

**PUBLIC ENTERPRISE ELEKTROPRIVREDA SRBIJE
BEOGRAD**

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

CONTENTS

Auditor's report

Income statement

Statement of other comprehensive income

Balance sheet

Statement of changes in equity

Cash flow statement

Notes to the financial statements



Independent Auditor's Report

To the Owner and management of Javno preduzeće Elektroprivreda Srbije:

Our qualified opinion

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

What we have audited

The Company's financial statements comprise:

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

Basis for qualified opinion

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

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

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

Independence

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

Other information including the Annual Report

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

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

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

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

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

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

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Refer to the original signed
Serbian version

Milivoje Nešović
Licenced auditor

Refer to the original signed
Serbian version

PricewaterhouseCoopers d.o.o. Beograd

Belgrade, 23 June 2021

To be filled in by the legal entity – entrepreneur

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

INCOME STATEMENT
for the period from 1 January 2020 to 31 December 2020

- in thousands of Dinars -

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	REVENUES FROM REGULAR OPERATIONS				
60 to 65, except 62 and 63	A. OPERATING REVENUES (1002+1009+1016+1017)	1001		282,731,320	279,637,483
60	I. INCOME FROM THE SALE OF MERCHANDISE (1003+1004+1005+1006+1007+1008)	1002		-	-
600	1. Sales of merchandise to parent companies and subsidiaries - domestic market	1003		-	-
601	2. Sales of merchandise to parent companies and subsidiaries - foreign market	1004		-	-
602	3. Sales of merchandise to other associated companies - Domestic	1005		-	-
603	4. Sales of merchandise to other associated companies – foreign	1006		-	-
604	5. Sales of merchandise to domestic customers	1007		-	-
605	6. Sales of merchandise to foreign customers	1008		-	-
61	II. INCOME FROM SALES OF PRODUCTS AND SERVICE RENDERED (1010+1011+1012+1013+1014+1015)	1009	6	280,066,147	276,937,149
610	1. Sales of merchandise to parent companies and subsidiaries - domestic market	1010	6	40,516,890	41,105,911
611	2. Sales of merchandise to parent companies and subsidiaries - foreign market	1011	6	3,870,648	3,939,007
612	3. Sales of finished goods and services rendered to other associated entities - domestic	1012	6	1,227,521	1,048,787
613	4. Sales of finished goods and services rendered to other associated entities - foreign	1013		-	-
614	5. Sales of merchandise to domestic customers	1014	6	234,422,663	230,524,356
615	6. Sales of merchandise to foreign customers	1015	6	28,425	319,088
64	III. INCOME FROM PREMIUMS, SUBVENTIONS, DONATIONS, ETC.	1016	6	529,669	646,815
65	IV. OTHER OPERATING INCOME	1017	9	2,135,504	2,053,519
Account group, account	ITEM	AOP	Note no.	Amount	
1	2	3	4	5	6
	COSTS FROM REGULAR OPERATIONS				
50 to 55, 62 and 63	B. OPERATING EXPENSES (1019-1020-1021+1022+1023+1024+1025+1026+1027+1028+1029) ≥ 0	1018		260,278,359	261,801,158

50	I. COST OF GOODS SOLD - COGS	1019		92,288	110,579
62	II. INCOME FROM THE OWN USE OF PRODUCTS, SERVICES AND MERCHANDISE	1020	7	598,060	835,037
630	III. INCREASE OF FINISHED GOODS, WORK IN PROGRESS AND SERVICES IN PROGRESS	1021		1,039,656	936,386
631	IV. DECREASE OF FINISHED GOODS, WORK IN PROGRESS AND SERVICES IN PROGRESS	1022		564,028	65,203
51 except 513	V. COST OF MATERIAL	1023	10	11,392,456	10,338,354
513	VI. COST OF FUEL AND ENERGY	1024	11	111,191,605	113,795,719
52	VII. COSTS OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1025	12	54,415,738	57,223,470
53	VIII. COSTS OF PRODUCTION SERVICES	1026	13	27,066,738	24,153,394
540	IX. DEPRECIATION COSTS	1027	14	33,729,529	32,409,480
541 to 549	X. LONG-TERM PROVISIONS COSTS	1028	15	3,809,699	6,004,434
55	XI. NON-PRODUCTION COSTS	1029	16	19,653,994	19,471,948
	C. OPERATING PROFIT (1001-1018) ≥ 0	1030		22,452,961	17,836,325
	D. OPERATING LOSS (1018-1001) ≥ 0	1031		-	-
66	E. FINANCIAL INCOME (1033+1038+1039)	1032		9,713,991	7,768,501
66, except 662, 663 and 664	I. FINANCIAL INCOME INCURRED WITH ASSOCIATED COMPANIES AND OTHER FINANCIAL INCOME (1034+1035+1036+1037)	1033	17	876,519	3,395,238
660	1. Financial income incurred with parent companies and Subsidiaries	1034	17	33,361	2,242,661
661	2. Financial income incurred with other associated companies	1035	17	811,239	791,505
665	3. Income from share in associated entities and joint ventures	1036		-	-
669	4. Other financial income	1037	17	31,919	361,072
662	II. INCOME FROM INTEREST (FROM THIRD PARTIES)	1038	17	3,697,326	3,605,871
663 and 664	III. FX GAINS AND INCOME FOR THE EFFECTS OF CURRENCY CLAUSE	1039	17	5,140,146	767,392
56	F. FINANCIAL EXPENSES (1041+1046+1047)	1040		1,998,034	3,085,581

Account group, account	ITEM	АОП	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
56, except 562, 563 and 564	I. FINANCIAL EXPENSES INCURRED WITH ASSOCIATED COMPANIES AND OTHER FINANCIAL EXPENSES (1042+1043+1044+1045)	1041	18	345,507	286,351
560	1. Financial expenses incurred with parent companies and Subsidiaries	1042	18	44,518	17,703
561	2. Financial expenses incurred with other associated companies	1043		-	-
565	3. Losses for share in loss of associated companies and joint ventures	1044		-	-
566 and 569	4. Other financial expenses	1045	18	300,989	268,648
562	II. COSTS OF INTERESTS (TO THIRD PARTIES)	1046	18	1,170,058	1,242,289
563 and 564	III. FX LOSSES AND LOSSES FOR CURRENCY CLAUSE EFFECTS	1047	18	482,469	1,556,941
	G. FINANCIAL PROFIT (1032-1040)	1048		7,715,957	4,682,920
	H. FINANCIAL LOSS (1040-1032)	1049		-	-
683 and 685	I. INCOME FROM OTHER ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE	1050	19	665,979	1,178,512
583 and 585	J. EXPENSES FROM OTHER ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE	1051	20	11,322,381	7,557,559
67 and 68, except 683 and 685	K. OTHER INCOME	1052	21	6,677,674	1,076,411
57 and 58, except 583 and 585	L. OTHER EXPENSES	1053	22	7,872,608	11,741,804
	M. PROFIT FROM OPERATIONS BEFORE TAXATION (1030-1031+1048-1049+1050-1051+1052-1053)	1054		18,317,582	5,474,805
	N. LOSS FROM OPERATIONS BEFORE TAXATION (1031-1030+1049-1048+1051-1050+1053-1052)	1055		-	-
69 minus 59	O. NET OPERATING PROFIT FROM DISCONTINUED OPERATIONS	1056		-	-
59 minus 69	P. NET OPERATING LOSS FROM DISCONTINUED OPERATIONS	1057		-	-
	Q. PROFIT BEFORE TAXATION (1054-1055+1056-1057)	1058		18,317,582	5,474,805
	R. LOSS BEFORE TAXATION (1055-1054+1057-1056)	1059		-	-
	S. CORPORATE INCOME TAX				
721	I. TAX EXPENSES FOR THE PERIOD	1060	23	6,933,513	4,076,794
p.o. 722	II. DEFERRED TAX COSTS FOR THE PERIOD	1061		-	-
p.o. 722	III. DEFERRED TAX INCOME FOR THE PERIOD	1062	23	1,498,581	2,270,775
723	T. EMPLOYER'S EARNINGS PAID OUT	1063		-	-

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	U. NET PROFIT (1058-1059-1060-1061+1062-1063)	1064		12,882,650	3,668,786
	V. NET LOSS (1059-1058+1060+1061-1062+1063)	1065		-	-
	I. NET PROFIT ATTRIBUTABLE TO MINORITY INVESTORS	1066		-	-
	II. NET PROFIT ATTRIBUTABLE TO MAJORITY INVESTORS	1067		-	-
	III. NET LOSS ATTRIBUTABLE TO MINORITY INVESTORS	1068		-	-
	IV. NET LOSS ATTRIBUTABLE TO MAJORITY INVESTORS	1069		-	-
	V. EARNINGS PER SHARE				
	1. Basic earnings per share	1070		-	-
	2. Diluted earnings per share	1071		-	-

In _____

Legal representative

Stamp

Date _____ 20 _____

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

To be filled in by the legal entity - entrepreneur

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

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

- in thousands of Dinars -

Account group, Account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A, NET RESULT FROM OPERATIONS				
	I, NET PROFIT (AOP 1064)	2001		12,882,650	3,668,786
	II, NET LOSS (AOP 1065)	2002		-	-
	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		-	6,341
	b) decrease in revaluation reserves	2004	35	-	-
	2, Actuarial gains (losses) on defined benefit plans				
331	a) gains	2005		-	-
	b) losses	2006	35	65,029	1,236,362
	3, Gains or losses on investments in equity instruments				
332	a) gains	2007		-	-
	b) losses	2008		-	-
	4, Share of other comprehensive income of associates				
333	a) gains	2009		-	-
	b) losses	2010		-	-
	b) Items that may be reclassified subsequently to profit or loss				
	1, Foreign currency translation differences for foreign Operations				
334	a) gains	2011		-	-
	b) losses	2012		-	-

Account group, Account	ITEM	AOP	Note no,	Amount	
				Current year	Previous year
1	2	3	4	5	6
335	2, Gains and losses on hedge of investment in foreign operations				
	a) gains	2013		-	-
	b) losses	2014		-	-
336	3, Cash flow hedges				
	a) gains	2015		-	-
	b) losses	2016		-	-
337	4, Gains and losses on available for sale financial assets				
	a) gains	2017		-	-
	b) losses	2018	35	6,357	147,891
	I, OTHER COMPREHENSIVE GROSS PROFIT (2003+2005+2007+2009+2011+2013+2015+2017) - (2004+2006+2008+2010+2012+2014+2016+2018) ≥ 0	2019		-	-
	II, OTHER COMPREHENSIVE GROSS LOSS (2004+2006+2008+2010+2012+2014+2016+2018) - (2003+2005+2007+2009+2011+2013+2015+2017) ≥ 0	2020		71,386	1,377,912
	III, TAXES ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2021		-	-
	IV, OTHER COMPREHENSIVE NET PROFIT (2019-2020-2021) ≥ 0	2022		-	-
	V, OTHER COMPREHENSIVE NET LOSS (2020-2019+2021) ≥ 0	2023		71,386	1,377,912
	C, TOTAL COMPREHENSIVE NET RESULT FOR THE PERIOD				
	I, TOTAL COMPREHENSIVE NET PROFIT (2001-2002+2022-2023) ≥ 0	2024		12,811,264	2,290,874
	II, TOTAL COMPREHENSIVE NET LOSS (2002-2001+2023-2022) ≥ 0	2025		-	-
	D, TOTAL COMPREHENSIVE NET PROFIT OR LOSS (2027+2028) = AOP 2024 ≥ 0 or AOP 2025 > 0	2026		-	-
	1, Attributable to owners	2027		-	-
	2, Attributable to non-controlling interest	2028		-	-

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																							

BALANCE SHEET
As at 31 December 2020

- in thousands of Dinars -

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2019	Opening balance as at 1 January 2019
1	2	3	4	5	6	7
	ASSETS					
00	A UNPAID SUBSCRIBED CAPITAL	0001		-	-	-
	B FIXED ASSETS (0003 + 0010 + 0019 + 0024 + 0034)	0002		789,803,075	863,930,949	869,512,266
01	I. INTANGIBLE ASSETS (0004 + 0005 + 0006 + 0007 + 0008 + 0009)	0003	24	14,797,315	12,459,124	8,711,979
010, p.o. 019	1. Investment in development	0004		-	-	-
011, 012, p.o. 019	2. Concessions, patents, licenses, similar rights, software and other rights	0005	24	8,439,434	7,445,996	3,318,437
013, p.o. 019	3. Goodwill	0006		-	-	-
014, p.o. 019	4. Other intangible assets	0007	24	28,834	44,521	62,148
015, p.o. 019	5. Intangible assets in development	0008	24	6,329,047	4,968,607	5,331,394
016, p.o. 019	6. Advance payments for acquisition of intangible assets	0009		-	-	-
02	II. PROPERTY, PLANT AND EQUIPMENT (0011 + 0012 + 0013 + 0014 + 0015 + 0016 + 0017 + 0018)	0010	24	767,555,641	763,733,479	769,983,292
020, 021, p.o. 029	1. Land	0011	24	49,418,683	46,472,816	49,448,799
022, p.o. 029	2. Buildings	0012	24	268,612,924	269,199,509	272,426,414
023, p.o. 029	3. Machinery and equipment	0013	24	340,986,029	338,290,478	342,007,284
024, p.o. 029	4. Investment property	0014	24	496,568	504,892	514,251
025, p.o. 029	5. Other property, plant and equipment	0015	24	118,473	121,226	124,035
026, p.o. 029	6. Property, plant and equipment under construction	0016	24	87,589,804	90,273,537	84,988,258

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2019	Opening balance as at 1 January 2019
1	2	3	4	5	6	7
027, p.o. 029	7. Investment in PPE owned by third parties	0017		-	-	-
028, p.o. 029	8. Advance payments for property, plant and equipment	0018	24	20,333,160	18,871,021	20,474,251
03	III. BIOLOGICAL ASSETS (0020 + 0021 + 0022 + 0023)	0019	24	489,076	442,343	437,519
030, 031, p.o. 039	1. Forests and plantations	0020	24	489,076	442,343	437,519
032, p.o. 039	2. Livestock	0021		-	-	-
037, p.o. 039	3. Biological assets under construction	0022		-	-	-
038, p.o. 039	4. Advance payments for biological assets	0023		-	-	-
04. except 047	IV. LONG TERM FINANCIAL INVESTMENTS (0025 + 0026 + 0027 + 0028 + 0029 + 0030 + 0031 + 0032 + 0033)	0024	25	6,662,679	86,951,091	89,988,523
040, p.o. 049	1. Investments in subsidiaries	0025	25	2,434,745	79,766,832	79,766,832
041, p.o. 049	2. Investments in associates and joint ventures	0026	25	406,462	406,180	406,457
042, p.o. 049	3. Investments in other legal entities and other securities available for sale	0027	25	325,873	338,791	310,439
p.o. 043, p.o. 044, p.o. 049	4. Long-term loans to parent companies and to subsidiaries	0028	25	-	2,762,796	2,443,135
p.o. 043, p.o. 044, p.o. 049	5. Long-term loans to other associated companies	0029	25	-	-	306
p.o. 045, p.o. 049	6. Long-term loans to domestic entities	0030	25	2,490,896	-	181,581
p.o. 045, p.o. 049	7. Long-term loans to foreign entities	0031		-	-	-
046, p.o. 049	8. Securities held to maturity	0032		-	-	-
048, p.o. 049	9. Other long term investment	0033	25	1,004,703	3,676,492	6,879,773
05	V. LONG TERM RECEIVABLES (0035 + 0036 + 0037 + 0038 + 0039 + 0040 + 0041)	0034	26	298,364	344,912	390,953
050, p.o. 059	1. Long term receivables – parent companies and subsidiaries	0035		-	-	-
051, p.o. 059	2. Long term receivables – other associated entities	0036		-	-	-
052, p.o. 059	3. Long term trade receivables	0037		-	-	-
053, p.o. 059	4. Trade receivables for financial lease sales	0038		-	-	-

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2019	Opening balance as at 1 January 2019
1	2	3	4	5	6	7
054, p.o. 059	5. Long term receivables for guarantees	0039		-	-	-
055, p.o. 059	6. Doubtful long term receivables	0040		-	-	-
056, p.o. 059	7. Other long term receivables	0041	26	298,364	344,912	390,953
288	C. DEFERRED TAX ASSETS	0042		-	-	-
	D. CURRENT ASSETS (0044 + 0051 + 0059 + 0060 + 0061 + 0062 + 0068 + 0069 + 0070)	0043		123,880,014	109,692,832	112,474,971
1	I. INVENTORIES (0045 + 0046 + 0047 + 0048 + 0049 + 0050)	0044	27	34,938,041	30,719,435	25,584,502
10	1. Material	0045	27	27,104,642	24,885,736	21,397,035
11	2. Work in progress	0046	27	687,172	130,835	179,017
12	3. Finished products	0047	27	2,349,392	2,430,100	1,593,557
13	4. Merchandise (goods, purchase for sale)	0048	27	2,380	3,273	2,097
14	5. Non-current assets held for trading	0049		-	-	-
15	6. Advance payments	0050	27	4,794,455	3,269,491	2,412,796
20	II. TRADE RECEIVABLES (0052 + 0053 + 0054 + 0055 + 0056 + 0057 + 0058)	0051	28	57,125,731	54,732,912	49,822,787
200, p.o. 209	1. Trade receivables - domestic parent companies and Subsidiaries	0052	28	5,121	9,448,537	7,898,311
201, p.o. 209	2. Trade receivables - foreign parent companies and subsidiaries	0053	28	-	121,558	-
202, p.o. 209	3. Trade receivables - domestic other associated entities	0054		-	-	152
203, p.o. 209	4. Trade receivables - foreign other related parties	0055		-	-	-
204, p.o. 209	5. Trade receivables - domestic third party	0056	28	56,573,034	45,009,721	41,749,020
205, p.o. 209	6. Trade receivables - foreign third party	0057	28	262,503	38,269	50,586
206, p.o. 209	7. Other trade receivables	0058	28	285,073	114,827	124,718
21	III. RECEIVABLES FROM SPECIFIC BUSINESS OPERATIONS	0059	29	2,880,881	2,511,603	3,210,287
22	IV. OTHER RECEIVABLES	0060	30	3,761,619	5,917,245	12,149,383

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2019	Opening balance as at 1 January 2019
1	2	3	4	5	6	7
236	V. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	0061		-	-	-
23 except 236 and 237	VI. SHORT-TERM FINANCIAL INVESTMENTS (0063 + 0064 + 0065 + 0066 + 0067)	0062	31	206,220	994,240	3,945,738
230, p.o. 239	1. Short-term loans and investments in parent companies and Subsidiaries	0063		-	-	-
231, p.o. 239	2. Short-term loans and investments in other related parties	0064		-	-	-
232, p.o. 239	3. Short term loans - domestic	0065	31	233	233	535
233, p.o. 239	4. Short term loans – foreign	0066		-	-	-
234, 235, 238, p.o. 239	5. Other short term investments	0067	31	205,987	994,007	3,945,203
24	VII. CASH AND CASH EQUIVALENTS	0068	32	19,610,430	8,886,019	12,379,744
27	VIII. RECEIVABLES FOR VAT	0069	33	2,707,499	2,700,901	2,816,727
28 except 288	IX. PREPAYMENTS AND ACCRUED INCOME	0070	34	2,649,593	3,230,477	2,565,803
	E. TOTAL ASSETS = OPERATING ASSETS (0001 + 0002 + 0042 + 0043)	0071		913,683,089	973,623,781	981,987,237
88	F. OFF BALANCE ASSETS	0072	45	231,090,249	254,603,625	224,851,485
	EQUITY AND LIABILITIES					
	A. EQUITY (0402 + 0411 - 0412 + 0413 + 0414 + 0415 - 0416 + 0417 + 0420 - 0421) ≥ 0 = (0071 - 0424 - 0441 - 0442)	0401	35	609,792,087	675,156,621	678,284,535
30	I. BASIC CAPITAL (0403 + 0404 + 0405 + 0406 + 0407 + 0408 + 0409 + 0410)	0402	35	360,003,089	360,011,186	360,011,186
300	1. Share capital	0403		-	-	-
301	2. Stakes in limited liability companies	0404		-	-	-
302	3. Participating interests	0405		-	-	-
303	4. State owned capital	0406	35	359,931,642	359,939,739	359,939,739
304	5. Socially owned capital	0407		-	-	-
305	6. Stakes in co-operatives	0408		-	-	-
306	7. Share premiums	0409		-	-	-
309	8. Other capital	0410	35	71,447	71,447	71,447

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2019	Opening balance as at 1 January 2019
1	2	3	4	5	6	7
31	II. UNPAID SUBSCRIBED CAPITAL	0411		-	-	-
047 and 237	III. OWN SHARES PURCHASED	0412		-	-	-
32	IV. RESERVES	0413		-	-	-
330	V. REVALUATION RESERVES FOR REVALUATION OF INTANGIBLES AND PPE	0414	35	422,783,229	423,741,985	430,695,571
33 except 330	VI. NON REALIZED PROFIT FROM SECURITIES (debit saldo of account group 33 except 330)	0415	35	-	-	-
33 except 330	VII. NON REALIZED LOSSES FROM SECURITIES (credit saldo of account group 33 except 330)	0416	35	2,937,468	2,866,082	1,481,829
34	VIII. RETAINED EARNINGS (0418+0419)	0417	35	22,608,450	13,387,941	11,314,584
340	1. Retained earnings from previous years	0418	35	9,725,800	13,387,941	11,314,584
341	2. Retained earnings from current year	0419	35	12,882,650	-	-
	IX. NON-CONTROLLING INTEREST	0420		-	-	-
35	X. ACCUMULATED LOSS (0422+0423)	0421	35	192,665,213	119,118,409	122,254,977
350	1. Previous year's losses	0422	35	192,665,213	119,118,409	122,254,977
351	2. Current year loss	0423		-	-	-
	B. LONG - TERM PROVISIONS AND LIABILITIES (0425+0432)	0424		132,020,933	131,586,029	131,651,990
40	I. LONG - TERM PROVISIONS (0426 + 0427 + 0428 + 0429 + 0430 + 0431)	0425	36	24,408,191	22,482,741	17,743,213
400	1. Provisions for costs incurred during the warranty period	0426		-	-	-
401	2. Provisions for the recovery of natural resources	0427	36	3,337,480	2,864,132	2,514,771
403	3. Provisions for restructuring costs	0428		-	-	-
404	4. Provisions for employees benefits	0429	36	17,223,616	16,602,371	13,030,162
405	5. Provisions for litigations	0430	36	3,847,071	3,016,214	2,198,256
402 and 409	6. Other long-term provisions	0431	36	24	24	24
41	II. LONG - TERM LIABILITIES (0433 + 0434 + 0435 + 0436 + 0437 + 0438 + 0439 + 0440)	0432	37	107,612,742	109,103,288	113,908,777
410	1. Liabilities that can be converted into capital	0433	37	80,500	80,500	80,500
411	2. Liabilities to parent companies and subsidiaries	0434		-	-	-
412	3. Liabilities to other associated companies	0435		-	-	-
413	4. Liabilities for long-term securities	0436		-	-	-
414	5. Long-term loans - domestic	0437	37	22,855,410	20,959,506	24,472,929
	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	

Account group, account					Closing balance as at 31 December 2019	Opening balance as at 1 January 2019
1	2	3	4	5	6	7
415	6. Long-term loans - foreign	0438	37	84,676,818	88,035,161	89,259,891
416	7. Liabilities for financial lease	0439		-	-	-
419	8. Other long-term liabilities	0440	37	14	28,121	95,457
498	C. DEFERRED TAX LIABILITIES	0441	23	66,194,482	67,693,064	69,963,839
42 to 49 (except 498)	D. SHORT-TERM LIABILITIES (0443 + 0450 + 0451 + 0459 + 0460 + 0461 + 0462)	0442		105,675,587	99,188,067	102,086,873
42	I. SHORT-TERM FINANCIAL LIABILITIES (0444 + 0445 + 0446 + 0447 + 0448 + 0449)	0443	38	18,388,568	13,565,732	13,851,758
420	1. Short-term loans from parent companies and subsidiaries	0444		-	-	-
421	2. Short-term loans from other associated companies	0445		-	-	-
422	3. Short-term loans - domestic	0446		-	-	-
423	4. Short-term loans - foreign	0447		-	-	-
427	5. Liabilities for fixed assets and assets of discounting operations held for sale	0448		-	-	-
424, 425, 426 and 429	6. Other short-term financial liabilities	0449	38	18,388,568	13,565,732	13,851,758
430	II. RECEIVED ADVANCES PAYMENTS, DEPOSITS AND BAILS	0450	39	921,752	739,157	505,594
43 except 430	III. LIABILITIES FROM BUSINESS OPERATIONS (0452 + 0453 + 0454 + 0455 + 0456 + 0457 + 0458)	0451	40	48,142,381	49,478,720	48,069,342
431	1. Trade payables - parent companies and subsidiaries - domestic	0452	40	80,656	21,781,992	22,283,203
432	2. Trade payables - parent companies and subsidiaries - foreign	0453	40	-	816	-
433	3. Trade payables - other associated companies - domestic	0454	40	60,917	64,522	45,961
434	4. Trade payables - other associated companies - foreign	0455		-	-	-
435	5. Trade payables – domestic	0456	40	40,739,568	19,689,775	16,891,731
436	6. Trade payables – foreign	0457	40	5,263,600	6,427,676	7,628,549
439	7. Other liabilities from business operations	0458	40	1,997,640	1,513,939	1,219,898
44, 45 and 46	IV. OTHER SHORT-TERM LIABILITIES	0459	41	11,670,581	12,225,326	13,708,640
47	V. LIABILITIES FOR VALUE ADDED TAX	0460	42	7,358,647	7,464,575	7,595,757
48	VI. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND OTHER DUTIES	0461	43	8,904,072	5,538,303	7,939,511

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2019	Opening balance as at 1 January 2019
1	2	3	4	5	6	7
49 except 498	VII. ACCRUALS AND DEFERRED INCOME	0462	44	10,289,586	10,176,254	10,416,271
	E. LOSS OVER CAPITAL (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402) ≥ 0 = (0441+0424+0442-0071) ≥ 0	0463		-	-	-
	F. TOTAL EQUITY AND LIABILITIES (0424+0442+0441+0401-0463) ≥ 0	0464		913,683,089	973,623,781	981,987,237
89	G. OFF BALANCE LIABILITIES	0465	45	231,090,249	254,603,625	224,851,485

In _____

Legal representative

Stamp

date _____ 20 _____

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

To be filled in by 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

STATEMENT OF CHANGES IN EQUITY
for the period from 01 January 2020 to 31 December 2020

- In thousands of Dinars -

No.	Description	Components of Equity					
		AOP	30	AOP	31	AOP	32
			Core equity		Unpaid subscribed equity		Reserves
1	2		3		4		5
	Balance as at 01.01. of the previous year						
1.	a) debit balance account	4001	-	4019	-	4037	-
	b) credit balance account	4002	360,011,186	4020	-	4038	-
	Correction of material errors and changes in accounting policies						
2.	a) corrections on the debit side of the account	4003	-	4021	-	4039	-
	b) corrections to the credit side of the account	4004	-	4022	-	4040	-
	Adjusted opening balance as at 01.01. of the previous year						
3.	a) corrected debit balance account (1a + 2a - 2b) ≥ 0	4005		4023	-	4041	-
	b) corrected credit balance accounts (1b - 2a + 2b) ≥ 0	4006	360,011,186	4024	-	4042	-
	Changes in the previous year _____						
4.	a) turnover on the debit side of the account	4007	-	4025	-	4043	-
	b) turnover on the credit side of the account	4008	-	4026	-	4044	-
	Balance at the end of the previous year 31.12. _____						
5.	a) debit account balance (3a + 4a - 4b) ≥ 0	4009	-	4027	-	4045	-
	b) credit balance accounts (3b - 4a + 4b) ≥ 0	4010	360,011,186	4028	-	4046	-
	Correction of material errors and changes in accounting policies						
6.	a) corrections on the debit side of the account	4011	-	4029	-	4047	-
	b) corrections to the credit side of the account	4012	-	4030	-	4048	-
	Corrected opening balance of the current year 01.01. _____						
7.	a) corrected debit balance accounts (5a + 6a - 6b) ≥ 0	4013	-	4031	-	4049	-
	b) corrected credit balance accounts (5b - 6a + 6b) ≥ 0	4014	360,011,186	4032	-	4050	-
	Changes in the current year _____						
8.	a) turnover on the debit side of the account	4015	8,097	4033	-	4051	-
	b) turnover on the credit side of the account	4016	-	4034	-	4052	-
	Balance at end of the year 31.12. _____						
9.	a) debit balance account (7a + 8a - 8b) ≥ 0	4017	-	4035	-	4053	-
	b) credit balance accounts (7b - 8a + 8b) ≥ 0	4018	360,003,089	4036	-	4054	-

No.	DESCRIPTION	Components of Equity					
		AOP	35	АОП	047 и 237	АОП	34
			Accumulated Loss		Treasury shares		Retained Earnings
	2		6		7		8
	Balance as at 01.01. of the previous year						
1.	a) debit balance account	4055	122,849,648	4073	-	4091	-
	b) credit balance account	4056	-	4074	-	4092	11,314,584
	Correction of material errors and changes in accounting policies						
2.	a) corrections on the debit side of the account	4057	-	4075	-	4093	-
	b) corrections to the credit side of the account	4058	594,671	4076	-	4094	-
	Adjusted opening balance as at 01.01. of the previous year						
3.	a) corrected debit balance account (1a + 2a - 2b) ≥ 0	4059	122,254,977	4077	-	4095	-
	b) corrected credit balance accounts (1b - 2a + 2b) ≥ 0	4060	-	4078	-	4096	11,314,584
	Changes in the previous year _____						
4.	a) turnover on the debit side of the account	4061	-	4079	-	4097	-
	b) turnover on the credit side of the account	4062	2,535,252	4080	-	4098	2,073,357
	Balance at the end of the previous year 31.12. _____						
5.	a) debit account balance (3a + 4a - 4b) ≥ 0	4063	119,719,725	4081	-	4099	-
	b) credit balance accounts (3b - 4a + 4b) ≥ 0	4064	-	4082	-	4100	13,387,941
	Correction of material errors and changes in accounting policies						
6.	a) corrections on the debit side of the account	4065	-	4083	-	4101	-
	b) corrections to the credit side of the account	4066	601,316	4084	-	4102	-
	Corrected opening balance of the current year 01.01. _____						
7.	a) corrected debit balance accounts (5a + 6a - 6b) ≥ 0	4067	119,118,409	4085	-	4103	-
	b) corrected credit balance accounts (5b - 6a + 6b) ≥ 0	4068	-	4086	-	4104	13,387,941
	Changes in the current year _____						
8.	a) turnover on the debit side of the account	4069	73,546,804	4087	-	4105	-
	b) turnover on the credit side of the account	4070	-	4088	-	4106	9,220,509
	Balance at end of the year 31.12. _____						
9.	a) debit balance account (7a + 8a - 8b) ≥ 0	4071	192,665,213	4089	-	4107	-
	b) credit balance accounts (7b - 8a + 8b) ≥ 0	4072	-	4090	-	4108	22,608,450

No.	DESCRIPTION	Components of Other Comprehensive Income					
		AOP	330	AOP	331	AOP	332
			Revaluation Reserves		Actuarial gains or losses		Gains or losses on investment in equity instruments
1	2		9		10		11
	Balance as at 01.01. of the previous year						
1.	a) debit balance account	4109	-	4127	1,224,305	4145	-
	b) credit balance account	4110	430,695,571	4128	-	4146	-
	Correction of material errors and changes in accounting policies						
2.	a) corrections on the debit side of the account	4111	-	4129	-	4147	-
	b) corrections to the credit side of the account	4112	-	4130	-	4148	-
	Adjusted opening balance as at 01.01. of the previous year						
3.	a) corrected debit balance account (1a + 2a - 2b) ≥ 0	4113	-	4131	1,224,305	4149	-
	b) corrected credit balance accounts (1b - 2a + 2b) ≥ 0	4114	430,695,571	4132	-	4150	-
	Changes in the previous year _____						
4.	a) turnover on the debit side of the account	4115	6,953,586	4133	1,236,362	4151	-
	b) turnover on the credit side of the account	4116	-	4134	-	4152	-
	Balance at the end of the previous year 31.12. _____						
5.	a) debit account balance (3a + 4a - 4b) ≥ 0	4117	-	4135	2,460,667	4153	-
	b) credit balance accounts (3b - 4a + 4b) ≥ 0	4118	423,741,985	4136	-	4154	-
	Correction of material errors and changes in accounting policies						
6.	a) corrections on the debit side of the account	4119	-	4137	-	4155	-
	b) corrections to the credit side of the account	4120	-	4138	-	4156	-
	Corrected opening balance of the current year 01.01. _____						
7.	a) corrected debit balance accounts (5a + 6a - 6b) ≥ 0	4121	-	4139	2,460,667	4157	-
	b) corrected credit balance accounts (5b - 6a + 6b) ≥ 0	4122	423,741,985	4140	-	4158	-
	Changes in the current year _____						
8.	a) turnover on the debit side of the account	4123	958,756	4141	65,029	4159	-
	b) turnover on the credit side of the account	4124	-	4142	-	4160	-
	Balance at end of the year 31.12. _____						
9.	a) debit balance account (7a + 8a - 8b) ≥ 0	4125	-	4143	2,525,696	4161	-
	b) credit balance accounts (7b - 8a + 8b) ≥ 0	4126	422,783,229	4144	-	4162	-

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

No.	DESCRIPTION	Components of Other Comprehensive Income		AOP	Total equity [Σ(row 16 col 3 to col 15)]≥0	AOP	Loss above the value of equity [Σ(row 1a col 3 to col 15) - Σ(row 16 col 3 to col 15)] ≥ 0
		AOP	337				
			Gains or losses on AFS securities				
1	2	AOP	15		16		17
	Balance as at 01.01. of the previous year						
1.	a) debit balance account	4217	257,524	4235	677,689,864	4244	-
	b) credit balance account	4218	-				
	Correction of material errors and changes in accounting policies						
2.	a) corrections on the debit side of the account	4219	-	4236	594,671	4245	-
	b) corrections to the credit side of the account	4220	-				
	Adjusted opening balance as at 01.01. of the previous year						
3.	a) corrected debit balance account (1a + 2a - 2b) ≥ 0	4221	257,524	4237	678,284,535	4246	-
	b) corrected credit balance accounts (1b - 2a + 2b) ≥ 0	4222	-				
	Changes in the previous year _____						
4.	a) turnover on the debit side of the account	4223	147,891	4238	3,729,230	4247	-
	b) turnover on the credit side of the account	4224	-				
	Balance at the end of the previous year 31.12. _____						
5.	a) debit account balance (3a + 4a - 4b) ≥ 0	4225	405,415	4239	674,555,305	4248	-
	b) credit balance accounts (3b - 4a + 4b) ≥ 0	4226	-				
	Correction of material errors and changes in accounting policies						
6.	a) corrections on the debit side of the account	4227	-	4240	601,316	4249	-
	b) corrections to the credit side of the account	4228	-				
	Corrected opening balance of the current year 01.01. _____						
7.	a) corrected debit balance accounts (5a + 6a - 6b) ≥ 0	4229	405,415	4241	675,156,621	4250	-
	b) corrected credit balance accounts (5b - 6a + 6b) ≥ 0	4230	-				
	Changes in the current year _____						
8.	a) turnover on the debit side of the account	4231	6,357	4242	65,364,534	4251	-
	b) turnover on the credit side of the account	4232	-				
	Balance at end of the year 31.12. _____						
9.	a) debit balance account (7a + 8a - 8b) ≥ 0	4233	411,772	4243	609,792,087	4252	-
	b) credit balance accounts (7b - 8a + 8b) ≥ 0	4234	-				

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Legal representative

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Date _____ 20 _____

To be filled in by legal entity – entrepreneur

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

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

- in thousands of Dinars -

Item	AOP	Amount	
		Current year	Previous year
1	2	3	4
A. CASH FLOW FROM OPERATING ACTIVITIES			
I. Cash inflow from operating activities (1 to 3)	3001	249,344,679	247,354,759
1. Sales and advance payments received	3002	243,899,606	239,629,496
2. Received interests from operating activities	3003	2,383,146	4,286,803
3. Other inflows from operating activities	3004	3,061,927	3,438,460
II. Cash outflows from operating activities (1 to 5)	3005	208,504,612	210,243,205
1. Payments to suppliers and advance prepayments	3006	91,354,473	90,892,549
2. Wages, salaries and other personal costs	3007	59,277,830	60,475,085
3. Paid interests	3008	2,326,508	3,020,827
4. Corporate income tax	3009	3,097,154	-
5. Other payments to tax authorities	3010	52,448,647	55,854,744
III. Net cash inflow from operating activities (I-II)	3011	40,840,067	37,111,554
IV. Net cash outflow from operating activities (II-I)	3012	-	-
B. CASH FLOW FROM INVESTING ACTIVITIES			
I. Cash inflow from investing activities (1 till 5)	3013	5,281,907	8,313,318
1. Sale of shares and stakes (net inflows)	3014	-	-
2. Sale of intangible assets, property, plant, equipment and biological assets	3015	300	19,046
3. Other financial investments (net inflows)	3016	4,067,424	5,328,251
4. Interests received from investing activities	3017	1,214,183	766,021
5. Dividends received	3018	-	2,200,000
II. Cash outflow from investing activities (1 till 3)	3019	38,707,515	36,897,239
1. Purchase of shares and stakes (net outflows)	3020	-	-
2. Purchase of intangible investments, property, plant, equipment and biological assets	3021	38,110,037	36,897,239
3. Other financial investments (net outflows)	3022	597,478	-
III. Net cash inflow from investing activities (I-II)	3023	-	-

IV. Net cash outflow from investing activities (II-I)	3024	33,425,608	28,583,921
C. CASH INFLOW FROM FINANCING ACTIVITIES			
I. Cash inflows from financing activities (1 till 5)	3025	3,368,408	-
ITEM	AOP	Amount	
		Current year	Previous year
1	2	3	4
1. Increase of basic capital	3026	-	-
2. Long-term loans (net inflows)	3027	3,368,408	-
3. Short-term loans (net inflows)	3028	-	-
4. Other long-term liabilities	3029	-	-
5. Other short-term liabilities	3030	-	-
II. Cash outflows from financing activities (1 till 6)	3031	57,046	12,016,257
1. Purchase of own shares and stakes	3032	-	-
2. Long-term loans (net outflows)	3033	-	12,009,950
3. Short-term loans (net outflows)	3034	-	-
4. Other liabilities (net outflows)	3035	56,941	-
5. Financial lease	3036	-	-
6. Paid dividends	3037	105	6,307
III. Net cash inflows from financing activities (I-II)	3038	3,311,362	-
IV. Net cash outflows from financing activities (II-I)	3039	-	12,016,257
D. TOTAL CASH INFLOWS (3001 + 3013 + 3025)	3040	257,994,994	255,668,077
E. TOTAL CASH OUTFLOWS (3005 + 3019 + 3031)	3041	247,269,173	259,156,701
F. NET CASH INFLOWS (3040 - 3041)	3042	10,725,821	-
G. NET CASH OUTFLOWS (3041 - 3040)	3043	-	3,488,624
H. CASH AT THE BEGINNING OF THE CALCULATION PERIOD	3044	8,886,019	12,379,744
I. POSITIVE EXCHANGE RATE DIFFERENCES DUE TO CALCULATION OF CASH	3045	130	11,335
J. NEGATIVE EXCHANGE RATE DIFFERENCES DUE TO CALCULATION OF CASH	3046	1,540	16,436
K. CASH AT THE END OF REPORTING PERIOD (3042 - 3043 + 3044 + 3045 - 3046)	3047	19,610,430	8,886,019

In _____

Legal representative

Stamp

Date _____ 20 _____

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

**Public Enterprise ELEKTROPRIVREDA SRBIJE,
BEOGRAD**

**Financial Statements
31 December 2020**

CONTENTS

	Page
Financial statements:	
Income statement	1 – 2
Statement of other comprehensive income	3
Balance sheet	4 – 6
Statement of changes in equity	7
Cash flow statement	8
Notes to the financial statements	9 – 109

**PUBLIC ENTERPRISE ELEKTROPRIVREDA SRBIJE,
BELGRADE**

INCOME STATEMENT

For the period 1 January - 31 December 2020

In RSD thousand

	Note	2020	2019 <i>Corrected</i>
Operating income			
Income from sales of goods and services			
Income from sales of goods and services to parent and subsidiaries – on domestic market	6	40,516,890	41,105,911
Income from sales of goods and services to parent and subsidiaries – on foreign market	6	3,870,648	3,939,007
Income from sales of goods and services to other related parties – on domestic market	6	1,227,521	1,048,787
Income from sales of goods and services – on domestic market	6	234,422,663	230,524,356
Income from sales of goods and services – on foreign market	6	28,425	319,088
		<u>280,066,147</u>	<u>276,937,149</u>
Income from premiums, subventions, grants and donations	8	529,669	646,815
Other operating income	9	2,135,504	2,053,519
		<u>282,731,320</u>	<u>279,637,483</u>
Income from operating activities			
Expenses from operating activities			
Operating expenses			
Cost of goods sold		(92,288)	(110,579)
Work performed by the entity and capitalised (Decrease)/increase in inventories of unfinished goods and services	7	598,060	835,037
Cost of material	10	(11,392,456)	(10,338,354)
Cost of fuel and energy	11	(111,191,605)	(113,795,719)
Wages and salaries and other personal expenses	12	(54,415,738)	(57,223,470)
Cost of production services	13	(27,066,738)	(24,153,394)
Amortisation/Depreciation	14	(33,729,529)	(32,409,480)
Cost of long-term provisioning	15	(3,809,699)	(6,004,434)
Other operating expenses	16	(19,653,994)	(19,471,948)
		<u>(260,278,359)</u>	<u>(261,801,158)</u>
		<u>22,452,961</u>	<u>17,836,325</u>
Operating profit/(loss)			
Financial income			
Financial income from parent and subsidiaries	17	33,361	2,242,661
Financial income from other related parties	17	811,239	791,505
Other financial income	17	31,919	361,072
Interest income (third parties)	17	3,697,326	3,605,871
Foreign exchange gains and gains on currency clause effect (third parties)	17	5,140,146	767,392
		<u>9,713,991</u>	<u>7,768,501</u>
Financial expenses			
Financial expenses arising from transactions with parent and subsidiaries	18	(44,518)	(17,703)
Other financial expenses	18	(300,989)	(268,648)
Interest expense (third parties)	18	(1,170,058)	(1,242,289)
Foreign exchange losses and loss on currency clause effect (third parties)	18	(482,469)	(1,556,941)
		<u>(1,998,034)</u>	<u>(3,085,581)</u>
		<u>7,715,957</u>	<u>4,682,920</u>
Gain/(loss) on financing activities			
Income from adjustments of other assets carried at fair value through profit and loss	19	665,979	1,178,512
Expenses from adjustments of other assets carried at fair value through profit and loss	20	(11,322,381)	(7,557,559)
Other income	21	6,677,674	1,076,411
Other expenses	22	(7,872,608)	(11,741,804)
		<u>(11,851,336)</u>	<u>(17,044,440)</u>
		<u>18,317,582</u>	<u>5,474,805</u>
Profit/(loss) before tax			

(continued)

INCOME STATEMENT (continued)
For the period 1 January - 31 December 2020
In RSD thousand

	<u>Note</u>	<u>2020</u>	<u>2019</u> <i>Corrected</i>
Profit before tax		18,317,582	5,474,805
Income tax			
Tax expense for the period	23	(6,933,513)	(4,076,794)
Deferred tax income /(expense) for the period	23	<u>1,498,581</u>	<u>2,270,775</u>
Net profit		<u>12,882,650</u>	<u>3,668,786</u>

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

These financial statements have been approved by Company Management and will be submitted to the Business Registers Agency within the statutory time period.

On behalf of the Company:

Milorad Grčić
Acting General Manager

OTHER COMPREHENSIVE INCOME
For the period 1 January – 31 December 2020
In RSD thousand

	<u>Note</u>	<u>2020</u>	<u>2019</u> <i>Corrected</i>
Net profit/(loss)		<u>12,882,650</u>	<u>3,668,786</u>
Items that will not be reclassified to profit or loss			
Increase in revaluation reserves	35	-	6,341
Actuarial gains (losses) based on defined benefit plans		<u>(65,029)</u>	<u>(1,236,362)</u>
		<u>(65,029)</u>	<u>(1,230,021)</u>
Items that will be reclassified to the income statement in future periods			
Gains/(losses) on available-for sale securities	35	<u>(6,357)</u>	<u>(147,891)</u>
		<u>(6,357)</u>	<u>(147,891)</u>
Other Comprehensive profit/(loss), gross		<u>(71,386)</u>	<u>(1,377,912)</u>
Tax on Other Comprehensive profit or loss	23	-	-
Other Comprehensive profit/(loss), net		<u>(71,386)</u>	<u>(1,377,912)</u>
Total Comprehensive profit/(loss), net		<u>12,811,264</u>	<u>2,290,874</u>

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

BALANCE SHEET
As at 31 December 2020
In RSD thousand

	Note	31 December 2020	31 December 2019	01 January 2019
			<i>Corrected</i>	<i>Corrected</i>
Assets				
Non-current assets				
Intangible assets				
Concessions, patents, licences, trademarks, software and similar rights	24	8,439,434	7,445,996	3,318,437
Other intangibles	24	28,834	44,521	62,148
Intangible Assets under construction	24	6,329,047	4,968,607	5,331,394
		<u>14,797,315</u>	<u>12,459,124</u>	<u>8,711,979</u>
Property, Plant and Equipment				
Land	24	49,418,683	46,472,816	49,448,799
Buildings	24	268,612,924	269,199,509	272,426,414
Plants and equipment	24	340,986,029	338,290,478	342,007,284
Investment property	24	496,568	504,892	514,251
Other Property, Plant and Equipment	24	118,473	121,226	124,035
Construction in progress (CIP)	24	87,589,804	90,273,537	84,988,258
Prepayments for PP&E	24	20,333,160	18,871,021	20,474,251
		<u>767,555,641</u>	<u>763,733,479</u>	<u>769,983,292</u>
Biological assets				
Forest/Farming	24	489,076	442,343	437,519
		<u>489,076</u>	<u>442,343</u>	<u>437,519</u>
Long-term financial investments				
Investments in subsidiaries	25	2,434,745	79,766,832	79,766,832
Investments in associates and joint ventures	25	406,462	406,180	406,457
Investments in other legal entities and other available for sale securities	25	325,873	338,791	310,439
Long term financial investments in parent and subsidiaries	25	-	2,762,796	2,443,135
Long-term financial investments in other related parties	25	-	-	306
Long term investments – domestic	25	2,490,896	-	181,581
Other long-term financial investments	25	1,004,703	3,676,492	6,879,773
		<u>6,662,679</u>	<u>86,951,091</u>	<u>89,988,523</u>
Long-term receivables				
Other long-term receivables	26	298,364	344,912	390,953
		<u>298,364</u>	<u>344,912</u>	<u>390,953</u>
Current assets				
Inventory				
Material, spare parts, tools and inventory	27	27,104,642	24,885,736	21,397,035
Work in progress and ongoing services	27	687,172	130,835	179,017
Finished goods	27	2,349,392	2,430,100	1,593,557
Merchandise	27	2,380	3,273	2,097
Prepaid inventory and services	27	4,794,455	3,269,491	2,412,796
		<u>34,938,041</u>	<u>30,719,435</u>	<u>25,584,502</u>
Trade receivables				
Domestic trade receivables – parent and subsidiaries	28	5,121	9,448,537	7,898,311
Foreign trade receivables – parent and subsidiaries	28	-	121,558	-
Domestic trade receivables – other related parties	28	-	-	152
Trade receivables – domestic	28	56,573,034	45,009,721	41,749,020
Trade receivables – foreign	28	262,503	38,269	50,586
Other receivables	28	285,073	114,827	124,718
		<u>57,125,731</u>	<u>54,732,912</u>	<u>49,822,787</u>
Receivables from specific operations	29	2,880,881	2,511,603	3,210,287
Other receivables	30	3,761,619	5,917,245	12,149,383

(continued)

BALANCE SHEET (continued)
As at 31 December 2020
In RSD thousand

	Note	31 December 2020	31 December 2019 <i>Restated</i>	01 January 2019 <i>Restated</i>
Short-term financial investments				
Short-term loans and borrowings - domestic	31	233	233	535
Other short term financial investments	31	205,987	994,007	3,945,203
		<u>206,220</u>	<u>994,240</u>	<u>3,945,738</u>
Cash and cash equivalents	32	19,610,430	8,886,019	12,379,744
Value added tax	33	2,707,499	2,700,901	2,816,727
Prepaid expenses and other accruals	34	2,649,593	3,230,477	2,565,803
		<u>913,683,089</u>	<u>973,623,781</u>	<u>981,987,237</u>
Total assets				
Off-balance sheet assets	45	231,090,249	254,603,625	224,851,485
Equity and Liabilities				
Equity				
Basic capital	35	359,931,642	359,939,739	359,939,739
Other equity	35	71,447	71,447	71,447
Revaluation reserves based on revaluation of intangible assets, property, plant and equipment	35	422,783,229	423,741,985	430,695,571
Unrealised gain/(loss) from securities and other comprehensive income items	35	(2,937,468)	(2,866,082)	(1,481,829)
Retained earnings		9,725,800	13,387,941	11,314,584
Previous years' retained earnings		12,882,650	-	-
Current year retained earnings	35	(192,665,213)	(119,118,409)	(122,254,977)
Prior years loss	35	<u>609,792,087</u>	<u>675,156,621</u>	<u>678,284,535</u>
Long-term provisions and liabilities				
Long-term provisions				
Provisions for environmental rehabilitation	36	3,337,480	2,864,132	2,514,771
Provisions for employee benefits	36	17,223,616	16,602,371	13,030,162
Provisions for litigations	36	3,847,071	3,016,214	2,198,256
	36	24	24	24
		<u>24,408,191</u>	<u>22,482,741</u>	<u>17,743,213</u>
Long-term liabilities				
Liabilities convertible to equity	37	80,500	80,500	80,500
Long term loans and borrowings - domestic	37	22,855,410	20,959,506	24,472,929
Long-term loans and borrowings - foreign	37	84,676,818	88,035,161	89,259,891
Other long-term liabilities	37	14	28,121	95,457
		<u>107,612,742</u>	<u>109,103,288</u>	<u>113,908,777</u>
Deferred tax liabilities	23	66,194,482	67,693,064	69,963,839
Short-term liabilities				
Short-term financial liabilities				
Other short-term financial liabilities	38	18,388,568	13,565,732	13,851,758
Customer prepayments, deposits and caution money	39	921,752	739,157	505,594

(continued)

BALANCE SHEET (continued)
As at 31 December 2020
In RSD thousand

	Note	31 December 2020	31 December 2019 <i>restated</i>	01 January 2019 <i>restated</i>
Operating liabilities				
Trade payables – parent and subsidiaries				
- domestic	40	80,656	21,781,992	22,283,203
Trade payables – parent and subsidiaries				
- foreign	40	-	816	-
Trade payables – other related parties	40	60,917	64,522	45,961
Trade payables - domestic	40	40,739,568	19,689,775	16,891,731
Trade payables - foreign	40	5,263,600	6,427,676	7,628,549
Other operating liabilities	40	1,997,640	1,513,939	1,219,898
		<u>48,142,381</u>	<u>49,478,720</u>	<u>48,069,342</u>
Other current liabilities	41	11,670,581	12,225,326	13,708,640
Liabilities for VAT	42	7,358,647	7,464,575	7,595,757
Liabilities for other taxes, contributions and duties	43	8,904,072	5,538,303	7,939,511
Accrued expenses	44	10,289,586	10,176,254	10,416,271
		<u>38,222,886</u>	<u>35,404,458</u>	<u>39,660,179</u>
Total liabilities		<u>913,683,089</u>	<u>973,623,781</u>	<u>981,987,237</u>
Off-balance sheet liabilities	45	<u>231,090,249</u>	<u>254,603,625</u>	<u>224,851,485</u>

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

STATEMENT OF CHANGES IN EQUITY
For the period 1 January - 31 December 2020
In RSD thousand

	Items of equity			Items of other comprehensive income			Total equity
	Basic capital	Loss	Retained earnings	Revaluation reserves	Actuarial gains or losses	Gains/(losses) on available-for-sale securities	
Opening balance as at 1 January 2019							
a) debit balance	-	124,738,504	2,488,947	4,143,176	1,224,305	261,695	132,856,627
b) credit balance	360,011,186	1,888,856	13,803,531	434,838,747	-	4,171	810,546,491
Opening balance as at 1 January 2019	360,011,186	(122,849,648)	11,314,584	430,695,571	(1,224,305)	(257,524)	677,689,864
Restatement of opening balance							
a) debit balance	-	(594,671)	-	-	-	-	(594,671)
b) credit balance	-	-	-	-	-	-	-
Restated opening balance as at 1 January 2017	360,011,186	(122,254,977)	11,314,584	430,695,571	(1,224,305)	(257,524)	678,284,535
Movements in 2019							
a) debit turnover	-	-	1,595,429	6,959,927	1,236,362	147,891	9,939,609
b) credit turnover	-	3,136,568	3,668,786	6,341	-	-	6,811,695
Closing balance as at 31.12.2019							
a) debit balance	-	122,254,977	1,595,429	6,959,927	2,460,667	405,415	133,676,415
b) credit balance	360,011,186	3,136,568	14,983,370	430,701,912	-	-	808,833,036
	360,011,186	(119,118,409)	13,387,941	423,741,985	(2,460,667)	(405,415)	675,156,621
Opening balance as at 1 January 2020							
a) debit balance	-	119,118,409	-	-	2,460,667	405,415	121,984,491
b) credit balance	360,011,186	-	13,387,941	423,741,985	-	-	797,141,112
	360,011,186	(119,118,409)	13,387,941	423,741,985	(2,460,667)	(405,415)	675,156,621
Movements in 2020							
a) debit turnover	8,097	77,927,889	3,662,141	958,756	65,029	6,357	82,628,269
b) credit turnover	-	4,381,085	12,882,650	-	-	-	17,263,735
Closing balance as at 31.12.2020							
a) debit balance	-	197,046,298	3,662,141	958,756	2,525,696	411,772	204,604,663
b) credit balance	360,003,089	4,381,085	26,270,591	423,741,985	-	-	814,396,750
	360,003,089	(192,665,213)	22,608,450	422,783,229	(2,525,696)	(411,772)	609,792,087

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

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

CASH FLOW STATEMENT

For the period 1 January – 31 December 2020

In RSD thousand

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Cash inflows from operating activities	249,344,679	247,354,759
Sales and advances received	243,899,606	239,629,496
Interests from operating activities	2,383,146	4,286,803
Other proceeds from operating activities	3,061,927	3,438,460
Cash outflows from operating activities	208,504,612	210,243,205
Payments and prepayments to suppliers	91,354,473	90,892,549
Salaries, fringe benefits and other personal expenses	59,277,830	60,475,085
Interests paid	2,326,508	3,020,827
Income tax	3,097,154	-
Charges for services that qualify as public revenues	52,448,647	55,854,744
Cash inflow/(outflow) from operating activities, Net	<u>40,840,067</u>	<u>37,111,554</u>
Cash flows from investing activities		
Cash inflows from investing activities	5,281,907	8,313,318
Sale of intangible assets, property, plant, equipment and biological assets	300	19,046
Other financial investments (net inflows)	4,067,424	5,328,251
Interests received from investing activities	1,214,183	766,021
Dividends received	-	2,200,000
Cash outflows from investing activities	38,707,515	36,897,239
Purchase of intangible assets, property, plant, equipment and biological assets	38,110,037	36,897,239
Share purchase	597,478	-
Cash inflow/(outflow) from investing activities, Net	<u>(33,425,608)</u>	<u>(28,583,921)</u>
Cash flows from financing activities		
Cash inflows from financing activities	3,368,408	-
Long-term loans (net inflows)	3,368,408	-
Cash outflow from financing activities	57,046	12,016,257
Other liabilities (outflows)	56,941	12,009,950
Dividends paid	105	6,307
Inflow/(outflow) from financing activities, Net	<u>3,311,362</u>	<u>(12,016,257)</u>
Total cash inflow	257,994,994	255,668,077
Total cash outflow	247,269,173	259,156,701
Net cash inflow / (outflow)	<u>10,725,821</u>	<u>(3,488,624)</u>
Cash at the beginning of the accounting period	8,886,019	12,379,744
Foreign exchange gains on translation of cash	130	11,335
Foreign exchange losses on translation of cash	(1,540)	(16,436)
Cash at the end of the accounting period	<u>19,610,430</u>	<u>8,886,019</u>

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

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

1. COMPANY GENERAL INFORMATION

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

The Company began operations on 1 July 2005 based on Business Registers Agency Decision No. BD 80380/2005. The address of the Company's registered office is in Belgrade, at 13 Balkanska Street, Belgrade. The Company's ID No. is: 20053658. The Company's tax identification number is 103920327.

With the adoption of the new Energy Law at the end of 2014, the field of energy in domestic legislation was harmonized with the provisions of the Third Energy Legislative Package of the European Union, which continued the process of introducing competition in the electricity sector in Serbia. and electricity supply, while maintaining the economic regulation of electricity transmission and distribution activities as natural monopolies. Energy activities are also performed by other economic entities (legal entities or entrepreneurs) under the condition of prior obtaining the appropriate license from the Energy Agency of the Republic of Serbia. In this regard, the acts of the Founders which adopt the reorganization program of the Public Company "Electric Power Industry of Serbia" determine the necessity of changing the legal form, clear legal, organizational and financial division of activities of general interest from market activities, as well as achieving maximum business efficiency.

Part of the above activities has been implemented, by implementing status changes:

- 1 July 2015 – A merger of subsidiaries engaged in the production of electricity and the production of coal.
- 4 January 2016 - A spin off of a segment of ODS EPS Distribucija“ and its merger with the Company.
- 1 June 2016 - A merger of EPS Snabdevanje was performed.

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

The predominant activity of the Company is electricity supply - activity code 3514 - electricity trade. In addition to the predominant activity, the Company performs other activities: production of electricity, production, processing and transport of coal, production of steam and hot water in combined processes, etc. The 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 HE DJERDAP, Trg Kralja Petra 1, Kladovo,
- Branch DRINSKO-LIMSKE HE, Trg Dusana Jerkovicica 1, Bajina Basta,
- Branch TENT, Bogoljuba Urosevica-Crnog 44, Obrenovac,
- Branch TE-KO KOSTOLAC, Nikole Tesle 5-7, Kostolac,
- Branch PANONSKE TE-TO, Bulevar Oslobođenja 100, Novi Sad,
- Branch RB KOLUBARA, Svetog Save 1, Lazarevac,
- Branch OBNOVLjIVI IZVORI, Carice Milice 2, Belgrade,
- Branch EPS Snadbevanje, Carice Milice 2, Belgrade.

The Company has an electricity supply licence and licences for electricity production and combined production of electricity and heat energy. By Energy Agency Decision No. 312-149/2016 – L – I dated 25 August 2016, the Company obtained for public supply no. 0253/16-LE-SN dated 25 August 2018 until selection of guaranteed supplier.

By the Decision on the Supplier of Last Resort 05 no 312-11118/2018 dated 22 November 2018 (RS Official Gazette no 91/18) the Government of the Republic of Serbia appointed the Company as the Supplier of last resort for end customers with no right to public supply for the period of two years until the date of decision. Price is set at 70.33 EUR/MWh, exclusive of VAT. This Decision was applicable by 19 November 2020 when the Government of the Republic of Serbia passed a new Decision 05 No.: No: 312-9267/2020, by which the Government of the Republic of Serbia appointed the Company to perform the last resort supply over a two year period starting from the date of the New Decision , at a rate of 66.72 EUR / MWh, exclusive of VAT.

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

1. COMPANY GENERAL INFORMATION (continued)

Subsequent to the merger of subsidiaries engaged in the production of electricity and the production of coal performed on 1 July 2015, the Company continued to operate using the same business name: Public Enterprise Elektroprivreda Srbije, Beograd. The Company's abbreviated name is: PE EPS, Beograd.

As at 31 December 2020, the Company had 25,028 employees (31 December 2019: 25,761).

Pursuant to the Decision on harmonization of operations of the Public Enterprise for Production, Distribution and Trade of Electricity with the Law on Public Enterprises, the bodies of the Public Enterprise are: the Supervisory Board and the Director, whose competencies are determined by the Law on Public Enterprises, the Articles of Association and the Statute.

The Acts of the Founders which adopt the Program of reorganization of the Public Company "Electric Power Industry of Serbia", among other things, define the procedure for establishing ownership rights on production facilities, ie other real estate on which the ownership right of the Company can be established. In the period after the acceptance of the Reorganization Program of the Public Company "Electric Power Industry of Serbia", the Founder agreed that the Company, as a registered holder of the right to use facilities and special parts of buildings (business buildings, ancillary buildings, warehouses, garages and others) and facilities in the function of facilities for electricity production) and the land on which they are built, may be registered as the owner in the real estate cadastre in accordance with the Law on Public Property "Official Gazette of RS" No. 72/11, 88/13, 105 /14, 104/16 - other law, 108/16, 113/17, 95/18), the Energy Act and other material regulations governing real rights to real estate. It is expected that the adoption of acts on the establishment of the appropriate right of the company on real estate on which the right of ownership cannot be established in accordance with the Law on Public Property, and which are necessary for performing energy and mining activities of the Company.

In 2020, the Company, as sole founder/owner, had a 100% share in all subsidiaries:

- The distribution of electricity and distribution systems operating is performed by its subsidiary "Operator distributivnog sistema EPS Distribucija" d.o.o., Beograd. This company has been registered with the Business Registers Agency based on Decision BD 57192/2015 dated 1 July 2015.
- Electricity trading is performed by a limited liability electricity trading company "EPS Trgovanje" d.o.o. Ljubljana, Slovenia.
- The core activities of the electricity business - The electricity trading company „Elektrosever" d.o.o. headquartered in Severna Mitrovica, Kosovo and Metohija, was established based on the Company's Supervisory Board Decision No 12.01.19169/3-2016 of 20 January 2016, which was in line with the Government Decision 05 No. 023-923/2016 dated 11 February 2016. The Company was registered on 7 November 2018.

In order to reorganize the Distribution System Operator "EPS Distribucija" d.o.o. Beograd, and based on the act of the Founder, the Company is:

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

1. COMPANY GENERAL INFORMATION (continued)

In addition to the above, the Company has a stake in the following subsidiaries:

- 71.90% share in the company for construction works in the mining infrastructure and non-metal exploitation "Kolubara - Građevinar" d.o.o. Lazarevac. The company acquired a share in the company "Kolubara - Građevinar" d.o.o. Lazarevac on December 14, 2017. The basis for acquiring the share is the conversion (conversion) of receivables from the company into share capital pursuant to the Conclusion of the Government of the Republic of Serbia 05 Number: 023-7443 / 2017 of August 17, 2017 and in accordance with the reorganization plan "Kolubara - Građevinar" d. o.o. Lazarevac.

- 51% share in the company for production of electricity „Hidroelektroenergetski sistem Gornja Drina " d.o.o., Foča, Republika Srpska by joining a member and increasing the capital of the company, on November 19, 2020 by entering in the Register of Business Entities District Commercial Court in Trebinje, for the purpose of construction and operation of HPP Buk Bijela, HPP Foča and HPP Paunci on the river Drina (note 25).

The company is the founder of three public companies from the territory of Kosovo and Metohija, as follows:

- Public company for production of thermoelectric energy of TPP "Kosovo", Obilić,
- Public company for production, processing and transport of coal "Kosovo", Obilić and
- Public company for electricity distribution "Elektrokosmet", Pristina.

The company has control over subsidiaries, except for public companies from the territory of Kosovo and Metohija, because since June 1999, Kosovo has been under the control of the international community, which means that the parent company has lost administrative and managerial control over the operations of these companies.

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

- To the company "Ibarske hidroelektrane" d.o.o. Kraljevo, established with SECI ENERGIA S.p.A., Republic of Italy, Bologna, Via Degli Agresti No. 6, with a 49% share in the capital of that company, in the value of a share in the capital of EUR 2,450,000. The company was established to build a system of ten cascade hydropower plants with a total capacity of 103 MW, as plants for the production and sale of electricity from renewable sources.

- To the company "Moravske hidroelektrane" d.o.o., Belgrade established with RWE Generation Hydro GmbH, Federal Republic of Germany (RWE AG), with a share in the capital of the company of 49% in the amount of EUR 1,960,000. The goal of establishing the company is to build a system of hydropower plants on the river Velika Morava, which consists of at least 5 (five) hydropower plants with a total capacity of about 150 (one hundred and fifty) MW.

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

2.1. Basis of preparation and presentation of financial statements

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

The financial statements of the Company for the period from January 1, 2020 to December 31, 2020 are presented in the form provided by the Law on Accounting ("Official Gazette of RS" No. 73/2019) and the Rulebook on the content and form of financial statements for companies, cooperatives and entrepreneurs ("Official Gazette of RS" No. 95/2014 and 144/2014).

Recognition and measurement of financial statements was performed in accordance with International Accounting Standards and International Financial Reporting Standards, the translation of which was determined by the decision of the Minister of Finance No. 401-00-4980 / 2019-16 of 21 November 2019 ("Official Gazette of RS" 'No. 92/2019) and which are officially published in the Republic of Serbia, except in the part of direct transfer of revaluation reserves to retained earnings when property, plant and equipment cease to be recognized, in accordance with the Rulebook on Chart of Accounts and Contents of Accounts in Chart of Accounts for Business companies, cooperatives and entrepreneurs ("Official Gazette of RS" No. 95/2014), as well as in accordance with other applicable laws and regulations in the Republic of Serbia.

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS**ACCOUNTING PRINCIPLES (continued)****2.1. Basis of preparation and presentation of financial statements (continued)**

By the decision of the Ministry of Finance on determining the translation of the Conceptual Framework for Financial Reporting and the basic texts of International Accounting Standards, ie International Financial Reporting Standards No. 401-00-4351 / 2020-16 of September 10, 2020, the translation of International Financial Reporting Standards (IFRS) was published. which will be applied from the financial statements prepared as of December 31, 2021 ("Official Gazette of RS" No. 123/2020 and 125/2020), while they can be applied on a voluntary basis and when compiling financial statements. reports as of December 31, 2020 (with the disclosure of relevant information in the notes to the financial statements). The Company has not opted for the voluntary application of this translation of IFRS in these financial statements for 2020 (Notes 2.4. And 2.5).

These financial statements are the individual financial statements of the Company. The Company also prepares consolidated financial statements.

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

In preparing these financial statements, the Company has applied the accounting policies set out in Note 3.

In accordance with the Law on Accounting, the financial statements of the Company are presented in thousands of dinars. The dinar is the official reporting currency in the Republic of Serbia.

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

At the date of publication of these financial statements, the following standards and amendments to standards have been issued by the International Accounting Standards Board, as well as interpretations by the International Financial Reporting Interpretations Committee, but have not been translated and officially adopted in the Republic of Serbia:

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS**ACCOUNTING PRINCIPLES (continued)****2.3. Published standards and interpretations not yet effective (continued)**

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

- Amendments to IFRS 3 "Business Combinations" - updating the reference to the conceptual framework (issued in May 2020, effective for annual periods beginning on or after 1 January 2022);

- Amendments to IAS 1 "Presentation of Financial Statements" - classification of liabilities into long-term and short-term liabilities (issued in January 2020, effective for annual periods beginning on or after 1 January 2023);

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

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

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

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

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

2.4. Standards and interpretations issued and effective in the past and current periods, that have been officially translated and adopted and that are applied on the financial statements for 2021

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES (continued)

2.5. Impact of published standards and interpretations applied from the financial statements for 2021

The key new standards and interpretations translated by the Decision of the Ministry of Finance No. 401-00-4351 / 2020-16 of 10 September 2020 and which officially enter into force on 1 January 2021 are the following:

• **IFRS 16 Leases**

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

The Company as a lessor

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

The Company as a lessee

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

The Company has conducted an initial assessment of the potential impact of IFRS 16 on its financial statements. The actual impact of the application of IFRS 16 on the financial statements for the period of the first application of the standard will depend on future economic conditions, the development of the Company's leasing portfolio and the Company's commitment to allowable recognition exemptions. IFRS 9 Financial Instruments

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

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

2.6. The principle of business continuity

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

2.7. Comparative data

2.7.1 Opening balance corrections

The adjustments to the opening balance are presented in Note 5. For the effects of the error correction, the Company has adjusted the comparative data in the attached financial statements for 2019.

Certain comparative information in the notes to the financial statements has been reclassified in the current year in order to comply with the current presentation.

2.8. Impact of COVID 19

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

In response to the potentially serious threat posed by COVID-19 to the health of the population, government authorities took measures to combat the pandemic, including the introduction of restrictions on cross-border movement of people, restrictions on foreign visitors and the "closure" of certain industrial sectors, conditioned by the then development of the situation. Some companies have instructed their employees to stay at home and have restricted or suspended their operations. After 53 days from the introduction of the state of emergency, the Assembly of Serbia lifted the state of emergency on May 7, 2020.

Production and placement of electricity

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

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

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

Procurement of electricity

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

Electricity prices

- The COVID-19 pandemic did not have an impact on the price level of electricity for the needs of guaranteed supply in 2020 (regulated price) nor on the price for commercial supply (pre-agreed prices).

- The realized average selling price of electricity for deliveries to other companies (exports, licensed traders, etc.) in 2020 is 4,935 RSD / kWh. This price is 8% lower than planned and 1% lower than the previous year.

- The price of electricity at HUPLEX in January 2020 was 53.0 EUR / MWh, only to fall sharply to the lowest level in May 2020 of 23.6 EUR / MWh during the pandemic, and after that it tended to increase so that was already 45.7 EUR / MWh in September, and 58.2 EUR / MWh at the end of the year. In April and May 2020, when the prices on the stock exchange were the lowest, the Company did not realize the import or export of electricity.

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

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

2.8. Impact of COVID 19 (continued)

- During the state of emergency, by the Conclusion of the Government of RS, the purchase of electricity from privileged and temporarily privileged producers was performed at the price recognized by the Energy Agency as the purchase price of electricity for guaranteed supply in the amount of 3,302 RSD / kWh. The plan for 2020 envisages an average purchase price of electricity from privileged and temporarily privileged producers in the amount of 12,817 RSD / kWh, and the realized price is 12,351 RSD / kWh.

Electricity billing

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

Repairs

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

Revenues from electricity sales

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

Management activities

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

In order to protect the safety and health of employees, the Company's management has taken all necessary measures in accordance with the recommendations of the competent state authorities. Necessary technical means for working from home have been provided, as well as appropriate software and telecommunication support wherever possible, in order to reduce employee contacts and enable the smooth running of business processes. During the state of emergency, transportation was provided for employees who were employed at workplaces in the Company. Employees are provided with protective equipment (masks, gloves, disinfectants) and special attention is paid to enhanced hygiene of business premises.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

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

3.1. Revenues

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

3.1. Revenues (continued)

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

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

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

- over time:

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

- at one point in time, when the buyer gains control of the property.

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

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

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

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

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

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

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

Revenue recognition - accounting policy applied before January 1, 2020

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

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

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

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

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

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

3.3. 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 division of control over an arrangement, which exists only when decisions on relevant activities require a 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 terms agreed by the parties, the participant recognizes the joint arrangements as:

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

In a joint venture, the participant in the joint venture recognizes:

- its property, including its share in jointly owned property,
- its obligations, including its share in the commitments entered into,
- its income from the sale of its share of the results of joint operations, including its share of the proceeds from the sale of the results of joint operations, and
- its expenses, including its share in all expenses incurred jointly.

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

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

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

3.3. Joint arrangements and business combinations (continued)

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

3.4. Borrowing costs

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

Borrowing costs may include:

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

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

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

3.5. Employee benefits

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

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

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

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

Expected employee benefit costs are accrued over the period of employment. These liabilities are estimated on an annual basis using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash payments using interest rates that correspond to the yield on bonds and treasury bills of the Republic of Serbia denominated in dinars and have a maturity that approximates the maturities of related liabilities.

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

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(continued)****3.6. Provisions**

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

Litigations

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

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

Environmental restoration and environmental protection

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

3.7. Government grants, donations and assistance

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

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

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

allocations related to assets that are depreciated in the amount of calculated depreciation,

allocations of funds that are not depreciated during the period when the costs related to the 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 Company, for which the value cannot be reliably determined, as well as transactions with the state that cannot differ from the usual business transactions of the Company (advice, guarantee, etc.).

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

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

3.8. Taxes and contributions

Current income tax

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

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

Deferred income tax

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

A deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits, which may be carried forward to subsequent fiscal periods, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Taxes and contributions not related to performance

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

Transferred pricing

The related parties performance condition is calculated at transfer prices, as determined based on:

- the comparable uncontrolled price method for own electricity supply so as to cover losses in the distribution system,
- regulated prices (approved by the Energy Agency of the Republic of Serbia) for accessing the electricity distribution system,
-

3.9. Property, plant and equipment

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

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

Subsequent investments in the asset increase the asset's carrying value, where the investment is made: to upgrade the asset, to replace its part or service other than within the framework of regular maintenance, where it is probable that future economic benefits associated with such investment will flow into the company, and where the cost of the investment can be measured reliably. Gains or losses on disposal of property, plant and equipment are determined as the difference between the expected net proceeds from sale and the carrying amount of an item adjusted for revaluation reserves, if they have been previously created for a particular asset, and are recognized in the income statement.

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

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

3.9. Property, plant and equipment (continued)

Assets for exploration and evaluation of mineral resources are classified as tangible or intangible in accordance with the nature of the acquired assets, which are initially valued at cost, and subsequently as specified in this item and item 3.13. The calculation of their depreciation, as well as the recognition and measurement of the recoverable amount of these assets is performed as stated in items 3.11., 3.13. and 3.14.

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

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

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

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

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

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

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

Revaluation of property, plant and equipment is performed if there are indications that the carrying amount differs significantly from the fair value at the balance sheet date.

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

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(continued)**3.10. Investment property**

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

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

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

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

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

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

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

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

3.11. Depreciation

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(continued)****3.12. Lease**

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

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

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

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

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

3.14. 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.

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

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

3.15. Inventory (continued)

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

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

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

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

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

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

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

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

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

3.16. Financial instruments

Initial recognition

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

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

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

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

3.16. Financial instruments (continued)

Initial recognition (continued)

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

Receivables from sales are recognized at their transaction price.

Derecognition of financial instruments

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

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

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

Classification and subsequent measurement of financial instruments - accounting policy in force from 1 January 2020*Classification*

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

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

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

The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

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

3.16. Financial instruments (continued)

Classification and subsequent measurement of financial instruments - accounting policy in force since 1 January 2020 (continued)

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 Company 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 Company 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.

Subsequent measurement of financial assets and liabilities

After the initial measurement, financial assets are measured:

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

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

Financial placements and receivables

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

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

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

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

3.16. Financial instruments (continued)

Classification and subsequent measurement of financial instruments - accounting policy in force since 1 January 2020 (continued)

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

Equity investments in affiliated companies

Interests in the capital of dependent legal entities are stated in the amount of their purchase value.

Other long-term placements

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

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

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

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

3.16. Financial instruments (continued)

Classification and subsequent measurement of financial instruments - accounting policy in force since 1 January 2020 (continued)

Short-term receivables and placements

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

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

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

Cash and cash equivalents

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

3.17. Impairment of financial assets

Accounting policy in force since January 1, 2020

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

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

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

The maximum period to be taken into account when measuring expected credit losses is the maximum agreed period, including the option to extend, except in the case of loans and outstanding liabilities when the period in which the Company is exposed to credit risk is taken into account, even if that period is longer than the maximum. of the agreed period. For loan obligations and financial guarantee agreements, the date from which the Company becomes a party to an irrevocable obligation is considered the date of initial recognition for the purpose of impairment testing.

The measurement of expected losses from financial instruments is performed on an individual basis or on a joint basis, if the financial instruments have common credit risk characteristics.

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.

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

Assessment of collectibility of receivables is performed by groups and subgroups through the use of the provisioning 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.

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

3.17. Impairment of financial assets (continued)

Accounting policy in force since 1 January 2020 (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 2020:

Guaranteed supply

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

Commercial and backup supply

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

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

3.17. Impairment of financial assets (continued)

Accounting policy in force since 1 January 2020 (continued)

Other financial resources

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

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

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

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

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

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

Accounting policy in force before January 1, 2020

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

Impairment of receivables

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

Impairment of receivables from electricity trade

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

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

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

Impairment of receivables from electricity trade (continued)

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

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

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

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

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

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

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

3.18. 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.

Provision for litigations

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

Provision for expected credit losses

IFRS 9 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.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

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

3.18. Significant accounting estimates (continued)

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 Company uses its professional judgement to select appropriate methods and make assumptions.

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

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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

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

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

IFRS 15 "Revenue from Contracts with Customers"

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

IFRS 9 Financial Instruments

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

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES
(continued)

IFRS 9 Financial Instruments (continued)

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

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

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

The total impact of the transition to IFRS 9 on the opening balance of retained earnings amounts to RSD 2,412,528 thousand, and can be exclusively attributed to the application of the new impairment requirements determined in accordance with IFRS 9.

Classification and evaluation

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

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

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

In thousands of dinars					
Note	Classification in accordance with IAS 39	Classification in accordance with IFRS 9	Book value according to IAS 39	Book value according to IFRS 9	
Financial assets					
	Other long-term financial assets	Loans and receivables	Depreciated value	6,784,200	6,784,200
(a)	Receivables from customers and other receivables	Loans and receivables	Depreciated value	54,732,912	57,145,440
(b)	Receivables for more paid income tax	Loans and receivables	Depreciated value	1,290,759	1,290,759
(b)	Short-term financial assets	Loans and receivables	Depreciated value	8,133,395	8,133,395
	Cash and cash equivalents	Loans and receivables	Depreciated value	8,886,019	8,886,019
				79,827,285	82,239,813

(a) Other long-term financial assets relate mainly to the Company's receivables from "Elektro distribucija Srbije" d.o.o. Belgrade and to a lesser extent to the company "Kolubara - Građevinar" d.o.o. Lazarevac. They are classified as loans and receivables in accordance with IAS 39, and in accordance with IFRS 9 they are classified at amortized cost.

(b) Trade receivables and other receivables are classified as loans and receivables in accordance with IAS 39 and in accordance with IFRS 9 are classified at amortized cost.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES
(continued)

IFRS 9 Financial Instruments (continued)

Classification and evaluation (continued)

(v) Short-term financial assets and cash and cash equivalents mainly relate to deposits and cash held with commercial banks. These items are classified as loans and receivables in accordance with IAS 39, and in accordance with IFRS 9 are classified at amortized cost.

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

	In thousands of dinars			
	Book value according to IAS 39	Reclassificati on	Re- measuremen t	Book value according to IFRS 9
Financial assets				
Other long-term financial assets	6,784,200	-	-	6,784,200
Receivables from customers and other receivables	54,732,912	-	2,412,528	57,145,440
Receivables for more paid income tax	1,290,759	-	-	1,290,759
Short- term financial assets	8,133,395	-	-	8,133,395
Cash and cash equivalents	8,886,019	-	-	8,886,019
	79,827,285	-	2,412,528	82,239,813

Impairment of financial assets

IFRS 9 replaces the “incurred losses” model in IAS 39 with a forward-looking model of “expected credit losses”. The new impairment model is applied to financial assets measured at amortized cost, contractual assets and debt instruments at fair value through other comprehensive income, but not to investments in equity instruments. In accordance with IFRS 9, credit losses are recognized earlier than in IAS 9.

The Company has determined that the application of the impairment requirement in IFRS 9 on 1 January 2020 has the effect of reversing the provision for impairment as follows:

	Note	In thousands of dinars		
		Provision for losses on 31.12.2019. according to IAS 19	Provision for losses on 1.1.2020. according to IFRS 9	Difference
Financial assets				
Other long-term financial assets		(3,731,353)	(3,731,353)	-
Receivables from customers and other receivables	(a)	(84,180,864)	(81,768,336)	2,412,528
Receivables for more paid income tax		-	-	-
Short- term financial assets		(10,746,975)	(10,746,975)	-
Cash and cash equivalents		(259,968)	(259,968)	-
Total		(98,919,160)	(96,506,632)	2,412,528

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

5. CORRECTIONS OF OPENING BALANCES

a) Overview of corrections – balance sheet

The effects of the corrections and reclassifications made on the balance sheet as at 31 December 2019 and 31 December 2018 are presented as follows:

	1 January 2020 Before corrections	Correction	1 January 2020 After corrections	1 January 2019 Before corrections	Correction	1 January 2019 After corrections
ASSETS						
Non-current assets						
Intangible assets	12,459,124	-	12,459,124	8,711,979	-	8,711,979
Property, plant and equipment	763,733,479	-	763,733,479	769,983,292	-	769,983,292
Biological assets	442,343	-	442,343	437,519	-	437,519
Long term financial placements	86,951,091	-	86,951,091	89,988,523	-	89,988,523
Long term receivables	344,912	-	344,912	390,953	-	390,953
	<u>863,930,949</u>	<u>-</u>	<u>863,930,949</u>	<u>869,512,266</u>	<u>-</u>	<u>869,512,266</u>
Current assets						
Inventory	30,719,435	-	30,719,435	25,584,502	-	25,584,502
Trade receivables	63,161,760	-	63,161,760	65,182,457	-	65,182,457
Short term financial placements	994,240	-	994,240	3,945,738	-	3,945,738
Cash and cash equivalents	8,886,019	-	8,886,019	12,379,744	-	12,379,744
VAT	5,931,378	-	5,931,378	5,382,530	-	5,382,530
	<u>109,692,832</u>	<u>-</u>	<u>109,692,832</u>	<u>112,474,971</u>	<u>-</u>	<u>112,474,971</u>
Total assets	<u>973,623,781</u>	<u>-</u>	<u>973,623,781</u>	<u>981,987,237</u>	<u>-</u>	<u>981,987,237</u>
LIABILITIES						
Equity						
Issued capital	360,011,186	-	360,011,186	360,011,186	-	360,011,186
Revaluation reserves	423,741,985	-	423,741,985	430,695,571	-	430,695,571
Unrealized gains and losses	(2,866,082)	-	(2,866,082)	(1,481,829)	-	(1,481,829)
Accumulated gain/(loss)	(106,331,784)	601,316	(105,730,468)	(111,535,064)	594,671	(110,940,393)
	<u>674,555,305</u>	<u>601,316</u>	<u>675,156,621</u>	<u>677,689,864</u>	<u>594,671</u>	<u>678,284,535</u>
Long-term liabilities and provisions						
Long-term provisions	23,203,763	(721,022)	22,482,741	18,457,590	(714,377)	17,743,213
Long-term liabilities	109,103,288	-	109,103,288	113,908,777	-	113,908,777
	<u>132,307,051</u>	<u>(721,022)</u>	<u>131,586,029</u>	<u>132,366,367</u>	<u>(714,377)</u>	<u>131,651,990</u>
Deferred tax liabilities	<u>67,678,591</u>	<u>14,473</u>	<u>67,693,064</u>	<u>69,949,366</u>	<u>14,473</u>	<u>69,963,839</u>
Short-term liabilities						
Short-term loans and borrowings	13,565,732	-	13,565,732	13,851,758	-	13,851,758
Advances received	739,157	-	739,157	505,594	-	505,594
Trade payables	49,478,720	-	49,478,720	48,069,342	-	48,069,342
Other short-term liabilities	12,120,093	105,233	12,225,326	13,603,407	105,233	13,708,640
VAT liabilities	23,179,132	-	23,179,132	25,951,539	-	25,951,539
	<u>99,082,834</u>	<u>105,233</u>	<u>99,188,067</u>	<u>101,981,640</u>	<u>105,233</u>	<u>102,086,873</u>
Total liabilities	<u>973,623,781</u>	<u>-</u>	<u>973,623,781</u>	<u>981,987,237</u>	<u>-</u>	<u>981,987,237</u>

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

5. CORRECTIONS OF OPENING BALANCES (continued)

b) Overview of corrections – income statement

Effects of corrections and reclassifications on the income statement in the period from 1 January to December 31, 2019 are shown as follows:

	Year ended on 31 December 2019 Before corrections	Correction	In RSD thousand Year ended on 31 December 2019 After corrections
OPERATING REVENUES			
Revenue from sales	276,937,149	-	276,937,149
Other operating revenues	2,700,334	-	2,700,334
	<u>279,637,483</u>	<u>-</u>	<u>279,637,483</u>
OPERATING EXPENSES			
Cost of goods sold	(110,579)	-	(110,579)
Revenues from activating goods and services	835,037	-	835,037
(Increase)/ decrease in inventory value	871,183	-	871,183
Cost of material	(124,134,073)	-	(124,134,073)
Wages, salaries and other personnel expenses	(57,223,470)	-	(57,223,470)
Depreciation and amortization	(32,409,480)	-	(32,409,480)
Long term provisions expense	(6,011,079)	6,645	(6,004,434)
Other operating expenses	(43,625,342)	-	(43,625,342)
	<u>(261,807,803)</u>	<u>6,645</u>	<u>(261,801,158)</u>
OPERATING INCOME	<u>17,829,680</u>	<u>6,645</u>	<u>17,836,325</u>
Finance income	7,768,501	-	7,768,501
Finance costs	(3,085,581)	-	(3,085,581)
Other income	2,254,923	-	2,254,923
Other expenses	(19,299,363)	-	(19,299,363)
INCOME BEFORE TAX	<u>5,468,160</u>	<u>6,645</u>	<u>5,474,805</u>
Tax expense	(4,076,794)	-	(4,076,794)
Deferred tax income	2,270,775	-	2,270,775
NET INCOME	<u>3,662,141</u>	<u>6,645</u>	<u>3,668,786</u>

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

5. CORRECTIONS OF OPENING BALANCES (continued)

c) Impact of corrections on accumulated loss

Correction description	In RSD thousand	
	1 January 2020.	1 January 2019.
Balance of accumulated loss, previously disclosed	106,331,784	111,535,064
Provisions for the costs of restoration of natural resources - elimination of errors in the calculation of provisions for land reclamation in the branch of RB Kolubara	(721,022)	(714,377)
Recognition of liabilities based on the income of employees who work in particularly difficult conditions	105,233	105,233
Other	14,473	14,473
Balance of accumulated loss, corrected	105,730,468	110,940,393

d) Effects of corrections on the statement on cash flows

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

6. SALES REVENUE

Sources of income

The company generates revenues primarily from the sale of electricity and related services. Other sources of revenue include product sales, service delivery, and other revenue. In the following table, revenues from contracts with customers are divided into main sources of revenue

	In thousands of dinars for the year ending December 31st	
	2020.	2019.
Revenues from electricity sales	246,509,699	243,693,471
Sales revenue of A.D. "Electric Network of Serbia", Belgrade (a)	11,069,064	11,623,671
Revenues from sales of goods	5,161,524	5,707,675
Revenues from sales of services	17,008,813	15,640,167
Other (b)	317,047	272,165
	280,066,147	276,937,149

(a) Turnover with buyer A.D. "Electric Network of Serbia", Belgrade (hereinafter: "EMS"), in the amount of 11,069,064 thousand dinars (2019: 11,623,671 thousand dinars) refers to the sale of electricity and the provision of services to the energy entity - transmission system operator. Namely, the Company provides system services of primary, secondary and tertiary regulation and delivers electricity on behalf of balancing responsibility, as well as for own consumption of the Transmission System Operator and compensation of electricity losses in the transmission system, based on contracts under which it fulfills obligations in accordance with the Law on energy and operating rules related to the operation of the transmission system and the functioning of the market. In accordance with the Law on Energy, the prices of ancillary services: primary regulation, voltage regulation, as well as system services of secondary and tertiary regulation, are regulated prices.

(b) Other revenues reported in 2020 in the amount of RSD 317,047 thousand (2019: RSD 272,165 thousand) relate entirely to remuneration for activities in which the Company acts as an agent - calculation and collection of fees for the Public Media Service (note 29). Namely, the Association and the Public Media Institution "Radio Television of Serbia" and the Public Media Institution "Radio Television of Vojvodina" concluded an agreement regulating the procedure under the Law on Temporary Regulation of the Manner of Charging Fees for Public Media Service ("Official Gazette of RS", no. 112/2015, 108/2016, 153/2020), which stipulates that during the calculation and collection of delivered electricity, the Company also debits customers for the fee, with a fee of 3% on funds transferred to public media institutions. With the latest amendments to the Law, the collection of the fee for the public media service was extended until December 31, 2021, and the amount of the fee in the reporting period is 255.00 dinars, and from December 29, 2020 299.00 dinars (2019: 220.00 dinars).

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

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 thousands for the year ending December 31st	
	<u>2020.</u>	<u>2019.</u>
Revenues from sales on the domestic market:		
- Sales of electricity to households (a)	96,313,344	90,705,604
- Electricity sales - open market customers (a)	105,322,397	106,684,828
- Sales of electricity - related parties within the EPS group (Note 46) (b)	23,465,417	25,450,959
- Electricity sales - third parties (economy) (a)	11,950,720	11,874,192
- Electricity sales - licensed customers (a)	2,304,828	2,195,035
- Electricity sales - stock exchange trading (v)	2,026,399	1,483,842
- Revenues from electricity sales of PE "Elektrokosmet", Pristina (g)	1,227,521	1,048,787
	<u>242,610,626</u>	<u>239,443,247</u>
Revenue from sales of electricity on foreign markets - third parties (d)	28,425	311,217
Revenue from the sale of electricity abroad market - related parties within the EPS group (Note 46) (d)	3,870,648	3,939,007
	<u>3,899,073</u>	<u>4,250,224</u>
	<u>246,509,699</u>	<u>243,693,471</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;

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

6. SALES REVENUE (continued)

- 5) measures to be taken in case of general electricity shortage, conditions and manner of taking measures and order of restrictions on electricity supply, as well as measures of saving and rational consumption of electricity in case of general electricity shortage;
- 6) conditions and manner of suspension of electricity supply, as well as the rights and obligations of the system operator, supplier, ie public supplier and end customers;
- 7) conditions and manner of rational consumption and saving of electricity;
- 8) conditions for the supply of customer facilities which cannot be suspended from the delivery of electricity due to unfulfilled obligations for the delivered electricity or in other cases;
- 9) the manner of regulating the mutual relations between the supplier, the system operator and the end customer to whom the supply of electricity cannot be suspended;
- 10) conditions and manner of measuring the delivered electricity;
- 11) method of calculation of unauthorized electricity;
- 12) manner of informing the end customer;
- 13) conditions and measures for supplying electricity customers;
- 14) billing period and mandatory content of the invoice for collection of delivered electricity;
- 15) conditions for concluding the contract on sale of electricity and the content of the contract;
- 16) conditions and manner of fulfilling the obligations of the supplier and the public supplier.

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

Time frame and fulfillment of execution

In accordance with the rules of operation of the system operator, the billing period for all interconnection metering points is a calendar month with the reading of billing and control meters on the first day of the month at 00:00 and on the last day of the month at 24:00. The billing period for all other metering points in the transmission and distribution network is the period that begins with the reading of billing and control meters on the first day of the month at 07:00 and ends with the reading of the meters on the first day of the following month at 07:00.

Determining the transaction price

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

- for customers with the right to a guaranteed supply, the price is determined in accordance with the adopted Methodology for determining the price of electricity for a guaranteed supply adopted by the Energy Agency of the Republic of Serbia. The price is applied after obtaining the consent of the Agency.
- for customers in commercial supply, the price is determined on the basis of price movements on reference electricity exchanges, ie according to market principles.
- 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 Company as a backup supplier for a period of two years from the date of the new decision, ie until November 22, 2020, at a price of 70.33 EUR / MWh, and by Decision 05 Number: 312-9267 / 2020. from 19 November 2020, the new price of reserve supply is 66.72 EUR / MWh.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

6. SALES REVENUE (continued)

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

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

(b) Revenues from the sale of electricity to related legal entities within the EPS Group, in the amount of RSD 23,440,937 thousand, relate to revenues from the sale of electricity to the company "Elektrodistribucija Srbije" d.o.o., Belgrade, and under the Agreement on sale of electricity with full supply for compensation of losses to the distribution system and own consumption of the distribution system operator number 08.01.-1.0.0.0.-267897 / 1-15 of 30 November 2015 and Annex 1 of the Contract number 03.000-08.01-48434 / 1-18 of 19 February 2018.

(v) The Company trades electricity on the SEEPEX Stock Exchange, which started operating on February 17, 2016 in Belgrade. SEEPEX a.d. Belgrade is a licensed operator for the organized electricity market, which was formed on the basis of a partnership between the company A.D. "Elektromreža Srbije", Belgrade and EPEX SPOT as a joint stock company. The goal of SEEPEX is to provide a transparent and reliable mechanism for 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.

(g) Pursuant to the Conclusion of the Government of the Republic of Serbia No. 021-6624 / 2009-002 of 30 November 2009, the Company engaged its capacities to provide electricity to the northern part of Kosovo and Metohija on the basis of which revenues in the amount of 1,227,521. 524 thousand dinars were recognized in 2020 (2019: 1,048,787 thousand dinars).

(d) The sale of electricity on the foreign market refers to the sale of electricity to the company Mixed Holding Elektroprivreda Republike Srpske (Bosnia and Herzegovina) in the amount of 28,425 thousand dinars and the sale of electricity realized through the subsidiary "EPS Trgovanje" d.o. o., Ljubljana, in the amount of RSD 3,870,648 thousand.

Revenues from sales of goods

Revenues from the sale of goods relate to the following:

	In RSD thousands for the year ending December 31st	
	2020.	2019.
Revenues from coal sales:		
– related parties within the EPS group (Note 46)	49,102	49,978
– third parties	3,289,334	3,092,166
	<u>3,338,436</u>	<u>3,142,144</u>
Revenues from the sale of thermal energy	1,634,339	2,236,686
Revenues from sales of technological steam and gas	114,538	113,738
Revenues from sales of other goods	74,211	215,107
	<u>5,161,524</u>	<u>5,707,675</u>

Revenues from the sale of goods refer to revenues 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 ended 31 December 2020 in the amount of RSD 3,338,436 thousand relate to coal deliveries to third parties by the Kolubara Mining Basin Branch, Lazarevac in the amount of RSD 2,842,736 thousand, and the Branch of the Thermal Power Plant and Mines Kostolac in the amount of 495,700 thousand dinars.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

6. SALES REVENUE (continued)

Revenues from sales of goods (continued)

Revenues from the sale of thermal energy refer to the supply of thermal energy, which is produced in the Branch of "Pannonian TPP", local municipalities in the amount of 1,277,972 thousand dinars (2019: 1,905,479 thousand dinars).

Revenues from sales of services

Revenues from the provision of services relate to the following:

	In RSD thousands	
	For the year ending	
	31st December	
	2020.	2019.
Revenues from other services - related parties (Note 46)	17,002,371	15,604,974
Revenues from other services - third parties	6,442	35,193
	17,008,813	15,640,167

Based on services provided in the field of economic-financial and commercial affairs, corporate affairs services, services in the field of information and telecommunications support, public relations services, market support, support in planning energy facilities, networks and investments and maintenance of electricity facilities and metering points (pursuant to the Service Agreement, concluded on January 8, 2016, and related annexes, the last of which was Annex 3 concluded on October 7, 2019), as well as business premises lease services, which the Company provides to the legal entity "Elektrodistribucija Srbije" d.o.o. Belgrade, revenues were recognized on the basis of services provided in the amount of RSD 17,002,371 thousand (2019: RSD 15,604,974 thousand).

Geographical region

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

	In RSD thousands	
	For the year ending	
	31st December	
	2020.	2019.
Serbia	276,167,074	272,679,054
Slovenia	3,870,648	3,939,007
Republika Srpska	28,425	311,217
Other markets	-	7,871
	280,066,147	276,937,149

Dynamics of revenue recognition

The dynamics of revenue recognition is shown in the following table

	In RSD thousands	
	For the year ending	
	31st December	
	2020.	2019.
Products and services recognized at a particular time	5,445,702	4,876,608
Products and services recognized over time	274,620,445	272,060,541
	280,066,147	276,937,149

The recognition of revenue on the basis of execution obligations that the Company executes over time is mainly based on the application of the methods of produced or delivered units.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

6. SALES REVENUE (continued)

As mentioned above, the billing period for all interconnection metering points 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 Law on Energy, when the Company performs recognition of income and when he has the right to collection, and the customer during the billing period-calendar month, has the ability to obtain all the essential benefits from electricity supplied during the billing period.

Execution obligations

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

Type of sale	Nature and dynamics of fulfillment of obligations	Revenue recognition
Sales of electricity to 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 customer.</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.
Sales 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 obligation to perform - the delivery of electricity during a defined period of time.	Revenue is recognized over time, based on the invoice issued to the customer upon delivery of electricity.
Sales of coal, thermal energy, goods, technological steam and gas	<p>Each individual order represents a contract. The Company considers that on that basis, any delivery of goods or provision of services on the basis of a specific order represents the fulfillment of the obligation to perform under the contract.</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 FINANCIAL STATEMENTS
For the Year ended 31 December 2020

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 2020.	In RSD thousands 31 December 2019.
Trade receivables - shown within the item "receivables from sales" (note 28)	57,419,660	54,732,912
Trade receivables - shown under "other receivables" (Note 30)	1,700,721	2,151,536
Receivables based on contracts with customers - which are shown under "long-term receivables" (note 26)	585	269

As of December 31, 2020, the Company has no contractual assets and contractual obligations under contracts with customers.

7. WORK PERFORMED BY THE ENTITY AND CAPITALISED

	2020	In RSD thousand For year ended 31 December 2019
Work performed by the entity and capitalized – finished goods	595,302	745,640
Work performed by the entity and capitalized – services	2,758	89,397
	598,060	835,037

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

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

	2020	In RSD thousand For year ended 31 December 2019
Income from premiums, subventions, grants and donations	529,669	646,815
	529,669	646,815

Revenues from donations, premiums, subsidies and grants in 2020 amount to 529,669 thousand dinars, of which the amount of 164,589 thousand dinars refers to funds received for environmental protection for the reconstruction of electrostatic precipitators TENT A4, B2, TEK A5 by the Ministry of Environmental Protection, the amount of 143,486 thousand dinars was recognized based on the refund of excise duties on oil derivatives and bioliquids used in the production process, and the remaining revenues in the amount of 221,594 thousand dinars relate to revenues recognized in the amount of costs related to the use of funds received from donations.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

9. OTHER OPERATING INCOME

	2020	In RSD thousand For year ended 31 December 2019
Income from compensations from insurance for damages	228,843	125,196
Income from rents from related parties within EPS Group (note 46)	476,160	407,222
Other operating income from related parties within EPS Group (note 46)	17,507	12,310
Income from rents	89,899	64,464
Other operating income	1,323,095	1,444,327
	<u>2,135,504</u>	<u>2,053,519</u>

Other operating revenues include revenues from subsequent borrowing of electricity customers in the amount of RSD 478,896 thousand (2019: RSD 711,278 thousand) for the engagement of private enforcement agents and court costs in the forced collection procedure, as well as revenues from the sale of secondary raw materials and by-products. during the maintenance of production facilities intended for the production of electricity in the amount of 699,898 thousand dinars (2019: 492,101 thousand dinars).

10. COST OF MATERIAL

	2020	In RSD thousand For year ended 31 December 2019
Costs of raw materials	1,003,114	736,951
Cost of material for the maintenance and spare parts	7,749,437	7,637,495
Cost of small inventories and tyres	781,227	609,261
Cost of oil and lubricants	174,530	205,787
H&S equipment	691,934	577,640
Cost of office and other overheads material	459,871	404,504
Other	532,343	166,716
	<u>11,392,456</u>	<u>10,338,354</u>

11. COST OF FUEL AND ENERGY

	2020	In RSD thousand For year ended 31 December 2019
Cost of electricity:		
- within EPS Group (note 45/46)	47,279	627,068
- on domestic market	19,316,776	18,994,291
- on foreign market	24,212	220,371
Cost of access to the distribution system within the EPS Group (note 46)	77,901,760	76,570,961
Cost of transmission of electricity - PE EMS, Beograd	5,364,244	6,122,811
Petroleum products	3,833,359	4,323,328
Cost of Natural gas	2,532,223	5,383,479
Cost of coal	2,114,527	1,476,939
Cost of other energy	57,225	76,471
	<u>111,191,605</u>	<u>113,795,719</u>

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

11. COST OF FUEL AND ENERGY (continued)

Electricity procurement costs relate to the procurement of electricity:

- from the dependent legal entity "EPS Trgovanje", Ljubljana, Slovenia in the amount of RSD 47,279 thousand (2019: RSD 627,068 thousand),
- from legal entities that have a license to conduct electricity trade in the amount of RSD 1,684,838 thousand (2019: RSD 4,239,238 thousand),
- through the SEEPEX stock exchange in the amount of RSD 691,122 thousand (2019: RSD 1,458,276 thousand),
- from the Mixed Holding "Elektroprivreda Republike Srpske" a.d. Trebinje in the amount of 24,212 thousand dinars (2019: 220,371 thousand dinars), as well as
- from privileged electricity producers in the amount of RSD 16,940,816 thousand (2019: RSD 13,296,776 thousand).

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

Namely, in the reporting period, the status of a privileged producer, temporary privileged producer and producer of electricity from renewable energy sources is regulated by the Energy Law. The law provides incentive measures for eligible electricity producers, which include: the obligation to purchase electricity from the eligible producer, the prices at which that energy is purchased, the period of validity of the obligation to purchase electricity, taking balancing responsibility and other incentive measures prescribed by this law, as well as other laws and regulations governing taxes, duties and other charges, environmental protection and energy efficiency. Incentive measures may be used by an energy entity that has acquired the status of a privileged producer in terms of this law.

In this regard, the Company, as a guaranteed supplier, concluded contracts for the purchase of electricity, which, among other things, undertook to:

- purchase electricity at the incentive purchase price for the produced electricity depending on the type and installed power of the power plant, as well as the maximum effective working time for the appropriate type of power plant (form of operational state aid to privileged and temporary privileged producers);
- provide payment guarantees to the eligible electricity producer in accordance with the electricity purchase agreement.

All end customers of electricity are obliged to pay a fee for incentives to privileged electricity producers, except in cases determined by the Law on Energy, which is charged by the Company as a selected / guaranteed supplier.

The costs of access to the distribution system (network fee) are recognized at the transaction price determined by "Elektrodistribucija Srbije" d.o.o. Beograd with the consent of the Energy Agency, in accordance with the Law on Energy.

The Company concluded a contract with the company A.D. "Electric Network of Serbia", Belgrade on access to and use of electricity transmission systems, capacity lease and balance responsibility. On the above basis, expenses in the amount of RSD 5,364,244 thousand were realized in the reporting period (2019: RSD 6,122,811 thousand).

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

The costs of consumed oil derivatives in the amount of 3,833,359 thousand dinars mostly refer to the consumed oil derivatives in the process of production and operation of propulsion equipment and mechanization in the production branches.

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

11. COST OF FUEL AND ENERGY (continued)

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

Coal costs for 2020 expressed in the amount of 2,114,527 thousand dinars (2019: 1,476,939 thousand dinars) refer to coal consumed in the production of electricity purchased from PE PEU Resavica.

12. WAGES AND SALARIES AND OTHER PERSONAL EXPENSES

	In RSD thousand For year ended 31 December	
	2020	2019
Cost of gross salaries and salary compensation	42,831,389	41,301,853
Taxes and contributions on wages and salaries paid by employer	8,139,419	9,886,424
Cost of special service and temporary service agreements	681,834	731,597
Fees paid based on other agreements	287,589	254,212
Fees paid to Supervisory and Managing Board members and other managing bodies	7,909	6,502
Cost of transportation of employees	1,291,783	1,375,871
Cost of per diem allowances and compensation of expenses on business trips	95,567	166,061
Cost of providing assistance to employees	349,823	329,857
Other personal expenses	730,425	3,171,093
	54,415,738	57,223,470

In December 2019, the Law on Termination of the Law on Temporary Regulation of Bases for Calculation and Payment of Salaries, ie Wages and Other Permanent Income by Users of Public Funds ("Official Gazette of RS", No. 86/19) was passed and entered into force January 1, 2020. Namely, the Company belongs to the public sector of the Republic of Serbia, and in accordance with the regulatory requirement, the maximum salary of employees, including key managers, could not exceed the amount obtained by multiplying the highest coefficient for position, determined by the law governing salaries of civil servants and employees. by the budget law for the current year. The maximum salary in 2019 amounted to 172,919.61 dinars for the period January 1 - October 30, 2019, or 186,753.15 dinars for the period November 1 - December 31, 2019. Also, the Law on Temporary Regulation of Bases for Calculation and Payment of Salaries, ie Wages and Other Permanent Income of Users of Public Funds ("Official Gazette of RS" No. 116/14 - with effect from October 28, 2014) bases for calculation and payment the salary of users of public funds decreased by 10%, ie 5% starting from January 1, 2019 until the termination of this law, ie. until January 1, 2020. The difference between the total amount of wages calculated by applying the base that is not reduced in accordance with this law with accrued contributions paid by the employer and the total amount of wages calculated by applying the reduced base in terms of this law with accrued contributions paid by the employer had an obligation to pay into the public revenue account.

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

12. WAGES AND SALARIES AND OTHER PERSONAL EXPENSES (continued)

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. Also, the Law on Public Enterprises stipulates that for each calendar year an annual business program is adopted with the consent of the founder, which, among other things, contains elements for a comprehensive review of wage and employment policy in the Company in accordance with the projected wage growth in the public sector from the Government for the year for which the program is adopted.

Other personal expenses in the amount of 614,495 thousand dinars, mostly relate to the obligations of the Company under the Collective Agreement (prevention of work disability, cultural and sports activities of employees, expenditures to provide assistance to employees for treatment, loan, etc.) which, in terms of tax regulations, are considered to belong to the employees on whom public revenues are paid. In addition to the above, in the previous reporting period, other personal expenses included the amount of 2,339,058 thousand dinars recognized on the basis of the Company's commitments for the payment of incentive severance pay for voluntary termination of employment (912 employees in 2019) in accordance with the Optimization Plan the number of employees in the EPS Group for the period from 2015 to 2019.

13. COST OF PRODUCTION SERVICES

	In RSD thousand For Year ended 31 December	
	2020	2019
Other production services costs – subsidiaries (Note 45)	1,244,425	1,280,210
PTT services	1,241,836	1,216,144
Transportation services	169,031	92,954
Cost of maintenance	19,251,047	16,716,314
Cost of information system maintenance	1,510,096	1,474,553
Rental cost	140,433	128,620
Advertising, fairs and marketing costs	103,391	94,989
Cost of services for various tests, analysis, preparing technical and project documentation, reports and projects	200,837	101,220
Work safety cost	311,597	397,269
Cost of production services and assistance	124,827	98,890
Costs of meter reading services	375,372	363,382
Cost of services provided by student and youth organizations	1,810,541	1,599,344
Utility costs	524,574	481,402
Costs of environmental protection and site restoration from mining operation	58,731	108,103
	27,066,738	24,153,394

Costs of maintenance services in the amount of RSD 19,251,047 thousand (2019: RSD 16,716,314 thousand) relate to the maintenance services of the Company's production facilities.

The costs of PTT services include the costs of preparation and sending of electricity bills to end users in the amount of 1,000,501 thousand dinars (2019: 954,353 thousand dinars) in the EPS Supply branch.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

14. DEPRECIATION/AMORTISATION EXPENSE

	In RSD thousand For Year ended 31 December	
	<u>2020</u>	<u>2019</u>
Depreciation/amortization expense:		
- Intangible assets (note 24)	2,510,451	1,090,205
- Property, plant and equipment (note 24)	31,219,078	31,319,275
	<u>33,729,529</u>	<u>32,409,480</u>

15. COST OF LONG-TERM PROVISIONING

	In RSD thousand For Year ended 31 December	
	<u>2020</u>	<u>2019</u>
Environmental restoration	448,211	376,870
Retirement benefits and jubilee awards	1,959,842	4,234,748
Cost of other long-term provisioning	1,401,646	1,392,816
	<u>3,809,699</u>	<u>6,004,434</u>

During 2020, the Company made a provision for liabilities and other benefits to employees upon termination of employment in the amount of 1,959,842 thousand dinars, which will be paid upon termination of employment and benefits to employees that include benefits based on jubilee awards in the amount of the current obligations based on past events, which arise from the provisions of the Labor Law and general acts of the Company (Notes 3.5 and 36). The difference compared to the previous accounting period relates to the change in actuarial assumptions related to the discount rate, projected wage growth, mortality rate and employee turnover.

Provisions for litigation are formed according to the best estimate of expenses required to settle the current liability based on current litigation against the Company, which in 2020 is estimated at 1,401,646 thousand dinars (2019: 1,392,816 thousand dinars).

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

16. OTHER OPERATING EXPENSES

	In RSD thousand	
	Year end	
	31 December	
	2020	2019
Water use charges	2.131.305	2.076.720
Costs of fees for the use of goods of general interest	1.484	1.137
Environmental fee (Note 43)	3.386.299	3.620.799
Property Tax	602.215	626.597
Other indirect taxes and contributions	831.581	787.290
Utilization of mineral resources	2.259.674	2.113.963
Entertainment expense	25.201	44.542
Cost of payment operations and banking services	292.698	185.450
Subscription cost	29.834	27.624
Legal and advocacy services	808.262	1.020.621
Other non-material costs	1.537.401	1.457.680
Professional services	420.669	588.176
Costs of insurance premiums	1.436.564	1.322.826
Health Service costs	163.034	184.666
Membership fees and contributions to the trade union	580.364	508.328
Costs of safeguarding property and archival materials	2.553.427	2.008.017
Costs of other non-production services	2.581.488	2.880.066
Other non-material costs from related legal entities within the Company (Note 46)	12.494	17.446
	19.653.994	19.471.948

Starting from 1 January 2019, the Law on Fees for the Use of Public Goods (Official Gazette of the RS "No. 95/18, ...15/2186-86 / 19) regulates fees for using of public goods, as follows: who is the payer, the amount, the manner of calculation 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 dinars / kWh. Determining the fee for energy efficiency improvement for delivered energy and / or energy to the end customer / consumer is performed by the Company, as an energy entity that performs energy supply activities and has a license to perform these activities in accordance with the law governing energy, when issuing invoices for delivered energy and / or energy to the end customer / consumer. The obligation on the basis of compensation is determined on the basis of the quantity of delivered electricity, determined on the basis of reading consumption through metering devices at the place of handover, in accordance with the law governing energy and after deducting electricity purchased from producers who have the status of eligible producer.

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

16. FINANCIAL INCOME

	In RSD thousand	
	Year end	
	31 December	
	2020	2019
Financial income within the Company (Note 46):		
- interest income	28,286	25,352
- Foreign exchange gains	4,233	15,116
- Other financial income	842	2,202,193
	<u>33,361</u>	<u>2,242,661</u>
Financial income arising from related parties	<u>811,239</u>	<u>791,505</u>
Foreign exchange gains	5,134,899	726,317
Gains on currency clause effects	5,247	41,075
	<u>5,140,146</u>	<u>767,392</u>
Interest income:		
- Trade receivables for electricity sold	3,000,599	2,675,275
- Short-term financial investments	243,727	413,795
- Public Media Service tax	256,912	291,097
- Other interest income	196,088	225,704
	<u>3,697,326</u>	<u>3,605,871</u>
Other financial income	<u>31,919</u>	<u>361,072</u>
	<u>9,713,991</u>	<u>7,768,501</u>

For all monetary items whose settlement is required in foreign currency, the effects of changes in foreign exchange 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 dinar equivalent of foreign currency. Foreign exchange gains expressed in 2020 in the amount of RSD 5,134,899 thousand mostly relate to unrealized exchange rate differences on loans granted by foreign lenders. The value of the dinar remained almost unchanged in relation to the EUR currency during 2020, but the dinar strengthened against the USD, XDR and YPU currencies by 9.25 percent and 7.30 and 3.76 percent, respectively, which is also contributed to the increase in positive exchange rate differences.

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

Other financial revenues from legal entities within the EPS group stated in 2019 in the amount of 2,202,193 thousand dinars, mostly in the amount of 2,200,000 thousand dinars, refer to the dividend received from the then dependent legal entity "Elektrodistribucija Srbije", d.o.o., Belgrade, and in accordance with the Decision on the distribution of profits of the dependent legal entity, which was approved by the Government of the RS by Decision 05 Number: 41-2014 / 2019 of 27 February 2019.

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

18. FINANCIAL EXPENSES

	2020	In RSD thousand Year end 31 December 2019
Financial expenses within the Company (Note 46):		
- Interest expense	1,318	2,667
- Foreign exchange losses	43,200	15,036
	<u>44,518</u>	<u>17,703</u>
Other financial expense	<u>300,989</u>	<u>268,648</u>
Interest expense:		
- on liabilities toward PE EMS	1,030	3,616
- Paris and London clubs of creditors	357,158	425,533
On the basis of pre-contracted liability regarding borrowing from People's Republic of China – Deposit insurance agency	7,636	26,544
- other interest expenses (on all other grounds)	753,073	732,411
- Interest expense related to late payment of public duties	51,161	54,185
	<u>1,170,058</u>	<u>1,242,289</u>
Losses on currency clause effects	1,552	12,114
Foreign exchange losses	480,917	1,544,827
	<u>482,469</u>	<u>1,556,941</u>
	<u>1,998,034</u>	<u>3,085,581</u>

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

Other financial expenses in the amount of RSD 300,989 thousand (2019: RSD 268,648 thousand) relate to the Commitment fee and Management fee based on the loan arrangement with foreign creditors.

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

	2020	In RSD thousand Year end 31 December 2019
Income from adjustment in value of long-term investments	1,209	3,009
Collection and reduction in allowances for impairment		
- accounts receivable	664,770	1,175,503
	<u>665,979</u>	<u>1,178,512</u>

Revenues from adjusting the value of trade receivables in 2020 in the amount of RSD 664,770 thousand (2019: RSD 1,175,503 thousand) relate mainly to collected receivables for delivered electricity in the amount of RSD 635,859 thousand: in 2019: 1,112,377 thousand dinars), for which impairment was recognized in the previous reporting period.

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

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

	2020	In RSD thousand Year end 31 December 2019
Impairment losses:		
- advances	335,882	1,838
- trade receivables for electricity	6,102,057	5,369,906
- other receivables	402,725	2,177,614
- trade receivables from related legal entities within the EPS Group	4,481,717	8,201
	11,322,381	7,557,559

Credit losses on receivables from customers for electricity in the amount of RSD 6,102,057 thousand are recognized as an expense from value adjustment calculated in the manner disclosed in Note 3.17.

Credit losses on receivables from related legal entities within the EPS Group are recognized as follows:

- the amount of 2,492,301 thousand dinars, recognized as a loss from credit risk due to non-performance of the buyer - "Elektrodistribucija Srbije" d.o.o. in the part of payment under the contract for compensation of electricity losses which refers to non-compliant attitudes regarding public revenues, ie fulfillment of the buyer's obligation to acquire the right to exemption from excise duty (license to perform activities).
- the amount of 1,121,460 thousand dinars recognized as a loss from credit risk based on non-performance of the buyer - "Elektrodistribucija Srbije" d.o.o. in the part of the contract on the provision of services (note 28), ie on the unrecognized fulfillment of the Company's obligations under the contract by the buyer.
- the amount of 867,956 thousand dinars recognized as a loss from credit risk based on non-performance of the buyer - "Kolubara - Građevinar" d.o.o. Lazarevac in the part of exceeding the deadline for fulfillment of contracts for the provision of construction services and delivery of lime and stone.

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

21. OTHER INCOME

	2020	In RSD thousand Year end 31 December 2019
Gains on disposal of materials, investment in equity, intangible assets, properties and equipment	28,189	89,650
Income from reversal of provision for employee benefits (Note 36)	-	11,943
Income from collected written-off receivables and reversal of impairment of receivables and short-term financial placements	101,711	1,192
Incomes from the diminution of liabilities	4,959,837	17,743
Incomes from reversal of long-term provisions for the protection of the environment (Note 36)	136,745	28,559
Incomes from the contracted risk protection	25,554	14,471
Incomes from the diminution of liabilities for the protection of the environment	155	188,976
Surpluses	7,017	121,493
Incomes from the value adjustment of assets:		
- Property, plant and equipment	1,353,227	31,140
Other income	65,239	571,244
	6,677,674	1,076,411

NOTES TO FINANCIAL STATEMENTS

For the Year ended 31 December 2020

21. OTHER INCOME (continued)

Revenues from reduction of liabilities reported in 2020 in the amount of RSD 4,959,837 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 measured by deliveries intended for the reconstruction of HE Djerdap.

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

Revenues from adjusting the value of assets reported in 2020 in the amount of 1,353,227 thousand dinars, mostly in the amount of 1,334,002 thousand dinars relate to revenues recognized based on the effects of changes in the useful life of intangible assets, real estate, plant and equipment. Namely, in 2020, the Company reviewed the remaining useful life of intangible assets, plant and equipment that are still in use, and whose present value is as at 31 December 2018, as well as at 31 December 2019, reduced to zero, ie whose present value as at 31 December 2020 would be zero, and in situations where expectations based on new estimates of useful lives were significantly different from previous ones, adjusted depreciation rates to new circumstances. The positive effects of estimating the useful lives of assets are recognized in favor of current period revenue.

22. OTHER EXPENSES

	2020	In RSD thousand Year end 31 December 2019
Expenses for contributions paid to employees from public enterprises from Kosovo and Metohija	5,265,938	5,577,079
Losses on disposal, write-off and sale of materials, intangible assets, fixed assets and investments	474,408	3,715,990
Losses arising from write-off of short-term receivables and rescheduled customer receivables	154,443	193,326
Losses arising from write-off of other assets	11,003	605,916
Losses from disposal of inventories	1,864	4,044
Impairment losses from inventory	13,522	48,891
Shortages	827,992	360,403
Sponsorships and donations	211	5,039
Other expenses	100,272	149,811
Expenses for contributions paid to employees from public enterprises from Kosovo and Metohija	1,022,955	1,081,305
	7,872,608	11,741,804

Expenditures in the amount of 5,265,938 thousand dinars (2019: 5,577,079 thousand dinars) were recognized based on the transfer of funds in the name of salaries and salary compensations to employees from public companies from the territory of the Autonomous Province of Kosovo and Metohija.

In the previous reporting period, losses on the basis of expenditure, write-off and sale of fixed assets, include losses in the amount of 2,598,866 thousand dinars due to the termination of the right to use undeveloped construction land, water land, agricultural land, forests and forest land, as well as termination of the right to use a part of the business facility under construction, and registration of public property over it, based on the acts of the Owner on resolving the property status of the Company's property in accordance with the Law on Public Property and other regulations.

Other expenses in the amount of 1,022,955 thousand dinars mostly relate to the costs of providing additional food to employees in surface mines in the amount of 623,623 thousand dinars, the costs of archaeological research in the amount of 90,323 thousand dinars, as well as the costs recognized on the basis of expenses The company took over under binding contracts, which arose as a result of the expansion of surface mines and / or construction of reservoirs and dams, in the amount of 308,939 thousand dinars.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

23. INCOME TAX

a) Components of income tax

	2020	In RSD thousand Year end 31 December Corrected 2019
Tax expense for the period	6,933,513	4,076,794
Deferred tax income for the period	<u>(1,498,581)</u>	<u>(2,270,775)</u>
	<u>5,434,932</u>	<u>1,806,019</u>

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

	2020	In RSD thousand Corrected 2019
Profit before tax	<u>18,317,582</u>	<u>5,474,805</u>
Tax on profit calculated at statutory tax rate - 15%	2,747,637	821,221
Tax effect on unrecognized expenses	3,110,368	3,041,766
Tax effect on expenses recognized on cash basis	(589,055)	(1,004,244)
Effect on capital gains	307	-
Tax effect on unrecognized revenues	(20,559)	(336,075)
Effect of transfer prices	105,491	99,836
Other	<u>80,743</u>	<u>(816,485)</u>
	<u>5,434,932</u>	<u>1,806,019</u>
<i>Effective tax rate</i>	<u>29.7%</u>	<u>33.0%</u>

c) Deferred tax liability

Deferred tax liabilities presented as at 31 December 2020 in the amount of RSD 66,194,482 thousand (2019: RSD 67,693,064 thousand) relates to temporary differences between the carrying amount of property, plant and equipment are recognized in the tax balance and the amounts at which these assets are stated in the financial statements of the Company.

Movements on the deferred tax liabilities were as follows:

	2020	2019
Balance as at 1 January	67,693,064	69,949,366
Correction of opening balance	-	14,473
Balance as at 1 January	<u>67,693,064</u>	<u>69,963,839</u>
Effects on income statement	(1,498,581)	(2,270,775)
Other	<u>(1)</u>	<u>-</u>
Balance as at 31 December	<u>66,194,482</u>	<u>67,693,064</u>

d) Tax losses and loans carried forward from previous periods

As at 31 December 2020 and 2019, the Company has not carried forward unused tax losses and tax credits realized in previous periods which are transferred to the income tax account of future accounting periods.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

24. INTANGIBLE ASSETS, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT
Intangible assets

In RSD thousand

Description	Concessions, patents, licenses, trademarks and service marks	Software and other rights	Other intangible asset	Intangible asset in preparation	Total
Cost					
Cost amount at 1 January 2019	3,008,936	2,732,512	96,814	5,331,394	11,169,656
Additions	125,421	5,611	-	4,767,910	4,898,942
Transfers from other accounts within account group 02 or from other group accounts	137,013	6,343	-	132,652	276,008
Transfer from construction in progress (activation)	2,725,728	2,199,622	-	(4,925,350)	-
Stockcount shortage	(2,650)	-	-	-	(2,650)
Impairment in accordance with IAS 36	-	-	-	(49,781)	(49,781)
Disposals	(62,386)	(627)	-	(279,203)	(342,216)
Other changes	234	-	-	(9,015)	(8,781)
Cost amount at 31 Decembar 2019	5,932,296	4,943,461	96,814	4,968,607	15,941,178
Additions	80,604	-	-	4,347,239	4,427,843
Transfers from other accounts within account group 02 or from other group accounts	-	-	-	28,389	28,389
Transfer from construction in progress (activation)	1,082,223	1,924,439	-	(3,006,662)	-
Impairment in accordance with IAS 36	-	-	-	(8,526)	(8,526)
Disposals	(768,646)	(106,930)	(1,410)	-	(876,986)
Closing cost amount at year ended 2020	6,326,477	6,760,970	95,404	6,329,047	19,511,898
Accumulated amortization					
Accumulated amortisation amount at 1 January 2019	1,859,848	563,163	34,666	-	2,457,677
Amortization expense (Note 14)	466,960	605,618	17,627	-	1,090,205
Stockcount shortage	(2,650)	-	-	-	(2,650)
Disposals	(62,386)	(626)	-	-	(63,012)
Other changes	(166)	-	-	-	(166)
Accumulated amortization amount at year ended 2019	2,261,606	1,168,155	52,293	-	3,482,054
Amortization expense (Note 14)	1,178,613	1,312,454	19,384	-	2,510,451
Effects of change in useful life	(302,166)	(99,317)	(3,697)	-	(405,180)
Disposals	(764,402)	(106,930)	(1,410)	-	(872,742)
Accumulated amortization amount at year ended 2020	2,373,651	2,274,362	66,570	-	4,714,583
Net book value					
At 31 December 2019	3,670,690	3,775,306	44,521	4,968,607	12,459,124
At 31 December 2020	3,952,826	4,486,608	28,834	6,329,047	14,797,315

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

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

Biological assets and property, plant and equipment

In RSD thousand

	Land	Buildings	Plants and equipment	Investment property	Biological assets	Other PPE	(CIP)	Prepayments for PP&E	Total
Cost									
As at 1 January 2019	69,636,800	501,376,761	886,068,406	759,898	437,519	218,156	85,766,963	20,877,120	1,565,141,623
Additions	3,147,080	113,625	6,769,540	838	-	308	25,020,926	140,883	35,193,200
Transfer from other accounts within the group 02 or from other group accounts	360,318	(328)	59,709	-	6,739	900	(432,563)	-	(5,225)
Transfer from construction in progress (activation)	1,373,835	3,445,934	14,025,684	-	-	-	(18,845,453)	-	-
Own-investments (account group 62)	-	-	377	-	-	-	692,972	-	693,349
Transfer of assets from other companies (receipts)	-	-	6,603	-	-	-	-	-	6,603
Transfer of assets to other companies (donations)	-	(8,784)	(547)	-	-	-	(6,602)	-	(15,933)
Stockcount surplus	-	-	61	-	-	-	-	-	61
Stockcount shortage	-	-	(2,277)	-	-	-	-	-	(2,277)
Sales of PP&E	-	-	(615,541)	-	-	-	-	-	(615,541)
Assignment of PP&E according to the Conclusions of the Government	(5,803,766)	(805,872)	-	-	-	-	(1,100,168)	-	(7,709,806)
Derecognition of Property, Plant and Equipment	-	(1,636,334)	(6,835,179)	-	(1,915)	(2,890)	(169,917)	-	(8,646,235)
Impairment in accordance with IAS 36	-	-	-	-	-	-	(182,731)	-	(182,731)
Other changes	(76)	2,446	16,980	-	-	(5,091)	(139,600)	(1,749,203)	(1,874,544)
As at 31 December 2019	68,714,191	502,487,448	899,493,816	760,736	442,343	211,383	90,603,827	19,268,800	1,581,982,544
Additions	2,487,900	22,943	3,844,575	-	2,245	-	28,712,043	4,789,282	39,858,988
Transfer from other accounts within the group 02 or from other group accounts	(50,493)	-	294,391	-	50,320	-	(1,225,865)	-	(931,647)
Transfer from construction in progress (activation)	1,347,988	4,926,518	23,746,412	-	-	-	(30,020,918)	-	-
Funds received from third parties free of charge (donations received)	-	-	1,209	-	-	-	-	-	1,209
Transfer of funds to third parties (transfers free of charge)	-	-	(223)	-	-	-	-	-	(223)
Stockcount surplus	-	-	6,800	-	-	-	-	-	6,800
Stockcount shortage	-	(2,099)	-	-	-	-	-	-	(2,099)
Sales of PP&E	-	(252)	-	-	-	-	-	-	(252)
Derecognition of Property, Plant and Equipment	-	(242,045)	(3,130,151)	-	(5,832)	(72)	(3,077)	-	(3,381,177)
Impairment in accordance with IAS 36	-	-	-	-	-	-	(145,916)	-	(145,916)
Other changes	(79,963)	152	234	-	-	-	-	(3,226,838)	(3,306,415)
As at 31 December 2020	72,419,623	507,192,665	924,257,063	760,736	489,076	211,311	87,920,094	20,831,244	1,614,081,812

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

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

Biological assets and property, plant and equipment (continued)

In RSD thousand

	Land	Buildings	Plants and equipment	Investment property	Biological assets	Other property, plant and equipment	Construction in progress (CIP)	Prepayments for PP&E	Total
Allowance									
As at 1 January 2019	20,188,001	228,950,347	544,061,122	245,647	-	94,121	778,705	402,869	794,720,812
Depreciation expense (Note 14)	2,403,674	5,378,521	23,526,882	10,198	-	-	-	-	31,319,275
Transfer from other accounts within the group 02 or from other group accounts	-	(309)	309	-	-	-	-	-	-
Transfer of assets to other companies (donations)	-	(5,089)	(499)	-	-	-	-	-	(5,588)
Stockcount shortage	-	-	(1,839)	-	-	-	-	-	(1,839)
Sales of PP&E	-	-	(579,928)	-	-	-	-	-	(579,928)
Assignment of PP&E according to the Conclusions of the Government	(350,225)	(422,094)	-	-	-	-	-	-	(772,319)
Derecognition of Property, Plant and Equipment	-	(613,437)	(5,799,181)	-	-	(3,964)	-	-	(6,416,582)
Impairment in accordance with IAS 36	-	-	-	-	-	-	(90,235)	-	(90,235)
Other changes	(75)	-	(3,528)	(1)	-	-	(358,180)	(5,090)	(366,874)
As at 31 December 2019	22,241,375	233,287,939	561,203,338	255,844	-	90,157	330,290	397,779	817,806,722
Depreciation expense (Note 14)	759,894	5,419,466	25,029,178	8,324	-	2,216	-	-	31,219,078
Transfer from other accounts within the group 02 or from other group accounts	(173)	-	-	-	-	-	-	-	(173)
Transfer of assets to other companies (donations)	-	-	(223)	-	-	-	-	-	(223)
Stockcount shortage	-	(2,099)	-	-	-	-	-	-	(2,099)
Sales of PP&E	-	(54)	-	-	-	-	-	-	(54)
Derecognition of Property, Plant and Equipment	-	(124,160)	(2,033,448)	-	-	(72)	-	-	(2,157,680)
Impairment in accordance with IAS 36	-	-	-	-	-	-	-	84,812	84,812
Effects of change in useful life	-	(1,352)	(927,470)	-	-	-	-	-	(928,822)
Other changes	(156)	1	(341)	-	-	537	-	15,493	15,534
As at 31 December 2020	23,000,940	238,579,741	583,271,034	264,168	-	92,838	330,290	498,084	846,037,095
Net book value:									
At 31 December 2019	46,472,816	269,199,509	338,290,478	504,892	442,343	121,226	90,273,537	18,871,021	764,175,822
At 31 December 2020	49,418,683	268,612,924	340,986,029	496,568	489,076	118,473	87,589,804	20,333,160	768,044,717

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

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

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

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

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

On the above basis, during 2019, the Company's right to use on undeveloped construction land, water land, agricultural land, forests and forest land ceased. The public property of the Republic of Serbia is registered on the mentioned land. The carrying value of land on which the Company's right to use has ceased amount to RSD 5,837,319 thousand (Note 22).

Also, the Law on Planning and Construction of the RS stipulates that legal entities founded by the Republic of Serbia and registered as holders of the right to use undeveloped and constructed construction land in state ownership, on the day the law enters into force lose the right to use those properties which pass into the right of public ownership of the Founder without compensation. On this basis, and in accordance with the act of the Founder (Conclusion of the Government of the Republic of Serbia) in 2019, the Company'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 was recognized (Note 22).

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

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

During 2021 the Company and "Elektrodistribucija Srbije" d.o.o., Belgrade will conclude agreements on the transfer of the above mentioned assets during.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

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

Advances given for property, plant and equipment reported as at 31 December 2020 include advances for the realization of the second phase of the Project Package "KOSTOLAC-B POWER PLANT PROJECTS", in the amount of RSD 14,654,539 thousand (31 December 2019: RSD 15,830,520 thousand) and the construction of a plant for desulphurization of exhaust fumes of the Thermal Power Plant Nikola Tesla A, in the amount of RSD 4,980,467 thousand (December 31, 2019: RSD 2,507,743 thousand), which are financed from borrowed funds (note 37).

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

Revaluation of property, plant and equipment

The Company uses a revaluation model to measure items of property, plant and equipment used in performing energy activities. The assessment was performed by an independent appraiser as of January 31, 2016, and the effects of the assessment were recorded in the Company's financial statements for 2016.

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

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

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

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

The effects of the change in the useful life of the asset on 1 January 2020 are recognized as income in the current period in the amount of RSD 1,334,002 thousand (Note 21) and charged to accumulated depreciation. In addition, as a result of changes in the useful life of assets, a new annual amortization for 2020 was determined as follows:

- in the amount of RSD 140,156 thousand for intangible assets used, whose present value is reduced to zero or would be in the reporting In 2020, it was reduced to zero and
- in the amount of RSD 261,309 thousand for fixed assets used, and whose present value was reduced to zero in its entirety or would be reduced to zero in the reporting year 2020.

Impairment of assets in accordance with IAS 36

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

25. LONG-TERM FINANCIAL INVESTMENTS

	31 December 2020	In RSD thousand 31 December 2019
Investments in subsidiaries (Note 46)	2,434,745	79,766,832
Investments in associates and joint ventures	406,462	406,740
<i>Less: Allowance for impairment of investments in associates and joint ventures</i>	-	(560)
	<u>406,462</u>	<u>406,180</u>
Investments in other legal entities	3,019,708	2,782,679
<i>Less: Allowance for impairment of investments in other legal entities</i>	(2,693,835)	(2,443,888)
	<u>325,873</u>	<u>338,791</u>
Long-term financial investments to legal entities within the EPS group (Note 46)	134,511	2,762,796
<i>Less: Allowance of long-term loans</i>	(134,511)	-
	<u>-</u>	<u>2,762,796</u>
Long-term loans	2,490,896	-
Other long-term financial investments	1,770,922	4,442,711
<i>Less: Allowance for impairment of other long-term financial investments</i>	(766,219)	(766,219)
	<u>1,004,703</u>	<u>3,676,492</u>
	<u>6,662,679</u>	<u>86,951,091</u>

Investments in subsidiaries

Below is disclosed a summary of investments in subsidiaries as at 31 December 2020 and 31 December 2019:

	% ownership	31 December 2020	In RSD thousand 31 December 2019
„Elektrodistribucija Srbije“ d.o.o. Belgrade	100%	-	77,927,740
„EPS Trgovanje“ d.o.o., Ljubljana	100%	66,304	66,304
„Kolubara-Gradjevinar“ d.o.o., Lazarevac	71.90%	1,771,606	1,771,606
„Elektrosever“ d.o.o., Severna Mitrovica	100%	1,182	1,182
„HES Gornja Drina“ d.o.o. Foca	51%	595,653	-
		<u>2,434,745</u>	<u>79,766,832</u>

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

25. LONG-TERM FINANCIAL INVESTMENTS (continued)

The transfer of the share to the Republic of Serbia was recognized by the Company within the retained earnings, ie accumulated loss (Note 35), since the Founder did not make a decision to reduce the Company's capital and therefore the Company is not obliged to register the change with the Business Registers Agency. in accordance with the position set out in the Opinion of the Ministry of Finance 011-00-999 / 2020-04 of 25 February 2021. Also, any transfer of assets in the name of recapitalization, as stated in Note 24, will be recorded within the accumulated loss.

As stated in Note 1, the Company acquired a 51% of ownership in the electricity generation company "Hidroelektroenergetski sistem Gornja Drina" d.o.o., Foča, Republika Srpska by joining a member and increasing the capital of the electricity generation company " Hydroelectric power system Gornja Drina"d.o.o, on November 19, 2020. years. Total capital „Hydroelectric power system Gornja Drina"d.o.o. amounts to 77,717,203.06 KM, with the share of the Company amounting to 39,635,773.56 KM, of which 9,908,943.40 KM was paid. The Company will pay the remaining amount in three installments that are due within six months from the payment of the previous installment. The goal of the investment is the construction and operation of HPP Buk Bijela, HPP Foča and HPP Paunci on the river Drina.

Investments in associates and joint ventures

Investments in associates and joint ventures disclosed at 31 December 2020 and 31 December 2019 in the amount of RSD 406,462 and RSD 406,740 thousand relate to investment in equity of the following entities:

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

25. LONG-TERM FINANCIAL INVESTMENTS (continued)

"Moravske hidroelektrane" d.o.o., Beograd

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

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

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

In order to provide funds for the needs of financing the work, the directors of the company "Moravske hidroelektrane" d.o.o. on 20 August 2020, they passed a Decision which determined that it was necessary for the members to pay a part of the subscribed but unpaid monetary share capital in the total amount of EUR 4,901.96. The decision determined that the members of the company, in accordance with Article 7.1 of the Agreement on the establishment of the company "Moravske hidroelektrane" d.o.o., Belgrade, should pay part of their registered financial contribution, as follows:

- RWE AG, Germany the amount of 2,500 EUR and
- the Company the amount of EUR 2,401.96.

The aforementioned amount of the part of the subscribed money capital was paid by the Company in dinar equivalent, which resulted in an increase in the share in the capital of the said company on December 31, 2020 in relation to the balance stated on the same day of the previous year. The remaining unpaid amount of the subscribed monetary part of the share capital of the Company will be paid in the amounts determined by the decision of the competent authority within the deadlines determined in accordance with applicable law.

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

„Energija Novi Sad“ a.d., Novi Sad

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

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

25. LONG-TERM FINANCIAL INVESTMENTS (continued)

Investments in other legal entities

Equity investments in other legal entities include the following:

- Participation in the capital of the legal entity "Rudnik Kovin" a.d.- entity in the privatization in the amount of RSD 86,376 thousand was acquired by conversion of receivables into capital, and based on the conclusion of the RS Government, on the basis of which the same entity was recapitalized by issuing 86,376 ordinary shares, nominal value of RSD 1,000.00 per share.
- Participation in the capital of the bankruptcy debtor "Fabrika automobila Priboj" a.d. in the amount of RSD 261,910 thousand. In 2018, the Company's receivables were converted into the capital of the bankruptcy debtor "Fabrika automobila Priboj" a.d., in accordance with the Plan for the reorganization of the bankruptcy debtor prepared in advance, which became final on October 25, 2017. On 22 March 2018, at the Central Register for Securities, the shares of Car Factory Priboj.a.d. amounting to RSD 261,910 thousand (261,910 shares with par value of RSD 1,000.00 per share) were transferred to the Company's Proprietary account.
- The amount of RSD 247,210 thousand, which refers to investments in capital based on the agreement on joint financing of previous works on the HPP "Komarnica" project with Elektroprivreda Crne Gore in order to make a decision on possible joint construction of a hydropower plant, which has been underway since 1992. years. The provisions of the contract regulate property relations so that the invested funds form the founding roles of the contracting parties, if both parties decide to continue joint activity on the construction of the hydroelectric power plant, or intangible assets if both parties give up joint realization. The Company also concluded annexes to the agreement on joint financing of the implementation of previous works of HPP "Komarnica" from 1992, as follows: Annex No. 1 of 13 August 2007, Annex No. 2 of 13 July 2011, Annex No. 3 of 5 February 2014 and Annex No. 4 of 13 March 2017. On June 3, 2020, an increase in investments in HPP "Komarnica" was made in the amount of EUR 13,132.
- Participation in the capital of the company AD for the production of petrochemical products, raw materials and chemicals "HIP - Petrohemija", Pancevo in the amount of RSD 1,197,594 thousand acquired through the conversion of receivables into capital, in accordance with the reorganization plan prepared in advance debt and conversion of receivables for the remaining amount of debt into the share capital of the company "HIP - Petrohemija", Pancevo. On April 24, 2020, the Supervisory Board of the Company passed the Decision No. 12.01.197077 / 2-20 on the transfer free of charge to the Republic of Serbia of the shares owned by the Company in the company "HIP - Petrohemija" a.d., Pancevo. This decision was made in order to implement the Conclusion of the Government of the Republic of Serbia 05 No. 023-2590 / 2020 of March 19, 2020, by which the Government agreed that the Company transfer to the Republic of Serbia free of charge 1,442,884 shares (2.16836% of capital) owned in the said company. The agreement on the transfer of shares between the Company and the Republic of Serbia was concluded and implemented in 2021 (Note 51).
- Participation in the capital of the company "Trayal Corporation" a.d. Kruševac in the amount of RSD 360,460 thousand acquired in 2019 through the conversion of the Company's receivables into the share capital of the company "Trayal Corporation" a.d. Kruševac in accordance with the Reorganization Plan prepared in advance (final UPPR by the Decision of the Commercial Court in Kraljevo, No. 4. Reo.2 / 2017).
- Participation in the capital of the company "Simpo" a.d. Vranje in the amount of RSD 585,473 thousand acquired through the conversion of the Company's receivables into the share capital of "Simpo" a.d. Vranje in accordance with the Reorganization Plan prepared in advance (final UPPR by Decision No. 10.St.8 / 2018). The conversion of part of the receivables in the amount of RSD 245,342 thousand was performed in 2019.

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

25. LONG-TERM FINANCIAL INVESTMENTS (continued)

Long-term financial investments to legal entities within the EPS group

Long-term financial placements as of December 31, 2020 in the amount of RSD 134,511 thousand refer entirely to the loan granted to the subsidiary "Kolubara - Građevinar" d.o.o., Lazarevac. . Namely, in accordance with the Decision of the Supervisory Board No. 12.01.343642/23-19 of 26 June 2019 and the Agreement No. E.04.02-18562/2016-2019 dated on 28 June 2019, the Company approved a loan to a subsidiary "Kolubara - Građevinar" d.o.o., Lazarevac, in the amount of RSD 269,021 thousand for a period of 4 years, starting from the date of payment (26 June 2019). The repayment period includes a "grace" period of 1 year. The loan is repaid in monthly installments, and the interest is calculated based on the NBS reference interest rate, on a monthly basis. As at 31 December 2020, the amount of RSD 134,511 thousand was due for collection in the next twelve months after the balance sheet date and was fully impaired (Notes 20 and 31).

Long-term loans

Long-term loans reported as at 31 December 2020 in the amount of RSD 2,490,896 thousand relate in full to loans that the 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. As at 31 December 2019, receivables from the company "Elektrodistribucija Srbije" d.o.o., Belgrade on the basis of loans, in the amount of RSD 2,538,612 thousand, are stated within the position Long-term financial investments to legal entities in composition of the EPS group. As disclosed in Note 1, on 31 December 2020, the Company lost control of Elektrodistribucija Srbije d.o.o. by transferring its deposit without compensation to the Republic of Serbia, so that as of December 31, 2020, these receivables were reclassified to receivables from third parties, whereby "Elektrodistribucija Srbije" d.o.o. does not dispute its obligations to the Company on the above grounds.

Other long-term financial investments

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

Also, other long-term financial placements include investment in the accumulation of water "Rovni", in the amount of RSD 637,205 thousand. The mentioned investment refers to the joint investment in the Public Company "Kolubara", Valjevo, and on the basis of the construction of the dam and the accumulation "Rovni" whose purpose is water supply, flood defense in the surrounding municipalities and for the needs of the Company. 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 dated on 30 December 2005), further works on construction of dams and reservoirs „Rovni“ are planned, with 100% participation of the Government of the Republic of Serbia. The investment 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 Company recognized impairment losses on this basis (Note 20).

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

26. LONG-TERM RECEIVABLES

	31 December 2020	In RSD thousand 31 December 2019
Rescheduled receivables from customers for electricity and services:		
- individuals	115,095	149,950
- legal entities	2,180,927	2,815,361
Rescheduled receivables from customers for coal, thermal energy, technological steam	42	46
Loans to employees:		
- for apartments sold	266,545	308,062
- for housing loans	31,276	36,627
	<u>2,593,885</u>	<u>3,310,046</u>
<i>Less: allowance for impairment</i>		
- rescheduled receivables for electricity and services from individuals	(114,552)	(149,727)
- rescheduled receivables for electricity and services from legal entities	(2,180,927)	(2,815,361)
- for apartments sold and housing loans	(42)	(46)
	<u>(2,295,521)</u>	<u>(2,965,134)</u>
	<u>298,364</u>	<u>344,912</u>

Rescheduled receivables from customers for electricity represent receivables from individuals and legal entities with whom the Company has signed a rescheduling agreements in accordance with the Supervisory board decisions (no 860/4-13 dated 22 February 2013, no 1151/3-30 dated 2 April 2013 and no 2233/9-13 dated 25 July 2013). Based on the aforementioned decisions customers may repay receivables that were due on 31 May 2013, or for qualified customers that were due on 31 December 2012, in maximum 120 instalments depending on the outstanding amount of receivables and with conditional discount based on the number of instalments (up to 40% if one-off settlement of outstanding debt is paid, with no decrease if payment is in 60-120 instalments). During the period of rescheduling agreement, interest is not calculated, and if two instalments are not paid on time the agreement is not valid.

Loans to employees for apartments sold as at 31 December 2020 in the amount of RSD 266,545 thousand (31 December 2019 – RSD 308,062 thousand) relate to repurchased apartments of solidarity by the employees. These apartments are sold to employees for a period between 20 to 40 years, with repayment through monthly instalments that are adjusted to the movement of retail price, and most up to the growth of average salary in the Republic of Serbia.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

27. INVENTORY

	In RSD thousand	
	31 December 2020	31 December 2019
Materials	10,808,686	10,718,774
<i>Less: Allowance for impairment of materials</i>	<u>(2,972,176)</u>	<u>(2,314,542)</u>
	<u>7,836,510</u>	<u>8,404,232</u>
Spare parts	19,731,315	17,077,353
<i>Less: Allowance for impairment of spare parts</i>	<u>(2,143,068)</u>	<u>(1,992,946)</u>
	<u>17,588,247</u>	<u>15,084,407</u>
Tools and inventory	1,690,223	1,407,435
<i>Less: Allowance for impairment of tools and inventory</i>	<u>(10,338)</u>	<u>(10,338)</u>
	<u>1,679,885</u>	<u>1,397,097</u>
Total materials, spare parts, tools and inventory	<u>27,104,642</u>	<u>24,885,736</u>
Work in progress and finished goods	692,911	136,574
Finished goods – Coal	2,343,653	2,424,361
Merchandise	<u>2,380</u>	<u>3,273</u>
	<u>3,038,944</u>	<u>2,564,208</u>
	<u>30,143,586</u>	<u>27,449,944</u>
Advances given for inventories and services		
- advances to legal entities within the EPS group (Note 46)	251,684	265,857
- other advances given for inventory and services	5,100,920	3,157,877
<i>Less: Allowance for impairment of advances given</i>	<u>(558,149)</u>	<u>(154,243)</u>
	<u>4,794,455</u>	<u>3,269,491</u>
	<u>34,938,041</u>	<u>30,719,435</u>

Advances given for inventories and services to third parties as at 31 December 2020 in the amount of RSD 5,100,920 thousand relate to advances given to domestic and foreign suppliers in the amount of RSD 4,651,375 thousand and RSD 449,545 thousand, respectively. Out of total advances as at that date, the major portion amounting to RSD 493,237 thousand relates to advances for natural gas given to PE "Srbijagas" under their Agreement for the year October 2020 - September 2021.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

28. TRADE RECEIVABLES

	31 December 2020	In RSD thousand 31 December 2019
Customers - related legal entities within the EPS group (Note 46):		
- domestic market	11,073	9,448,537
- foreign market	-	121,558
<i>Minus: Allowance for Impairment of receivables from related legal entities within the EPS Group</i>	<i>(5,952)</i>	<i>-</i>
	<u>5,121</u>	<u>9,570,095</u>
Customers – Public company „Elektrokosmet“, Pristina	15,562,077	13,523,416
<i>Less: allowance for impairment from public company „Elektrokosmet“, Pristina</i>	<i>(15,562,077)</i>	<i>(13,523,416)</i>
	<u>-</u>	<u>-</u>
Customers on domestic market:		
- sale of electricity - individuals	47,743,837	44,227,388
- sale of electricity – legal entities	18,652,762	17,688,250
- sale of electricity - companies in restructuring and in bankruptcy	12,851,417	12,596,133
- other companies in restructuring and bankruptcy	1,277,171	1,278,204
- sale of electricity– licensed customers	41,611	19,240
- for delivered electricity - customers on the open electricity market	28,995,268	29,145,252
- A.D.„Elektromreza Srbije“, Beograd	1,610,601	1,539,222
- "Elektrodistribucija Srbije "d.o.o., Beograd	11,751,142	-
- sale of coal	2,688,809	2,763,688
- sale of technological steam and gas	547,264	556,707
- sale of heat energy	579,912	719,746
- receivables from customers for services	50,866	10,020
	<u>126,790,660</u>	<u>110,543,850</u>
<i>Less: allowance for impairment of receivables from customers on domestic market:</i>		
- sale of electricity – individuals	<i>(24,987,114)</i>	<i>(26,445,435)</i>
- sale of electricity – legal entities	<i>(12,988,709)</i>	<i>(14,221,107)</i>
- sale of electricity - companies in restructuring and in bankruptcy	<i>(12,851,417)</i>	<i>(12,596,133)</i>
- other companies under restructuring and in bankruptcy	<i>(1,277,171)</i>	<i>(1,278,204)</i>
- sale of electricity – licensed customers	<i>(7,072)</i>	<i>(7,072)</i>
- for delivered electricity - customers on the open electricity market	<i>(11,393,959)</i>	<i>(7,970,910)</i>
- "Elektrodistribucija Srbije "d.o.o., Beograd	<i>(3,613,761)</i>	<i>-</i>
- sale of coal	<i>(2,424,122)</i>	<i>(2,411,083)</i>
- sale of heat energy	<i>(668,870)</i>	<i>(598,443)</i>
- receivables from customers for services	<i>(5,431)</i>	<i>(5,742)</i>
	<u><i>(70,217,626)</i></u>	<u><i>(65,534,129)</i></u>
Customers on domestic market, total	<u>56,573,034</u>	<u>45,009,721</u>
Customers - foreign	4,641,607	4,811,375
<i>Less: allowances for impairment of customers - foreign</i>	<i>(4,379,104)</i>	<i>(4,773,106)</i>
	<u>262,503</u>	<u>38,269</u>
Other trade receivables	634,726	465,040
<i>Less: allowances for impairment of other trade receivables</i>	<i>(349,653)</i>	<i>(350,213)</i>
	<u>285,073</u>	<u>114,827</u>
	<u>57,125,731</u>	<u>54,732,912</u>

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

28. TRADE RECEIVABLES (continued)

Receivables from customers in the country as at 31 December 2020 in the gross amount of RSD 126,790,660 thousand include the amount of RSD 11,751,142 thousand relating to receivables of the Company from the former subsidiary "Elektrodistribucija Srbije" d.o. .o., Belgrade on the basis of provided services in the field of economic-financial and commercial affairs, corporate affairs services, services in the field of information and telecommunication support, public relations services, market support, support in planning energy facilities, networks and investments and maintenance of electric power facilities and metering points as well as receivables based on sold electricity to compensate for losses in the distribution system. Receivables from the company "Elektrodistribucija Srbije" d.o.o. Belgrade as of December 31, 2019 amounted to RSD 9,433,699 thousand, and they are stated within the claims from related legal entities within the EPS group. As disclosed in Note 1 to these financial statements, the Company has lost control of Elektrodistribucija Srbije d.o.o. by transferring its share (ownership) free of charge to the Republic of Serbia. Credit losses in the amount of RSD 3,613,761 thousand were recognized for part of these receivables (Note 20).

In accordance with the Conclusion of the Government of the Republic of Serbia, number 021-6624 / 2009-002, adopted at the Government session on 30 November 2009, the Company uses its available production capacity in order to provide with electricity to the majority Serb area in the north of Kosovo and Metohija. On the above basis, the receivables from the delivered electricity to the Public Company "Elektrokosmet" Pristina were recognized, in the amount of RSD 15,562,077 thousand (2019 – RSD 13,523,416 thousand). At the same time, the unpaid amount is recognized as an expense by indirect write-off.

29. RECEIVABLES FROM SPECIFIC OPERATIONS

	In RSD thousand	
	31 December 2020	31 December 2019
Receivables from legal entities within the EPS group (Note 46)	-	123,489
Other receivables from specific operations	32,912	21,536
Receivables for fees from Public Media Service	3,916,812	3,484,033
<i>Less: allowances for impairment of receivables from specific operations</i>	<u>(1,068,843)</u>	<u>(1,117,455)</u>
	<u>2,880,881</u>	<u>2,511,603</u>

Receivables for Public Media Service charge as of 31 December 2020 in the amount of RSD 3,916,812 thousand (2019: RSD 3,484,033 thousand) relate to receivables from end customers for the purpose of financing the public media service in accordance with the Law on the Temporary Regulation of the Method of Tax Collection for the Public Media Service (Note 6). Pursuant to the regulatory requirement, all risks related to the collection of receivables based on the fee for the Public Media Service from customers are borne by the Company.

The Company has assessed the possibility of collecting receivables based on the fee for the Public Media Service, on the basis of which the value adjustment of these receivables was recognized as at 31 December 2020 in the amount of RSD 1,046,625 thousand.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

30. OTHER RECEIVABLES

	In RSD thousand	
	31 December 2020	31 December 2019
Receivables for interest		
- legal entities within the EPS group (Note 46)	5,243	1,480
- sale of electricity (individuals)	1,491,652	1,788,190
- sale of electricity (legal entities)	6,213,529	5,229,221
- sale of electricity (companies in restructuring)	2,864,063	2,864,063
- other legal entities	264,817	149,812
- fee for Public Media Service	499,166	413,048
	<u>11,338,470</u>	<u>10,445,814</u>
Receivables from employees	154,517	275,520
Receivables from insurance companies for damages	2,696	2,893
Receivables from toll stations	156,480	147,310
Receivables from overpaid taxes and contributions	645,235	1,290,759
Other receivables from legal entities within the EPS group (Note 46)	1,559	1,081,343
Other receivables	<u>1,004,037</u>	<u>705,151</u>
	<u>13,302,994</u>	<u>13,948,790</u>
<i>Less: allowance for impairment of other receivables</i>		
Receivables for interest:		
- sale of electricity (individuals)	(227,736)	(228,955)
- sale of electricity (legal entities)	(5,455,872)	(4,318,953)
- sale of electricity (companies in restructuring)	(2,864,063)	(2,864,063)
	<u>(8,547,671)</u>	<u>(7,411,971)</u>
Receivables from employees	(3,202)	(3,237)
Receivables for overpaid taxes and contributions	(5,196)	(3,824)
For accrued interest on other receivables	(700,005)	(611,447)
Interest receivables and other receivables from related legal entities within the EPS Group	(6,789)	-
Other receivables	<u>(278,512)</u>	<u>(1,066)</u>
	<u>(9,541,375)</u>	<u>(8,031,545)</u>
	<u>3,761,619</u>	<u>5,917,245</u>

31. SHORT-TERM FINANCIAL INVESTMENTS

	In RSD thousand	
	31 December 2020	31 December 2019
Loans and advances to legal entities within EPS Group (Note 46)	550,477	631,986
Short-term loans given and borrowings on domestic market	233	233
Short-term rescheduled receivables for electricity	785,817	1,179,565
Current portion of long-term financial investments	630,287	581,019
Current portion of rescheduled receivables for coal, heat and technical steam and services	588	478
Short-term deposits in domestic banks	-	200,000
<i>Less: allowance for impairment</i>	<u>(1,761,182)</u>	<u>(1,599,041)</u>
	<u>206,220</u>	<u>994,240</u>

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

31. SHORT-TERM FINANCIAL INVESTMENTS (continued)

As at 31 December 2020, Loans and Advances to members of EPS Group amounting to RSD 550,477 thousand (2019: RSD 631,986 thousand), mostly relates to receivables from the subsidiary Kolubara - Gradjevinar" d.o.o., Lazarevac in the amount of RSD 415,966 thousand (2019: RSD 415,966 thousand), which have been rescheduled under the Pre-Prepared Plan for Reorganization (PPPR) dated 29 June 2017. Under the PPPR, the Company has been classified as class D creditor. For this class of creditors, the PPPR stipulates a six months grace period, starting from the date of application of the PPPR. The total repayment period (inclusive of the grace period) is 18 months, during which the liability is settled in equal quarterly instalments. The Loan interest rate payable per annum is 1%. The Company has estimated the expected credit losses based on the stated receivables from the subsidiary and, as a result of the assessment, recognized an impairment loss in the amount of RSD 415,966 thousand.

In addition to the above, and as disclosed in Note 25, the amount of RSD 134,511 thousand refers to the part of the long-term loan maturing in the next 12 months, which the Company approved to the dependent legal entity "Kolubara - Građevinar" d.o.o. , Lazarevac. As at 31 December 2020, the Company formed an allowance for these receivables in the same amount.

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

32. CASH AND CASH EQUIVALENTS

	In RSD thousand	
	31 December 2020	31 December 2019
Current accounts:		
- in RSD	18,445,589	8,229,326
- in foreign currency	1,146,745	598,394
	<u>19,592,334</u>	<u>8,827,720</u>
Deposits for letters of credit coverage in RSD	-	26,613
Cash desk	5,159	14,398
Special purpose cash funds	1,217	1,039
Securities – cash equivalents	11,720	16,249
Cash funds with limited use or reduced value	259,907	259,968
<i>Less: allowance for impairment of cash funds with limited use or reduced value</i>	<u>(259,907)</u>	<u>(259,968)</u>
	<u>19,610,430</u>	<u>8,886,019</u>

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

33. VALUE ADDED TAX

	In RSD thousand	
	31 December 2020	31 December 2019
Deferred value added tax	<u>2,707,499</u>	<u>2,700,901</u>
	<u>2,707,499</u>	<u>2,700,901</u>

Deferred value added tax on 31 December 2020 in the amount of RSD 2,707,499 thousand (2019 – RSD 2,700,901 thousand) refers to the previous tax that the Company used after the balance sheet date for netting off of its obligations on the basis of the value added tax.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

34. PREPAID EXPENSES

	31 December 2020	In RSD thousand 31 December 2019
Prepaid expenses	26,418	26,960
Deferred expenses	1,266,488	1,281,710
Other prepaid expenses and from related legal entities within the EPS Group	582	-
Other prepaid expenses	1,356,105	1,921,807
	2,649,593	3,230,477

In 2020, deferred expenses in the amount of RSD 1,266,488 thousand relates to property and employee insurance expenses for the period following the balance sheet date.

Other prepaid expenses include calculated and paid VAT where the Company is a tax debtor, which is paid in the period after the balance sheet date.

35. EQUITY

Share capital

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

Other capital

Other capital stated in the Company's balance sheet as of 31 December 2020 in the amount of RSD 71,447 thousand (2019 – RSD 71,447 thousand) relates to the own non-operating resources, that were transferred upon the transition to the new accounting regulations applicable in the Republic of Serbia as of 1 January 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.

PUBLIC ENTERPRISE ELEKTROPRIVREDA SRBIJE, BELGRADE

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

35. EQUITY (continued)

Changes in equity

Changes in equity in 2020 and 2019 are disclosed below:

	In RSD thousand					
	Basic capital	Revaluation reserves	Actuarial earnings /(losses)	Profit/ (losses) on securities available for sale	Retained earnings /(losses)	Total
Balance at 1 January 2019	360,011,186	430,695,571	(1,224,305)	(257,524)	(111,535,064)	677,689,864
Correction of beginning balance (Note 5)	-	-	-	-	594,671	594,671
Corrected balance at 1 January 2019	360,011,186	430,695,571	(1,224,305)	(257,524)	(110,940,393)	678,284,535
Effects of fair value change in financial instruments	-	-	-	(147,891)	-	(147,891)
Disposal of fixed assets	-	(6,959,927)	-	-	1,541,034	(5,418,893)
Actuarial losses, provisions for employee benefits upon retirement (Notes 36)	-	-	(1,236,362)	-	-	(1,236,362)
Profit for the year	-	-	-	-	3,668,786	3,668,786
Other	-	6,341	-	-	105	6,446
Balance at 31 December 2019	360,011,186	423,741,985	(2,460,667)	(405,415)	(105,730,468)	675,156,621
First-time adoption of IFRS 9 (note 4)	-	-	-	-	2,412,528	2,412,528
Corrected balance at 1 January 2020	360,011,186	423,741,985	(2,460,667)	(405,415)	(103,317,940)	677,569,149
Effects of fair value change in financial instruments	-	-	-	(6,357)	-	(6,357)
Disposal of fixed assets	-	(958,756)	-	-	137,486	(821,270)
Actuarial losses, provisions for employee benefits upon retirement (Notes 36)	-	-	(65,029)	-	-	(65,029)
Distribution of profits to the founder	-	-	-	-	(1,831,071)	(1,831,071)
Assignment to the Republic of Serbia (free of charge) of participation in the capital of " ODS EPS Distribucija " (note 25)	-	-	-	-	(77,927,740)	(77,927,740)
Assignment to the Republic of Serbia (free of charge) of participation in the capital of "Minel Concern" a.d.	(8,097)	-	-	-	-	(8,097)
Profit for the year	-	-	-	-	12,882,650	12,882,650
Other	-	-	-	-	(148)	(148)
Balance at 31 December 2020	360,003,089	422,783,229	(2,525,696)	(411,772)	(170,056,763)	609,792,087

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

36. LONG-TERM PROVISIONS

	31 December	In RSD thousand
	2020	<i>Corrected</i>
	2020	31 December
	2020	2019
Long-term provision for retirement benefits and jubilee rewards	17,223,616	16,602,371
Long-term provision for litigations	3,847,071	3,016,214
Long-term provision for protection of natural environment	3,337,480	2,864,132
Other long-term provisions	24	24
	24,408,191	22,482,741

As at 31 December 2020, Long term provisions for employee benefits amounting to RSD 17,223,616 thousand (31 December 2019: RSD 16,602,371 thousand), relate to provisions for retirement benefits and jubilee awards for 10, 20, 30, 35 and 40 years of service within the Company, recorded at the present value of estimated future payments. In determining the present value of estimated future payments to employees, the Company used discount rate ranging from 1.46% to 4.48%, assuming that the annual fluctuation rate ranges from 0% to 1.19%, while the wage growth rate is kept at zero. Mortality tables of the Republic of Serbia were used to calculate the present value of future expected discharges. Each difference, as a consequence of remeasuring the present value of the liability based on severance pay, and due to changes in actuarial assumptions and experiential projections, in the reporting year 2020 was recognized as a separate item of equity within the other comprehensive income at RSD 65,029 thousand (2019: RSD 1,236,362 thousand), and difference which is not a consequence of changes in actuarial assumptions and experiential projections, is recognized in the income statement.

Long-term provisions based on the costs of protection of natural environment refer to provisions formed for land reclamation, ie bringing the real estate in question to their original condition after the end of exploitation.

The Company formed a long-term provision for the estimated adverse effects of litigations that were initiated against the Company and that were active at the reporting date. This assessment was based on an assessment of the outcome of disputes made by the Company's legal sector.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

36. LONG-TERM PROVISIONS (continued)

The changes in the accounts of long-term provisions during 2020 and 2019 were as follows:

In RSD thousand

	Provision for retirement benefits and jubilee awards	Provision for litigations	Provision for environmental restoration	Provision for protection of natural environment	Other provision	Total
Balance at 1 January 2019	13,030,162	2,198,256	3,229,148	-	24	18,457,590
Correction of beginning balance (Note 5)	-	-	(714,377)	-	-	(714,377)
Corrected balance at 1 January 2019	13,030,162	2,198,256	2,514,771	-	24	17,743,213
New provisions recognized in the income statement (Note 15)	4,234,748	1,392,816	376,870	-	-	6,004,434
New provisions recognized within the other comprehensive income (Note 35)	1,236,362	-	-	-	-	1,236,362
Used long-term provision	(1,886,958)	(546,299)	(27,509)	-	-	(2,460,766)
Reversal of provision (Note 21)	(11,943)	(28,559)	-	-	-	(40,502)
Balance at 31 December 2019	16,602,371	3,016,214	2,864,132	-	24	22,482,741
New provisions recognized in the income statement (Note 15)	1,959,842	1,401,646	448,211	-	-	3,809,699
New provisions recognized within the other comprehensive income (Note 35)	65,029	-	-	-	-	65,029
Used long-term provision	(1,403,626)	(434,044)	-	-	-	(1,837,670)
Reversal of provision (Note 21)	-	(136,745)	-	-	-	(136,745)
Other	-	-	25,137	-	-	25,137
Balance at 31 December 2020	17,223,616	3,847,071	3,337,480	-	24	24,408,191

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

36. LONG-TERM PROVISIONS (continued)

Changes in the present value of calculated retirement benefits and jubilee awards during 2020 and 2019 are given in the following table:

	In RSD thousand		
	Retirement benefits	Jubilee awards	Total
Balance at 1 January 2019	3,656,860	9,373,302	13,030,162
<i>Items recognized in the income statement:</i>			
Interest expense (Note 15)	110,950	259,156	370,106
Cost of services (Note 15)	289,862	1,069,096	1,358,958
Actuarial losses (Note 15)	-	2,505,684	2,505,684
Amount of reversals during the current year in favor of revenue (Note 21)	(7,255)	(4,688)	(11,943)
<i>Included in the total result:</i>			
Actuarial losses (Note 35)	1,236,362	-	1,236,362
Payments to employees	(397,053)	(1,489,905)	(1,886,958)
Balance at 31 December 2019	4,889,726	11,712,645	16,602,371
<i>Items recognized in the income statement:</i>			
Interest expense (Note 15)	153,103	326,752	479,855
Cost of services (Note 15)	206,995	750,036	957,031
Actuarial losses (Note 15)	-	522,956	522,956
<i>Included in the total result:</i>			
Actuarial losses (Note 35)	65,029	-	65,029
Payments to employees	(84,401)	(1,319,225)	(1,403,626)
Balance at 31 December 2020	5,230,452	11,993,164	17,223,616

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

37. LONG-TERM LIABILITIES

	31 December 2020	In RSD thousand 31 December 2019
Liabilities convertible to equity	80,500	80,500
Long-term borrowings: domestic	31,946,569	24,815,480
<i>Less: Current portion of long-term borrowings: domestic</i>	<u>(9,091,159)</u>	<u>(3,855,974)</u>
	<u>22,855,410</u>	<u>20,959,506</u>
Long-term borrowings - foreign	93,936,455	97,669,466
<i>Less: Current portion of long-term borrowings: foreign</i>	<u>(9,259,637)</u>	<u>(9,634,305)</u>
	<u>84,676,818</u>	<u>88,035,161</u>
Other long-term liabilities:		
- rescheduled liabilities towards suppliers	-	28,076
- other	28,090	67,427
<i>Less: Current portion of other long-term liabilities</i>	<u>(28,076)</u>	<u>(67,382)</u>
	<u>14</u>	<u>28,121</u>
	<u>107,612,742</u>	<u>109,103,288</u>

***I Refinanced borrowings realised from the funds of
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 for the possibility of the additional write-off of liabilities in three years to the maximum amount of 66.67%.

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

2. London Club of Creditors

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

37. LONG-TERM LIABILITIES (continued)

1 Refinanced borrowings from the funds (continued)

3. International Banks for Reconstruction and Development

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

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

Borrowings realised in the period 1990 - 2001

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

PE EPS recognized the liability arising from the borrowing facility used by JP EPS 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 FRY.

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, JP EPS 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 Company and its subsidiaries.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

37. LONG-TERM LIABILITIES (continued)

II Borrowings from foreign governments

1. Borrowings from the government of the Republic of Poland

The borrowing from the government of the Republic of Poland was approved during 2003 in the amount of USD 49,996,617 and was used in full by 31 December 2005. The agent is Vojvodanska banka a.d. Novi Sad. The borrowing is repaid in semi-annual instalments starting from 2005 and is to be completed in 2024. Interest is accrued semi-annually by applying the annual rate of 0.75 %.

2. Borrowings from the People's Republic of China through Export-Import Bank (EXIM Bank of China)

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

- Borrowing Agreement for subsidized buyer for stage I of the Kostolac-B Power Plant Projects Package, concluded on 26 December 2011 between the Government of the Republic of Serbia, as the Borrower, and Chinese Export-Import Bank, as the Creditor, in accordance with the Contractual Agreement as of 8 December 2010 for implementation of stage I of the Kostolac-B Power Plant Projects Package.

The borrowing was agreed in the amount of USD 293 million, for a period of 180 months, including grace period of 60 months, after coming into effect of Borrowing Agreement for subsidized buyer. The period of using the borrowing funds is 60 months after coming into effect of Borrowing Agreement for subsidized buyer, with possibility of extending with the consent of EXIM Bank from 31.05.2017. year, the term of use was extended to 31.12.2018. years. After the expiration of the term of use, and in accordance with Article 3.3 of the Agreement, part of the borrowing for the amount of USD 6,361 million was automatically canceled. The instalments mature for repayment semi-annually, on 21 January and 21 July each calendar year. The amount of the withdrawn borrowing until June 4, 2017 will be repaid in 20 equal consecutive semi-annual 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.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

37. LONG-TERM LIABILITIES (continued)

II Borrowings from foreign governments (continued)

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

The Government of Japan, is financing the project of flue gas desulphurization plant construction at "Nikola Tesla" Thermal Power Plant. Financing is done through the Japan International Cooperation Agency (JICA). The borrowing of JPY 28,252 billion was agreed on 24 November 2011. Agreement is concluded for the period of 15 years and repayment period is 10 years following the five-year grace period. Utilization period of loan funds is 10 years after the Borrowing Agreement effectiveness, with possibility of extension. The interest rate is 0.6% annually, except for the borrowing portion used for payment of consultant services, where the interest is accrued at the rate of 0.01% annually. The commitment fee, amounting to 0.10% per annum, is capitalized, ie paid from borrowing funds until December 20, 2021, after which it will be paid from the Company's funds. Maturity dates are 20 May and 20 November, whereby the repayment of the principal, according to the amortization plan in Appendix 3 and Annex 1 of the Loan Agreement, commences on 20 November, 2016 and completes on 20 November 2026. In November 2016 due principal I amounted to JPY 5,572,856 and principal II due amounted to JPY 50,340,000. From 20 May 2017 to 20 May 2022 due principal I and II will amount to JPY 5,562,000 and JPY 50,333,000 respectively. On 20 November 2022 due principal I and II will amount to JPY 3,014,253,144 and JPY 50,333,000 respectively. From May 2023 to the end of repayment period, 20 November 2026, due principal I and II will amount to JPY 3,014,249,000 and JPY 50,333,000 respectively.

III Borrowings from International Financial Organizations

1. KfW

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

- EUR 30 million was borrowed on 9 September 2005. The final date for the availability of funds borrowed was extended to 31 March 2014, up to when all funds have been used in full. Pursuant to the provisions contained in the Agreement, the principal repayment has commenced on 30 December 2010 in 20 equal instalments of EUR 1,500,000. The final maturity date is 30 June 2020, with which the loan was repaid. The borrowing was agreed interest-free. Guarantee costs, which are calculated on the unpaid portion of the principal, amount to 0.75% annually, while commission for unused funds of borrowing amount to 0.25% annually. The agreed fee for the environmental fund (2.5%) was never paid, because the environmental fund was not formed.
- EUR 36 million (with the additional amount of EUR 10 million not to be repaid) was borrowed on 2 January 2008. Deadline for usage of borrowing funds is extended until 31 December 2019. According to the Agreement, repayment of principal commences on 30 June 2013, to be completed on 30 December 2019. With the consent of the creditor, borrowing funds that have not been withdrawn by 31.12.2020. year, in the amount of EUR 1,258,701.37 will be available until 31.12.2021. year, and it will be repaid in two equal consecutive semi-annual installments. The interest rate is determined two days prior to usage of each individual tranche and is fixed at that level until KfW informs the Company on the consolidated interest rate for the entire borrowing which will be determined upon the execution of the last disbursement of the subject borrowing and will remain constant throughout the entire repayment period. Interest rate of each tranche is defined as the rate determined by KfW two days prior to date of repayment of appropriate portion of the borrowing based on effective financing costs of KfW on EURO capital market in moment of payment for maturities which, as close as possible, match maturities of borrowing portions on which payments should be made plus mark-up of 1.75% annually. Commission on unused portion of borrowing amounts to 0.25% annually. Management fee amounts to 1% of total borrowing amount, and is paid once out of Borrowers own funds.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

37. LONG-TERM LIABILITIES (continued)

III Borrowings from International Financial Organizations (continued)

1. KfW (continued)

- EUR 70 million was agreed on 29 October 2010. As the final deadline for the use of borrowed funds has been set 31 December 2015 with the option of deadline extension. This deadline has been extended to 31 December 2020. According to the provisions of the Borrowing Agreement, the principal repayment should have commenced on 30 December 2015 in 20 equal semi-annual instalments. According to Amendment I to the Borrowing Agreement loan principal repayment terms have been changed such that principal is to be repaid in 14 equal semi-annual instalments starting on 30 December 2018. A fixed interest rate has been agreed and is to be determined by KfW annually two days before the disbursement for each portion of the borrowing received based on the expenses incurred by KfW on the EUR capital market under terms that best correspond to the fixed interest rate period decreased by 0.5% mark-up annually, given that the rate calculated in this manner cannot be below 1% annually. After each payment, KfW consolidates these rates into a uniform rate for the total borrowing. Commission for unused portion of the borrowing amounts to 0.25% annually, with the Company being freed from this expense in 2014. Management fee amounts to 1% of total loan amount and is paid once out of Borrowers own funds.
- EUR 65 million (with additional EUR 9 million of non-repayable funds) was agreed on 12 October 2012. As the final date for utilization of borrowing funds was set 30 December 2015, which has been extended to 30 June 2020. According to the provisions of the Borrowing Agreement, the principal repayment commenced on 30 December 2015 in 19 equal semi-annual instalments, where in the event of extension of date for utilization of borrowing funds, repayment would commence 3 years later, on 30 December 2018, in 13 equal semi-annual instalments. A fixed interest rate has been agreed and is to be determined by KfW annually two days before the disbursement for each portion of the borrowing received based on the expenses incurred by KfW on the EUR capital market under terms that best correspond to the fixed interest rate period increased by 0.40% for the portion of the loan of EUR 25 million, and by 1.15% for the portion of the borrowing of EUR 40 million. After each payment, KfW consolidates these rates into a uniform rate for the total borrowing amount, which is fixed to the end of the repayment period. Commission for unused portion of the borrowing amounts to 0.25% annually. Management fee amounts to 1% of total loan amount and is paid once out of Borrowers own funds.
- EUR 45 million was agreed on 28 February 2017. As the final deadline for the use of borrowed funds is set 30 June 2022 with the option of deadline extension. According to the Borrowing Agreement loan principal repayment is to be repaid in 14 equal semi-annual instalments starting on 30 June 2022, ending to 30 December 2028. A Fixed interest rate has been agreed and amounts to 0.80% annually, with the Company being exempted from this cost in the period from March 30, 2019 to June 30, 2019. Commission for unused portion of the borrowing amounts to 0.25% annually. Management fee amounts to 0.75% of total borrowing amount, and is paid once out of Borrowers own funds.
- EUR 80 million (with additional EUR 1 million of non-repayable funds) was agreed on 29 November 2017. As the final deadline for the use of borrowed funds is set 30 December 2021 with the option of deadline extension. According to the Borrowing Agreement loan principal repayment is to be repaid in 23 equal semi-annual instalments starting on 30 December 2021, ending to 30 December 2032. A Fixed interest rate has been agreed and amounts to 0.85% annually. Commission for unused portion of the borrowing amounts to 0.25% annually, with the Company being exempted from this cost in the period from March 30, 2019 to June 30, 2019. Management fee amounts to 0.75% of total borrowing amount, and is paid once out of Borrowers own funds.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

37. LONG-TERM LIABILITIES (continued)

III Borrowings from International Financial Organizations (continued)

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

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

- EUR 40 million was agreed on 2 September 2010. On 22 December 2016 The Bank extended the ultimate date until which funds are available up to 2 September 2018. After the expiration of the term of use, in accordance with the provisions of Section 7.02.(a) of the Standard Provisions of 1 October 2007, on 2 September 2018, part of the loan in the amount of EUR 35,101,334 was canceled, so that the agreed loan amount amounts to 4,898,666. According to the provisions of the relevant Agreement, the principal repayment commenced on 2 September 2013 and is to be executed in 18 semi-annual instalments by 2 March 2022. The borrowing accrues variable interest rate, which consists of EURIBOR and mark-up of 1% annually, with the option to choose a fixed interest rate. Commission on unused portion of the loan amounts to 0.5% annually. Management fee amounts to 1% of total loan amount and is paid once out of borrowed funds.
- EUR 80 million was agreed on 28 July 2011. The ultimate date until which funds are available is set at 28 January 2015, where the bank extended the drawdown period up to 31 January 2017, when the undrawn part of the borrowing in the amount of EUR 1,472,316.67 was canceled. According to the provisions of the relevant Agreement, the principal repayment commences as of 31 January 2015 and is to be executed in 17 equal semi-annual instalments by 31 January 2023. The borrowing accrues variable interest rate, which consists of EURBOR and mark-up of 1% annually, with the option to choose a fixed interest rate. Commission on unused portion of borrowing amounts to 0.5% annually. Management fee amounts to 1% of total borrowing amount, and is paid once out of borrowed funds.
- EUR 45 million was agreed on 7 December 2011. The ultimate date until which funds are available is set on 7 December 2014, where the drawdown period has been extended to 31 December 2020. With the consent of the creditor, the term of using the loan was extended to 31 December 2021. The amount of EUR 12.3 million has been cancelled on 31 October 2014. According to the provisions of the relevant Agreement, the principal repayment commenced on 30 April 2015 and is to be executed in 18 equal semi-annual instalments until 31 October 2023. The borrowing accrues variable interest rate, which consists of EURBOR and mark-up in amount of 1% annually, with the option to choose a fixed interest rate. Commission on unused portion of borrowing amounts to 0.5% annually. Management fee amounts to 1% of total borrowing amount, and is paid once out of borrowing funds.
- EUR 200 million was agreed on 30 October 2015, for a period of 15 years, including grace period of 18 months. The ultimate date for usage of borrowing funds is to be determined as a date upon expiry of one year from date of effectiveness of borrowing funds, with the option of extension. Defined date of effectiveness of borrowing funds is 29 September 2016. The loan funds were withdrawn in full by October 18, 2016. According to the terms of the Agreement, repayment of the principal will commence on 15 June 2017, in 27 equal semi-annual instalments, until 15 June 2030. The borrowing accrues variable interest rate, which consists of EURIBOR and mark-up in amount of 1% annually, with the option to choose a fixed interest rate. Commission on unused portion of borrowing amounts to 0.5% annually. Management fee amounts to 1% of total borrowing amount, and is paid once out of borrowing funds. The Company used granted funds for early repayment of loans with banks.

3. Borrowings from the European Investment Bank (EIB)

Financial agreements concluded with the European Investment Bank (EIB) are as follows:

- Based on the borrowing on financing the project of managing the electric power system of Serbia and Montenegro entered by and between Serbia and Montenegro on one side and European Investment Bank on 30 October 2003, a loan of EUR 22 million was extended to the Company. The borrowing was fully drawn in 10 tranches in the period until 31 December 2008. The borrowing is repaid in semi-annual instalments, partly maturing on 25 May and 25 November, and in part these instalments fall due on 9 June and 9 December in the period from 2010 through 2027. The first instalment is due on 25 November 2010 and the last instalment is due on 9 December 2027. The applicable interest rate is set for each tranche individually and is fixed until the end of repayment period.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

37. LONG-TERM LIABILITIES (continued)

III Borrowings from International Financial Organizations (continued)

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

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

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

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

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

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

4. Borrowings from the World Bank (WB)

International Development Association (IDA)

Pursuant to the Agreement on a development borrowing (Serbia and Montenegro Component of the Program of Energy Community of South East Europe – Serbia Project - ECSEE) contracted on 8 September 2005 between the State Union of Serbia and Montenegro on one side and the International Development Association on the other, in the amount of SDR 13.9 million and a Borrowing Sub agreement signed between the Republic of Serbia and the State Union of Serbia and Montenegro and the Borrowing Sub agreement concluded between the Republic of Serbia and the Company, the Company can use the loan funds of SDR 12.24 million. Funds were drawn down up to 30 June 2012, with the exception that the amount of SDR 441,151.20 was cancelled. The borrowing is to be repaid in instalments maturing on 15 March and 15 September in the period from 2015 to 2025, free of interest. Service charge amounts to 0.75% annually, and is calculated on the unpaid portion of the principal. Fee for the commitment of funds on the principal amount of the principal amount which is not withdrawn amounts to no more than 0.5% annually.

International Bank for Reconstruction and Development (IBRD)

Based on Borrowing Agreement (Project of urgent recovery from floods) concluded on 9 October 2014, between the Republic of Serbia, as the Borrower, and the IBRD, as the Creditor, in amount of EUR 227.48 million, the Republic of Serbia has via Loan Subagreement, agreed on 19 February 2015, transferred to the Company rights to use a portion of the loan funds, in amount of EUR 157.11 million. By amending the sub-agreement on the loan from October 4, 2017, the amount of the loan that the Republic of Serbia transferred to the Company was reduced, so that it now amounts to EUR 139.74 million. By amending the sub-agreement on the loan, on October 5, the Republic of Serbia canceled a part of the loan in the amount of EUR 3.2 million. After the expiration of the loan repayment period, which was until October 31, 2019, on March 10, 2020, the Company returned to the creditor the previously withdrawn and unjustified amount of the loan, in the amount of EUR 364.8 thousand, so that the total loan amount on 31 December 2020 is EUR 135,037,339.22. The loan period is 30 years, which includes a grace period of 9 years. The loan is repaid in 42 consecutive semi-annual installments, every May 1 and November 1, starting from November 1, 2023 to May 1, 2044. The interest rate is the sum of the six-month EURIBOR and the variable margin, which currently stands at 0.99% per annum. The fee for undrawn funds is 0.25% per annum, and is calculated on the amount of undrawn loan funds.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

37. LONG-TERM LIABILITIES (continued)

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

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

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

V *Commercial banks*

1. *Komercijalna banka a.d. Belgrade*

EUR 15 million was contracted on December 12, 2019. Loan funds are available in the period from January 1, 2020 until December 31, 2023. The loan repayment period is up to 10 years, with a grace period of up to 4 years. The repayment of the principal is in 12 equal consecutive semi-annual installments, with the first installment of the principal due on October 15, 2023, and the last on April 15, 2029. Payment dates are April 15 and October 15. The loan is subject to a variable interest rate, which consists of 6M EURIBOR and a margin of 1.95% per annum. As the value of 6M EURIBOR, the actual value of 6M EURIBOR is used. The commission on undrawn funds amounts to 0.25% per annum, and is calculated from January 1, 2020. A one-time management fee has not been agreed.

2. *Banca Intesa a.d. Belgrade*

EUR 45 million was contracted on December 9, 2019. Loan funds are available in the period from January 1, 2020 until December 31, 2023. The loan repayment period is up to 10 years, with a grace period of up to 4 years. The repayment of the principal is in 12 equal consecutive semi-annual installments, with the first installment of the principal due on October 15, 2023, and the last on April 15, 2029. Payment dates are April 15 and October 15. The loan is subject to a variable interest rate, which consists of 6M EURIBOR and a margin of 3.50% per annum. As the value of 6M EURIBOR, the actual value of 6M EURIBOR is used. The commission on undrawn funds amounts to 0.25% per annum, and is calculated from January 1, 2020. A one-time management fee has not been agreed.

EUR 30 million was contracted on December 9, 2019. Loan funds are available in the period from January 1, 2020 until December 31, 2023. The loan repayment period is up to 10 years, with a grace period of up to 4 years. The repayment of the principal is in 12 equal consecutive semi-annual installments, with the first installment of the principal due on October 15, 2023, and the last on April 15, 2029. Payment dates are April 15 and October 15. The loan is subject to a variable interest rate, which consists of 6M EURIBOR and a margin of 3.75% per annum. As the value of 6M EURIBOR, the actual value of 6M EURIBOR is used. The commission on undrawn funds amounts to 0.25% per annum, and is calculated from January 1, 2020. A one-time management fee has not been agreed.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

37. LONG-TERM LIABILITIES (continued)

V Commercial banks (continued)

3. Vojvodjanska banka a.d. Novi Sad

EUR 30 million was contracted on December 9, 2019. Loan funds are available in the period from January 1, 2020 until December 31, 2023. The loan repayment period is up to 10 years, with a grace period of up to 4 years. The repayment of the principal is in 12 equal consecutive semi-annual installments, with the first installment of the principal due on October 15, 2023, and the last on April 15, 2029. Payment dates are April 15 and October 15. The loan is subject to a variable interest rate, which consists of 6M EURIBOR and a margin of 3.75% per annum. As the value of 6M EURIBOR, the actual value of 6M EURIBOR is used. The commission on undrawn funds amounts to 0.25% per annum, and is calculated from January 1, 2020. A one-time management fee has not been agreed.

4. OTP banka

EUR 15 million was contracted on December 9, 2019. Loan funds are available in the period from January 1, 2020 until December 31, 2023. The loan repayment period is up to 10 years, with a grace period of up to 4 years. The repayment of the principal is in 12 equal consecutive semi-annual installments, with the first installment of the principal due on October 15, 2023, and the last on April 15, 2029. Payment dates are April 15 and October 15. The loan is subject to a variable interest rate, which consists of 6M EURIBOR and a margin of 3.75% per annum. As the value of 6M EURIBOR, the actual value of 6M EURIBOR is used. The commission on undrawn funds amounts to 0.25% per annum, and is calculated from January 1, 2020. A one-time management fee has not been agreed.

Loans for current assets

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

PUBLIC ENTERPRISE ELEKTROPRIVREDA SRBIJE, BELGRADE

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

37. LONG-TERM LIABILITIES (continued)

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

No.	LOANS	Currency	ORIGINAL CURRENCY				Means of security	Equivalent value in thousands of RSD	
			Principal	Maturity date	Repayment schedule	Interest rate		31.12.2020.	01.01.2020.
	TOTAL BORROWINGS (A+B)							125,883,024	122,484,946
A	FOREIGN CURRENCY BORROWINGS (I+IV+V+VI+VII)							113,703,024	122,484,946
I	REFINANCED BORROWINGS REALIZED FROM THE FUNDS OF: (1+2+3+4+5+6)							16,255,773	24,813,208
1	PARIS CLUB OF CREDITORS							15,370,686	18,384,521
1.1	AUSTRIA	EUR	1,554,583.59	30.09.2008.- 31.03.2024.	30.03 and 30.09	Amarketrate/EUR+0. 6 %	Promissory notes	182,788	220,992
1.2	FRANCE	EUR	17,927,166.52	22.09.2008.- 22.03.2024.	22.03 and 22.09	5.90%	Promissory notes	2,107,880	2,548,428
1.3	GERMANY	EUR	11,891,833.56	22.09.2008.- 22.03.2024.	22.03 and 22.09	5.50%	Promissory notes	1,398,244	1,690,478
1.4	CANADA	EUR	26,028,887.61	22.09.2008.- 22.03.2024.	22.03 and 22.09	Euribor/EUR +0.5%	Promissory notes	3,060,482	3,700,125
1.5	SWITZERLAND	CHF	35,985,254.00	22.09.2008.- 22.03.2024.	22.03 and 22.09	6m Libor/CHF+0.5%	Promissory notes	3,902,198	4,715,584
1.6	USA	USD	2,916,072.29	22.09.2008.- 22.03.2024.	22.03 and 22.09	5.375%	Promissory notes	278,962	369,854
1.7	RUSSIA	USD	36,768,568.93	22.03.2006.- 22.03.2034.	22.03 and 22.09	0.5517%	Promissory notes	3,517,417	3,978,350
1.8	JAPAN	JPY	994,675,708.46	22.09.2008.- 22.03.2024.	22.03 and 22.09	2.8390%	Promissory notes	922,715	1,160,710
2	LONDON CLUB OF CREDITORS	USD	4,352,879.82	01.05.2010.- 01.11.2024.	01.05 and 01.11	3.75% until 11/09	Promissory notes	416,413	570,873
3	IBRD	EUR	2,230,307.03	15.03.2005.- 15.12.2031.	15.03 and 15.09 15.06 and 15.12	6.75% until 11/24	Promissory notes	262,240	285,774
4	EZ	EUR	426,596.43	17.10.2012.- 17.10.2016.	17.04 and 17.10	6mEuribor		50,159	50,165
II	BORROWINGS IN THE PERIOD FROM 1990. - 2001.							156,275	514,180
5	Chinese borrowing	USD	1,633,584.84	21.07.2010.- 21.01.2021.	21.01 and 21.07	LIBOR6M+1.3%	Promissory notes	156,275	514,180
III	REPUBLIC OF SERBIA - MINISTRY OF FINANCE							-	5,007,695
6	Russian borrowing	USD	47,729,336.55	30.03.2019. 30.09.2026.	30.03 and 30.09.	LIBOR6M+1%	Promissory notes	-	5,007,695
IV	LOANS GRANTED BY STATE GOVERNMENTS							45,814,676	44,355,236
1	Polish borrowing	USD	3,043,592.83	2005. - 2024.	15.06. and 15.12.	0.75% p.a.	Guarantee RS	291,161	485,062
2	Japanese – JICA	JPY	11,355,342,272.00	20.11.2016. 20.11.2026.	20.05. and 20.11.	0.6% 0.01%	Guarantee RS	10,533,829	6,438,114
3	Export-Import Bank of China I	USD	190,138,022.04	21.07.2017. 21.01.2027.	21.01. and 21.07.	3% p.a.	Promissory notes	18,189,307	23,018,094
4	Export-Import Bank of China II	USD	175,619,166.52	21.07.2022. 21.01.2035.	21.01. and 21.07.	2.5% p.a.	Promissory notes	16,800,379	14,413,966

PUBLIC ENTERPRISE ELEKTROPRIVREDA SRBIJE, BELGRADE

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

37. LONG-TERM LIABILITIES (continued)

No.	LOANS	Currency	ORIGINAL CURRENCY				Means of security	Equivalent value in RSD 000	
			Principal	Maturity date	Repayment schedule	Interest rate		31.12.2020.	01.01.2020.
V	LOANS FROM INTERNATIONAL FINANCIAL ORGANIZATIONS							48,055,093	53,241,092
1	KfW III (30 mil. EUR)	EUR	-	30.12.2010.- 30.06.2020.	30.06. and 30.12.	0.75%	Guarantee RS	-	176,389
2	KfW IV (36 mil. EUR)	EUR	-	30.06.2013.- 30.12.2019.	30.06. and 30.12.	variable rate + markup of 1.75%	Guarantee RS	-	-
3	KfW V (70 mil. EUR)	EUR	40,220,507.37	31.12.2018.- 30.06.2025.	30.06. and 30.12.	variable rate + 0.5%	Guarantee RS	4,729,135	5,483,873
4	KfW VI (65 mil. EUR)	EUR	39,999,938.80	30.12.2017. 30.12.2024.	30.06. and 30.12.	variable rate + 0.4% for EUR 25 million and variable + 1.15% for EUR 40 million	Guarantee RS	4,703,201	5,585,452
5	KfW VII (45 mil. EUR)	EUR	146,748.16	30.06.2022. 30.12.2028.	30.06. и 30.12.	0.80%		17,255	17,257
6	KfW VIII (80 mil. EUR)	EUR	149,992.00	30.12.2021. 30.12.2032.	30.06. и 30.12.	0.85%		17,636	12,347
7	EBRD III (4,9 mil. EUR)	EUR	1,046,952.67	02.09.2013.- 02.03.2022.	02.03. and 02.09.	6M EURIBOR + 1%	Guarantee RS	123,101	205,190
8	EBRD IV(78,5 mil. EUR)	EUR	25,897,327.80	31.01.2015.- 31.01.2023.	31.01. and 31.07.	6M EURIBOR + 1%	Guarantee RS	3,045,013	4,263,475
9	EBRD V (32,7 mil. EUR)	EUR	11,145,973.70	30.04.2015.- 31.10.2023.	30.04. and 31.10.	6M EURIBOR + 1%	Guarantee RS	1,310,546	1,216,879
10	EBRD VI (200 mil. EUR)	EUR	140,740,740.72	15.06.2017.- 15.06.2030.	15.06. and 15.12.	6M EURIBOR + 1%	Guarantee RS	16,548,324	18,292,213
11	EIB II (22 mil. EUR)	EUR	8,093,332.82	25.11.2010. 09.12.2027.	09.06. and 09.12; 25.05. and 25.11.	fixed for each tranche of 3.879% to 5.248%	Guarantee RS	951,616	1,124,187
12	Wb IDA (12,24 mil. SDR)	XDR	5,309,481.96	15.09.2015.- 15.03.2025.	15.03. and 15.09.	-	Guarantee RS	731,549	941,507
13	WB IBRD (139 mil. EUR)	EUR	135,037,339.22	01.11.2023. 01.05.2044.	01.05. and 01.11.	6M EURIBOR + variable mark-up	Promissory notes	15,877,717	15,922,323
VI	COMMERCIAL BANKS							3,508,711	-
1	Komercijalna banka 15 mil	EUR	15,000,000	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 1.95%	Promissory notes	1,763,703	-
2	Banca Intesa 45mil	EUR	14,841,000	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 3.50%	Promissory notes	1,745,008	-
3	Banca Intesa 30mil	EUR	-	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 3.75%	Promissory notes	-	-
4	Vojvođanska banka 30mil	EUR	-	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 3.75%	Promissory notes	-	-
5	OTP banka 15mil	EUR	-	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 3.75%	Promissory notes	-	-
VII	OTHER							68,771	75,410
1	EMS a.d. – IBRD	EUR	17,734.17	15.03.2005.- 15.12.2031.	15.03. and 15.09. 15.06. and 15.12.	1/3-5.44% and 2/3- euribor	Promissory notes	2,085	2,272
2	Tehnoexport	USD	697,086.00			-		66,686	73,138

PUBLIC ENTERPRISE ELEKTROPRIVREDA SRBIJE, BELGRADE

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

37. LONG-TERM LIABILITIES (continued)

No.	LOANS	Currency	ORIGINAL CURRENCY				Means of security	Equivalent value in RSD 000	
			Principal	Maturity date	Repayment schedule	Interest rate		31.12.2020.	01.01.2020.
B	LOANS IN RSD						12,180,000	-	
1	Komercijalna banka	RSD	580,000,000	01.01.2021. 01.12.2022.	01.01. and 01.12.	1M BELIBOR + 2.70%	580,000	-	
2	Komercijalna banka	RSD	580,000,000	01.01.2021. 01.12.2022.	01.01. and 01.12.	1M BELIBOR + 2.90%	580,000	-	
3	Erste banka	RSD	580,000,000	01.01.2021. 01.12.2022.	01.01. and 01.12.	1M BELIBOR + 2.93%	580,000	-	
4	Poštanska štedionica	RSD	580,000,000	01.01.2021. 01.12.2022.	01.01. and 01.12.	1M BELIBOR + 2.97%	580,000	-	
5	Erste banka	RSD	580,000,000	01.01.2021. 01.12.2022.	01.01. and 01.12.	1M BELIBOR + 2.99%	580,000	-	
6	AIK banka	RSD	1,160,000,000	01.01.2021. 01.12.2022.	01.01. and 01.12.	1M BELIBOR + 3.00%	1,160,000	-	
7	OTP banka	RSD	1,160,000,000	01.01.2021. 01.12.2022.	01.01. and 01.12.	1M BELIBOR + 3.01%	1,160,000	-	
8	Vojvođanska banka	RSD	580,000,000	01.01.2021. 01.12.2022.	01.01. and 01.12.	1M BELIBOR + 3.01%	580,000	-	
9	Komercijalna banka	RSD	580,000,000	01.01.2021. 01.12.2022.	01.01. and 01.12.	1M BELIBOR + 2.90%	580,000	-	
10	Erste banka	RSD	580,000,000	01.01.2021. 01.12.2022.	01.01. and 01.12.	1M BELIBOR + 2.99%	580,000	-	
11	Vojvođanska banka	RSD	580,000,000	01.01.2021. 01.12.2022.	01.01. and 01.12.	1M BELIBOR + 3.01%	580,000	-	
12	Vojvođanska banka	RSD	1,160,000,000	01.01.2021. 01.12.2022.	01.01. and 01.12.	1M BELIBOR + 3.02%	1,160,000	-	
13	OTP banka	RSD	1,160,000,000	01.01.2021. 01.12.2022.	01.01. and 01.12.	1M BELIBOR + 3.02%	1,160,000	-	
14	Banca Intesa	RSD	1,160,000,000	01.01.2021. 01.12.2022.	01.01. and 01.12.	1M BELIBOR + 2.49%	1,160,000	-	
15	UniCredit banka	RSD	1,160,000,000	01.01.2021. 01.12.2022.	01.06. and 01.07.	1M BELIBOR + 3.00%	1,160,000	-	
	CURRENT PORTION OF LONG-TERM LOANS						18,350,796	13,490,279	
A	Foreign currency loans						12,550,796	13,490,279	
B	Loans in RSD						5,800,000	-	
	TOTAL LONG-TERM PORTION						107,532,228	108,994,667	
A	Foreign currency loans						101,152,228	108,994,667	
B	Loans in RSD						6,380,000	-	

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

37. LONG-TERM LIABILITIES (continued)

Analysis of approved loans withdrawals

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

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

Analysis of long term loans maturities

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

Analysis of borrowings per requested discharging currency

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

37. LONG-TERM LIABILITIES (continued)

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

The following tables provide reconciliation between the opening and closing balances for liabilities arising from financing activities for the year ended 31 December 2020 and 2019:

	Cash flows			Non-cash changes				Balance as at 31 December 2020	In RSD thousand
	Balance as at 1 January 2020	Proceeds	Repayment	Proceeds from commodity loans	Debt write-off	Foreign exchange movement	Other		
2020									
Long-term loans	122,484,946	19,688,825	(16,320,417)	9,338,116	(4,781,076)	(4,591,563)	64,193	125,883,024	
Other long-term financial liabilities	95,503	-	(206)	-	-	-	(67,207)	28,090	
Other short-term financial liabilities	8,071	-	(56,735)	-	-	-	58,360	9,696	
Total liabilities from financing activities	122,588,520	19,688,825	(16,377,358)	9,338,116	(4,781,076)	(4,591,563)	55,346	125,920,810	
2019									
Long-term loans	127,981,304	1,860,658	(13,860,471)	6,117,882	(468,732)	831,005	23,300	122,484,946	
Other long-term financial liabilities	162,839	-	(11,230)	-	-	-	(56,106)	95,503	
Other short-term financial liabilities	7,022	-	-	-	-	-	1,049	8,071	
Total liabilities from financing activities	128,151,165	1,860,658	(13,871,701)	6,117,882	(468,732)	831,005	(31,757)	122,588,520	

38. SHORT-TERM FINANCIAL LIABILITIES

	In RSD thousand	
	31 December 2020	31 December 2019
<i>Liabilities in foreign currency</i>		
Current portion of long-term loans – foreign	9,259,637	9,634,305
Current portion of long term-loans – domestic	3,291,159	3,855,974
	<u>12,550,796</u>	<u>13,490,279</u>
<i>Liabilities in RSD</i>		
Current portion of long term-loans	5,800,000	-
Current portion of other long-term liabilities	28,076	67,382
	<u>5,828,076</u>	<u>67,382</u>
Other short-term financial liabilities in foreign currency	3,016	3,016
Other short-term financial liabilities in RSD	6,680	5,055
	<u>9,696</u>	<u>8,071</u>
	<u>18,388,568</u>	<u>13,565,732</u>

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

38. SHORT-TERM FINANCIAL LIABILITIES (continued)

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

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

39. CUSTOMER PREPAYMENTS, DEPOSITS AND CAUTION MONEY

	In RSD thousand	
	31 December 2020	31 December 2019
Customer prepayments:		
- In RSD	772,622	647,207
- In foreign currency	134	4,462
Received deposits and down payments	147,923	86,465
Received prepayments from individuals in RSD	1,073	1,023
	921,752	739,157

As at 31 December 2020, Advances received in RSD in the amount of RSD 772,622 thousand (31 December 2019: RSD 647,207 thousand), mostly relates to advances received based on the sale of coal in the Branch "Rudarski basen Kolubara" of RSD 206,510 thousand.

40. OPERATING LIABILITIES

	In RSD thousand	
	31 December 2020	31 December 2019
Trade payables - legal entities within the EPS group in the country (Note 46)	80,656	21,782,808
Trade payables - domestic	17,602,514	19,285,358
A.D. „Elektromreza Srbije“, Belgrade	484,973	404,417
"Elektrodistribucija Srbije" d.o.o., Belgrade	22,652,081	-
	40,820,224	41,472,583
Trade payables - foreign	5,263,600	6,427,676
Other trade payables:		
- expropriation liabilities	142,805	47,984
- liabilities for compensation for damages from operations	4,751	7,254
- other	1,911,001	1,523,223
	2,058,557	1,578,461
	48,142,381	49,478,720

Liabilities to the legal entity "Elektrodistribucija Srbije" d.o.o., Belgrade stated as of December 31, 2020 in the amount of RSD 22,652,081 thousand relate to liabilities to "Elektrodistribucija Srbije" d.o.o., Belgrade on the basis of a fee for access to the distribution system. As disclosed in Note 1, "Elektrodistribucija Srbije" d.o.o., Belgrade was under the control of the Company until December 31, 2020, so that the liabilities on this basis are as of December 31, 2019. reported within the line Trade payables - legal entities within the EPS group in the country in the amount of RSD 21,693,716 thousand.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

41. OTHER CURRENT LIABILITIES

	In RSD thousand	
	31 December	<i>Corrected</i>
	2020	31 December
	2019	
Liabilities from specific business relations	1,615,204	1,362,058
Other liabilities towards employees	71,133	2,302,642
Liabilities for unpaid wages and salaries, net	1,602,865	1,379,430
Liabilities for taxes and contributions:		
- charged to employee	651,891	565,975
- charged to employer	985,514	1,470,432
Other liabilities for wages and salaries	52,136	41,586
Liabilities for interests and financing costs	65,562	119,818
Liabilities for dividends and profit participation	6,032,142	4,201,176
Liabilities towards members of Executive and Supervisory board	415	290
Liabilities towards individuals	36,628	41,524
Liabilities for matured loans from Ministry of Finance of the Republic of Serbia	397,223	397,223
Other liabilities to legal entities within the EPS group (Note 46)	-	58,725
Other liabilities	159,868	284,447
	<u>11,670,581</u>	<u>12,225,326</u>

Liabilities from specific business relations disclosed as at 31 December 2020 in the amount of RSD 1,615,204 thousand (31 December 2019: RSD 1,362,058 thousand) include fee liabilities for Public Media Service in accordance with the Law on the Temporary Regulation of the Method of Tax Collection for the Public Media Service (Note 6 and 29).

Other liabilities to employees as at 31 December 2020 amount to RSD 71,133 thousand and include due liabilities based on severance pay and jubilee awards in the amount of RSD 34,019 thousand (31 December 2019: RSD 245,553 thousand) and other liabilities in the amount of RSD 37,114 thousand (31 December 2019: RSD 33,000 thousand), and they were settled after the balance sheet date. As at 31 December 2019, other liabilities to employees included liabilities to employees based on voluntary termination of employment in the amount of RSD 2,024,089 thousand that were settled after the balance sheet date. As of December 31, 2020, the Company has no obligations to employees based on voluntary termination of employment.

Liabilities for dividends and profit share as at 31 December 2020 in the amount of RSD 6,032,142 thousand (31 December 2019: RSD 4,201,176 thousand) relate to liabilities to the Owner recognized in previous years based on the decisions of the Supervisory Board on the distribution of profits and in accordance with the Law on Budget of the Republic of Serbia. Also it relates to liabilities to employees and former employees on behalf of participation in the profit determined by the financial statements for the year ended 31 December 2015, in accordance with the decision of the Supervisory board from 6 December 2018. During 2020, the Company made arrears to employees and former employees on the basis of profit sharing in the total amount of RSD 149 thousand (2019: RSD 6,307 thousand). There was no payment to the founder.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

42. VAT LIABILITIES

	In RSD thousand	
	31 December 2020	31 December 2019
Deferred VAT	5,315,511	5,235,620
Liabilities for calculated VAT	2,043,136	2,228,955
	<u>7,358,647</u>	<u>7,464,575</u>

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

43. LIABILITIES FOR TAXES, CONTRIBUTIONS AND OTHER DUTIES

	In RSD thousand	
	31 December 2020	31 December 2019
Corporate income tax liabilities	3,195,792	-
Charges for water and other public goods use	720,315	664,327
Charge for energy efficiency	87,934	82,730
Charge for environment protection	1,182,026	780,161
Other liabilities for other public revenues	279,632	741,786
Liabilities for taxes, customs and other duties	3,438,373	3,269,299
	<u>8,904,072</u>	<u>5,538,303</u>

Liabilities based on public revenues were settled by the Company 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 Company has the obligation of advance payment in the amount of the previously determined obligation until receiving the same acts of tax and other bodies.

44. ACCRUED EXPENSES

	In RSD thousand	
	31 December 2020	31 December 2019
Received donations:		
- from the Government of RS and other state authorities	268,048	291,647
- foreign	8,298,571	8,379,774
- domestic	111,005	146,103
- deferred income from donations received (SAP)	1,189	-
	<u>8,678,813</u>	<u>8,817,524</u>
Other accruals	869,670	613,360
Accrued expenses	741,103	745,370
	<u>10,289,586</u>	<u>10,176,254</u>

The Company 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.

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

44. ACCRUED EXPENSES (continued)

Changes in deferred revenue which pertain to received donations during 2020 and 2019 are the following:

	31 December	In RSD thousand
	2020	31 December
	2020	2019
Opening balance	8,817,524	8,987,838
Current year donations	294,500	470,502
Transfer to revenues (Note 8)	(221,594)	(357,765)
FX rate differences	-	5,999
Other (Note 7)	(211,617)	(289,050)
Closing balance	8,678,813	8,817,524

45. OFF BALANCE SHEET ASSETS AND LIABILITIES

	31 December	In RSD thousand
	2020	31 December
	2020	2019
Material for processing	16,169	597
Liabilities for issued guarantees and other types of collateral for liabilities	179,748,843	208,145,154
Receivables for received guarantees and other types of collateral for receivables	51,255,089	46,387,726
Other off balance sheet items	70,148	70,148
	231,090,249	254,603,625

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

46. RELATED PARTY TRANSACTIONS

a) Balance sheet

The following balances of receivables and liabilities have arisen from related party transactions:

	31 December 2020	In RSD thousand 31 December 2019
<i>Shares in capital (Note 25):</i>		
Elektrodistribucija Srbije d.o.o., Beograd	-	77,927,740
EPS Trgovanje d.o.o, Ljubljana	66,304	66,304
Kolubara - Gradjevinar d.o.o., Lazarevac	1,771,606	1,771,606
Elektrosever.d.o.o.	1,182	1,182
HES Gornja Drina d.o.o., Foca	595,653	-
	<u>2,434,745</u>	<u>79,766,832</u>
<i>Long-term financial investments (Note 25):</i>		
Elektrodistribucija Srbije d.o.o., Beograd	-	2,538,612
Kolubara - Gradjevinar d.o.o., Lazarevac	134,511	224,184
<i>Less: Allowance for impairment of long-term financial investments</i>	<u>(134,511)</u>	<u>-</u>
	<u>-</u>	<u>2,762,796</u>
<i>Short-term financial investments (Note 31):</i>		
Elektrodistribucija Srbije d.o.o., Beograd	-	171,183
Kolubara - Gradjevinar d.o.o., Lazarevac	550,477	460,803
<i>Less: Allowance for impairment of short-term financial investments</i>	<u>(550,477)</u>	<u>-</u>
	<u>-</u>	<u>631,986</u>
<i>Inventory – Advances paid (Note 27):</i>		
Elektrodistribucija Srbije d.o.o., Beograd	-	7,014
Kolubara - Gradjevinar d.o.o., Lazarevac	251,684	258,843
<i>Less: Allowance for impairment of advances paid for Inventory</i>	<u>(104,516)</u>	<u>-</u>
	<u>147,168</u>	<u>265,857</u>
<i>Property, plant and equipment – Advances paid:</i>		
Kolubara - Gradjevinar d.o.o., Lazarevac	145,650	181,463
<i>Less: Allowance for impairment of advances paid for Property, plant and equipment</i>	<u>(84,812)</u>	<u>-</u>
	<u>60,838</u>	<u>181,463</u>
<i>Trade receivables (Note 28):</i>		
Elektrodistribucija Srbije d.o.o., Beograd	-	9,433,699
Kolubara - Gradjevinar d.o.o., Lazarevac	11,073	14,838
EPS Trgovanje d.o.o, Ljubljana	-	121,558
<i>Less: Allowance for impairment of trade receivables from related legal entities within the EPS Group</i>	<u>(5,952)</u>	<u>-</u>
	<u>5,121</u>	<u>9,570,095</u>
<i>Receivables from specific business operations (Note 29):</i>		
Elektrodistribucija Srbije d.o.o., Beograd	-	123,489
<i>Other receivables (Note 30):</i>		
Kolubara - Gradjevinar d.o.o, Lazarevac (interest receivables)	6,802	927
Elektrodistribucija Srbije d.o.o., Beograd	-	1,081,896
	<u>6,802</u>	<u>1,082,823</u>
<i>Prepaid expenses and other accruals (Note 34)</i>		
Kolubara - Gradjevinar d.o.o, Lazarevac	582	-
Total assets	<u>2,655,256</u>	<u>94,385,341</u>

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

46. RELATED PARTY TRANSACTIONS (continued)

a) Balance sheet (continued)

	31 December 2020	In RSD thousand 31 December 2019
<i>Operating liabilities (Note 40):</i>		
Elektrodistribucija Srbije d.o.o., Beograd	-	21,693,716
EPS Trgovanje d.o.o, Ljubljana	-	816
Kolubara - Gradjevinar d.o.o., Lazarevac	80,656	88,276
	<u>80,656</u>	<u>21,782,808</u>
<i>Other current liabilities (Note 41):</i>		
Elektrodistribucija Srbije d.o.o., Beograd	-	58,725
<i>Operating liabilities (advance received):</i>		
Kolubara - Gradjevinar d.o.o., Lazarevac	134	4,462
Elektrodistribucija Srbije d.o.o., Beograd	-	-
	<u>134</u>	<u>4,462</u>
Total equity and liabilities	<u>80,790</u>	<u>21,845,995</u>
Receivables / (Liabilities) – net	<u>3,454,734</u>	<u>72,539,346</u>

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

46. RELATED PARTY TRANSACTIONS (continued)

b) Income statement

An overview of revenues and expenses resulted from related party transactions:

	2020	In RSD thousand 2019
<i>Operating income (Note 6):</i>		
Elektrodistribucija Srbije d.o.o., Beograd	23,440,937	25,414,424
EPS Trgovanje d.o.o., Ljubljana	3,870,648	3,939,007
Kolubara - Gradjevinar d.o.o., Lazarevac	24,480	36,316
"Elektroserver" d.o.o.	-	219
	<u>27,336,065</u>	<u>29,389,966</u>
<i>Income from rendering services and other income (Note 5):</i>		
Elektrodistribucija Srbije d.o.o., Beograd	17,002,371	15,604,974
Kolubara - Gradjevinar d.o.o., Lazarevac	49,102	49,978
	<u>17,051,473</u>	<u>15,654,952</u>
<i>Other operating income (Note 9):</i>		
Elektrodistribucija Srbije d.o.o., Beograd	16,208	12,310
Kolubara - Gradjevinar d.o.o., Lazarevac	1,299	-
Income from lease - Elektrodistribucija Srbije d.o.o., Beograd	476,160	407,222
	<u>493,667</u>	<u>419,532</u>
<i>Financial income (Note 17):</i>		
Elektrodistribucija Srbije d.o.o., Beograd	26,847	2,237,559
EPS Trgovanje d.o.o., Ljubljana	627	1,280
Kolubara - Gradjevinar d.o.o., Lazarevac	5,887	3,822
	<u>33,361</u>	<u>2,242,661</u>
<i>Трошкови горива и енергије (напомена 11):</i>		
EPS Trgovanje d.o.o., Ljubljana	47,279	627,068
Elektrodistribucija Srbije d.o.o., Beograd	77,901,760	76,570,961
	<u>77,949,039</u>	<u>77,198,029</u>
<i>Costs of production services (Note 13):</i>		
Elektrodistribucija Srbije d.o.o., Beograd	529,666	674,477
Kolubara - Gradjevinar d.o.o., Lazarevac	714,759	605,733
	<u>1,244,425</u>	<u>1,280,210</u>
<i>Other operating expenses (Note 16):</i>		
Elektrodistribucija Srbije d.o.o., Beograd	12,494	17,446
	<u>12,494</u>	<u>17,446</u>
<i>Financial expenses (Note 18):</i>		
EPS Trgovanje d.o.o., Ljubljana	156	1,519
Elektrodistribucija Srbije d.o.o., Beograd	44,362	16,184
	<u>44,518</u>	<u>17,703</u>
<i>Expenses on impairment of receivables (Note 20):</i>		
Kolubara - Gradjevinar d.o.o., Lazarevac	867,956	8,201
Elektrodistribucija Srbije d.o.o., Beograd	3,613,761	-
	<u>4,481,717</u>	<u>8,201</u>
Income/(Expenses), net	<u>(38,817,627)</u>	<u>(30,814,478)</u>

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

47. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

Debt indicators of the Company at the year end were the following:

	31 December 2020	In RSD thousand 31 December 2019
Indebtedness a)	126,001,310	122,669,020
Cash and cash equivalents	<u>19,610,430</u>	<u>8,886,019</u>
Net indebtedness	<u>106,390,880</u>	<u>113,783,001</u>
Capital b)	<u>609,792,087</u>	<u>675,156,621</u>
Debt to equity ratio	<u>0.17</u>	<u>0.17</u>

a) Indebtedness relates 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 financial assets available for sale, retained earnings and accumulated loss.

Significant accounting policies regarding financial instruments

Details on significant accounting policies, as well as criteria and basis for recognition of revenue and expenses for all financial assets and liabilities are disclosed in Note 3.

Financial instruments categories

	31 December 2020	In RSD thousand 31 December 2019
Financial assets		
Equity investments	3,167,080	80,511,803
Long-term financial investments	3,495,599	6,439,288
Long-term receivables	298,364	344,912
Trade receivables	57,125,731	54,732,912
Short-term loans and short-term financial investments	206,220	994,240
Other receivables	5,851,146	6,869,630
Cash and cash equivalents	<u>19,610,430</u>	<u>8,886,019</u>
	<u>89,754,570</u>	<u>158,778,804</u>
Financial liabilities		
Long-term borrowings	107,612,728	109,075,167
Other long-term liabilities	14	28,121
Trade payables	48,142,381	49,478,720
Other liabilities	8,306,627	6,464,971
Current portion of long-term borrowings	18,378,872	13,557,661
Short-term financial liabilities	<u>9,696</u>	<u>8,071</u>
	<u>182,450,318</u>	<u>178,612,711</u>

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

47. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Risk management

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

Market risk

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

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

Currency risk

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

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

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

	Assets		Liabilities	
	31 December	31 December	31 December	31 December
	2020	2019	2020	2019
EUR	5,794,513	7,629,986	60,413,534	63,612,294
JPY	31,748	248,549	11,514,479	7,657,232
CHF	753	1	3,902,198	4,722,199
GBP	-	-	-	193
USD	4,612,159	24,784,767	42,366,524	52,603,373
XDR	731,549	941,507	731,549	943,586

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

	31 December 2020		31 December 2019	
	Appreciation of RSD	Depreciation of RSD	Appreciation of RSD	Depreciation of RSD
EUR	5,461,902	(5,461,902)	5,598,231	(5,598,231)
JPY	1,148,273	(1,148,273)	740,868	(740,868)
CHF	390,144	(390,144)	472,220	(472,220)
GBP	-	-	19	(19)
USD	3,775,436	(3,775,436)	2,781,861	(2,781,861)
XDR	-	-	208	(208)
Current year profit	10,775,755	(10,775,755)	9,593,407	(9,593,407)

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

47. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Currency risk (continued)

Sensitivity of the Group to changes in foreign exchange decreased in the current period, mostly due to effects of nominal decrease of liabilities presented in Euro and Yen currency.

Interest rate risk

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

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

	31 December 2020	In RSD thousand 31 December 2019
Financial assets		
<i>Interest-free</i>		
- Equity investments	3,167,080	80,511,803
- Long-term financial assets	1,000,000	3,671,788
- Trade receivables	57,125,731	54,732,912
- Other receivables	-	387,388
- Cash and cash equivalents	19,751	258,644
	<u>61,312,562</u>	<u>139,562,535</u>
<i>Fixed interest rate</i>		
- Long-term receivables	120,051	146,183
- Long-term financial investments	4,703	4,704
- Short-term loans and short-term financial assets	707	200,000
- Cash and cash equivalents	19,590,679	8,627,375
	<u>19,716,140</u>	<u>8,978,262</u>
<i>Variable interest rate</i>		
- Long-term financial investments	2,490,896	2,762,796
- Long-term receivables	178,313	198,729
- Short-term loans and other short-term financial investments	205,513	794,240
- Other receivables	5,851,146	6,482,242
	<u>8,725,868</u>	<u>10,238,007</u>
	<u>89,754,570</u>	<u>158,778,804</u>

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

47. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk (continued)

	31 December 2020	In RSD thousand 31 December 2019
Financial liabilities		
<i>Interest-free:</i>		
- Trade payables	48,142,381	49,478,720
- Other liabilities	90,433	108,460
	<u>48,232,814</u>	<u>49,587,180</u>
<i>Fixed interest rate:</i>		
- Long-term borrowings	22,935,910	21,040,006
- Current portion of long-term loans	9,091,159	3,855,974
	<u>32,027,069</u>	<u>24,895,980</u>
<i>Variable interest rate:</i>		
- Long-term borrowings	84,676,818	88,035,161
- Other long-term liabilities	14	28,121
- Other liabilities	8,216,194	6,356,511
- Current portion of long-term loans	9,287,713	9,701,687
- Short-term financial liabilities	9,696	8,071
	<u>102,190,435</u>	<u>104,129,551</u>
	<u>182,450,318</u>	<u>178,612,711</u>

Sensitivity analysis presented in further text 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, an estimation of a realistically plausible change in interest rates. If the interest rates are 1% higher/lower, with all other variables unchanged, the Company would have sustained operating loss for the year then ended 31 December 2020 in amount of RSD 934,646 thousand (31 December 2019: RSD 938,915 thousand). This situation is attributed to Company's exposure to interest rate risk.

Credit risk

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

47. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

Trade receivables and contractual assets

The Company's exposure to credit risk based on trade receivables and contractual assets as at 31 December 2020 and 31 December 2019 is shown in the table below:

	Gross exposure	Allowance	In RSD thousand Net exposure
31 December 2020			
Not due trade receivables	39,111,559	(715,153)	38,396,406
Overdue, provided trade receivables	108,528,584	(89,799,259)	18,729,325
	147,640,143	(90,514,412)	57,125,731
31 December 2019			
Not due trade receivables	35,393,759	-	35,393,759
Overdue, provided trade receivables	84,180,864	(84,180,864)	-
Overdue, not provided trade receivables	19,339,153	-	19,339,153
	138,913,776	(84,180,864)	54,732,912

Trade receivables for electricity are predominant in the breakdown of trade receivables. As at 31 December 2020 the Company is exposed to credit risk for trade receivables for sold electricity in the amount of RSD 47,330,652 thousand, or around 86%:

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

Expected credit loss assessment for trade receivables from electricity

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

47. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

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

The following table provides information about exposure to the credit risk and expected credit losses for trade receivables for guaranteed, commercial and reserve supply customers as at 31 December 2020:

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

PUBLIC ENTERPRISE ELEKTROPRIVREDA SRBIJE, BELGRADE

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

47. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Movement table on the Company's provision for impairment of financial assets

Movements on the Company's provision for impairment of financial assets for 2020 and 2019 are as follows:

	Long-term financial investments	Long-term receivables	Trade receivables	Receivables from specific operations	Other receivables	Short-term financial investments	Total
Balance at 1 January 2019	1,763,103	3,848,050	80,282,353	12,060	8,230,510	1,734,043	95,870,119
Allowances through Statement of profit and loss	641,444	2,544	6,645,556	285,900	339,887	(359,610)	7,555,721
Writte-off of receivables and investments	-	(493,333)	(894,364)	(480)	(591,543)	-	(1,979,720)
Income regarding to adjustment of allowance balance	(3,009)	(15,685)	(430,480)	-	(19,467)	(709,871)	(1,178,512)
Foreign exchange differences	-	6,709	742	-	-	-	7,451
Transfer within receivables	448	(383,159)	(1,421,218)	819,973	72,158	911,798	-
Correction postings based on UPPR	809,716	-	-	-	-	30	809,746
Decrease based on valuation of securities	(1,035)	-	-	-	-	-	(1,035)
Other	-	8	(1,725)	2	-	22,651	20,936
Balance at 31 December 2019	3,210,667	2,965,134	84,180,864	1,117,455	8,031,545	1,599,041	101,104,706
Effects of first-time adoption of IFRS 9	-	-	(2,154,948)	(217,188)	(40,392)	-	(2,412,528)
Allowances through Statement of profit and loss	134,519	-	9,100,311	211,335	1,331,628	208,706	10,986,499
Writte-off of receivables and investments	(555)	(1,071)	(153,809)	(8,729)	(16,846)	(158,500)	(339,510)
Income regarding to adjustment of allowance balance	-	(98,073)	(151,009)	(77,123)	-	(339,774)	(665,979)
Foreign exchange differences	-	-	1,875	-	-	-	1,875
Collection of previously impaired receivables	-	-	(3,042)	-	-	(98,669)	(101,711)
Transfer within receivables	326,088	(575,769)	(301,133)	43,093	(43,093)	550,814	-
Correction postings based on UPPR	(560)	4,685	(4,697)	-	-	-	(572)
Decrease based on valuation of securities	(90,306)	-	-	-	-	-	(90,306)
Transfers from another accounts	-	-	-	-	278,456	-	278,456
Other	14,712	615	-	-	77	(436)	14,968
Balance at 31 December 2020	3,594,565	2,295,521	90,514,412	1,068,843	9,541,375	1,761,182	108,775,898

Trade payables management

Trade payables as at 31 December 2020 in the amount of RSD 48,142,381 thousand (31 December 2019: 49,478,720 thousand). According to financial risks management policy, the Company settles trade payables in the agreed period.

Liquidity risk

Ultimate responsibility for liquidity risk management is on the Company's Management, which has established an appropriate managing system for utilization of short term, medium term and long term financing of the Company, as well as liquidity management. The Company 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.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

47. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk and credit risk tables

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

Financial assets maturity

	In RSD thousand 31 December 2020					
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest-free	50,900,631	6,244,851	-	-	4,167,080	61,312,562
Fixed interest rate	19,590,679	707	4,703	-	120,051	19,716,140
Variable interest rate	5,646,471	-	405,775	2,356,385	317,237	8,725,868
	76,137,781	6,245,558	410,478	2,356,385	4,604,368	89,754,570

	In RSD thousand 31 December 2019					
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total <i>Corrected</i>
Interest-free	48,064,162	6,726,948	387,388	-	84,384,037	139,562,535
Fixed interest rate	8,627,375	200,000	4,704	-	146,183	8,978,262
Variable interest rate	6,358,753	-	917,729	-	2,961,525	10,238,007
	63,050,290	6,926,948	1,309,821	-	87,491,745	158,778,804

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

Financial liabilities maturity

	In RSD thousand 31 December 2020					
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest-free	32,999,753	13,631,859	1,601,202	-	-	48,232,814
Fixed interest rate	-	-	9,091,159	-	22,935,910	32,027,069
Variable interest rate	10,881,980	-	6,631,623	84,676,832	-	102,190,435
	43,881,733	13,631,859	17,323,984	84,676,832	22,935,910	182,450,318

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

47. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial liabilities maturity (continued)

	In RSD thousand					Total <i>Corrected</i>
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Interest-free	29,238,102	19,573,141	775,937	-	-	49,587,180
Fixed interest rate	-	-	3,855,974	-	21,040,006	24,895,980
Variable interest rate	6,356,511	-	9,709,758	88,035,206	28,076	104,129,551
	35,594,613	19,573,141	14,341,669	88,035,206	21,068,082	178,612,711

The following table contains present values of financial assets and financial liabilities and their fair value as at 31 December 2020 and 31 December 2019:

	31 December 2020		31 December 2019	
	Net book value	Fair value	Net book value	Fair value
Financial assets				
Equity investments	3,167,080	3,167,080	80,511,803	80,511,803
Long-term financial investments	3,495,599	3,495,599	6,439,288	6,439,288
Long-term receivables	298,364	298,364	344,912	344,912
Trade receivables	57,125,731	57,125,731	54,732,912	54,732,912
Short-term loans and short-term financial investments	206,220	206,220	994,240	994,240
Other receivables	5,851,146	5,851,146	6,869,630	6,869,630
Cash and cash equivalents	19,610,430	19,610,430	8,886,019	8,886,019
	89,754,570	89,754,570	158,778,804	158,778,804
Financial liabilities				
Long-term borrowings	107,612,728	107,612,728	109,075,167	109,075,167
Other long-term liabilities	14	14	28,121	28,121
Trade payables	48,142,381	48,142,381	49,478,720	49,478,720
Other liabilities	8,306,627	8,306,627	6,464,971	6,464,971
Current portion of long-term loans	18,378,872	18,378,872	13,557,661	13,557,661
Short-term financial liabilities	9,696	9,696	8,071	8,071
	182,450,318	182,450,318	178,612,711	178,612,711

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. Implementing this value method, interest rates of similar financial instruments are applied, with the objective to acquire a relevant estimate of market value of financial instruments at reporting date.

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

48. CONTINGENCIES AND COMMITMENTS

Litigations

As at 31 December 2020, total estimated value of litigations against the Company amounted to RSD 4,629,891 thousand (31 December 2019: RSD 3,218,394 thousand). The final outcome of these litigations is uncertain. Based on the management's assessment, the Company made provision for potential losses from those litigations (Note 36) in the total amount of RSD 3,847,071 thousand (31 December 2019: RSD 3,016,214 thousand). As for the remaining amount of legal disputes that are being conducted against the Company and for which no provision for potential losses has been made, the Company's management considers that there is no risk of material losses.

Commitments made on the basis of contracted investments

For the purpose of acquiring property, plant and equipment the Company has commitments towards the following suppliers on 31 December 2020:

Supplier	Contracted amount	Realised until 31 December 2020	Beneficiary:
Konzorcijum Elnos BL Koessler GmbH & Co KG	639,682	564,783	Obnovljivi izvori
EX ING B&P DOO Beograd	3,702,695	-	TE Nikola Tesla
Energotehnika-Južna Bačka DOO	3,701,166	-	TE Nikola Tesla
Mitsubishi Power LTD	15,987,544	-	TE Nikola Tesla
Hidro-Tan DOO Beograd	879,831	288,301	Obnovljivi izvori
China Machinery Engineering Corporation (CMEC)	68,456,944	17,259,854	TE KO Kostolac
Power Machines PJSC	2,392,115	1,033,477	HE Đerdap
Nari Group Corporation	1,568,576	921,144	Obnovljivi izvori
Konzorcijum Mitsubishi Hitachi Power Systems Ltd., Itochu Corporation, Mitsubishi Hitachi Power Systems Europe GmbH i			
Jedinstvo AD Sevojno	22,533,483	11,852,353	TE Nikola Tesla
Toshiba International Europe LTD	3,068,843	-	Drinsko-Limske HE
	122,930,879	31,919,912	

As of 31 December 2020, the Company's commitments based on contracts for the purchase and reconstruction of property, plant and equipment in the estimated amount of RSD 82,306,947 thousand.

Contingent liabilities under agreements with local governments

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

Serial No.	Agreement name	In RSD thousand Total recored under agreements until 31.12.2020.
1.	Program basis for relocation of Vreoci settlement	2,336,013
2.	Agreement on the implementation of the resettlement program for parts of the settlements of Baroševac and Zeoke	1,391,374
3.	Agreement regulating mutual relations related to relocation of facilities with public functions from the area of KO Mali Borak and KO Skobalj	426,995
4.	Agreement on financing the relocation of cultural monuments located in the zone of influence of mining work	32,200
5.	Agreement on the regulation of mutual relations on the occasion of the opening of the surface mine "Radljevo" - Phase I (part relating to the first phase 6,242,448,002 RSD)	1,608,737
6.	Agreement on the regulation of mutual relations on the financing of repair and improvement of infrastructure facilities on the territory of the City of Požarevac	258,774
7.	Real Estate Expropriation of Relocation of Settlements and Development of the Zone of the Main Facility in Relation to the Construction of HEPS Đerdap 2	354,463
		354,463

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

48. CONTINGENCIES AND COMMITMENTS (continued)

Liabilities to the Deposit Insurance Agency

The Company has not reconciled its liabilities to the Deposit Insurance Agency, which manages assets and liabilities transferred in the bank restructuring process and performs other tasks related to the bank restructuring process, in accordance with the Law on the Deposit Insurance Agency. The disputed amount refers to liabilities to creditors of the London Club and for basic debt in the amount of 42,148,080.27 USD and interest in the amount of 39,329,427.97 USD, which in RSD equivalent on the balance sheet date amounts to RSD 7,794,440 thousand.

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

As presented in Note 37, based on the Law on Regulation of the Relation of the Republic of Serbia and Banks and Bankruptcy on the Basis of Assumed Foreign Credits and Loans (RS Official Gazette No. 45/05) when the Republic of Serbia has taken over the liabilities under the Law Governing the Relations between the Federal Republic of Yugoslavia and Legal Entities and Banks within the Territory of the Federal Republic of Yugoslavia Being the Original Debtors or Guarantors toward the Paris Club and London Club Creditors (RS Official Gazette Nos. 36/02 i 7/03), the Company has concluded an Agreement with the Agency, by which it has settled their liabilities towards the Republic of Serbia arising from legal transactions in which it is the ultimate debtor.

49. RECONCILIATION OF RECEIVABLES AND PAYABLES

In accordance with Article 22 of the Law on Accounting, the Company has reconciled receivables and liabilities with debtors and creditors. Reconciliation of receivables and liabilities was performed as of October 31, 2020. The number of unreconciled placements and receivables is 17,570 in the amount of RSD 12,908,332 thousand, which is 8.34% of the total number of receivables and 7.29% of the total value of recognized placements and receivables as of October 31, 2020. The number of unreconciled liabilities is 8,460 in the amount of RSD 341,519 thousand, which is 14.78% of the total number of liabilities and 1.84% of the total value of recognized liabilities as of October 31, 2020.

50. TAX RISKS

The Serbian tax regulations are often subject to interpretations and various changes. Interpretations of tax regulations made by Tax Authorities regarding the Company's operations and transactions may differ from those made by Company management. The tax collection time-period is five years. This practically means that the Tax Authorities may assess unpaid liabilities within five years from the date such liabilities have been incurred.

51. EVENTS AFTER THE BALANCE SHEET DATE

Transfer of shares of HIP Petrohemija a.d

As disclosed in Note 25 to these financial statements the supervisory board of the Company on 24 April 2020 made a Decision no. 12.01.197077/2-20 on the transfer without contribution to the Republic of Serbia of the shares held in the company HIP Petrohemija a.d., Pančevo. This decision was made with the objective of executing the Conclusion of the Government of the Republic of Serbia 05 No. 023-2590/2020 dated 19 March 2020 with which the Government agreed for the Company to transfer to the Republic of Serbia free of charge 1,442,884 shares (2.16836% of capital) owned in the said Company.

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

NOTES TO FINANCIAL STATEMENTS
For the Year ended 31 December 2020

51. EVENTS AFTER THE BALANCE SHEET DATE (continued)

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

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

Transfer of assets to the distribution system operator

As disclosed in Notes 1 and 24, part of the assets in the total value of RSD 18,264,193 thousand will be transferred by the Company after the Balance Sheet date to the company "Elektrodistribucija Srbije" d.o.o., Belgrade in the name of increasing the share - recapitalization.

Regulatory requirements

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

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

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

This law regulates:

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

52. FOREIGN EXCHANGE RATES

Foreign exchange rates determined in the interbank foreign exchange market, which have been used to translate FX items presented in the Balance sheet into RSD, were as follows:

	31 December 2020	In RSD 31 December 2019
EUR	117.5802	117.5928
USD	95.6637	104.9186
CHF	108.4388	108.4004
JPY	0.927654	0.9653