL CURRENCY				Means of security	Equivalent value in RSD 000	
			Principal	Maturity date	Repayment schedule	Interest rate		31.12.2020.	31.12.2019.
<b>IV</b>	<b>LOANS GRANTED BY STATE GOVERNMENTS</b>							<b>45,814,676</b>	<b>44,355,236</b>
1	Polish borrowing	USD	3,043,592.83	2005. - 2024.	15.06. and 15.12.	0.75% p.a.	Guarantee RS	291,161	485,062
2	Japanese – JICA	JPY	11,355,342,272.00	20.11.2016. 20.11.2026	20.05. and 20.11.	0.6% 0.01%	Guarantee RS	10,533,829	6,438,114
3	Export-Import Bank of China	USD	190,138,022.04	21.07.2017. 21.01.2027	21.01. and 21.07.	3% p.a.	Promissory notes	18,189,307	23,018,094
4	Export-Import Bank of China	USD	175,619,166.52	21.07.2022. 21.01.2035.	21.01. and 21.07.	2.5% p.a.	Promissory notes	16,800,379	14,413,966
<b>V</b>	<b>LOANS FROM INTERNATIONAL FINANCIAL ORGANIZATIONS</b>							<b>48,055,093</b>	<b>53,241,092</b>
1	KfW III (30 mil. EUR)	EUR	-	30.12.2010.- 30.06.2020.	30.06. and 30.12.	0.75%	Guarantee RS	-	176,389
2	KfW IV (36 mil. EUR)	EUR	-	30.06.2013.- 30.12.2019	30.06. and 30.12.	variable rate + markup of 1.75%	Guarantee RS	-	-
3	KfW V (70 mil. EUR)	EUR	40,220,507.37	31.12.2018.- 30.06.2025	30.06. and 30.12.	variable rate + 0.5%	Guarantee RS	4,729,135	5,483,873
4	KfW VI (65 mil. EUR)	EUR	39,999,938.80	30.12.2017. 30.12.2024.	30.06. and 30.12.	variable rate + 0.4% for EUR 25 million and variable + 1.15% for EUR 40 million	Guarantee RS	4,703,201	5,585,452
5	KfW VII (45 мил. EUR)	EUR	146,748.16	30.06.2022. 30.12.2028.	30.06. и 30.12.	0.80%		17,255	17,257
6	KfW VIII (80 мил. EUR)	EUR	149,992.00	30.12.2021. 30.12.2032	30.06. и 30.12.	0.85%		17,636	12,347
7	EBRD III (4.9 mil. EUR)	EUR	1,046,952.67	02.09.2013.- 02.03.2022.	02.03. and 02.09	6MEURIBOR + 1%	Guarantee RS	123,101	205,190
8	EBRD IV(78.5 mil. EUR)	EUR	25,897,327.80	31.01.2015.- 31.01.2023.	31.01. and 31.07	6MEURIBOR + 1%	Guarantee RS	3,045,013	4,263,475
9	EBRD V (32.7 mil. EUR)	EUR	11,145,973.70	30.04.2015.- 31.10.2023.	30.04. and 31.10	6MEURIBOR + 1%	Guarantee RS	1,310,546	1,216,879
10	EBRD VI (200 mil. EUR)	EUR	140,740,740.72	15.06.2017.- 15.06.2030.	15.06. and 15.12.	6MEURIBOR + 1%	Guarantee RS	16,548,324	18,292,213
11	EIB II (22 mil.EUR)	EUR	8,093,332.82	25.11.2010. 09.12.2027.	09.06. and 09.12; 25.05. and 25.11.	fixed for each tranche of 3.879% to 5.248%	Guarantee RS	951,616	1,124,187

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

12	Wb IDA (12.24 mil. SDR)	XDR	5,309,481.96	15.09.2015.- 15.03.2025.	15.03. and 15.09	-	Guarantee RS	731,549	941,507
13	WB IBRD (139 mil.EUR)	EUR	135,037,339.22	01.11.2023. 01.05.2044.	01.05. and 01.11.	6M EURIBOR + variable mark-up	Promissory notes	15,877,717	15,922,323
<b>VI</b>	<b>COMMERCIAL BANKS</b>							<b>3,508,711</b>	<b>-</b>
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 notes	1,763,703	-
2	Banca Intesa 45mil	EUR	14,841,000	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 3.50%	Promissory notes	1,745,008	-
3	Banca Intesa 30mil	EUR	-	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 3.75%	Promissory notes	-	-
4	Vojvođanska banka 30mil	EUR	-	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 3.75%	Promissory notes	-	-
5	OTP banka 15mil	EUR	-	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 3.75%	Promissory notes	-	-
<b>VII</b>	<b>OTHER</b>							<b>68,771</b>	<b>75,410</b>
1	EMS a.d. – IBRD	EUR	17,734.17	15.03.2005.- 15.12.2031.	15.03. and 15.09. 15.06. and 15.12.	1/3-5.44% and 2/3- euribor	Promissory notes	2,085	2,272
2	Tehnoexport	USD	697,086.00			-	/	66,686	73,138
<b>B</b>	<b>LOANS IN RSD</b>							<b>12,180,000</b>	<b>-</b>
1	Komercijalna banka	RSD	580,000,000	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.70%	/	580,000	-
2	Komercijalna banka	RSD	580,000,000	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.90%	/	580,000	-
3	Erste banka	RSD	580,000,000	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.93%	/	580,000	-
4	Poštanska štedionica	RSD	580,000,000	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.97%	/	580,000	-
5	Erste banka	RSD	580,000,000	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.99%	/	580,000	-
6	AIK banka	RSD	1,160,000,000	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3.00%	/	1,160,000	-
7	OTP banka	RSD	1,160,000,000	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3.01%	/	1,160,000	-
8	Vojvođanska banka	RSD	580,000,000	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3.01%	/	580,000	-
9	Komercijalna banka	RSD	580,000,000	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.90%	/	580,000	-

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

10	Erste banka	RSD	580,000,000	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.99%	/	580,000	-
11	Vojvođanska banka	RSD	580,000,000	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3.01%	/	580,000	-
12	Vojvođanska banka	RSD	1,160,000,000	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3.02%	/	1,160,000	-
13	OTP banka	RSD	1,160,000,000	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3.02%	/	1,160,000	-
14	Banca Intesa	RSD	1,160,000,000	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2.49%	/	1,160,000	-
15	UniCredit banka	RSD	1,160,000,000	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3%	/	1,160,000	-
<b>CURRENT PORTION OF LONG-TERM LOANS</b>								<b>18,350,796</b>	<b>13,490,279</b>
A	Foreign currency loans					Promissory notes		12,550,796	13,490,279
B	Loans in RSD					Promissory notes		5,800,000	-
<b>TOTAL LONG-TERM PORTION</b>								<b>107,532,228</b>	<b>108,994,667</b>
A	Foreign currency loans							101,152,228	108,994,667
B	Loans in RSD							6,380,000	-

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2020**

**36. 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 Group executed various loan agreements with international financial institutions, to which the Federal Republic of Yugoslavia and the State Union of Serbia and Montenegro or Republic of Serbia served as guarantors:

<u>Creditor</u>	<u>Currency</u>	<u>Contracted Amount</u>	<u>Draw Down</u>
EBRD III	EUR	4,898,666	4,898,666
EBRD IV	EUR	78,527,683	78,527,683
EBRD V	EUR	32,700,000	18,002,023
EBRD VI	EUR	200,000,000	200,000,000
EIB II	EUR	22,000,000	22,000,000
EIB III	EUR	40,000,000	-
KfW III	EUR	30,000,000	30,000,000
KfW IV	EUR	36,000,000	34,988,278
KfW V	EUR	70,000,000	65,220,507
KfW VI	EUR	64,999,948	64,999,948
KfW VII	EUR	45,000,000	146,748
KfW VIII	EUR	80,000,000	149,992
IDA	SDR	11,798,849	11,798,849
JICA	JPY	28,252,000,000	11,858,415,128
EXIM Bank of China I	USD	286,639,231	286,639,231
EXIM Bank of China II	USD	608,260,000	175,619,167
Borrowing from the Republic of Poland	USD	49,996,617	49,996,617
WB IBRD	EUR	139,743,296	135,402,191
Commercial banks	EUR	135,000,000	29,841,000
Commercial banks	RSD	12,180,000,000	12,180,000,000

*Analysis of long term loans maturities*

	<u>31 December 2020</u>	<u>31 December 2019</u>	<u>In RSD thousand Index</u>
Up to one year	18,350,796	13,490,280	136.03
From one to five years	64,154,664	59,751,447	107.37
Over five years	43,377,564	49,243,219	88.09
<b>Total</b>	<b>125,883,024</b>	<b>122,484,946</b>	<b>102.77</b>

*Analysis of borrowings per requested discharging currency*

<u>Currency</u>	<u>31 December 2020</u>		<u>31 December 2019</u>	
	<u>Amount in Currency</u>	<u>In RSD thousand</u>	<u>Amount in Currency</u>	<u>In RSD thousand</u>
EUR	492,396,962	57,896,133	517,019,908	60,797,819
USD	415,168,973	39,716,600	461,607,498	48,431,212
CHF	35,985,254	3,902,198	43,501,536	4,715,584
YPU	12,350,017,980	11,456,544	7,871,981,859	7,598,824
XDR	5,309,482	731,549	6,489,367	941,507
RSD	12,180,000,000	12,180,000	-	-
<b>Total</b>	<b>125,883,024</b>		<b>122,484,946</b>	

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2020**

**36. 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 2020 and 2019:  
**In RSD thousand**

	<b>Balance as at 1 January 2020</b>	<b>Cash flows</b>		<b>Non-cash changes</b>			<b>Balance as at 31 December 2020</b>	
		<b>Proceeds</b>	<b>Repayment</b>	<b>Proceeds from commodity loans</b>	<b>Debt write-off</b>	<b>Foreign exchange movement</b>		<b>Other</b>
<b>2020</b>								
Loans and borrowings (long term and short term)	122,488,016	19,688,825	(16,320,417)	9,338,116	(4,781,076)	(4,591,563)	64,193	125,886,094
Other long-term financial liabilities	95,503	-	(206)	-	-	-	(67,207)	28,090
Other short-term financial liabilities	8,071	-	(56,879)	-	-	-	62,948	14,140
Liabilities based on financial leasing	263	-	(263)	-	-	-	-	-
<b>Total liabilities from financing activities</b>	<b>122,591,853</b>	<b>19,688,825</b>	<b>(16,377,765)</b>	<b>9,338,116</b>	<b>(4,781,076)</b>	<b>(4,591,563)</b>	<b>59,934</b>	<b>125,928,324</b>
<b>2019</b>								
Loans and borrowings (long term and short term)	127,983,304	1,861,728	(13,860,471)	6,117,882	(468,732)	831,005	23,300	122,488,016
Other long-term financial liabilities	162,839	-	(11,230)	-	-	-	(56,106)	95,503
Other short-term financial liabilities	7,022	-	-	-	-	-	1,049	8,071
Liabilities based on financial leasing	1,102	-	(891)	-	-	-	52	263
<b>Total liabilities from financing activities</b>	<b>128,154,267</b>	<b>1,861,728</b>	<b>(13,872,592)</b>	<b>6,117,882</b>	<b>(468,732)</b>	<b>831,005</b>	<b>(31,705)</b>	<b>122,591,853</b>

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**37. SHORT-TERM FINANCIAL LIABILITIES**

	In RSD thousand	
	31 December 2020	31 December 2019
<i>Liabilities in foreign currency</i>		
Current portion of long-term loans – foreign (note 36)	9,259,637	9,634,305
Current portion of long term-loans – domestic (note 36)	3,291,159	3,855,974
Other short-term financial liabilities	3,016	3,016
<i>Liabilities in RSD</i>		
Current portion of rescheduled liabilities (note 36)	1,875	39
Current portion of long term-loans	5,800,000	-
Current portion of other long-term liabilities (note 36)	28,076	67,814
Other short-term financial liabilities in RSD	9,750	8,125
	<b>18,393,513</b>	<b>13,569,273</b>

Short-term liabilities arising from current portion of foreign long-term loans in amount of RSD 9,259,637 thousand comprise: loans from international financial organisations in amount of RSD 6,183,108 thousand; loans granted by State Governments in amount of RSD 3,009,843 thousand.

Short-term liabilities arising from current portion of domestic long-term loans in foreign currency in amount of RSD 3,291,159 thousand comprise: loans granted by Paris club creditors in amount of RSD 2,956,931 thousand and liabilities regarding other refinancing loans in amount of RSD 334,041 thousand, while the amount of RSD 187 thousand relates to other liabilities.

Liabilities based on long-term loans in the country in RSD maturing within one year in the amount of RSD 5,800,000 thousand relate to liquidity loans granted to the Group during 2020 by domestic commercial banks.

**38. CUSTOMER PREPAYMENTS, DEPOSITS AND CAUTION MONEY**

	In RSD thousand	
	31 December 2020	31 December 2019
Customer prepayments:		
- in RSD	774,054	4,424,794
- in foreign currency	3,570	6,749
Received deposits and down payments	147,923	90,272
Received prepayments from individuals in RSD	1,073	910,989
	<b>926,620</b>	<b>5,432,804</b>

Received advances in RSD stated as of December 31, 2020 in the amount of RSD 774,054 thousand, mostly in the amount of RSD 206,510 thousand, refer to received advances for the sale of coal in the Branch of RB Kolubara. As of December 31, 2019, the received advances included the liabilities of the former subsidiary "Elektrodistribucija Srbije" d.o.o., in the amount of RSD 3,776,684 thousand, based on the previously received fee for the services of construction of connections to electricity distribution system which have ceased to be recognized, as set out in Note 1.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2020**

**39. OPERATING LIABILITIES**

	<b>31 December 2020</b>	<b>In RSD thousand 31 December 2019</b>
		<i>Corrected</i>
Trade payables - domestic	17,721,141	25,608,423
AD "Elektromreza Srbije", Belgrade	484,973	404,417
"Elektrodistribucija Srbije" d.o.o., Belgrade	<u>22,652,081</u>	<u>-</u>
	<u>40,858,195</u>	<u>26,012,840</u>
Trade payables - foreign	5,264,636	6,429,262
Other trade payables:		
- expropriation liabilities	142,805	47,984
- liabilities for compensation for damages from operations	4,751	7,254
- other	<u>1,911,001</u>	<u>1,919,322</u>
	<u>2,058,557</u>	<u>1,974,560</u>
	<b><u>48,181,388</u></b>	<b><u>34,416,662</u></b>

Liabilities toward "EDS" d.o.o. Beograd reported as at 31 December 2020 in the amount of RSD 22,652,081 thousand (2019: RSD 21,693,719 thousand) relate to liabilities toward this company for fees for distribution system access. As disclosed in Notes 1, as at 31 December 2020 "EDS" d.o.o. Beograd was under the control of the Group, such that in the previous reporting period the Group did not have any liabilities on the aforementioned basis

**40. OTHER CURRENT LIABILITIES**

	<b>31 December 2020</b>	<b>In RSD thousand 31 December 2019</b>
		<i>Corrected</i>
Liabilities for fees for Public Media Service	1,615,204	1,362,058
Liabilities for unpaid wages and salaries, net	1,631,302	1,582,369
Liabilities for taxes and contributions:		
- charged to employee	662,804	646,415
- charged to employer	998,909	1,556,496
Other liabilities for wages and salaries	52,887	51,803
Liabilities for interests and financing costs	66,773	122,983
Liabilities for dividends and profit share	6,032,142	5,403,236
Other liabilities towards employees	80,267	2,590,609
Liabilities towards members of Executive and Supervisory board	705	456
Liabilities towards individuals	36,886	54,277
Liabilities for matured loans from Ministry of Finance of the Republic of Serbia	397,223	397,223
Other liabilities	<u>161,554</u>	<u>342,587</u>
	<b><u>11,736,656</u></b>	<b><u>14,110,512</u></b>

Liabilities from specific business relations disclosed as at 31 December 2020 in the amount of RSD 1,615,204 thousand (31 December 2019: RSD 1,362,058 thousand) include fee liabilities for Public Media Service in accordance with the Law on the Temporary Regulation of the Method of Tax Collection for the Public Media Service (Note 6).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 40. OTHER CURRENT LIABILITIES (continued)

Other liabilities to employees as at 31 December 2020 amount to RSD 80,267 thousand and include due liabilities based on severance pay and jubilee awards in the amount of RSD 43,153 thousand (31 December 2019: RSD 272,494 thousand) and other liabilities in the amount of RSD 37,114 thousand (31 December 2019: RSD 43,900 thousand), and they were settled after the balance sheet date. As at 31 December 2019, other liabilities to employees included liabilities to employees based on voluntary termination of employment in the amount of RSD 2,274,217 thousand that were settled after the balance sheet date. As at 31 December 2020, the Group has no liabilities to employees based on voluntary termination of employment.

Liabilities for dividends and profit sharing stated as at 31 December 2020 in the amount of RSD 6,032,142 thousand (31 December 2019: RSD 5,403,236 thousand) relate to liabilities to the founder recognized in previous years on the basis of decision of the Supervisory Board of the Group on the distribution of profits in favor of the founders, and in accordance with the Law on Budget of the Republic of Serbia, on liabilities to employees and former employees for participation in profits determined by financial statements for the year ended 31 December 2015. year, in accordance with the decision of the Supervisory Board of December 6, 2018. During 2020, the Group made arrears to employees and former employees based on profit sharing in the total amount of RSD 385 thousand

## 41. LIABILITIES FOR VAT

	31 December 2020	In RSD thousand 31 December 2019 <i>Corrected</i>
Deferred VAT	2,605,768	2,362,676
Liabilities for calculated VAT	<u>2,049,354</u>	<u>2,518,781</u>
	<u><b>4,655,122</b></u>	<u><b>4,881,457</b></u>

Deferred VAT liabilities correspond to liabilities for the following tax period, paid after the deduction of previous VAT after the balance sheet date.

## 42. LIABILITIES FOR TAXES, CONTRIBUTIONS AND OTHER DUTIES

	31 December 2020	In RSD thousand 31 December 2019 <i>Corrected</i>
Corporate income tax liabilities	3,196,671	-
Liabilities for taxes, customs and other duties charged to expenses	3,438,373	3,617,156
Charges for water and other public goods use	730,195	710,130
Charge for energy efficiency	87,934	82,730
Charge for environment protection (note 16)	1,182,379	780,286
Other liabilities for taxes, customs and other duties charged to expenses	<u>279,370</u>	<u>797,126</u>
	<u><b>8,914,922</b></u>	<u><b>5,987,428</b></u>

Liabilities based on public revenues were settled by the Group after the balance sheet date within the deadlines stipulated by tax regulations and / or tax administrative acts. In case the same acts have not been received, the Group has the obligation of advance payment in the amount of the previously determined obligation until receiving the same acts of tax and other bodies.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2020**

**43. ACCRUED EXPENSES**

	<b>31 December 2020</b>	<b>In RSD thousand 31 December 2019</b>
		<i>Corrected</i>
Received donations:		
- from the Government of RS and other state authority	268,048	1,391,726
- foreign	8,299,760	9,093,183
- domestic	113,190	17,953,381
	<u>8,680,998</u>	<u>28,438,290</u>
Other accruals	869,715	675,793
Accrued expenses	741,103	755,955
Accrued procurement costs	-	3,794
	<u><b>10,291,816</b></u>	<u><b>29,873,832</b></u>

The Group received funds for financial and technical support from agencies and similar authorities on an international level which were initially recognized as deferred revenue. All contracts and agreements are ratified by the National Assembly of the Republic of Serbia.

Deferred revenues and received donations as of December 31, 2019 include the amount of RSD 17,805,093 thousand related to funds based on received connections to the electricity distribution system. As disclosed in Notes 1 and 47, the Group has lost control of the subsidiary Elektrodistribucija Srbije d.o.o. Belgrade as of December 31, 2020, so that as of that date, it has ceased to recognize the property and liabilities of this legal entity.

Accrued expenses as at 31 December 2020 include the amount of RSD 617,062 thousand (31 December 2019: RSD 676,719 thousand) recognized based on the interest calculation on loans and borrowings for which no document has been received.

Changes in deferred revenue which pertain to received donations during 2020 and 2019 are as follows:

	<b>31 December 2020</b>	<b>In RSD thousand 31 December 2019</b>
<b>Opening balance</b>	<b>28,438,290</b>	<b>25,021,373</b>
Correction of opening balance	-	544,509
Current year donations	5,586,841	5,102,423
Transfer to revenues	(2,028,322)	(1,946,964)
FX rate differences	-	5,999
Loss of control over the subsidiary "Elektrodistribucija Srbije" d.o.o. Belgrade (note 47)	(23,104,194)	-
Other	(211,617)	(289,050)
	<u>8,680,998</u>	<u>28,438,290</u>
<b>Closing balance</b>	<u><b>8,680,998</b></u>	<u><b>28,438,290</b></u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2020**

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

	<b>31 December 2020</b>	<b>In RSD thousand 31 December 2019</b>
Liabilities for issued guarantees and other types of collateral for liabilities of the Group	179,748,843	208,148,680
Material for processing	16,169	597
Receivables for received guarantees and other types of collateral for receivables	51,255,089	52,979,103
Written off equity investments	70,148	385,337
	<b><u>231,090,249</u></b>	<b><u>261,513,717</u></b>

**45. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Capital risk management**

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

	<b>31 December 2020</b>	<b>In RSD thousand 31 December 2019</b>
		<i>Corrected</i>
Indebtedness a)	126,008,824	122,673,153
Cash and cash equivalents	20,384,815	20,707,055
<b>Net indebtedness</b>	<b><u>105,624,009</u></b>	<b><u>101,966,098</u></b>
<b>Capital b)</b>	<b><u>611,270,217</u></b>	<b><u>827,917,007</u></b>
<b>Total debt to equity ratio</b>	<b><u>0.17</u></b>	<b><u>0.12</u></b>

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

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

**Significant accounting policies that pertain to financial instruments**

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2020**

**45. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**Financial instruments categories**

	<b>31 December 2020</b>	<b>In RSD thousand 31 December 2019</b>
		<i>Corrected</i>
<b>Financial assets</b>		
Equity investments	732,335	928,182
Long-term financial investments	3,495,599	3,678,208
Long-term receivables	298,364	552,355
Trade receivables	57,146,071	46,153,341
Short-term loans and short-term financial investments	218,059	459,376
Other receivables	5,851,138	5,701,745
Cash and cash equivalents	20,384,815	20,707,055
<b>Total financial assets</b>	<b>88,126,381</b>	<b>78,180,262</b>
<b>Financial liabilities</b>		
Long-term borrowings	107,612,728	109,075,210
Other long-term liabilities	2,583	28,670
Trade payables	48,181,388	34,416,662
Current portion of long-term borrowings	18,380,747	13,558,132
Short-term financial liabilities	12,766	11,141
Other liabilities	8,309,782	7,682,364
<b>Total financial liabilities</b>	<b>182,499,994</b>	<b>164,772,179</b>

Primary financial instruments of the Group are cash and cash equivalents, trade receivables, interest receivables and trade payables, whose primary purpose is financing current operations of the Group. In regular business conditions, the Group is exposed to risks stated below.

**Financial risk management**

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

**Market risk**

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

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

**Currency risk**

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

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 45. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

## Market risk (continued)

## Currency risk (continued)

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

	Assets		Liabilities	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
EUR	5,854,220	7,629,986	60,412,886	63,612,294
JPY	31,748	248,549	11,514,479	7,657,232
SEK	-	-	-	-
CHF	753	1	3,902,198	4,722,199
GBP	-	-	-	193
USD	8,663,928	24,784,767	42,366,524	52,603,373
XDR	731,549	941,507	731,549	943,586

The Group is sensitive to changes in foreign exchange rates of currencies Euro, Japanese yen and American dollar. The table below represents details of sensitivity analysis of the Group to increase and decrease of 10% in exchange rates of Serbian dinar to foreign currencies. The sensitivity rate of 10% is used for internal review of currency risk and represents an estimate of the Management of reasonably expected changes in foreign exchange rates. Sensitivity analysis includes only unsettled receivables and liabilities disclosed in foreign currency and harmonizes their translation at period end for change of 10% in foreign exchange rates. Positive number in the table below suggest a decrease in current year profit, when the Serbian dinar depreciates compared to foreign currency. In case of appreciation of Serbian dinar of 10% compared to foreign currency, the effect on the current year profit would be opposite of the result stated above, in the previous case.

	In RSD thousand	
	31 December 2020	31 December 2019
EUR	5,455,867	5,598,231
JPY	1,148,273	740,868
CHF	390,144	472,220
GBP	-	19
USD	3,370,260	2,781,861
XDR	-	208
<b>The result of the current period</b>	<b>10,364,544</b>	<b>9,593,407</b>

The Group's sensitivity to changes in foreign currencies has increased in the current period, mainly due to the effects of the nominal increase in liabilities presented in Euro.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 45. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

## Market risk (continued)

*Interest rate risk*

The Group 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 Group 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 2020	In RSD thousand 31 December 2019 <i>Corrected</i>
<b>Financial assets</b>		
<i>Interest-free:</i>		
- Equity-investments	732,335	928,182
- Long-term financial assets	1,000,000	3,673,504
- Trade receivables	57,146,071	46,153,341
- Other receivables	-	435,314
- Cash and cash equivalents	20,751	263,617
	<u>58,899,157</u>	<u>51,453,958</u>
<i>Fixed interest-rate:</i>		
- Long-term receivables	120,051	313,215
- Long-term financial investments	4,703	4,704
- Short-term loans and short-term financial investments	12,547	200,000
- Cash and cash equivalents	20,364,064	20,443,438
	<u>20,501,365</u>	<u>20,961,357</u>
<i>Variable interest-rate:</i>		
- Long-term financial investments	2,490,896	-
- Long-term receivables	178,313	239,140
- Short-term loans and other short-term fin. investments	205,512	259,376
- Other receivables	5,851,138	5,266,431
	<u>8,725,859</u>	<u>5,764,947</u>
	<u><b>88,126,381</b></u>	<u><b>78,180,262</b></u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 45. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

## Market risk (continued)

## Interest rate risk (continued)

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

	31 December 2020	In RSD thousand 31 December 2019 <i>Corrected</i>
<b>Financial liabilities</b>		
<i>Interest-free:</i>		
- Trade payables	48,181,388	34,416,662
- Other liabilities	93,330	113,340
	<u>48,274,718</u>	<u>34,530,002</u>
<i>Fixed interest rate:</i>		
- Long-term borrowings	22,855,410	21,040,049
- Current portion of long-term borrowings	9,091,159	3,855,974
- Short-term financial liabilities	1,875	471
- Other long-term liabilities	2,569	-
	<u>31,951,013</u>	<u>24,896,494</u>
<i>Variable interest rate:</i>		
- Long-term borrowings	84,757,318	88,035,161
- Other long-term liabilities	14	28,670
- Other liabilities	8,216,452	7,569,024
- Current portion of long-term borrowings	9,289,588	9,702,158
- Short-term financial liabilities	10,891	10,670
	<u>102,274,263</u>	<u>105,345,683</u>
	<u><b>182,499,994</b></u>	<u><b>164,772,179</b></u>

Sensitivity analysis presented is established based on exposure to changes in interest rates for non-derivative instruments at the balance sheet date. For liabilities with variable interest rate, analysis has been compiled under the assumption that the remaining amount of assets and liabilities on the balance sheet date remained the same during the business year. Increase or decrease of 1% represents, according to the Management, is an estimation of a realistically plausible change in interest rates. If the interest rates are 1% higher/lower, with all other variables unchanged, the Group would have sustained operating loss/realized profit for the year then ended 31 December 2020 in amount of RSD 935,484 thousand (31 December 2019: RSD 995,807 thousand). This situation is attributed to Group's exposure to interest rate risk, which is based on variable interest rates that are calculated on short-term borrowings.

Exposure of the Group to changes in interest rates is increased in the current period primarily due to nominal increase of liabilities from short-term borrowings.

## Credit risk

## Trade receivables management

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



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 45. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

## Credit risk (continued)

## Trade receivables management (continued)

Structure of trade receivables as at 31 December 2020 is presented in the following table:

	<u>Gross exposure</u>	<u>Allowance</u>	In RSD thousand <u>Net exposure</u>
<b>31 December 2020</b>			
Not due trade receivables	38,837,970	(715,153)	38,122,817
Overdue, provided trade receivables	<u>108,845,982</u>	<u>(89,822,728)</u>	<u>19,023,254</u>
	<b><u>147,683,952</u></b>	<b><u>(90,537,881)</u></b>	<b><u>57,146,071</u></b>
<b>31 December 2019</b>			
Not due trade receivables	21,223,755	-	21,223,755
Overdue, provided trade receivables	150,830,071	(150,830,071)	-
Overdue, not provided trade receivables	<u>24,929,586</u>	<u>-</u>	<u>24,929,586</u>
	<b><u>196,983,412</u></b>	<b><u>(150,830,071)</u></b>	<b><u>46,153,341</u></b>

Trade receivables for electricity are predominant in the breakdown of trade receivables. As at 31 December 2020 the Group is exposed to credit risk for trade receivables for sold electricity in the amount of RSD 47,330,652 thousand, or around 83%:

	<u>Gross exposure</u>	<u>Allowance</u>	In RSD thousand <u>Net exposure</u>
Guaranteed supply	45,175,033	(13,041,423)	32,133,610
Commercial supply	33,139,153	(18,208,462)	14,930,691
Reserved supply	<u>5,414,014</u>	<u>(5,147,663)</u>	<u>266,351</u>
	<b><u>83,728,200</u></b>	<b><u>(36,397,548)</u></b>	<b><u>47,330,652</u></b>

*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 CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2020**

**45. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**Credit risk (continued)**

**Trade receivables management (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 2020:

	Weighted- average loss rate	In RSD thousand	
		Gross exposure	Credit loss
<b>Guaranteed supply</b>			
Not past due receivables	2.2%	14,807,354	331,283
Less than 30 days	6.4%	4,322,087	277,355
31-60	9.8%	2,517,556	247,019
61-90	14.0%	2,013,075	282,399
91-180	17.9%	3,197,199	571,746
181-270	36.3%	1,952,938	708,899
271+	64.9%	16,364,824	10,622,722
		<b>45,175,033</b>	<b>13,041,423</b>
<b>Commercial supply</b>			
Not past due receivables	3.0%	12,465,398	369,715
Less than 30 days	10.5%	1,849,204	195,085
31-60	26.2%	512,283	134,174
61-90	81.4%	561,311	457,069
91-180	64.0%	678,130	433,900
181-270	78.0%	539,239	420,559
271-360	88.3%	512,424	452,377
361+	98.3%	16,021,164	15,745,583
		<b>33,139,153</b>	<b>18,208,462</b>
<b>Reserved supply</b>			
Not past due receivables	32.4%	43,689	14,155
Less than 30 days	46.3%	12,704	5,880
31-60	58.0%	24,637	14,289
61-90	81.1%	23,369	18,947
91-180	83.6%	271,318	226,912
181-270	89.8%	136,529	122,568
271-360	87.5%	93,674	81,921
361+	97.0%	4,808,094	4,662,991
		<b>5,414,014</b>	<b>5,147,663</b>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
31 December 2020

45. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

Trade receivables management (continued)

	In RSD thousand						
	Long-term financial investments	Long-term receivables	Trade receivables	Receivables from specific operations	Other receivables	Short-term financial investments	Total
<b>Balance at 1 January 2019</b>	<b>5,530,330</b>	<b>3,953,862</b>	<b>145,088,833</b>	<b>43,523</b>	<b>8,570,894</b>	<b>1,886,969</b>	<b>165,074,411</b>
Correction of opening balance	-	-	-	-	167,252	-	167,252
<b>Corrected balance at 1 January 2019</b>	<b>5,530,330</b>	<b>3,953,862</b>	<b>145,088,833</b>	<b>43,523</b>	<b>8,738,146</b>	<b>1,886,969</b>	<b>165,241,663</b>
Allowances through Statement of profit and loss	643,782	2,065	9,581,341	285,900	342,431	(351,210)	10,504,309
Write-off of receivables and investments	(48)	(493,333)	(1,642,951)	(973)	(647,794)	(15)	(2,785,114)
Income regarding to adjustment of allowance	(3,009)	(15,685)	(563,753)	-	(19,467)	(700,775)	(1,302,689)
Foreign exchange differences	-	6,709	742	-	-	-	7,451
Collection of previously impaired receivables	-	(79)	(47,066)	-	-	-	(47,145)
Transfers	169,889	(387,565)	(1,595,257)	819,973	81,161	911,799	-
Posting a correction based on UPPR	819,599	-	-	-	-	30	819,629
Decrease based on valuation of securities	(1,035)	-	-	-	-	-	(1,035)
Losses from write-off of short-term receivables and rescheduled receivables	-	-	9,884	-	-	-	9,884
Other	-	8	(1,702)	2	502	5,494	4,304
<b>Balance at 31 December 2019</b>	<b>7,159,508</b>	<b>3,065,982</b>	<b>150,830,071</b>	<b>1,148,425</b>	<b>8,494,979</b>	<b>1,752,292</b>	<b>172,451,257</b>
Effects of first-time adoption of IFRS 9 (note 4)	-	-	(1,950,547)	(217,188)	(38,354)	-	(2,206,089)
Allowances through Statement of profit and loss	8	-	10,774,336	211,335	1,360,112	629	12,346,420
Write-off of receivables and investments	(11,971)	(2,132)	(35,066)	(8,729)	(16,846)	(424,295)	(499,039)
Income regarding to adjustment of allowance	(1,209)	(98,073)	(130,632)	(77,123)	(13,655)	(407,497)	(728,189)
Foreign exchange differences	-	-	1,875	-	(1,145)	-	730
Collection of previously impaired receivables	-	-	(8,939)	-	-	(98,669)	(107,608)
Transfers	339,982	(547,858)	(339,982)	43,093	(43,093)	547,858	-
Posting a correction based on UPPR	(560)	4,685	(4,697)	-	-	-	(572)
Decrease based on valuation of securities	(90,306)	-	-	-	-	-	(90,306)
Losses from write-off of short-term receivables and rescheduled receivables	-	-	20,610	-	-	-	20,610
Simplo devaluation of securities	1,815	-	-	-	-	-	1,815
Reclassification from other accounts	-	-	-	-	278,456	-	278,456
Loss of control over the subsidiary Elektrodistribucija Srbije d.o.o. (note 47)	(3,921,364)	(127,557)	(68,590,435)	(24,550)	(487,607)	(46,815)	(73,198,328)
Other	(1,706)	474	(16,095)	-	9,628	(1,181)	(8,880)
<b>Balance at 31 December 2020</b>	<b>3,474,197</b>	<b>2,295,521</b>	<b>90,550,499</b>	<b>1,075,263</b>	<b>9,542,475</b>	<b>1,322,322</b>	<b>108,260,277</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2020**

**45. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**Credit risk (continued)**

**Trade payables management**

Trade payables as at 31 December 2020 are disclosed in amount of RSD 48,181,388 thousand (31 December 2019: RSD 34,416,662 thousand). The Group settles due liabilities to suppliers in accordance with the financial risk management policy within the agreed deadline.

**Liquidity risk**

Ultimate responsibility for liquidity risk management is on the Group's Management, which has established an appropriate managing system for utilization of short term, medium term and long term financing of the Group, as well as liquidity management. The Group manages liquidity risk maintaining appropriate monetary reserves continuously monitoring planned and actual cash flow, as well as maintaining appropriate ratio of maturity of financial assets and liabilities.

**Liquidity risk and credit risk tables**

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

*Financial assets maturity*

	In RSD thousand					Total
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Interest-free	50,406,504	6,726,948	464,561	-	1,301,144	58,899,157
Fixed interest rate	20,364,064	12,547	4,703	-	120,051	20,501,365
Variable interest rate	6,259,955	-	517,390	1,770,200	178,314	8,725,859
<b>31 December 2020</b>	<b>77,030,523</b>	<b>6,739,495</b>	<b>986,654</b>	<b>1,770,200</b>	<b>1,599,509</b>	<b>88,126,381</b>

	In RSD thousand					Total
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Interest-free	39,689,364	6,739,368	423,539	-	4,601,687	51,453,958
Fixed interest rate	20,443,438	200,000	4,704	-	313,215	20,961,357
Variable interest rate	5,266,431	-	259,376	-	239,140	5,764,947
<b>31 December 2019</b>	<b>65,399,233</b>	<b>6,939,368</b>	<b>687,619</b>	<b>-</b>	<b>5,154,042</b>	<b>78,180,262</b>

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

*Financial liabilities maturity*

	In RSD thousand					Total
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Interest-free	28,523,532	17,526,114	2,225,072	-	-	48,274,718
Fixed interest rate	-	-	9,093,034	2,569	22,855,410	31,951,013
Variable interest rate	6,182,854	-	11,414,577	84,676,832	-	102,274,263
<b>31 December 2020</b>	<b>34,706,386</b>	<b>17,526,114</b>	<b>22,732,683</b>	<b>84,679,401</b>	<b>22,855,410</b>	<b>182,499,994</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2020**

**45. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**Liquidity risk (continued)**

**Liquidity risk and credit risk tables (continued)**

*Financial liabilities maturity (continued)*

	In RSD thousand					Total
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Interest-free	7.778.224	25.836.572	842.731	-	-	34.457.527
Fixed interest rate	-	-	3.856.445	-	21.040.049	24.896.494
Variable interest rate	7.566.765	-	9.712.828	88.035.755	28.076	105.343.424
<b>31 December 2019</b>	<b>15.344.989</b>	<b>25.836.572</b>	<b>14.412.004</b>	<b>88.035.755</b>	<b>21.068.125</b>	<b>164.697.445</b>

**Fair value of financial instruments**

Presented in the following table are present values of financial assets and financial liabilities and their fair value as at 31 December 2020 and 31 December 2019:

	31 December 2020		31 December 2019	
	Net book value	Fair value	Net book value	Fair value
	In RSD thousand			
<b>Financial assets</b>				
Equity investments	732,335	732,335	928,182	928,182
Long-term financial assets	3,495,599	3,495,599	3,678,208	3,678,208
Long-term receivables	298,364	298,364	552,355	552,355
Trade receivables	57,146,071	57,146,071	46,153,341	46,153,341
Short-term loans and short-term financial investments	218,059	218,059	459,376	459,376
Other receivables	5,851,138	5,851,138	5,701,745	5,701,745
Cash and cash equivalents	20,384,815	20,384,815	20,707,055	20,707,055
	<b>88,126,381</b>	<b>88,126,381</b>	<b>78,180,262</b>	<b>78,180,262</b>
<b>Financial liabilities</b>				
Long-term borrowings	107,612,728	107,612,728	109,075,210	109,075,210
Other long-term liabilities	2,583	2,583	28,670	28,670
Trade payables	48,181,388	48,181,388	34,416,662	34,416,662
Current portion of long-term loans	18,380,747	18,380,747	13,558,132	13,558,132
Short-term financial liabilities	12,766	12,766	11,141	11,141
Other liabilities	8,309,782	8,309,782	7,682,364	7,682,364
	<b>182,499,994</b>	<b>182,499,994</b>	<b>164,772,179</b>	<b>164,772,179</b>

*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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 46. ACQUISITION OF SUBSIDIARY AND NON-CONTROLLING INTERESTS

At the end of 2020, the Group acquired 51% share in the company "Hidroelektroenergetski sistem Gornja Drina" d.o.o., Foča, Republic of Srpska, in accordance with the Conclusion of the Government 05 No. 018-8015/2018 dated 28 August 2018 and the Memorandum on cooperation on the energy sector concluded on 28 August 2018 between the Government of the Republic of Serbia and the Government of the Republic of Srpska. Memorandum on cooperation on the energy sector defined the determination of the parties to improve cooperation and provide mutual assistance in the energy sector. It was agreed that the cooperation would be implemented, among other things, through mutual cooperation in research of hydropower potential of the upper course of the Drina river and preparation of studies of commercial viability of the construction of the energy facilities "Foča" with an installed capacity of 44.15 MW, "Paunci" with an installed capacity of 43.21 MW and "Buk Bijela" with an installed capacity of 93.52 MW. To that end, the Government of the Republic of Srpska issued a Decision on approval of the change of ownership of the Company "HES Gornja Drina" through transfer of 51% of ownership rights of the said company from the previous owner Mješoviti holding "Elektroprivreda Republike Srpske" - parent company a.d. Trebinje to the new co-owner JP "Elektroprivreda Srbije". Registration was performed through Decision on Registration number 062-0-Reg-20-000279 dated 19 November 2020, while the effective control over the company "HES Gornja Drina" d.o.o., Foča was acquired on November 29, 2020.

**Consideration transferred**

Equity of the company "HES Gornja Drina" attributable to the Group amounts to 39,635,773.56 KM of which 9,908,943.40 KM were paid in the equivalent dinar amount, which on payment date amounts to RSD 595,653 thousand, while the rest will be paid in three equal six-month installments.

	<b>In RSD thousand 2020</b>
Cash	595,653
Deferred consideration	1,787,112
<b>Total consideration transferred</b>	<b>2,254,913</b>

**Identifiable assets acquired and liabilities assumed**

Acquired funds and recognized liabilities of the company "HES Gornja Drina" d.o.o. are given in the following table:

	<b>In RSD thousand 31 December 2020</b>
<b>Subscribed but unpaid capital</b>	1,787,112
<b>Non-current assets</b>	
Intangible assets	2,211,789
Property, plant and equipment	43,124
	<b>2,254,913</b>
<b>Current assets</b>	
Inventories	34
Trade and other receivables	71
Cash and cash equivalents	606,318
VAT	226
	<b>606,649</b>
	<b>4,648,674</b>
<b>Current liabilities</b>	
Trade payables	36
Other short-term liabilities	463
Liabilities for other taxes, contributions and other duties	18
	<b>517</b>
<b>Net value of acquired assets</b>	<b>4,648,157</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 46. ACQUISITION OF SUBSIDIARY AND NON-CONTROLLING INTERESTS (continued)

Intangible assets of the acquired dependent legal entity on the day of acquisition of control amount to RSD 2,211,789 thousand and refer entirely to concessions for the construction of HPP "Foca", HPP "Paunci" and HPP "Buk Bijela" obtained on the basis of the Decision of the Government of Republika Srpska and the Concession Agreement concluded between the Government of the Republika Srpska and the Mixed Holding "Elektroprivreda Republike Srpske" - the parent company a.d. Trebinje.

**Non-controlling interests**

Non-controlling interests in the dependent legal entity "Hidroelektroenergetski sistem Gornja Drina" d.o.o., Foča, Republika Srpska as at 31 December 2020 amount to RSD 2,277,597 thousand and relate entirely to the net assets of the dependent legal entity person belonging to the minority owner, the company Mixed Holding "Elektroprivreda Republike Srpske" - parent company a.d. Trebinje, which owns a 49% stake in the subsidiary.

In 2020, the dependent entity made a loss in the amount of RSD 847 thousand, of which RSD 415 thousand belong to non-controlling interests.

**Net cash inflow from the acquisition of a subsidiary**

	<b>In RSD thousand</b>
	<b>2020</b>
Fee paid in cash	595,653
Less: acquired cash of the subsidiary	<u>(606,318)</u>
<b>Net cash inflow from investing activities</b>	<b><u>10,665</u></b>

The acquired amount of cash and cash equivalents in the amount of RSD 10,665 thousand is presented as an inflow based on other financial investments within cash inflows from investing activities in the consolidated statement of cash flows (*other financial investments (net outflows)*).

## 47. DISPOSAL OF SUBSIDIARY

On December 21, 2020, the Supervisory Board of the parent company passed Decision No. 12.01.635814 / 5-20 on increasing the share capital of the subsidiary ODS "EPS Distribucija" d.o.o. Belgrade by entering a non-monetary contribution, namely real estate, equipment, intangible assets as well as participation in the capital of other legal entities and receivables in the total value of RSD 18,264,193 thousand. The Government gave its prior consent to this decision by the Conclusion of December 17, 2020, which adopted the Plan for the implementation of reorganization activities of ODS "EPS Distribucija" d.o.o. White City. Change in the amount of the Group's role in ODS "EPS Distribucije" d.o.o. Belgrade was registered by the Decision of the Business Registers Agency BD 96942/2020 of December 23, 2020.

Some of the above items, by the date of approval of this consolidated report, were transferred to ODS "EPS Distribucija" d.o.o. Belgrade under concluded contracts.

As disclosed in Note 1 to these financial statements, on December 29, 2020, the parent company and the Government of the RS concluded an Agreement on the transfer of shares in the subsidiary ODS "EPS Distribucija" d.o.o. Belgrade from the Group to the Republic of Serbia, and in order to implement the Plan for the implementation of reorganization activities of ODS "EPS Distribucija" d.o.o. Belgrade. By the decision of the Business Registers Agency number: BD 99765/2020 from December 31, 2020, the members were changed, ie the registration was made according to which the Republic of Serbia was registered as a member of ODS "EPS Distribucija" with a share of 100% of the capital. By the decision of the Business Registers Agency BD 7344/2021 from January 29, 2021, ODS "EPS Distribucije" changed its name to "Elektrodistribucija Srbije" d.o.o. Belgrade.

**Compensation received**

Transfer of shares in the subsidiary ODS "EPS Distribucija" d.o.o. Belgrade from the Group to the Republic of Serbia was executed free of charge.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 47. DISPOSAL OF SUBSIDIARY (continued)

*The carrying amount of the net assets over which control is lost*

Book value of assets and liabilities of the company "Elektrodistribucija Srbije" d.o.o. Belgrade over which the Group lost control as at 31 December 2020 are given in the following table:

	<b>In RSD thousand</b>
	<b>31 December 2020</b>
<b>Non-current assets</b>	
Intangible assets	858,091
Property, plant and equipment	259,964,478
Long-term financial investments	173,430
Long-term receivables	113,026
	<u>261,108,935</u>
<b>Current assets</b>	
Inventories	7,535,531
Trade receivables	23,488,724
Other receivables	225,544
Short-term financial investments	89,636
Cash and cash equivalents	8,161,076
VAT	2,114,823
Prepaid expenses and other accruals	831,272
	<u>42,446,606</u>
<b>Non-current liabilities</b>	
Long-term provisions	(3,173,096)
Long-term liabilities	(2,491,488)
Deferred tax liabilities	(21,130,036)
	<u>(26,794,620)</u>
<b>Current liabilities</b>	
Short-term financial liabilities	(162,605)
Advances received deposits and bails	(3,865,826)
Trade payables	(13,728,147)
Other short-term liabilities	(1,798,614)
VAT liabilities	(2,418,442)
Liabilities for other taxes, contributions and other duties	(459,320)
Accrued expenses	(23,151,344)
	<u>(45,584,298)</u>
<b>The carrying amount of the net assets of a subsidiary over which control is lost</b>	<b><u>231,176,623</u></b>

*Gain / (loss) on disposal*

	<b>In RSD thousand</b>
	<b>2020</b>
Consideration received	-
Less: net assets of the subsidiary "Elektrodistribucija Srbije" d.o.o. Belgrade where control has been lost	(231.176.623)
<b>Gain/(Loss) on disposal</b>	<b><u>(231.176.623)</u></b>

The Group incurred a loss from the alienation of the subsidiary "Elektrodistribucija Srbije" d.o.o. Belgrade in the amount of RSD 231,176,623 thousand which was recognized at the expense of capital (note 34).



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 47. DISPOSAL OF SUBSIDIARY (continued)

*Net cash outflow arising on disposal*

	In RSD thousand 2020
Cash consideration received	-
Cash and cash equivalents disposed of	(8,161,076)
<b>Net cash outflow arising on disposal</b>	<b>(8,161,076)</b>

The amount of cash and cash equivalents in the amount of RSD 8,161,076 thousand over which the Group lost control is presented as an outflow from other financial investments within cash outflows from investing activities in the consolidated statement of cash flows.

## 48. CONTINGENCIES AND COMMITMENTS

**Litigations**

As at 31 December 2020, total exposure of the Group from litigations amounted to RSD 4,705,134 thousand (31 December 2019: RSD 5,353,653 thousand). The final outcome of these litigations is uncertain. As disclosed in Note 31, as at 31 December 2020, the Group made a provision for potential losses from those litigations in the total amount of RSD 3,851,061 thousand (31 December 2019: RSD 3,802,710 thousand), based on the management's assessment. As for the remaining amount of legal disputes that are being conducted against the Group and for which no provision for potential losses has been made, the Group's management considers that there is no risk of material losses.

**Commitments based on contracted investments**

For the purpose of acquiring property, plant and equipment, as at 31 December 2020, The Group has assumed a contractual obligation with the following suppliers in relation to production branches and the Group Management:

Supplier	Contractual amount	Realised as of 31.12.2020.	Branch:
Konzorcijum Elnos BL Koessler GmbH & Co KG	639,682	564,783	Obnovljivi izvori
EX ING B&P д.о.о. Београд	3,702,695	-	TE Nikola Tesla
Energotehnika-Južna Bačka д.о.о.	3,701,166	-	TE Nikola Tesla
Mitsubishi Power LTD	15,987,544	-	TE Nikola Tesla
Hidro-Tan д.о.о. Београд	879,831	288,301	Obnovljivi izvori
China Machinery Engineering Corporation (CMEC)	68,456,944	17,259,854	TE KO Kostolac
Power Machines PJSC	2,392,115	1,033,477	HE Djerdap
Nari Group Corporation	1,568,576	921,144	Obnovljivi izvori
Konzorcijum Mitsubishi Hitachi Power Systems Ltd., Itochu Corporation, Mitsubishi Hitachi Power Systems Europe GmbH i Jedinstvo A.Д. Севојно	22,533,483	11,852,353	TE Nikola Tesla
Toshiba International Europe LTD	3,068,843	-	Drinsko-Limske HE
	<b>122,930,879</b>	<b>31,919,912</b>	

The total amount of commitments based on contractual investments in real estate, plant and equipment as at 31 December 2019 amounted to RSD 82,306,947 thousand.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 48. CONTINGENCIES AND COMMITMENTS (continued)

## Contingent liabilities under agreements with local governments

Based on the financing of infrastructure projects, the Group has potential liabilities to local governments as disclosed in the following table:

Serial No.	Agreement name	In RSD thousand Total recorded under agreements until 31.12.2020.
1.	Program basis for relocation of Vreoci settlement	2,336,013
2.	Agreement on the implementation of the resettlement program for parts of the settlements of Baroševac and Zeoke	1,391,374
3.	Agreement regulating mutual relations related to relocation of facilities with public functions from the area of KO Mali Borak and KO Skobalj	426,995
4.	Agreement on financing the relocation of cultural monuments located in the zone of influence of mining work	32,200
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)	1,608,737
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	258,774
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	354,463
		354,463

## Liabilities to the Deposit Insurance Agency

The Group 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 42,148,080.27 USD and interest in the amount of 36,329,427.97 USD, which in RSD equivalent on the balance sheet date amounts to RSD 7,794,440 thousand.

Namely, the disputed amount refers to borrowed funds of public companies from the territory of AP KiM and are directly related to the assets of the same companies, over which the Group, despite 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 36, the Group, in accordance with the provisions of the Law on Regulation of Relations between the Republic of Serbia and Banks in Bankruptcy on the Basis of Taking Foreign Loans, ie Loans ("Official Gazette of RS" No. 45/05), in the case when The Republic of Serbia undertook these obligations under the Law on the Regulation of Relations between the Federal Republic of Yugoslavia and Legal Entities and Banks from the Territory of the Federal Republic of Yugoslavia which are the original debtors or guarantors to the 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.

## 49. 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 Group'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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 50. EVENTS AFTER BALANCE SHEET DATE

**Transfer of shares of HIP Petrohemija a.d**

As disclosed in Note 25 to these financial statements the supervisory board of the Company on 24 April 2020 made a Decision no. 12.01.197077/2-20 on the transfer without contribution to the Republic of Serbia of the shares held in the company HIP Petrohemija a.d., Pančevo. This decision was made with the objective of executing the Conclusion of the Government of the Republic of Serbia 05 No. 023-2590/2020 dated 19 March 2020 with which the Government agreed for the Company to transfer to the Republic of Serbia.

The agreement on transfer of shares held in the company HIP Petrohemija a.d., Pančevo, between the Company and the Republic of Serbia was signed by the parties on 1 February and 6 April 2021 respectively, and the transfer of shares was performed on 22 April 2021 and registered with the Central Securities Depository.

**Construction of "Buk Bijela" hydro power plant on Drina river**

By laying the foundation stone on 17 May 2021 commenced the realization of the project of construction of "Buk Bijela" hydro power plant on Drina river, near Foca, a joint project by the Group and Mjesoviti holding "Elektroprivreda Republike Srpske" a.d. Trebinje, as disclosed in Note 1 and 25.

**Change in the price of access to the electricity transmission system**

On December 14, 2020, the Assembly of the Electric Network of Serbia AD adopted a new Decision on the price for access to the electricity transmission system number: 00.00-ROU-14 / 2020-002, which was approved by the Council of the Energy Agency of the Republic of Serbia on December 24, 2020 (Decision on giving consent to the decision on the price of access to the electricity transmission system No. 663/2020-D-I / 1).

The new prices for access to the electricity transmission system have been in force since February 1, 2021.

Tariff element 1	Tariff rate 2	Unit of measure 3	Price in RSD	Price in RSD
			to 01.02.2021. 4	from 01.02.2021. 5
<b>Power</b>	calculated power	kW	48.0148	53.9973
	excessively taken power	kW	192.0592	215.9892
<b>Active energy</b>	higher daily	kWh	0.3822	0.4222
	lower daily	kWh	0.1911	0.2111
<b>Reactive energy</b>	reactive energy	kvarh	0.1942	0.2099
	excessively taken reactive energy	kvarh	0.3885	0.4198

**Regulatory requirements**

After the balance sheet date, regulations were adopted that significantly regulate the Group's activities, such as:

- Law on Amendments to the Energy Law,
- Law on the Use of Renewable Energy Sources,
- Law on Amendments to the Law on Mining and Geological Research,
- Law on energy efficiency and rational use of energy,
- Law on Waters, etc.

In order to increase the share of electricity production from renewable energy sources, the National Assembly of the Republic of Serbia adopted the Law on the Use of Renewable Energy Sources ("the Law") at its session held on April 20, 2021. The law was published in the Official Gazette of RS no. 40/2021 and enters into force on April 30, 2021.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

## 50. EVENTS AFTER BALANCE SHEET DATE (continued)

## Regulatory requirements (continued)

This law regulates:

- use of energy from renewable sources,
- goals of using energy from renewable sources,
- method of determining the share of renewable energy sources of the Republic of Serbia in gross final energy consumption,
- integration of energy from renewable sources into the market,
- incentive systems for electricity production from renewable sources,
- guarantees of origin of electricity, production of electricity from renewable sources for own consumption,
- use of renewable energy sources in the field of heat and transport, special procedures related to the construction and connection of energy facilities using renewable energy sources,
- basics of mechanisms of cooperation with other countries in the field of renewable energy sources, as well as other issues of importance for renewable energy sources.

## 51. 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 2020	31 December 2019
EUR	117.5802	117.5928
USD	95.6637	104.9186
CHF	108.4388	108.4004
JPY	0.927654	0.9653