

**PUBLIC ENTERPRISE ELEKTROPRIVREDA SRBIJE
BEOGRAD**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
AND INDEPENDENT AUDITOR'S REPORT**

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Independent Auditor's Report

To the Owner and management of Javno preduzeće Elektroprivreda Srbije, Beograd:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Javno preduzeće Elektroprivreda Srbije, Beograd (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2021, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Law on Accounting in the Republic of Serbia.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated income statement for the year ended 31 December 2021;
- the consolidated statement of other comprehensive income for the year ended 31 December 2021;
- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flows statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

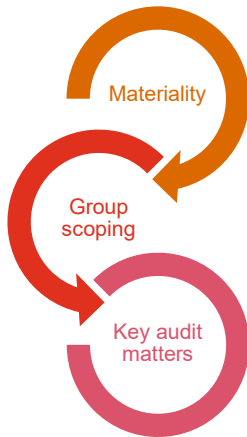
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



- Overall Group materiality: RSD 3,053,482 thousand, which represents 1% of the revenue for the year ended on 31 December 2021.
- We conducted audit work at 4 reporting units in 3 countries.
- The Group engagement team and PwC network firms audited all subsidiaries.
- Our audit scope addressed 100% of the Group's revenues and 100% of the Group's absolute value of underlying profit before tax.
- Estimation of decommissioning and environmental protection provision
- Subsequent measurement of Property, plant and equipment using the revaluation model

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

Materiality

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

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



Overall Group materiality	RSD 3,053,482 thousand
How we determined it	1% of the revenues for the year ended 31 December 2021.
Rationale for the materiality benchmark applied	We determined our materiality should be based on operating revenues. This benchmark is more representative for determination of the size of the Group as other benchmarks such as net result are affected by the significant fluctuations in electricity prices. We have chosen 1% which, in our view, is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above RSD 150,000 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Estimation of decommissioning and environmental protection provisions</p> <p>Provisions associated with decommissioning, environmental protection and restoration are disclosed in Note 33 to the consolidated financial statements; a description of the accounting policy and key judgements and estimates is included in Note 3.6 and Note 3.18.</p> <p>The calculation of decommissioning and environmental protection provisions requires significant management judgement because of the inherent complexity in estimating future costs, discount rates and maturity of liabilities.</p> <p>The decommissioning of landfills and dumps for ash and slag in Thermal Power Plants Kostolac, Kolubara, Morava, Nikola Tesla A and Nikola Tesla B (further in Thermal Power Plants) is an evolving activity and consequently there is limited historical precedent against which to benchmark estimates of future costs. These factors increase the complexity involved in determining accurate accounting provisions that are material to the Group’s consolidated balance sheet.</p> <p>Management engaged an external expert to estimate the cost of decommissioning of</p>	<p>We critically assessed management’s annual review of provisions performed as at 31 December 2021. Testing involved understanding of the legal or constructive obligations with respect to the environmental protection and decommissioning of each asset based on the estimated useful life of assets and relevant cost to complete restoration.</p> <p>Of particular note, we performed the following procedures:</p> <ul style="list-style-type: none"> - We assessed the external expert’ qualifications and expertise; - Identified and tested the cost assumptions which have the most significant impact on provisions by inspecting the studies provided by external management’ expert; - Used our internal valuation experts to evaluate reasonableness of the discount rate applied to the cost assumptions and compared it to the Serbian treasury notes for the similar periods; - Verified the mathematical accuracy of the underlying models; - Verified the completeness of data by cross referencing with other non-financial data and



landfills and dumps for ash and slag in Thermal Power Plants. As a result of such estimation Management calculated provision to be included as at 31 December 2021 and in addition identified that the provision as at 31 December 2020 and 1 January 2020 required adjustments as further disclosed in note 5.

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

- other work performed on property, plant & equipment;
- Verified the calculation of prior year correction of decommissioning provision calculation since management booked this provision in 2021;
- Obtained the sensitivity analysis prepared by management for the change in key assumptions (discount rate and cost estimates). We tested mathematical accuracy of calculations.

Subsequent measurement of Property, plant and equipment using the revaluation model

Refer to Note 3.18 (use of key judgements), Note 3.19 (Significant accounting policies – Property, plant and equipment) and Note 24 (Fair value determination – Property, plant and equipment).

The Group's property portfolio is split between Property, plant and equipment and Intangible assets, amounting to RSD 817,735,880 thousand and RSD 12,642,830 thousand as at 31 December 2021, respectively.

The valuation of the Group's energy assets portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and future income and returns expected from the property.

The valuations for energy properties were carried out by external third-party valuers (the "external valuers"). The external valuers were engaged by the management and performed their work in accordance with the International Valuation Standards.

Management considered that external valuers used by the Group have relevant experience of the markets in which the Group operates. The results of the external valuations were analysed and approved by the management. The summary of impact is disclosed in Note 24. In determining the value of the Group's property portfolio, the external valuers took into account property specific information. For the valuation the Valuer applied the Cost Approach and the

When auditing property, plant and equipment valuation we performed the following procedures: We engaged PwC internal valuation experts to review the property valuation report. We assessed whether the valuation methodology used was in accordance with the International Valuation Standards and was suitable for use in determining the fair value for the purpose of consolidated financial statements.

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

We attended meetings with management and the external valuers, at which the valuations and the key assumptions therein were discussed.

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

Tested output data, on a sample basis, to satisfy ourselves of the accuracy of the income statement impact, impact on revaluation reserves and deferred taxes. We also tested, on a sample basis, useful lives of assets.



Market Approach. Economic obsolescence was analysed by the Valuer through the application of the Income Approach and IAS 36 impairment testing and no economic obsolescence was identified.

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

Finally, we assessed the adequacy of relevant disclosures related to properties measured at fair value in the notes to the consolidated financial statements.

How we tailored our Group audit scope

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

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

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

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

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



Reporting on the other information including the consolidated Annual report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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

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

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

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

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

Refer to the original signed
Serbian version

Milivoje Nešović
Licensed Auditor

Belgrade, 11 July 2022

Refer to the original signed
Serbian version

PricewaterhouseCoopers d.o.o., Beograd

To be filled in by the legal entity – entrepreneur

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

CONSOLIDATED INCOME STATEMENT
for the period from 1 January 2021 to 31 December 2021

- in thousands of Dinars -

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A. OPERATING REVENUES (1002+1005+1008+1009-1010+1011+1012)	1001		319,834,327	253,472,391
60	I. INCOME FROM THE SALE OF MERCHANDISE (1003+1004)	1002		4,510,427	3,921,242
600, 602 and 604	1. Sales of merchandise - domestic market	1003		3,821	2,518
601, 603 and 605	2. Sales of merchandise - foreign market	1004		4,506,606	3,918,724
61	II. INCOME FROM SALES OF PRODUCTS AND SERVICE (1006+1007)	1005		300,837,822	238,141,541
610, 612 and 614	1. Sales of products and services - domestic market	1006	6	300,791,989	238,073,393
611, 613 and 615	2. Sales of products and services - foreign market	1007	6	45,833	68,148
62	III. INCOME FROM OWN USE OF PRODUCTS, SERVICE AND MERCHANDICE	1008	7	1,174,440	4,043,374
630	IV. INCREASE OF FINISHED GOOD, WORK IN PROGRESS AND SERVICES IN PROGRESS	1009		4,623	1,040,589
631	V. DECREASE OF FINISHED GOOD, WORK IN PROGRESS AND SERVICES IN PROGRESS	1010		802,435	566,665
64 and 65	VI. OTHER OPERATING INCOME	1011	8	3,736,770	4,787,605
68 except 683, 685, 686	VII. INCOME FROM ASSETS VALUATION ADJUSTMENTS (EXCEPT FINANCIAL)	1012	9	10,372,680	2,104,705

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	B. OPERATING EXPENSES (1014+1015+1016+1020+1021+1022+1023+1024)	1013		331,353,502	233,703,330
50	I. COST OF GOODS SOLD	1014		1,196,723	140,024
51	II. COST OF MATERIAL, FUEL AND ENERGY	1015	10	187,664,671	62,501,391
52	III. COSTS OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES (1017 + 1018 + 1019)	1016		48,914,438	62,276,709
520	1. Cost of salaries and fringe benefits	1017	11	38,295,694	49,143,644
521	2. Cost of taxes and contributions on salaries and fringe benefits charged to employer	1018	11	7,294,354	9,274,884
52 except 520 and 521	3. Other personal expenses	1019	11	3,324,390	3,858,181
540	IV. DEPRECIATION COSTS	1020	12	35,264,387	50,397,601
58, except 583, 585, 586	V. EXPENSES FROM ADJUSTMENT OF PROPERTY VALUE	1021	13	11,006,335	721,991
53	VI. COSTS OF PRODUCTION SERVICES	1022	14	22,807,803	30,977,845
54 except 540	VII. COST OF PROVISIONS	1023	15	2,620,663	4,242,392
55	VIII. NON-PRODUCTION COSTS	1024	16	21,878,482	22,445,377
	C. OPERATING PROFIT (1001-1013) ≥ 0	1025		-	19,769,061
	D. OPERATING LOSS (1013-1001) ≥ 0	1026		11,519,175	-
	E. FINANCIAL INCOME (1028+1029+1030+1031)	1027		4,709,602	11,732,329
660 and 661	I. FINANCIAL INCOME INCURRED WITH PARENT COMPANIES AND SUBSIDIARIES AND OTHER ASSOCIATED COMPANIES	1028	17	834,550	811,239
662	II. INCOME FROM INTEREST	1029	17	3,257,692	5,745,066

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
663 and 664	III. FX GAINS AND INCOME FOR THE EFFECTS OF CURRENCY CLAUSE	1030	17	581,716	5,140,343
665 and 669	IV. OTHER FINANCIAL INCOME	1031	17	35,644	35,681
	F. FINANCIAL EXPENSES (1033+1034+1035+1036)	1032		6,413,885	2,027,293
560 and 561	I. FINANCIAL EXPENSES INCURRED WITH PARENT COMPANIES, SUBSIDIARIES AND OTHER ASSOCIATED COMPANIES	1033		-	-
562	II. COSTS OF INTERESTS	1034	18	1,671,642	1,235,484
563 and 564	III. FX LOSSES AND LOSSES FOR CURRENCY CLAUSE EFFECTS	1035	18	4,457,549	484,188
565 and 569	IV. OTHER FINANCIAL EXPENSE	1036	18	284,694	307,621
	G. FINANCIAL PROFIT (1027-1032) ≥ 0	1037		-	9,705,036
	H. FINANCIAL LOSS (1032-1027) ≥ 0	1038		1,704,283	-
683, 685 and 686	I. INCOME FROM FINANCIAL ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE THROUGH INCOME STATEMENT	1039	19	6,782,081	815,725
583, 585 and 586	J. EXPENSES FROM FINANCIAL ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE THROUGH INCOME STATEMENT	1040	20	5,907,642	12,682,533
67	K. OTHER INCOME	1041	21	5,985,647	5,733,687
57	L. OTHER EXPENSES	1042	22	9,474,336	7,144,383
	M. TOTAL INCOME (1001 + 1027 + 1039 + 1041)	1043		337,311,657	271,754,132
	N. TOTAL EXPENSE (1013 + 1032 + 1040 + 1042)	1044		353,149,365	255,557,539
	O. PROFIT FROM OPERATIONS BEFORE TAXATION (1043 - 1044) ≥ 0	1045		-	16,196,593
	P. LOSS FROM OPERATIONS BEFORE TAXATION (1044 - 1043) ≥ 0	1046		15,837,708	-
69 - 59	Q. NET OPERATING PROFIT FROM DISCONTINUED OPERATIONS	1047		-	-
59 - 69	R. NET OPERATING LOSS FROM DISCONTINUED OPERATIONS	1048		-	-
	S. PROFIT BEFORE TAXATION (1045 - 1046 + 1047 - 1048) ≥ 0	1049		-	16,196,593
	T. LOSS BEFORE TAXATION (1046 - 1045 + 1048 - 1047) ≥ 0	1050		15,837,708	-
	U. CORPORATE INCOME TAX				
721	I. TAX EXPENSES FOR THE PERIOD	1051	23	2,605,356	8,152,083

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
722 debit balance	II. DEFERRED TAX COSTS FOR THE PERIOD	1052		-	-
722 credit balance	III. DEFERRED TAX INCOME FOR THE PERIOD	1053	23	2,950,597	2,628,480
723	T. EMPLOYER'S EARNINGS PAID OUT	1054		-	-
	U. NET PROFIT (1049 – 1050 – 1051 – 1052 + 1053 – 1054)≥0	1055		-	10,672,990
	V. NET LOSS (1050 – 1049 + 1051 + 1052 – 1053 + 1054)≥0	1056		15,492,467	-
	I. NET PROFIT ATTRIBUTABLE TO MINORITY INVESTORS	1057		-	-
	II. NET PROFIT ATTRIBUTABLE TO MAJORITY INVESTORS	1058		-	10,697,809
	III. NET LOSS ATTRIBUTABLE TO MINORITY INVESTORS	1059		47,851	24,819
	IV. NET LOSS ATTRIBUTABLE TO MAJORITY INVESTORS	1060		15,444,616	-
	V. EARNINGS PER SHARE				
	1. Basic earnings per share	1061		-	-
	2. Diluted earnings per share	1062		-	-

In _____

Legal representative

Stamp

Date _____ 20 _____

To be filled in by the legal entity - entrepreneur

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the period from 1 January 2021 to 31 December 2021

- in thousands of Dinars -

Account group, Account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A. NET RESULT FROM OPERATIONS				
	I NET PROFIT (AOP 1055)	2001		-	10,672,990
	II NET LOSS (AOP 1056)	2002		15,492,467	-
	B. OTHER COMPREHENSIVE PROFIT OR LOSS				
	a) Items that will not be reclassified subsequently to profit or loss				
	1. Revaluation of intangibles and PPE				
330	a) increase in revaluation reserves	2003	32	37,017,490	-
	b) decrease in revaluation reserves	2004	32	-	41,754
	2. Actuarial gains (losses) on defined benefit plans				
331	a) gains	2005		-	-
	b) losses	2006	32	441,390	62,631
	3. Share of other comprehensive income of associates				
333	a) gains	2007		-	-
	b) losses	2008		-	-
	b) Items that may be reclassified subsequently to profit or loss				
	1. Gains or losses on investments in equity instruments				
332	a) gains	2009		-	-
	b) losses	2010		-	-
	2. Foreign currency translation differences for foreign Operations				
334	a) gains	2011	32	-	64
	b) losses	2012	32	31	-

Account group, Account	ITEM	AOP	Note no,	Amount	
				Current year	Previous year
1	2	3	4	5	6
335	3. Gains and losses on hedge of investment in foreign operations				
	a) gains	2013		-	-
	b) losses	2014		-	-
336	4. Cash flow hedges				
	a) gains	2015		-	-
	b) losses	2016		-	-
337	5. Gains and losses on available for sale financial assets				
	a) gains	2017	32	1,501	-
	b) losses	2018	32	-	10,184
	I. OTHER COMPREHENSIVE GROSS PROFIT (2003+2005+2007+2009+2011+2013+2015+2017) - (2004+2006+2008+2010+2012+2014+2016+2018) ≥ 0	2019		36,577,570	-
	II. OTHER COMPREHENSIVE GROSS LOSS (2004+2006+2008+2010+2012+2014+2016+2018) - (2003+2005+2007+2009+2011+2013+2015+2017) ≥ 0	2020		-	114,505
	III. DEFERED TAX EXPENSE ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2021	23	5,552,624	-
	IV. DEFERED TAX INCOME ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2022		-	-
	V. OTHER COMPREHENSIVE NET PROFIT (2019-2020-2021+2022)≥0	2023		31,024,946	-
	VI. OTHER COMPREHENSIVE NET LOSS (2020-2019+2021-2022) ≥ 0	2024		-	114,505
	C. TOTAL COMPREHENSIVE NET RESULT FOR THE PERIOD				
	I. TOTAL COMPREHENSIVE NET PROFIT (2001-2002+2023-2024)≥0	2025		15,532,479	10,558,485
	II. TOTAL COMPREHENSIVE NET LOSS (2002-2001+2024-2023)≥0	2026		-	-
	D. TOTAL COMPREHENSIVE NET PROFIT OR LOSS (2028+2029)=AOP 2025 ≥ 0 or AOP 2026 > 0	2027		15,532,479	10,558,485
-	1. Attributable to owners	2028			10,558,485
	2. Attributable to non-controlling interest	2029			-

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 2021

- in thousands of Dinars -

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2020	Opening balance as at 1 January 2020
1	2	3	4	5	6	7
	ASSETS					
00	A UNPAID SUBSCRIBED CAPITAL	0001		-	-	-
	B FIXED ASSETS ((0003 + 0009 + 0017 + 0018 + 0028))	0002		833,992,638	796,488,872	1,048,017,589
01	I. INTANGIBLE ASSETS (0004 + 0005 + 0006 + 0007 + 0008)	0003		12,642,830	16,912,588	12,930,876
010	1. Investment in development	0004		-	-	-
011, 012, 014	2. Concessions, patents, licenses, similar rights, software and other intangible assets	0005	24	10,476,183	10,678,620	7,577,692
013	3. Goodwill	0006		-	-	-
015, 016	4. Intangible assets taken in leasing and intangible assets in prepare	0007	24	2,166,647	6,233,968	5,353,184
017	5. Advance payments for acquisition of intangible assets	0008		-	-	-
02	II. PROPERTY, PLANT AND EQUIPMENT (0010 + 0011+0012 + 0013 + 0014 + 0015 + 0016)	0009		817,735,880	774,560,910	1,029,485,625
020, 021, 022	1. Land and buildings	0010	24	322,794,489	325,030,876	395,022,681
023	2. Machinery and equipment	0011	24	370,141,308	341,061,456	497,240,149
024	3. Investment property	0012	24	354,908	417,698	430,956

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2020	Opening balance as at 1 January 2020
1	2	3	4	5	6	7
025, 027	4. Property, plant and equipment under lease and property, plant and equipment under construction	0013	24	106,268,514	87,592,753	117,273,245
026, 028	5. Other property, plants and equipment and investments in others real estate, plants and equipment	0014	24	106,978	118,473	136,296
029 (part)	6. Advance payments for property, plant and equipment - domestic	0015	24	5,992,767	6,085,130	3,156,099
029 (part)	7. Advance payments for property, plant and equipment- foreign	0016	24	12,076,916	14,254,524	16,226,199
03	III. BIOLOGICAL ASSETS	0017	24	502,441	489,076	442,343
04 and 05	IV. LONG TERM FINANCIAL PLACEMENTS AND LONG TERM RECEIVABLES (0019 + 0020 + 0021 + 0022 + 0023 + 0024 + 0025 + 0026 + 0027)	0018		3,111,487	4,526,298	5,158,745
040 (part), 041 (part) and 042 (part)	1. Shares in the capital of legal entities (except for the share in the capital which valued by the participation method)	0019	25	290,795	325,873	522,002
040 (part), 041 (part) and 042 (part)	2. Shares in the capital that are valued by the method of participation	0020	25	27,984	406,462	406,180
043, 050 (part) and 051 (part)	3. Long-term placements with the parent, dependents and other related persons and long-term claims from these in country	0021		-	-	-
044, 050 (part), 051 (part)	4. Long-term placements with the parent, dependents and other related persons and long-term claims from these-foreign	0022		-	-	-
045 (part) and 053 (part)	5. Long-term loans to domestic entities	0023	25	2,350,992	2,490,896	-
045 (part) and 053 (part)	6. Long-term loans to foreign entities	0024		-	-	-
046	7. Long-term financial investments (valued securities at depreciated value)	0025		-	-	-
047	8. Purchased own shares and repurchased own shares	0026		-	-	-
048, 052, 054, 055 and 056	9. Other long term investment and other long term receivables	0027		441,716	1,303,067	4,230,563
28 (part), except 288	V. Long term accruals	0028		-	-	-

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2020	Opening balance as at 1 January 2020
1	2	3	4	5	6	7
288	C. DEFERRED TAX ASSETS	0029		-	-	-
	D. CURRENT ASSETS (0031 + 0037 + 0038 + 0044 + 0048 + 0057+ 0058)	0030		125,985,482	121,826,545	117,686,849
class 1 except account group 14	I. INVENTORIES (0032 + 0033 + 0034 + 0035 + 0036)	0031		32,502,171	34,784,217	37,902,636
10	1. Material, spare parts, tools and small inventory	0032	26	26,490,016	27,039,451	31,873,310
11, 12	2. Work in progress and finished products	0033	26	2,295,414	3,093,405	2,619,480
13	3. Merchandise	0034	26	1,749	2,738	4,500
150, 152 and 154	4. Advance payments domestic	0035	26	1,745,586	4,428,157	3,052,877
151, 153 and 155	5. Advance payments foreign	0036	26	1,969,406	220,466	352,469
14	II Non-current assets held for trading	0037		163,509	-	1,825
20	III TRADE RECEIVABLES (0039 + 0040 + 0041 + 0042+ 0043)	0038		62,823,537	57,146,071	46,153,341
204	1. Trade receivables - domestic	0039	27	62,622,573	56,573,034	45,980,764
205	2. Trade receivables - foreign	0040	27	74,416	262,503	41,733
200,202	3. Trade receivables from the parent company, dependent persons and other related companies in the country	0041		-	-	-
201,203	4. Trade receivables from the parent company, dependent persons and other related companies – foreign	0042		-	-	-
206	5. Other trade receivables	0043	27	126,548	310,534	130,844
21, 22, 27	IV. OTHER SHORT TERM RECEIVABLES (0045+0046+0047)	0044		13,845,706	6,642,428	8,174,864

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2020	Opening balance as at 1 January 2020
1	2	3	4	5	6	7
21,22 expect 223 and 224,27	1.Other receivables	0045	28	9,934,952	6,593,020	6,422,286
223	2. Receivables for overpaid tax to gain	0046	28	3,750,495	-	1,423,686
224	3. Receivables based on overpaid other taxes and contribution	0047	28	160,259	49,408	328,892
23	V SHORT TERM FINANCIAL PLACEMENTS (0049 + 0050 + 0051 + 0052 + 0053 + 0054 + 0055 + 0056)	0048		248,307	218,059	459,376
230	1. Short-term loans and placements - parent and subsidiary legal entities	0049		-	-	-
231	2. Short-term loans and placements – other	0050		-	-	-
232, 234 (part)	3. Short-term credits, loans and placements in the country	0051	29	212,486	205,512	132,738
233, 234 (part)	4. Short-term credits, loans and Placements- foreign	0052		-	-	-
235	5. Securities that valued at amortized value	0053		-	-	-
236 (part)	6. Financial resources that valued at fair value	0054		-	-	-
237	7. Purchased own shares and repurchased own shares	0055		-	-	-
236 (part), 238 and 239	8.Other short term financial placements	0056	29	35,821	12,547	326,638
24	VI. CASH AND CASH EQUIVALENTS	0057	30	13,469,299	20,384,815	20,707,055
28 (part), except 288	VII. PREPAYMENTS AND ACCRUED INCOME	0058	31	2,932,953	2,650,955	4,287,752
	E. TOTAL ASSETS = OPERATING ASSETS (0001 + 0002 + 0029 + 0030)	0059		959,978,120	918,315,417	1,165,704,438
88	F. OFF BALANCE ASSETS	0060	41	250,042,706	231,090,249	261,513,717
	EQUITY AND LIABILITIES					
	A. EQUITY (0402 + 0403 + 0404 + 0405 + 0406 - 0407 + 0408 + 0411 - 0412) ≥ 0	0401		602,051,809	600,998,682	818,676,507
30, expect 306	I. BASIC CAPITAL	0402	32	360,532,532	360,003,089	360,141,927

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2020	Opening balance as at 1 January 2020
1	2	3	4	5	6	7
31	II. UNPAID SUBSCRIBED CAPITAL	0403		-	-	-
306	III. OWN SHARES PURCHASED	0404		-	-	-
32	IV. RESERVES	0405		45,400	44,776	43,934
330 and credit balance of accounts 331,332,333, 334, 335, 336 and 337	V. POSITIVE REVALUATION RESERVES AND UNREALIZED GAINS ON FINANCIAL ASSETS AND OTHER COMPONENTS OD OTHER COMPREHENSIVE INCOME	0406	32	447,666,415	423,820,119 -	600,276,857
debit balance of accounts 331, 332, 333,334, 335, 336 and 337	VI. UNREALIZED LOSSES ON FINANCIAL ASSETS AND OTHER COMPONENTS OD OTHER COMPREHENSIVE INCOME	0407	32	3,006,281	2,963,659	3,233,080
34	VII. RETAINED EARNINGS (0409+0410)	0408		-	-	-
340	1. Retained earnings from previous years	0409		-	-	-
341	2. Retained earnings from current year	0410		-	-	-
	VIII. NON-CONTROLLING INTEREST	0411		-	-	-
35	IX. ACCUMULATED LOSS (0413+0414)	0412		203,186,257	179,905,643	138,553,131
350	1. Previous year's losses	0413	32	187,693,790	179,905,643	138,553,131
351	2. Current year loss	0414	32	15,492,467	-	-
	B. LONG - TERM PROVISIONS AND LIABILITIES (0416+0420+0428)	0415		130,748,888	148,406,785	149,188,036
40	I. LONG - TERM PROVISIONS (0417 + 0418 + 0419)	0416		37,965,081	40,791,474	40,084,156

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2020	Opening balance as at 1 January 2020
1	2	3	4	5	6	7
404	1. Provisions for employees benefits	0417	33	14,972,214	17,311,238	18,979,073
400	2. Provisions for costs incurred during the warranty period	0418		-	-	-
40, expect 400 and 404	3. Other long term provisions	0419	33	22,992,867	23,480,236	21,105,083
41	II. LONG-TERM LIABILITIES (0421 + 0422 + 0423 + 0424 + 0425 + 0426 + 0427)	0420		92,783,807	107,615,311	109,103,880
410	1. Liabilities that can be converted into capital	0421	34	80,500	80,500	80,543
411 (part) and 412 (part)	2. Long-term loans and others long-term liabilities to the parent company, dependents and other related company in country	0422		-	-	-
411 (part) and 412 (part)	3. Long-term loans and others long-term liabilities to the parent company, dependents and other related company- foreign	0423		-	-	-
414 and 416 (part)	4. Long-term loans, loans and obligations based on leasing in the country	0424	34	21,168,498	22,855,410	20,959,506
415 and 416 (part)	5. Long-term loans, loans and obligations based on leasing aboard	0425	34	71,533,476	84,676,818	88,035,161
413	6. Liabilities for long-term securities	0426		-	-	-
419	7. Other long-term liabilities	0427	34	1,333	2,583	28,670
49 (part), except 498 and 495 (part)	III. Long term accruals	0428		-	-	-
498	C. DEFERRED TAX LIABILITIES	0429	23	68,368,511	65,766,488	89,525,006
495 (part)	D. DONATIONS RECIVED	0430	35	8,575,955	8,681,462	28,438,754
	E. SHORT-TERM RESERVATIONS I SHORT-TERM LIABILITIES (0432 +0433 + 0441 + 0442 + 0449 + 0453+ 0454)	0431		150,232,957	94,462,000	79,876,135
467	I.SHORT- TERM RESERVATIONS	0432		-	-	-
42, expect 427	II. SHORT-TERM FINANCIAL LIABILITIES (0434 + 0435 + 0436 + 0437 + 0438 + 0439 + 0440)	0433		54,422,372	18,393,513	13,569,273
420 (part) and 421 (part)	1. Liabilities based on loans according to parent, dependent and others related parties in the country	0434		3,070	3,070	3,070
420 (part) and 421 (part)	2. Liabilities based on loans according to parent, dependent and others related parties aboard	0435		-	-	-

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2020	Opening balance as at 1 January 2020
1	2	3	4	5	6	7
422 (part), 424 (part), 425 (part), and 429 (part)	3. Liabilities based on credits and loans from persons other than domestic banks	0436	36	59,442	29,951	67,853
422 (part), 424 (part), 425 (part), and 429 (part)	4. Liabilities based on loans from domestic banks	0437	36	24,402,808	9,100,855	3,864,045
423, 424 (part), 425 (part) and 429 (part)	5. Credits, loans and liabilities from abroad	0438	36	29,957,052	9,259,637	9,634,305
426	6. Liabilities on short-term securities of value	0439		-	-	-
428	7. Financial liabilities derivatives	0440		-	-	-
430	III. RECEIVED ADVANCES PAYMENTS, DEPOSITS AND BAILS	0441	37	1,047,637	926,620	5,432,804
43 except 430	IV. LIABILITIES FROM BUSINESS OPERATIONS (0443 + 0444 + 0445 + 0446 + 0447 + 0448)	0442		72,802,015	48,181,388	34,416,662
431 and 433	1. Trade payables parent, subsidiary legal entities and others connected company - domestic	0443	38	23,477	60,917	131,316
432 and 434	2. Trade payables parent, subsidiary legal entities and others connected company- foreign	0444		-	-	-
435	3. Trade payables – domestic	0445	38	52,476,787	40,858,195	26,012,840
436	4. Trade payables – foreign	0446	38	18,201,995	5,264,636	6,429,262
439 (part)	5. Liabilities under promissory notes	0447		-	-	-
439 (part)	6. Other liabilities from business operations	0448	38	2,099,756	1,997,640	1,843,244
44, 45, 46 expect 467, 47,48	V. OTHER SHORT-TERM LIABILITIES (0450 + 0451+ 0452)	0449		20,487,672	25,349,661	25,021,854
44,45,46 expect 467	1.Other short-term liabilities	0450	39	8,048,862	11,777,563	14,151,419
47,48, expect 481	2.Liabilities for VAT and other public income	0451	39	12,438,810	10,375,427	10,870,435
481	3.Liabilities for income tax	0452	39	-	3,196,671	-
427	VI. LIABILITIES BASED ON ASSETS HELD FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS	0453		-	-	-

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2020	Opening balance as at 1 January 2020
1	2	3	4	5	6	7
49 (part) except 498	VII. ACCRUALS AND DEFERRED INCOME	0454	40	1,473,261	1,610,818	1,435,542
	F. LOSS OVER CAPITAL (0415+0429+0430+0431-0059) ≥ 0 = (0407+0412-0402-0403-0404-0405- 0406-0408-0411) ≥ 0	0455		-	-	-
	G. TOTAL EQUITY AND LIABILITIES (0401+0415+0429+0430+0431-0455)	0456		959,978,120	918,315,417	1,165,704,438
89	H. OFF BALANCE LIABILITIES	0457	41	250,042,706	231,090,249	261,513,717

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 2021 to 31 December 2021

- In thousands of Dinars -

	DESCRIPTION 1	AOP	Basic Equity (group 30 without 306 and 309) 2	AOP	Other basic equity (account 309) 3	AOP	Unpaid subscribed equity (group 31) 4
1.	Balance as at 01.01. of the previous year	4001	360,070,480	4010	71,447	4019	-
2.	Correction of material errors and changes in accounting policies	4002	-	4011	-	4020	-
3.	Adjusted opening balance as at 01.01. of the previous year (1+2)	4003	360,070,480	4012	71,447	4021	-
4.	Changes in the previous year _____	4004	-138,838	4013	-	4022	-
5.	Balance at the end of the previous year 31.12. (3+4)	4005	359,931,642	4014	71,447	4023	-
6.	Correction of material errors and changes in accounting policies	4006	-	4015	-	4024	-
7.	Corrected opening balance of the current year 01.01. (5+6)	4007	359,931,642	4016	71,447	4025	-
8.	Changes in the current year _____	4008	529,443	4017	-	4026	-
9.	Balance at end of the year 31.12. (7+8)	4009	360,461,085	4018	71,447	4027	-

	DESCRIPTION 2	AOP	Emission premium and reserves (account 306 and group 32) 5	AOP	Revaluation reserves and retained earnings and losses (group 33) 6	AOP	Retained Earnings (group 34) 7
1.	Balance as at 01.01. of the previous year	4028	43,934	4037	597,081,651	4046	-
2.	Correction of material errors and changes in accounting policies	4029	-	4038	-37,874	4047	-
3.	Adjusted opening balance as at 01.01. of the previous year (1+2)	4030	43,934	4039	597,043,777	4048	-
4.	Changes in the previous year _____	4031	842	4040	-176,187,317	4049	-
5.	Balance at the end of the previous year 31.12. (3+4)	4032	44,776	4041	420,856,460	4050	-
6.	Correction of material errors and changes in accounting policies	4033	-	4042	-	4051	-
7.	Corrected opening balance of the current year 01.01. (5+6)	4034	44,776	4043	420,856,460	4052	-
8.	Changes in the current year _____	4035	624	4044	23,803,674	4053	-
9.	Balance at end of the year 31.12. (7+8)	4036	45,400	4045	444,660,134	4054	-

	DESCRIPTION	AOP	Loss (group 35)		Participations without control rights		Total (corresponds to position AOP 0401) (2+3+4+5+6+7-8+9) ≥ 0
1	2		8		9		10
1.	Balance as at 01.01. of the previous year	4055	129,350,505	4064	-	4073	827,917,007
2.	Correction of material errors and changes in accounting policies	4056	9,202,626	4065	-	4074	
3.	Adjusted opening balance as at 01.01. of the previous year (1+2)	4057	138,553,131	4066	-	4075	818,676,507
4.	Changes in the previous year _____	4058	41,352,512	4067	-	4076	
5.	Balance at the end of the previous year 31.12. ____ (3+4)	4059	179,905,643	4068	-	4077	600,998,682
6.	Correction of material errors and changes in accounting policies	4060	-	4069	-	4078	
7.	Corrected opening balance of the current year 01.01. ____ (5+6)	4061	179,905,643	4070	-	4079	600,998,682
8.	Changes in the current year _____	4062	23,280,614	4071	-	4080	
9.	Balance at end of the year 31.12. ____ (7+8)	4063	203,186,257	4072	-	4081	602,051,809

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

In _____

Legal representative

Stamp

Date _____ 20 _____

To be filled in by legal entity – entrepreneur

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

Head office Belgrade, 13 Balkanska Street

CONSOLIDATED CASH FLOW STATEMENT

for the period from 01 January 2021 to 31 December 2021

- in thousands of Dinars -

Item	AOP	Amount	
		Current year	Previous year
1	2	3	4
A. CASH FLOW FROM OPERATING ACTIVITIES			
I. Cash inflow from operating activities (1 to 4)	3001	277,351,898	275,641,503
1. Sales and advances received in the country	3002	268,925,519	266,593,583
2. Sales and advances received abroad	3003	4,740,526	3,766,102
3. Interest received from business activities	3004	2,226,733	2,523,060
4. Other inflows from regular operations	3005	1,459,120	2,758,758
II Cash outflows from operating activities (1 till 8)	3006	237,989,211	228,588,470
1. Payments to suppliers and advances made in the country	3007	92,082,115	93,070,306
2. Payments to suppliers and advances made abroad	3008	27,059,696	3,939,964
3. Salaries, salary allowances and other personal expenses	3009	51,383,930	67,517,824
4. Interest paid in the country	3010	2,003,077	1,956,702
5. Interest paid abroad	3011	425,339	396,034
6. Income tax	3012	9,552,535	3,323,851
7. Outflows based on other public revenues	3013	55,482,519	58,383,789
8. Other outflows from business activities	3014	-	-
III. Net cash inflow from business activities (I - II)	3015	39,362,687	47,053,033
IV. Net cash outflow from business activities (II - I)	3016	-	-
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
I. Cash inflows from investing activities (1 to 5)	3017	1,376,888	1,214,393
1. Sale of shares and stakes (net inflows)	3018	-	-
2. Sale of intangible assets, property, plant, equipment and biological assets	3019	12,986	-
3. Other financial investments (net inflows)	3020	970,763	-
4. Interests received from investing activities	3021	393,139	1,214,393
5. Dividends received	3022	-	-
II. Cash outflow from investing activities (1 till 3)	3023	50,705,478	51,883,428
1. Purchase of shares and stakes (net outflows)	3024	1,152	1,825

ITEM	AOP	Amount	
		Current year	Previous year
1	2	3	4
2. Purchase of intangible investments, property, plant, equipment and biological assets	3025	50,704,326	47,724,679
3. Other financial investments (net outflows)	3026	-	4,156,924
III. Net cash inflow from investing activities (I-II)	3027	-	-
IV. Net cash outflow from investing activities (II-I)	3028	49,328,590	50,669,035
C. CASH FLOW FROM FINANCING ACTIVITIES			
I. Cash inflows from financing activities (1 till 7)	3029	24,731,554	19,688,825
1. Increase of basic capital	3030	-	-
2. Long-term loans in country	3031	22,171,878	19,188,329
3. Long-term loans abroad	3032	2,559,585	500,496
4. Short-term loans in country	3033	-	-
5. Short-term loans abroad	3034	-	-
6. Other long-term liabilities	3035	91	-
7. Other short-term liabilities	3036	-	-
II. Cash outflows from financing activities (1 till 8)	3037	21,680,596	16,378,429
1. Purchase of own shares and stakes	3038	-	-
2. Long-term loans in country	3039	9,384,525	6,603,073
3. Long-term loans abroad	3040	9,100,994	9,717,344
4. Short-term loans in country	3041	-	-
5. Short-term loans abroad	3042	-	-
6. Other liabilities	3043	58,440	57,364
7. Financial leasing	3044	136,602	263
8. Paid dividends	3045	3,000,035	385
III. Net cash inflows from financing activities (I-II)	3046	3,050,958	3,310,396
IV. Net cash outflows from financing activities (II-I)	3047	-	-
D. TOTAL CASH INFLOWS (3001 + 3017 + 3029)	3048	303,460,340	296,544,721
E. TOTAL CASH OUTFLOWS (3006 + 3023 + 3037)	3049	310,375,285	296,850,327
F. NET CASH INFLOWS (3048 - 3049) ≥ 0	3050	-	-
G. NET CASH OUTFLOWS (3049 - 3048) ≥ 0	3051	6,914,945	305,606
H. CASH AT THE BEGINNING OF THE CALCULATION PERIOD	3052	20,384,815	20,707,055
I. POSITIVE EXCHANGE RATE DIFFERENCES DUE TO CALCULATION OF CASH	3053	1,175	651
J. NEGATIVE EXCHANGE RATE DIFFERENCES DUE TO CALCULATION OF CASH	3054	1,746	17,285
K. CASH AT THE END OF REPORTING PERIOD (3050 - 3051 + 3052 + 3053 - 3054)	3055	13,469,299	20,384,815

In _____

Stamp

Legal representative

Date _____ 20 _____

**PUBLIC ENTITY ELEKTROPRIVREDA SRBIJE,
BELGRADE**

**Consolidated Financial Statements for the
Year Ended 31 December 2021**

July 2022

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CONSOLIDATED INCOME STATEMENT
For the Year Ended 31 December 2021
In RSD thousands

	<u>Note</u>	<u>2021</u>	<u>2020</u> <i>Corrected</i>
Operating income			
Income from sales of goods	6	4,510,427	3,921,242
Income from sales of goods and services	6	300,837,822	238,141,541
Income from activation of goods and effects	7	1,174,440	4,043,374
Increase in the value of inventories of unfinished and finished goods		4,623	1,040,589
Decrease in the value of inventories of unfinished and finished goods		(802,435)	(566,665)
Other operating income	8	3,736,770	4,787,605
Income from property value adjustments (except financial)	9	10,372,680	2,104,705
		<u>319,834,327</u>	<u>253,472,391</u>
Expenses from operating activities			
Cost of goods sold		(1,196,723)	(140,024)
Cost of material, fuel and energy	10	(187,664,671)	(62,501,391)
Wages and salaries and other personal expenses	11	(48,914,438)	(62,276,709)
Amortization	12	(35,264,387)	(50,397,601)
Expenses from adjustment of property value (except financial)	13	(11,006,335)	(721,991)
Cost of production services	14	(22,807,803)	(30,977,845)
Cost of provisioning	15	(2,620,663)	(4,242,392)
Immaterial costs	16	(21,878,482)	(22,445,377)
		<u>(331,353,502)</u>	<u>(233,703,330)</u>
Operating profit/(loss)		<u>(11,519,175)</u>	<u>19,769,061</u>
Financial income			
Financial income from parent company, subsidiaries and other related parties	17	834,550	811,239
Interest income	17	3,257,692	5,745,066
Foreign exchange gains and gains on currency clause effect (third parties)	17	581,716	5,140,343
Other financial income	17	35,644	35,681
		<u>4,709,602</u>	<u>11,732,329</u>
Financial expenses			
Interest expenses	18	(1,671,642)	(1,235,484)
Foreign exchange losses and loss on currency clause effect (third parties)	18	(4,457,549)	(484,188)
Other financial expenses	18	(284,694)	(307,621)
		<u>(6,413,885)</u>	<u>(2,027,293)</u>
Gain/(loss) on financing activities		<u>(1,704,283)</u>	<u>9,705,036</u>
Income from adjustments of other assets carried at fair value through profit and loss	19	6,782,081	815,725
Expenses from adjustments of other assets carried at fair value through profit and loss	20	(5,907,642)	(12,682,533)
Other income	21	5,985,647	5,733,687
Other expenses	22	(9,474,336)	(7,144,383)
Total income		<u>337,311,657</u>	<u>271,754,132</u>
Total expenses		<u>(353,149,365)</u>	<u>(255,557,539)</u>
Profit/(loss) before tax		<u>(15,837,708)</u>	<u>16,196,593</u>

(continued)

CONSOLIDATED INCOME STATEMENT (continue)
For the period 1 January - 31 December 2021
In RSD thousands

	<u>Note</u>	<u>2021</u>	<u>2020</u> <i>Corrected</i>
Profit/(loss) before tax		<u>(15,837,708)</u>	<u>16,196,593</u>
Income tax			
Tax expense for the period	23	(2,605,356)	(8,152,083)
Deferred tax income/(expense) for the period	23	<u>2,950,597</u>	<u>2,628,480</u>
Net profit/(loss)		<u>(15,492,467)</u>	<u>10,672,990</u>
Attributable to owners		<u>(15,444,616)</u>	<u>10,697,809</u>
Attributable to non-controlling interest		<u>(47,851)</u>	<u>(24,819)</u>

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

On behalf of the Company

Miroslav Tomašević
Acting general manager

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the period 1 January – 31 December 2021
In RSD thousand

	<u>Note</u>	<u>2021</u>	<u>2020</u> <i>Corrected</i>
Net operating profit			
Net profit/(loss)		(15,492,467)	10,672,990
Other Comprehensive gain / (loss), gross			
a) Items that will not be reclassified to profit or loss			
Increase (decrease) in revaluation of intangible assets and property, plant and equipment	32	37,017,490	(41,754)
Actuarial gains (losses) based on defined benefit plans	32	(441,390)	(62,631)
		<u>36,576,100</u>	<u>(104,385)</u>
b) Items that will be reclassified to profit or loss in future periods			
Gains or losses based on consolidated recalculations financial reports of foreign operations	32	(31)	64
Gains/(losses) on securities measured at fair value through other comprehensive income	32	1,501	(10,184)
		<u>1,470</u>	<u>(10,120)</u>
Other Comprehensive gain / (loss), gross		<u>36,577,570</u>	<u>(114,505)</u>
Deferred tax income/(expense) on other comprehensive gain or loss for the period	23	(5,552,624)	-
Other Comprehensive gain / (loss), net		<u>31,024,946</u>	<u>(114,505)</u>
Total Comprehensive gain / (loss), net		<u>15,532,479</u>	<u>10,558,485</u>

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

CONSOLIDATED BALANCE SHEET
As at 31 December 2021
In RSD thousand

	<u>Note</u>	<u>31 December 2021</u>	<u>31 December 2020</u> <i>Corrected</i>	<u>1 January 2020</u> <i>Corrected</i>
ASSETS				
Non-current assets				
Intangible assets				
Concessions, patents, licences, trademarks, software and other intangible assets	24	10,476,183	10,678,620	7,577,692
Intangible assets taken in leasing and intangible assets in prepare	24	<u>2,166,647</u>	<u>6,233,968</u>	<u>5,353,184</u>
		<u>12,642,830</u>	<u>16,912,588</u>	<u>12,930,876</u>
Property, plant and equipment				
Land and buildings	24	322,794,489	325,030,876	395,022,681
Machinery and equipment	24	370,141,308	341,061,456	497,240,149
Investment property	24	354,908	417,698	430,956
Property, plant and equipment under lease and property plant and equipment under construction	24	106,268,514	87,592,753	117,273,245
Other property, plant and equipment and investments on third party property, plants and equipment	24	106,978	118,473	136,296
Advances on property, plant and equipment in the country		5,992,767	6,085,130	3,156,099
Advances on property, plant and equipment- foreign	24	<u>12,076,916</u>	<u>14,254,524</u>	<u>16,226,199</u>
		<u>817,735,880</u>	<u>774,560,910</u>	<u>1,029,485,625</u>
Biological assets	24	<u>502,441</u>	<u>489,076</u>	<u>442,343</u>
		<u>502,441</u>	<u>489,076</u>	<u>442,343</u>
Long-term financial placements and long-term receivables				
Participations in the capital of legal entities (except participation in equity valued using the equity method)	25	290,795	325,873	522,002
Equity investments that are valued using the method participation	25	27,984	406,462	406,180
Long term investments – domestic	25	2,350,992	2,490,896	-
Other long-term financial investments and other long term receivables	25	<u>441,716</u>	<u>1,303,067</u>	<u>4,230,563</u>
		<u>3,111,487</u>	<u>4,526,298</u>	<u>5,158,745</u>
Current assets				
Inventory				
Material, spare parts, tools and inventory	26	26,490,016	27,039,451	31,873,310
Work in progress and ongoing services	26	2,295,414	3,093,405	2,619,480
Merchandise	26	1,749	2,738	4,500
Advances paid for supplies and services in the country	26	1,745,586	4,428,157	3,052,877
Advances paid to foreign persons for supplies and services	26	<u>1,969,406</u>	<u>220,466</u>	<u>352,469</u>
		<u>32,502,171</u>	<u>34,784,217</u>	<u>37,902,636</u>
Fixed assets held for sale and cessation of business		<u>163,509</u>	<u>-</u>	<u>1,825</u>
Trade receivables				
Trade receivables – domestic	27	62,622,573	56,573,034	45,980,764
Trade receivables – foreign	27	74,416	262,503	41,733
Other trade receivables	27	<u>126,548</u>	<u>310,534</u>	<u>130,844</u>
		<u>62,823,537</u>	<u>57,146,071</u>	<u>46,153,341</u>
Other short-term receivables				
Other receivables	28	9,934,952	6,593,020	6,422,286
Claims for overpaid income tax	28	3,750,495	-	1,423,686
Claims based on overpaid taxes and contribution	28	<u>160,259</u>	<u>49,408</u>	<u>328,892</u>
		<u>13,845,706</u>	<u>6,642,428</u>	<u>8,174,864</u>

(continued)

CONSOLIDATED BALANCE SHEET
For the period 1 January – 31 December 2021 (continued)
In RSD thousand

	<u>Note</u>	<u>31 December 2021</u>	<u>31 December 2020</u> <i>Corrected</i>	<u>1 January 2020</u> <i>Corrected</i>
Short-term financial investments				
Short-term loans and borrowings - domestic	29	212,486	205,512	132,738
Other short term financial investments	29	<u>35,821</u>	<u>12,547</u>	<u>326,638</u>
		<u>248,307</u>	<u>218,059</u>	<u>459,376</u>
Cash and cash equivalents	30	13,469,299	20,384,815	20,707,055
Prepaid expenses and other accruals	31	<u>2,932,953</u>	<u>2,650,955</u>	<u>4,287,752</u>
Total assets		<u>959,978,120</u>	<u>918,315,417</u>	<u>1,165,704,438</u>
Off-balance sheet assets	41	<u>250,042,706</u>	<u>231,090,249</u>	<u>261,513,717</u>
Equity and liabilities				
Equity				
Basic capital	32	360,532,532	360,003,089	360,141,927
Reserves		45,400	44,776	43,934
Positive revaluation reserves and unrealized gains on the basis of financial assets and other components of the rest comprehensive result	32	447,666,415	423,820,119	600,276,857
Unrealised gain/(loss) from securities and other comprehensive income items	32	(3,006,281)	(2,963,659)	(3,233,080)
Loss		(203,186,257)	(179,905,643)	(138,553,131)
Previous years' loss	32	(187,693,790)	(179,905,643)	(138,553,131)
Current year loss	32	<u>(15,492,467)</u>	<u>-</u>	<u>-</u>
		<u>602,051,809</u>	<u>600,998,682</u>	<u>818,676,507</u>
Long-term provisions and liabilities				
Long-term provisions				
Provisions for fees and other benefits employees	33	14,972,214	17,311,238	18,979,073
Other long-term provisions	33	<u>22,992,867</u>	<u>23,480,236</u>	<u>21,105,083</u>
		<u>37,965,081</u>	<u>40,791,474</u>	<u>40,084,156</u>
Long-term liabilities				
Liabilities convertible into equity	34	80,500	80,500	80,543
Long term loans, borrowings and lease liabilities - domestic	34	21,168,498	22,855,410	20,959,506
Long term loans, borrowings and lease liabilities – foreign	34	71,533,476	84,676,818	88,035,161
Other long-term liabilities	34	<u>1,333</u>	<u>2,583</u>	<u>28,670</u>
		<u>92,783,807</u>	<u>107,615,311</u>	<u>109,103,880</u>
Long-term passive accruals		-	-	-
Deferred tax liabilities	23	68,368,511	65,766,488	89,525,006
Long-term deferred income and received donations	35	8,575,955	8,681,462	28,438,754
Short-term reservations and short-term financial liabilities				
Short-term financial liabilities				
Liabilities based on loans to parent, subsidiary and other related legal entities in the country		3,070	3,070	3,070
Liabilities based on credits and loans from persons other than domestic banks	36	59,442	29,951	67,853
Liabilities based on loans from domestic banks	36	24,402,808	9,100,855	3,864,045
Credits, loans and liabilities from abroad	36	<u>29,957,052</u>	<u>9,259,637</u>	<u>9,634,305</u>
		<u>54,422,372</u>	<u>18,393,513</u>	<u>13,569,273</u>
Customer prepayments, deposits and caution money	37	1,047,637	926,620	5,432,804

(continued)

CONSOLIDATED BALANCE SHEET
For the period 1 January – 31 December 2021 (continued)
In RSD thousand

	<u>Note</u>	<u>31 December 2021</u>	<u>31 December 2020</u> <i>Corrected</i>	<u>1 January 2020</u> <i>Corrected</i>
Operating liabilities				
Trade payables parent, subsidiary legal entities and others connected company - domestic	38	23,477	60,917	131,316
Trade payables – domestic	38	52,476,787	40,858,195	26,012,840
Trade payables – foreign	38	18,201,995	5,264,636	6,429,262
Other operating liabilities	38	2,099,756	1,997,640	1,843,244
		<u>72,802,015</u>	<u>48,181,388</u>	<u>34,416,662</u>
Other current liabilities				
Other current liabilities	39	8,048,862	11,777,563	14,151,419
Liabilities for VAT and other public income	39	12,438,810	10,375,427	10,870,435
Liabilities for income tax	39	-	3,196,671	-
		<u>20,487,672</u>	<u>25,349,661</u>	<u>25,021,854</u>
Short-term passive accruals	40	1,473,261	1,610,818	1,435,542
Total liabilities		<u>959,978,120</u>	<u>918,315,417</u>	<u>1,165,704,438</u>
Off-balance liabilities	41	<u>250,042,706</u>	<u>231,090,249</u>	<u>261,513,717</u>

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

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
During the period from 1 January - 31 December 2021
In RSD thousand

	Items of equity			Retained earnings	Items of other comprehensive income	Total equity
	Basic capital	Reserves	Loss		Revaluation reserves and unrealized losses and gains	
Opening balance as at 1 January 2020	360,070,480	71,447	43,934	129,350,505	597,081,651	827,917,007
Effects of retroactive correction materially errors and changes in accounting policies	-	-	-	9,202,626	(37,874)	(9,240,500)
Restated opening balance as at 1 January 2020	360,070,480	71,447	43,934	138,553,131	597,043,777	818,676,507
Net movements in 2020	(138,838)	-	842	41,352,512	(176,187,317)	(217,677,825)
Closing balance as at 31 December 2020	359,931,642	71,447	44,776	179,905,643	420,856,460	600,998,682
Effects of retroactive correction materially errors and changes in accounting policies	-	-	-	-	-	-
Restated opening balance as at 1 January 2021	359,931,642	71,447	44,776	179,905,643	420,856,460	600,998,682
Net movements in 2021	529,443	-	624	23,280,614	23,803,674	1,053,127
Closing balance as at 31 December 2021	360,461,085	71,447	45,400	203,186,257	444,660,134	602,051,809

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

CONSOLIDATED CASH FLOW STATEMENT
During the period from 1 January - 31 December 2021
In RSD thousand

	2021	2020
Cash flows from operating activities		
Cash inflows from operating activities	277,351,898	275,641,503
Sales and advances received-domestic	268,925,519	266,593,583
Sales and advances received-foreign	4,740,526	3,766,102
Interests from operating activities	2,226,733	2,523,060
Other proceeds from operating activities	1,459,120	2,758,758
Cash outflows from operating activities	237,989,211	228,588,470
Payments and prepayments to suppliers- domestic	92,082,115	93,070,306
Payments and prepayments to suppliers- foreign	27,059,696	3,939,964
Salaries, fringe benefits and other personal expenses	51,383,930	67,517,824
Interest paid- domestic	2,003,077	1,956,702
Interest paid-foreign	425,339	396,034
Income tax	9,552,535	3,323,851
Charges for services that qualify as public revenues	55,482,519	58,383,789
Cash inflows/(outflow) from operating activities, Net	39,362,687	47,053,033
Cash flows from investing activities		
Cash inflows from investing activities	1,376,888	1,214,393
Sale of intangible assets, property, plant, equipment and biological assets	12,986	-
Other financial investments	970,763	-
Interests received from investing activities	393,139	1,214,393
Cash outflows from investing activities	50,705,478	51,883,428
Purchase of shares and stakes	1,152	1,825
Purchase of intangible assets, property, plant, equipment and biological assets	50,704,326	47,724,679
Other financial outflows, net	-	4,156,924
Cash inflow/(outflow) from investing activities, Net	(49,328,590)	(50,669,035)
Cash flows from financing activities		
Cash inflows from financing activities	24,731,554	19,688,825
Long-term loans - domestic	22,171,878	19,188,329
Long-term loans - foreign	2,559,585	500,496
Other long-term liabilities	91	-
Cash outflows from financing activities	21,680,596	16,378,429
Long-term loans - domestic	9,384,525	6,603,073
Long-term loans - foreign	9,100,994	9,717,344
Other liabilities	58,440	57,364
Finance lease	136,602	263
Dividends paid	3,000,035	385
Inflows/(outflows) from financing activities, Net	3,050,958	3,310,396
Total cash inflow	303,460,340	296,544,721
Total cash outflow	310,375,285	296,850,327
Net cash outflow	6,914,945	305,606
Cash at the beginning of the accounting period	20,384,815	20,707,055
Foreign exchange gains on translation of cash	1,175	651
Foreign exchange losses on translation of cash	1,746	17,285
Foreign exchange gains on translation of cash	13,469,299	20,384,815

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

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 decision on Harmonization of the Business of the Public Enterprise "Elektroprivreda Srbije", Belgrade with the Law on Public Enterprises ("Official Gazette of the RS" No. 105/16, 31/18), the business was harmonized of the Public Enterprise "Elektroprivreda Srbije", Belgrade with the Law on Public Enterprises ("Official Gazette of RS", number 15/16).

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

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

Part of the mentioned activities has been carried out, by implementing status changes:

- 1 July 2015 - merger of subsidiary companies for energy production and coal production to the Company,
- 4 January 2016 - a part of the property of the Company ODS "EPS Distribucija" was separated and merged with the Company and
- 1 June 2016 - the Company "EPS Snažbevanje" was merged with the Company.

Then, in the period preceding 1 January 2021, the Public Company "Elektroprivreda Srbije" was also the sole founder of the Distribution System Operator "EPS Distribucija" d.o.o. Belgrade, Masarikova 1-3, registered for the activity of electricity distribution and distribution system management. Namely, by Government Decision 05 Number: 023-10578/2020-1 of 17 December 2020, the Plan for the implementation of activities aimed at the reorganization of the Distribution System Operator "EPS Distribucija" d.o.o. Belgrade was adopted. Based on which JP "Elektroprivreda Srbije":

- Made a new non-monetary contribution, namely real estate and equipment owned by JP "Elektroprivreda Srbije", as well as intangible assets, participation in the capital of other legal entities and receivables in the total value of RSD 18,264,193 thousands, thereby increasing the basic capital of the Distribution System Operator "EPS Distribucija", d.o.o. Belgrade, which change in registration of non-monetary deposit was registered in the Register of Business Entities APR on 23 December 2020;
- Concluded the Agreement on the transfer of shares in the Distribution System Operator "EPS Distribucija" d.o.o. Belgrade from JP "Elektroprivreda Srbije" to the Republic of Serbia number 12.01.655216/1-20 dated 29 December 2020 (certified on the same day by a public notary), based on the Decision of the Supervisory Board, which change was registered in the Register of Business Entities APR on 31 December 2020. According to the provisions of Article 7 of the Transfer Agreement, the Agreement produces legal effect between the contracting parties on the date of certification by the competent authority, and on third parties on the date of entry of the changes in the register of economic entities, whereby the Public Company "Elektroprivreda Srbije" lost the power of control, i.e. the right to gives him the ongoing ability to direct the relevant activities of the Distribution System Operator "EPS Distribucija" d.o.o. Belgrade.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

1. GROUP ORGANISATION AND OPERATIONS (continued)

Then, with the amendments to the founding act of the Distribution System Operator "EPS Distribucija" d.o.o. Belgrade:

- The business name of the company was changed to "Elektrodistribucija Srbije" d.o.o. Belgrade, which change was registered in the Register of Business Entities APR on 29 January 2021,

And for unsubscribed non-monetary capital in the amount of RSD 18,264,193 thousands, it is stipulated that the non-monetary contribution will be entered no later than five years from the date of registration of the decision on the increase of the basic capital.

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

As of 31 December 2021, the Company is the sole founder of the following companies:

1. Electricity trading company "EPS Trgovanje" d.o.o. with headquarters in Ljubljana, Tivolska cesta no. 48, Republic of Slovenia, for the performance of electricity trading activities
2. Electricity trading company "Elektrosever" d.o.o. with headquarters in Severna Mitrovica, Filipa Višnjića bb, Kosovo and Metohija, for the performance of electricity trade and electricity distribution services. The company was founded by the Decision of the Supervisory Board of the Company No. 12.01.19169/3-2016 of January 20, 2016 with the consent of the Government of the Republic of Serbia by Decision no. 05 number 023-923/2016 from February 11, 2016. The Company was registered on November 7, 2018. The company has not started working. After the date of the consolidated balance sheet, the Company obtained a license for selling electricity to end consumers, buying electricity on wholesale and retail electricity markets, reselling excess capacity and electricity at freely agreed prices to other licensed electricity entities, importing and exporting capacity and electricity and invoicing and collection of revenue in the territory of the municipalities of Severna Mitrovica, Zvečan, Zubin potok and Leposavić.

In addition to the above, Public Enterprise "Elektroprivreda Srbije":

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

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

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

- "Ibarske hidroelektrane" d.o.o. Kraljevo, founded with SECI ENERGIA SpA, Republic of Italy, Bologna, Via Degli Agresti number 6, with a 49% share in the capital of that company, in the value of the share in the capital of EUR 2,450,000. The company was founded to build a system of ten cascade hydroelectric power plants with a total power of 103 MW, as facilities for the production and sale of electricity from renewable sources. As disclosed in note 25, on January 31, 2022, the compulsory liquidation procedure of the company "Ibarske hidroelektrane" d.o.o. was initiated;
- The company "Moravske hidroelektrane" d.o.o., Belgrade, founded with RWE Generation Hydro GmbH, Federal Republic of Germany (RWE AG), with a share in the company's capital of 49% in the value of EUR 255,095. The goal of the establishment of the company is the construction of a system of hydroelectric power plants on the Velika Morava river, which consists of at least 5 (five) hydroelectric power plants with a total power of about 150 (one hundred and fifty) MW.

With the adoption of the new Law on Energy at the end of 2014, the area of energy in domestic legislation was harmonized with the provisions of the Third Energy Legislative Package of the European Union, which continued the process of introducing competition into the electricity sector in Serbia, in order to increase the efficiency of the sector through the effect of market mechanisms in production and electricity supply, while maintaining the economic regulation of electricity transmission and distribution activities as natural monopolies. Energy activities are also performed by other economic entities (legal entities or entrepreneurs) under the condition of obtaining the appropriate license from the Energy Agency of the Republic of Serbia.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021
1. GROUP ORGANISATION AND OPERATIONS (continued)

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

The 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-Cmog 44, Obrenovac,
- Branch TE-KO KOSTOLAC, Nikole Tesle 5-7, Kostolac,
- Branch PANONSKE TE-TO, Bulevar Oslobođenja 100, Novi Sad,
- Branch RB KOLUBARA, Svetog Save 1, Lazarevac,
- Branch OBNOVLJIVI IZVORI, Carice Milice 2, Beograd,
- Branch EPS Snabdevanje, Carice Milice 2, Beograd.

The company has a license to perform the activity of electricity supply number 312-137/2015-L-I from December 23,2015 with a validity period of 10 years and a licence to performe energy activities number 312-149/2016-L-I from August 25, 2016, until the selection of a guaranteed supplier but maximum on the period of 10 years. .

For the reporting period, the Government of the RS designated the Company as a backup supplier of electricity to end customers by the Decision on Designation of the Backup Supplier No. 05: 312-9267/2020 ("Official Gazette of the RS" No. 140/2020) dated November 19, 2020 are not entitled to public supply for a period of two years from the date of adoption of this decision, at a price of EUR 66.72/MWh, excluding VAT. The price of reserve supply includes the price of electricity and the costs of balancing the system, and does not include the costs of access to the system, fees for the incentive of privileged electricity producers and fees for the improvement of energy efficiency. The price of reserve supply is determined on an annual basis according to a predetermined formula.

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

Energy activity	No. of Contract	Date of Contract	Validity period
Storage of oil, oil derivatives and biofuels	311.02-121/2016-П-I	26.01.2017.	10 years
Combined production of electricity and heat energy	312-120/2016-П-I	10.02.2017.	30 years
Production of electricity	312-119/2016-П-I	10.02.2017.	30 years
Trade in oil, oil derivatives, biofuels, bioliquids, compressed natural gas, liquefied natural gas and hydrogen	311.02-74/2021-П-I	27.12.2021.	10 years

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

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

As of December 31, 2021, the Group had 20,724 employees (December 31, 2020: 25,545 employees).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

1. GROUP ORGANISATION AND OPERATIONS (continued)

The Acts of the Founders adopting the Reorganization Program of the Public Enterprise "Elektroprivreda Srbije", among other things, also defined the procedure for establishing property rights on production facilities, i.e. other immovable properties on which the Company's property rights can be established. In the period after the acceptance of the Reorganization Program of the Public Enterprise "Elektroprivreda Srbije", the Founder gave his consent that the Company, as the registered holder of the right of use on buildings and special parts of buildings (office buildings, auxiliary buildings, warehouses, garages and others, facilities for the production of electricity and facilities in the function of facilities for the production of electricity) and the land on which they were built, can be registered as the owner in the real estate cadastre in accordance with the Law on Public Property ("Official Gazette of RS" no. 72/11, 88/13, 105/ 14, 104/16 - other laws, 108/16, 113/17, 95/18), the Law on Energy and other material regulations regulating real rights on real estate. It is expected that acts will be adopted on the establishment of the appropriate right of the company on immovable properties on which the right of ownership cannot be established in accordance with the Law on Public Property, and which are necessary for the performance of the Company's energy and mining activities.

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:

	%	
	2021	2020
"EPS Trgovanje" d.o.o. Ljubljana, Republic of Slovenia	100%	100%
"Elektrosever" d.o.o. Northern Mitrovica, Kosovo and Metohija	100%	100%
"Kolubara - Građevinar" d.o.o. Lazarevac	71,90%	71,90%
"Hydroelectric power system Gornja Drina" d.o.o., Foča, Republic of Srpska	51%	51%

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

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

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

2.2. Basis of preparation and presentation of financial statements

The Group's consolidated financial statements include the consolidated balance sheet as at 31 December 2021, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and an overview significant accounting policies and notes to the consolidated financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

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

2.2. Basis of preparation and presentation of financial statements (continued)

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

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

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

The Group's consolidated financial statements are expressed in thousands of dinars. 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 and adopted

On the date of publication of these financial statements, the standards and amendments to the standards listed below were issued by the International Accounting Standards Board, as well as interpretations by the Committee for the Interpretation of International Financial Reporting Standards, but they have not been translated and officially adopted in the Republic of Serbia:

- Amendments to the reference to the conceptual framework in IFRS standards (issued in March 2018, effective for annual periods beginning on or after January 1, 2020).
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - definition of materiality (issued in October 2018, effective for annual periods beginning on or after January 1, 2020).
- Amendments to IFRS 3 "Business combinations" - definition of business (business) issued in October 2018, effective for annual periods beginning on or after January 1, 2020).
- Revised framework for financial reporting - amendments published in March 2018
- Reform of the benchmark interest rate (phase 1) - amendments to IFRS 7, IFRS 9 and IAS 39, (amendments published in September 2019, effective for annual periods that start on or after January 1, 2020).
- Amendments to IFRS 16 "Leases" - benefits granted to lessees due to the Covid-19 pandemic (amendments published in May 2020, effective for annual periods beginning on or after June 1, 2020).
- Reform of the benchmark interest rate (phase 2) – amendments to IFRS 4, IFRS 9, IFRS 7, IFRS 16 and IAS 39, (amendments announced in August 2020, effective for annual periods beginning on or after January 1, 2021).

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

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

- IFRS 17 "Insurance Contracts" - revised and issued during 2017 as a complete standard (initially, effective for annual periods beginning on or after January 1, 2021 - with amendments from June 25, 2020, the International Accounting Standards Board has decided to postpone the application of this standard for annual periods beginning on or after 1 January 2023), including amendments for the initial application of IFRS 17 and related amendments to IFRS 9 "Financial Instruments" for the presentation of comparative data;
- Amendments to IFRS 3 "Business Combinations" - updating the reference to the conceptual framework (issued in May 2020, effective for annual periods beginning on or after January 1, 2022);

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

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

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

- Amendments to IAS 1 "Presentation of Financial Statements" - classification of liabilities into long-term and short-term liabilities (issued in January 2020, effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 1 "Presentation of Financial Statements" - an initiative to change the disclosure of accounting policies including amendments to IFRS Interpretations in Practice 2 "Assessment of Materiality" (issued in February 2021, 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 in construction (issued in May 2020, effective for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - harmful contracts, contract fulfillment costs (issued in May 2020, effective for annual periods beginning on or after January 1, 2022);
- Annual improvements to IFRS (IFRS 1, IFRS 9, IFRS 16, IAS 41) resulting from the standard improvement cycle project for the period from 2018 to 2020 issued in May 2020 (effective for annual periods beginning on or after January 1, 2022);
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Entities" - Sale or transfer of assets without compensation between the investor and its associate or joint entity (amendments adopted in September 2014, beginning of application was postponed indefinitely);
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - definition of accounting estimate, amendments adopted in February 2021 (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 12 "Income Taxes" - deferred taxes related to assets and liabilities arising from individual transactions, amendments adopted in May 2021 (effective for annual periods beginning on or after January 1, 2023 years).

2.5. Going concern principle

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

2.6. Comparative figures

2.6.1 Corrections of opening balance

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

2.6.2 Implementation of the new accounting framework

In accordance with the legal framework applicable in the Republic of Serbia, in 2021 the Group switched to the new accounting framework prescribed by the new Rulebook on the accounting framework and the content of accounts in the accounting framework for economic companies, cooperatives and entrepreneurs (Official Gazette of the RS No. 89/2020). Accordingly, new forms of financial reports for 2021 are being implemented, in accordance with the Rulebook on the content and form of financial report forms and form of statistical report forms for economic companies, cooperatives and entrepreneurs (Official Gazette of RS no. 89/2020), which differ in form and content from the forms of financial statements that were in use at the end of 2020. Accordingly, the comparative data in the forms of financial statements and notes to the financial statements have been reclassified in the current year in order to comply with the prescribed legal presentation for the current year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

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

2.6. Comparative figures (continued)

2.6.3 Loss of control over a subsidiary legal entity

As disclosed in note 1 to these consolidated financial statements, on December 29, 2020, the Parent Company and the Government of the RS concluded the 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 with the decision of the Agency for Business Registers number: BD 99765/2020 of December 31, 2020, a change of members was made, i.e. a registration was made according to which the Republic of Serbia was registered as a member of the company ODS "EPS Distribucije" with a share of 100% of the capital. On the date of loss of control, i.e. on December 31, 2020, the Group stopped recognizing the assets and liabilities of the Distribution System Operator "EPS Distribucije" d.o.o. in the consolidated balance sheet, while the consolidated income statement for 2020 also contains financial information of the Distribution System Operator "EPS Distribucije" d.o.o. Belgrade for the reporting period, where all the amounts of transactions arising from the mutual business relations of the Group and ODS "EPS Distribucije" d.o.o. during 2020, eliminated during consolidation.

2.7. 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, which was conditioned by the then development of the situation.

Production and placement of electricity

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

The realized electricity production in 2021 of 33,834 GWh was 1.3% higher than the plan and 0.5% lower than the previous year's output. The total deliveries of electricity for guaranteed and commercial supply in 2021 of 29,087 GWh are 5% higher than the plan for 2021 and the previous year's performance.

Electricity prices

The COVID-19 pandemic did not have an impact on the price level of electricity for the needs of guaranteed supply in 2021 (regulated price) nor on the price for commercial supply (pre-agreed prices).

In 2021, the realized average selling price of electricity for electricity deliveries on the guaranteed supply amounted to RSD 3,631/kWh, while on commercial supply it amounted to RSD 6,298/kWh.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

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

3.1. Revenues

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

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

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

- over time:
 - 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 favour of third parties (VAT, etc.), as well as discounts, rebates, bonuses, discounts, etc., if a variable fee is agreed or if it arises from the Group's usual business practices.

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

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

3.2. Effects of changes in exchange rates

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

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

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

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

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

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

3.3. Joint arrangements and business combinations

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

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

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

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

- joint business, if the parties who have joint control over the arrangement have rights to the property and responsibility for the obligations related to the arrangement,
- joint venture, if the parties who have joint control of the arrangement have rights to the net assets of the arrangement.

In a joint business, a participant in a joint business acknowledges:

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

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

3.3. Joint arrangements and business combinations (continued)

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

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

3.4. Borrowing costs

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

Borrowing costs may include:

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

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

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

3.5. Employee benefits

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

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

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

- severance pay upon retirement in the amount of 3 salaries of the employee earned or to be earned for the month preceding the month in which the severance pay is paid, or in the amount of 3 average salaries per employee paid in the 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 2021

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

3.6. Provisions

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

Litigation

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

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

Environmental restoration and environmental protection

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

3.7. Government grants, donations and assistance

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

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

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

- 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 2021

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

3.8. Taxes and contributions

Current income tax

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

3.9. Property, plant and equipment

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

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

Subsequent investments in the asset increase the asset's carrying value, where the investment is made: to upgrade the asset, to replace its part or service other than within the framework of regular maintenance, where it is probable that future economic benefits associated with such investment will flow into the 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 3.13. The calculation of their depreciation, as well as the recognition and measurement of the recoverable amount of these assets is performed as stated in items 3.11., 3.13. and 3.14.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

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

3.9. Property, plant and equipment (continued)

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

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

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

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

Also, property, plants and equipment of dependent legal entities whose registered predominant activity is not energy activity after initial recognition are reported at the revalued amount in the event that they are used to carry out the activity specified in the articles of incorporation of the subsidiary companies.

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

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

- market access, for land, administrative and other buildings for office work, catering and tourism,
- cost approach (current replacement cost), for other assets.

Revaluation of property, plant and equipment is performed if there are indications that the carrying amount differs significantly from the fair value at the balance sheet date, and mandatory once in a period of 3 to 5 years.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

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

3.10. Investment property

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

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

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

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

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

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

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

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

3.11. Depreciation of property, plant and equipment

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

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

3.12. Leasing

Accounting policies in effect from January 1, 2021

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

This policy applies to contracts entered into on or after January 1, 2021.

On the lease commencement date, each lease:

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

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

The Group as a lessee

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

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

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

The lease liability, on the first day of the lease term, is measured by the present value of all payments related to the lease that have not been made on that day. The present value of all payments is determined by discounting at the interest rate contained in the lease or, if the lease interest rate cannot be identified, at the incremental borrowing rate. After the first day of the lease term, interest on the lease liability and any variable payment that is not included in the measurement of the lease liability for the period in which the event or condition giving rise to the payments occurs is recognized in the income statement.

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

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

3.12. Leasing (continued)

The Group as a lessor

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

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

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

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

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

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

Accounting policies in effect until 1 January 2021

Leasing is classified as financial leasing in all cases where all risks and benefits resulting from the ownership of assets are transferred to the lessee. Upon initial recognition, the leased asset is measured at an amount that is equal to the lower amount between the fair value and the present value of the minimum lease payments. After initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Any other lease is classified as an operating lease and each transaction related to the same is recognized through the income statement during the term of the contract.

3.13. Intangible assets

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

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

3.13. Intangible assets (continued)

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.

3.14. Impairment of non-financial assets

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

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

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

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

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

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

3.15. Inventory

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

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

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

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

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

When estimating the net realizable value of spare parts, all factors that are specific to the 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

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

3.15. Inventory (continued)

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

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

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

3.16. Financial instruments

Initial recognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual parties using its accounting policies at the settlement date, i.e.:

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

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

Receivables from sales are recognized at their transaction price.

Derecognition of financial instruments

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)****3.16. Financial instruments (continued)*****Classification and subsequent measurement of financial instruments****Classification*

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

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

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

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

A financial asset will be measured at fair value through other comprehensive income if both of the following conditions are met and 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 2021

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

3.16. Financial instruments (continued)

Subsequent measurement of financial assets and liabilities

After the initial measurement, financial assets are measured:

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

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

Financial placements and receivables

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

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

3.16. Financial instruments (continued)

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.

3.17. Impairment of financial assets

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

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

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

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.

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 (transfers) and
 2. receivables from households.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

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

3.17. Impairment of financial assets (continued)

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

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

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

Guaranteed supply

Number of days in delay	% expected credit losses (range)	
	Households	Small consumers
Non- due	0.70% - 4.04%	1.89% - 6.02%
1 – 30	2.30% - 11.65%	4.86% - 11.00%
31 – 60	4.03% - 16.60%	7.36% - 16.39%
61 – 90	5.92% - 21.35%	8.94% - 21.70%
91 – 180	8.47% - 26.17%	9.90% - 26.78%
181 – 270	26.60% - 44.77%	12.08% - 46.27%
271 +	63.16%	63.16%

Commercial and backup supply

Number of days in delay	% expected credit losses (range)	
	Backup supply	Commercial consumers
Non- due	1.73%	8.12%
1 – 30	6.22%	11.62%
31 – 60	17.15%	31.74%
61 – 90	30.51%	41.43%
91 – 180	38.40%	45.68%
181 – 270	53.64%	55.42%
271 – 360	71.61%	79.19%
361 +	92.53%	93.14%

For the calculation of expected credit losses of sued trade receivables on commercial and reserve supply, as at 31 December 2021, the rates of 92,53% and 93,14% were used respectively, while the rate of expected credit losses of trade receivables in the process of reorganization, bankruptcy or liquidation is 100%.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

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

3.17. Impairment of financial assets (continued)

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 rates of 94.74% and 95.10% were used, while the rate of expected credit losses of trade receivables in the process of reorganization, bankruptcy or liquidation is 100%.

3.18. 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.

Determining the fair value of property, plant and equipment

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)****3.18. Significant accounting estimates (continued)***Impairment of value of non-financial assets*

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

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

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

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

3.18. Significant accounting estimates (continued)

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 forecasted salary increase, mortality rates and employee turnover. In determining the appropriate discount rate, Management considers interest rates equivalent to those applied to the Republic of Serbia bonds. The mortality rate is based on publicly available mortality tables. The future salary increase is based on expected inflation rates.

Fair value

The fair value of 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

IFRS 16 Leasing

The Group applied the International Financial Reporting Standard 16 "Leasing" (IFRS 16) for the first time on 1 January 2021, in accordance with the Decision of the Minister of Finance No. 401-00-4351/2020-16 of 10 September 2020 which is applied starting from the compilation of financial statements for the year ending on 31 December 2021.

The Group applied IFRS 16 using a modified retrospective approach, whereby the value of the right-of-use asset corresponds to the determined present value of the lease liability. Consequently, there are no cumulative effects of the correction of the initial balance that are reported within the retained profit/loss of earlier years as a result of the first application of this standard, nor corrections of comparative data and their disclosures on this basis. Comparative data based on leasing are presented in accordance with the requirements of the previously valid International Accounting Standard "Leasing" (IAS 17).

International Financial Reporting Standard 16 "Leases" (IFRS 16) has replaced the requirements for leasing from IAS 17 and related interpretations and is effective for annual periods beginning on or after 1 January 2021. IFRS 16 establishes the principles for recognition, measurement, presentation and lease disclosures. The objective is to ensure that entities provide relevant information in a manner that faithfully reflects those business changes. That information provides a basis for users of financial statements to assess the effects that leasing has on the entity's financial position, financial performance and cash flows.

Transition to IFRS 16

Applying IFRS 16 for the first time, the Group used the following practical reliefs allowed by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments of whether lease contracts are harmful, as an alternative to performing an impairment review - on 1 January 2021, there were no harmful contracts,
- calculation of operating leases with a remaining lease period of less than 12 months from 1 January 2021 as short-term leasing,
- exemption of initial direct costs when measuring property with the right to use on the date of initial application of the standard, and
- use of subsequent findings when determining the duration of the lease when the contract contains options to extend or terminate the lease.

Leasing previously classified as financial leasing

For a lease that is classified as a financial lease according to IAS 17, the book value of the asset with the right of use and the lease liability on 1 January 2021 is determined by the book value of the lease asset and the lease liability according to IAS 17, immediately before that date.

For a lease that is classified as an operating lease according to IAS 17, the Group:

- recognizes a lease liability on the date of first application of the standard for leases previously classified as an operating lease by applying IAS 17. The Group measures that lease liability at the present value of the remaining lease payments, discounted at the lessee's incremental borrowing rate on the date of initial application of the standard, and
- recognizes assets with the right of use on the date of first application of the standard for leases previously classified as operating leases by application of IAS 17.

Impact on consolidated financial statements

When transitioning to IFRS 16 (1 January 2021), the Group recognized an additional 177,503 thousand dinars of property with the right of use and 177,503 thousand dinars of leasing liabilities.

In measuring lease liabilities, the Group discounted the lease payments using its incremental borrowing rate. Applied incremental borrowing rates are 3.15-3.41%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

When measuring lease liabilities classified as operating, the Group discounted the lease payments using incremental borrowing rates as at 1 January 2021. The effects of the first application are shown in the following tables:

	In RSD thousands
	1 January 2021
Potential leasing obligations as of December 31, 2020, which are presented in the Group's consolidated financial statements	184,280
Effects of discounting on present value	<u>(6,777)</u>
Lease liability recognized on 1 January 2021	<u>177,503</u>

The change in accounting policy had an impact on the following positions in the balance sheet as of 1 January 2021:

	Note	In RSD thousands
		1 January 2021
Increase in property with right of use	24	177,503
Increase in leasing obligations	24	<u>(177,503)</u>
Retained earnings/losses of prior periods		<u>-</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

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 2021 and 31 December 2020 are presented as follows:

	In RSD thousands					
	1 January 2021 Before corrections	Correction	1 January 2021 After corrections	1 January 2020 Before corrections	Correction	1 January 2020 After corrections
ASSETS						
Non-current assets						
Intangible assets	17,009,104	(96,516)	16,912,588	12,930,876	-	12,930,876
Property, plant and equipment	768,737,282	5,823,628	774,560,910	1,024,740,516	4,745,109	1,029,485,625
Biological assets	489,076	-	489,076	442,343	-	442,343
Equity investments and long-term fin. placements	4,526,298	-	4,526,298	5,158,745	-	5,158,745
	<u>790,761,760</u>	<u>5,727,112</u>	<u>796,488,872</u>	<u>1,043,272,480</u>	<u>4,745,109</u>	<u>1,048,017,589</u>
Current assets						
Inventory	34,923,923	(139,706)	34,784,217	37,902,636	-	37,902,636
Fixed assets held for sale	-	-	-	1,825	-	1,825
Trade receivables	57,146,071	-	57,146,071	46,153,341	-	46,153,341
Other claims, VAT, claims based on overpaid taxes and contributions	6,642,428	-	6,642,428	8,174,864	-	8,174,864
Short-term financial placements	218,059	-	218,059	459,376	-	459,376
Cash and cash equivalents	20,384,815	-	20,384,815	20,707,055	-	20,707,055
Accruals	2,650,955	-	2,650,955	4,287,752	-	4,287,752
	<u>121,966,251</u>	<u>(139,706)</u>	<u>121,826,545</u>	<u>117,686,849</u>	<u>-</u>	<u>117,686,849</u>
Total assets	<u>912,728,011</u>	<u>5,587,406</u>	<u>918,315,417</u>	<u>1,160,959,329</u>	<u>4,745,109</u>	<u>1,165,704,438</u>
EQUITY AND LIABILITIES						
Equity						
Issued capital	360,047,865	-	360,047,865	360,185,861	-	360,185,861
Revaluation reserves and unrealized gains based on shares and others components of other comprehensive result	423,857,993	(37,874)	423,820,119	600,314,731	(37,874)	600,276,857
Unrealized loss / (gain) based on shares	(2,963,659)	-	(2,963,659)	(3,233,080)	-	(3,233,080)
Accumulated gain/(loss)	(169,671,982)	(10,233,661)	(179,905,643)	(129,350,505)	(9,202,626)	(138,553,131)
	<u>611,270,217</u>	<u>(10,271,535)</u>	<u>600,998,682</u>	<u>827,917,007</u>	<u>(9,240,500)</u>	<u>818,676,507</u>
Long-term liabilities and provisions						
Long-term provisions	24,499,803	16,291,671	40,791,474	25,645,939	14,438,217	40,084,156
Long-term liabilities and borrowings	107,615,311	-	107,615,311	109,103,880	-	109,103,880
Long-term deferred income and donations received	8,680,998	464	8,681,462	28,438,290	464	28,438,754
Deferred tax liabilities	66,242,639	(476,151)	65,766,488	90,020,535	(495,529)	89,525,006
	<u>207,038,751</u>	<u>15,815,984</u>	<u>222,854,735</u>	<u>253,208,644</u>	<u>13,943,152</u>	<u>267,151,796</u>
Short-term liabilities						
Short-term financial liabilities	18,393,513	-	18,393,513	13,569,273	-	13,569,273
Advances received	926,620	-	926,620	5,432,804	-	5,432,804
Trade payables	48,181,388	-	48,181,388	34,416,662	-	34,416,662
Other short-term liabilities	25,306,704	42,957	25,349,661	24,979,397	42,457	25,021,854
Accruals	1,610,818	-	1,610,818	1,435,542	-	1,435,542
	<u>94,419,043</u>	<u>42,957</u>	<u>94,462,000</u>	<u>79,833,678</u>	<u>42,457</u>	<u>79,876,135</u>
Total equity and liabilities	<u>912,728,011</u>	<u>5,587,406</u>	<u>918,315,417</u>	<u>1,160,959,329</u>	<u>4,745,109</u>	<u>1,165,704,438</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

5. CORRECTIONS OF OPENING BALANCES (continued)

b) Overview of corrections – Income statement

Effects of corrections and reclassifications on the consolidated income statement in the period from 1 January to December 31, 2020 are shown as follows:

	Year ended on 31 December 2020 Before corrections	Correction	In RSD thousand Year ended on 31 December 2020 After corrections
OPERATING REVENUES			
Revenue from sales	3,921,242	-	3,921,242
Revenues from the sale of products and services	238,141,541	-	238,141,541
Revenues from activation of goods and effects (Increase)/decrease in inventory value	4,043,374 473,924	- -	4,043,374 473,924
Revenue from adjustment of property value (except financial assets)	2,104,705	-	2,104,705
Other operating revenue	4,787,605	-	4,787,605
	<u>253,472,391</u>	<u>-</u>	<u>253,472,391</u>
OPERATING EXPENSES			
Cost of goods sold	(140,024)	-	(140,024)
Cost of material, fuel and energy	(62,501,391)	-	(62,501,391)
Salary expenses, salary compensation and other personal expenses	(62,276,709)	-	(62,276,709)
Depreciation expenses	(49,645,278)	(752,323)	(50,397,601)
Expenses from adjustment of property value (except financial)	(582,285)	(139,706)	(721,991)
Costs of production services	(30,881,329)	(96,516)	(30,977,845)
Reservation costs	(4,219,780)	(22,612)	(4,242,392)
Non-material costs	(22,444,877)	(500)	(22,445,377)
	<u>(232,691,673)</u>	<u>(1,011,657)</u>	<u>(233,703,330)</u>
OPERATING INCOME	<u>20,780,718</u>	<u>(1,011,657)</u>	<u>19,769,061</u>
Finance income	11,732,329	-	11,732,329
Finance cost	(2,027,293)	-	(2,027,293)
Other income and income from adjustment the value of financial assets that are reported at fair value through the income statement	6,549,412	-	6,549,412
Other expenses and adjustment expenses the value of financial assets that are reported at fair value through the income statement	(19,826,916)	-	(19,826,916)
INCOME BEFORE TAX	<u>17,208,250</u>	<u>(1,011,657)</u>	<u>16,196,593</u>
Tax expense of the period	(8,152,083)	-	(8,152,083)
Deferred tax income of the period	2,647,858	(19,378)	2,628,480
NET INCOME	<u>11,704,025</u>	<u>(1,031,035)</u>	<u>10,672,990</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

5. CORRECTIONS OF OPENING BALANCE (continued)

c) Impact of corrections on accumulated loss

Correction description	In RSD thousand	
	1 January 2021	1 January 2020
Balance of accumulated loss, previously disclosed	169,671,982	129,350,505
1) Recognition of reservation for recultivation of the land on which there are ash and slag dumps in the TENT and TE KO Kostolac Branches:		
- recognition of costs based on depreciation of landfill land	7,587,703	6,839,696
- recognition of costs based on the effect of discounting the provision obligation	3,068,510	2,723,881
- effect on deferred tax expenses on the above basis	(463,032)	(463,032)
2) Re-measurement of provisions for the costs of restoration of natural resources in the branches of RB Kolubara and TE KO Kostolac	(469,199)	(147,182)
3) Cancellation of the reduction in the value of the given advances according to the subsequently received documentation	(67,332)	(67,332)
4) Cessation of recognition of property (public property) in the Branch of TE KO Kostolac according to the Decision of the Government of the RS 05 number: 464-11566/2019-3 dated November 21, 2019.	275,713	275,713
5) Recognition of inventory impairment	139,706	-
6) Cessation of recognition of intangible assets in preparation according to subsequently received documentation	96,516	-
7) Recognition of property (land) in connection with the status change from January 4, 2016. (Government Decision 05 No. 023-15149/2014 of November 27, 2014)	(73,005)	(73,005)
8) Re-measurement of the value of investment property and deferred tax liabilities related to the same	61,455	57,139
9) Recognition of obligations based on receiving employees who work in particularly difficult conditions	40,793	40,793
10) Other	35,833	15,955
Balance of accumulated loss, corrected	179,905,643	138,553,131

d) Effects of corrections on the income statement for the period January - December 2020

Correction description	In RSD thousand	
	2020	
Gain, previously reported	11,704,025	
1) Recognition of the reservation for the final reclamation of the land where the slag and ash dumps are located in the TENT and TE KO Kostolac Branches:		
- recognition of costs based on depreciation of landfill land		(748,007)
- recognition of expenses based on the effect of discounting the provision obligation		(344,629)
2) Re-measurement of provisions for the costs of restoration of natural resources in the branches of RB Kolubara and TE KO Kostolac		322,017
3) Recognition of inventory impairment		(139,706)
4) Recognition of amortization expense based on the remeasurement of the value of investment properties in the RB Kolubara Branch		(4,316)
5) Cessation of recognition of intangible assets in preparation according to subsequently received documentation		(96,516)
6) Recognition of deferred tax expenses		(19,378)
7) Other		(500)
Profit, adjusted	10,672,990	

e) Effects of corrections on the statement of cash flow

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

6. SALES REVENUE

Source of income

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

	In RSD thousand	
	For the year ending 2021	2020
Revenues from electricity sales	277,416,192	223,660,769
Sales revenue of A.D. "Electric Network of Serbia", Belgrade (a)	18,630,990	11,069,064
Revenues from sales of goods	5,087,577	5,352,260
Revenues from sales of services	3,833,788	1,621,470
Other (b)	379,702	359,220
	<u>305,348,249</u>	<u>242,062,783</u>

- (a) Turnover achieved with customer A.D. "Elektromreza Srbije", Belgrade (hereinafter: "EMS"), in the amount of RSD 18,630,990 thousand (2020: RSD 11,069,064 thousand) refers to the sale of electricity and the provision of services to the energy entity - the transmission system operator . Namely, the Parent Company provides system services of primary, secondary and tertiary regulation and delivers electricity on behalf of balancing responsibility, as well as for the own consumption of the Transmission System Operator and compensation for losses of electricity in the transmission system, based on the contracts under which it fulfils its obligations in accordance with According to the Law on Energy and the work rules related to the operation of the transmission system and the functioning of the market. According to the Law on Energy, the prices of auxiliary services: primary regulation, voltage regulation, as well as system services of secondary and tertiary regulation, are regulated prices.
- (b) Other revenues reported in 2021 in the amount of RSD 374,372 thousand (2020 year: RSD 317,047 thousand), refer to compensation for jobs in which the Parent Company acts as an agent - calculation and collection of fees for the Public Media Service (note 28). Namely, the Parent Company and the Public Media Institution "Radio Television of Serbia" and the Public Media Institution "Radio Television of Vojvodina" have concluded an agreement regulating the procedure under the Law on Temporary Regulation of Fee Collection Methods for the Public Media Service ("Official Gazette of the RS", no. 112/2015, 108/2016, 153/2020, 129/2021), which stipulates that during the calculation and collection of the delivered electricity, the parent company also charges the customers for the tax in question, with a fee of 3% of the transferred money funds 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, 2022, and the amount of the fee in the reporting period is RSD 299 (2020: RSD 255).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

6. SALES REVENUE (continued)

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 thousand	
	For the year ending	
	31 December	
	2021	2020
Revenues from sales on the domestic market:		
- Sales of electricity to households (a)	105,409,892	96,678,394
- Electricity sales - open market customers (a)	146,414,051	105,322,397
- Electricity sales - third parties (economy) (a)	13,769,150	12,143,020
- Electricity sales - licensed customers (a)	4,532,163	2,315,889
- Electricity sales - stock exchange trading (b)	2,525,768	2,026,399
- Revenues from electricity sales of PE "Elektrokosmet", Pristina (c)	214,238	1,227,521
	<u>272,865,262</u>	<u>219,713,620</u>
Revenue from sales of electricity on foreign markets - third parties (d)	4,550,930	3,947,149
	<u>4,550,930</u>	<u>3,947,149</u>
	<u>277,416,192</u>	<u>223,660,769</u>

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

The conditions of delivery and supply of electricity, as well as the measures taken in case the security of electricity supply to customers is endangered due to disturbances in the operation of the energy system or market disturbances, and on which basis sales revenues are recognized, are regulated by the Energy Law. 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, i.e. public supplier and end customers,
- 7) conditions and manner of rational consumption and saving of electricity,
- 8) conditions for the supply of customer facilities which cannot be suspended from the delivery of electricity due to unfulfilled obligations for the delivered electricity or in other cases,
- 9) the manner of regulating the mutual relations between the supplier, the system operator and the end customer to whom the supply of electricity cannot be suspended,
- 10) conditions and manner of measuring the delivered electricity,

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6. SALES REVENUE (continued)

- 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, i.e. according to market principles,
- 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 Parent company as a backup supplier for a period of two years from the date of the new decision, i.e. 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 fulfil their financial obligation from the electricity bill within the due date, are granted a discount of 5%. A discount of 5% is calculated on the amount in the invoice related to the charge for "billing power", "cost of the guaranteed supplier" and "energy", and is stated and approved in the next bill for the consumed electricity by determining the cash the obligation for that accounting period is reduced by the amount of the calculated and approved discount.

- (b) The Parent company trades electricity on the „SEEPEX“ Stock Exchange, which started operating on February 17, 2016 in Belgrade. „SEEPEX“ a.d. Belgrade is a licensed operator for the organized electricity market, which was formed on the basis of a partnership between A.D. "Elektromreža Srbije", Belgrade and „EPEX SPOT“ as a stock company. The goal of „SEEPEX“ is to provide a transparent and reliable mechanism for forming the wholesale price of the electricity market by matching supply and demand at a fair and transparent price and to enable all transactions concluded on „SEEPEX“ to be delivered and paid for.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

6. SALES REVENUE (continued)

- (c) The Parent company in accordance with the Decision of the Government of the Republic of Serbia No. 021-6624/2009-002 of November 30, 2009, engaged its capacities in order to provide electricity for the northern part of Kosovo and Metohija, on the basis of which revenues in the amount of RSD 214,238 thousand were recognized in 2021 (2020: RSD 1,227,521 thousand). In the reporting year, the Parent company did not deliver electricity via the transmission network, considering that the obligations assumed by the Kosovo electricity distribution operator KOSTT, which at the end of 2020 became a special control environment in the European Network of Transmission System Operators (ENTSO-E), were not fulfilled..
- (d) The sale of electricity on the foreign market refers to the sale of electricity to the company Mješoviti holding Elektroprivreda Republika Srpska (Bosnia and Herzegovina) in the amount of 44,324 thousand dinars and to the sale of electricity on the electricity exchanges (HUPX, CROPEX, BSP SouthPool) in the amount of RSD 4,506,606 thousand.

Revenue from sales of goods

Revenues from the sale of goods relate to the following:

	In RSD thousand	
	For the year ending	
	31 December	
	2021	2020
Revenue from sales of coal:		
– third parties	2,671,899	3,289,334
	<u>2,671,899</u>	<u>3,289,334</u>
Revenue from sales of thermal energy	1,972,341	1,634,339
Revenue from sales of technological steam and gas	98,736	114,538
Revenue from sales of other goods	344,601	314,049
	<u>5,087,577</u>	<u>5,352,260</u>

Revenue from the sale of products refers to the income from the sale of coal, thermal energy, technological steam and gas and other products on the domestic and foreign markets. Revenues from the sale of coal reported for the year ending on December 31, 2021 in the amount of RSD 2,671,899 thousand refer to deliveries of coal to third parties by the Kolubara Mining Basin, Lazarevac and Thermal Power Plant and Kostolac Mines Branches.

Revenues from the sale of thermal energy relate to the supply of thermal energy, which includes deliveries of thermal energy produced in the "Panonske TE-TO" Branch, in the amount of RSD 1,601,201 thousand (2020: RSD 1,277,972 thousand).

Revenue from the sale of other products reported in 2021 in the amount of RSD 344,601 thousand mostly refers to revenue from the sale of lime, in the amount of RSD 133,775 thousand (2020: RSD 147,733 thousand), and to revenue from the sale of clay, in in the amount of RSD 58,887 thousand (2020: RSD 43,351 thousand), to third parties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

6. SALES REVENUE (continued)

Revenues from sales of services

Revenues from the provision of services relate to the following:

	In RSD thousand	
	For the year ending	
	31 December	
	2021	2020
Revenues from access and use of the distribution system	-	1,292,535
Revenues from other services – third parties	3,833,788	328,935
	3,833,788	1,621,470

Revenues from access and use of the distribution system, reported in 2020 in the amount of 1,292,535 thousand dinars, refers to the income generated by the former dependent legal entity "Elektrodistribucija Srbije" d.o.o., Belgrade, by providing system access services for the distribution of electricity to users of the distribution system who perform the activity of supplying electricity, based on concluded contracts on access to the distribution system. As disclosed in notes 1 and 2.6. along with these consolidated financial statements, on December 31, 2020, the Group lost control over the company "Elektrodistribucija Srbije" d.o.o., Belgrade, so the consolidated income statement for 2021 does not include the financial information of the said company.

On the basis of services provided in the field of economic-financial and commercial affairs, services of corporate affairs, services in the field of information and telecommunications support, services in the field of public relations, market support, support in the planning of energy facilities, networks and investments and maintenance of electrical and energy facilities and measuring points, which the parent company provides to the legal entity "Elektrodistribucija Srbije" d.o.o., Belgrade, are recognized revenues in the amount of RSD 3,816,872 thousand. In 2020, the revenues generated by the provision of the above services were eliminated in the consolidation process since the company "Elektrodistribucija Srbije" d.o.o., Belgrade was under the control of the Group until December 31, 2020 (Notes 1 and 2.6.).

Geographical region

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

	In RSD thousand	
	For the year ending	
	31 December	
	2021	2020
Serbia	300,795,810	238,075,911
Slovenia (HUPX, CROPEX, BSP SouthPool)	4,506,606	3,918,724
Republic of Srpska	44,324	28,425
Other markets	1,509	39,723
	305,348,249	242,062,783

Dynamics of revenue recognition

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

	In RSD thousand	
	For the year ending	
	31 December	
	2021	2020
Products and services recognized at a particular time	13,877,705	9,877,441
Products and services recognized over time	291,470,544	232,185,342
	305,348,249	242,062,783

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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6. SALES REVENUE (continued)

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.

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

Sale type	The nature and dynamics of fulfilling obligations	Revenue recognition
Sales of electricity to end customers	<p>These contracts with customers refer to the sale of electricity to customers on a guaranteed supply, ie on commercial and backup supply.</p> <p>Contracts with customers on a guaranteed supply are concluded for an indefinite period, and the customer has the right to terminate the contract at any time without penalty for early termination of the contract, so the contract period is one billing period that is invoiced to the buyer.</p> <p>Contracts with customers on commercial supply are concluded for a certain period of time, however according to the Rules for changing suppliers (prescribed by the regulatory body of the Energy Agency of the Republic of Serbia) the customer has the right to terminate the contract at any time without paying penalties for early termination. represents one billing period that is invoiced to the customer.</p>	Revenue is recognized over time, based on the invoice issued to the customer.
Sale of electricity to customers on the open market, licensed customers and stock exchange business	Revenues from the sale of electricity to 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.
Sale of electricity to EMS	The subject of the contract is the delivery of a certain amount of energy for a defined period at a fixed unit price. Therefore, the contract contains only one performance obligation - the delivery of electricity during a defined period of time.	Revenue is recognized over time, based on the bill or invoice issued to the customer upon delivery of electricity.
Sales of coal, thermal energy, products, technological steam and gas	<p>Each individual order represents a contract. The Group considers that on that basis, any delivery of goods or provision of services on the basis of a specific order represents the fulfillment of the obligation to perform under the contract.</p> <p>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.</p> <p>Invoices, ie invoices for thermal energy are issued monthly with a maturity of payment within 15 to 60 days.</p> <p>Invoices, ie invoices for technological pair are issued monthly with maturity within 15 days.</p>	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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

6. SALES REVENUE (continued)

Balances under contracts with customers

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

	31 December 2021	In RSD thousand 31 December 2020
Receivables from contracts with customers - shown in the box "Sales receivables" items (Note 27)	62,823,537	57,146,071
Receivables from contracts with customers - shown in the box "other short-term receivables" items (Note 28)	2,847,641	2,021,573
Trade receivables - which are shown in under "long-term financial placements and long-term receivables" (Note 25)	<u>5,590</u>	<u>543</u>

As of December 31, 2021 and December 31, 2020, the Group has no contractual assets and contractual obligations based on contracts with customers.

7. WORK PERFORMED BY THE ENTITY AND CAPITALISED

	In RSD thousands	
	For the year ending 31 December	
	2021	2020
Income from activation and consumption of products for own use	1,173,125	4,033,689
Income from activation of services for own use	<u>1,315</u>	<u>9,685</u>
	<u>1,174,440</u>	<u>4,043,374</u>

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.

In the reporting year 2020, the recognized income from the activation of effects also includes the recognized income of the company "Elektrodistribucija Srbije" d.o.o., Belgrade, over which the Company lost the power of control as disclosed in note 2.6.

8. OTHER OPERATING INCOME

	In RSD thousands	
	For the year ending 31 December	
	2021	2020
Income from premiums, subventions, subsidies, recourses, compensations and refunds of tax duties	214,668	917,091
Income from the cancellation of deferred income, in accordance with the accounting policy (Note 35)	222,740	1,084,494
Income from donations, premiums, subsidies and grants from abroad (IPA Funds)	158,338	334,812
	<u>595,746</u>	<u>2,336,397</u>
Income from compensations from insurance for damages	175,292	269,083
Income from rents	327,395	685,676
Other operating income	<u>2,638,337</u>	<u>1,496,449</u>
	<u>3,736,770</u>	<u>4,787,605</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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8. OTHER OPERATING INCOME (continued)

In 2021, Income from donations, premiums, subventions and grants amounted to RSD 595,746 thousand, of which RSD 158,338 thousand is recognized to consulting services (studies, reports) related to environmental protection projects and the reconstruction of electrostatic precipitators TENT A4, B2, TEK A5, received from the Ministry of Environmental Protection; RSD 214,668 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 222,740 thousand is relative to income recognised in the amount of the cost associated with the use of donations.

Other operating revenues include revenues from subsequent borrowing of electricity customers in the amount of RSD 550,782 thousand (2020: RSD 478,896 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 759,784 thousand (2020: RSD 699,898 thousand) and income based on pre-invoiced goods delivered and services provided to the legal entity "Elektrodistibucija Srbije" d.o.o. in the amount of RSD 1,117,996 thousand and according to binding contracts with suppliers concluded in the period when the legal entity "Elektrodistibucija Srbije" d.o.o. was a related entity to the Parent Company.

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

	In RSD thousands	
	For the year ending	
	31 December	
	2021	2020
Income from adjustment of property value:		
- property, plant and equipment	10,362,359	1,958,627
- other assets	10,321	146,078
	10,372,680	2,104,705

Income from property value adjustments for 2021 in the amount of RSD 10,362,359 thousand, for the most part, in the amount of RSD 10,354,917 thousand, refer to the stated effects of the assessment of the value of property, plant and equipment (cancellation of previously recognized impairment) carried out with the balance as of January 1, 2021, according to the report of an independent appraiser (Note 24).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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10. COST OF MATERIAL, FUEL AND ENERGY

	In RSD thousands For the year ending	
	31 December 2021	2020
Costs of basic materials	798,457	1,637,465
Cost of material for the maintenance and spare parts	9,391,068	9,727,304
Cost of small inventories and tyres	403,860	810,830
Cost of oil and lubricants	166,143	174,613
H&S equipment	389,752	783,863
Cost of office and other overheads material	457,065	531,481
Other	371,416	719,812
	<u>11,977,761</u>	<u>14,385,368</u>
Cost of electricity:		
- -on domestic market	56,096,501	19,318,697
- -on foreign market	899,889	24,212
	<u>56,996,390</u>	<u>19,342,909</u>
Cost of transmission of electricity AD „Elektromreza Srbije”, Beograd	14,498,874	19,937,191
Distribution system access fee costs	86,360,871	-
Cost of oil and oil derivatives	8,845,097	4,174,362
Cost of gas used in production	7,262,561	2,532,223
Cost of coal	1,661,219	2,065,425
Cost of other energy	61,898	63,913
	<u>118,690,520</u>	<u>28,773,114</u>
	<u>187,664,671</u>	<u>62,501,391</u>

Costs of purchased electricity

Electricity procurement costs refer to the procurement of electricity:

- from legal entities that have a license to trade in electricity in the amount of RSD 31,116,929 thousand (2020: RSD 1,686,759 thousand),
- through the SEEPEX stock exchange in the amount of RSD 2,682,565 thousand (2020: RSD 691,122 thousand)
- from Mixed Holding "Elektroprivreda Republika Srpska" a.d. Trebinje in the amount of RSD 899,889 thousand (2020: 24,212 thousand),
- from privileged electricity producers in the amount of RSD 22,297,003 thousand (2020: RSD 16,940,816 thousand).

The disruption in the world energy market that led to a multiple jump in electricity prices on the market, as well as the disruption in electricity production in the fourth quarter of 2021, caused an increase in the cost of purchasing electricity from licensed legal entities.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

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

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

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

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

In the period from January 1, 2015 to December 31, 2020, the amount of compensation for the incentive of privileged producers was 0.093 din/kWh. The regulation on compensation for the incentive of privileged producers of electricity, adopted by the Government of the Republic of Serbia, stipulates that the compensation changes every year depending on the production of electricity from renewable sources. At the end of December 2020, the Government passed the Decree on the amount of the required incentive fee for 2021, which defined the amount of 0.437 din/kWh.

Access costs to the distribution system

Costs of access to the distribution system (network fee) in the amount of RSD 86,360,871 thousand are recognized at the transaction price determined by "Elektrodistribucija Srbije" d.o.o. Belgrade with the consent of the Agency for Energy, in accordance with the Law on Energy. The decision on setting prices for access to the electricity distribution system ("Official Gazette of the RS" No. 95/21) established a new, increased fee for access to the electricity distribution system, which is in effect from October 1, 2021 and which is on average 10% higher than the previously valid price. The costs of access to the distribution system for 2020 amounted to RSD 77,901,760 thousand, and were eliminated during the consolidation for 2020, since "Elektrodistribucija Srbije" d.o.o. Belgrade operated as part of EPS Group until December 31, 2020. As disclosed in notes 1 and 2.6. along with these consolidated financial statements, the Group lost control over "Elektrodistribucija Srbije" d.o.o. on December 31, 2020, by transferring of its ownership interest without contribution to the Republic of Serbia.

Access costs to the electricity transmission system

The parent company concluded a contract with the company A.D. "Electricity Network of Serbia", Belgrade on access and use of electricity transmission systems, capacity leasing and balance responsibility. Based on the aforementioned basis, in the reporting period expenditures were made in the amount of RSD 14,498,874 thousand (2020: RSD 19,937,191 thousand).

The fee for access to the electricity transmission system is determined by the Decision on setting prices for access to the electricity transmission system ("Official Gazette of the RS" No. 77/19), which is in force since November 1, 2019, and to which the Council of the Agency for energy, gave consent on October 31, 2019, by letter no. 626/2019-D-02/1. The decision on setting prices for access to the electricity transmission system ("Official Gazette of RS" No. 95/21) established a new, increased fee for access to the electricity transmission system, which is in effect from October 1, 2021 and on which was approved by the Council of the Energy Agency on September 24, 2021 by letter no. 501/2021-D-02/1.

Coal costs for 2021 expressed in the amount of RSD 1,661,219 thousand (2020: RSD 2,065,425 thousand) refer to coal consumed in the production of electricity purchased from PE UCM Resavica.

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

	In RSD thousands	
	For the year ending	
	31 December	
	2021	2020
		<i>Adjusted</i>
Cost of gross salaries and salary compensation	38,295,694	49,143,644
Taxes and contributions on wages and salaries paid by employer	7,294,354	9,274,884
Cost of special service and temporary service Agreements	274,568	681,834
Costs of compensation to individuals on the basis of other contracts	392,648	413,928
Fees paid to Supervisory and Managing Board members and other managing bodies	17,669	14,395
Cost of transportation of employees	1,192,589	1,421,651
Cost of per diem allowances and compensation of expenses on business trips	78,057	109,975
Cost of providing assistance to employees	381,719	405,271
Other personal expenses	987,140	811,127
	48,914,438	62,276,709

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

The decrease in salary costs in 2021 compared to 2020 is primarily the result of a decrease in the number of employees as a result of the transfer of employees to the company "Elektrodistribucije Srbije" d.o.o., Belgrade, as stated in Note 1.

Other personal expenses, in the amount of RSD 774,499 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

12. DEPRECIATION/AMORTISATION EXPENSE

	In RSD thousands	
	For the year ending	
	31 December	
	2021	2020
		<i>Adjusted</i>
Depreciation/amortization expense:		
- intangible assets (Note 24)	2,221,104	2,564,589
- property, plant and equipment (Note 24)	32,915,313	47,833,012
- property, plant and equipment with the right of use for over one year (Note 24)	127,970	-
	35,264,387	50,397,601

Depreciation costs for 2020 stated in the amount of RSD 47,833,012 thousand include the calculated depreciation of property, plant and equipment of the company "Elektrodistribucija Srbije" d.o.o., Belgrade in the amount of RSD 15,806,170 thousand. As disclosed in notes 1 and 2.6. along with these consolidated financial statements, on December 31, 2020, the Group lost control over the company "Elektrodistribucija Srbije" d.o.o., Belgrade, so the consolidated income statement for 2021 does not include the financial information of the said company.

Due to the change in the useful life of property, plant and equipment, determined by the assessment of the fair value of property, plant and equipment carried out with the balance as of January 1, 2021 (Note 24), depreciation costs have increased.

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

	In RSD thousands	
	For the year ending	
	31 December	
	2021	2020
Expenses from adjustment of property value:		
- property, plant and equipment	9,928,761	154,443
- inventory	1,077,476	546,250
- other property	98	21,298
	11,006,335	721,991

Expenses from property value adjustments for 2021, for the most part, in the amount of RSD 8,655,550 thousand, refer to the reported negative effects of the assessment of the property, plant and equipment carried out with the balance as of January 1, 2021, according to the report of an independent appraiser (Note 24). In addition, expenses from the adjustment of the property, plant and equipment also include expenses recognized on the basis of the impairment of the business facility that is under construction in block 20 (Novi Belgrade) in the amount of RSD 888,520 thousand (Note 24).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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14. COST OF PRODUCTION SERVICES

	In RSD thousands	
	For the year ending	
	31 December	
	2021	2020
Maintenance services	17,042,059	22,972,923
Cost of information system maintenance	1,957,536	1,913,659
PTT Services	1,383,700	1,474,065
Utility costs	569,723	630,879
Cost of services for various tests, analysis, preparing technical and project documentation, reports and projects	411,569	518,473
Costs of services and assistance in the production process	337,500	375,372
Costs of meter reading services	394,506	1,810,541
Inspection, repair, calibration, control and replacement of meters	-	253,347
Transportation services	194,044	173,424
Rental cost	215,990	228,342
Advertising, fairs and marketing costs	61,200	111,483
Work safety cost	134,910	166,839
Costs of services on reclamation and environmental protection	105,066	348,498
	22,807,803	30,977,845

Cost of maintenance in the amount of RSD 17,042,059 thousand (2020: RSD 22,972,923 thousand) primarily relate to maintenance services of the Group's production facilities.

PTT services include cost of preparation and sending electricity bills to end customers in the amount of RSD 1,198,724 thousand (2020: RSD 1,000,501 thousand) in branch EPS Snabdevanje.

The costs of inspection, repair, calibration, control, replacement and meter reading in the previous reporting period were recognized in accordance with the Law on Energy and based on the activities of the distribution system operator "Elektrodistribucija Srbije" d.o.o., Belgrade, over which EPS Group lost control in 2020 as stated in notes 1 and 2.6.

15. COST OF LONG-TERM PROVISIONING

	In RSD thousands	
	For the year ending	
	31 December	
	2021	2020
		<i>Adjusted</i>
Provision for the cost of restoring natural resources	520,842	470,823
Provisions for benefits and other employee benefits	1,879,932	2,206,072
Provisions for litigation	219,889	1,563,944
Other provisioning	-	1,553
	2,620,663	4,242,392

During 2021, the Group made a provision for benefits and other benefits to employees upon termination of employment in the amount of RSD 1,879,932 thousand, which will be paid upon termination of employment and benefits to employees that include benefits based on jubilee awards in the amount of current liabilities based on past events, arising from the provisions of the Labour Law and general acts of the Group (Notes 3.5 and 33).

Provisions for litigation are formed according to the best estimate of expenses required to settle the current liability based on current litigation against the Group, which in 2021 is estimated at RSD 219,889 thousand (2020: RSD 1,563,944 thousand).

As disclosed in note 33, the Group made a provision for the recultivation of the land on which the ash dumps are located and accordingly recognized expenses in 2021 in the amount of RSD 412,684 thousand (2020: RSD 344,629 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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16. OTHER OPERATING EXPENSES

	In RSD thousands	
	For the year ending	
	31 December	
	2021	2020
Water use charges	2,342,214	2,132,930
Use of public interest resources fee	1,766	196,190
Environmental fee (Note 39)	4,019,058	3,387,963
Property tax	620,843	1,296,483
Other indirect taxes and contributions	2,431,488	1,767,401
Utilization of mineral resources	1,885,691	2,266,869
Entertainment expenses	18,632	31,141
Cost of payments operations and banking services	173,429	306,197
Subscription cost	34,163	32,606
Legal and advocacy services	1,558,672	1,106,402
Other non-material services	2,218,449	1,599,412
Intellectual services	461,854	502,960
Insurance costs	1,295,058	1,700,909
Health Service costs	173,563	206,537
Membership fees and contributions to the trade union	353,840	680,014
Security services, protection of buildings and work health and safety	2,197,079	2,568,087
Other non-production services	2,092,683	2,663,276
	21,878,482	22,445,377

Starting from 1 January 2019, the Law on Fees for the Use of Public Goods (Official Gazette of the RS "No. 95/18,....15/21) 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 Parent company, as an energy entity that performs energy supply activities and has a license to perform these activities in accordance with the law governing energy, when issuing invoices for delivered energy and / or energy to the end customer / consumer. The obligation on the basis of compensation is determined on the basis of the quantity of delivered electricity, determined on the basis of reading consumption through metering devices at the place of handover, in accordance with the law governing energy and by reducing electricity purchased at selling price from producers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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16. OTHER OPERATING EXPENSES (continued)

The costs of other indirect taxes and fees mostly relate to VAT calculated on the transfer of property without compensation as part of the recapitalization of the company "Elektrodistribucije Srbije" d.o.o. Namely, as disclosed in note 24, in order to reorganize the Distribution System Operator "EPS Distribucija" d.o.o. Belgrade, and on the basis of the Founder's Act, the Group registered a new non-monetary contribution, namely property and equipment owned by the Group, as well as intangible assets, participation in the capital of other legal entities and claims in the total value of RSD 18,264,193 thousand and thus increased the basic capital of the Distribution System Operator "EPS Distribucija" d.o.o. Belgrade. Based on the aforementioned basis, during 2021, the Group transferred part of the property to the aforementioned legal entity (which in the meantime changed its name to "Elektrodistribucije Srbije" d.o.o., Belgrade). The aforementioned transfer is considered a taxable transaction in accordance with the provisions of the Law on Value Added Tax, on the basis of which the Parent Company calculated VAT in the amount of RSD 1,577,189 thousand and recognized it as an expense of the period, because the transfer is carried out free of charge as part of the subject recapitalization.

Court costs, for the most part, in the amount of RSD 1,033,434 thousand, relate to the costs of hiring private executors in the EPS Supply branch.

17. FINANCIAL INCOME

	In RSD thousands	
	For the year ending	
	31 December	
	2021	2020
Financial income arising from related parties	834,550	811,239
Foreign exchange gains	578,511	5,135,075
Gains on currency clause effects	3,205	5,268
	<u>581,716</u>	<u>5,140,343</u>
Interest income:		
– based on receivables from customers for electricity	2,532,008	4,843,169
– on the basis of short-term financial investments	261,881	371,638
– on the basis of a fee for public media service	291,793	256,912
– other interest income (on all other bases)	172,010	273,347
	<u>3,257,692</u>	<u>5,745,066</u>
Other financial income	35,644	35,681
	<u>4,709,602</u>	<u>11,732,329</u>

For all monetary items whose settlement is required in foreign currency, the effects of changes in FX rates on the maturity date, ie on the balance sheet date, are recognized in income and expenses, as well as for monetary items for which the contract provides protection of receivables / liabilities by currency clause, that is, collection / settlement in RSD equivalent of foreign currency. Positive FX rate differences expressed in 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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18. FINANCIAL EXPENSES

	In RSD thousands	
	For the year ending	
	31 December	
	2021	2020
		<i>Adjusted</i>
Other Financial expenses	284,694	307,621
Interest expenses:		
- on the basis of obligations towards AD "Elektromreža Srbije", Belgrade	68	1,030
- other interest expenses (on all bases)	1,629,532	1,130,580
- interest expenses for untimely paid public revenues	37,546	103,874
- interest expenses for leasing - assets with the right to use for more than a year	4,496	-
	<u>1,671,642</u>	<u>1,235,484</u>
Costs of effects of foreign currency clause	13,395	2,075
Losses on currency clause effect	4,444,154	482,113
	<u>4,457,549</u>	<u>484,188</u>
	<u>6,413,885</u>	<u>2,027,293</u>

Other interest expenses include interest expenses on loans in the amount of RSD 1,629,532 thousand.

Losses on currency clause effect reported in 2021 in the amount of RSD 4,444,154 thousand refer to unrealized exchange rate differences for loans approved by foreign creditors. During 2021, the value of the dinar remained almost unchanged in relation to the EUR currency, but that is why the dinar weakened in relation to the USD currency by 8.64% on an annual basis, which also contributed to the increase in negative exchange differences, since part of the loan obligations are tied for USD currency.

Other financial expenses in the amount of RSD 284,694 thousand (2020: 307,621 thousand) mostly refer to Commitment fee and Management fee based on a loan arrangement with the foreign creditors.

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

	In RSD thousands	
	For the year ending	
	31 December	
	2021	2020
Income from adjustment of long - term investments	3,609	1,209
Collection and impairment of:		
- given advances for fixed assets	4,790	-
- given advances for inventories	7,498	87,536
- trade receivables	6,766,184	726,980
	<u>6,778,472</u>	<u>814,516</u>
	<u>6,782,081</u>	<u>815,725</u>

Revenues from adjusting the value of trade receivables in the amount of RSD 6,766,184 thousand for 2021 (2020: RSD 726,980 thousand) relate mainly to collected receivables for delivered electricity in the amount of RSD 6,323,914 thousand (2020: RSD 678,511 thousand), for which depreciation recognized in the previous reporting period. In the structure of collected receivables, the most significant amount refers to the collection of receivables from the customer "JP PEU Resavica". In December 2021, the customer settled the debt owed to the Group in the amount of RSD 3,556,851 thousand. In addition, in December 2021, the claim from the customer "Infrastruktura železnice Srbije" a.d. was partially collected in the amount of RSD 1,827,629 thousand.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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20. EXPENSES FROM ADJUSTMENTS OF OTHER ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT AND LOSS

	In RSD thousands	
	For the year ending	
	31 December	
	2021	2020
Expenses from value adjustments of:		
- participates in the capital	379,630	-
- advances	1,047	336,113
- trade receivables for electricity	3,943,708	11,066,520
- other receivables	1,583,257	1,279,900
	5,907,642	12,682,533

Credit losses based on receivables from customers for electricity in the amount of RSD 3,943,708 thousand are recognized as value adjustment expenses calculated in the manner disclosed in note 3.17.

Credit losses based on receivables from customers for electricity recognized in 2020 in the amount of RSD 3,613,761 thousand related to the company "Elektrodistribucija Srbije" d.o.o. in the part of the payment under the contract for the compensation of electricity losses, which refers to non-agreed positions regarding public revenues, i.e. the fulfillment of the buyer's obligation to acquire the right to exemption from excise duty (license for performing activities) and in the part of the contract on the provision of services.

Expenses based on the impairment of the share in the capital include the correction of the value of the share in the capital of the company "Ibarske hidroelektrane" d.o.o., Kraljevo in the amount of 379,630 thousand dinars (Notes 1 and 25).

21. OTHER INCOME

	In RSD thousands	
	For the year ending	
	31 December	
	2021	2020
		<i>Adjusted</i>
Gains from sale of materials, equity participation, intangible assets investments, real estate, plant and equipment	428,824	21,856
Income from cancellation of long-term provisions on the basis of employee benefits (Note 33)	3,158,510	9
Income from collected written-off receivables and cancellations value adjustments of receivables and short-term financial placement	1,856	107,608
Income from reduction of liabilities	149,573	5,325,252
Income from cancellation of long-term provisions based on litigation (Note 33)	987,950	180,049
Revenues from contracted risk protection	24,716	26,156
Revenues from reduction of environmental obligations	7,335	155
Surpluses	22,521	7,338
Other income	1,204,362	65,264
	5,985,647	5,733,687

Income from the cancellation of long-term provisions based on employee benefits in the amount of RSD 3,158,510 thousand is a consequence of the reduction in the number of employees, as disclosed in Note 11.

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 SFRJ, and which was settled by deliveries intended for the reconstruction of HPP Djerdap.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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21. OTHER INCOME (continued)

Other income reported in the amount of 1,204,362 thousand dinars (2020: 65,264 thousand dinars) mostly refers to the income recognized on the basis of the reacquisition of the right to use the commercial building under construction in block 20 in New Belgrade. In the Law on Planning and Construction of the RS, it is regulated that legal entities whose founder is the Republic of Serbia and which are registered as holders of the right of use on undeveloped and constructed construction land in state ownership, on the date of entry into force of the mentioned law, lose the right of use on those immovable properties that they pass into the right of the public property of the Founder without compensation. Based on the above, and in accordance with the Founder's act (Decision of the Government of the Republic of Serbia 05 number: 023-10110/2019-01 dated October 10, 2019), in 2019 the right of use of the parent company over part of the business facility under construction in block 20 in New Belgrade, which is acquired into public ownership, on the basis of which expenditure was recognized in the income statement in 2019 in the amount of RSD 1,100,168 thousand. On May 20, 2021, the Government of the Republic of Serbia issued Conclusion 05 number: 023-4720/2021, which repeals (cancels) the above-mentioned Conclusion of the Government of the Republic of Serbia 05 number: 023-10110/2019-01 of October 10, 2019. year, and on what basis was recognized income in the amount of RSD 1,100,168 thousand.

22. OTHER EXPENSES

	In RSD thousands	
	For the year ending	
	31 December	
	2021	2020
Expenses for contributions paid to employees from public enterprises from Kosovo and Metohija	4,991,434	5,265,938
Losses from disposal, write-off and sale of fixed assets, intangible assets, participations and materials	3,226,889	564,113
Losses from write - off of short - term receivables and rescheduled trade receivables	74,811	31,835
Expenses based on impairment of fixed assets, intangible assets and participations	-	1,716
Inventory expenditure losses	-	108,006
Shortages	8,917	3,958
Sponsorship and donation costs	87,010	113,443
Other expenses	1,085,275	1,055,374
	9,474,336	7,144,383

Expense in the amount of RSD 4,991,434 thousand (2020: RSD 5,265,938 thousand) is recognized for salaries and salaries contribution for employees in public enterprises from Kosovo and Metohija.

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

Other expenses in the amount of RSD 1,085,275 thousand mostly relate to the costs of providing food to employees in surface mines in the amount of RSD 659,419 thousand, the costs of archaeological research in the amount of RSD 120,440 thousand, as well as costs for financing public purpose facilities in the amount of RSD 142,541 thousand.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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23. INCOME TAX

a) Components of income tax

	In RSD thousand	
	For the year ending	
	31 December	
	2021	2020
		<i>Adjusted</i>
Tax expense for the period	2,605,356	8,152,083
Deferred tax income for the period	(2,950,597)	(2,628,480)
	(345,241)	5,523,603

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

	In RSD thousand	
	For the year ending	
	31 December	
	2021	2020
		<i>Adjusted</i>
Profit / (loss) before tax	(15,837,708)	16,196,593
Tax on profit calculated at statutory tax rate - 15%	(2,375,656)	2,429,489
Tax effect on unrecognized expenses	4,105,907	3,119,396
Tax effect on expenses recognized on cash basis	(580,124)	(592,859)
Tax effect of unrecognized income	(622,114)	(20,693)
Tax effects of unrecognized deferred tax assets (tax losses)	(29,171)	-
Effect of transfer prices	113,280	105,491
Tax effects of adjustments made in process of consolidation	61,373	519,710
The effect of a higher tax rate under the non-resident subsidiary legislation	350	627
Other	(1,019,086)	(37,558)
	(345,241)	5,523,603
Effective tax rate	-	34%

c) Deferred tax liability

Deferred tax liabilities presented as at 31 December 2021 in the amount of RSD 68,368,511 thousand (31 December 2020: RSD 65,766,488 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 Group.

Movements on the deferred tax liabilities were as follows:

	In RSD thousand	
	For the year ending	
	31 December	
	2021	2020
Balance as at 1 January	65,766,488	90,020,535
Correction of the opening balance	-	(495,529)
	65,766,488	89,525,006
Effects on income statement	(2,950,597)	(2,628,480)
Loss of control over the subsidiary Elektrodistribucija Srbije d.o.o. Belgrade (Notes 1 and 2.6)	-	(21,130,036)
Assessment effect (Note 24)	5,552,624	-
Other	(4)	(2)
Balance as at 31 December	68,368,511	65,766,488

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 Decemeber 2021

23. INCOME TAX (continued)

d) Unrecognized tax losses

As at 31 December 2021, the Group did not disclose deferred tax assets in the amount of RSD 95,145 thousand (31 December 2020: RSD 162,448 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>
2017	2022	412,181	217,707
2018	2023	273,547	273,547
2019	2024	143,047	143,047
		<u>828,775</u>	<u>634,301</u>

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31 December 2021

24. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets

	In RSD thousand				
	Concessions, patents, licenses, trademarks and service marks	Software and other rights	Other intangible assets	Intangible assets under development	Total
Purchase value					
Balance at 1 January 2020	6,330,470	5,221,179	245,074	5,353,184	17,149,907
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	-	-	-	(105,042)	(105,042)
Disposals	(775,277)	(110,191)	(10,470)	-	(895,938)
Own-account investments (account group 62)	-	-	-	364	364
Acquisition of subsidiary " HES Gornja Drina "	2,186,899	-	26,551	1,437	2,214,887
Loss of control over subsidiary "Elektrodistribucija Srbije" d.o.o. (Notes 1 and 2.6)	(450,920)	(370,469)	(139,200)	(566,639)	(1,527,228)
Other changes	-	(1)	-	(22,217)	(22,218)
Balance at 31 December 2020	8,513,376	6,760,970	121,955	6,233,968	21,630,269
Additions	157,284	27,908	-	1,332,029	1,517,221
Transfer from other accounts within the group 02 or from other group accounts	-	-	-	(62,047)	(62,047)
Transfer from investments in progress (activation)	1,127,154	1,101,069	-	(2,228,223)	-
Effects of valuation of intangible assets	-	-	-	(199,369)	(199,369)
Disposals	(216,157)	-	-	-	(216,157)
Non-monetary contribution - recapitalization of "Elektrodistribucija Srbije" d.o.o. (Note 1)	(509,681)	(266,517)	(94,958)	(2,909,711)	(3,780,867)
Other changes	-	34	-	-	34
Balance at 31 December 2021	9,071,976	7,623,464	26,997	2,166,647	18,889,084
Accumulated amortization					
Balance at 1 January 2020	2,617,969	1,421,194	179,868	-	4,219,031
Amortization expense (Note 12)	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 "	-	-	3,098	-	3,098
Loss of control over subsidiary "Elektrodistribucija Srbije" d.o.o. (Note 1 and 2.6)	(339,316)	(226,410)	(103,411)	-	(669,137)
Balance at 31 December 2020	2,373,651	2,274,362	69,668	-	4,717,681
Amortization expense (Note 12)	1,078,475	1,133,087	9,542	-	2,221,104
Disposals	(192,379)	-	-	-	(192,379)
Non-monetary contribution - recapitalization of EPS Distribution (EDS) (note 1)	(315,398)	(112,074)	(72,710)	-	(500,182)
Other changes	-	1	29	-	30
Balance at 31 December 2021	2,944,349	3,295,376	6,529	-	6,246,254
Net book value					
At 31 December 2020	6,139,725	4,486,608	52,287	6,233,968	16,912,588
At 31 December 2021	6,127,627	4,328,088	20,468	2,166,647	12,642,830

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

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

Biological assets and property, plant and equipment

	In RSD thousands											
	Agricultural and construction land	Buildings	Machinery and equipment	Investment property	Biological assets	Other property, plant and equipment	Construction in progress	Investments in other people's property, plants and equipment	Property, plants and equipment leased (with the right of use for more than one year)	Advances on property, plant and equipment in the country	Advances to foreigners for property, plant and equipment	Total
Purchase value												
<i>Correction of the initial balance on January 1, 2020</i>	11,934,523	-	(540,000)	-	-	-	-	-	-	1,522,103	(1,522,103)	11,394,523
Corrected balance as of January 1, 2020	93,561,502	671,924,915	1,462,527,994	778,289	442,343	259,911	117,960,867	1,396	-	3,889,718	16,235,082	2,367,582,017
Additions (purchasing by supplier's invoice)	2,488,569	28,770	3,876,025	-	2,245	-	40,239,499	-	-	4,349,438	704,904	51,689,450
Transfer within account group 02 (except for activation) or transfer from another account group to account group 02	(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 without compensation (donations received)	-	-	1,209	-	-	-	-	-	-	-	-	1,209
Funds transferred to third parties free of charge (donations given)	-	-	(223)	-	-	-	-	-	-	-	-	(223)
Stock count 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 a dependent legal entity HES "Gornja Drina"	-	41,153	275	-	-	-	2,949	-	-	-	-	44,377
Loss of control over subsidiary "Elektrodistribucija Srbije" d.o.o (Notes 1 and 2.6)	(9,669,704)	(170,684,688)	(573,332,191)	-	-	(48,492)	(29,907,461)	(1,396)	-	(637,892)	-	(784,281,824)
Costs of restoration - land reclamation - ash landfill (Note 5)	1,830,842	-	-	-	-	-	-	-	-	-	-	1,830,842
Other changes	(80,063)	122	13,935	-	-	-	444	-	-	(1,179,077)	(2,676,579)	(3,921,218)
Corrected balance as of 31 December 2020	89,443,993	507,639,352	924,438,179	778,289	489,076	211,311	87,923,043	-	-	6,422,187	14,263,407	1,631,608,837
Corrected balance as of January 1, 2021	89,443,993	507,639,352	924,438,179	778,289	489,076	211,311	87,923,043	-	-	6,422,187	14,263,407	1,631,608,837
First application of IFRS 16	-	-	-	-	-	-	-	-	177,503	-	-	177,503
Additions (purchasing by supplier's invoice)	2,794,658	106,000	3,115,026	-	-	-	47,922,182	-	-	2,629,698	771,004	57,338,568
Transfer within account group 02 (except for activation) or transfer from another account group to account group 02	(8,975)	48,815	97,725	(48,815)	10,265	-	(658,777)	-	-	(100,827)	-	(660,589)
Transfers from investments in progress (activation)	52,902	2,157,636	26,107,656	-	-	-	(28,318,194)	-	-	-	-	-
Investments conducted in own held	-	-	-	-	-	-	204,436	-	-	-	-	204,436
Funds received from third parties without compensation (donations received)	-	-	19,183	-	-	-	-	-	-	-	-	19,183
Revaluation (effects of subsequent valuations)	(3,621,516)	12,036,751	14,055,184	(1,797)	-	(2,276)	(133,298)	-	-	-	-	22,333,048
Owner's non-cash contribution (Note 32)	529,443	-	-	-	-	-	-	-	-	-	-	529,443
Recognition of the building under construction - Block 20	-	-	-	-	-	-	1,100,168	-	-	-	-	1,100,168
Stockcount surplus	-	-	9,083	-	1,167	-	-	-	-	-	-	10,250
Stockcount shortage	-	-	(9,040)	-	(1,883)	-	-	-	-	-	-	(10,923)
Sales	-	(2,432)	(314,964)	-	-	-	-	-	-	-	-	(317,396)
Derecognition of Property, Plant and Equipment	-	(64,061)	(15,959,389)	-	(6,358)	(102)	-	-	-	-	-	(16,029,910)
Impairment in accordance with IAS 36	-	-	-	-	-	-	(888,520)	-	-	-	-	(888,520)
Transfer to assets intended for sale	(1,365)	(977,512)	-	-	-	-	-	-	-	-	-	(978,877)
Non-monetary contribution - recapitalization of ODS (note 1)	(179,613)	(9,668,720)	(9,464,555)	-	-	(48,517)	(607,781)	-	-	-	-	(19,969,186)
Other changes	(1)	14,171	(19)	-	10,174	6,406	(23,670)	-	29,426	(2,626,024)	(2,948,612)	(5,538,149)
Balance as of December 31, 2021	89,009,526	511,290,000	942,094,069	727,677	502,441	166,822	106,519,589	-	206,929	6,325,034	12,085,799	1,668,927,886

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

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

Biological assets and property, plant and equipment (continued)

	In RSD thousands											
	Agricultural and construction land	Buildings	Machinery and equipment	Investment property	Biological assets	Other property, plant and equipment	Construction in progress	Investments in other people's property, plants and equipment	Property, plants and equipment leased (with the right of use for more than one year)	Advances on property, plant and equipment in the country	Advances to foreigners for property, plant and equipment	Total
<i>Accumulated depreciation</i>												
<i>Correction of the initial balance on January 1, 2020</i>	6,839,696	-	(212,586)	89,636	-	-	-	-	-	-	(67,332)	6,649,414
<i>Corrected balance as of January 1, 2020</i>	<u>32,464,580</u>	<u>337,999,156</u>	<u>965,287,845</u>	<u>347,333</u>	-	<u>124,580</u>	<u>687,622</u>	<u>431</u>	-	<u>733,619</u>	<u>8,883</u>	<u>1,337,654,049</u>
Depreciation expense	1,507,901	8,076,157	38,233,448	13,258	-	2,216	-	32	-	-	-	47,833,012
Transfer within account group 02 (except for activation) or transfer from another account group to account group 02	(173)	-	-	-	-	-	-	-	-	-	-	(173)
Funds transferred to third parties free of charge (donations given)	-	-	(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)
Effects of change in useful life	-	(1,593)	(1,441,032)	-	-	(7,686)	-	(110)	-	-	-	(1,450,421)
Acquisition of a dependent legal entity HES "Gornja Drina"	-	902	18	-	-	-	-	-	-	-	-	920
Loss of control over subsidiary "Elektrodistribucija Srbije" d.o.o (Notes 1 and 2.6.)	(596,477)	(107,236,929)	(415,683,952)	-	-	(29,804)	(357,776)	(353)	-	(412,055)	-	(524,317,346)
Other changes	(156)	8,568	(12,458)	-	-	3,640	444	-	-	15,493	-	15,531
<i>Corrected balance as of December 31, 2020</i>	<u>33,375,675</u>	<u>238,676,794</u>	<u>583,376,723</u>	<u>360,591</u>	-	<u>92,838</u>	<u>330,290</u>	-	-	<u>337,057</u>	<u>8,883</u>	<u>856,558,851</u>
<i>Corrected balance as of January 1, 2021</i>	<u>33,375,675</u>	<u>238,676,794</u>	<u>583,376,723</u>	<u>360,591</u>	-	<u>92,838</u>	<u>330,290</u>	-	-	<u>337,057</u>	<u>8,883</u>	<u>856,558,851</u>
Amortization expense (Note 12)	1,678,321	6,109,350	25,110,945	16,606	-	91	-	-	127,970	-	-	33,043,283
Transfer within account group 02 (except for activation) or transfer from another account group to account group 02	33	18,890	-	(9,550)	-	-	-	-	-	-	-	9,373
Funds transferred to third parties free of charge (donations given)	-	-	68	-	-	-	-	-	-	-	-	68
Revaluation (effects of subsequent valuations)	16,964	2,492,137	(18,909,295)	5,122	-	8,299	2,962	-	-	-	-	(16,383,811)
Stockcount shortage	-	-	(8,770)	-	-	-	-	-	-	-	-	(8,770)
Sales	-	-	(306,444)	-	-	-	-	-	-	-	-	(306,444)
Derecognition of Property, Plant and Equipment	-	(30,078)	(11,538,087)	-	-	(65)	-	-	-	-	-	(11,568,230)
Transfer to assets intended for sale	-	(365,689)	-	-	-	-	-	-	-	-	-	(365,689)
Non-monetary contribution - recapitalization of EDS (Note 1)	(11,315)	(4,456,045)	(5,759,328)	-	-	(43,661)	-	-	-	-	-	(10,270,349)
Effects of changing useful life	-	-	(5,803)	-	-	-	-	-	-	-	-	(5,803)
Other changes	-	-	(7,248)	-	-	2,342	-	-	(3,218)	(4,790)	-	(12,914)
<i>Balance as of December 31, 2021</i>	<u>35,059,678</u>	<u>242,445,359</u>	<u>571,952,761</u>	<u>372,769</u>	-	<u>59,844</u>	<u>333,252</u>	-	<u>124,752</u>	<u>332,267</u>	<u>8,883</u>	<u>850,689,565</u>
<i>Net book value</i>												
<i>At January 1, 2021</i>	<u>56,068,318</u>	<u>268,962,558</u>	<u>341,061,456</u>	<u>417,698</u>	<u>489,076</u>	<u>118,473</u>	<u>87,592,753</u>	-	-	<u>6,085,130</u>	<u>14,254,524</u>	<u>775,049,986</u>
<i>At December 31, 2021</i>	<u>53,949,848</u>	<u>268,844,641</u>	<u>370,141,308</u>	<u>354,908</u>	<u>502,441</u>	<u>106,978</u>	<u>106,186,337</u>	-	<u>82,177</u>	<u>5,992,767</u>	<u>12,076,916</u>	<u>818,238,321</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

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

As at 31 December 2021 and 31 December 2020, the Group has no pledges and mortgages established on property, plant and equipment.

During 2021, the amount of capitalized borrowing costs amounted to RSD 715,195 thousand (2020: RSD 1,129,211 thousand).

The fair value of investment properties as of December 31, 2021 is RSD 1,280,351 thousand (as of December 31, 2020: RSD 1,493,642 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.

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

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

Transfer of property to Elektro distribucija Serbia

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

Asset description	In RSD 000 Carrying amount in 2021
Intangible assets	3,280,685
Land	168,298
Buildings	5,212,675
Equipment	3,705,227
Other PPE	4,856
Assets under construction (construction in progress)	607,781
Total	12,979,522

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31 December 2021

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

Revaluation of property, plant and equipment

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

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

The applied assessment methods are:

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

Advances made for property, plant and equipment

Advances given for real estate, plant and equipment, which as of December 31, 2021 were reported in the amount of RSD 18,069,683 thousand (December 31, 2020: RSD 20,339,654 thousand) mostly relate to:

- implementation of the second phase of the "KOSTOLAC-B POWER PLANT PROJECTS" project package according to the agreement concluded between the Group and China Machinery Engineering Corporation ("CMEC") dated November 20, 2013. The project is financed partly on the basis of the loan agreement concluded on December 17, 2014 between the Government of the Republic of Serbia, as the borrower, and the Chinese Export-Import Bank, as the lender (note 34), and partly from own funds. With the balance as of December 31, 2021, the total amount of advances on this basis amounts to RSD 10,830,868 thousand (December 31, 2020: RSD 14,654,539 thousand);
- construction of a plant for exhaust gas desulfurization of the Nikola Tesla A Thermal Power Plant, based on the contract concluded on September 8, 2017 between the Parent Company and the consortium formed by Mitsubishi Hitachi Power Systems Ltd. and "Jedinstvo" a.d. Sevojno. With the balance as of December 31, 2021, the total amount of advances given on this basis amounts to RSD 1,440,981 thousand (December 31, 2020: RSD 4,980,467 thousand);
- construction of a plant for exhaust gas desulfurization of the Nikola Tesla B Thermal Power Plant, based on the contract concluded on October 13, 2020, between the Group and a consortium composed of Mitsubishi Power Ltd Japan, a branch of Mitsubishi Power Ltd. Belgrade, Energetika Južna Bačka d.o.o. Novi Sad, Goša montaza a.d. Belgrade, EX ING B&P d.o.o. Belgrade. With the balance as of December 31, 2021, the total amount of advances given on this basis amounts to RSD 2,676,891 thousand.

Right-of-use assets and lease liabilities

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

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

Changes in recognized assets with the right to use by asset category in 2021 are given in the following table:

	Land	Buildings	Equipment	In RSD thousands Total
Book value as of January 1, 2021	3,782	170,895	2,826	177,503
Increases	-	53,127	3,270	56,397
Reductions	-	(23,753)	-	(23,753)
Depreciation	(570)	(126,657)	(743)	(127,970)
Book value as of December 31, 2021	3,212	73,612	5,353	82,177

The Group has recognized lease liabilities as follows:

	In RSD thousands	
	December 31, 2021	January 1 st , 2021
Short-term lease liabilities	57,898	110,241
Long-term lease liabilities	22,224	67,262
Total liabilities based on leasing	80,122	177,503

Liabilities based on recognized right-of-use assets as of December 31, 2021 and December 31, 2020 in accordance with IFRS 16 are shown as follows:

	December 31, 2021		January 1, 2021	
	Current value	Contractual undiscounted cash flows	Current value	Contractual undiscounted cash flows
Minimum lease payments				
Up to 1 year	57,898	59,088	110,241	114,159
From 1 to 5 years	21,632	22,489	66,597	69,307
Over 5 years	592	611	665	814
Total	80,122	82,188	177,503	184,280

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

	In RSD thousands
	December 31, 2021
Interest expenses based on leasing	(4,495)
Variable lease payments that depend on usage / consumption	(10,504)
Expenses related to short-term leasing	(201,887)
Expenses related to the leasing of assets of low value	(1,639)

Certain property leases contain variable payment terms linked to their consumption. Different payment terms are used for different reasons, including minimizing the fixed cost base. Variable lease payments that depend on use / consumption are recognized in the income statement in the period in which the condition that initiates those payments occurs and are not included in the measurement of the lease liability measured as of December 31, 2021.

The total cash outflow on the basis of leasing stated in the Cash Flow Report in 2021 was RSD 136,602 thousand.

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31 December 2021

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

	In RSD thousands	
	31 December 2021	31 December 2020
Investment in the capital of legal entities		
Shares in the capital of other legal entities	1,567,813	3,019,708
<i>Less: Allowance for impairment of participation in the capital of other legal entities</i>	<u>(1,277,018)</u>	<u>(2,693,835)</u>
	<u>290,795</u>	<u>325,873</u>
Investments in associates and joint ventures		
Investments in associates and joint ventures	407,614	406,462
<i>Less: Allowance for impairment of investments in associates and joint ventures</i>	<u>(379,630)</u>	<u>-</u>
	<u>27,984</u>	<u>406,462</u>
	<u>318,779</u>	<u>732,335</u>
Long-term loans in the country		
Provide long-term loans	2,350,992	2,490,896
Other long-term financial investments		
Other long-term financial investments	962,091	1,785,065
<i>Less: Allowance for impairment of other long-term financial investments</i>	<u>(779,951)</u>	<u>(780,362)</u>
	<u>182,140</u>	<u>1,004,703</u>
LONG-TERM RECEIVABLES		
Rescheduled trade receivables for electricity and services:		
- households	-	115,095
- legal entities	1,568,009	2,180,927
Rescheduled receivables from customers for coal, thermal energy, technological steam	42	42
Loans to employees:		
- sold apartments	225,923	266,545
- housing loans	28,063	31,276
	<u>1,822,037</u>	<u>2,593,885</u>
<i>Less: Allowance for impairment</i>		
- rescheduled trade receivables for electricity and services from households	-	(115,095)
- rescheduled trade receivables for electricity and services from legal entities	<u>(1,562,461)</u>	<u>(2,180,426)</u>
	<u>(1,562,461)</u>	<u>(2,295,521)</u>
	<u>259,576</u>	<u>298,364</u>
	<u>3,111,487</u>	<u>4,526,298</u>

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31 December 2021

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

Share in capital in legal entities

Share in capital in other legal entities

Equity investments in other legal entities include the following:

- Participation in the capital of the bankruptcy debtor "Fabrika automobila Priboj" a.d. in the amount of RSD 125,747 thousand (31 December 2020: 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 Parent Company's Proprietary account.
- Participation in the capital of the company "Trayal Corporation" a.d. Kruševac in the amount of RSD 329,151 thousand (31 December 2020: RSD 360,460 thousand) acquired in 2019 through the conversion of the Parent 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 "Simp'o" a.d. Vranje in the amount of RSD 585,568 thousand (31 December 2020: RSD 585,473 thousand) acquired through the conversion of the Parent Company's receivables into the share capital of "Simp'o" a.d. Vranje in accordance with the Reorganization Plan prepared in advance (final UPPR by Decision No. 10.St.8 / 2018). The conversion of part of the receivables in the amount of RSD 245,342 thousand was performed in 2019, and in 2020. in the amount of RSD 340,226 thousand.
- 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 Parent 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. In the reporting period, there were no additional payments on this basis.

As of December 31, 2021, 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.

The decrease in the share in the capital of other legal entities is the result of the transfer of part of the shares to the former subsidiary legal entity "Elektrodistribucija Srbije" d.o.o. Namely, by contract number 12.01-648059/1-2021 dated December 10, 2021, concluded between the parent company and the legal entity "Elektrodistribucija Srbije" d.o.o. the share in the capital of other legal entities was transferred as a continuation of the recapitalization activities of "Elektrodistribucija Srbije" d.o.o., as stated in the following review:

	In RSD thousands		
	Purchase value	Allowance for impairment	Total
Rudnik Kovin a.d. Kovin	86,376	(49,371)	37,005
„Fabrika automobila Priboj“ a.d.	136,168	(136,168)	-
„Trayal korporacija“ a.d. Krusevac	31,309	(31,309)	-
Preduzece Ivan Milutinovic – PIM A.D.	3,043	(3,043)	-
			37,005

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

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

Share in capital in legal entities (continued)

Share in capital in other legal entities (continued)

As of December 31, 2020, participations in the capital of other legal entities included 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 Parent 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 Parent 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 Parent Company and the Republic of Serbia was concluded and implemented in 2021.

Share in capital of joined legal entities and joint ventures

Share in capital of joined legal entities and joint ventures disclosed at 31 December 2021 in the amount of RSD 407,614 thousand (31 December 2020: RSD 406,462 thousand) relate to investment in equity of the following entities:

	% ownership	In RSD thousands	
		31 December 2021	31 December 2020
„Ibarske hidroelektrane" d.o.o., Kraljevo	49%	379,630	379,630
„Moravske hidroelektrane" d.o.o., Beograd	49%	27,984	26,832
		407,614	406,462

„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 and JP EPS invested EUR 2,450,000 which gives it 49% equity share. 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.

In 2021, the Italian side withdrew from the project and the company was left without a legal representative. On July 16, 2021, the APR issued a decision that adopted the registration application on the change of data - change of legal representative, and based on the resignation of the director of "Ibarska hidroelektrana" d.o.o. The Law on Business Companies stipulates that, if the company does not register a new legal representative within three months, the procedure for forced liquidation is initiated. As disclosed in Note 46, the compulsory liquidation procedure was initiated on January 31, 2022, with the simultaneous change of the company's business name to "Ibarske hidroelektrane" d.o.o. in compulsory liquidation. In the reporting period, on the basis stated, the Parent company carried out a write-down of the participation in the capital of the legal entity "Ibarska Hydroelectric Power Plant" in the amount of RSD 379,630 thousand.

„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.

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

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31 December 2021

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

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

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

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

The aforementioned amount of the part of the subscribed money capital was paid by the Parent Company in dinar equivalent, which resulted in an increase in the share in the capital of the said company on December 31, 2021 in relation to the balance stated on the same day of the previous year.

On December 27, 2021, the Assembly of the company "Moravske hidroelektrane" d.o.o. made a decision to reduce the basic capital of the company in the amount of EUR 3,479,805. By reducing the share capital, the subscribed share capital is reduced to the level of the paid-in share capital, and the members of the company are exempted from entering unsubscribed shares. The aforementioned change was entered in the register of the Agency for Economic Registers in January 2022 (Note 46).

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.

Long-term loans

Long-term loans reported as at 31 December 2021 in the amount of RSD 2,350,992 thousand (31 December 2020: 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, as at 31 December 2020 the Parent 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 Parent Company on the aforementioned basis.

Other long-term financial investments

With balance as of December 31, 2020 other long-term financial investments include the amount of RSD 1,000,000 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 Parent 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 Parent 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

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

LONG-TERM RECEIVABLES

Rescheduled accounts receivable

Rescheduled receivables from customers for electricity and services stated with the balance as of December 31, 2021 in the gross amount of RSD 1,568,009 thousand include:

- Receivables from the city of Kragujevac in the amount of RSD 662,995 thousand, which, with the consent of the Founder, are regulated in such a way that the amount of the debt is settled in ten consecutive annual annuities with a grace period until February 29, 2020, as well as during the repayment of the debt to the total amount of principal debt, which is the subject of the Agreement, calculates interest in the amount of the reference interest rate of the NBS.
- Receivables from the customer Yumco a.d. Vranje in the amount of RSD 415,631 thousand. The decision by which the UPPR was adopted became final on May 26, 2021. According to the conclusion of the Government of the Republic of Serbia 05 number 023-8981/2021-1 of September 30, 2021, it was recommended to state creditors to convert claims into participation in the capital of Yumco a.d., Vranje, with the balance as of the date of entry into force of the Decision on the adoption of the UPPR -a, i.e. with the balance as of May 26, 2021, with the associated interest until the date of the decision of the Government of the Republic of Serbia. The conversion was carried out on May 17, 2022 (Decision NO. 12.01.208645/6-22 of April 7, 2022)
- Receivable from customer A.D. VINO ŽUPA Aleksandrovac in the amount of RSD 73,824 thousand in accordance with the pre-prepared reorganization plan. After a 6-month grace period, the principal is scheduled to be repaid over a period of 10 years, on a monthly basis. Calculation and payment of interest is made on the amount of up to 42% of the debt, namely:
 - a. after the effective date of the UPPR, in the first 5 years of the repayment period, interest is calculated at the rate of 0.01% per year;
 - b. after that, for the next 5 years of repayment, interest is calculated at the rate of 1.1% + three-month EURIBOR,
 - c. the remaining unpaid amount of 58% of the debt principal is due at the end of the repayment period and will be paid in full together with the payment of the last instalment in accordance with the repayment plan.

As disclosed in note 1, part of the rescheduled receivables from customers of electricity with a gross book value of RSD 1,334,561 thousand, for which impairment was previously recognized, was transferred to "Elektrodistribucija Srbije" d.o.o.

Loans to employees

Loans to employees that relate to the sale of apartments at 31 December 2021 in the amount of RSD 225,923 thousand (31 December 2020: RSD 266,545 thousand) relate to loans for the housing needs of employees which are approved for a period of 20 or 40 years with repayment through monthly instalments that are adjusted to the movement of retail prices, and at most up to the growth of the average salary in the Republic of Serbia.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

26. INVENTORY

	31 December 2021	In RSD thousand 31 December 2020 <i>Adjusted</i>
Materials	10,719,657	10,851,547
<i>Less: Allowance for impairment of materials</i>	<u>(3,779,855)</u>	<u>(3,090,110)</u>
	6,939,802	7,761,437
Spare parts	20,469,706	19,760,632
Tools and inventory	1,631,495	1,692,461
<i>Less: Allowance for impairment of spare parts, tools and inventory</i>	<u>(2,550,987)</u>	<u>(2,175,079)</u>
	19,550,214	19,278,014
Total material, spare parts, tools and inventory	<u>26,490,016</u>	<u>27,039,451</u>
Work in progress	495,023	702,815
Finished goods – coal	1,774,152	2,343,653
Finished goods – other	26,239	46,937
	<u>2,295,414</u>	<u>3,093,405</u>
	28,785,430	30,132,856
Finished Goods	1,848	2,837
<i>Less: Allowance for impairment of finished goods</i>	<u>(99)</u>	<u>(99)</u>
	1,749	2,738
Advances paid for inventories and services in the country:		
- other advances given for inventories and services	1,960,766	4,654,918
<i>Less: Allowance for impairment of given advances</i>	<u>(215,180)</u>	<u>(226,761)</u>
	1,745,586	4,428,157
Advances paid abroad for inventories and services:		
- others given advances for inventories and services	2,199,190	450,250
<i>Less: Allowance for impairment of given advances</i>	<u>(229,784)</u>	<u>(229,784)</u>
	1,969,406	220,466
	<u>32,502,171</u>	<u>34,784,217</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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27. TRADE RECEIVABLES

	31 December 2021	In RSD thousand 31 December 2020
Customers – other related parties (PE "Elektrokosmet Pristina")	16,610,866	15,562,077
<i>Less: allowance for impairment from Public Enterprise "Elektrokosmet", Pristina</i>	<u>(16,610,866)</u>	<u>(15,562,077)</u>
	-	-
Customers on domestic market:		
- sale of electricity – households	33,921,124	47,743,837
- sale of electricity – legal entities	10,050,686	18,085,120
- sale of electricity - companies in restructuring and in bankruptcy	12,094,102	13,419,059
- other – companies under restructuring and in bankruptcy	1,276,895	1,277,171
- for delivered electricity – licenced customers	102,766	41,611
- for delivered electricity - customers on the open electricity market	29,565,923	28,995,268
- A.D. „Elektromreza Srbije“, Beograd	3,560,924	1,610,601
- "Elektrodistribucija Srbije "d.o.o., Beograd	9,105,867	11,751,142
- sale of coal	2,573,994	2,688,809
- sale of technological steam	610,872	547,264
- sale of heat energy	707,823	579,912
- trade receivables for services	<u>6,744</u>	<u>50,866</u>
	<u>103,577,720</u>	<u>126,790,660</u>
<i>Less: allowances for impairment on domestic market</i>		
- sale of electricity – households	(5,311,790)	(24,987,114)
- sale of electricity – legal entities	(7,913,878)	(12,421,067)
- sale of electricity - companies in restructuring and in bankruptcy	(12,094,102)	(13,419,059)
- other companies under restructuring and in bankruptcy	(1,276,868)	(1,277,171)
- for delivered electricity – licenced customers	(7,072)	(7,072)
- for delivered electricity - customers on the open electricity market	(6,297,709)	(11,393,959)
- "Elektrodistribucija Srbije "d.o.o., Beograd	(4,873,855)	(3,613,761)
- sale of coal	(2,385,235)	(2,424,122)
- sale of technological steam	(585,101)	-
- sale of heat energy	(204,130)	(668,870)
- trade receivables for services	<u>(5,407)</u>	<u>(5,431)</u>
	<u>(40,955,147)</u>	<u>(70,217,626)</u>
Customers on domestic market, net	<u>62,622,573</u>	<u>56,573,034</u>
Customers – foreign	4,815,117	4,641,607
<i>Less: allowances for impairment of foreign customers</i>	<u>(4,740,701)</u>	<u>(4,379,104)</u>
	<u>74,416</u>	<u>262,503</u>
Other trade receivables	583,519	702,226
<i>Less: Allowances for impairment of other trade receivables</i>	<u>(456,971)</u>	<u>(391,692)</u>
	<u>126,548</u>	<u>310,534</u>
	<u>62,823,537</u>	<u>57,146,071</u>

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 Parent company uses its available production capacity in order to provide with electricity supply areas with a majority population of Serbs in the north of AP of Kosovo and Metohija. On the above basis, the receivables for delivered electricity to the Public entity "Elektrokosmet" Pristina were recognized, in the amount of RSD 16,610,866 thousand (2020: RSD 15,562,077 thousand). At the same time, the unpaid amount was recognized as an expense by indirect write-off.

As disclosed in note 1, part of the receivables from customers of electricity with a gross book value of RSD 26,175,313 thousand, for which impairment was previously recognized, was transferred to "Elektrodistribucija Srbije" d.o.o. Belgrade.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

28. OTHER SHORT-TERM RECEIVABLES

	31 December 2021	In RSD thousand 31 December 2020
Other receivables from specific operations	16,459	39,332
Receivables for Public Media Service charge	4,478,657	3,916,812
Receivables for interest:		
- for delivered energy (households)	1,223,853	1,491,652
- for delivered energy (legal entities)	7,022,027	6,712,695
- for delivered energy (companies in restructuring)	2,878,048	2,864,063
- other legal entities	287,977	264,817
Receivables from employees	1,026,100	154,735
Receivables from insurance companies for damages	6,407	2,696
Receivables from billing	153,983	156,480
Receivables based on refundable benefits	209,175	239,052
Receivables based on overpaid taxes and contributions	161,308	49,408
Other receivables from the state	268,012	364,378
Other receivables	2,621,694	1,004,046
Receivables for overpaid income tax	3,750,495	-
	<u>24,104,195</u>	<u>17,260,166</u>
<i>Less: allowance for impairment for other receivables</i>		
Other receivables from specific operations	(16,017)	(28,638)
Receivables for Public Media Service charge	(1,092,077)	(1,046,625)
Receivables for interest:		
- for delivered energy (households)	(116,330)	(227,736)
- for delivered energy (legal entities)	(4,879,357)	(5,571,810)
- for delivered energy (companies in restructuring)	(2,878,048)	(2,864,063)
Receivables from employees	(7,951)	(3,202)
Receivables based on overpaid taxes and contributions	(1,049)	(1,049)
Other receivables from the state	(815)	(12,036)
Other receivables	<u>(1,266,845)</u>	<u>(862,579)</u>
	<u>(10,258,489)</u>	<u>(10,617,738)</u>
	<u>13,845,706</u>	<u>6,642,428</u>

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

Other short-term receivables stated in the amount of RSD 2,621,694 thousand, mostly, in the amount of RSD 1,163,418 thousand, refer to claims from the legal entity "Elektrodistibucija Srbije" d.o.o., Belgrade based on pre-invoiced delivered goods and of services provided, and according to binding contracts with suppliers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

29. SHORT-TERM FINANCIAL INVESTMENTS

	31 December 2021	In RSD thousand 31 December 2020
Short-term loans and borrowings – domestic	111,849	111,849
Current maturity of long-term loans granted in the country	171,619	162,566
Current maturity of other long-term financial placements	240,634	242,713
<i>Less: allowance for impairment of short-term loans and placements - domestic</i>	<u>(311,616)</u>	<u>(311,616)</u>
	<u>212,486</u>	<u>205,512</u>
Current maturity of rescheduled claims - electricity	255,205	1,010,825
Current maturity of rescheduled claims for coal, thermal energy and technical steam and services	2,741	588
Short-term deposits in domestic banks	16,616	11,840
<i>Less: allowance for impairment of short-term financial placements</i>	<u>(238,741)</u>	<u>(1,010,706)</u>
	<u>35,821</u>	<u>12,547</u>
	<u>248,307</u>	<u>218,059</u>

As disclosed in Note 1, part of the reprogrammed receivables from customers based on the delivery of electricity with a gross book value of RSD 452,965 thousand, and for which impairment in the same amount was previously recognized, was transferred to the company "Elektrodistribucija Srbije" d.o.o.

30. CASH AND CASH EQUIVALENTS

	31 December 2021	In RSD thousand 31 December 2020
Current accounts:		
- in RSD	12,075,074	19,219,934
- in foreign currency	1,367,047	1,146,785
Deposits for cover under letters of credit in foreign currency	22	-
Cash desk	24,553	5,159
Special purpose cash funds	27	1,217
Securities – cash equivalents	2,576	11,720
Money whose use is limited or whose value is reduced	267,729	275,781
<i>Less: Correction of the value of monetary assets, the use of which is limited or the value is reduced</i>	<u>(267,729)</u>	<u>(275,781)</u>
	<u>13,469,299</u>	<u>20,384,815</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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31. PREPAID EXPENSES

	31 December 2021	In RSD thousand 31 December 2020
Prepaid expenses	26,408	26,418
Deferred expenses	1,256,106	1,267,210
Other prepaid expenses	1,650,439	1,357,327
	<u>2,932,953</u>	<u>2,650,955</u>

Deferred expenses stated in 2021 amounting to RSD 1,256,106 thousand (2020: RSD 1,267,210 thousand) as a whole refer to property insurance costs and employee insurance for the period after the balance sheet date.

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

32. EQUITY

Basic capital

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

As stated in note 1, the Group's basic capital increased on the registered and entered non-monetary contribution by RSD 529,443 thousand, which is the estimated market value of the property that is the subject of the contribution. The increase in registered and entered capital was registered with the Agency for Economic Registers on December 1, 2021.

Other capital

Other capital shown in the Group's consolidated balance sheet as of December 31, 2021 in the amount of RSD 71,447 thousand (December 31, 2020: RSD 71,447 thousand) refers to own non-business sources, which were transferred during the first application of the new accounting regulations of the Republic of Serbia on January 1, 2004.

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 2021

32. EQUITY (continued)

Changes in equity

Changes in equity in 2021 and 2020 are disclosed below:

	In RSD thousand									
	Basic and other capital	Legal reserves	Revaluation reserves	Translation reserves	Actuarial earnings / (losses)	Profit/ (losses) on securities available for sale	Retained earnings / (accumulated loss)	Capital belonging to the majority owner	Participation without the right of control	Total
Balance at 31 December 2019	360,141,927	43,934	600,273,199	(1,666)	(2,754,510)	(435,372)	(129,064,241)	828,203,271	(286,264)	827,917,007
Correction of beginning balance (Note 5)	-	-	(37,874)	-	-	-	(9,202,626)	(9,240,500)	-	(9,240,500)
Corrected balance at 31 December 2019.	360,141,927	43,934	600,235,325	(1,666)	(2,754,510)	(435,372)	(138,266,867)	818,962,771	(286,264)	818,676,507
First-time adoption of IFRS 9	-	-	-	-	-	-	2,188,861	2,188,861	-	2,188,861
Acquisition of subsidiary " HES Gornja Drina "	-	-	-	-	-	-	-	-	2,277,182	2,277,182
Profit / loss for the current year	-	-	-	-	-	-	10,697,809	10,697,809	(24,819)	10,672,990
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 (Note 33)	-	-	-	-	(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.	(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
Balance at 31 December 2020	360,003,089	44,776	423,811,725	(1,602)	(2,541,891)	(411,772)	(181,871,742)	599,032,583	1,966,099	600,998,682
Effects of fair value change in financial Instruments	-	-	-	-	-	1,501	-	1,501	-	1,501
Disposal of fixed assets	-	-	(3,733,561)	-	-	-	1,935,393	(1,798,168)	-	(1,798,168)
Effects of exchange rate differences on the basis recalculation of foreign business	-	-	-	(31)	-	-	-	(31)	-	(31)
Allocation of profit to reserves	-	624	-	-	-	-	-	624	-	624
Actuarial losses (Note 33)	-	-	-	-	(441,390)	-	-	(441,390)	-	(441,390)
Cancellation of actuarial losses based on the transfer of employees to "Elektrodistribucija Srbije" d.o.o.	-	-	-	-	397,246	-	(397,246)	-	-	-
Effects of PPE assessment (Note 24)	-	-	37,017,490	-	-	-	-	37,017,490	-	37,017,490
Effects of PPE valuation on deferred tax liabilities (Note 23)	-	-	(5,552,624)	-	-	-	-	(5,552,624)	-	(5,552,624)
Assignment of shares in the capital of "Elektrodistribucija Srbije" d.o.o. to the Republic of Serbia.	-	-	(3,884,957)	-	-	-	(9,326,294)	(13,211,251)	-	(13,211,251)
Founder's non-monetary contribution	529,443	-	-	-	-	-	-	529,443	-	529,443
Current year loss	-	-	-	-	-	-	(15,444,616)	(15,444,616)	(47,851)	(15,492,467)
Balance at 31 December 2021	360,532,532	45,400	447,658,073	(1,633)	(2,586,035)	(410,271)	(205,104,505)	600,133,561	1,918,248	602,051,809

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32. EQUITY (continued)

Reduction of the total capital based on the transfer without compensation to the Republic of Serbia of participation in the capital of the company "EPS Distribucija" d.o.o., Belgrade in the amount of RSD 13,211,251 thousand, includes the value of transferred property, plant and equipment, in the amount of RSD 13,173,818 thousand (Note 24), the value of the transferred shares in the capital of other legal entities in the amount of RSD 37,005 thousand (Note 25), and the value of current assets in the amount of RSD 428 thousand. The reduction of the total capital on this basis is expressed according to the values of the mentioned assets determined by the Decision of the Supervisory Board on the increase of the basic capital of "Elektrodistribucije Srbije" d.o.o., Belgrade.

33. LONG-TERM PROVISIONS

	31 December 2021	In RSD thousand 31 December 2020
Long-term provision for retirement benefits and jubilee rewards	14,972,214	Adjusted 17,311,238
Long-term provision for litigations	2,880,549	3,851,061
Long-term provision for environmental restoration	20,112,294	19,629,151
Other long-term provisions	24	24
	37,965,081	40,791,474

Long-term provisions for employee benefits

As at 31 December 2021, Long term provisions for employee benefits amounting to RSD 14,972,214 thousand (31 December 2020: RSD 17,311,238 thousand) relate to provisions for retirement benefits and jubilee awards for 10, 20, 30, 35 and 40 years of continuous work in the Company, and were recognized using the projected unit crediting method. In determining the present value of estimated future payments to employees, the Group used discount rate ranging from 0,36% to 4,48%, assuming that the annual fluctuation rate ranges from 0,03% to 2,13%, while the wage growth rate is kept at zero. Mortality tables of the Republic of Serbia Statistical Office 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 2021 was recognized as a separate item of equity within the total other result of RSD 441,390 thousand (2020: RSD 62,631 thousand), and difference, which is not a consequence of changes in actuarial assumptions and experiential projections, is recognized in the income statement.

As disclosed in Notes 11 and 21, due to the reduction in the number of employees, income from the cancellation of provisions was recognized, in the amount of RSD 3,158,610 thousand, and actuarial losses were cancelled in the amount of RSD 397,246 thousand, in favour of the results of previous years.

Long-term provisions for litigation

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

Long-term provision for environmental restoration

Long-term provisions based on the costs of restoration of natural resources, for the most part, in the amount of RSD 17,173,555 thousand, refer to provisions for the final recultivation of the land on which the slag and ash landfill is located in the thermal power plants Kostolac, Kolubara, Morava, Nikola Tesla A and Nikola Tesla B. In 2021, the Parent Company recognized provisions by retrospectively correcting comparative data for 2020 and 2019. Namely, based on the aforementioned basis, and on January 1, 2021, a future obligation for the recultivation of the land on which the TE ash dumps are located is recognized in the amount of RSD 16,760,870 thousand, whereby the amount of RSD 13,692,360 thousand is capitalized on the first date of obligations and which was amortized by the date of assessment in the amount of RSD 7,587,702 thousand.

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

The value of reclamation expenditures attributed to the value of the land on which the ash and slag landfills are located as of December 31, 2021 is RSD 5,260,291 thousand, and is determined as the difference between the total calculated value of the land that is capitalized during the entire period of use and depreciation of this land from the beginning of recognition until December 31, 2021. Given that since the activation of all landfills/cassettes, the parent company has not recorded depreciation of the mentioned land that is being capitalized, as well as expenses, in its business books, a correction of retained earnings was made based on the amount of depreciation and expenses incurred from the beginning of recognition until December 31, 2020. (Note 5).

A change in key assumptions at the reporting date, assuming all other calculation parameters are constant, would have the following effects on the calculated present value of the provision for the final reclamation of the land on which the slag and ash landfill is located:

	In RSD thousand	
	31 December 2021	
	(+)	(-)
Discount rate (1 pp change)	167,609	(167,609)
Landfill life (change from 1 year)	(412,685)	423,579

If the discount rate used to calculate the present value of expenditures for the recultivation of the land on which the ash and slag landfills are located would be higher by 1% on an annual basis, the present value of the obligation on December 31, 2021 would increase by RSD 167,609 thousand (if if the discount rate were to decrease by 1%, the present value of the liability would decrease by RSD 167,609 thousand). On the other hand, extending the life of landfills by one year would reduce the present value of the obligation to recultivate the land where the ash and slag landfills are located by RSD 412,685 thousand (shortening the life of the landfill would increase the present value of the obligation by RSD 423,579 thousand).

Changes in long-term provisions accounts during 2021 and 2020 were as follows:

	In RSD thousand				
	Provision for retirement benefits and jubilee awards	Provision for litigations	Provision for environmental restoration	Other long-term provision	Total
Balance at 1 January 2020	18,979,073	3,802,710	2,864,132	24	25,645,939
Correction of beginning balance (Note 5)	-	-	14,438,217	-	14,438,217
Corrected balance at 1 January 2020	18,979,073	3,802,710	17,302,349	24	40,084,156
New provisions recognized in the income statement (Note 15)	2,206,072	1,563,944	470,823	1,553	4,242,392
New provisions - capitalization of expenses for the recultivation of the ash and slag landfill	-	-	1,830,842	-	1,830,842
New provisions recognized in other comprehensive income (note 32)	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 (Note 21)	(9)	(180,049)	-	-	(180,058)
Loss of control over subsidiary Elektrodistribucija Srbije d.o.o.	(2,313,549)	(859,547)	-	-	(3,173,096)
Other	7,499	-	25,137	-	32,636
Balance at 31 December 2020	17,311,238	3,851,061	19,629,151	24	40,791,474
New provisions recognized in the income statement (Note 15)	1,879,932	219,889	520,842	-	2,620,663
New provisions recognized in other comprehensive income (note 32)	441,390	-	-	-	441,390
Reduction resulting from payments / other waivers of future economic benefits	(1,501,836)	(202,451)	(37,699)	-	(1,741,986)
Reversal of Provisions (Note 21)	(3,158,510)	(987,950)	-	-	(4,146,460)
Balance at 31 December 2021	14,972,214	2,880,549	20,112,294	24	37,965,081

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

Changes in the present value of calculated severance pay and jubilee awards in 2021 and 2020 are given in the following table:

	In RSD thousand		
	Severance pay for retirement	Jubilee awards	Total
Balance at 1 January 2020	5,590,287	13,388,786	18,979,073
<i>Items recognized in the income statement:</i>			
Interest expenses (Note 15)	153,103	326,752	479,855
Cost of ongoing services (Note 15)	206,995	996,266	1,203,261
Actuarial losses (Note 15)	-	522,956	522,956
<i>Included in the total other result:</i>			
Actuarial losses (Note 32)	62,631	-	62,631
Loss of control over a subsidiary legal entity "Elektrodistribucija Srbije" d.o.o.	(678,355)	(1,635,194)	(2,313,549)
Payments to employees	(53,991)	(1,568,998)	(1,622,989)
Balance at 31 December 2020	5,280,670	12,030,568	17,311,238
<i>Items recognized in the income statement:</i>			
Interest expenses (Note 15)	103,930	198,841	302,771
Cost of ongoing services (Note 15)	235,007	693,937	928,944
Actuarial losses (Note 15)	-	648,217	648,217
Amount of termination during the current year to the benefit of revenue (note 21)	(888,940)	(2,269,570)	(3,158,510)
<i>Included in the total other result:</i>			
Actuarial losses (Note 32)	441,390	-	441,390
Payments to employees	(203,011)	(1,298,825)	(1,501,836)
Balance at 31 December 2021	4,969,046	10,003,168	14,972,214

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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34. LONG-TERM LIABILITIES

	31 December 2021	In RSD thousand 31 December 2020
Liabilities convertible to equity	80,500	80,500
Long-term borrowings: domestic in RSD and foreign currency	45,539,282	31,946,569
<i>Less: Current portion of long-term borrowings: domestic in RSD and foreign currency</i>	<u>(24,393,008)</u>	<u>(9,091,159)</u>
	<u>21,146,274</u>	<u>22,855,410</u>
Long-term borrowings – foreign	101,490,528	93,936,455
<i>Less: Current portion of long-term borrowings: foreign</i>	<u>(29,957,052)</u>	<u>(9,259,637)</u>
	<u>71,533,476</u>	<u>84,676,818</u>
Other long-term liabilities:	105	28,090
<i>Less: Current portion of other long-term liabilities</i>	<u>-</u>	<u>(28,076)</u>
	<u>105</u>	<u>14</u>
Liabilities based on leasing	80,122	-
<i>Less: Current portion of liabilities based on leasing</i>	<u>(57,898)</u>	<u>-</u>
	<u>22,224</u>	<u>-</u>
Rescheduled public revenues liabilities:	2,772	4,444
<i>Less: Current portion</i>	<u>(1,544)</u>	<u>(1,875)</u>
	<u>1,228</u>	<u>2,569</u>
	<u>92,783,807</u>	<u>107,615,311</u>

I **Refinanced borrowings realised from the funds**

Period prior to 1990

1. Paris Club of Creditors

The repayment of liabilities arising from the refinanced long-term borrowings from the Paris Club of Creditors realised through domestic banks was frozen upon the introduction of the United Nations' Sanctions in May 1992.

The liabilities arising from the debt to the Paris Creditor Club members were recognized, in accordance with the Reconciled Minutes of the FRY Debt Consolidation and the Law Governing the Relations between the Federal Republic of Yugoslavia and Legal Entities and Banks within the Territory of the Federal Republic of Yugoslavia (FRY Official Gazette No. 36/2002), who are the Original Debtors or Guarantors toward the Paris Club Creditors and the balance reconciled with the National bank of Serbia, in the amount of 49% of the relevant principal, based on the concluded bilateral agreements. The Law provided the possibility of the additional write-off of liabilities in three years to the maximum amount of 66.67%.

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

2. London Club of Creditors

In 2005 The Parent company wrote off 62% of 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.

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

I Refinanced borrowings realised from the funds of (continued)

3. *International Banks for Reconstruction and Development*

In accordance with the Agreement entered into between 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.

Borrowings realised in the period 1990 – 2001

4. *Borrowings from the People's Republic of China through domestic*

The Parent company 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 Parent 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. On 21.01.2021. the loan was repaid in full.

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.

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

II Borrowings from foreign governments (continued)

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 cancelled. 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 instalments 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 instalments 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.

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

The Government of Japan, through Japanese International Cooperation Agency (JICA) 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.

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

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 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 30.12.2021. Considering that until 30.12.2021. available loan funds were not fully used, the Bank extended the deadline for using the remaining funds until December 30, 2022. years. 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.
- 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., and then until 30.12.2021. According to the provisions of the Borrowing Agreement, the principal repayment should have commenced on 30 December 2015 in 20 equal semi-annual instalments. According to Amendment I to the Borrowing Agreement loan principal repayment terms have been changed such that principal is to be repaid in 14 equal semi-annual instalments starting on 30 December 2018. A fixed interest rate has been agreed and is to be determined by KfW annually two days before the disbursement for each portion of the borrowing received based on the expenses incurred by KfW on the EUR capital market under terms that best correspond to the fixed interest rate period decreased by 0.5% mark-up annually, given that the rate calculated in this manner cannot be below 1% annually. After each payment, KfW consolidates these rates into a uniform rate for the total borrowing. Commission for unused portion of the borrowing amounts to 0.25% annually, with the Company being freed from this expense in 2014. Management fee amounts to 1% of total loan amount and is paid once out of Borrowers own funds.
- EUR 65 million (with additional EUR 9 million of non-repayable funds) was agreed on 12 October 2012. As the final date for utilization of borrowing funds was set 30 December 2015, which has been extended to 30 June 2020. Unused loan funds after the deadline in the amount of EUR 57.60 were canceled with the creditor's consent. According to the provisions of the Borrowing Agreement, the principal repayment commenced on 30 December 2015 in 19 equal semi-annual instalments, where in the event of extension of date for utilization of borrowing funds, repayment would commence 3 years later, on 30 December 2018, in 13 equal semi-annual instalments. A fixed interest rate has been agreed and is to be determined by KfW annually two days before the disbursement for each portion of the borrowing received based on the expenses incurred by KfW on the EUR capital market under terms that best correspond to the fixed interest rate period increased by 0.40% for the portion of the loan of EUR 25 million, and by 1.15% for the portion of the borrowing of EUR 40 million. After each payment, KfW consolidates these rates into a uniform rate for the total borrowing amount, which is fixed to the end of the repayment period. Commission for unused portion of the borrowing amounts to 0.25% annually. Management fee amounts to 1% of total loan amount and is paid once out of Borrowers own funds.
- EUR 45 million was agreed on 28 February 2017. As the final deadline for the use of borrowed funds is set 30 June 2022 with the option of deadline extension. According to the Borrowing Agreement loan principal repayment is to be repaid in 14 equal semi-annual instalments starting on 30 June 2022, ending to 30 December 2028. A Fixed interest rate has been agreed and amounts to 0.80% annually. Commission for unused portion of the borrowing amounts to 0.25% annually for which the Group was exempt in the period from 30 March 2019 to 30 June 2019. Management fee amounts to 0.75% of total borrowing amount, and is paid once out of Borrowers own funds. Considering the numerous problems in the realization of the project and the impossibility of realizing it in accordance with the rules agreed with the Bank and within the time limit that would ensure the continuation of the uninterrupted operation of Tent A, the contract termination procedure was initiated in November 2021, which ended at the end of January 2022.

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

III Borrowings from International Financial Organization (continued)

- EUR 80 million (with additional EUR 1 million of non-repayable funds) was agreed on 29 November 2017. As the initial deadline for the use of borrowed funds set 30 December 2021 is extended on 30 December 2024. In addition, loan principal repayment is to be repaid in 23 equal semi-annual instalments starting on 30 December 2021, ending to 30 December 2032 is extended for additional two years, and the funds is to be repaid by 30 December 2034. 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.

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 EUR 4,898,666. According to the provisions of the relevant Agreement, the principal repayment commenced on 2 September 2013 and is to be executed in 18 semi-annual instalments by 2 March 2022. The borrowing accrues variable interest rate, which consists of EURIBOR and mark-up of 1% annually. 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% annully. 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, and than until 15.12.2022. 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. 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. 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 2021

34. 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. Interest rate is set for each tranche individually on the release date of tranche and is fixed until the end of repayment 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 semi-annual 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.

IV 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 instalments, with the first instalment of the principal due on October 15, 2023, and the last on April 15, 2029. Payment dates are April 15 and October 15. The loan is subject to a variable interest rate, which consists of 6M EURIBOR and a margin of 1.95% per annum. As the value of 6M EURIBOR, the actual value of 6M EURIBOR is used. The commission on undrawn funds amounts to 0.25% per annum, and is calculated from January 1, 2020. A one-time management fee has not been agreed.

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

IV Commercial banks (continued)

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 instalments, with the first instalment of the principal due on October 15, 2023, and the last on April 15, 2029. Payment dates are April 15 and October 15. The loan is subject to a variable interest rate, which consists of 6M EURIBOR and a margin of 3.50% per annum. As the value of 6M EURIBOR, the actual value of 6M EURIBOR is used. The commission on undrawn funds amounts to 0.25% per annum, and is calculated from January 1, 2020. A one-time management fee has not been agreed).

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 instalments, with the first instalment of the principal due on October 15, 2023, and the last on April 15, 2029. Payment dates are April 15 and October 15. The loan is subject to a variable interest rate, which consists of 6M EURIBOR and a margin of 3.75% per annum. As the value of 6M EURIBOR, the actual value of 6M EURIBOR is used. The commission on undrawn funds amounts to 0.25% per annum, and is calculated from January 1, 2020. A one-time management fee has not been agreed.

3. Vojvodjanska banka a.d. Novi Sad

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

4. OTP banka

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

5. VTB bank (Europe) SE

EUR 72 million was contracted on June 17, 2021. year, with a grace period until September 17, 2022. Loan funds are available until June 17, 2022. years. The principal repayment period is five years, and the principal is repaid quarterly. The first principal installment is due on September 17, 2022, while the last principal installment is due on June 17, 2027. suitable. The interest rate is variable and is expressed as the sum of 3M EURIBOR and a margin of 3.75% per year. A floor has been agreed for the value of 3M Euribor, i.e. if the value of 3M Euribor is negative, then the value of 3M Euribor is considered to be zero. The commission on undrawn funds is 0.80% and is calculated quarterly.

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34. LONG-TERM LIABILITIES (continued)

Loans for current assets

1. In order to secure working capital needed for liquidity with the purpose of financing the procurement of electricity from renewable sources, contracts were concluded with commercial banks, namely:

- Banca Intesa a.d. Belgrade and Unicredit Bank Serbia for the total amount of RSD 2,320,000 thousand;
- Komercijalna banka a.d. Belgrade, Unicredit Bank Serbia for the total amount of RSD 3,000,000 thousand.

2. In order to secure the working capital needed to finance the current obligations that arise in the regular business activities of JP EPS, in order not to jeopardize the safe supply of electricity to customers and the safety and reliability of the operation of the electric power system, contracts were concluded with commercial banks, namely:

- Komercijalna banka a.d. Belgrade, Erste bank a.d. Novi Sad, Vojvođanska banka, OTP banka Srbija a.d. Belgrade in the total amount of RSD 4,060,000 thousand ;
- Komercijalna banka a.d. Belgrade, Erste bank a.d. Novi Sad, Vojvođanska banka, OTP banka Srbija a.d. Belgrade, Banka Poštanska štedionica a.d. Belgrade, Agroindustrijsko komercijalna banka AIK banka ad Belgrade) in the total amount of RSD 5,800,000 thousand;
- Agroindustrijsko komercijalna banka AIK banka Beograd, OTP banka Srbija ad Beograd in the total amount of RSD 3,000,000 thousand;
- OTP banka Srbija a.d. Belgrade, SBERBANK Srbija a.d. Belgrade in the total amount of RSD 3,000,000 thousand;
- Bank Poštanska štedionica a.d. Belgrade for RSD 3,000,000 thousand.

3. In order to ensure liquidity for the purpose of purchasing gas, electricity and paying tax obligations, JP EPS concluded contracts with commercial banks (Erste bank a.d. Novi Sad, Eurobank Direktna akcionarsko društvo Beograd, Banka Poštanska štedionica a.d. Beograd , Agroindustrijsko komercijalna banka AIK banka Beograd, Komercijalna banka a.d. Beograd, OTP banka Srbija ad Beograd) in the total amount of EUR 150 million.

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34. LONG-TERM LIABILITIES (continued)

Overview of all borrowings as at 31 December 2021 and 2020 is presented in the table below:

No.	LOANS	Curren- cy	ORIGINAL CURRENCY				Means of security	Equivalent value in RSD 000	
			Principal	Maturity date	Repayment schedule	Interest rate		31.12.2021.	01.01.2021.
TOTAL BORROWINGS (A+B)								147,029,810	125,883,024
A	FOREIGN CURRENCY BORROWINGS (I+II+III+IV+V+VI)							128,049,816	113,703,024
I	REFINANCED BORROWINGS REALIZED FROM THE FUNDS OF (1+2+3+4)							13,477,006	16,099,498
1	PARIS CLUB OF CREDITORS							12,848,822	15,370,686
1.1	AUSTRIA	EUR	1,182,811.55	30.09.2008. 31.03.2024.	30.03. and 30.09.	Market rate/EUR + 0,6% p.a.	Promissory Notes	139,076	182,788
1.2	FRANCE	EUR	13,639,961.00	22.09.2008. 22.03.2024.	22.03. and 22.09.	5,9% p.a.	Promissory Notes	1,603,815	2,107,880
1.3	GERMANY	EUR	9,047,952.22	22.09.2008. 22.03.2024	22.03. and 22.09.	5,5% p.a.	Promissory Notes	1,063,877	1,398,244
1.4	CANADA	EUR	19,804,190.01	22.09.2008. 22.03.2024.	22.03. and 22.09.	Euribor/EUR + 0,5% p.a.	Promissory Notes	2,328,618	3,060,482
1.5	SWITZERLAND	CHF	27,379,533.79	22.09.2008. 22.03.2024.	22.03. and 22.09.	Libor/CHF + 0,5% p.a.	Promissory Notes	3,111,377	3,902,198
1.6	USA	USD	2,218,706.02	22.09.2008. 22.03.2024.	22.03. and 22.09.	5,375% p.a.	Promissory Notes	230,582	278,962
1.7	RUSSIA	USD	35,490,419.07	22.03.2006. 22.03.2034.	22.03. and 22.09.	0.5517% p.a.	Promissory Notes	3,688,384	3,517,417
1.8	JAPAN	JPY	756,803,249.67	22.09.2008. 22.03.2024.	22.03. and 22.09.	2.839% p.a.	Promissory Notes	683,093	922,715
2	LONDON CLUB OF CREDITORS	USD	3,264,659.00	01.05.2010. 01.11.2024.	01.05. and 01.11.	3,75% do 11/09. fikсна 6,75% do 11/24.	Promissory Notes	339,284	416,413
3	IBRD	EUR	2,030,411.45	15.03.2005. 15.12.2031.	15.03. and 15.09. 15.06. and 15.12.	6,75% p.a. do 11/24	Promissory Notes	238,740	262,240
4	E3	EUR	426,596.43	17.10.2012. 17.10.2016.	17.04. and 17.10.	6M Euribor p.a.		50,160	50,159
II	BORROWINGS IN THE PERIOD FROM 1990-2001							-	156,275
1	Chinese borrowing	USD	-	21.07.2010. 21.01.2021.	21.01. and 21.07.	6m LIBOR + 1,3% p.a.	Promissory Notes	-	156,275
III	LOANS GRANTED BY STATE GOVERNMENTS							56,770,972	45,814,676
1	Polish borrowing	USD	1,916,879.95	2005. - 2024.	15.06. and 15.12.	0,75% p.a.	Guarantee RS	199,214	291,161
2	Japanese – JICA	JPY	17,749,711,790.00	20.11.2016. 20.11.2026	20.05 и 20.11	0,60% p.a. (Главница 1) 0,01% p.a. (Главница 2)	Guarantee RS	16,020,943	10,533,829
3	Export-Import Bank of China I	USD	160,886,018.66	21.07.2017. 21.01.2027.	21.01. and 21.07.	3% p.a.	Promissory Notes	16,720,273	18,189,307
4	Export-Import Bank of China II	USD	229,302,544.82	21.07.2022. 21.01.2035.	21.01. and 21.07.	2,5% p.a.	Promissory Notes	23,830,542	16,800,379

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34. LONG-TERM LIABILITIES (continued)

No.	LOANS	Currency	ORIGINAL CURRENCY				Means of security	Equivalent value in RSD 000	
			Principal	Maturity date	Repayment schedule	Interest rate		31.12.2021.	01.01.2021.
IV	LOANS FROM INTERNATIONAL FINANCIAL ORGANIZATIONS							42,352,388	48,055,093
2	KfW IV (36 mil. EUR)	EUR	0.00	30.06.2013.-30.12.2019	30.06. and 30.12.	variable rate + margin of 1,75%.	Guarantee RS	-	-
3	KfW V (70 mil. EUR)	EUR	30,303,976.31	31.12.2018.-30.06.2025	30.06. and 30.12.	variable rate- 0,5%	Guarantee RS	3,563,205	4,729,135
4	KfW VI (65 mil. EUR)	EUR	29,999,934.96	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	3,527,455	4,703,201
5	KfW VII (45 mil. EUR)	EUR	146,748.16	30.06.2022.-30.12.2028.	30.06. and 30.12.	0,80%.		17,255	17,255
6	KfW VIII (80 mil. EUR)	EUR	142,492.40	30.12.2021.-30.12.2032.	30.06. and 30.12.	0,85%.		16,755	17,636
9	EBRD III (4,9 mil. EUR)	EUR	348,984.21	02.09.2013.-02.03.2022.	02.03. and 02.09	6M EURIBOR + 1%.	Guarantee RS	41,034	123,101
10	EBRD IV(78,5 mil. EUR)	EUR	15,538,396.66	31.01.2015.-31.01.2023.	31.01. and 31.07	6M EURIBOR + 1%.	Guarantee RS	1,827,037	3,045,013
11	EBRD V (32,7 mil. EUR)	EUR	11,015,229.63	30.04.2015.-31.10.2023.	30.04. and 31.10	6M EURIBOR + 1%	Guarantee RS	1,295,194	1,310,546
12	EBRD VI (200 mil. EUR)	EUR	125,925,925.90	15.06.2017.-15.06.2030.	15.06. and 15.12.	6M EURIBOR + 1%	Guarantee RS	14,806,635	16,548,324
13	EIB II (22 mil. EUR)	EUR	6,626,666.10	25.11.2010.-09.12.2027.	09.06. and 09.12; 25.05. and 25.11.	fixed for each tranche of 3.879%. up to 5.248%	Guarantee RS	779,177	951,616
14	Wb IDA (12,24 mil. SDR)	XDR	4,129,597.08	15.09.2015.-15.03.2025.	15.03. and 15.09	-	Guarantee RS	600,667	731,549
15	WB IBRD (139 mil. EUR)	EUR	135,037,339.22	01.11.2023.-01.05.2044.	01.05. and 01.11.	6M EURIBOR + variable margin	Promissory notes	15,877,974	15,877,717
V	COMMERCIAL BANKS							15,375,107	3,508,711
1	Komercijalna banka 15m	EUR	15,000,000.00	15.10.2023.-15.04.2029.	15.04. and 15.10.	6M EURIBOR + 1,95%	Promissory notes	1,763,732	1,763,703
2	Banca Intesa 45m	EUR	21,244,670.00	15.10.2023.-15.04.2029.	15.04. and 15.10.	6M EURIBOR + 3,50%	Promissory notes	2,497,993	1,745,008
3	Banca Intesa 30m	EUR	0.00	15.10.2023.-15.04.2029.	15.04. and 15.10.	6M EURIBOR + 3,75%	Promissory notes	-	-
4	Vojvodjanska banka 30m	EUR	0.00	15.10.2023.-15.04.2029.	15.04. and 15.10.	6M EURIBOR + 3,75%	Promissory notes	-	-
5	OTP Banka 15m	EUR	0.00	15.10.2023.-15.04.2029.	15.04. and 15.10.	6M EURIBOR + 3,75%	Promissory notes	-	-
6	ERSTE banka	EUR	35,000,000.00	20.01.2022-20.12.2023	every 20th of the month	3M EURIBOR + 3,3%	Promissory notes	4,115,374	-
7	EYPOBAHK Direktna	EUR	35,000,000.00	20.01.2022-20.12.2023	every 20th of the month	3M EURIBOR + 3,3%	Promissory notes	4,115,374	-
8	Postanka Stedionica	EUR	5,000,000.00	20.01.2022-20.12.2023	every 20th of the month	3M EURIBOR + 2,3%	Promissory notes	587,911	-
9	AIK Banka	EUR	10,000,000.00	01.07.2022-01.06.2023	every 15th of the month until 01.07.22. and on the 1st of the month until the end of the payment period	3M EURIBOR + 3,29%	Promissory notes	-	-
10	Komercijalna banka	EUR	50,000,000.00	01.07.2022-01.06.2023	every 15th of the month until 01.07.22. and on the 1st of the month until the end of the payment period	3M EURIBOR + 3,30%	Promissory notes	-	-
11	OTP banka	EUR	15,000,000.00	01.07.2022-01.06.2023	every 15th of the month until 01.07.22. and on the 1st of the month until the end of the payment period	3M EURIBOR + 3,30%	Promissory notes	-	-
12	VTB BANK (EUROPE) SE,	EUR	19,515,917.04	17.09.2022.-17.06.2027.	17.03., 17.06.17 .09., 17.12.	3M EURIBOR + 3.75% margin If the EURIBOR value is less than 0, it will be considered that the value is 0	Promissory notes	2,294,723	-
VI	OTHER							74,343	68,771
1	EMS ad. – IBRD	EUR	16,144.71	15.03.2005.-15.12.2031.	15.03. and 15.09.15.06. and 15.12.	1/3-5,44% и 2/3-euribor	Promissory notes	1,898	2,085
2	Tehnoexport	USD	697,086.00			-		72,445	66,686

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34. LONG-TERM LIABILITIES (continued)

No.	LOANS	Currency	ORIGINAL CURRENCY				Means of security	Equivalent value in RSD 000	
			Principal	Maturity date	Repayment schedule	Interest rate		31.12.2021.	01.01.2021.
B	LOANS IN RSD							18,979,994	12,180,000
1	Komercijalna banka	RSD	289,999,999.96	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2,70%	Promissory notes	290,000	580,000
2	Komercijalna banka	RSD	289,999,999.96	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2,90%	Promissory Notes	290,000	580,000
3	ERSTE banka	RSD	289,999,996.33	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2,93%	Promissory notes	290,000	580,000
4	Postanka Stedionica	RSD	289,999,999.96	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2,97%	Promissory notes	290,000	580,000
5	ERSTE Banka	RSD	289,999,996.33	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2,99%	Promissory notes	290,000	580,000
6	AIK Banka	RSD	579,999,999.92	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3,00%	Promissory notes	580,000	1,160,000
7	OTP banka	RSD	580,000,000.04	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3,01%	Promissory notes	580,000	1,160,000
8	Vojvodjanska banka	RSD	289,999,999.96	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3,01%	Promissory notes	290,000	580,000
9	Komercijalna banka	RSD	289,999,999.96	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2,90%	Promissory notes	290,000	580,000
10	ERSTE Banka	RSD	289,999,996.33	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2,99%	Promissory notes	290,000	580,000
11	Vojvodjanska banka	RSD	289,999,999.96	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3,01%	Promissory notes	290,000	580,000
12	Vojvodjanska banka	RSD	580,000,000.04	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3,02%	Promissory notes	580,000	1,160,000
13	OTP banka	RSD	580,000,000.04	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 3,02%	Promissory notes	580,000	1,160,000
14	Banca Intesa	RSD	579,999,999.92	01.01.2021 01.12.2022	01.01. и 01.12.	1M BELIBOR + 2,49%	Promissory notes	580,000	1,160,000
15	Unicredit banka	RSD	870,000,000.08	01.07.2021 01.06.2023	01.06. и 01.07.	1M BELIBOR + 3,00%	Promissory notes	870,000	1,160,000
16	Komercijalna banka	RSD	600,000,000.00	20.01.2022 20.12.2023	20.06. и 20.12.	1M BELIBOR + 0,95%	Promissory notes	600,000	-
17	Komercijalna banka	RSD	599,994,277.49	20.01.2022 20.12.2023	20.01. и 20.12.	1M BELIBOR + 1,05%	Promissory notes	599,994	-
18	Komercijalna banka	RSD	600,000,000.00	20.01.2022 20.12.2023	20.01. и 20.12.	1M BELIBOR + 0,85%	Promissory notes	600,000	-
19	Komercijalna banka	RSD	600,000,000.00	20.01.2022 20.12.2023	20.01. и 20.12.	1M BELIBOR + 0,74%	Promissory notes	600,000	-
20	Unicredit banka	RSD	600,000,000.00	20.01.2022 20.12.2023	20.01. и 20.12.	1M BELIBOR + 2,62%	Promissory notes	600,000	-
21	AIK Banka	RSD	1,800,000,000.00	20.01.2022 20.12.2023	20.01. и 20.12.	1M BELIBOR + 1,92%	Promissory notes	1,800,000	-
22	OTP banka	RSD	1,200,000,000.00	20.01.2022 20.12.2023	20.01. и 20.12.	1M BELIBOR + 1,91%	Promissory notes	1,200,000	-
23	Sberbanka	RSD	1,800,000,000.00	20.01.2022 20.12.2023	20.01. и 20.12.	1M BELIBOR + 2,20%	Promissory notes	1,800,000	-
24	OTP banka	RSD	1,800,000,000.00	20.01.2022 20.12.2023	20.01. и 20.12.	1M BELIBOR + 1,93%	Promissory notes	1,800,000	-
25	Postanka Stedionica	RSD	3,000,000,000.00	15.06.2022 15.06.2024	15.06. и 15.12	6M BELIBOR + 2,90%	Promissory notes	3,000,000	-
	CURRENT PORTION OF LONG-TERM LOANS							54,350,060	18,350,796
A	Foreign currency loans							42,260,063	12,550,796
B	Loans in RSD							12,089,997	5,800,000
	TOTAL LONG-TERM PORTION							92,679,750	107,532,228
A	Foreign currency loans							85,789,753	101,152,228
B	Loans in RSD							6,889,997	6,380,000

Pursuant to the assumed contractual obligations, that is, annuity plans and other important terms of the contract, including the fulfillment of appropriate financial indicators, part of the long-term obligations in the amount of RSD 20,648,262 thousand was reclassified as a short-term obligation.

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34. LONG-TERM LIABILITIES (continued)

Analysis of approved loans withdrawals

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

<u>Creditor</u>	<u>Currency</u>	<u>Contracted Amount</u>	<u>Draw Down</u>
EBRD III	EUR	4,898,666	4,898,666
EBRD IV	EUR	78,527,683	78,527,683
EBRD V	EUR	32,700,000	21,953,938
EBRD VI	EUR	200,000,000	200,000,000
EIB II	EUR	22,000,000	22,000,000
KfW III	EUR	30,000,000	30,000,000
KfW IV	EUR	36,000,000	35,225,266
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	992,061
IDA	SDR	11,798,849	11,798,849
JICA	JPY	28,252,000,000	18,364,574,646
EXIM Bank of China I	USD	286,639,231	286,639,231
EXIM Bank of China II	USD	608,260,000	229,302,545
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	357,000,000	130,760,587
Commercial banks	RSD	24,780,000,000	24,779,994,277

Analysis of long term loans maturities

<u>In RSD thousand</u>	<u>31 December 2021</u>	<u>31 December 2020</u>	<u>Index</u>
Up to one year	54,350,060	18,350,796	183.65
From one to five years	59,427,095	64,154,664	80.53
Over five years	33,252,655	43,377,564	142.16
Total	147,029,810	125,883,024	116.80

Analysis of borrowings per requested discharging currency

<u>Currency</u>	<u>31 December 2021</u>		<u>31 December 2020</u>	
	<u>Amount in Currency</u>	<u>In RSD thousand</u>	<u>Amount in Currency</u>	<u>In RSD thousand</u>
EUR	531,994,348	62,553,012	492,396,962	57,896,133
USD	433,776,314	45,080,724	415,168,973	39,716,600
CHF	27,379,534	3,111,377	35,985,254	3,902,198
YPU	18,506,515,040	16,704,036	12,350,017,980	11,456,544
XDR	4,129,597	600,667	5,309,482	731,549
RSD	18,979,994,266	18,979,994	12,180,000,000	12,180,000
Total		147,029,810		125,883,024

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

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

The following tables provide reconciliation between the opening and closing balances for liabilities arising from financing activities for the year ended 31 December 2021 and 2020:

	Cash flows			Non-cash changes				In RSD thousand	
	Balance as at 1 January 2021	Proceeds	Repayment	Direct tranche to supplier	First-time application of IFRS 16 (note 4)	Debt write-off	Foreign exchange movement	Other	Balance as at 31 December 2021
2021									
Loans and borrowings (long term and short term)	125,886,094	24,731,463	(18,485,519)	11,544,794	-	-	3,356,049	(2)	147,032,879
Other long-term financial liabilities	28,090	-	(174)	-	-	-	-	(27,811)	105
Other short-term financial liabilities	14,140	-	(58,267)	-	-	-	-	56,699	12,572
Liabilities based on financial leasing	-	-	(136,602)	-	177,503	-	198	39,023	80,122
Total liabilities from financing activities	125,928,324	24,731,463	(18,680,561)	11,544,794	177,503	-	3,356,247	67,909	147,125,679
2020									
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)	-	-	-	-	-	-
Total liabilities from financing activities	122,591,853	19,688,825	(16,377,358)	9,338,116	-	(4,781,076)	(4,591,563)	59,934	125,928,324

35. LONG-TERM DEFERRED INCOME AND DONATIONS RECEIVED

	In RSD thousand	
	31 December 2021	31 December 2020
Received donations:		
- from the Government of RS and other state authority	276,198	280,779
- foreign	8,238,827	8,299,760
- domestic	60,930	100,923
	8,575,955	8,681,462

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.

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

Changes in deferred revenue which pertain to received donations during 2021 and 2020 are as follows:

	31 December 2021	In RSD thousand 31 December 2020
Opening balance	8,681,462	28,438,754
The value of funds transferred from third parties without compensation (donations)	275,570	5,586,841
Reversal of deferred income in favour of current income on a systematic basis (note 8)	(222,740)	(2,028,322)
Loss of control over the subsidiary "Elektrodistribucija Srbije" d.o.o. Belgrade	-	(23,104,194)
Other	(158,337)	(211,617)
Closing balance	8,575,955	8,681,462

36. SHORT-TERM FINANCIAL LIABILITIES

	31 December 2021	In RSD thousand 31 December 2020
<i>Liabilities in foreign currency</i>		
Current portion of long-term loans – foreign that mature up to one year	29,957,052	9,259,637
Current portion of long-term loans – domestic in foreign currency with a maturity of up to one year	12,303,011	3,291,159
	<u>42,260,063</u>	<u>12,550,796</u>
<i>Liabilities in RSD</i>		
Current portion of long-term loans – domestic in RSD that matures up to one year	12,089,997	5,800,000
Current portion of the reprogrammed obligations based on public revenues that are due up to one year	1,544	1,875
Current portion of other long-term loans that matures up to one year	-	28,076
Current portion of the obligations based on leasing	57,898	-
	<u>12,149,439</u>	<u>5,829,951</u>
Other short-term financial liabilities in foreign currency	3,016	3,016
Other short-term financial liabilities in RSD	9,854	9,750
	<u>54,422,372</u>	<u>18,393,513</u>

Short-term liabilities arising from current portion of foreign long-term loans in amount of RSD 29,957,052 thousand comprise: loans from international financial organisations in amount of RSD 20,699,625 thousand, loans granted by State Governments in amount of RSD 6,890,259 thousand and loans granted by commercial banks in the amount of RSD 2,294,723 thousand, while the amount of RSD 72,445 thousand refers to other obligations.

Short-term liabilities arising from current portion of domestic long-term loans in foreign currency in amount of RSD 12,303,011 thousand comprise: loans granted by Paris club creditors in amount of RSD 3,445,012 thousand and liabilities regarding other refinancing loans in amount of RSD 186,759 thousand, amount of RSD 8,671,053 thousand refers to loans approved by domestic commercial banks, , 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 12,089,997 thousand relate to liquidity loans granted to the Group during 2021 by domestic commercial banks.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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37. ADVANCES RECEIVED DEPOSITS AND BAILS

	31 December 2021	In RSD thousand 31 December 2020
Advances received:		
- in RSD	863,704	774,054
- in foreign currency	26,078	3,570
Deposits and sureties received	156,855	147,923
Advances received from households in dinars	1,000	1,073
	1,047,637	926,620

Received advances in dinars stated with the balance as of December 31, 2021 in the amount of RSD 863,704 thousand (December 31, 2020: RSD 774,054 thousand), the most significant part, in the amount of RSD 210,585 thousand, refers to received advances for sales of coal in the RB Kolubara Branch.

38. OPERATING LIABILITIES

	31 December 2021	In RSD thousand 31 December 2020
Suppliers - other related legal entities in the country	23,477	60,917
	<u>23,477</u>	<u>60,917</u>
Trade payables - domestic	22,719,505	17,601,495
AD "Elektromreza Srbije", Belgrade	2,304,873	604,619
"Elektrodistribucija Srbije" d.o.o., Belgrade	27,452,409	22,652,081
	<u>52,476,787</u>	<u>40,858,195</u>
Trade payables - foreign	18,201,995	5,264,636
Other trade payables:		
- expropriation liabilities	95,202	142,805
- liabilities for compensation for damages from operations	8,220	4,751
- other	1,996,334	1,850,084
	<u>2,099,756</u>	<u>1,997,640</u>
	72,802,015	48,181,388

Liabilities to the legal entity "Elektrodistribucija Srbije" d.o.o., Belgrade, stated with the balance as of December 31, 2021 in the amount of RSD 27,452,409 thousand (31 December 2020: RSD 22,652,081 thousand) refer to obligations towards "Elektrodistribucija Srbije" d.o.o. Belgrade based on the fee for access to the distribution system. As disclosed in note 10, the Decision on determining prices for access to the electricity distribution system ("Official Gazette of RS" No. 95/21) established a new, increased fee for access to the electricity distribution system, which is in effect from on October 1, 2021, and which is on average 10% higher compared to the previously valid price, which affected the increase in obligations towards this supplier compared to the situation reported on December 31, 2020.

Liabilities to suppliers abroad include an amount of RSD 5,368,402 thousand based on the purchase of electricity from non-residents who have a license to perform wholesale supply activities due to the occurrence of circumstances related to the production of electricity, as stated in Note 10, which was settled after balance sheet date. The remaining amount refers to the assumed obligations in connection with the renewal and revitalization of plants and equipment, which are financed from borrowed funds (Note 34).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

39. OTHER CURRENT LIABILITIES

	31 December 2021	In RSD thousand 31 December 2020 <i>Adjusted</i>
Obligations from specific jobs	1,933,655	1,615,204
Other obligations towards employees	111,254	80,267
Liabilities for unpaid wages and salaries, net	1,363,232	1,631,302
Liabilities for taxes and contributions:		
- charged to employee	544,103	662,804
- charged to employer	370,460	1,039,816
Other liabilities for wages and salaries	59,289	52,887
Liabilities for interests and financing costs	67,242	66,773
Liabilities for dividends and profit share	3,032,107	6,032,142
Liabilities towards members of Executive and Supervisory board	1,127	705
Liabilities towards individuals	32,425	36,886
Liabilities for matured loans from Ministry of Finance of the Republic of Serbia	397,223	397,223
Other liabilities	136,745	161,554
Obligations based on value added tax	5,596,690	4,655,126
Tax liabilities from results	-	3,196,671
Fees for the use of water and other public goods	836,126	730,195
Fees for energy efficiency	91,583	87,934
Fees for environmental protection	1,962,154	1,182,379
Other obligations based on other public revenues	293,489	281,420
Obligations based on excise duty	3,584,341	3,318,620
Obligations for other taxes, customs duties and other duties	74,427	119,753
	20,487,672	25,349,661

Liabilities from specific business relations disclosed as at 31 December 2021 in the amount of RSD 1,933,655 thousand (31 December 2020: RSD 1,615,204 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 (Notes 6 and 28).

Liabilities for dividends and profit sharing stated as at 31 December 2021 in the amount of RSD 3,032,107 thousand (31 December 2020: RSD 6,032,142 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 favour 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 2021, the Group paid RSD 3,000,000 to the Founder in the name of participation in the distribution of profits.

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

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
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40. SHORT-TERM ACCRUED EXPENSES

	31 December 2021	In RSD thousand 31 December 2020
Accrued expenses	724,598	741,103
Other accruals	748,663	869,715
	<u>1,473,261</u>	<u>1,610,818</u>

Accrued expenses as at 31 December 2021 include the amount of RSD 724,598 thousand include an amount of RSD 655,947 thousand (31 December 2020: RSD 617,062 thousand) recognized based on the interest calculation on loans and borrowings for which no document has been received.

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

41. OFF BALANCE SHEET ASSETS AND LIABILITIES

	31 December 2021	In RSD thousand 31 December 2020
Material for processing	16,169	16,169
Liabilities for issued guarantees and other types of collateral for liabilities	197,016,267	179,748,843
Receivables for received guarantees and other types of collateral for receivables	52,941,336	51,255,089
Other off-balance sheet records	68,934	70,148
	<u>250,042,706</u>	<u>231,090,249</u>

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

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

	31 December 2021	In RSD thousand 31 December 2020
Indebtedness a)	147,206,179	126,008,824
Cash and cash equivalents	13,469,299	20,384,815
Net indebtedness	133,736,880	105,624,009
Capital b)	602,051,809	600,998,682
Total debt to equity ratio	<u>0.22</u>	<u>0.18</u>

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

b) Capital includes 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 2021

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial instruments categories

	31 December 2021	In RSD thousand 31 December 2020
Financial assets		
Equity investments	318,779	732,335
Long-term financial investments and receivables	2,792,708	3,793,963
Trade receivables	62,823,537	57,146,071
Short-term loans and short-term financial investments	248,307	218,059
Other receivables	8,440,431	5,851,140
Cash and cash equivalents	13,469,299	20,384,815
	88,093,061	88,126,383
Financial liabilities		
Long-term borrowings	92,782,474	107,612,728
Other long-term liabilities	1,333	2,583
Trade payables	72,802,015	48,181,388
Other short-term liabilities	5,599,397	8,309,782
Current portion of long-term borrowings	54,409,502	18,380,747
Short-term financial liabilities	12,870	12,766
	225,607,591	182,499,994

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.

Objectives of 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 2021

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (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	
	In RSD thousand			
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
EUR	7,849,801	5,854,220	74,622,162	60,412,886
JPY	30,890	31,748	16,927,685	11,514,479
CHF	1	753	3,115,742	3,902,198
GBP	-	-	217	-
USD	9,606,072	8,663,928	53,829,126	42,366,524
XDR	600,666	731,549	601,993	731,549

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

	31 December 2021		31 December 2020	
	In RSD thousand			
	RSD strengthening	RSD weakening	RSD strengthening	RSD weakening
EUR	6,677,236	(6,677,236)	5,455,867	(5,455,867)
JPY	1,689,679	(1,689,679)	1,148,273	(1,148,273)
CHF	311,574	(311,574)	390,144	(390,144)
GBP	22	(22)	-	-
USD	4,422,305	(4,422,305)	3,370,260	(3,370,260)
XDR	133	(133)	-	-
The result current period	13,100,949	(13,100,949)	10,364,544	(10,364,544)

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.

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.

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

Interest rate risk (continued)

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

	31 December 2021	In RSD thousand 31 December 2020
Financial assets		
<i>Interest-free:</i>		
- Equity-investments	318,779	732,335
- Long-term financial investment and long-term receivables	779,951	1,000,000
- Trade receivables	62,823,537	57,146,071
- Cash and cash equivalents	37,724	20,751
	<u>63,959,991</u>	<u>58,899,157</u>
<i>Fixed interest-rate:</i>		
- Long-term financial investments and long-term receivables	279,980	124,754
- Short-term loans and short-term financial investments	35,821	12,547
- Cash and cash equivalents	13,431,575	20,364,064
	<u>13,747,376</u>	<u>20,501,365</u>
<i>Variable interest-rate</i>		
- Long-term financial investments and long-term receivables	1,732,777	2,669,209
- Short-term loans and short-term financial investments	212,486	205,512
- Other receivables	8,440,431	5,851,140
	<u>10,385,694</u>	<u>8,725,861</u>
	<u>88,093,061</u>	<u>88,126,383</u>

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

	31 December 2021	In RSD thousand 31 December 2020
Financial liabilities		
<i>Interest-free:</i>		
- Trade payables	72,802,015	48,181,388
- Other liabilities	99,667	93,330
	<u>72,901,682</u>	<u>48,274,718</u>
<i>Fixed interest rate:</i>		
- Long-term borrowings	21,146,274	22,855,410
- Current portion of long-term borrowings	24,393,008	9,091,159
- Short-term financial liabilities	1,544	1,875
- Other long-term liabilities	1,228	2,569
	<u>45,542,054</u>	<u>31,951,013</u>
<i>Variable interest rate</i>		
- Long-term borrowings	71,636,200	84,757,318
- Other long-term liabilities	105	14
- Other liabilities	5,499,730	8,216,452
- Current portion of long-term borrowings	30,016,494	9,289,588
- Short-term financial liabilities	11,326	10,891
	<u>107,163,855</u>	<u>102,274,263</u>
	<u>225,607,591</u>	<u>182,499,994</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk (continued)

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 2021 in amount of RSD 967,782 thousand (31 December 2020: RSD 935,484 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.

Credit risk

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

Trade receivables and contract assets

The Group's exposure to credit risk based on trade receivables and contractual assets as of December 31, 2021 and December 31, 2020 is shown in the following table:

	Gross exposure	Allowance	In RSD thousand Net exposure
Not due trade receivables	31,626,646	(622,846)	31,003,800
Overdue, corrected accounts receivable	93,960,576	(62,140,839)	31,819,737
31 December 2021	125,587,222	(62,763,685)	62,823,537
Not due trade receivables	38,837,970	(715,153)	38,122,817
Overdue, corrected accounts receivable	108,845,982	(89,822,728)	19,023,254
31 December 2020	147,683,952	(90,537,881)	57,146,071

Trade receivables for electricity are predominant in the breakdown of trade receivables. As at 31 December 2021 the Group is exposed to credit risk for trade receivables for sold electricity in the amount of RSD 54,166,798 thousand or around 85%:

	Gross exposure	Allowance	In RSD thousand Net exposure
Guaranteed supply	49,521,713	14,105,533	35,416,180
Commercial supply	33,474,179	15,171,286	18,302,893
Reserved supply	5,417,063	4,969,338	447,725
	88,412,955	34,246,157	54,166,798

Expected credit loss assessment for trade receivables from electricity

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

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

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

The following table provides information about exposure to the credit risk and expected credit losses for trade receivables for guaranteed, commercial and reserve supply customers as at 31 December 2021:

	Weighted- average loss rate	Gross exposure	In RSD thousand Credit loss
Guaranteed supply			
Not past due receivables	2.2%	16,367,456	352,868
Less than 30 days	6.0%	4,636,395	279,521
31-60	9.5%	2,727,242	259,245
61-90	13.2%	1,705,310	225,759
91-180	17.2%	3,582,760	616,623
181-270	34.7%	2,027,569	703,566
271+	63.2%	18,474,981	11,667,951
		49,521,713	14,105,533
Commercial supply			
Not past due receivables	1.7%	15,183,035	263,641
Less than 30 days	22.1%	2,871,274	634,536
31-60	22.6%	498,912	112,770
61-90	46.0%	181,933	83,653
91-180	61.2%	458,778	280,782
181-270	83.1%	776,296	645,180
271-360	83.8%	384,681	322,364
361+	97.8%	13,119,270	12,828,360
		33,474,179	15,171,286
Reserved supply			
Not past due receivables	8.3%	76,155	6,337
Less than 30 days	37.6%	130,269	48,951
31-60	43.8%	84,650	37,070
61-90	46.8%	24,829	11,616
91-180	67.4%	60,235	40,617
181-270	75.3%	55,561	41,836
271-360	91.8%	79,580	73,052
361+	96.0%	4,905,784	4,709,859
		5,417,063	4,969,338

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42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

The table of changes in the value correction of financial assets for 2021 and 2020 is presented in the following table:

	In RSD thousand						
	Long-term financial investments	Long-term receivables	Trade receivables	Receivables from specific operations	Other receivables	Short-term financial investments	Total
Balance at 1 January 2020	7,159,508	3,065,982	150,830,071	1,148,425	8,494,979	1,752,292	172,451,257
Effects of first-time adoption of IFRS 9	-	-	(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
Simpo devaluation of securities	1,815	-	-	-	-	-	1,815
Reclassification from other accounts	-	-	-	-	278,456	-	278,456
Loss of control over the subsidiary Elektro distribucija Srbije d.o.o.	(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)
Balance at 31 December 2020	3,474,197	2,295,521	90,550,499	1,075,263	9,542,475	1,322,322	108,260,277
Allowances through Statement of profit and loss	379,630	-	4,634,925	66,666	809,356	16,018	5,906,595
Write-off of receivables and investments	(411)	(289)	(144,381)	(4,913)	(25,025)	(171,909)	(346,928)
Income regarding to adjustment of allowance (Note 19)	-	(2,926)	(6,599,417)	(26,816)	(680)	(139,954)	(6,769,793)
Foreign exchange differences	-	-	-	-	3,276	-	3,276
Collection of previously impaired receivables (Note 21)	-	-	(1,856)	-	-	-	(1,856)
Transfers	1	421,621	369,456	(2,106)	(764,730)	(24,242)	-
Posting a correction based on UPPR	-	(2,539)	2,539	-	-	-	-
Decrease based on valuation of securities	574	-	-	-	-	-	574
Transfer of property from JP EPS to "Elektro distribucija Srbije" d.o.o.	(219,893)	(1,334,593)	(26,178,886)	-	(414,256)	(453,749)	(28,601,377)
Assignment of PPE to the Republic of Serbia in the capital of "Elektro distribucija Srbije" d.o.o.	(1,197,594)	-	-	-	-	-	(1,197,594)
Other	95	185,666	130,806	-	(21)	1,871	318,417
Balance at 31 December 2021	2,436,599	1,562,461	62,763,685	1,108,094	9,150,395	550,357	77,571,591

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

Trade payables management

Trade payables as at 31 December 2021 are disclosed in amount of RSD 72,802,015 thousand (31 December 2020: RSD 48,181,388 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

31 December 2021		In RSD thousand 31 December 2021				
In RSD thousand	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest-free	60,640,751	2,217,223	-	-	1,102,017	63,959,991
Fixed interest rate	13,431,575	35,821	182,140	-	97,840	13,747,376
Variable interest rate	7,835,948	-	212,486	2,337,260	-	10,385,694
	81,908,274	2,253,044	394,626	2,337,260	1,199,857	88,093,061

31 December 2020		In RSD thousand 31 December 2020				
In RSD thousand	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total <i>Adjusted</i>
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	6,259,957	-	517,390	1,770,200	178,314	8,725,861
	77,030,525	6,739,495	986,654	1,770,200	1,599,509	88,126,383

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

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

Financial liabilities maturity

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

	In RSD thousand 31 December 2020					Total <i>Adjusted</i>
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Interest-free	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
	34,706,386	17,526,114	22,732,683	84,679,401	22,855,410	182,499,994

Presented in the following table are present values of financial assets and financial liabilities and their fair value as at 31 December 2021 and 31 December 2020:

	31 December 2021		31 December 2020	
	Net book value	Fair value	Net book value	Fair value
Financial assets				
Equity investments	318,779	318,779	732,335	732,335
Long-term financial assets and long-term receivables	2,792,708	2,792,708	3,793,963	3,793,963
Trade receivables	62,823,537	62,823,537	57,146,071	57,146,071
Short-term loans and short-term financial investments	248,307	248,307	218,059	218,059
Other receivables	8,440,431	8,440,431	5,851,140	5,851,140
Cash and cash equivalents	13,469,299	13,469,299	20,384,815	20,384,815
	88,093,061	88,093,061	88,126,383	88,126,383
Financial liabilities				
Long-term borrowings	92,782,474	92,782,474	107,612,728	107,612,728
Other long-term liabilities	1,333	1,333	2,583	2,583
Trade payables	72,802,015	72,802,015	48,181,388	48,181,388
Other short-term financial liabilities	5,599,397	5,599,397	8,309,782	8,309,782
Current portion of long-term loans	54,409,502	54,409,502	18,380,747	18,380,747
Short-term financial liabilities	12,870	12,870	12,766	12,766
	225,607,591	225,607,591	182,499,994	182,499,994

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Assumptions for estimation of fair value of financial instruments

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

43. CONTINGENCIES AND COMMITMENTS

Litigations

As at 31 December 2021, total exposure of the Group from litigations amounted to RSD 3,676,931 thousand (31 December 2020: RSD 4,705,134 thousand). The final outcome of these litigations is uncertain. As disclosed in Note 33, as at 31 December 2021, the Group made a provision for potential losses from those litigations in the total amount of RSD 2,880,549 thousand (31 December 2020: RSD 3,851,061 thousand). 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 2021, 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 31.12.2021	Branch:
Konzorcijum Elnos BL Koessler GmbH & Co KG	975,267	628,059	Obnovljivi izvori
WEIRTurkey Mineralleri LTD	475,554	239,771	TE KO Kostolac
Extra Auto Transport	376,016	-	TE KO Kostolac
EX ING B&P DOO Beograd	3,702,754	-	TE Nikola Tesla
Energotehnika-Južna Bačka DOO	3,701,226	405,656	TE Nikola Tesla
Mitsubishi Power LTD	15,987,803	940,880	TE Nikola Tesla
Hidro-Tan DOO Beograd	1,105,280	458,650	Obnovljivi izvori
China Machinery Engineering Corporation (CMEC)	74,369,589	28,473,385	TE KO Kostolac
Power Machines PJSC	2,392,154	2,378,912	HE Djerdap
Nari Group Corporation	1,568,601	1,349,766	Obnovljivi izvori
Konzorcijum Mitsubishi Hitachi Power Systems Ltd., Itochu Corporation, Mitsubishi Hitachi Power Systems Europe GmbH i Jedinstvo AD Sevojno	25,316,480	17,404,705	TE Nikola Tesla
Toshiba International Europe LTD	3,068,893	-	Drimsko-Limske HE
	133,039,617	52,279,784	

The total amount of commitments based on contractual investments in real estate, plant and equipment as at 31 December 2020 amounted to RSD 92,224,078 thousand.

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43. 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 31.12.2021
1.	Program basis for relocation of Vreoci settlement	2,450,038
2.	Agreement on the implementation of the resettlement program for parts of the settlements of Baroševac and Zeoke	1,393,231
3.	Agreement regulating mutual relations related to relocation of facilities with public functions from the area of KO Mali Borak and KO Skobalj	427,351
4.	Agreement on financing the relocation of cultural monuments located in the zone of influence of mining work	32,823
5.	Agreement on the regulation of mutual relations on the occasion of the opening of the surface mine "Radljevo" - Phase I (part relating to the first phase 6,242,448,002 RSD)	2,361,633
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	325,484
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	358,803
		358,803

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 USD 44,315,085.03 and interest in the amount of USD 42,174,423.43, which in RSD equivalent on the balance sheet date amounts to RSD 9,988,526 thousand. Namely, the disputed amount refers to borrowed funds of public companies from the territory of AP KiM and are directly related to the assets of the same companies, over which the 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 34, the Group, in accordance with the provisions of the Law on Regulation of Relations between the Republic of Serbia and Banks in Bankruptcy on the Basis of Taking Foreign Loans, ie Loans ("Official Gazette of RS" No. 45/05), in the case when The Republic of Serbia undertook these obligations under the Law on the Regulation of Relations between the Federal Republic of Yugoslavia and Legal Entities and Banks from the Territory of the Federal Republic of Yugoslavia which are the original debtors or guarantors to the creditors of the Paris and London Club (Official Gazette of the FRY, Nos. 36/02 and 7 / 03), concluded agreements with the Agency by which it regulated its obligations towards the Republic of Serbia, and in legal transactions in which the ultimate debtor.

44. RECONCILIATION OF RECEIVABLES AND LIABILITIES

In accordance with Article 22 of the Law on Accounting, the Parent Company reconciled claims and liabilities with debtors and creditors. Reconciliation of claims and liabilities was carried out with the balance as of September 30, 2021. The number of non-compliant placements and claims is 4,815 in the amount of RSD 6,564,364 thousand, which is 2.56% of the total number of claims and 6.26% of the total value of recognized placements and claims as of September 30, 2021. The number of non-compliant obligations is 1,357 in the amount of RSD 32,184 thousand, which is 2.36% of the total number of obligations and 0.09% of the total value of recognized obligations as of September 30, 2021.

45. TAX RISKS

The tax laws of the Republic of Serbia are often interpreted differently and are subject to frequent changes, The interpretation of tax laws by the tax authorities in relation to the 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.

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46. EVENTS AFTER BALANCE SHEET DATE

Ibarske Hidroelektrane d.o.o., Kraljevo

On January 31, 2022, the Agency for Business Registers issued Decision No. BDSL 277/2022, which initiates the compulsory liquidation procedure against the company "Ibarske hidroelektrane" d.o.o., Kraljevo and registers the change of the company's business name to "Ibarske hidroelektrane" d.o.o., Kraljevo – in forced liquidation. The compulsory liquidation procedure was initiated ex officio since the company failed to register a new legal representative after the resignation of the previous one. On April 15, 2022, the Agency for Business Registers issued Decision No. BDSL 4367/2022 deleting this legal entity from the Register of Business Entities.

Moravske Hidroelektrane d.o.o., Beograd

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

Fee for the incentive of privileged consumers

On January 28, 2022, the Government of the Republic of Serbia adopted the Decree on the amount of special compensation for the incentive of privileged consumers in 2022 (05 Number: 110-674/2022). The incentive fee for privileged consumers will remain the same as in 2021 and will amount to 0.437 dinars per kilowatt hour.

Consent to change the rules on the operation of the electricity market

At the meeting held on January 20, 2022, the Council of the Energy Agency of the Republic of Serbia made a decision to approve the amendment of the Rules on the Operation of the Electricity Market, which was prepared by the operator of the transmission system of the Republic of Serbia EMS AD.

This amendment refers to the part of the rule that determines the maximum amount of the price of balancing energy that can be offered on the balancing market, thus ensuring that the level of the price of electricity provided by the energy supplier for balancing the system is adequate in comparison with the price of electricity realized on the stock market.

The impact of the current world energy crisis

Problems and disruptions in the world energy market continued in 2022, which caused extremely high prices of electricity on the market. In January and February 2022, the Parent Company purchased 1,274 GWh of electricity worth EUR 275 million on the market at an average price of EUR 215.92/MWh.

Problems with primary energy led to a large consumption of fuel oil and additives to support production, as well as gas due to the increased engagement of Panonskih TE-TO. Considering the import dependence on gas and oil derivatives, the prices of which are also experiencing significant growth, the aforementioned changes led to an increase in operating costs in the current quarter of 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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46. EVENTS AFTER BALANCE SHEET DATE (continued)

Withdrawn loans for liquidity

During 2022, credit agreements for securing liquidity were concluded with the following commercial banks:

No	Loans	Currency	Original currency			
			principal	annuity due date	repayment schedule	Interest rate level
1	OTP Banka	EUR	20,000,000.00	every 15th of the month until 07/01/22, after that 01 of the month, until the end of the repayment period	01.07.2022 01.06.2023	3M EURIBOR + 3,30%
2	UniCredit banka	EUR	50,000,000.00	every 1st of the month	01.08.2022 01.07.2023	3M EURIBOR + 3,30%
3	Banca Intesa	RSD	3,000,000,000.00	every 1st of the month	01.01.2023 01.12.2024	1M BELIBOR + 2,70%
4	UniCredit banka	EUR	25,000,000.00	every 25th of the month	25.10.2022 25.09.2023	3M EURIBOR + 3,80%
5	AIK Banka	RSD	4,000,000,000.00	every 01st of the month	01.10.2022 01.03.2024	1M BELIBOR + 3,00%
6	ERSTE Banka	EUR	5,000,000.00	every 25th of the month	25.01.2023 25.12.2023	3M EURIBOR + 3,95%

Buyer-producer

On March 30, 2022, the company concluded a full supply contract with the company "Gruner Serbian" from Vlasotinac with net billing for the period from April 1, 2022 to December 31, 2023.

"Gruner Serbian" built a solar power plant on the roof of the production facility, with an installed capacity of 500 kW. By connecting that solar power plant, the buyer-producer will use the produced electricity for its own consumption, and deliver the excess electricity to the power system. In this way, the bills for the electricity purchased by "Gruner Serbian" on the open market will be significantly reduced. This is the first contract with a commercial customer-producer and the first example when the customer also becomes a producer of electricity from renewable sources.

In addition to the mentioned customer-producer, by the date of approval of these financial statements, another 146 contracts were concluded with customers who acquired the status of customer-producer, namely 18 contracts with legal entities and 128 contracts with natural persons (households).

47. FOREIGN EXCHANGE RATES

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

	31 December 2021	In RSD 31 December 2020
EUR	117.5821	117.5802
USD	103.9262	95.6637
CHF	113.6388	108.4388
JPY	0.902603	0.927654