

**PUBLIC ENTERPRISE ELEKTROPRIVREDA SRBIJE
BEOGRAD**

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

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Independent Auditor's Report

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

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Javno preduzece Elektroprivreda Srbije, Beograd (the "Company") as at 31 December 2021, 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 separate financial statements comprise (hereafter "financial statements"):

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

Basis for opinion

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

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

Independence

We are independent of the 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.



Our audit approach

Overview

Materiality	<ul style="list-style-type: none">Overall Company materiality: 3,051,314 thousand Serbian dinars (hereafter “RSD”), which represents 1% of the revenue for year ended on 31 December 2021.
Key audit matters	<ul style="list-style-type: none">Estimation of decommissioning and environmental protection provisionSubsequent measurement of Property, plant and equipment using the revaluation model

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

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

Materiality

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

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

Overall Company materiality	RSD 3,051,314 thousand
How we determined it	1% of the revenues for the year ended 31 December 2021.
Rationale for the materiality benchmark applied	We determined our materiality should be based on operating revenues. This benchmark is more representative for determination of the size of the Company as other benchmark such as net result are affected by the significant fluctuations in electricity prices. We have chosen 1% which, in our view, is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

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



Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Estimation of decommissioning and environmental protection provisions</p> <p>Provisions associated with decommissioning, environmental protection and restoration are disclosed in Note 33 to the financial statements; a description of the accounting policy and key judgements and estimates is included in Note 3.6 and Note 3.18</p> <p>The calculation of decommissioning and environmental protection provisions requires significant management judgement because of the inherent complexity in estimating future costs, discount rates and maturity of liabilities.</p> <p>The decommissioning of landfills and dumps for ash and slag in Thermal Power Plants Kostolac, Kolubara, Morava, Nikola Tesla A and Nikola Tesla B (further in Thermal Power Plants) is an evolving activity and consequently there is limited historical precedent against which to benchmark estimates of future costs. These factors increase the complexity involved in determining accurate accounting provisions that are material to the Company's balance sheet.</p> <p>Management engaged an external expert to estimate the cost of decommissioning of landfills and dumps for ash and slag in Thermal Power Plants. As a result of such estimation Management calculated provision to be included as at 31 December 2021 and in addition identified that the provision as at 31 December 2020 and 1 January 2020 required adjustments as further disclosed in note 5.</p> <p>Management reviews decommissioning and environmental protection provisions on an annual basis for production assets. This review incorporates the effects of any changes in local regulations, management's expected approach to decommissioning, cost estimates, discount rates, maturity of liabilities and the effects of changes in exchange rates.</p>	<p>We critically assessed management's annual review of provisions performed as at 31 December 2021. Testing involved understanding of the legal or constructive obligations with respect to the environmental protection and decommissioning of each asset based on the estimated useful life of assets and relevant cost to complete restoration.</p> <p>Of particular note, we performed the following procedures:</p> <ul style="list-style-type: none"> - We assessed the external expert' qualifications and expertise; - Identified and tested the cost assumptions which have the most significant impact on provisions by inspecting the studies provided by external management' expert; - Used our internal valuation experts to evaluate reasonableness of the discount rate applied to the cost assumptions and compared it to the Serbian treasury notes for the similar periods; - Verified the mathematical accuracy of the underlying models; - Verified the completeness of data by cross referencing with other non-financial data and other work performed on property, plant & equipment; - Verified the calculation of prior year correction of decommissioning provision calculation since management booked this provision in 2021 ; - Obtained the sensitivity analysis prepared by management for the change in key assumptions (discount rate and cost estimates). We tested mathematical accuracy of calculations.



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

Refer to Note 3.18 (use of key judgements), Note 3.9 (Significant accounting policies – Property, plant and equipment) and Note 24 (Property, plant and equipment).

The Company's property portfolio is split between Property, plant and equipment and Intangible assets, amounting to RSD 816,147,158 thousand and RSD 10,326,112 thousand as at 31 December 2021, respectively.

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

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

Management considered that external valuers used by the Company have relevant experience of the markets in which the Company operates. The results of the external valuations were analysed and approved by the management. The summary of impact is disclosed in Note 24.

In determining the value of the Company's property portfolio, the external valuers took into account property specific information. For the valuation the Valuer applied the Cost Approach and the Market Approach. Economic obsolescence was analysed by the Valuer through the application of the Income Approach and IAS 36 impairment testing and no economic obsolescence was identified.

When auditing property, plant and equipment valuation we performed the following procedures:

We engaged internal valuation experts to inspect the property valuation report. We assessed whether the valuation methodology used was in accordance with the International Valuation Standards and was suitable for use in determining the fair value for the purpose of financial statements.

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

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

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

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

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

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



Reporting on the 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.

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. We have nothing to report in this regard.

Responsibilities of management and those charged with governance 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.

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



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

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



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

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

Refer to the original signed
Serbian version

Milivoje Nešović
Licensed Auditor

Belgrade, 21 June 2022

Refer to the original signed
Serbian version

PricewaterhouseCoopers d.o.o., Beograd

To be filled in by the legal entity – entrepreneur

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

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

- in thousands of Dinars -

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	REVENUES FROM REGULAR OPERATIONS				
	A. OPERATING REVENUES (1002+1005+1008+1009+1011+1012)	1001		319,680,725	285,157,235
60	I. INCOME FROM THE SALE OF MERCHANDISE (1003+1004)	1002		0	0
600, 602 and 604	1. Sales of merchandise to parent companies and subsidiaries - domestic market	1003		0	0
601, 603 and 605	2. Sales of merchandise to parent companies and subsidiaries - foreign market	1004		0	0
61	II. INCOME FROM SALES OF PRODUCTS AND SERVICE (1006+1007)	1005		305,131,362	280,066,147
610, 612 and 614	1. Sales of merchandise to parent companies and subsidiaries - domestic market	1006	6	300,618,925	276,167,074
611, 613 and 615	2. Sales of merchandise to parent companies and subsidiaries - foreign market	1007	6	4,512,437	3,899,073
62	III. INCOME FROM OWN USE OF PRODUCTS, SERVICE AND MERCHANDISE	1008	7	1,174,440	598,060
630	IV. INCREASE OF FINISHED GOOD, WORK IN PROGRESS AND SERVICES IN PROGRESS	1009		0	1,039,656
631	V. DECREASE OF FINISHED GOOD, WORK IN PROGRESS AND SERVICES IN PROGRESS	1010		781,917	564,028
64 and 65	VI. OTHER OPERATING INCOME	1011	8	3,735,685	2,665,173
68 except 683, 685, 686	VII. INCOME FROM ASSETS VALUATION ADJUSTMENTS (EXCEPT FINANCIAL)	1012	9	10,421,155	1,353,227

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	B. OPERATING EXPENSES (1014+1015+1016+1020+1021+1022+1023+1024)	1013		330,633,991	263,348,003
50	I. COST OF GOODS SOLD - COGS	1014		171,662	92,288
51	II. COST OF MATERIAL, FUEL AND ENERGY	1015	10	188,308,847	122,584,061
52	III. COSTS OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES (1017 + 1018 + 1019)	1016		48,351,439	54,415,738
520	1. Cost of salaries and fringe benefits	1017	11	37,847,690	42,831,389
521	2. Cost of taxes and contributions on salaries and fringe benefits charged to employer	1018	11	7,220,930	8,139,419
52 except 520 and 521	3. Other personal expenses	1019	11	3,282,819	3,444,930
540	IV. DEPRECIATION COSTS	1020	12	35,190,027	34,481,852
58, except 583, 585, 586	V. EXPENSES FROM ADJUSTMENT OF PROPERTY VALUE	1021	13	11,004,657	1,124,005
53	VI. COSTS OF PRODUCTION SERVICES	1022	14	23,251,435	27,163,254
54 except 540	VII. COST OF PROVISIONS	1023	15	2,578,108	3,832,311
55	VIII. NON-PRODUCTION COSTS	1024	16	21,777,816	19,654,494
	C. OPERATING PROFIT (1001-1013) ≥ 0	1025		0	21,810,232
	D. OPERATING LOSS (1013-1001) ≥ 0	1026		10,953,266	0
	E. FINANCIAL INCOME (1028+1029+1030+1031)	1027		4,718,892	9,713,991
660 and 661	I. FINANCIAL INCOME INCURRED WITH PARENT COMPANIES AND SUBSIDIARIES AND OTHER ASSOCIATED COMPANIES	1028	17	844,866	844,600
662	II. INCOME FROM INTEREST	1029	17	3,257,122	3,697,326

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
663 and 664	III. FX GAINS AND INCOME FOR THE EFFECTS OF CURRENCY CLAUSE	1030	17	581,679	5,140,146
665 and 669	IV. OTHER FINANCIAL INCOME	1031	17	35,225	31,919
	F. FINANCIAL EXPENSES (1033+1034+1035+1036)	1032		6,390,742	1,998,034
560 and 561	I. FINANCIAL EXPENSES INCURRED WITH PARENT COMPANIES, SUBSIDIARIES AND OTHER ASSOCIATED COMPANIES	1033	18	255	44,518
562	II. COSTS OF INTERESTS	1034	18	1,648,806	1,170,058
563 and 564	III. FX LOSSES AND LOSSES FOR CURRENCY CLAUSE EFFECTS	1035	18	4,457,007	482,469
565 and 569	IV. OTHER FINANCIAL EXPENSE	1036	18	284,674	300,989
	G. FINANCIAL PROFIT (1027-1032) ≥ 0	1037		0	7,715,957
	H. FINANCIAL LOSS (1032-1027) ≥ 0	1038		1,671,850	0
683, 685 and 686	I. INCOME FROM OTHER ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE THROUGH INCOME STATEMENT	1039	19	6,779,451	665,979
583, 585 and 586	J. EXPENSES FROM OTHER ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE THROUGH INCOME STATEMENT	1040	20	5,918,899	11,322,381
67	K. OTHER INCOME	1041	21	5,988,443	5,324,447
57	L. OTHER EXPENSES	1042	22	9,488,348	6,888,309
	M. TOTAL INCOME (1001 + 1027 + 1039 + 1041)	1043		337,167,511	300,862,652
	N. TOTAL EXPENSE (1013 + 1032 + 1040 + 1042)	1044		352,431,980	283,556,727
	O. PROFIT FROM OPERATIONS BEFORE TAXATION (1043-1044) ≥ 0	1045		0	17,305,925
	P. LOSS FROM OPERATIONS BEFORE TAXATION (1044-1043) ≥ 0	1046		15,264,469	0
69 - 59	Q. NET OPERATING PROFIT FROM DISCONTINUED OPERATIONS	1047		0	0
59 - 69	R. NET OPERATING LOSS FROM DISCONTINUED OPERATIONS	1048		0	0
	S. PROFIT FROM OPERATIONS BEFORE TAXATION (1045-1046+1047-1048) ≥ 0	1049		0	17,305,925
	T. LOSS FROM OPERATIONS BEFORE TAXATION (1046-1045+1048-1047) ≥ 0	1050		15,264,469	0
	U. CORPORATE INCOME TAX				
721	I. TAX EXPENSES FOR THE PERIOD	1051	23	2,603,693	6,933,513

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
p.o. 722	II. DEFERRED TAX COSTS FOR THE PERIOD	1052		0	0
p.o. 722	III. DEFERRED TAX INCOME FOR THE PERIOD	1053	23	2,919,429	1,479,203
723	T. EMPLOYER'S EARNINGS PAID OUT	1054		0	0
	U. NET PROFIT (1049-1050-1051-1052+1053-1054)≥0	1055		0	11,851,615
	V. NET LOSS (1050-1049+1051+1052-1053+1054) ≥0	1056		14,948,733	0
	I. NET PROFIT ATTRIBUTABLE TO MINORITY INVESTORS	1057		0	0
	II. NET PROFIT ATTRIBUTABLE TO MAJORITY INVESTORS	1058		0	0
	III. NET LOSS ATTRIBUTABLE TO MINORITY INVESTORS	1059		0	0
	IV. NET LOSS ATTRIBUTABLE TO MAJORITY INVESTORS	1060		0	0
	V. EARNINGS PER SHARE				
	1. Basic earnings per share	1061			
	2. Diluted earnings per share	1062			

In _____

Legal representative

Stamp

Date _____ 20 _____

To be filled in by the legal entity - entrepreneur

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

STATEMENT OF OTHER COMPREHENSIVE INCOME
for the period from 1 January 2021 to 31 December 2021

- in thousands of Dinars -

Account group, Account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A, NET RESULT FROM OPERATIONS				
	I, NET PROFIT (AOP 1055)	2001		0	11,851,615
	II, NET LOSS (AOP 1056)	2002		14,948,733	0
	B, OTHER COMPREHENSIVE PROFIT OR LOSS				
	a) Items that will not be reclassified subsequently to profit or loss				
	1, Revaluation of intangibles and PPE				
330	a) increase in revaluation reserves	2003	32	36,880,400	0
	b) decrease in revaluation reserves	2004		0	0
	2, Actuarial gains (losses) on defined benefit plans				
331	a) gains	2005		0	0
	b) losses	2006	32	434,382	65,029
	3, Share of other comprehensive income of associates				
333	a) gains	2007		0	0
	b) losses	2008		0	0
	b) Items that may be reclassified subsequently to profit or loss				
	1, Gains or losses on investments in equity instruments				
332	a) gains	2009		0	0
	b) losses	2010		0	0
	2, Foreign currency translation differences for foreign Operations				
334	a) gains	2011		0	0
	b) losses	2012		0	0

Account group, Account	ITEM	AOP	Note no,	Amount	
				Current year	Previous year
1	2	3	4	5	6
335	3, Gains and losses on hedge of investment in foreign operations				
	a) gains	2013		0	0
	b) losses	2014		0	0
336	4, Cash flow hedges				
	a) gains	2015		0	0
	b) losses	2016		0	0
337	5, Gains and losses on available for sale financial assets				
	a) gains	2017	32	1,501	0
	b) losses	2018	32	0	6,357
	I, OTHER COMPREHENSIVE GROSS PROFIT (2003+2005+2007+2009+2011+2013+2015+2017) - (2004+2006+2008+2010+2012+2014+2016+2018) ≥ 0	2019		36,447,519	0
	II, OTHER COMPREHENSIVE GROSS LOSS (2004+2006+2008+2010+2012+2014+2016+2018) - (2003+2005+2007+2009+2011+2013+2015+2017) ≥ 0	2020		0	71,386
	III, DEFERED TAX EXPENSE ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2021	23	5,532,060	0
	IV, DEFERED TAX INCOME ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2022		0	0
	V, OTHER COMPREHENSIVE NET PROFIT (2019-2020-2021+2022) ≥ 0	2023		30,915,459	0
	VI, OTHER COMPREHENSIVE NET LOSS (2020-2019+2021-2022) ≥ 0	2024		0	71,386
	C, TOTAL COMPREHENSIVE NET RESULT FOR THE PERIOD				
	I, TOTAL COMPREHENSIVE NET PROFIT (2001-2002+2023-2024) ≥ 0	2025		15,966,726	11,780,229
	II, TOTAL COMPREHENSIVE NET LOSS (2002-2001+2024-2023) ≥ 0	2026		0	0
	D, TOTAL COMPREHENSIVE NET PROFIT OR LOSS (2028+2029) = AOP 2025 ≥ 0 or AOP 2026 > 0	2027		0	0
	1, Attributable to owners	2028		0	0
	2, Attributable to non-controlling interest	2029		0	0

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 2021

- in thousands of Dinars -

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2020	Opening balance as at 1 January 2020
1	2	3	4	5	6	7
	ASSETS					
00	A UNPAID SUBSCRIBED CAPITAL	0001		-	-	-
	B FIXED ASSETS (0003 + 0009 + 0017 + 0018 + 0028)	0002		833,713,387	795,530,187	868,676,058
01	I. INTANGIBLE ASSETS (0004 + 0005 + 0006 + 0007 + 0008)	0003		10,326,112	14,700,799	12,459,124
010	1. Investment in development	0004		-	-	-
011, 012, 014	2. Concessions, patents, licenses, similar rights, software and other intangible assets	0005	24	8,226,975	8,468,268	7,490,517
013	3. Goodwill	0006		-	-	-
015, 016	4. Intangible assets taken in leasing and intangible assets in prepare	0007	24	2,099,137	6,232,531	4,968,607
017	5. Advance payments for acquisition of intangible assets	0008		-	-	-
02	II. PROPERTY, PLANT AND EQUIPMENT (0010 + 0011+0012 + 0013 + 0014 + 0015 + 0016)	0009		816,147,158	773,379,269	768,478,588
020, 021, 022	1. Land and buildings	0010	24	321,854,745	324,209,269	320,767,152
023	2. Machinery and equipment	0011	24	369,736,395	340,658,615	337,963,064
024	3. Investment property	0012	24	352,074	402,616	415,256

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2020	Opening balance as at 1 January 2020
1	2	3	4	5	6	7
025, 027	4. Property, plant and equipment under lease and property, plant and equipment under construction	0013	24	106,261,760	87,589,804	90,273,537
026, 028	5. Other property, plants and equipment and investments in others real estate, plants and equipment	0014	24	106,978	118,473	121,226
029 (part)	6. Advance payments for property, plant and equipment - domestic	0015	24	6,104,480	6,145,968	2,712,154
029 (part)	7. Advance payments for property, plant and equipment- foreign	0016	24	11,730,726	14,254,524	16,226,199
03	III. BIOLOGICAL ASSETS	0017	24	502,441	489,076	442,343
04 and 05	IV. LONG TERM FINANCIAL PLACEMENTS AND LONG TERM RECEIVABLES (0019 + 0020 + 0021 + 0022 + 0023 + 0024 + 0025 + 0026 + 0027)	0018		6,737,676	6,961,043	87,296,003
040 (part), 041 (part) and 042 (part)	1. Shares in the capital of legal entities (except for the share in the capital which valued by the participation method)	0019	25	3,916,984	2,760,618	80,105,623
040 (part), 041 (part) and 042 (part)	2. Shares in the capital that are valued by the method of participation	0020	25	27,984	406,462	406,180
043, 050 (part) and 051 (part)	3. Long-term placements with the parent, dependents and other related persons and long-term claims from these in country	0021				2,762,796
044, 050 (part) and 051 (part)	4. Long-term placements with the parent, dependents and other related persons and long-term claims from these-foreign	0022		-	-	-
045 (part) and 053 (part)	5. Long-term loans to domestic entities	0023	25	2,350,992	2,490,896	-
045 (part) and 053 (part)	6. Long-term loans to foreign entities	0024		-	-	-
046	7. Long-term financial investments (valued securities at depreciated value)	0025		-	-	-
047	8. Purchased own shares and repurchased own shares	0026		-	-	-
048, 052, 054, 055 and 056	9. Other long term investment and other long term receivables	0027	25	441,716	1,303,067	4,021,404
28 (part), except 288	10. Long term accruals	0028		-	-	-
288	C. DEFERRED TAX ASSETS	0029		-	-	-

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2020	Opening balance as at 1 January 2020
1	2	3	4	5	6	7
	D. CURRENT ASSETS (0031 + 0037 + 0038 + 0044 + 0048 + 0057+ 0058)	0030		128,374,121	123,740,308	109,692,832
group 1 except account group 14	I. INVENTORIES (0032 + 0033 + 0034 + 0035 + 0036)	0031		32,498,967	34,798,335	30,719,435
10	1. Material, spare parts, tools and small inventory	0032	26	26,450,431	26,965,035	24,885,736
11, 12	2. Work in progress and finished products	0033	26	2,254,648	3,036,564	2,560,935
13	3. Merchandise (goods, purchase for sale)	0034	26	1,519	2,281	3,273
150, 152 and 154	4. Advance payments domestic	0035	26	1,822,632	4,574,694	2,918,086
151, 153 and 155	5. Advance payments foreign	0036	26	1,969,737	219,761	351,405
14	II Non-current assets held for trading	0037		163,509	-	-
20	III TRADE RECEIVABLES (0039 + 0040 + 0041 + 0042+ 0043)	0038		62,804,980	57,125,731	54,732,912
204	1. Trade receivables - domestic	0039	27	62,622,573	56,573,034	45,009,721
205	2. Trade receivables - foreign	0040	27	73,667	262,503	38,269
200,202	3. Trade receivables from the parent company, dependent persons and other related companies in the country	0041	27	3,287	5,121	9,448,537
201,203	4. Trade receivables from the parent company, dependent persons and other related companies – foreign	0042		-	-	121,558
206	5. Other trade receivables	0043	27	105,453	285,073	114,827
21, 22, 27	IV. OTHER SHORT TERM RECEIVABLES (0045+0046+0047)	0044		17,370,776	9,349,999	11,129,749
21,22 expect 223 and 224,27	1.Other receivables	0045	28	13,458,669	9,298,869	10,421,049
223	2. Receivables for overpaid tax to gain	0046	28	3,749,429	-	640,567
224	3. Receivables based on overpaid other taxes and contribution	0047	28	162,678	51,130	68,133
23	V SHORT TERM FINANCIAL PLACEMENTS (0049 + 0050 + 0051 + 0052 + 0053 + 0054 + 0055 + 0056)	0048		231,691	206,220	994,240
230	1. Short-term loans and placements - parent and subsidiary legal entities	0049		-	-	-
231	2. Short-term loans and placements – other	0050		-	-	-
232, 234 (part)	3. Short-term credits, loans and placements in the country	0051	29	212,486	205,513	794,410
233, 234 (part)	4. Short-term credits, loans and Placements- foreign	0052		-	-	-
235	5. Securities that valued at amortized value	0053		-	-	-

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2020	Opening balance as at 1 January 2020
1	2	3	4	5	6	7
236 (part)	6. Financial resources that valued at fair value	0054		-	-	-
237	7. Purchased own shares and repurchased own shares	0055		-	-	-
236 (part), 238 and 239	8. Other short term financial placements	0056	29	19,205	707	199,830
24	VII. CASH AND CASH EQUIVALENTS	0057	30	12,370,822	19,610,430	8,886,019
28 except 288	IX. PREPAYMENTS AND ACCRUED INCOME	0058	31	2,933,376	2,649,593	3,230,477
	E. TOTAL ASSETS = OPERATING ASSETS (0001 + 0002 + 0029 + 0030)	0059		962,087,508	919,270,495	978,368,890
88	F. OFF BALANCE ASSETS	0060	41	249,614,916	231,090,249	254,603,625
	EQUITY AND LIABILITIES					
	A. EQUITY (0402 + 0403 + 0404 + 0405 + 0406 - 0407 + 0408 + 0411 - 0412) ≥ 0	0401		600,980,511	599,520,552	665,916,121
30, except 306	I. BASIC CAPITAL	0402	32	360,532,532	360,003,089	360,011,186
31	II. UNPAID SUBSCRIBED CAPITAL	0403		-	-	-
306	III. OWN SHARES PURCHASED	0404		-	-	-
32	IV. RESERVES	0405		-	-	-
330 and credit balance of accounts 331, 332, 333, 334, 335, 336 and 337	V. POSITIVE REVALUATION RESERVES AND UNREALIZED GAINS ON FINANCIAL ASSETS AND OTHER COMPONENTS OD OTHER COMPREHENSIVE INCOME	0406	32	446,486,339	422,753,697	423,713,425
debit balance of accounts 331, 332, 333, 334, 335, 336 and 337	VI. N UNREALIZED LOSSES ON FINANCIAL ASSETS AND OTHER COMPONENTS OD OTHER COMPREHENSIVE INCOME	0407	32	2,981,445	2,945,810	2,875,396
34	VII. RETAINED EARNINGS (0409+0410)	0408		22,594,615	22,594,615	13,387,941
340	1. Retained earnings from previous years	0409	32	22,594,615	10,743,000	9,725,800
341	2. Retained earnings from current year	0410	32	-	11,851,615	3,662,141
	IX. NON-CONTROLLING INTEREST	0411		-	-	-
35	X. ACCUMULATED LOSS (0413+0414)	0412		225,651,530	202,885,039	128,321,035
350	1. Previous year's losses	0413	32	210,702,797	202,885,039	128,321,035
351	2. Current year loss	0414	32	14,948,733	-	-

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2020	Opening balance as at 1 January 2020
1	2	3	4	5	6	7
	B. LONG - TERM PROVISIONS AND LIABILITIES (0416+0420+0428)	0415		130,617,159	148,312,604	146,024,246
40	I. LONG - TERM PROVISIONS (0417 + 0418 + 0419)	0416		37,834,865	40,699,862	36,920,958
404	1. Provisions for employees benefits	0417	33	14,877,228	17,223,616	16,602,371
400	2. Provisions for costs incurred during the warranty period	0418		-	-	-
40, expect 400 and 404	3. Other long term provisions	0419	33	22,957,637	23,476,246	20,318,587
41	II. LONG-TERM LIABILITIES (0421 + 0422 + 0423 + 0424 + 0425 + 0426 + 0427)	0420		92,782,294	107,612,742	109,103,288
410	1. Liabilities that can be converted into capital	0421	34	80,500	80,500	80,500
411 (part) and 412 (part)	2. Long-term loans and others long-term liabilities to the parent company, dependents and other related company in country	0422		-	-	-
411 (part) and 412 (part)	3. Long-term loans and others long-term liabilities to the parent company, dependents and other related company-foreign	0423		-	-	-
414 and 416 (part)	4. Long-term loans, loans and obligations based on leasing in the country	0424	34	21,168,304	22,855,410	20,959,506
415 and 416 (part)	5. Long-term loans, loans and obligations based on leasing aboard	0425	34	71,533,476	84,676,818	88,035,161
413	6. Liabilities for long-term securities	0426		-	-	-
419	7. Other long-term liabilities	0427	34	14	14	28,121
49 (part), except 498 and 495 (part)	III. Long term accruals	0428		-	-	-
498	C. DEFERRED TAX LIABILITIES	0429	23	68,330,958	65,718,331	67,197,535
495 (part)	D. DONATIONS RECIVED	0430	35	8,573,770	8,679,277	8,817,988
	E. SHORT-TERM RESERVATIONS I SHORT-TERM LIABILITIES (0432 + 0433 + 0441 + 0442 + 0449 + 0453 + 0454)	0431		153,585,110	97,039,731	90,413,000
467	I.SHORT- TERM RESERVATIONS	0432		-	-	-
42, expect 427	II. SHORT-TERM FINANCIAL LIABILITIES (0434 + 0435 + 0436 + 0437 + 0438 + 0439 + 0440)	0433		54,417,735	18,388,568	13,565,732
420 (part) and 421 (part)	1. Liabilities based on loans according to parent, dependent and others related parties in the country	0434		-	-	-

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2020	Opening balance as at 1 January 2020
1	2	3	4	5	6	7
420 (part) and 421 (part)	2. Liabilities based on loans according to parent, dependent and others related parties aboard	0435		-	-	-
422 (part), 424 (part), 425 (part), and 429 (part)	3. Liabilities based on credits and loans from persons other than domestic banks	0436	36	57,875	28,076	67,382
422 (part), 424 (part), 425 (part), and 429 (part)	4. Liabilities based on loans from domestic banks	0437	36	24,402,808	9,100,855	3,864,045
423, 424 (part), 425 (part) and 429 (part)	5. Credits, loans and liabilities from abroad	0438	36	29,957,052	9,259,637	9,634,305
426	6. Liabilities on short-term securities of value	0439		-	-	-
428	7. Financial liabilities derivatives	0440		-	-	-
430	III. RECEIVED ADVANCES PAYMENTS, DEPOSITS AND BAILS	0441	37	1,033,325	921,752	739,157
43 except 430	IV. LIABILITIES FROM BUSINESS OPERATIONS (0443 + 0444 + 0445 + 0446 + 0447 + 0448)	0442		72,695,327	48,142,381	49,478,720
431 and 433	1. Trade payables parent, subsidiary legal entities and others connected company - domestic	0443	38	90,510	141,573	21,846,514
432 and 434	2. Trade payables parent, subsidiary legal entities and others connected company- foreign	0444		-	-	816
435	3. Trade payables – domestic	0445	38	52,348,394	40,739,568	19,689,775
436	4. Trade payables – foreign	0446	38	18,156,667	5,263,600	6,427,676
439 (part)	5. Liabilities under promissory notes	0447		-	-	-
439 (part)	6. Other liabilities from business operations	0448	38	2,099,756	1,997,640	1,513,939
44, 45, 46 expect 467, 47,48	V. OTHER SHORT-TERM LIABILITIES (0450 + 0451+ 0452)	0449		23,965,505	27,976,257	25,270,661
44,45,46 expect 467	1.Other short-term liabilities	0450	39	7,935,040	11,711,488	12,266,233
47,48, expect 481	2.Liabilities for VAT	0451	39	16,030,465	13,068,977	13,004,428
481	3.Liabilities for income tax	0452	39	-	3,195,729	-
427	VI. LIABILITIES BASED ON FUNDS INTENDED FOR SALES	0453		-	-	-

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2020	Opening balance as at 1 January 2020
1	2	3	4	5	6	7
49 except 498	VII. ACCRUALS AND DEFERRED INCOME	0454	40	1,473,218	1,610,773	1,358,730
	E. LOSS OVER CAPITAL (0415+0429+0430+0431-0059) ≥ 0 = (0407+0412-0402-0403-0404-0405- 0406-0408-0411) ≥ 0	0455		-	-	-
	F. TOTAL EQUITY AND LIABILITIES (0401+0415+0429+0430+0431-0455)	0456		962,087,508	919,270,495	978,368,890
89	G. OFF BALANCE LIABILITIES	0457	41	249,614,916	231,090,249	254,603,625

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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
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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 2021 to 31 December 2021

- In thousands of Dinars -

	DESCRIPTION 1	AOP	Equity (group 30 without 306 and 309) 2	AOP	Other equity (account 309) 3	AOP	Unpaid subscribed equity (group 31) 4
1.	Balance as at 01.01. of the previous year	4001	359,939,739	4010	71,447	4019	-
2.	Correction of material errors and changes in accounting policies	4002	-	4011	-	4020	-
3.	Adjusted opening balance as at 01.01. of the previous year	4003	359,939,739	4012	71,447	4021	-
4.	Changes in the previous year _____	4004	-8,097	4013	-	4022	-
5.	Balance at the end of the previous year 31.12. (3+4)	4005	359,931,642	4014	71,447	4023	-
6.	Correction of material errors and changes in accounting policies	4006	-	4015	-	4024	-
7.	Corrected opening balance of the current year 01.01. (5+6)	4007	359,931,642	4016	71,447	4025	-
8.	Changes in the current year _____	4008	529,443	4017	-	4026	-
9.	Balance at end of the year 31.12. (7+8)	4009	360,461,085	4018	71,447	4027	-

	DESCRIPTION 2	AOP	Emission premium and reserves (account 305 and group 32) 5	AOP	Revaluation reserves and retained earnings and losses (group 33) 6	AOP	Retained Earnings (group 34) 7
1.	Balance as at 01.01. of the previous year	4028	-	4037	420,875,903	4046	13,387,941
2.	Correction of material errors and changes in accounting policies	4029	-	4038	-37,874	4047	-
3.	Adjusted opening balance as at 01.01. of the previous year (1+2)	4030	-	4039	420,838,029	4048	13,387,941
4.	Changes in the previous year _____	4031	-	4040	-1,030,142	4049	9,206,674
5.	Balance at the end of the previous year 31.12. (3+4)	4032	-	4041	419,807,887	4050	22,594,615
6.	Correction of material errors and changes in accounting policies	4033	-	4042	-	4051	-
7.	Corrected opening balance of the current year 01.01. (5+6)	4034	-	4043	419,807,887	4052	22,594,615
8.	Changes in the current year _____	4035	-	4044	23,697,007	4053	-
9.	Balance at end of the year 31.12. (7+8)	4036	-	4045	443,504,894	4054	22,594,615

	DESCRIPTION	AOP	Loss (group 35)		Participations without control rights		Total (corresponds to position AOP 0401) (2+3+4+5+6+7+8+9) ≥ 0
1	2		8		9		10
1.	Balance as at 01.01. of the previous year	4055	119,118,409	4064	-	4073	675,156,621
2.	Correction of material errors and changes in accounting policies	4056	9,202,626	4065	-	4074	
3.	Adjusted opening balance as at 01.01. of the previous year (1+2)	4057	128,321,035	4066	-	4075	665,916,121
4.	Changes in the previous year _____	4058	74,564,004	4067	-	4076	
5.	Balance at the end of the previous year 31.12. _____(3+4)	4059	202,885,039	4068	-	4077	599,520,552
6.	Correction of material errors and changes in accounting policies	4060	-	4069	-	4078	
7.	Corrected opening balance of the current year 01.01. _____(5+6)	4061	202,885,039	4070	-	4079	599,520,552
8.	Changes in the current year _____	4062	22,766,491	4071	-	4080	
9.	Balance at end of the year 31.12. _____(7+8)	4063	225,651,530	4072	-	4081	600,980,511

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

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Legal representative

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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. 89/2020)

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 2021 to 31 December 2021

- in thousands of Dinars -

Item	AOP	Amount	
		Current year	Previous year
1	2	3	4
A. CASH FLOW FROM OPERATING ACTIVITIES			
I. Cash inflow from operating activities (1 to 4)	3001	277,101,935	249,344,679
1. Sales and advances received in the country	3002	268,700,956	240,224,767
2. Sales and advances received abroad	3003	4,701,273	3,674,839
3. Interest received from business activities	3004	2,220,531	2,383,146
4. Other inflows from regular operations	3005	1,479,175	3,061,927
II Cash outflows from operating activities (1 till 8)	3006	237,772,583	208,504,612
1. Payments to suppliers and advances made in the country	3007	92,491,966	87,584,278
2. Payments to suppliers and advances made abroad	3008	27,067,141	3,770,195
3. Salaries, salary allowances and other personal expenses	3009	50,809,846	59,277,830
4. Interest paid in the country	3010	2,003,077	1,930,474
5. Interest paid abroad	3011	425,339	396,034
6. Income tax	3012	9,548,915	3,097,154
7. Outflows based on other public revenues	3013	55,426,299	52,448,647
8. Other outflows from business activities	3014	-	-
III. Net cash inflow from business activities (I - II)	3015	39,329,352	40,840,067
IV. Net cash outflow from business activities (II - I)	3016	-	-
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
I. Cash inflows from investing activities (1 to 5)	3017	1,380,553	5,281,907
1. Sale of shares and stakes (net inflows)	3018	-	-
2. Sale of intangible assets, property, plant, equipment and biological assets	3019	12,832	300
3. Other financial investments (net inflows)	3020	975,152	4,067,424
4. Interests received from investing activities	3021	392,569	1,214,183
5. Dividends received	3022	-	-
II. Cash outflow from investing activities (1 till 3)	3023	51,005,628	38,707,515
1. Purchase of shares and stakes (net outflows)	3024	1,192,596	597,478
2. Purchase of intangible investments, property, plant, equipment and biological assets	3025	49,813,032	38,110,037

ITEM	AOP	Amount	
		Current year	Previous year
1	2	3	4
3. Other financial investments (net outflows)	3026	-	-
III. Net cash inflow from investing activities (I-II)	3027	-	-
IV. Net cash outflow from investing activities (II-I)	3028	49,625,075	33,425,608
C. CASH INFLOW FROM FINANCING ACTIVITIES			
I. Cash inflows from financing activities (1 till 7)	3029	24,731,463	19,688,825
1. Increase of basic capital	3030	-	-
2. Long-term loans in country	3031	22,171,878	19,188,329
3. Long-term loans abroad	3032	2,559,585	500,496
4. Short-term loans in country	3033	-	-
5. Short-term loans abroad	3034	-	-
6. Other long-term liabilities	3035	-	-
7. Other short-term liabilities	3036	-	-
II. Cash outflows from financing activities (1 till 8)	3037	21,674,777	16,377,463
1. Purchase of own shares and stakes	3038	-	-
2. Long-term loans in country	3039	9,384,525	6,603,073
3. Long-term loans abroad	3040	9,100,994	9,717,344
4. Short-term loans in country	3041	-	-
5. Short-term loans abroad	3042	-	-
6. Other liabilities	3043	58,440	56,941
7. Financial leasing	3044	130,783	-
8. Paid dividends	3045	3,000,035	105
III. Net cash inflows from financing activities (I-II)	3046	3,056,686	3,311,362
IV. Net cash outflows from financing activities (II-I)	3047	-	-
D. TOTAL CASH INFLOWS (3001 + 3017 + 3029)	3048	303,213,951	274,315,411
E. TOTAL CASH OUTFLOWS (3006 + 3023 + 3037)	3049	310,452,988	263,589,590
F. NET CASH INFLOWS (3048 - 3049) ≥ 0	3050	-	10,725,821
G. NET CASH OUTFLOWS (3049 - 3048) ≥ 0	3051	7,239,037	-
H. CASH AT THE BEGINNING OF THE CALCULATION PERIOD	3052	19,610,430	8,886,019
I. POSITIVE EXCHANGE RATE DIFFERENCES DUE TO CALCULATION OF CASH	3053	1,175	130
J. NEGATIVE EXCHANGE RATE DIFFERENCES DUE TO CALCULATION OF CASH	3054	1,746	1,540
K. CASH AT THE END OF REPORTING PERIOD (3050 - 3051 + 3052 + 3053 - 3054)	3055	12,370,822	19,610,430

In _____

Legal representative

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Date _____ 20 _____

**PUBLIC ENTITY ELEKTROPRIVREDA SRBIJE,
BELGRADE**

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

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

	<u>Note</u>	<u>2021</u>	<u>2020</u> <i>Corrected</i>
Operating income			
Income from sales of goods and services	6	305,131,362	280,066,147
Income from activation of goods and effects	7	1,174,440	598,060
Increase in the value of inventories of unfinished and finished goods		-	1,039,656
Decrease in the value of inventories of unfinished and finished goods		(781,917)	(564,028)
Other operating income	8	3,735,685	2,665,173
Income from property value adjustments (except financial)	9	10,421,155	1,353,227
		319,680,725	285,158,235
Expenses from operating activities			
Cost of goods sold		(171,662)	(92,288)
Cost of material, fuel, and energy	10	(188,308,847)	(122,584,061)
Wages and salaries and other personal expenses	11	(48,351,439)	(54,415,738)
Amortization	12	(35,190,027)	(34,481,852)
Expenses from adjustment of property value (except financial)	13	(11,004,657)	(1,124,005)
Cost of production services	14	(23,251,435)	(27,163,254)
Cost of provisioning	15	(2,578,108)	(3,832,311)
Immaterial costs	16	(21,777,816)	(19,654,494)
		(330,633,991)	(263,348,003)
Operating profit/(loss)		(10,953,266)	21,810,232
Financial income			
Financial income from parent company, subsidiaries and other related parties	17	844,866	844,600
Interest income	17	3,257,122	3,697,326
Foreign exchange gains and gains on currency clause effect (third parties)	17	581,679	5,140,146
Other financial income	17	35,225	31,919
		4,718,892	9,713,991
Financial expenses			
Financial expenses from parent company, subsidiaries and other related parties	18	(255)	(44,518)
Interest expenses	18	(1,648,806)	(1,170,058)
Foreign exchange losses and losses on currency clause effect (third parties)	18	(4,457,007)	(482,469)
Other financial expenses	18	(284,674)	(300,989)
		(6,390,742)	(1,998,034)
Gain/(loss) on financing activities		(1,671,850)	7,715,957
Income from adjustments of other assets carried at fair value through profit and loss	19	6,779,451	665,979
Expenses from adjustments of other assets carried at fair value through profit and loss	20	(5,918,899)	(11,322,381)
Other income	21	5,988,443	5,324,447
Other expenses	22	(9,488,348)	(6,888,309)
		(2,639,353)	(12,220,264)
Total income		337,167,511	300,862,652
Total expenses		(352,431,980)	(283,556,727)
Profit/(loss) before tax		(15,264,469)	17,305,925

(continued)

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

	<u>Note</u>	<u>2021</u>	<u>2020</u> <i>Corrected</i>
Profit/(loss) before tax		(15,264,469)	17,305,925
Income tax			
Tax expense for period	23	(2,603,693)	(6,933,513)
Deferred tax expense for period	23	-	-
Deferred tax income for period		<u>2,919,429</u>	<u>1,479,203</u>
Net profit/(loss)		<u>(14,948,733)</u>	<u>11,851,615</u>

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

On behalf of the Company

Miroslav Tomašević
Acting general manager

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

	<u>Note</u>	<u>2021</u>	<u>2020</u> <i>Corrected</i>
Net operating profit			
Net profit/(loss)		(14,948,733)	11,851,615
Other Comprehensive gain / (loss), gross			
a) Items that will not be reclassified to profit or loss			
Increase (decrease) in revaluation reserves	32	36,880,400	-
Actuarial gains (losses) based on defined benefit plans	32	(434,382)	(65,029)
		<u>36,446,018</u>	<u>(65,029)</u>
b) Items that will be reclassified to profit or loss in future periods			
Gains/(losses) on securities measured at fair value through other comprehensive income	32	1,501	(6,357)
		<u>1,501</u>	<u>(6,357)</u>
Other gross comprehensive income/(loss)		<u>36,447,519</u>	<u>(71,386)</u>
Deferred tax income/(expense) on other comprehensive period's gain or loss	23	(5,532,060)	-
		<u>30,915,459</u>	<u>(71,386)</u>
Net other comprehensive income/(loss)			
Total other comprehensive income/ (loss)		<u>15,966,726</u>	<u>11,780,229</u>

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

BALANCE SHEET

For the period 1 January – 31 December 2021

In RSD thousand

	Note	31 December 2021	31 December 2020 <i>Corrected</i>	1 January 2020 <i>Corrected</i>
ASSETS				
Non-current assets				
Intangible assets				
Concessions, patents, licences, trademarks, software, and similar rights	24	8,226,975	8,468,268	7,490,517
Intangible assets under construction	24	2,099,137	6,232,531	4,968,607
		<u>10,326,112</u>	<u>14,700,799</u>	<u>12,459,124</u>
Property, plant and equipment				
Land and buildings	24	321,854,745	324,209,269	320,767,152
Machinery and equipment	24	369,736,395	340,658,615	337,963,064
Investment property	24	352,074	402,616	415,256
Property, plant and equipment in progress	24	106,261,760	87,589,804	90,273,537
Other property, plant and equipment and investments on third party property, plant and equipment	24	106,978	118,473	121,226
Advances for property, plant and equipment - domestic		6,104,480	6,145,968	2,712,154
Advances for property, plant and equipment - foreign	24	11,730,726	14,254,524	16,226,199
		<u>816,147,158</u>	<u>773,379,269</u>	<u>768,478,588</u>
Biological assets				
	24	502,441	489,076	442,343
		<u>502,441</u>	<u>489,076</u>	<u>442,343</u>
Long-term financial investments				
Equity investments (except participation in equity valued using the equity method)	25	3,916,984	2,760,618	80,105,623
Equity investments that are valued using the equity method	25	27,984	406,462	406,180
Long-term financial investments in parent, subsidiaries and other related parties and long term receivables from these parties	25	-	-	2,762,796
Long term investments – domestic	25	2,350,992	2,490,896	-
Other long-term financial investments	25	441,716	1,303,067	4,021,404
		<u>6,737,676</u>	<u>6,961,043</u>	<u>87,296,003</u>
Current assets				
Inventory				
Material, spare parts, tools and inventory	26	26,450,431	26,965,035	24,885,736
Work in progress and ongoing services	26	2,254,648	3,036,564	2,560,935
Merchandise	26	1,519	2,281	3,273
Advances paid for inventories and services - domestic	26	1,822,632	4,574,694	2,918,086
Advances paid for inventories and services - foreign	26	1,969,737	219,761	351,405
		<u>32,498,967</u>	<u>34,798,335</u>	<u>30,719,435</u>
Fixed assets held for sale and cessation of business				
		163,509	-	-
		<u>163,509</u>	<u>-</u>	<u>-</u>
Trade receivables				
Trade receivables – domestic	27	62,622,573	56,573,034	45,009,721
Trade receivables – foreign	27	73,667	262,503	38,269
Trade receivables –parent, subsidiaries and other related parties - domestic	27	3,287	5,121	9,448,537
Trade receivables– parent, subsidiaries and other related parties – foreign	27	-	-	121,558
Other trade receivables	27	105,453	285,073	114,827
		<u>62,804,980</u>	<u>57,125,731</u>	<u>54,732,912</u>
Other short-term receivables				
Other receivables	28	13,458,669	9,298,869	10,421,049
Claims for overpaid income tax	28	3,749,429	-	640,567
Claims based on overpaid taxes and contribution	28	162,678	51,130	68,133
		<u>17,370,776</u>	<u>9,349,999</u>	<u>11,129,749</u>

(continued)

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BALANCE SHEET

For the period 1 January – 31 December 2021 (continued)

In RSD thousand

	Note	31 December 2021	31 December 2020 <i>Corrected</i>	1 January 2020 <i>Corrected</i>
Short-term financial investments				
Short-term loans and borrowings - domestic	29	212,486	205,513	794,410
Other short term financial investments	29	19,205	707	199,830
		<u>231,691</u>	<u>206,220</u>	<u>994,240</u>
Cash and cash equivalents	30	12,370,822	19,610,430	8,886,019
Prepaid expenses and other accruals	31	2,933,376	2,649,593	3,230,477
TOTAL ASSETS		<u>962,087,508</u>	<u>919,270,495</u>	<u>978,368,890</u>
Off-balance sheet assets	41	<u>249,614,916</u>	<u>231,090,249</u>	<u>254,603,625</u>
Equity and liabilities				
Equity				
Basic capital	32	360,532,532	360,003,089	360,011,186
Positive revaluation reserves and unrealized gains on the basis of financial assets and other components of the rest comprehensive result	32	446,486,339	422,753,697	423,713,425
Unrealised gain/(loss) from securities and other comprehensive income items	32	(2,981,445)	(2,945,810)	(2,875,396)
Retained earnings		22,594,615	22,594,615	13,387,941
Previous years' retained earnings	32	22,594,615	10,743,000	9,725,800
Current year retained earnings	32	-	11,851,615	3,662,141
Loss		(225,651,530)	(202,885,039)	(128,321,035)
Previous years' loss	32	(210,702,797)	(202,885,039)	(128,321,035)
Current year loss	32	(14,948,733)	-	-
		<u>600,980,511</u>	<u>599,520,552</u>	<u>665,916,121</u>
Long-term provisions and liabilities				
Long-term provisions				
Provisions for fees and other benefits employees	33	14,877,228	17,223,616	16,602,371
Other long-term provisions	33	22,957,637	23,476,246	20,318,587
		<u>37,834,865</u>	<u>40,699,862</u>	<u>36,920,958</u>
Long-term liabilities				
Liabilities convertible into equity	34	80,500	80,500	80,500
Long term loans and borrowings – domestic	34	21,168,304	22,855,410	20,959,506
Long term loans and borrowings – foreign	34	71,533,476	84,676,818	88,035,161
Other long-term liabilities	34	14	14	28,121
		<u>92,782,294</u>	<u>107,612,742</u>	<u>109,103,288</u>
Long-term passive accruals		-	-	-
Deferred tax liabilities	23	68,330,958	65,718,331	67,197,535
Long-term deferred income and received donations	35	8,573,770	8,679,277	8,817,988
Short-term liabilities				
Short-term financial liabilities				
Loans and borrowings from entities which are not domestic banks	36	57,875	28,076	67,382
Loans from domestic banks	36	24,402,808	9,100,855	3,864,045
Loans, borrowings and liabilities from abroad	36	29,957,052	9,259,637	9,634,305
		<u>54,417,735</u>	<u>18,388,568</u>	<u>13,565,732</u>
Customer prepayments, deposits and caution money	37	1,033,325	921,752	739,157

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BALANCE SHEET

For the period 1 January – 31 December 2021

In RSD thousand

	<u>Note</u>	<u>31 December 2021</u>	<u>31 December 2020</u> <i>Corrected</i>	<u>1 January 2020</u> <i>Corrected</i>
Operating liabilities				
Trade payables – parent, subsidiaries, and other related parties - domestic	38	90,510	141,573	21,846,514
Trade payables – parent, subsidiaries, and other related parties - foreign	38	-	-	816
Trade payables – domestic	38	52,348,394	40,739,568	19,689,775
Trade payables – foreign	38	18,156,667	5,263,600	6,427,676
Other operating liabilities	38	2,099,756	1,997,640	1,513,939
		<u>72,695,327</u>	<u>48,142,381</u>	<u>49,478,720</u>
Other current liabilities				
Other current liabilities	39	7,935,040	11,711,488	12,266,233
Liabilities for VAT	39	16,030,465	13,068,977	13,004,428
Corporate income tax liabilities	39	-	3,195,792	-
		<u>23,965,505</u>	<u>27,976,257</u>	<u>25,270,661</u>
Short-term passive accruals	40	1,473,218	1,610,773	1,358,730
Total liabilities		<u>962,087,508</u>	<u>919,270,495</u>	<u>978,368,890</u>
Off-balance liabilities	41	249,614,916	231,090,249	254,603,625

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

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE

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

	Items of equity			Items of other comprehensive income		Total equity
	Basic equity	Other basic equity	Loss	Retained earnings	Revaluation reserves and unrealized losses and gains	
Opening balance as at 1 January 2020	359,939,739	71,447	119,118,409	13,387,941	420,875,903	675,156,621
Effects of retroactive correction materially errors and changes in accounting policies	-	-	9,202,626	-	(37,874)	(9,240,500)
Restated opening balance as at 1 January 2020	359,939,739	71,447	128,321,035	13,387,941	420,838,029	665,916,121
Net movements in 2020	(8,097)	-	74,564,004	9,206,674	(1,030,142)	(66,395,569)
Closing balance as at 31 December 2020	359,931,642	71,447	202,885,039	22,594,615	419,807,887	599,520,552
Effects of retroactive correction materially errors and changes in accounting policies	-	-	-	-	-	-
Restated opening balance as at 1 January 2021	359,931,642	71,447	202,885,039	22,594,615	419,807,887	599,520,552
Net movements in 2021	529,443	-	22,766,491	-	23,697,007	1,459,959
Closing balance as at 31 December 2021	360,461,085	71,447	225,651,530	22,594,615	443,504,894	600,980,511

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

NOTES TO FINANCIAL STATEMENTS

CASH FLOW STATEMENT

During the period from 1 January - 31 December 2021

In RSD thousand

	2021	2020
Cash flows from operating activities		
Cash inflows from operating activities	277,101,935	249,344,679
Sales and advances received-domestic	268,700,956	240,224,767
Sales and advances received-foreign	4,701,273	3,674,839
Interests from operating activities	2,220,531	2,383,146
Other proceeds from operating activities	1,479,175	3,061,927
Cash outflows from operating activities	237,772,583	208,504,612
Payments and prepayments to suppliers- domestic	92,491,966	87,584,278
Payments and prepayments to suppliers- foreign	27,067,141	3,770,195
Salaries, fringe benefits and other personal expenses	50,809,846	59,277,830
Interest paid- domestic	2,003,077	1,930,474
Interest paid-foreign	425,339	396,034
Income tax	9,548,915	3,097,154
Charges for services that qualify as public revenues	55,426,299	52,448,647
Other cash outflows from operating activities		
Cash inflows/(outflow) from operating activities, Net	39,329,352	40,840,067
Cash flows from investing activities		
Cash inflows from investing activities	1,380,553	5,281,907
Sale of shares and stakes	-	-
Sale of intangible assets, property, plant, equipment and biological assets	12,832	300
Other financial investments (net inflows)	975,152	4,067,424
Interests received from investing activities	392,569	1,214,183
Dividends received	-	-
Cash outflows from investing activities	51,005,628	38,707,515
Purchase of shares and stakes (net outflows)	1,192,596	597,478
Purchase of intangible assets, property, plant, equipment and biological assets	49,813,032	38,110,037
Other financial outflows, net	-	-
Cash inflow/(outflow) from investing activities, Net	(49,625,075)	(33,425,608)
Cash flows from financing activities		
Cash inflows from financing activities	24,731,463	19,688,825
Increase of basic capital	-	-
Long-term loans- domestic	22,171,878	19,188,329
Long-term loans- foreign	2,559,585	500,496
Short-term loans- domestic	-	-
Short-term loans- foreign	-	-
Other long-term liabilities	-	-
Other short-term liabilities	-	-
Cash outflows from financing activities	21,674,777	16,377,463
Purchase of own shares and shares	-	-
Long-term loans- domestic	9,384,525	6,603,073
Long-term loans- foreign	9,100,994	9,717,344
Short-term loans- domestic	-	-
Short-term loans- foreign	-	-
Other liabilities	58,440	56,941
Finance lease	130,783	-
Dividends paid	3,000,035	105
Inflows/(outflows) from financing activities, Net	3,056,686	3,311,362
Total cash inflow	303,213,951	274,315,411
Total cash outflow	310,452,988	263,589,590
Net cash inflow/(outflow)	(7,239,037)	10,725,821
Cash at the beginning of the accounting period	19,610,430	8,886,019
Foreign exchange gains on translation of cash	1,175	130
Foreign exchange losses on translation of cash	(1,746)	(1,540)
Foreign exchange gains on translation of cash	12,370,822	19,610,430

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NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND OPERATIONS

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

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

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

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

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

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

- introduced a new non-monetary contribution, namely real estate and equipment owned by JP EPS, as well as intangible assets, participation in the capital of other legal entities and claims in the total value of 18,264,193,294.00 RSD, thereby increasing the basic capital of the Distribution System Operator "EPS Distribution", d.o.o. Belgrade, which change in registration of non-monetary deposit was registered in the Register of Business Entities APR on December 23, 2020,
- concluded the Agreement on the transfer of shares in the Distribution System Operator "EPS Distribucije" d.o.o. Belgrade from JP "Elektroprivreda Srbija" to the Republic of Serbia number 12.01.655216/1-20 dated December 29, 2020 (certified on the same day by a notary public), based on the Decision of the Supervisory Board, which change was registered in the Register of Business Entities APR on December 31, 2020. The provisions of Article 7 of the Transfer Agreement stipulate that the Agreement produces legal effect between the contracting parties on the date of certification by the competent authority, and on third parties on the date of entry of the changes in the register of economic entities, whereby the Public Company "Elektroprivreda Srbije" lost the power of control, i.e. the right to give him the ongoing ability to direct the relevant activities of the Distribution System Operator "EPS Distribucije" d.o.o. Belgrade.

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND ORGANISATION (continued)

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

- the business name of the company was changed to "Elektrodistribucija Srbije" d.o.o. Belgrade, which change was registered in the Register of Business Entities APR on January 29, 2021
- and for the non-cash capital in the value of 18,264,193,294 RSD, it was arranged that the registered non-cash contribution will be charged no later than five years from the date of registration decisions on increasing the basic capital.

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

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

1. Electricity Trading Company "EPS Trgovanje" d.o.o. with headquarters in Ljubljana, Tivolska cesta no. 48, Republic of Slovenia, for the performance of electricity trading activities.
2. Electricity trading company "Elektrosever" d.o.o. with headquarters in Severna Mitrovica, Filipa Višnjića bb, Kosovo and Metohija, for the performance of electricity trade and electricity distribution services. The company was founded by the Decision of the Supervisory Board of the Company No. 12.01.19169/3-2016 of January 20, 2016, with the approval of the Government of the Republic of Serbia, Decision no. 05 number 023-923/2016 from February 11, 2016. The Company was registered on November 7, 2018. The company has not started working.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND ORGANISATION (continued)

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

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

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

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

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

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

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

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

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

As of December 31, 2021, the Company had 20,235 employees (December 31, 2020: 25,028 employees).

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND ORGANISATION (continued)

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

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

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS ACCOUNTING PRINCIPLES**2.1. Consolidation scope and basics**

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

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

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

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

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

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

In accordance with the Accounting Act, the Company's financial statements are presented in thousands of dinars. Dinar is the official reporting currency in the Republic of Serbia.

NOTES TO FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS ACCOUNTING PRINCIPLES (continued)**2.2. Standards and interpretations issued and effective in the past and current periods, which have not yet been officially translated and adopted**

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

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

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

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

- IFRS 17 "Insurance Contracts" - revised and issued during 2017 as a complete standard (initially, effective for annual periods beginning on or after January 1, 2021 - with amendments from June 25, 2020 , the International Accounting Standards Board has decided to postpone the application of this standard for annual periods beginning on or after January 1, 2023), including amendments for the initial application of IFRS 17 and related amendments to IFRS 9 "Financial Instruments " for the presentation of comparative data.
- Amendments to IFRS 3 "Business Combinations" - updating the reference to the conceptual framework (issued in May 2020, effective for annual periods beginning on or after January 1, 2022).
- Amendments to IAS 1 "Presentation of Financial Statements" - classification of liabilities into long-term and short-term liabilities (issued in January 2020, effective for annual periods beginning on or after January 1, 2023).
- Amendments to IAS 1 "Presentation of Financial Statements" - an initiative to change the disclosure of accounting policies including amendments to IFRS Interpretations in Practice 2 "Assessment of Materiality" (issued in February 2021, effective for annual periods beginning on or after 1 January 2023).

NOTES TO FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS ACCOUNTING PRINCIPLES (continued)**2.3. Published standards and interpretations that have not yet entered into force**

- Amendments to IAS 16 "Property, plant and equipment" - proceeds from the sale before the intended use of assets in construction (issued in May 2020, effective for annual periods beginning on or after January 1, 2022).
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - harmful contracts, contract fulfilment costs (issued in May 2020, effective for annual periods beginning on or after January 1, 2022). Annual improvements to IFRS (IFRS 1, IFRS 9, IFRS 16, IAS 41) resulting from the 2018 to 2020 standards improvement cycle project issued in May 2020 (effective for annual periods beginning on or after January 1, 2022).
- Annual Improvements to IFRSs (IFRS 1, IFRS 9, IAS 16, IAS 41) arising as a result of the project Annual Improvements Cycle 2018-2020 issued in May 2020 (effective for annual periods beginning on or after 1 January 2022).
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Entities" - Sale or transfer of assets without compensation between the investor and its associate or joint entity (amendments adopted in September 2014, beginning of application it was postponed indefinitely).
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - definition of accounting estimate, amendments adopted in February 2021 (effective for annual periods beginning on or after January 1, 2023).
- Amendments to IAS 12 "Income Taxes" - deferred taxes related to assets and liabilities arising from individual transactions, amendments adopted in May 2021 (effective for annual periods beginning on or after January 1, 2023 years).

2.4. Going concern principle

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

2.5. Comparative figures**2.5.1 Corrections of opening balance**

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

2.5.2 Implementation of the new accounting framework

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

2.6. COVID 19 impact

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

In response to the potentially serious threat posed by COVID-19 to the health of the population, government authorities took measures to combat the pandemic, including the introduction of restrictions on cross-border movement of people, restrictions on foreign visitors and the "closure" of certain industrial sectors. conditioned by the then development of the situation.

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

NOTES TO FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS ACCOUNTING PRINCIPLES (continued)**2.6. COVID 19 impact**

However, the impact of COVID-19 on the operations of JP EPS was negligible.

Production and placement of electricity

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

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

Electricity prices

- The COVID-19 pandemic did not have an impact on the price level of electricity for the needs of guaranteed supply in 2021 (regulated price) nor on the price for commercial supply (pre-agreed prices).
- In 2021, the realized average selling price of electricity for electricity deliveries on the guaranteed supply amounted to RSD 3,631/kWh, while on commercial supply it amounted to RSD 6,298/kWh.

Management activities

The 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

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

3.1. Revenues

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

Revenue is recognized when the Company 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.

NOTES TO FINANCIAL STATEMENTS

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

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.

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

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

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

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**3.3. Joint arrangements and business combinations**

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

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

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

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

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

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

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

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

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

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

3.4. Borrowing costs

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

Borrowing costs may include:

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

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

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

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**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 favourable for the employee, and
- jubilee awards for 10, 20, 30, 35 and 40 years of continuous work in the Company, in the amount of 1, 2, 3, 3.5 and 4 paid average salaries in the Company for the previous twelve months.

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

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

3.6. Provisions

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

Litigation

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

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

Environmental restoration and environmental protection

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

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**3.7. Government grants, donations and assistance**

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

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

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

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**3.8. Taxes and contributions (continued)***Transfer prices*

The value calculation of performance between related legal entities for income statement items in the previous reporting period (year 2020) was carried out according to transfer prices, namely:

- by the method of comparable prices on the market for the supply of electricity for own consumption and
- according to regulated prices (approved by the Energy Agency of the Republic of Serbia) for access services to 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.

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.

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**3.9. Property, plant and equipment (continued)**

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

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

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

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

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**3.11. Depreciation of property, plant and equipment**

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

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

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

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

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

3.12. Leasing***Accounting policies in effect from January 1, 2021***

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

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

On the lease commencement date, each lease:

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

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

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**3.12. Leasing (continued)****The company as a lessee**

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

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

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

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

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

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

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

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

Company as a lessor

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

Accounting policies in effect until January 1, 2021

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

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

3.13. Intangible assets

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**3.14. Impairment of non-financial assets (continued)**

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

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

3.15. Inventory

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

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

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

Basic and auxiliary material used in production is not written off below the cost price, 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 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, labour or other production costs, storage costs, except if not necessary in the production process of the next stage, general administrative costs that do not contribute to bringing inventories to their current location and condition, selling costs and borrowing costs.

NOTES TO FINANCIAL STATEMENTS

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

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*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.

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**3.16. Financial instruments (continued)**

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

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

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

All financial assets that are not measured at amortized value or at fair value through other comprehensive income, as described above, are measured at fair value through the income statement. This includes financial assets that are held for trading, managed and whose performance is measured on the basis of fair value, and which are measured at fair value through the income statement. In addition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized value or at fair value through other comprehensive income, as an asset at fair value through the income statement if in this way it eliminates or significantly reduces the accounting inconsistency that would otherwise be created.

The Company classifies financial liabilities at amortized value for subsequent measurement purposes, except for the following:

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

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.

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**3.16. Financial instruments (continued)**

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

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

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

Short-term receivables and placements are measured at the transaction price, which is the amount of compensation that the 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 the income statement (held for trading),
- financial assets that are available for sale,
- held-to-maturity investments,
- loans (credits) and receivables originated by the Company and not held for trading purposes, 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

Shares in the capital of related companies

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

Other long-term placements

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

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

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

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

3.17. Impairment of financial assets

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

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

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

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

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

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

The assessment of provisions for expected credit losses of receivables from customers for the sale of electricity is carried out according to the following groups of receivables, unless otherwise stated, which arise based on:

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

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

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

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

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

Guaranteed supply

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

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

NOTES TO FINANCIAL STATEMENTS

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

3.17. Impairment of financial assets (continued)

Commercial and backup supply

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

For the calculation of expected credit losses on settled claims from customers on commercial and reserve supply, as of December 31, 2021, rates of 92.53% and 93.14% were used, respectively, while the rate of expected credit losses on claims from customers in the reorganization process, in bankruptcy or liquidation is 100%.

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

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

The applied loss rates by consumer segment for the calculation of expected credit losses as of December 31, 2020 were as follows:

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 customers
Non- due	32.19%	2.96%
1 – 30	40.43%	9.58%
31 – 60	45.64%	24.55%
61 – 90	57.39%	40.54%
91 – 180	61.55%	50.19%
181 – 270	68.83%	67.49%
271 – 360	81.40%	81.01%
361 +	94.74%	95.10%

For the calculation of expected credit losses of sued trade receivables on commercial and reserve supply, as at 31 December 2020, the rates of 94.74% and 95.10% were used, while the rate of expected credit losses of trade receivables in the process of reorganization, bankruptcy or liquidation and 100%.

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**3.18. Impairment of financial assets (continued)**

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

Amortisation and amortisation rates

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

Determining the fair value of real property, plant and equipment

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

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

Impairment of value of non-financial assets

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

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

Based on the conducted testing of the potential impairment of the assets on the day of the assessment, it was determined that the value in use, i.e. the recoverable amount of the assets, which includes intangible assets at the level of the unit that generates the assets (level: branch, Management and technical centres), as well as in the overall observed Company, higher than the book value, as a result of which there is no basis for impairment of the Company's assets and individual units that generate cash.

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

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

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**3.18. Impairment of financial assets (continued)***Long-term provisions for the costs of restoration of natural resources*

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

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

Provisions for litigation

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

Provision for expected credit losses

IFRS 9 replaces the "incurred losses" model in IAS 39 with a forward-looking model of "expected credit losses". This requires significant judgment as to how changes in economic factors affect expected credit losses determined on a weighted probability basis.

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

Employee benefits

The present value of the obligation for retirement benefits, jubilee awards and accrued unused holidays is determined based on an actuarial valuation. The actuarial valuation involves assumptions relating to the discount rate, a forecasted salary increase, mortality rates and employee turnover. In determining the appropriate discount rate, Management considers interest rates equivalent to those applied to the Republic of Serbia bonds. The mortality rate is based on publicly available mortality tables. The future salary increase is based on expected inflation rates.

Fair value

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

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

NOTES TO FINANCIAL STATEMENTS

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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

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

IFRS Leasing

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

Transition to IFRS 16

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

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

The Company applied IFRS 16 only to contracts previously identified as leases. Contracts not identified as leases under IAS 17 and IFRIC 4 have not been reassessed to determine whether they constitute leases. Therefore, the definition of leasing in IFRS 16 applied only to contracts entered into or modified on or after January 1, 2021..

Leasing previously classified as financial leasing

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

For leases that are classified as operating leases according to IAS 17, the Company:

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

NOTES TO FINANCIAL STATEMENTS

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact on financial statements

When transitioning to IFRS 16 (January 1, 2021), the Company recognized an additional 177,519 thousand dinars of property with the right of use and 177,519 thousand dinars of leasing obligations.

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

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

	In RSD thousands
	<u>1 January 2021</u>
Potential leasing obligations as of December 31, 2020 which are stated in the Company's financial statements	184,255
Effects of discounting on present value	<u>(6,736)</u>
Lease liability recognized on January 1, 2021	<u>177,519</u>

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

	Note	In RSD thousands
		<u>1 January 2021</u>
Increase in property with right of use	24	177,519
Increase in leasing obligations	<u>24</u>	<u>(177,519)</u>
Retained earnings/losses of prior periods		<u>-</u>

NOTES TO FINANCIAL STATEMENTS

5. CORRECTIONS OF OPENING BALANCES

a) Overview of corrections – balance sheet

The effects of the corrections and reclassifications on the balance sheet as of December 31, 2021 and December 31, 2020 are shown as follows:

	1 January 2021 Before corrections	Correction	1 January 2021 After corrections	1 January 2020 Before corrections	Correction	1 January 2020 After corrections
ASSETS						
Non-current assets						
Intangible assets	14,797,315	(96,516)	14,700,799	12,459,124	-	12,459,124
Property, plant and equipment	767,555,641	5,823,628	773,379,269	763,733,479	4,745,109	768,478,588
Biological assets	489,076	-	489,076	442,343	-	442,343
Equity investments and long-term fin. placements	6,961,043	-	6,961,043	87,296,003	-	87,296,003
	<u>789,803,075</u>	<u>5,727,112</u>	<u>795,530,187</u>	<u>863,930,949</u>	<u>4,745,109</u>	<u>868,676,058</u>
Current assets						
Inventory	34,938,041	(139,706)	34,798,335	30,719,435	-	30,719,435
Assets held for sale	-	-	-	-	-	-
Accounts receivables	57,125,731	-	57,125,731	54,732,912	-	54,732,912
Other receivables, VAT, receivables for overpaid taxes and contributions	9,349,999	-	9,349,999	11,129,749	-	11,129,749
Short term financial placements	206,220	-	206,220	994,240	-	994,240
Cash and cash equivalents	19,610,430	-	19,610,430	8,886,019	-	8,886,019
Prepaid expenses	2,649,593	-	2,649,593	3,230,477	-	3,230,477
	<u>123,880,014</u>	<u>(139,706)</u>	<u>123,740,308</u>	<u>109,692,832</u>	<u>-</u>	<u>109,692,832</u>
Total assets	<u>913,683,089</u>	<u>5,587,406</u>	<u>919,270,495</u>	<u>973,623,781</u>	<u>4,745,109</u>	<u>978,368,890</u>
LIABILITIES						
Equity						
Basic capital	360,003,089	-	360,003,089	360,011,186	-	360,011,186
Revaluation reserves and unrealized gains based on shares and others components of other comprehensive result	422,791,571	(37,874)	422,753,697	423,751,299	(37,874)	423,713,425
Unrealized loss based on shares and others components of other comprehensive result	(2,945,810)	-	(2,945,810)	(2,875,396)	-	(2,875,396)
Accumulated gain / (loss)	(170,056,763)	(10,233,661)	(180,290,424)	(105,730,468)	(9,202,626)	(114,933,094)
	<u>609,792,087</u>	<u>(10,271,535)</u>	<u>599,520,552</u>	<u>675,156,621</u>	<u>(9,240,500)</u>	<u>665,916,121</u>
Long-term liabilities and provisions						
Long-term provisions	24,408,191	16,291,671	40,699,862	22,482,741	14,438,217	36,920,958
Long-term liabilities and borrowings	107,612,742	-	107,612,742	109,103,288	-	109,103,288
Long-term deferred income and donations received	8,678,813	464	8,679,277	8,817,524	464	8,817,988
Deferred tax liabilities	66,194,482	(476,151)	65,718,331	67,693,064	(495,529)	67,197,535
	<u>206,894,228</u>	<u>15,815,984</u>	<u>222,710,212</u>	<u>208,096,617</u>	<u>13,943,152</u>	<u>222,039,769</u>
Short-term liabilities						
Short-term financial liabilities	18,388,568	-	18,388,568	13,565,732	-	13,565,732
Advances received	921,752	-	921,752	739,157	-	739,157
Accounts payable	48,142,381	-	48,142,381	49,478,720	-	49,478,720
Other short-term liabilities	27,933,300	42,957	27,976,257	25,228,204	42,457	25,270,661
Accruals	1,610,773	-	1,610,773	1,358,730	-	1,358,730
	<u>96,996,774</u>	<u>42,957</u>	<u>97,039,731</u>	<u>90,370,543</u>	<u>42,457</u>	<u>90,413,000</u>
Total liabilities	<u>913,683,089</u>	<u>5,587,406</u>	<u>919,270,495</u>	<u>973,623,781</u>	<u>4,745,109</u>	<u>978,368,890</u>

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NOTES TO FINANCIAL STATEMENTS

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, 20 are shown as follows:

	In RSD thousands		
	Year ended on 31 December 2020		Year ended on 31 December 2020
	Before corrections	Correction	After corrections
BUSINESS INCOME			
Income from the sale of products and services	280,066,147	-	280,066,147
Revenues from activation of goods and effects	598,060	-	598,060
(Increase)/decrease in inventory value	475,628	-	475,628
Income from value adjustments assets (except financial assets)	1,353,227	-	1,353,227
Other operating income	2,665,173	-	2,665,173
	<u>285,158,235</u>	<u>-</u>	<u>285,158,235</u>
BUSINESS EXPENSES			
Purchase cost of sold goods	(92,288)	-	(92,288)
Costs of materials, fuel and energy	(122,584,061)	-	(122,584,061)
Salary expenses, salary compensation and other personal expenses	(54,415,738)		(54,415,738)
Depreciation costs	(33,729,529)	(752,323)	(34,481,852)
Costs of adjustment of value assets (other than financial)	(984,299)	(139,706)	(1,124,005)
Costs of production services	(27,066,738)	(96,516)	(27,163,254)
Cost of provisions	(3,809,699)	(22,612)	(3,832,311)
Non production expenses	(19,653,994)	(500)	(19,654,494)
	<u>(262,336,346)</u>	<u>(1,011,657)</u>	<u>(263,348,003)</u>
OPERATING INCOME	22,821,889	(1,011,657)	21,810,232
Finance income	9,713,991	-	9,713,991
Finance costs	(1,998,034)	-	(1,998,034)
Other income and income from value adjustments of financial assets that are valued based on fair value through income statement	5,990,426	-	5,990,426
Other expenses and expenses from value adjustments of financial assets that are valued based on fair value through income statement	(18,210,690)	-	(18,210,690)
INCOME BEFORE TAX	18,317,582	(1,011,657)	17,305,925
Tax expense	(6,933,513)	-	(6,933,513)
Deferred tax income	1,498,581	(19,378)	1,479,203
NET INCOME	12,882,650	(1,031,035)	11,851,615

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NOTES TO FINANCIAL STATEMENTS

5. CORRECTIONS OF OPENING BALANCES (continued)

c) Impact of corrections on accumulated loss

Correction description	In RSD thousands	
	1 January 2021	1 January 2020
Balance of accumulated loss, previously disclosed	170,056,763	105,730,468
1) Recognition of reservations for recultivation of land where ash and slag landfills are located in Branches TENT and TE KO Kostolac:		
- recognition of costs based on depreciation of landfill land	7,587,703	6,839,696
- recognition of costs based on the effect of discounting the provision obligation	3,068,510	2,723,881
- the effect on deferred tax expenses on the above-mentioned basis	(463,032)	(463,032)
2) Remeasurement of provision for renewal costs of natural resources in the branches of RB Kolubara and TE KO Kostolac	(469,199)	(147,182)
3) Abolition of impairment of the value of advances given subsequently the submitted documentation	(67,332)	(67,332)
4) Cessation of recognition of property (public property) in the TE Branch KO Kostolac according to the RS Government Decision 05 number: 464-11566/2019- 3 of 21.11.2019.	275,713	275,713
5) Recognition of inventory impairment	139,706	-
6) Cessation of recognition of intangible assets in preparation	96,516	-
7) Recognition of property (land) in connection with status with the change from January 4, 2016. (Conclusion of the Government 05 no 023-15149/2014 from November 27, 2014)	(73,005)	(73,005)
8) Re-measurement of the value of investment properties and deferred tax liabilities in connection with the same	61,455	57,139
9) Recognition of obligations based on the income of employees who they work in particularly difficult conditions	40,793	40,793
10) Other	35,833	15,955
Balance of accumulated loss, corrected	180,290,424	114,933,094

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

Description of the correction	In RSD thousands
	2020
Gain, previously reported	12,882,650
1) Recognition of the reservation for the final reclamation of the land where the slag and ash landfill is located in the TENT and TE KO Kostolac Branches:	
- recognition of costs based on depreciation of landfill land	(748,007)
- recognition of expenses based on the discounting effect of the recognized provisioning obligation	(344,629)
2) Re-measurement of provisions for the costs of restoration of natural resources in the branches of RB Kolubara and TE KO Kostolac	322,017
3) Recognition of inventory impairment	(139,706)
4) Recognition of amortization expense based on the remeasurement of the value of investment properties in the RB Kolubara Branch	(4,316)
5) Cessation of recognition of intangible assets in preparation according to subsequently received documentation	(96,516)
6) Recognition of deferred tax expenses	(19,378)
7) Other	(500)
Gain, corrected	11,851,615

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NOTES TO FINANCIAL STATEMENTS

5. CORRECTIONS OF OPENING BALANCES (continued)

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

	In RSD thousands for the year ending 31 December	
	2021	2020
Revenues from electricity sales	277,404,201	246,509,699
Sales revenue of A.D. "Electric Network of Serbia", Belgrade (a)	18,630,990	11,069,064
Revenues from sales of goods	4,902,726	5,161,524
Revenues from sales of services	3,817,564	17,008,813
Other (b)	375,881	317,047
	305,131,362	280,066,147

(a) Turnover achieved with customer A.D. "Elektromreza Srbije", Belgrade (hereinafter: "EMS"), in the amount of 18,630,990 thousand dinars (2020: 11,069,064 thousand dinars) refers to the sale of electricity and the provision of services to the energy entity - the 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 the own consumption of the Transmission System Operator and compensation for losses of electricity in the transmission system, based on the contracts under which it fulfils its obligations in accordance with the Law on energy and work rules related to the operation of the transmission system and the functioning of the market. According to the Law on Energy, the prices of auxiliary services: primary regulation, voltage regulation, as well as system services of secondary and tertiary regulation, are regulated prices.

(b) Other income reported in 2021 in the amount of 374,372 thousand dinars (2020: 317,047 thousand dinars) refers to compensation for business in which the Company acts as an agent - calculation and collection of fees for the Public Media Service (note 28). Namely, the Society and the Public Media Institution "Radio Television of Serbia" and the Public Media Institution "Radio Television of Vojvodina" have concluded an agreement regulating the procedure under the Law on Temporary Regulation of Fee Collection Methods for the Public Media Service ("Official Gazette of RS", no. 112/2015, 108/2016, 153/2020, 129/2021), which stipulates that when calculating and charging for the delivered electricity, the Company also charges customers for the tax in question, with a fee in the amount of 3% of the funds transferred to public media institutions. With the latest amendments to the Law, the collection of the fee for the public media service was extended until December 31, 2022, and the amount of the fee in the reporting period is 299 dinars (2020: 255 dinars).

NOTES TO FINANCIAL STATEMENTS

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	
	31 December	
	2021	2020
Sales on domestic market:		
- Sales of electricity to households (a)	105,409,892	96,313,344
- Electricity sales - open market customers (a)	146,419,008	105,322,397
- Sale of electricity - related parties within the EPS group (note 42) (b)	23,054	23,465,417
- Electricity sales - third parties (economy) (a)	13,769,150	11,950,720
- Electricity sales - licensed customers (a)	4,532,163	2,304,828
- Electricity sales - stock exchange trading (c)	2,525,768	2,026,399
- Revenues from electricity sales of PE "Elektrokosmet", Pristina (d)	214,238	1,227,521
	<u>272,893,273</u>	<u>242,610,626</u>
Revenue from sales of electricity on foreign markets - third parties (e)	44,324	28,425
Income from the sale of electricity on the foreign market - related parties within the EPS group (note 42) (e)	4,466,604	3,870,648
	<u>4,510,928</u>	<u>3,899,073</u>
	<u>277,404,201</u>	<u>246,509,699</u>

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

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

- 1) conditions and manner of issuing approvals for connection to the system and connection of the system, as well as the manner of proving the fulfillment of conditions for connection of the facility;
- 2) place of metering and place of delimitation of responsibility for delivered electricity;
- 3) conditions and manner of connection of temporary facilities, construction sites and facilities in trial operation or other facilities in accordance with the law governing the construction of facilities;
- 4) measures taken in case of short-term disturbances of the energy system due to accidents and other unforeseen situations due to which the safety of the energy system is endangered, as well as due to unforeseen and necessary works on maintenance of energy facilities or necessary works on system expansion;
- 5) measures to be taken in case of general electricity shortage, conditions and manner of taking measures and order of restrictions on electricity supply, as well as measures of saving and rational consumption of electricity in case of general electricity shortage;
- 6) conditions and manner of suspension of electricity supply, as well as the rights and obligations of the system operator, supplier, ie public supplier and end customers;
- 7) conditions and manner of rational consumption and saving of electricity;

NOTES TO FINANCIAL STATEMENTS

6. SALES REVENUE (continued)

- 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 guaranteed supply, the price is determined in accordance with the adopted Methodology for determining the price of electricity for guaranteed supply, adopted by the Energy Agency of the Republic of Serbia. The price is applied after obtaining the consent of the Agency,
- for customers on commercial supply, the price is determined on the basis of price movements on reference electricity exchanges, i.e. according to market principles,
- for back-up supply customers, a single price is applied at the level offered by JP EPS in the public tender for the selection of a back-up supplier announced by the Government of the Republic of Serbia in accordance with the Law on Energy. For the reporting period, the Government of the Republic of Serbia, by Resolution 05 number: 312-11180/2018, designated the Company as a backup supplier for a period of two years from the date of adoption of the new resolution, i.e. until November 22, 2020, at a price of EUR 70.33/MWh, and by Resolution 05 Number: 312-9267/2020. from November 19, 2020, the new reserve supply price is 66.72 EUR/MWh.

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

A 5% discount is granted to customers of guaranteed supply of electricity from the "household" category who fulfil their financial obligation from the electricity bill by the due date. A discount in the amount of 5% is calculated on the amount in the invoice that refers to the charge for "calculating power", "cost of the guaranteed supplier" and "energy", and it is shown and approved in the following invoice for the consumed electricity by adding the determined monetary amount the obligation for that accounting period is reduced by the amount of the calculated and approved discount.

NOTES TO FINANCIAL STATEMENTS

6. SALES REVENUE (continued)

- (b) Revenues from the sale of electricity to related legal entities within the EPS group in the amount of 23,054 thousand dinars as a whole refer to the sale of electricity to the related legal entity Kolubara - Građevinar d.o.o. Lazarevac. In 2020, revenues from the sale of electricity to related legal entities within the EPS group included revenues from the sale of electricity to "Elektrodistribucija Srbije" d.o.o., Belgrade, in the amount of 23,440,937 thousand dinars. As disclosed in note 1, on December 31, 2020, the Company lost control over "Elektrodistribucija Srbije" d.o.o. by transferring of its ownership interest without contribution to the Republic of Serbia, as a result of which the Company's income is no longer disclosed as income from the sale of electricity to related legal entities.
- (c) The company trades electricity on the "SEEPEX" stock exchange, which started operating on February 17, 2016 in Belgrade. "SEEPEX" a.d. Belgrade is a licensed operator for the organized electricity market, which was formed on the basis of a partnership between the company A.D. "Elektromreza Srbije", Belgrade and EPEX SPOT as a joint stock company. The goal of "SEEPEX" is to provide a transparent and reliable mechanism for the formation of the wholesale price of the electricity market by matching supply and demand at a fair and transparent price and to enable all transactions concluded on "SEEPEX" to be delivered and paid for.
- (d) In accordance with the Decision of the Government of the Republic of Serbia No. 021-6624/2009-002 of November 30, 2009, the company engaged its capacities in order to provide electricity for the northern part of Kosovo and Metohija, on the basis of which revenues in the amount of 214,238 thousand dinars were recognized in 2021. (2020: 1,227,521 thousand dinars). In the reporting year, the Company did not deliver electricity through the transmission network, since the obligations assumed by the Kosovo electricity distribution operator KOSTT, which at the end of 2020 became a special control environment in the European Network of Transmission System Operators (ENTSO-E), were not fulfilled.
- (e) The sale of electricity on the foreign market refers to the sale of electricity to the company Mješoviti holding Elektroprivreda Republika Srpska (Bosnia and Herzegovina) in the amount of 44,324 thousand dinars and to the sale of electricity realized through the subsidiary company "EPS Trgovanje" d.o.o. Ljubljana, in the amount of 4,466,604 thousand dinars.

Revenue from sales of goods

Revenues from the sale of goods relate to the following:

	In RSD thousands	
	For the year ending	
	31 December	
	2021	2020
Revenue from sales of coal:		
- related parties within the EPS group (note 42)	46,995	49,102
- third party	2,671,899	3,289,334
	<u>2,718,894</u>	<u>3,338,436</u>
Revenue from sales of thermal energy	1,972,341	1,634,339
Revenue from sales of technological steam and gas	98,736	114,538
Revenue from sales of other goods	112,755	74,211
	<u>4,902,726</u>	<u>5,161,524</u>

Income from the sale of products refers to the income from the sale of coal, thermal energy, technological steam and gas and other products on the domestic and foreign markets. Revenues from the sale of coal reported for the year ending on December 31, 2021 in the amount of 2,718,894 thousand dinars refer to deliveries of coal to third parties by the Kolubara Mining Basin Branch, Lazarevac in the amount of 2,163,998 thousand dinars, and Branches of Thermal Power Plant and Kostolac Mines in the amount of 495,700 thousand dinars.

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

NOTES TO FINANCIAL STATEMENTS

6. SALES REVENUE (continued)

Revenues from sales of services

Revenues from the provision of services relate to the following:

	In RSD thousands For the year ending 31 December	
	2021	2020
Revenues from access and use of the distribution system (a)	692	17,002,371
Revenues from other services (b)	3,816,872	6,442
	3,817,564	17,008,813

On the basis of services provided in the field of economic-financial and commercial affairs, services of corporate affairs, services in the field of information and telecommunications support, services in the field of public relations, market support, support in the planning of energy facilities, networks and investments and maintenance of electrical and energy facilities and measuring points (in the amount of 3,816,872 thousand dinars (2020: 17,002,371 thousand dinars). In 2020, the income generated by the provision of the above-mentioned services is disclosed under the line Income from other services - related parties since "Elektrodistribucija Srbije" d.o.o., Belgrade operated as part of the EPS Group until December 31, 2020. As disclosed in note 1, on December 31, 2020, the Company lost control over "Elektrodistribucija Srbije" d.o.o. by transferring its ownership interest without contribution to the Republic of Serbia.

Geographical region

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

	In RSD thousands For the year ending 31 December	
	2021	2020
Serbia	300,620,434	276,167,074
Slovenia	4,466,604	3,870,648
Republic of Srpska	44,324	28,425
	305,131,362	280,066,147

Dynamics of revenue recognition

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

	In RSD thousands For the year ending 31 December	
	2021	2020
Products and services recognized at a certain point in time	9,174,981	5,445,702
Products and services recognized over time	295,956,381	274,620,445
	305,131,362	280,066,147

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

NOTES TO FINANCIAL STATEMENTS

6. SALES REVENUES (continued)

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

Sale type	The nature and dynamics of fulfilling obligations	Revenue recognition
Sales of electricity to end customers	<p>These contracts with customers refer to the sale of electricity to customers on guaranteed supply, that is, on commercial and backup supply.</p> <p>Contracts with customers on guaranteed supply are concluded for an indefinite period, and the customer has the right to terminate the contract at any time without penalty for early termination of the contract, therefore the contract period represents one accounting period that is invoiced to the customer.</p> <p>Contracts with customers for commercial supply are concluded for a certain period of time, however, according to the Rules for changing suppliers (prescribed by the regulatory body of the Energy Agency of the Republic of Serbia), the customer has the right to terminate the contract at any time without paying a penalty for early termination of the contract, therefore the contract period represents one accounting period that is invoiced to the customer.</p>	Revenue is recognized over time, based on the bill or 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 licensees and customers on the open market refer to deliveries of electricity to customers who have a license to perform energy activities. In addition, the Company generates income from trading on the stock exchange. Each individual order constitutes a contract. The company believes that on this basis, the delivery of electricity based on a specific order represents the fulfillment of the performance obligation under the contract.	Revenue from sales to customers on the open market and licensed customers is recognized over time, based on the bill or invoice issued to the customer, while revenue from stock exchange business is recognized at a certain point in time.
Sale of electricity to EMS	The subject of the contract is the delivery of a certain amount of energy for a defined period at a fixed unit price. Therefore, the contract contains only one performance obligation - the delivery of electricity during a defined period of time.	Revenue is recognized over time, based on the bill or invoice issued to the customer upon delivery of electricity.
Sales of coal, thermal energy, products, technological steam and gas	<p>Each individual order constitutes a contract. The company believes that on this basis, every delivery of goods or provision of services based on a specific order represents the fulfillment of the obligation to perform according to the contract.</p> <p>Accounts or invoices are issued upon delivery of goods or on a monthly basis, depending on the type of product and customer. Payment terms vary depending on the contractual terms and conditions, however, the general payment term is within 30 days or less.</p> <p>Accounts, ie invoices for thermal energy are issued monthly with payment due within 15 to 60 days.</p> <p>Invoices, ie invoices for technological steam, are issued monthly with payment due within 15 days.</p>	Income from the sale of coal is recognized at a certain time, upon delivery, i.e. upon invoicing to the customer, while revenues from the sale of thermal energy, technological steam and gas are recognized over time.

NOTES TO FINANCIAL STATEMENTS

6. SALES REVENUES (continued)

Balances under contracts with customers

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

	In RSD thousand	
	31 December 2021	31 December 2020
Receivables based on contracts with customers - shown in within the "trade receivables" position (note 27)	64,476,150	57,125,731
Receivables based on contracts with customers - shown in within the position "other short-term receivables" (note 28)	4,468,136	2,446,150
Receivables based on contracts with customers - which are shown under the position "long-term financial placements and long-term receivables" (note 25)	5,590	543

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

7. WORK PERFORMED BY THE ENTITY AND CAPITALISED

	In RSD thousand	
	For the year ending 31 December	
	2021	2020
Income from activation and consumption of products for own use	1,173,125	595,302
Income from activation of services for own use	1,315	2,758
	1,174,440	598,060

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

8. OTHER OPERATING INCOME

	In RSD thousand	
	For the year ending 31 December	
	2021	2020
Income from premiums, subsidies, recourses, compensations and refunds of tax duties	214,668	143,486
Income from the cancellation of deferred income, in accordance with the accounting policy (Note 35)	222,740	198,097
Income from donations, premiums, subsidies and grants from abroad (IPA Funds)	158,338	188,086
Income from compensations from insurance for damages	174,128	228,843
Income from rents from legal entities within the EPS group (Note 42)	25	476,160
Other operating income from legal entities within the EPS group (Note 42)	1,183	17,507
Income from rents	326,266	89,899
Other operating income	2,638,337	1,323,095
	3,735,685	2,665,173

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

NOTES TO FINANCIAL STATEMENTS

8. OTHER OPERATING INCOME (continued)

In 2021, Income from donations, premiums subsidies and grants amounted to RSD 595,746 thousand, of which RSD 158,338 thousand is recognized to consulting services (studies, reports) related to environmental protection projects for the reconstruction of electro filters TENT A4, B2, TEK A5, in which the Ministry of Environmental Protection is the co-financier, the amount of RSD 214,668 thousand was recognized on the basis of the refraction of excise duties on oil derivatives and bioliquids used in the production process, and the remaining income in the amount of RSD 222,740 thousand refers to the income recognized in the amount of expenses related to the use of funds received from donations.

Other operating income includes income from the subsequent borrowing of electricity buyers in the amount of RSD 550,782 thousand (2020: RSD 478,896 thousand) on behalf of the engagement of private executors and court costs in the procedure of compulsory collection of electricity, income from the sale of secondary raw materials and secondary products that arise during the maintenance of production facilities intended for the production of electricity in the amount of RSD 759,784 thousand (2020: RSD 699,898 thousand) and income based on pre-invoiced delivered goods and provided services to the legal entity "Elektrodistribucija Srbije" d.o.o. in the amount of RSD 1,117,996 thousand, and according to binding contracts with suppliers concluded in the period when the legal entity "Elektrodistribucija Srbije" d.o.o. was a related entity to the Company.

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

	In RSD thousands	
	For the year ending	
	31 December	
	2021	2020
Income from adjustment of property value:		
- property, plant and equipment	10,350,904	1,334,002
- inventories	62,501	17,176
- other assets	7,750	2,049
	10,421,155	1,353,227

In 2021, Income from the adjustment of property values amounted to RSD 10,350,904 thousand, for the most part, in the amount of RSD 10,343,462 thousand refer to the stated effects of the assessment of the value of property, plant and equipment (cancellation of previously recognized impairment) carried out with the balance on January 1, 2021 according to the report of an independent appraiser (Note 24).

NOTES TO FINANCIAL STATEMENTS

10. COST OF MATERIAL, FUEL AND ENERGY

	In RSD thousands	
	For the year ending	
	31 December	
	2021	2020
Cost of basic materials	585,290	1,003,114
Cost of material for the maintenance and spare parts	9,363,883	7,749,437
Cost of small inventories and tyres	400,524	781,227
Cost of oil and lubricants	166,143	174,530
H&S equipment	389,530	691,934
Cost of office and other overheads material	454,409	459,871
Other	391,994	532,343
	<u>11,751,773</u>	<u>11,392,456</u>
Cost of electricity:		
- From related parties within EPS group (Note 42)	1,027,536	47,279
- On domestic market	56,096,497	19,316,776
- On foreign market	899,889	24,212
	<u>58,023,922</u>	<u>19,388,267</u>
Costs of access to the distribution system within the EPS group (Note 42)	-	77,901,760
Electricity transmission and procurement from AD "Elektromreza Srbije", Belgrade	14,498,874	5,364,244
Distribution system access fee	86,360,871	-
Petroleum derivatives	8,640,734	3,833,359
Natural gas costs	7,262,561	2,532,223
Cost of coal	1,708,214	2,114,527
Cost of other energy	61,898	57,225
	<u>118,533,152</u>	<u>91,803,338</u>
	<u>188,308,847</u>	<u>122,584,061</u>

Costs of purchased electricity

Electricity procurement costs refer to the procurement of electricity:

- from the dependent legal entity "EPS Trgovanje", Ljubljana, Slovenia in the amount of RSD 1,027,536 thousand (2020: RSD 47,279 thousand),
- from legal entities that have a license to trade in electricity in the amount of RSD 31,116,929 thousand (2020: RSD 1,684,838 thousand),
- through the SEEPEX stock exchange in the amount of RSD 2,682,565 thousand (2020: RSD 691,122 thousand),
- from Mixed Holding "Elektroprivreda Republika Srpska" a.d. Trebinje in the amount of RSD 899,889 thousand (2020: RSD 24,212 thousand), as well as
- from privileged electricity producers in the amount of RSD 22,297,003 thousand (2020: RSD 16,940,816 thousand).

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

Fee for access to the electricity distribution system

The fee for access to the distribution system (network fee) in the amount of RSD 86,360,871 thousand are recognized at the transaction price determined by "Elektrodistribucija Srbije" d.o.o. Belgrade with the consent of the Energy Agency, in accordance with the Law on Energy. The decision on setting prices for access to the electricity distribution system ("Official Gazette of the RS" No. 95/21) established a new, increased fee for access to the electricity distribution system, which is in effect from October 1, 2021 and which is on average 10% higher than the previously valid price. The costs of access to the distribution system for the year 2020 amounted to RSD 77,901,760 thousand, and they are reported under the Costs of access to the distribution system within the EPS group. As disclosed in Note 1, with these financial statements, the Company lost control over "Elektrodistribucija Srbije" d.o.o. by transferring of its ownership interest without contribution to the Republic of Serbia, so that these costs were reclassified to the line Costs of fees for access to the distribution system.

Fee for access to the electricity transmission system

The Company concluded a contract with the company A.D. "Electricity Network of Serbia", Belgrade on access and use of electricity transmission systems, lease of capacity and balance responsibility. On the above basis, in the reporting period, expenses were realized in the amount of RSD 14,498,874 thousand (2020: RSD 5,364,244 thousand).

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

NOTES TO FINANCIAL STATEMENTS

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

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

Coal costs for the year 2021 expressed in the amount of RSD 1,708,214 thousand (2020: RSD 2,114,527 thousand) refer to the costs of externally procured coal from JP PEU Resavica.

11. SALARY EXPENSES, SALARY COMPENSATION AND OTHER PERSONAL EXPENSES

	In RSD thousands For the year ending 31 December	
	2021	<i>Corrected</i> 2020
Cost of gross salaries and salary compensation	37,847,690	42,831,389
Taxes and contributions on wages and salaries paid by employer	7,220,930	8,139,419
Cost of special service and temporary service	274,568	681,834
Costs of compensation to individuals on the basis of other contracts	381,304	287,589
Fees paid to Supervisory and Managing Board members and other managing bodies	8,208	7,909
Cost of transportation of employees	1,177,017	1,291,783
Cost of per diem allowances and compensation of expenses on business trips	77,616	95,567
Cost of providing assistance to employees	381,218	349,823
Other personal expenses	982,888	730,425
	48,351,439	54,415,738

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

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

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

NOTES TO FINANCIAL STATEMENTS

12. DEPRECIATION/AMORTISATION EXPENSE

	In RSD thousands	
	For the year ending 31 December	
	2021	Corrected 2020
Depreciation/Amortisation expense:		
- intangible assets (Note 24)	2,218,006	2,510,451
- property, plant and equipment (Note 24)	32,843,970	31,971,401
- property, plant and equipment with the right to use it for more than one year (Note 24)	128,051	-
	35,190,027	34,481,852

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

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

	In RSD thousands	
	For the year ending 31 December	
	2021	2020
Costs from adjustment of property value		
- property, plant and equipment	9,905,063	154,443
- inventories	1,099,496	967,698
- other property	98	1,864
	11,004,657	1,124,005

Expenses from adjustment of property values for 2021, for the most part, in the amount of RSD 8,631,853 thousand, refer to the reported negative effects of the assessment of the value of property, plant and equipment carried out with the balance on January 1, 2021, and according to the report of the independent appraiser (Note 24). In addition, the expenses from adjustment of the value of property, plant and equipment also include expenses recognized on the basis of the impairment of the commercial building which is under construction in Block 20 (New Belgrade) in the amount of RSD 888,520 thousand (Note 24).

NOTES TO FINANCIAL STATEMENTS

14. COST OF PRODUCTION SERVICES

	In RSD thousands	
	For the year ending 31 December	
	2021	<i>Corrected</i> 2020
Maintenance services	16,939,216	19,251,047
Cost of information system maintenance	1,956,474	1,606,612
PTT Services	1,380,381	1,241,836
Other costs of production services from legal entities within the EPS group (Note 42)	601,617	1,244,425
Utility costs	560,003	524,574
Cost of services for various tests, analysis, preparing technical and project documentation, reports and projects	408,012	512,434
Costs of services and assistance in the production process	337,500	375,372
Meter reading costs	394,506	1,810,541
Transportation services	189,902	169,031
Rental cost	182,969	140,433
Advertising, fairs and marketing costs	60,879	103,391
Work safety cost	134,910	124,827
Cost of recultivation and environmental protection costs	105,066	58,731
	23,251,435	27,163,254

Cost of maintenance in the amount of RSD 16,939,216 thousand (2020: RSD 19,251,047 thousand) primarily relate to maintenance services of the Company's production facilities.

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

15. COST OF PROVISION

	In RSD thousands	
	For the year ending 31 December	
	2021	<i>Corrected</i> 2020
Provision for the cost of restoring natural resources	520,842	470,823
Provisions for benefits and other employee benefits	1,870,852	1,959,842
Provisions for litigations	186,414	1,401,646
	2,578,108	3,832,311

During 2021, the Company made a provision for benefits and other benefits to employees upon termination of employment in the amount of RSD 1.870.852 thousand, which will be paid upon termination of employment and benefits to employees that include benefits based on jubilee awards in the amount of current liabilities based on past events, arising from the provisions of the Labour Law and general acts of the Company (Notes 3.5 и 33).

Provisions for litigation are formed according to the best estimate of expenses required to settle the current liability based on current litigation against the Company, which in 2021 is estimated at RSD 186,414 thousand (2020: RSD 1,401,646 thousand).

As disclosed in Note 33, the Company made a reservation for the recultivation of the land on which the ash dumps are located and on that basis recognized expenditures in 2021 in the amount of RSD 412,684 thousand (2020: RSD 344,629 thousand).

NOTES TO FINANCIAL STATEMENTS

16. OTHER OPERATING EXPENSES

	In RSD thousands	
	For the year ending	
	31 December	
	2021	2020
Water use charges	2,342,002	2,131,305
Use of public interest resources fee	1,762	1,484
Environmental fee (Note 39)	4,018,808	3,386,299
Property tax	617,829	602,215
Other indirect taxes and contributions	2,427,538	832,081
Utilization of mineral resources	1,879,248	2,259,674
Representation expenses	17,818	25,201
Cost of payments operations and banking services	167,576	292,698
Subscription cost	34,130	29,834
Legal and advocacy services	1,554,587	808,262
Other non-material services	2,162,222	1,537,401
Professional services	450,952	420,669
Insurance costs	1,290,090	1,436,564
Health Service costs	172,684	163,034
Membership fees and contributions to the trade union	352,852	580,364
Security services, protection of buildings and work health and safety	2,197,079	2,553,427
Other non-production services	2,090,639	2,581,488
Other non-material costs from legal entities within the EPS group (Note 42)	-	12,494
	21,777,816	19,654,494

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

- a. fees for geological research;
- b. fees for the use of resources and reserves of mineral resources;
- c. fees for the use of energy and energy products;
- d. fee for changing the purpose of agricultural land;
- e. fees for change of purpose and use of forests and forest land;
- f. fee for the use of game-protected game species
- g. water fees;
- h. fees for environmental protection;
- i. fees for navigation and use of ports, piers and navigation safety facilities on the state waterway
- j. fees for the use of public roads;
- k. fees for the use of public railway infrastructure;
- l. fee for the use of public space;
- m. fee for the use of natural healing factor;
- n. fee for the use of tourist space;
- o. fees for electronic

NOTES TO FINANCIAL STATEMENTS

16. OTHER OPERATING EXPENSES (continued)

Then, within the fee for the use of energy and energy products, the Law on Fees for the Use of Public Goods introduced a fee for improving energy efficiency (with delayed implementation after the adoption of bylaws, ie from July 1, 2019) in the amount of 0.015 RSD / kWh. Determining the fee for energy efficiency improvement for delivered energy and / or energy to the end customer / consumer is done by the Company, as an energy entity that performs energy supply activities and has a license to perform these activities in accordance with the law governing energy, when issuing invoices for delivered energy and / or energy to the end customer / consumer. The obligation on the basis of compensation is determined on the basis of the quantity of delivered electricity, determined on the basis of reading consumption through metering devices at the place of handover, in accordance with the law governing energy and by reducing electricity purchased at selling price from producers .

The costs of other indirect taxes and fees mostly relate to VAT calculated on the transfer of property without compensation as part of the recapitalization of the company "Elektrodistribucija Srbije" d.o.o. As disclosed in Note 24, in order to reorganize the Distribution System Operator "EPS Distribucija" d.o.o. Belgrade, and on the basis of the Founder's act, the Company registered a new non-monetary contribution, namely property 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 RSD 18,264,193 thousand, thus increasing share capital of the distribution system operator "EPS Distribucija" d.o.o. Belgrade. Based on the previously stated basis, the Company transferred part of the property to the above stated legal entity in 2021 (which in the meantime changed its name to "Elektrodistribucije Srbije" d.o.o., Belgrade). The previously stated transfer is considered taxable turnover in accordance with the provisions of the Law on Value Added Tax, on the basis of which the Company calculated VAT in the amount of RSD 1,577,189 thousand and recognized it as an expense of the period, because the transfer is carried out free of charge as part of the subject recapitalization.

Court costs, for the most part, in the amount of RSD 1,033,424 thousand, relate to the costs of hiring private executors in the Branch EPS Snabdevanje.

17. FINANCIAL INCOME

	In RSD thousands	
	For the year ending 31 December	
	2021	2020
Financial income arising from related parties in EPS Group (Note 42):		
- interest income	10,189	28,286
- foreign exchange gains	127	4,233
- other financial income	-	842
	10,316	33,361
Financial income from other related legal entities	834,550	811,239
Foreign exchange gains	578,474	5,134,899
Gains on currency clause effects	3,205	5,247
	581,679	5,140,146
Interest income:		
- based on receivables from customers for electricity	2,532,008	3,000,599
- on the basis of short-term financial investments	261,881	243,727
- on the basis of a fee for public media service	291,793	256,912
- other interest income	171,440	196,088
	3,257,122	3,697,326
Other financial income	35,225	31,919
	4,718,892	9,713,991

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NOTES TO FINANCIAL STATEMENTS

17. FINANCIAL INCOME (continued)

For all monetary items whose settlement is required in foreign currency, the effects of changes in FX rates on the maturity date, ie on the balance sheet date, are recognized in income and expenses, as well as for monetary items for which the contract provides protection of receivables / liabilities by currency clause, that is, collection / settlement in RSD equivalent of foreign currency. Positive FX rate differences expressed in 2020 in the amount of RSD 5,134,899 thousand relate mostly to unrealized FX rate differences on loans granted by foreign lenders. The value of the RSD remained almost unchanged in relation to the currency EUR during 2020, but the RSD strengthened against the currencies USD, XDR, and JPY by 9.25 % and 7.30% and 3.76% annually, respectively, has also contributed to an increase in positive FX rate differences during 2020 .

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

18. FINANCIAL EXPENSES

	In RSD thousands	
	For the year ending 31 December	
	2021	Corrected 2020
Financial expenses from related parties in EPS Group (Note 42)		
- : interest expenses	-	1,318
- foreign exchange losses	255	43,200
	<u>255</u>	<u>44,518</u>
Other financial expenses	284,674	300,989
Interest expenses:		
- on the basis of obligations towards AD "Elektromreža Srbije", Belgrade:	68	1,030
- other interest expenses (on all bases)	1,607,488	1,117,867
- interest expenses for untimely paid public revenue	36,744	51,161
- interest expenses for leasing - assets with the right to use for more than a year	4,506	-
	<u>1,648,806</u>	<u>1,170,058</u>
Losses on currency clause effect	13,395	1,552
Foreign exchange losses	4,443,612	480,917
	<u>4,457,007</u>	<u>482,469</u>
	<u>6,390,742</u>	<u>1,998,034</u>

Other interest expenses include interest expenses on loans in the amount of RSD 1,607,488 thousand.

Negative exchange rate differences reported in 2021 in the amount of RSD 4,443,612 thousand refer to unrealized exchange rate differences on loans approved by foreign creditors. During 2021, the value of the RSD remained almost unchanged in relation to the EUR currency, but that is why the RSD weakened in relation to the USD currency by 8.64% on an annual basis, which also contributed to an increase in negative exchange rate differences, since the largest part of loan obligations pegged to the USD currency.

Other financial expenses in the amount of RSD 284,674 thousand (2020: RSD 300,989 thousand) refer to the Commitment fee and Management fee based on the credit arrangement with foreign creditors.

NOTES TO FINANCIAL STATEMENTS

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

	In RSD thousands	
	For the year ending	
	31 December	
	<u>2021</u>	<u>2020</u>
Income from adjustment of long - term investments	3,199	1,209
Collection and reduction of value correction:		
- advances paid for fixed assets	4,790	-
- advances paid for inventories	7,469	506
- receivables from customers	6,763,993	664,264
	<u>6,776,252</u>	<u>664,770</u>
	<u>6,779,451</u>	<u>665,979</u>

Revenues from adjusting the value of receivables from customers reported in 2021 in the amount of RSD 6,763,993 thousand (2020: RSD 664,264 thousand) refer mainly to collected claims for delivered electricity in the amount of RSD 6,323,914 thousand (2020: RSD 635,859 thousand), for which impairment was recognized in the previous reporting period. In the structure of collected receivables, the most significant amount refers to the collection of receivables from customers "JP PEU Resavica". In December 2021, the aforementioned customer fully settled the debt to the Company, which amounted to RSD 3,556,851 thousand. In addition, in December 2021, the claim from the customer "Infrastruktura železnice Srbije" a.d. was partially collected in the amount of RSD 1,827,629 thousand.

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

	In RSD thousands	
	For the year ending	
	31 December	
	<u>2021</u>	<u>2020</u>
Impairment expenses:		
- equity participation	379,630	8
- advances	866	335,882
- trade receivables for electricity	3,943,708	6,101,902
- other receivables	1,581,993	402,717
- receivables from related legal entities within the EPS Group (Note 42)	12,702	4,481,872
	<u>5,918,899</u>	<u>11,322,381</u>

Credit losses based on trade receivables in the amount of RSD 3,943,708 thousand are recognized as an expense in the manner of disclosure as disclosed in Note 3.17.

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

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

NOTES TO FINANCIAL STATEMENTS

21. OTHER INCOME

	In RSD thousands	
	For the year ending 31 December	
	2021	<i>Corrected</i> 2020
Gains from sale of materials, equity investments, intangible assets investments, real estate, plant and equipment	434,860	28,189
Income from cancellation of long-term provisions on the basis of employee benefits (Note 33)	3,158,510	-
Income from collected written-off receivables and reversal of provision of receivables and short term financial placements	1,856	101,711
Income from reduction of liabilities	149,156	4,959,837
Income from cancellation of long-term provisions based on litigation (Note 33)	986,240	136,745
Income from secured damages	24,716	25,554
Income from reversal of environmental provision	7,335	155
Surplus	22,068	7,017
Other income	1,203,702	65,239
	5,988,443	5,324,447

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

Revenues from reduction of liabilities reported in 2020 in the amount of RSD 4,959,837 thousands include revenues from debt relief to the Company in the amount of RSD 4,900,554 thousand (principal RSD 4,781,076 thousand and interest RSD 119,478 thousand) in order to regulate the old clearing debt which the SSSR had towards the SFRJ, and which was settled by deliveries intended for the reconstruction of HPP Djerdap.

Other income reported in the amount of RSD 1,203,702 thousand (2020: RSD 65,239 thousand) mostly refers to the income recognized on the basis of the reacquisition of the right to use the commercial building under construction in Block 20 in New Belgrade. Namely, in the Law on Planning and Construction of the RS, it is regulated that legal entities whose founder is the Republic of Serbia and which are registered as holders of the right of use on undeveloped and constructed construction land in state ownership, on the date of entry into force of the mentioned law, lose the right of use on those immovable properties that they pass into the right of the public property of the Founder without compensation. Based on the above, and in accordance with the Act of the Founder (Decision of the Government of the Republic of Serbia 05 number: 023-10110/2019-01 of October 10, 2019), in 2019 the right to use JP EPS on part of the business building under construction in Block 20 in New Belgrade, which is acquired into public ownership, on the basis of which expenditure was recognized in the income statement in 2019 in the amount of 1,100,168 thousand dinars. On May 20, 2021, the Government of the Republic of Serbia issued Conclusion 05 number: 023-4720/2021, which repeals (cancels) the above-mentioned Conclusion of the Government of the Republic of Serbia 05 number: 023-10110/2019-01 of October 10, 2019. year, and on what basis was recognized income in the amount of RSD 1,100,168 thousand.

NOTES TO FINANCIAL STATEMENTS

22. OTHER EXPENSES

	In RSD thousands	
	For the year ending	
	31 December	
	<u>2021</u>	<u>2020</u>
Expenses for contributions paid to employees from public enterprises from Kosovo and Metohija	4,991,434	5,265,938
Losses from disposal, write-off and sale of fixed assets, Intangible assets, participations and materials	3,226,889	474,408
Losses from write - off of short - term receivables and rescheduled trade receivables	74,120	11,003
Inventory expenditure losses	17,281	13,522
Shortages	8,839	211
Sponsorship and donation costs	86,914	100,272
Other expenses	<u>1,082,871</u>	<u>1,022,955</u>
	<u>9,488,348</u>	<u>6,888,309</u>

Expense in the amount of RSD 4.991.434 thousand (2020.: RSD 5.265.938 thousand) is recognized for salaries and salaries contribution for employees in public enterprises from Kosovo and Metohija.

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

Other expenses in the amount of RSD 1,082,871 thousand mostly refer to the costs of providing additional food to employees at surface mines in the amount of RSD 659,419 thousand, the costs of archaeological research in the amount of RSD 120,440 thousand, as well as to the costs of financing public purpose facilities in the amount of RSD 142,541 thousand.

23. INCOME TAX

a) Components of income tax

	In RSD thousands	
	For the year ending	
	31 December	
	<u>2021.</u>	<i>Corrected</i> <u>2020.</u>
Tax expense for the period	2,603,693	6,933,513
Deferred tax income for the period	<u>(2,919,429)</u>	<u>(1,479,203)</u>
	<u>(315,736)</u>	<u>5,454,310</u>

NOTES TO FINANCIAL STATEMENTS

23. INCOME TAX (continued)

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

	2021.	In RSD thousand Corrected 2020.
Profit / (loss) before tax	(15,264,469)	17,305,925
Tax on profit calculated at statutory tax rate - 15%	(2,289,670)	2,595,889
Tax effect on unrecognized expenses	4,082,496	3,110,368
Tax effect on expenses recognized on cash basis	(577,817)	(589,055)
Effect of capital gains	-	307
Tax effect on unrecognized revenues	(621,857)	(20,559)
Effect of transfer prices	113,280	105,491
Other	(1,022,168)	251,869
	(315,736)	5,454,310
Effective tax rate	2.1%	31.5%

c) Deferred tax liabilities

Deferred tax liabilities presented as at 31 December 2021 in the amount of RSD 68,330,958 thousand (31 December 2020: RSD 65,718,331 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:

	2021.	2020.
Balance as at 1 January	65,718,331	67,693,064
Correction of the opening balance (Note 5)	-	(495,529)
Balance as at 1 January	65,718,331	67,197,535
Effects on income statement	(2,919,429)	(1,479,203)
Assessment effect (Note 24)	5,532,059	-
Other	(3)	(1)
Balance as at 31 December	68,330,958	65,718,331

d) Tax losses and credits carried forward from previous periods

As of December 31, 2021 and 2020, the Company has no carried forward unused tax losses and tax credits realized in earlier periods that are transferred to the income tax account of future accounting period.

NOTES TO FINANCIAL STATEMENTS
31 Decemeber 2021

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

Intangible assets

					In RSD thousand
	Concessions, patents, licenses, trademarks and service marks	Software and other rights	Other intangible assets	Intangible assets under development	Total
Cost					
Balance at 1 January 2020	5,932,296	4,943,461	96,814	4,968,607	15,941,178
Increases/acquisitions	80,604	-	-	4,347,239	4,427,843
Transfer from other accounts within the group 02 or from other group accounts	-	-	-	(76,127)	(76,127)
Transfer from investments in progress (activation)	1,082,223	1,924,439	-	(3,006,662)	-
Impairment in accordance with IAS 36	-	-	-	(526)	(526)
Depreciation/expenditure	(768,646)	(106,930)	(1,410)	-	(876,986)
Balance at 31 December 2020	6,326,477	6,760,970	95,404	6,232,531	19,415,382
Increases/acquisitions	115,331	27,908	-	1,265,956	1,409,195
Transfer from other accounts within the group 02 or from other group accounts	-	-	-	(62,047)	(62,047)
Transfer from investments in progress (activation)	1,127,154	1,101,069	-	(2,228,223)	-
Effects of valuation of intangible assets	-	-	-	(199,369)	(199,369)
Transferred as a non-cash contribution - recapitalization of EPS Distribucija (EDS)	(509,681)	(266,517)	(94,958)	(2,909,711)	(3,780,867)
Depreciation/expenditure	(216,157)	-	-	-	(216,157)
Other changes	-	34	-	-	34
Balance at 31 December 2021	6,843,124	7,623,464	446	2,099,137	16,566,171
Accumulated amortization					
Balance at 1 January 2020	2,261,606	1,168,155	52,293	-	3,482,054
Amortization expense (Note 12)	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)
Depreciation/expenditure	(764,402)	(106,930)	(1,410)	-	(872,742)
Balance at 31 December 2020	2,373,651	2,274,362	66,570	-	4,714,583
Amortization expense (Note 12)	1,078,475	1,133,087	6,444	-	2,218,006
Transferred as a non-cash contribution - recapitalization of EPS Distribucija (EDS)	(315,398)	(112,074)	(72,710)	-	(500,182)
Depreciation/expenditure	(192,379)	-	-	-	(192,379)
Other changes	-	1	30	-	31
Balance at 31 December 2021	2,944,349	3,295,376	334	-	6,240,059
Net book value					
At 31 December 2020	3,952,826	4,486,608	28,834	6,232,531	14,700,799
At 31 December 2021	3,898,775	4,328,088	112	2,099,137	10,326,112

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NOTES TO FINANCIAL STATEMENTS
31 Decemeber 2021

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

Biological resources, property, plant and equipment

In RSD thousands

	Land	Buildings	Machinery and equipment	Investment property	Biological assets	Other property, plant and equipment	Construction in progress	Real estate, plants and equipment leased (with the right of use for more than one year)	Advances on real estate, plant and equipment in the country	Advances to foreigners for real estate, plant and equipment	Total
Cost											
Correction of the initial balance on 1 January 2020	11,934,523	-	(540,000)	-	-	-	-	-	1,522,103	(1,522,103)	11,394,523
Corrected balance as of 1 January 2020	83,435,746	502,487,448	898,953,816	760,736	442,343	211,383	90,603,827	-	3,033,718	16,235,082	1,596,164,099
Increases (purchasing by supplier's invoice)	2,487,900	22,943	3,844,575	-	2,245	-	28,712,043	-	4,084,378	704,904	39,858,988
Transfer within account group 02 (except for activation) or transfer from another account group to account group 02	(50,493)	-	294,391	-	50,320	-	(1,225,865)	-	-	-	(931,647)
Transfers from investments in progress (activation)	1,347,988	4,926,518	23,746,412	-	-	-	(30,020,918)	-	-	-	-
Funds received from third parties without compensation (donations received)	-	-	1,209	-	-	-	-	-	-	-	1,209
Funds transferred to third parties free of charge (donations given)	-	-	(223)	-	-	-	-	-	-	-	(223)
Stockcount surplus	-	-	6,800	-	-	-	-	-	-	-	6,800
Stockcount shortage	-	(2,099)	-	-	-	-	-	-	-	-	(2,099)
Sales	-	(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)
Costs of reconstruction - land recultivation - ash landfill (note 5)	1,830,842	-	-	-	-	-	-	-	-	-	1,830,842
Other changes	(79,963)	152	234	-	-	-	-	-	(550,259)	(2,676,579)	(3,306,415)
Corrected balance as of 31 December 2020	88,972,020	507,192,665	923,717,063	760,736	489,076	211,311	87,920,094	-	6,567,837	14,263,407	1,630,094,209
Corrected balance as of 1 January 2021	88,972,020	507,192,665	923,717,063	760,736	489,076	211,311	87,920,094	-	6,567,837	14,263,407	1,630,094,209
First application of IFRS 16	-	-	-	-	-	-	-	177,519	-	-	177,519
Increases (purchasing by supplier's invoice)	2,792,721	104,277	3,063,875	-	-	-	47,918,592	-	2,629,698	424,814	56,933,977
Transfer within account group 02 (except for activation) or transfer from another account group to account group 02	(8,975)	48,815	97,725	(48,815)	10,265	-	(658,777)	-	(100,827)	-	(660,589)
Transfers from investments in progress (activation)	52,902	2,157,636	26,107,656	-	-	-	(28,318,194)	-	-	-	-
Investments conducted in own held	-	-	-	-	-	-	204,436	-	-	-	204,436
Funds received from third parties free of charge (donations received)	-	-	19,183	-	-	-	-	-	-	-	19,183
Revaluation (effects of subsequent valuations)	(3,781,672)	12,042,823	14,184,501	(1,468)	-	(2,276)	(133,298)	-	-	-	22,308,610
Owner's non-monetary contribution - property by the conclusions of the Government of the RS adopted in 2021	529,443	-	-	-	-	-	-	-	-	-	529,443
Recognition of the building under construction - Block 20	-	-	-	-	-	-	1,100,168	-	-	-	1,100,168
Stockcount surplus	-	-	9,083	-	1,167	-	-	-	-	-	10,250
Stockcount shortage	-	-	(9,040)	-	(1,883)	-	-	-	-	-	(10,923)
Sales	-	(2,432)	(314,964)	-	-	-	-	-	-	-	(317,396)
Derecognition of property, plant and equipment	-	(64,061)	(15,958,363)	-	(6,358)	(102)	-	-	-	-	(16,028,884)
Transfer to assets intended for sale	(1,365)	(977,512)	-	-	-	-	-	-	-	-	(978,877)
Transferred as a non-monetary contribution - recapitalization of ODS	(179,613)	(9,668,720)	(9,464,555)	-	-	(48,517)	(607,781)	-	-	-	(19,969,186)
Impairment in accordance with IAS 36	-	-	-	-	-	-	(888,520)	-	-	-	(888,520)
Other changes	(1)	14,171	(19)	-	10,174	6,406	(23,670)	29,276	(2,575,149)	(2,948,612)	(5,487,424)
Corrected balance as of 31 December 2021	88,375,460	510,847,662	941,452,145	710,453	502,441	166,822	106,513,050	206,795	6,521,559	11,739,609	1,667,035,996

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NOTES TO FINANCIAL STATEMENTS
31 Decemeber 2021

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

Biological resources, property, plant and equipment (continued)

	In RSD thousands										
	Land	Buildings	Machinery and equipment	Investment property	Biological assets	Other property, plant and equipment	Construction in progress	Real estate, plants and equipment leased (with the right of use for more than one year)	Advances on real estate, plant and equipment in the country	Advances to foreigners for real estate, plant and equipment	Total
Cost											
Correction of the initial balance on 1 January 2020	6,839,696	-	(212,586)	89,636	-	-	-	-	-	(67,332)	6,649,414
Corrected balance as of 1 January 2020	31,868,103	233,287,939	560,990,752	345,480	-	90,157	330,290	-	321,564	8,883	827,243,168
Depreciation expense (Note 12)	1,507,901	5,419,466	25,029,178	12,640	-	2,216	-	-	-	-	31,971,401
Transfer within account group 02 (except for activation) or transfer from another account group to account group 02	(173)	-	-	-	-	-	-	-	-	-	(173)
Funds transferred to third parties free of charge (donations given)	-	-	(223)	-	-	-	-	-	-	-	(223)
Stockcount shortage	-	(2,099)	-	-	-	-	-	-	-	-	(2,099)
Sales	-	(54)	-	-	-	-	-	-	-	-	(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
Corrected balance as of 31 December 2020	33,375,675	238,579,741	583,058,448	358,120	-	92,838	330,290	-	421,869	8,883	856,225,864
Corrected balance as of 1 January 2021	33,375,675	238,579,741	583,058,448	358,120	-	92,838	330,290	-	421,869	8,883	856,225,864
Depreciation expense (Note 12)	1,678,321	6,102,405	25,046,741	16,412	-	91	-	128,051	-	-	32,972,021
Transfer within account group 02 (except for activation) or transfer from another account group to account group 02	33	18,890	-	(9,550)	-	-	-	-	-	-	9,373
Funds received from third parties without compensation (donations received)	-	-	68	-	-	-	-	-	-	-	68
Revaluation (effects of subsequent valuations)	16,964	2,459,474	(18,764,495)	(6,603)	-	8,299	2,962	-	-	-	(16,283,399)
Stockcount shortage	-	-	(8,770)	-	-	-	-	-	-	-	(8,770)
Sales	-	-	(306,444)	-	-	-	-	-	-	-	(306,444)
Derecognition of Property, Plant and Equipment	-	(30,078)	(11,537,419)	-	-	(65)	-	-	-	-	(11,567,562)
Transfer to assets intended for sale	-	(365,689)	-	-	-	-	-	-	-	-	(365,689)
Transferred as a non-monetary contribution - recapitalization of EDS	(11,315)	(4,456,045)	(5,759,328)	-	-	(43,661)	-	-	-	-	(10,270,349)
Effects of change in useful life	-	-	(5,803)	-	-	-	-	-	-	-	(5,803)
Other changes	-	1	(7,248)	-	-	2,342	-	(3,218)	(4,790)	-	(12,913)
Balance at 31 December 2021	35,059,678	242,308,699	571,715,750	358,379	-	59,844	333,252	124,833	417,079	8,883	850,386,397
Net book value											
At 1 January 2021	55,596,345	268,612,924	340,658,615	402,616	489,076	118,473	87,589,804	-	6,145,968	14,254,524	773,868,345
At 31 December 2021	53,315,782	268,538,963	369,736,395	352,074	502,441	106,978	106,179,798	81,962	6,104,480	11,730,726	816,649,599

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NOTES TO FINANCIAL STATEMENTS
31 December 2021

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

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

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

The fair value of investment properties as of December 31, 2021 is RSD 1,277,517 thousand (as of December 31, 2020: RSD 1,493,642 thousand).

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

Also, the Law on Planning and Construction of the RS stipulates that legal entities whose founder is the Republic of Serbia and which are registered as holders of the right of use on undeveloped and constructed construction land in state ownership, on the date of entry into force of the aforementioned law, lose the right of use on those immovable properties that they pass into the right of the public property of the Founder without compensation. Based on the above, and in accordance with the Founder's act (Decision of the Government of the Republic of Serbia 05 number: 023-10110/2019-01 dated October 10, 2019), in 2019 the Company's right to use part of the commercial building under construction in Block 20 ended. In New Belgrade, which is acquired as public property, on the basis of which expenditure was recognized in the income statement for 2019 in the amount of 1,100,168 thousand dinars. On May 20, 2021, the Government of the Republic of Serbia issued Conclusion 05 number: 023-4720/2021, which repeals (cancels) the above-mentioned Conclusion of the Government of the Republic of Serbia dated October 10, 2019, on the basis of which the asset under preparation was recognized in the amount of RSD 1,100,168 thousand and income in the same amount (Note 21).

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

Transfer of property to Elektrodistribucija Srbije

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

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

NOTES TO FINANCIAL STATEMENTS
31 December 2021
24. INTANGIBLE ASSETS, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)
Revaluation of property, plant and equipment

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

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

The applied assessment methods are:

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

Advances made for property, plant and equipment

Advance payments for property, construction and equipment, which as of December 31, 2021, were reported in the amount of RSD 17,835,206 thousand (December 31, 2020: as of December 31, 2021) from 20.20.2020.:

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

NOTES TO FINANCIAL STATEMENTS
31 December 2021

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

Right-of-use assets and lease liabilities

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

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

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>In RSD thousand Total</u>
Book value as of January 1, 2021 (Note4)	2,159	175,360	-	177,519
Increases	-	53,127	3,270	56,397
Reductions	-	(23,903)	-	(23,903)
Book value as of December 31, 2021	2,159	204,584	3,270	210,013
Amortization	(403)	(127,461)	(187)	(128,051)
Current value as of December 31, 2021	1,756	77,123	3,083	81,962

The Company has recognized lease liabilities as follows:

	<u>31 December 2021</u>	<u>In RSD thousand 1 January 2021.</u>
Short-term lease liabilities	57,875	110,352
Long-term lease liabilities	22,030	67,167
Total liabilities based on leasing	79,905	177,519

NOTES TO FINANCIAL STATEMENTS
31 December 2021

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

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

	31 December 2021		1 January 2021	
	Current value	Contractual undiscounted cash flows	Current value	Contractual undiscounted cash flows
Minimum lease payments				
Up to 1 year	57,875	57,875	110,352	114,280
From 1 to 5 years	22,030	22,030	67,167	69,974
Over 5 years	-	-	-	-
Total	79,905	79,905	177,519	184,254

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

	In RSD thousand 31 December 2021
Interest expenses based on leasing	4.506
Variable lease payments that depend on usage / consumption	575.382
Expenses related to short-term leasing	174.748
Expenses related to the leasing of assets of low value	1.639

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

The total cash outflow on the basis of leasing stated in the Cash Flow Report in 2021 was RSD 130,783 thousand.

NOTES TO FINANCIAL STATEMENTS
31 December 2021

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

	31 December 2021	In RSD thousand 31 December 2020
Investment in the capital of legal entities		
Investments in subsidiaries (Note 42)	3,626,189	2,434,745
Investments in other companies	1,567,813	3,019,708
Less: Allowance for impairment of participation in the capital of other legal entities	(1,277,018)	(2,693,835)
	<u>290,795</u>	<u>325,873</u>
Investments in associates and joint ventures		
Investments in associates and joint ventures	407,614	406,462
Less: Allowance for impairment of investments in associates and joint ventures	(379,630)	-
	<u>27,984</u>	<u>406,462</u>
	<u>3,944,968</u>	<u>3,167,080</u>
Long-term financial investments and long-term receivables from legal entities in country		
Long-term financial investments in subsidiaries within EPS Group (Note 42)	44,837	134,511
Less: Allowance for impairment	(44,837)	(134,511)
	<u>-</u>	<u>-</u>
Long-term loans in the country		
Provide long-term loans	2,350,992	2,490,896
Other long-term financial investments		
Other long-term financial investments	948,359	1,770,922
Less: Allowance for impairment of other long-term financial investments	(766,219)	(766,219)
	<u>182,140</u>	<u>1,004,703</u>
LONG-TERM RECEIVABLES		
Rescheduled trade receivables for electricity and services:		
- households	-	115,095
- legal entities	1,568,009	2,180,927
Rescheduled receivables from customers for coal, thermal energy, technological steam	42	42
Loans to employees:		
- sold apartments	225,923	266,545
- housing loans	28,063	31,276
	<u>1,822,037</u>	<u>2,593,885</u>
Less: Allowance for impairment		
- rescheduled trade receivables for electricity and services from households	-	(115,095)
- rescheduled trade receivables for electricity and services from legal entities	(1,562,461)	(2,180,426)
	<u>(1,562,461)</u>	<u>(2,295,521)</u>
	<u>259,576</u>	<u>298,364</u>
	<u>6,737,676</u>	<u>6,961,043</u>

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NOTES TO FINANCIAL STATEMENTS
31 December 2021

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

Share in capital in legal entities

Share in capital in other legal entities

Shares in the capital of dependent legal entities as of December 31, 2021 and 2020 refer to the following legal entities:

	%	In RSD thousand	
	<u>Shares</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
"EPS Trgovanje" d.o.o.. Ljubljana	100%	66,304	66,304
"Kolubara - Građevinar" d.o.o.. Lazarevac	71,90%	1,771,606	1,771,606
"Elektrosever" d.o.o.. Severna Mitrovica	100%	1,182	1,182
"HES Gornja Drina" d.o.o. Foča	51%	1,787,097	595,653
		3,626,189	2,434,745

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

Share in capital in other legal entities

Equity investments in other legal entities include the following:

- Participation in the capital of the bankruptcy debtor "Fabrika automobila Priboj" a.d. in the amount of RSD 125,747 thousand (31 December 2020: RSD 261,910 thousand). In 2018, the Company's receivables were converted into the capital of the bankruptcy debtor "Fabrika automobila Priboj" a.d., in accordance with the Plan for the reorganization of the bankruptcy debtor prepared in advance, which became final on October 25, 2017. On 22 March 2018, at the Central Register for Securities, the shares of Car Factory Priboj.a.d. amounting to RSD 261,910 thousand (261,910 shares with par value of RSD 1,000.00 per share) were transferred to the Company's Proprietary account.
- Participation in the capital of the company "Trayal Corporation" a.d. Kruševac in the amount of RSD 329,151 thousand (31 December 2020: RSD 360,460 thousand) acquired in 2019 through the conversion of the Company's receivables into the share capital of the company "Trayal Corporation" a.d. Kruševac in accordance with the Reorganization Plan prepared in advance (final UPPR by the Decision of the Commercial Court in Kraljevo, No. 4. Reo.2 / 2017).
- Participation in the capital of the company "Simp'o" a.d. Vranje in the amount of RSD 585,568 thousand (31 December 2020: RSD 585,473 thousand) acquired through the conversion of the Company's receivables into the share capital of "Simp'o" a.d. Vranje in accordance with the Reorganization Plan prepared in advance (final UPPR by Decision No. 10.St.8 / 2018). The conversion of part of the receivables in the amount of RSD 245,342 thousand was performed in 2019, and in 2020. in the amount of RSD 340,226 thousand.
- The amount of RSD 247,210 thousand, which refers to investments in capital based on the agreement on joint financing of previous works on the HPP "Komarnica" project with Elektroprivreda Crne Gore in order to make a decision on possible joint construction of a hydropower plant, which has been underway since 1992. years. The provisions of the contract regulate property relations so that the invested funds form the founding roles of the contracting parties, if both parties decide to continue joint activity on the construction of the hydroelectric power plant, or intangible assets if both parties give up joint realization. The Company also concluded annexes to the agreement on joint financing of the implementation of previous works of HPP "Komarnica" from 1992, as follows: Annex No. 1 of 13 August 2007, Annex No. 2 of 13 July 2011, Annex No. 3 of 5 February 2014 and Annex No. 4 of 13 March 2017. After the reporting period, an increase in deposits in the amount of EUR 13,132 was recognized. In the reporting period, there were no additional payments on this basis.

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NOTES TO FINANCIAL STATEMENTS
31 December 2021

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

Share in capital in other legal entities (continued)

As of December 31, 2021, the above-mentioned participations in the capital of other legal entities are fully impaired, except for investments in capital based on the agreement on joint financing of the implementation of previous works on the HPP "Komarnica" project.

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

	In RSD thousand		
	<u>Purchase value</u>	<u>Allowance for impairment</u>	<u>Total</u>
Rudnik Kovin a.d. Kovin	86,376	(49,371)	37,005
"Priboj Car Factory" a.d.	136,168	(136,168)	-
"Trayal Corporation" a.d. Krusevac	31,309	(31,309)	-
Company Ivan Milutinović - PIM A.D.	3,043	(3,043)	-
			<u>37,005</u>

As of December 31, 2020, participations in the capital of other legal entities included participation in the capital of the company AD for the production of petrochemical products, raw materials and chemicals "HIP - Petrohemija", Pancevo in the amount of RSD 1,197,594 thousand acquired through the conversion of receivables into capital, in accordance with the reorganization plan prepared in advance debt and conversion of receivables for the remaining amount of debt into the share capital of the company "HIP - Petrohemija", Pancevo. On April 24, 2020, the Supervisory Board of the Company passed the Decision No. 12.01.197077 / 2-20 on the transfer free of charge to the Republic of Serbia of the shares owned by the 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.

Share in capital of joined legal entities and joint ventures

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

	%	In RSD thousand	
	<u>Ownership</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
„Ibarske hidroelektrane" d.o.o., Kraljevo	49%	379,630	379,630
„Moravske hidroelektrane" d.o.o., Beograd	49%	27,984	26,832
		<u>407,614</u>	<u>406,462</u>

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

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

NOTES TO FINANCIAL STATEMENTS
31 December 2021

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

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

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

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

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

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

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

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

- RWE AG, Germany the amount of EUR 10,200 and
- the Company the amount of EUR 9.800.

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

On December 27, 2021, the Assembly of the company "Moravske hidroelektrane" d.o.o. made a decision to reduce the basic capital of the company in the amount of EUR 3,479,805. By reducing the share capital, the subscribed share capital is reduced to the level of the paid-in share capital, and the members of the company are exempted from entering unsubscribed shares. The aforementioned change was entered in the register of the Agency for Economic Registers in January 2022 (Note 47).

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

Long-term financial investments and long-term receivables from legal entities in country

Long-term financial placements shown with the balance as of December 31, 2021 in the amount of 44,837 thousand dinars (31 December 2020: 134,511 thousand dinars) in their entirety refer to the loan granted to the subsidiary "Kolubara - Građevinar" d.o. Fr., Lazarevac. Namely, in accordance with Decision NO 12.01.343642/23-19 of June 26, 2019 and Contract No. E.04.02-18562/2016-2019 of June 28, 2019, the Company is a subsidiary company "Kolubara - Građevinar " d.o.o., Lazarevac approved a loan in the amount of 269,021 thousand dinars for a period of 4 years, starting from the date of payment (June 26, 2019). The repayment period includes a "grace" period of 1 year. The loan is repaid in monthly annuities, and the interest is calculated at the level of the reference interest rate of the NBS, on a monthly basis. On December 31, 2021, the amount of RSD 44,837 thousand was due for collection and was written off in its entirety (Note 29).

NOTES TO FINANCIAL STATEMENTS
31 December 2021

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

Long-term loans in country

The given long-term loans stated with the balance as of December 31, 2021 in the amount of RSD 2,350,992 thousand (31 December 2020: RSD 2,490,896 thousand) refer in their entirety to loans concluded by the Company with international financial institutions for the account of its former subsidiary "Elektrodistribucija Srbije" d.o.o., Belgrade for financing projects such as the purchase of equipment for the reconstruction of five 110/xkV/kV substations, namely Petrovac, Šabac, Gornji Milanovac, Lešnica and Aleksinac, with accompanying services and equipment for the distribution network as well as for the emergency flood rehabilitation project. As disclosed in note 1, on December 31, 2020, the Company lost control over "Elektrodistribucija Srbije" d.o.o. by transferring of its ownership interest without contribution to the Republic of Serbia, whereby "Elektrodistribucija Srbije" d.o.o. does not dispute its obligations to the Company on the above-mentioned basis.

Other long-term financial investments

With balance as of December 31, 2020 other long-term financial investments include the amount of RSD 1,000,000 thousand, relating to the guarantee deposit in the name of securing the settlement of the obligation based on the service of access to the distribution system provided by the Company as an electricity supplier obliged to deposit with an authorized bank in accordance with the signed contract on access to and use of the electricity distribution system. The guarantee deposit is time-limited for a period of 24 months, with automatic reterm deposit for the period of the original term deposit, with an annual interest rate of 4.10%. The Company and the distribution system operator agreed in Annex No. 22 of the Basic Business Agreement No. 12.01-25718 / 6-21 dated March 1, 2021 to replace the earmarked (guarantee) deposit in the amount of RSD 1,000,000 thousand in its entirety with a bank guarantee as by means of financial security, whereby on March 11, 2021, the distribution system operator made the said deposit available to the Company, and the Guarantee Deposit Agreement was terminated by agreement on March 24, 2021.

Also, other long-term financial placements include investment in the accumulation of water "Rovni", in the amount of RSD 637,205 thousand. The mentioned investment refers to the joint investment in the Public Company "Kolubara", Valjevo, and on the basis of the construction of the dam body and the accumulation "Rovni" whose purpose is water supply of the population and industry, flood defense in the surrounding municipalities and for the needs of the 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 of December 30, 2005) during 2006, further works on construction of dams and reservoirs „Rovni” are planned, with the participation of the Government of the Republic of Serbia in the amount of 100%. The investment in question was made in order to provide the necessary conditions for the operation of the TPP Kolubara B. Due to significant changes in regulatory requirements, which primarily relate to the manner of recognition of originally associated funds, the issue of ownership of water resources, etc., the Company recognized impairment losses on this basis.

Long-term receivables

Rescheduled accounts receivables

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

- Receivables from the city of Kragujevac in the amount of RSD 662,995 thousand, which, with the consent of the Founder, are regulated in such a way that the amount of the debt is settled in ten consecutive annual annuities with a grace period until February 29, 2020, as well as during the repayment of the debt to the total the amount of principal debt, which is the subject of the Agreement, calculates interest in the amount of the reference interest rate of the NBS.
- Receivables from the customer Yumco a.d. Vranje in the amount of RSD 415,631 thousand. The decision by which the UPPR was adopted became final on May 26, 2021. According to the conclusion of the Government of the Republic of Serbia 05 number 023-8981/2021-1 of September 30, 2021, it was recommended to state creditors to convert claims into participation in the capital of Yumco a.d., Vranje, with the balance as of the date of entry into force of the Decision on the adoption of the UPPR -a, i.e. with the balance as of May 26, 2021, with the associated interest until the date of the decision of the Government of the Republic of Serbia. Conversion is completed on May 17, 2022 (Supervisory board decision no 12.01.208645/6-22 dated April 7, 2022).

NOTES TO FINANCIAL STATEMENTS
31 December 2021**25. LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (continued)****Long-term receivable (continued)**

- Receivable from customer A.D. VINO Župa Aleksandrovac in the amount of RSD 73,824 thousand in accordance with the pre-prepared reorganization plan. After a 6-month grace period, the principal is scheduled to be repaid over a period of 10 years, on a monthly basis. Calculation and payment of interest is made on the amount of up to 42% of the debt, namely:
 - after the effective date of the UPPR, in the first 5 years of the repayment period, interest is calculated at the rate of 0.01% per year,
 - after that, for the next 5 years of repayment, interest is calculated at the rate of 1.1% + three-month EURIBOR,
 - the remaining unpaid amount of 58% of the debt principal is due at the end of the repayment period and will be paid in full together with the payment of the last installment in accordance with the repayment plan.

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

Loans to employees

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

NOTES TO FINANCIAL STATEMENTS
31 December 2021

26. INVENTORY

	In RSD thousand	
	31 December	31 December
	2021	2020
		<i>Corrected</i>
Materials	10,679,945	10,808,686
<i>Less: Allowance for impairment</i>	<u>(3,768,620)</u>	<u>(3,090,110)</u>
	<u>6,911,325</u>	<u>7,718,576</u>
Spare parts	20,442,525	19,731,315
Tools and small inventory	1,629,965	1,690,223
<i>Less: Allowance for impairment of spare parts, tools and small inventory</i>	<u>(2,533,384)</u>	<u>(2,175,079)</u>
	<u>19,539,106</u>	<u>19,246,459</u>
Total material, spare parts, tools and small inventory	<u>26,450,431</u>	<u>26,965,035</u>
Work in progress	474,757	687,172
Finished goods – coal	1,774,152	2,343,653
Finished goods – other	5,739	5,739
	<u>2,254,648</u>	<u>3,036,564</u>
	<u>28,705,079</u>	<u>30,001,599</u>
Merchandise	1,618	2,380
<i>Less: Allowance for impairment</i>	<u>(99)</u>	<u>(99)</u>
	<u>1,519</u>	<u>2,281</u>
Advances paid to foreign entities for supplies and services:		
- advance payments to legal entities within the EPS Group (note 42)	185,562	251,684
- other advances paid for inventories and services	1,954,790	4,651,375
<i>Less: Allowance for impairment of advances given</i>	<u>(317,720)</u>	<u>(328,365)</u>
	<u>1,822,632</u>	<u>4,574,694</u>
Advances paid to foreign entities for supplies and services:		
- advance payments to legal entities within the EPS Group	365	-
- other advances paid for inventories and services	2,199,156	449,545
<i>Less: Allowance for impairment of advances given</i>	<u>(229,784)</u>	<u>(229,784)</u>
	<u>1,969,737</u>	<u>219,761</u>
	<u>32,498,967</u>	<u>34,798,335</u>

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NOTES TO FINANCIAL STATEMENTS
31 December 2021
27. TRADE RECEIVABLES

	31 December 2021	In RSD thousand 31 December 2020
Customers - related legal entities within the EPS group (Note 42):		
- in country	10,902	11,073
- abroad	-	-
<i>Less: Adjustment of receivables from related parties legal entities within the EPS Group</i>	<u>(7,615)</u>	<u>(5,952)</u>
	<u>3,287</u>	<u>5,121</u>
Customers - Public Company "Elektrokosmet", Pristina	16,610,866	15,562,077
<i>Less: Correction of receivables from Public Enterprise "Elektrokosmet", Pristina</i>	<u>(16,610,866)</u>	<u>(15,562,077)</u>
	<u>-</u>	<u>-</u>
Customers on domestic market:		
- sale of electricity – households	33,921,124	47,743,837
- sale of electricity – legal entities	10,050,686	18,085,120
- sale of electricity - companies in restructuring and in bankruptcy	12,094,102	13,419,059
- other companies under restructuring and in bankruptcy	1,276,895	1,277,171
- sale of electricity – licenced customers	102,766	41,611
- for delivered electricity - customers on the open electricity market	29,565,923	28,995,268
- A.D.„Elektromreza Srbije”, Beograd	3,560,924	1,610,601
- "Elektrodistribucija Srbije "d.o.o., Beograd	9,105,867	11,751,142
- sale of coal	2,573,994	2,688,809
- sale of heat and process steam	610,872	547,264
- sale of heat energy	707,823	579,912
- trade receivables for services	6,744	50,866
	<u>103,577,720</u>	<u>126,790,660</u>
<i>Less: Adjustment of the value of trade receivable in country</i>		
- sale of electricity – households	(5,311,790)	(24,987,114)
- sale of electricity – legal entities	(7,913,851)	(12,421,067)
- sale of electricity - companies in restructuring and in bankruptcy	(12,094,102)	(13,419,059)
- other – companies under restructuring and in bankruptcy	(1,276,895)	(1,277,171)
- sale of electricity – licenced customers	(7,072)	(7,072)
- for delivered electricity - customers on the open electricity market	(6,297,709)	(11,393,959)
- "Elektrodistribucija Srbije "d.o.o., Beograd	(4,873,855)	(3,613,761)
- sale of coal	(2,385,235)	(2,424,122)
- sale of heat and process steam	(585,101)	-
- sale of heat energy	(204,130)	(668,870)
- trade receivables for services	(5,407)	(5,431)
	<u>(40,955,147)</u>	<u>(70,217,626)</u>
Customers on domestic market, net	<u>62,622,573</u>	<u>56,573,034</u>
Customers – foreign	4,814,368	4,641,607
<i>Less: Value correction of foreign customers</i>	<u>(4,740,701)</u>	<u>(4,379,104)</u>
	<u>73,667</u>	<u>262,503</u>
Other trade receivables	559,062	634,726
<i>Less: Correction of the value of other trade receivables</i>	<u>(453,609)</u>	<u>(349,653)</u>
	<u>105,453</u>	<u>285,073</u>
	<u>62,804,980</u>	<u>57,125,731</u>

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NOTES TO FINANCIAL STATEMENTS
31 December 2021

27. TRADE RECEIVABLES (continued)

In accordance with the Conclusion of the Government of the Republic of Serbia, number 021-6624/2009-002, adopted at the Government session on November 30, 2009, the Company, by engaging its available capacities, provides electricity to supply areas with a majority population of Serbs in the north of the AP Kosovo and Metohija. On the basis of the above, the recognition of claims on the basis of delivered electricity to the Public Company "Elektrokosmet", Pristina in the amount of RSD 16,610,866 thousand (2020: RSD 15,562,077 thousand) was made. At the same time, the unpaid amount was recognized as an expense by indirect write-off.

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

28. OTHER RECEIVABLES

	In RSD thousand	
	31 December 2021	31 December 2020
Receivables from specific operations	10,039	32,912
Receivables for Public Media Service charge	4,478,657	3,916,812
Receivables for interest:		
- legal entities within the EPS group (Note 42)	14,849	5,243
- for electricity – households	1,223,853	1,491,652
- for electricity – legal entities	7,022,027	6,712,695
- for electricity - companies in restructuring	2,878,048	2,864,063
- other legal entities	287,977	264,817
Receivables from employees	1,025,880	154,517
Receivables from insurance companies for damages	6,407	2,696
Receivables from billing	153,983	156,480
Refundable fee claims	207,817	237,616
Receivables for overpaid taxes and contributions	163,727	51,130
Other receivables from the state	268,012	356,489
Other receivables from legal entities within the EPS group (Note 42)	2,979	1,559
Other receivables	2,621,696	1,004,037
Deferred value added tax	3,525,288	2,707,499
Claims for overpaid income tax	3,749,429	-
	<u>27,640,668</u>	<u>19,960,217</u>
<i>Less: Adjustment of the value of other receivables</i>		
Other receivables from specific operations	(9,597)	(22,218)
Receivables for Public Media Service charge	(1,092,077)	(1,046,625)
Receivables for interest:		
- for electricity – households	(116,330)	(227,736)
- for electricity – legal entities	(4,879,357)	(5,571,810)
- for electricity - companies in restructuring	(2,878,048)	(2,864,063)
Receivables from employees	(7,947)	(3,202)
Receivables for overpaid taxes and contributions	(1,049)	(5,196)
Other receivables from the state	(815)	-
Receivables for interest and other receivables from legal entities within the EPS group	(17,827)	(6,789)
Other receivables	(1,266,845)	(862,579)
	<u>(10,269,892)</u>	<u>(10,610,218)</u>
	<u>17,370,776</u>	<u>9,349,999</u>

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

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NOTES TO FINANCIAL STATEMENTS
31 December 2021

28. OTHER RECEIVABLES (continued)

Deferred value added tax reported on December 31, 2021 in the amount of RSD 3,525,288 thousand (December 31, 2020: RSD 2,707,499 thousand) refers to the previous tax that the Company used after the balance sheet date for reduction of their obligations on the basis of owed value added tax.

Other short-term receivables stated in the amount of RSD 2,621,696 thousand, mostly, in the amount of RSD 1,163,418 thousand, refer to claims from the legal entity "Elektrodistibucija Srbije" d.o.o., Belgrade based on pre-invoiced delivered goods and services and according to binding contracts with suppliers.

29. SHORT-TERM FINANCIAL INVESTMENTS

	31 December 2021	In RSD thousand 31 December 2020
Short-term loans and borrowings – domestic	233	233
Current maturity of long-term loans granted in the country	171,619	162,566
Current maturity of long-term loans granted to legal entities within the EPS Group (Note 42)	224,184	134,511
Current maturity of other long-term financial placements given to legal entities within the EPS Group (Note 42)	415,966	415,966
Current maturity of other long-term financial placements	240,634	242,713
<i>Less: Correction of the value of short-term loans and placements in the country</i>	<i>(840,150)</i>	<i>(750,476)</i>
	<u>212,486</u>	<u>205,513</u>
Current maturity of rescheduled receivables - electric energy	255,205	1,010,825
Current maturity of rescheduled claims for coal, thermal energy and tech. steam and services	2,741	588
<i>Less: Correction of the value of other short-term financial placements</i>	<i>(238,741)</i>	<i>(1,010,706)</i>
	<u>19,205</u>	<u>707</u>
	<u>231,691</u>	<u>206,220</u>

Current maturities of other long-term financial placements given to legal entities within the EPS Group in the amount of RSD 415,966 thousand (December 31, 2020: RSD 415,966 thousand), refer to claims from the dependent legal entity "Kolubara - Građevinar" d.o.o. , Lazarevac, which were reprogrammed in accordance with the Pre-prepared Reorganization Plan (UPPR) of June 29, 2017. In accordance with the aforementioned UPPR, the Company is classified in class "D" of creditors. For this class of creditors, a "grace period" of 6 months is provided, starting from the date of application of the UPPR. The total repayment period (including the "grace period") is 18 months, during which the obligations are settled in equal quarterly annuities. The defined interest rate is 1% annually. The company performed an assessment of expected credit losses based on the aforementioned claims from a dependent legal entity and, as a result of the assessment, recognized an impairment loss in the amount of RSD 415,966 thousand.

The current maturity of loans granted to legal entities within the EPS Group in the amount of RSD 224,184 thousand (December 31, 2020: RSD 134,511 thousand) refers to part of the long-term loan that matures in the next 12 months, which the Company granted to a subsidiary Kolubara - Građevinar" d.o.o., Lazarevac (Note 25). On December 31, 2021, the company created a value adjustment for these receivables in the same amount.

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

NOTES TO FINANCIAL STATEMENTS
31 December 2021

30. CASH AND CASH EQUIVALENTS

	In RSD thousand	
	31 December 2021	31 December 2020
Current accounts:		
- in RSD	12,000,972	18,445,589
- in foreign currency	342,694	1,146,745
	<u>12,343,666</u>	<u>19,592,334</u>
Cash desk	24,553	5,159
Special purpose cash funds	27	1,217
Securities – cash equivalents	2,576	11,720
Restricted cash	267,729	275,781
<i>Less: Allowance for impairment of dinar cash funds with limited use</i>	<u>(267,729)</u>	<u>(275,781)</u>
	<u>12,370,822</u>	<u>19,610,430</u>

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

31. PREPAID EXPENSES AND OTHER ACCRUALS

	In RSD thousand	
	31 December 2021	31 December 2020
Prepaid expenses	26,408	26,418
Deferred expenses	1,255,399	1,266,488
Other accruals from related legal entities within the EPS Group (Note 42)	1,142	582
Other prepaid expenses	<u>1,650,427</u>	<u>1,356,105</u>
	<u>2,933,376</u>	<u>2,649,593</u>

Accrued expenses shown with the balance as of December 31, 2021 in the amount of RSD 1,255,399 thousand (December 31, 2020: RSD 1,266,488 thousand) in their entirety refer to the costs of property insurance and employee insurance for the period after the balance sheet date.

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

NOTES TO FINANCIAL STATEMENTS
31 December 2021**32. EQUITY****Basic capital**

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

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

Other capital

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

Profit distribution

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

- in the amount of RSD 1,831,071 thousand, which represents 50% of the reported profit of the Company, to the founder in the name of participation in the profit, in accordance with the Law on Budget of the Republic of Serbia for 2020,
- the remaining amount of profit in the amount of RSD 1,831,071 thousand 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 of January 21, 2021.

PUBLIC ENTERPRISE, ELEKTROPRIVREDA SRBIJE, BELGRADE

NOTES TO FINANCIAL STATEMENTS
31 December 2021

32. EQUITY (continued)

Changes in equity

Changes in equity in 2021 and 2020 are disclosed below:

	In RSD thousand					
	Basic capital	Revaluation reserves	Actuarial earnings / (losses)	Profit/ (losses) on securities available for sale	Retained earnings / (accumulated loss)	Total
Balance at 31 December 2019	360,011,186	423,741,985	(2,460,667)	(405,415)	(105,730,468)	675,156,621
Correction of beginning balance (Note 5)	-	(37,874)	-	-	(9,202,626)	(9,240,500)
Corrected balance at 31 December 2019	360,011,186	423,704,111	(2,460,667)	(405,415)	(114,933,094)	665,916,121
First-time adoption of IFRS 9	-	-	-	-	2,412,528	2,412,528
Corrected balance at 1 January 2020	360,011,186	423,704,111	(2,460,667)	(405,415)	(112,520,566)	668,328,649
Effects of changes in the fair value of financial instruments	-	-	-	(6,357)	-	(6,357)
Disposal of fixed assets	-	(958,756)	-	-	137,486	(821,270)
Actuarial losses, provisions for employee benefits (Note 33)	-	-	(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"	-	-	-	-	(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 / loss for the current year	-	-	-	-	11,851,615	11,851,615
Other	-	-	-	-	(148)	(148)
Balance at 31 December 2020	360,003,089	422,745,355	(2,525,696)	(411,772)	(180,290,424)	599,520,552
Effects of changes in the fair value of financial instruments	-	-	-	1,501	-	1,501
Disposal of fixed assets	-	(3,730,741)	-	-	1,905,782	(1,824,959)
Actuarial losses, provisions for employee benefits (Note 33)	-	-	(434,382)	-	-	(434,382)
Cancellation of actuarial losses on the basis of transfer employees of "ODS EPS Distribucija" d.o.o. (Note 33)	-	-	397,246	-	(397,246)	-
Effects of PPE valuation with balance as of January 1, 2021. (Note 24)	-	31,348,340	-	-	-	31,348,340
Founder's non-monetary contribution	529,443	-	-	-	-	529,443
Assignment to the Republic of Serbia (free of charge) of participation in the capital of "ODS EPS DISTRIBUCIJA" (Notes 24, 25)	-	(3,884,957)	-	-	(9,326,294)	(13,211,251)
Profit / loss for the current year	-	-	-	-	(14,948,733)	(14,948,733)
Balance at 31 December 2021	360,532,532	446,477,997	(2,562,832)	(410,271)	(203,056,915)	600,980,511

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NOTES TO FINANCIAL STATEMENTS
31 December 2021

32. EQUITY (continued)

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

33. LONG-TERM PROVISIONS

	In RSD thousand	
	31 December	31 December
	2021	2020
	Corrected	
Long-term provision for retirement benefits and jubilee rewards	14,877,228	17,223,616
Long-term provision for litigations	2,845,319	3,847,071
Long-term provision for environmental restoration	20,112,294	19,629,151
Other long-term provisions	24	24
	37,834,865	40,699,862

Long-term provisions for employee benefits

Long-term provisions for employee benefits shown with the balance as of December 31, 2021 in the amount of RSD 14,877,228 thousand (December 31, 2020: RSD 17,223,616 thousand) refer to provisions for employee benefits based on severance pay in retirement and on the basis of jubilee awards for 10, 20, 30, 35 and 40 years of continuous work in the Company, and were recognized using the projected unit crediting method. When determining the present value of future expected payments, a discount rate ranging from 0.36% to 4.48% was used, with the assumption that the annual fluctuation rate ranges from 0.03% to 2.13%, while the salary growth rate was kept at zero level. To calculate the present value of future expected payments, the mortality tables published by the Republic of Serbia Statistical Office were used. Any difference, as a consequence of the remeasurement of the current value of the obligation based on severance pay, and due to changes in actuarial assumptions and experience projections, in the reporting year 2021 was recognized as a separate capital item within the total other result in the amount of RSD 434,382 thousand (2020: RSD 65,029 thousand), and the difference, which is not a consequence of changes in actuarial assumptions and empirical projections, is recognized through the income statement.

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

Long-term provision for litigations

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

NOTES TO FINANCIAL STATEMENTS
31 December 2021

33. LONG-TERM PROVISIONS (continued)

Long-term provisions for environmental restoration

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
31 December 2021
33. LONG-TERM PROVISIONS (continued)

Changes on the long-term provisions in 2021 and 2020 are disclosed in the table below:

In RSD thousand

	Provision for retirement benefits and jubilee awards	Provision for legislation	Provision for environmental restoration	Other provision	Total
Balance at 1 January 2020	16,602,371	3,016,214	2,864,132	24	22,482,741
Correction of beginning balance (Note 5)	-	-	14,438,217	-	14,438,217
Corrected balance at 1 January 2020	16,602,371	3,016,214	17,302,349	24	36,920,958
New provisions recognized in the income statement (Notes 15 and 18)	1,959,842	1,401,646	470,823	-	3,832,311
New provisions - capitalization of expenses for the recultivation of the ash and slag landfill	-	-	1,830,842	-	1,830,842
New provisions recognized in other comprehensive income (Note 32)	65,029	-	-	-	65,029
Used reservations	(1,403,626)	(434,044)	-	-	(1,837,670)
Cancellation of reservation (Note 21)	-	(136,745)	-	-	(136,745)
Other	-	-	25,137	-	25,137
Balance at 31 December 2020	17,223,616	3,847,071	19,629,151	24	40,699,862
New provisions recognized in the income statement (Notes 15 and 18)	1,870,852	186,414	520,842	-	2,578,108
New provisions recognized in other comprehensive income (Note 32)	434,382	-	-	-	434,382
Used reservations	(1,493,112)	(201,926)	-	-	(1,695,038)
Cancellation of reservation (Note 21)	(3,158,510)	(986,240)	-	-	(4,144,750)
Other	-	-	(37,699)	-	(37,699)
Balance 31 December 2021	14,877,228	2,845,319	20,112,294	24	37,834,865

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

NOTES TO FINANCIAL STATEMENTS
31 December 2021

33. LONG-TERM PROVISIONS (continued)

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

	In RSD thousand		
	Retirement benefits	Jubilee awards	Total
Balance at 1 January 2020	4,889,726	11,712,645	16,602,371
Items recognized in the income statement:			
Interest expense (Note 15)	153,103	326,752	479,855
Cost of ongoing services (Note 15)	206,995	750,036	957,031
Actuarial losses (Note 15)	-	522,956	522,956
Included in total other result:			
Actuarial losses (Note 32)	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
Items recognized in the income statement:			
Interest expense (Note 15)	102,878	197,990	300,868
Cost of ongoing services (Note 15)	230,635	692,082	922,717
Actuarial losses (Note 15)	-	647,267	647,267
Amount of termination during the current year to the benefit of revenue (Note 21)	(888,940)	(2,269,570)	(3,158,510)
Included in total other result:			
Actuarial losses (Note 32)	434,382	-	434,382
Payments to employees	(195,613)	(1,297,499)	(1,493,112)
Balance at 31 December 2021	4,913,794	9,963,434	14,877,228

NOTES TO FINANCIAL STATEMENTS
31 December 2021

34. LONG-TERM LIABILITIES

	31 December 2021	In RSD thousand 31 December 2020
Liabilities convertible to equity	80,500	80,500
Obligations based on long-term credits and loans in the country in RSD and foreign currency	45,539,282	31,946,569
<i>Less: Current maturity of long-term loans in the country in RSD and foreign currency</i>	<u>(24,393,008)</u>	<u>(9,091,159)</u>
	<u>21,146,274</u>	<u>22,855,410</u>
Obligations based on long-term credits and loans in abroad	101,490,528	93,936,455
<i>Less: Current maturity of long-term loans abroad</i>	<u>(29,957,052)</u>	<u>(9,259,637)</u>
	<u>71,533,476</u>	<u>84,676,818</u>
Other long-term liabilities	14	28,090
<i>Less: Current portion of other long-term liabilities</i>	<u>-</u>	<u>(28,076)</u>
	<u>14</u>	<u>14</u>
Liabilities based on leasing	79,905	-
<i>Less: Current maturities of leasing obligations</i>	<u>(57,875)</u>	<u>-</u>
	<u>22,030</u>	<u>-</u>
	<u>92,782,294</u>	<u>107,612,742</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
31 December 2021

34. LONG-TERM LIABILITIES (continued)

I Refinanced borrowings realised from the funds of (continued)

3. International Banks for Reconstruction and Development

In accordance with the Agreement entered into between the 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.

Borrowings realised in the period 1990 - 2001

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

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

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

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

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

II Borrowings from foreign governments

1. Borrowings from the governments of the Republic of Poland

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
31 December 2021

34. LONG-TERM LIABILITIES (continued)

II Borrowings from foreign governments (continued)

The borrowing was agreed in the amount of USD 293 million, for a period of 180 months, including grace period of 60 months, after coming into effect of Borrowing Agreement for subsidized buyer. The period of using the borrowing funds is 60 months after coming into effect of Borrowing Agreement for subsidized buyer, with possibility of extending with the consent of EXIM Bank from 31.05.2017. year, the term of use was extended to 31.12.2018. years. After the expiration of the term of use, and in accordance with Article 3.3 of the Agreement, part of the borrowing for the amount of USD 6,361 million was automatically cancelled. The instalments mature for repayment semi-annually, on 21 January and 21 July each calendar year. The amount of the withdrawn borrowing until June 4, 2017 will be repaid in 20 equal consecutive semi-annual instalments starting from July 21, 2017 until January 21, 2027. The amount of the withdrawn borrowing between June 5, 2017 and December 31, 2018 will be repaid in 17 equal consecutive semi-annual instalments starting from January 21, 2019 to January 21, 2027. The agreed interest rate equals 3% annually, with the one-off loan origination fee of 1% of the agreed loan amount and the cost of financing of 0.75% annually.

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

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

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

The Government of Japan, 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 agree on 24 November 2011. Agreement is concluded for the period of 15 years and repayment period is 10 years following the five-year grace period. Utilization period of loan funds is 10 years after the Borrowing Agreement effectiveness, with possibility of extension. The interest rate is 0.6% annually, except for the borrowing portion used for payment of consultant services, where the interest is accrued at the rate of 0.01% annually. The commitment fee, amounting to 0.10% per annum, is capitalized, ie paid from borrowing funds until December 20, 2021, after which it will be paid from the parent company's funds. Maturity dates are 20 May and 20 November, whereby the repayment of the principal, according to the amortization plan in Appendix 3 and Annex 1 of the Loan Agreement, commences on 20 November, 2016 and completes on 20 November 2026. In November 2016 due principal I amounted to JPY 5,572,856 and principal II due amounted to JPY 50,340,000. From 20 May 2017 to 20 May 2022 due principal I and II will amount to JPY 5,562,000 and JPY 50,333,000 respectively. On 20 November 2022 due principal I and II will amount to JPY 3,014,253,144 and JPY 50,333,000 respectively. From May 2023 to the end of repayment period, 20 November 2026, due principal I and II will amount to JPY 3,014,249,000 and JPY 50,333,000 respectively.

NOTES TO FINANCIAL STATEMENTS
31 December 2021

34. LONG-TERM LIABILITIES (continued)

III Borrowing from International Financial Organizations

1. KfW

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

- EUR 36 million (with the additional amount of EUR 10 million not to be repaid) was borrowed on 2 January 2008. Deadline for usage of borrowing funds is extended until 31 December 2019. According to the Agreement, repayment of principal commences on 30 June 2013, to be completed on 30 December 2019. With the consent of the creditor, borrowing funds that have not been withdrawn by 31.12.2020. year, in the amount of EUR 1,011,722.02 will be available until 31.12.2021. year, and it will be repaid in two equal consecutive semi-annual instalments. The interest rate is determined two days prior to usage of each individual tranche and is fixed at that level until KfW informs the Company on the consolidated interest rate for the entire borrowing which will be determined upon the execution of the last disbursement of the subject borrowing and will remain constant throughout the entire repayment period. Interest rate of each tranche is defined as the rate determined by KfW two days prior to date of repayment of appropriate portion of the borrowing based on effective financing costs of KfW on EURO capital market in moment of payment for maturities which, as close as possible, match maturities of borrowing portions on which payments should be made plus mark-up of 1.75% annually. Commission on unused portion of borrowing amounts to 0.25% annually. Management fee amounts to 1% of total borrowing amount, and is paid once out of Borrowers own funds.
- EUR 70 million was agreed on 29 October 2010. As the final deadline for the use of borrowed funds has been set 31 December 2015 with the option of deadline extension. This deadline has been extended to 31 December 2020. 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2021

34. LONG-TERM LIABILITIES (continued)

III Borrowing from International Financial Organizations (continued)

- EUR 45 million was agreed on 28 February 2017. As the final deadline for the use of borrowed funds is set 30 June 2022 with the option of deadline extension. According to the Borrowing Agreement loan principal repayment is to be repaid in 14 equal semi-annual instalments starting on 30 June 2022, ending to 30 December 2028. A Fixed interest rate has been agreed and amounts to 0.80% annually, with the Parent Company being exempted from this cost in the period from March 30, 2019 to June 30, 2019. Commission for unused portion of the borrowing amounts to 0.25% annually. Management fee amounts to 0.75% of total borrowing amount, and is paid once out of Borrowers own funds.
- EUR 80 million (with additional EUR 1 million of non-repayable funds) was agreed on 29 November 2017. As the final deadline for the use of borrowed funds is set 30 December 2021 with the option of deadline extension. According to the Borrowing Agreement loan principal repayment is to be repaid in 23 equal semi-annual instalments starting on 30 December 2021, ending to 30 December 2032. A Fixed interest rate has been agreed and amounts to 0.85% annually. Commission for unused portion of the borrowing amounts to 0.25% annually, with the Company being exempted from this cost in the period from March 30, 2019 to June 30, 2019. Management fee amounts to 0.75% of total borrowing amount, and is paid once out of Borrowers own funds.

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

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

- EUR 40 million was agreed on 2 September 2010. On 22 December 2016 The Bank extended the ultimate date until which funds are available up to 2 September 2018. After the expiration of the term of use, in accordance with the provisions of Section 7.02.(a) of the Standard Provisions of 1 October 2007, on 2 September 2018, part of the loan in the amount of EUR 35,101,334 was canceled, so that the agreed loan amount amounts to 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.

NOTES TO FINANCIAL STATEMENTS
31 December 2021

34. LONG-TERM LIABILITIES (continued)

III Borrowings from International Financial Organization (continued)

- EUR 200 million was agreed on 30 October 2015, for a period of 15 years, including grace period of 18 months. The ultimate date for usage of borrowing funds is to be determined as a date upon expiry of one year from date of effectiveness of borrowing funds, with the option of extension. Defined date of effectiveness of borrowing funds is 29 September 2016. The loan funds were withdrawn in full by October 18, 2016. According to the terms of the Agreement, repayment of the principal will commence on 15 June 2017, in 27 equal semi-annual instalments, until 15 June 2030. The borrowing accrues variable interest rate, which consists of EURIBOR and mark-up in amount of 1% annually, with the option to choose a fixed interest rate. Commission on unused portion of borrowing amounts to 0.5% annually. Management fee amounts to 1% of total borrowing amount, and is paid once out of borrowing funds. The Company used granted funds for early repayment of loans with banks.

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.

4. Borrowing from the World Bank (WB)

International Development Association (IDA)

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

International Bank for Reconstruction and Development (IBRD)

Based on Borrowing Agreement (Project of urgent recovery from floods) concluded on 9 October 2014, between the Republic of Serbia, as the Borrower, and the IBRD, as the Creditor, in amount of EUR 227.48 million, the Republic of Serbia has via Loan 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
31 December 2021

34. LONG-TERM LIABILITIES (continued)

IV Commercial banks

1. Komercijalna banka a.d. Beograd

EUR 15 million was contracted on December 12, 2019. Loan funds are available in the period from January 1, 2020 until December 31, 2023. The loan repayment period is up to 10 years, with a grace period of up to 4 years. The repayment of the principal is in 12 equal consecutive semi-annual instalments, with the first 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. Beograd

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.

3. Vojvodjanska banka a.d.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.

NOTES TO FINANCIAL STATEMENTS
31 December 2021

34. LONG-TERM LIABILITIES (continued)

IV Commercial banks (continued)

5. VTB bank (Europe) SE

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

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 a.d. Belgrade and Unicredit Bank Serbia for the total amount of RSD 2,320,000 thousand,
 - Komercijalna banka a.d. Belgrade, Unicredit Bank Serbia for the total amount of RSD 3,000,000 thousand.
2. In order to secure the working capital needed to finance the current obligations that arise in the regular business activities of JP EPS, in order not to jeopardize the safe supply of electricity to customers and the safety and reliability of the operation of the electrical energy system, contracts were concluded with commercial banks, namely:
 - Komercijalna banka a.d. Belgrade, Erste bank a.d. Novi Sad, Vojvođanska banka, OTP banka Srbija a.d. Belgrade in the total amount of RSD 4,060,000 thousand,
 - Komercijalna banka a.d. Belgrade, Erste bank a.d. Novi Sad, Vojvođanska banka, OTP banka Srbija a.d. Belgrade, Banka Poštanska štedionica a.d. Belgrade, Agroindustrijsko komercijalna banka AIK banka ad Belgrade) in the total amount of RSD 5,800,000 thousand,
 - Agroindustrijsko komercijalna banka AIK banka Beograd, OTP banka Srbija ad Beograd in the total amount of RSD 3,000,000 thousand,
 - OTP banka Srbija a.d. Belgrade, SBERBANK Srbija a.d. Belgrade in the total amount of RSD 3,000,000 thousand.
 - Banka Poštanska štedionica a.d. Belgrade for 3,000,000 thousand.
3. In order to ensure liquidity with the purpose of purchasing gas, electricity and paying tax obligations, JP EPS concluded contracts with commercial banks (Erste bank a.d. Novi Sad, Eurobank Direktna akcionarsko društvo Beograd, Pošt Bankaanska štedionica a.d. Beograd, Agroindustrijsko komercijalna banka AIK banka Beograd, Komercijalna banka a.d. Beograd, OTP banka Srbija ad Beograd) in the total amount of EUR 150 million.

NOTES TO FINANCIAL STATEMENTS
31 December 2021

34. LONG-TERM LIABILITIES (continued)

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

No.	LOAN	Curren- cy	ORIGINAL CURRENCY				Mean of security	Equivalent value in RSD 000	
			Principal	Maturity date	Repayment schedule	Interest rate		31.12.2021	01.01.2021.
TOTAL BORROWINGS (A+E)							147,029,810	125,883,024	
A	FOREIGN CURRENCY BORROWINGS (I+II+III+IV+V+VI)							128,049,816	113,703,024
I	REFINANCED BORROWINGS REALIZED FROM THE FUNDS OF (1+2+3+4)							13,477,006	16,099,498
1	PARIS CLUB CREDITORS							12,848,822	15,370,686
1.1	AUSTRIA	EUR	1,182,811.55	30.09.2008. 31.03.2024.	30.03. и 30.09.	Amarketrate/E UR + 0,6% p.a.	Promissory note	139,076	182,788
1.2	FRANCE	EUR	13,639,961.00	22.09.2008. 22.03.2024.	22.03. и 22.09.	5,9% p.a.	Promissory note	1,603,815	2,107,880
1.3	GERMANY	EUR	9,047,952.22	22.09.2008. 22.03.2024.	22.03. и 22.09.	5,5% p.a.	Promissory note	1,063,877	1,398,244
1.4	CANADA	EUR	19,804,190.01	22.09.2008. 22.03.2024.	22.03. и 22.09.	Euribor/EUR + 0,5% p.a.	Promissory note	2,328,618	3,060,482
1.5	SWITZERLAND	CHF	27,379,533.79	22.09.2008. 22.03.2024.	22.03. и 22.09.	Libor/CHF + 0,5% p.a.	Promissory note	3,111,377	3,902,198
1.6	USA	USD	2,218,706.02	22.09.2008. 22.03.2024.	22.03. и 22.09.	5,375% p.a.	Promissory note	230,582	278,962
1.7	RUSSIA	USD	35,490,419.07	22.03.2006. 22.03.2034.	22.03. и 22.09.	0.5517% p.a.	Promissory note	3,688,384	3,517,417
1.8	JAPAN	JPY	756,803,249.67	22.09.2008. 22.03.2024.	22.03. и 22.09.	2.839% p.a.	Promissory note	683,093	922,715
2	LONDON CLUB CREDITORS	USD	3,264,659.00	01.05.2010. 01.11.2024.	01.05. и 01.11.	3,75% do 11/09. fixed 6,75% until 11/24.	Promissory note	339,284	416,413
3	IBRD	EUR	2,030,411.45	15.03.2005. 15.12.2031.	15.03. и 15.09. 15.06. и 15.12.	6,75% p.a. until 11/24	Promissory note	238,740	262,240
4	EZ	EUR	426,596.43	17.10.2012. 17.10.2016.	17.04. и 17.10.	6M Euribor p.a.		50,160	50,159
II	BORROWING IN THE PERIOD FROM 1990-2001							-	156,275
1	Chinese borrowing	USD	0,00	21.07.2010. 21.01.2021.	21.01. и 21.07.	6m LIBOR + 1,3% p.a.	Promissory note	-	156,275
III	LOANS GRANTED BY STATE GOVERNMENTS							56,770,972	45,814,676
1	Polish borrowing	USD	1,916,879.95	2005. - 2024.	15.06. и 15.12.	0,75% p.a.	Guarantee RS	199,214	291,161
2	Japanese borrowing - JICA	JPY	17,749,711,790.00	20.11.2016. 20.11.2026	20.05 и 20.11	0,60% p.a. (Principal 1) 0,01% p.a. (Principal 2)	Guarantee RS	16,020,943	10,533,829
3	Export-Import Bank of China I	USD	160,886,018.66	21.07.2017. 21.01.2027.	21.01. и 21.07.	3% p.a.	Promissory note	16,720,273	18,189,307
4	Export-Import Bank of China II	USD	229,302,544.82	21.07.2022. 21.01.2035.	21.01. и 21.07.	2,5% p.a.	Promissory note	23,830,542	16,800,379

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NOTES TO FINANCIAL STATEMENTS
31 December 2021

34. LONG-TERM LIABILITIES (continued)

No.	LOANS	Currency	ORIGINAL CURRENCY				Means of security	Equivalent value in RSD 000	
			Principal	Maturity date	Repayment schedule	Interest rate		31.12.2021.	01.01.2021.
IV	LOANS FROM INTERNATIONAL FINANCIAL ORGANIZATIONS							42,352,388	48,055,093
2	KfW IV (36 mil. EUR)	EUR	0,00	30.06.2013.- 30.12.2019	30.06. и 30.12.	variable rate + margin of 1.75%..	Guarantee RS	-	-
3	KfW V (70 mil. EUR)	EUR	30,303,976.31	31.12.2018.- 30.06.2025	30.06. и 30.12.	variable rate - 0.5%	Guarantee RS	3,563,205	4,729,135
4	KfW VI (65 mil. EUR)	EUR	29,999,934.96	30.12.2017. 30.12.2024.	30.06. и 30.12.	variable rate + 0.4% for EUR 25 million. and variable + 1.15% for EUR 40 million.	Guarantee RS	3,527,455	4,703,201
5	KfW VII (45 mil. EUR)	EUR	146,748.16	30.06.2022. 30.12.2028.	30.06. и 30.12.	0.80%.		17,255	17,255
6	KfW VIII (80 mil. EUR)	EUR	142,492.40	30.12.2021. 30.12.2032.	30.06. и 30.12.	0.85%.		16,755	17,636
9	EBRD III (4,9 mil. EUR)	EUR	348,984.21	02.09.2013.- 02.03.2022.	02.03. и 02.09	6M EURIBOR + 1%.	Guarantee RS	41,034	123,101
10	EBRD IV(78,5 mil. EUR)	EUR	15,538,396.66	31.01.2015.- 31.01.2023.	31.01. и 31.07	6M EURIBOR + 1%.	Guarantee RS	1,827,037	3,045,013
11	EBRD V (32,7 mil. EUR)	EUR	11,015,229.63	30.04.2015.- 31.10.2023.	30.04. и 31.10	6M EURIBOR + 1%	Guarantee RS	1,295,194	1,310,546
12	EBRD VI (200 mil. EUR)	EUR	125,925,925.90	15.06.2017.- 15.06.2030.	15.06. и 15.12.	6M EURIBOR + 1%	Guarantee RS	14,806,635	16,548,324
13	EIB II (22 mil. EUR)	EUR	6,626,666.10	25.11.2010. 09.12.2027.	09.06. и 09.12; 25.05. и 25.11.	fixed for each tranche of 3.879%. up to 5.248%	Guarantee RS	779,177	951,616
14	Wb IDA (12,24 mil. SDR)	XDR	4,129,597.08	15.09.2015.- 15.03.2025.	15.03. и 15.09	-	Guarantee RS	600,667	731,549
15	WB IBRD (139 mil. EUR)	EUR	135,037,339.22	01.11.2023. 01.05.2044.	01.05. 01.11.	6M EURIBOR + variable margin	Promissory note	15,877,974	15,877,717
V	COMMERCIAL BANKS							15,375,107	3,508,711
1	Komercijalna banka 15 mil	EUR	15,000,000.00	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 1.95%	Promissory note	1,763,732	1,763,703
2	Banca Intesa 45 mil	EUR	21,244,670.00	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 3.50%	Promissory note	2,497,993	1,745,008
3	Banca Intesa 30 mil	EUR	0,00	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 3.75%	Promissory note	-	-
4	Vojvodjanska banka 30mil	EUR	0,00	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 3.75%	Promissory note	-	-
5	OTP Banka 15 mil	EUR	0,00	15.10.2023. 15.04.2029.	15.04. и 15.10.	6M EURIBOR + 3.75%	Promissory note	-	-
6	ERSTE BANKA	EUR	35,000,000.00	20.01.2022 20.12.2023	every 20th of the month	3M EURIBOR + 3.3%	Promissory note	4,115,374	-
7	EUROBANK DIREKTNA	EUR	35,000,000.00	20.01.2022 20.12.2023	every 20th of the month	3M EURIBOR + 3.3%	Promissory note	4,115,374	-
8	Postanska Stedionica	EUR	5,000,000.00	20.01.2022 20.12.2023	every 20th of the month	3M EURIBOR + 2.3%	Promissory note	587,911	-
9	AIK Banka	EUR	10,000,000.00	01.07.2022 01.06.2023	every 15th of the month until 01.07.22. and on the 1st of the month until the end of the payment period	3M EURIBOR + 3.29%	Promissory note	-	-
10	Komercijalna banka	EUR	50,000,000.00	01.07.2022 01.06.2023	every 15th of the month until 01.07.22. and on the 1st of the month until the end of the payment period	3M EURIBOR + 3.30%	Promissory note	-	-
11	OTP Banka	EUR	15,000,000.00	01.07.2022 01.06.2023	every 15th of the month until 01.07.22. and on the 1st of the month until the end of the payment period	3M EURIBOR + 3.30%	Promissory note	-	-
12	VTB Banka(EUROPE) SE,	EUR	19,515,917.04	17.09.2022. 17.06.2027.	17.03., 17.06. 17.09., 17.12.	3M EURIBOR + 3.75% margin If the EURIBOR value is less than 0. the value will be considered to be 0	Promissory note	2,294,723	-
VI	OTHER							74,343	68,771
1	EMS a.d. – IBRD	EUR	16,144.71	15.03.2005.- 15.12.2031.	15.03. и 15.09.15.06. и 15.12.	1/3-5.44% и 2/3- euribor	Promissory note	1,898	2,085
2	Tehnoexport	USD	697,086.00			-		72,445	66,686

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NOTES TO FINANCIAL STATEMENTS
31 December 2021

34. LONG-TERM LIABILITIES (continued)

No.	LOANS	Currency	ORIGINAL CURRENCY				Means of security	Equivalent value in RSD 000	
			Principal	Maturity date	Repayment schedule	Interest rate		31.12.2021.	01.01.2021.
B	LOANS IN RSD							18,979,994	12,180,000
1	Komercijalna banka	RSD	289,999,999.96	01.01.2021 01.12.2022	01.01. and 01.12.	1M BELIBOR + 2.70%	Promissory note	290,000	580,000
2	Komercijalna banka	RSD	289,999,999.96	01.01.2021 01.12.2022	01.01. and 01.12.	1M BELIBOR + 2.90%	Promissory note	290,000	580,000
3	Erste Bank	RSD	289,999,996.33	01.01.2021 01.12.2022	01.01. and 01.12.	1M BELIBOR + 2.93%	Promissory note	290,000	580,000
4	Postanska sredionica	RSD	289,999,999.96	01.01.2021 01.12.2022	01.01. and 01.12.	1M BELIBOR + 2.97%	Promissory note	290,000	580,000
5	Erste Banka	RSD	289,999,996.33	01.01.2021 01.12.2022	01.01. and 01.12.	1M BELIBOR + 2.99%	Promissory note	290,000	580,000
6	AIK Banka	RSD	579,999,999.92	01.01.2021 01.12.2022	01.01. and 01.12.	1M BELIBOR + 3.00%	Promissory note	580,000	1,160,000
7	OTP Banka	RSD	580,000,000.04	01.01.2021 01.12.2022	01.01. and 01.12.	1M BELIBOR + 3.01%	Promissory note	580,000	1,160,000
8	Vojvodjanska banka	RSD	289,999,999.96	01.01.2021 01.12.2022	01.01. and 01.12.	1M BELIBOR + 3.01%	Promissory note	290,000	580,000
9	Komercijalna banka	RSD	289,999,999.96	01.01.2021 01.12.2022	01.01. and 01.12.	1M BELIBOR + 2.90%	Promissory note	290,000	580,000
10	Erste banka	RSD	289,999,996.33	01.01.2021 01.12.2022	01.01. and 01.12.	1M BELIBOR + 2.99%	Promissory note	290,000	580,000
11	Vojvodjanska banka	RSD	289,999,999.96	01.01.2021 01.12.2022	01.01. and 01.12.	1M BELIBOR + 3.01%	Promissory note	290,000	580,000
12	Vojvodjanska banka	RSD	580,000,000.04	01.01.2021 01.12.2022	01.01. and 01.12.	1M BELIBOR + 3.02%	Promissory note	580,000	1,160,000
13	OTP Banka	RSD	580,000,000.04	01.01.2021 01.12.2022	01.01. and 01.12.	1M BELIBOR + 3.02%	Promissory note	580,000	1,160,000
14	Banka Intesa	RSD	579,999,999.92	01.01.2021 01.12.2022	01.01. and 01.12.	1M BELIBOR + 2.49%	Promissory note	580,000	1,160,000
15	UniCredit Banka	RSD	870,000,000.08	01.07.2021 01.06.2023	01.06. and 01.07.	1M BELIBOR + 3.00%	Promissory note	870,000	1,160,000
16	Komercijalna banka	RSD	600,000,000.00	20.01.2022 20.12.2023	20.06. and 20.12.	1M BELIBOR + 0.95%	Promissory note	600,000	-
17	Komercijalna banka	RSD	599,994,277.49	20.01.2022 20.12.2023	20.01. and 20.12.	1M BELIBOR + 1.05%	Promissory note	599,994	-
18	Komercijalna banka	RSD	600,000,000.00	20.01.2022 20.12.2023	20.01. and 20.12.	1M BELIBOR + 0.85%	Promissory note	600,000	-
19	Komercijalna banka	RSD	600,000,000.00	20.01.2022 20.12.2023	20.01. and 20.12.	1M BELIBOR + 0.74%	Promissory note	600,000	-
20	UniCredit banka	RSD	600,000,000.00	20.01.2022 20.12.2023	20.01. and 20.12.	1M BELIBOR + 2.62%	Promissory note	600,000	-
21	AIK Banka	RSD	1,800,000,000.00	20.01.2022 20.12.2023	20.01. and 20.12.	1M BELIBOR + 1.92%	Promissory note	1,800,000	-
22	OTP Banka	RSD	1,200,000,000.00	20.01.2022 20.12.2023	20.01. and 20.12.	1M BELIBOR + 1.91%	Promissory note	1,200,000	-
23	Sberbanka	RSD	1,800,000,000.00	20.01.2022 20.12.2023	20.01. and 20.12.	1M BELIBOR + 2.20%	Promissory note	1,800,000	-
24	OTP Banka	RSD	1,800,000,000.00	20.01.2022 20.12.2023	20.01. and 20.12.	1M BELIBOR + 1.93%	Promissory note	1,800,000	-
25	Postanska stedionica	RSD	3,000,000,000.00	15.06.2022 15.06.2024	15.06. and 15.12	6M BELIBOR + 2.90%	Promissory note	3,000,000	-
CURRENT PORTION OF LONG-TERM LOANS								54,350,060	18,350,796
A	Foreign currency loans							42,260,063	12,550,796
B	Loans in RSD							12,089,997	5,800,000
TOTAL LONG-TERM PORTION								92,679,750	107,532,228
A	Foreign currency loans							85,789,753	101,152,228
B	Loans in RSD							6,889,997	6,380,000

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

NOTES TO FINANCIAL STATEMENTS
31 December 2021

34. LONG-TERM LIABILITIES (continued)

Analysis of approved loans withdrawals

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

<u>Creditor</u>	<u>Currency</u>	<u>Contracted Amount</u>	<u>Draw Down</u>
EBRD III	EUR	4,898,666	4,898,666
EBRD IV	EUR	78,527,683	78,527,683
EBRD V	EUR	32,700,000	21,953,938
EBRD VI	EUR	200,000,000	200,000,000
EBRD II	EUR	22,000,000	22,000,000
KfW III	EUR	30,000,000	30,000,000
KfW IV	EUR	36,000,000	35,225,266
KfW V	EUR	70,000,000	65,220,507
KfW VI	EUR	64,999,948	64,999,948
KfW VII	EUR	45,000,000	146,748
KfW VIII	EUR	80,000,000	992,061
IDA	SDR	11,798,849	11,798,849
JICA	JPY	28,252,000,000	18,364,574,646
EXIM Bank of China I	USD	286,639,231	286,639,231
EXIM Bank of China II	USD	608,260,000	229,302,545
Borrowing from the Republic of Poland	USD	49,996,617	49,996,617
WB IBRD	EUR	139,743,296	135,402,191
Commercial banks	EUR	357,000,000	130,760,587
Commercial banks	RSD	24,780,000,000	24,779,994,277

Analyses of long term loans maturities

	In RSD thousand		
	31 December 2021	31 December 2020	Index
Up to one year	54,350,060	18,350,796	183.65
From one to five years	59,427,095	64,154,664	112.14
Over five years	33,252,655	43,377,564	95.41
Total	147,029,810	125,883,024	116.80

Analysis of borrowings per requested discharging currency

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

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NOTES TO FINANCIAL STATEMENTS
31 December 2021
34. LONG-TERM LIABILITIES (continued)
Reconciliation of movements of liabilities to cash flows arising from financing activities

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

	Cash flows			Non-cash changes				In RSD thousand	
	Balance at 1 January 2021	Proceeds	Repayment	Direct tranche to supplier	First-time application of IFRS 16 (Note 4)	Debt write-off	Foreign exchange movement	Other	Balance at 31 December 2021
2021.									
Long-term borrowings	125,883,024	24,731,463	(18,485,519)	11,463,749	-	-	3,356,050	81,043	147,029,810
Other long-term financial liabilities	28,090	-	(173)	-	-	-	-	(27,903)	14
Other short-term financial liabilities	9,696	-	(58,267)	-	-	-	-	58,371	9,800
Liabilities based on financial leasing	-	-	(130,783)	-	177,519	-	27	33,142	79,905
Total liabilities from financing activities	125,920,810	24,731,463	(18,674,742)	11,463,749	177,519	-	3,356,077	144,653	147,119,529
2020.									
Long-term borrowings	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

35. LONG-TERM DEFERRED INCOME AND RECEIVED DONATIONS

	In RSD thousand	
	31 December 2021	31 December 2020
Donations received:		
- from the Government of the RS and other state authorities	276,198	280,779
- from abroad	8,238,827	8,299,760
- in country	58,745	98,738
	8,573,770	8,679,277

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

NOTES TO FINANCIAL STATEMENTS
31 December 2021

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

Changes in deferred income based on donations received during 2021 and 2020 were as follows:

	31 December 2021	In RSD thousand 31 December 2020
Balance at the beginning of the year	8,679,277	8,817,524
Worth. trans. wed. from third parties free of charge (donations)	275,570	294,500
Cancellation of deferred income in favor of current income on a systematic basis (Note 8)	(222,740)	(214,433)
Other	(158,337)	(218,314)
Balance at the end of the year	8,573,770	8,679,277

36. SHORT-TERM FINANCIAL LIABILITIES

	31 December 2021	In RSD thousand 31 December 2020
<i>Liabilities in foreign currency</i>		
Part of long-term loans abroad that mature up to one year	29,957,052	9,259,637
Part of the country's long-term loans in foreign currency that matures up to one year	12,303,011	3,291,159
	<u>42,260,063</u>	<u>12,550,796</u>
<i>Liabilities in RSD</i>		
The part of long-term loans in the country in dinars that is due up to one year	12,089,997	5,800,000
Part of other long-term liabilities due up to one year	-	28,076
Part of liabilities based on leasing	57,875	-
	<u>12,147,872</u>	<u>5,828,076</u>
Other short-term financial liabilities in foreign currency	3,016	3,016
Other short-term financial liabilities in dinars	6,784	6,680
	54,417,735	18,388,568

Obligations based on long-term loans abroad that mature up to one year in the amount of RSD 29,957,052 thousand refer to loans from international financial organizations in the amount of RSD 20,699,625 thousand, loans granted by state governments in the amount of RSD 6,890,259 thousand and loans granted by commercial banks in the amount of RSD 2,294,723 thousand, while the amount of RSD 72,445 thousand refers to other obligations.

Liabilities based on long-term loans in the country in foreign currency that mature up to one year in the amount of RSD 12,303,011 thousand consist of liabilities based on the Paris Club of Creditors in the amount of RSD 3,445,012 thousand and liabilities based on other refinanced loans in the amount of RSD 186,759 thousand, the amount of RSD 8,671,053 thousand refers to loans approved by domestic commercial banks, while the amount of RSD 187 thousand refers to other obligations.

Liabilities based on long-term loans in the country in dinars that mature within one year in the amount of RSD 12,089,997 thousand refer to liquidity loans granted to the Company during 2021 by domestic commercial banks.

NOTES TO FINANCIAL STATEMENTS
31 December 2021
37. CUSTOMER PREPAYMENTS, DEPOSITS AND CAUTION MONEY

	In RSD thousand	
	31 December 2021	31 December 2020
Advances received:		
- from related legal entities within the EPS Group (Note 42)	396	134
- in RSD	848,996	772,622
- in foreign currency	26,078	-
Deposits and caution money received	156,855	147,923
Advances received from individuals in RSD	1,000	1,073
	1,033,325	921,752

Received advances in dinars, stated with the balance as of December 31, 2021, in the amount of RSD 848,996 thousand (December 31, 2020: RSD 772,622 thousand), the most significant part, in the amount of 210,585 thousand dinars, refer to received advances for sales of coal in the RB Kolubara Branch.

38. OPERATING LIABILITIES

	In RSD thousand	
	31 December 2021	31 December 2020
Suppliers - legal entities within the EPS group in the country (Note 42)	67,033	80,656
Suppliers - other related legal entities in the country	23,477	60,917
	<u>90,510</u>	<u>141,573</u>
Suppliers in the country	22,591,112	17,482,868
AD "Elektromreza Srbije", Belgrade	2,304,873	604,619
"Elektrodistribucija Srbije" d.o.o., Belgrade	27,452,409	22,652,081
	<u>52,348,394</u>	<u>40,739,568</u>
Suppliers abroad	18,156,667	5,263,600
Other business liabilities:		
- obligations based on expropriation from business	95,202	142,805
- obligations based on compensation for damages from business	8,220	4,751
- other	1,996,334	1,850,084
	<u>2,099,756</u>	<u>1,997,640</u>
	72,695,327	48,142,381

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

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

NOTES TO FINANCIAL STATEMENTS
31 December 2021

39. OTHER CURRENT LIABILITIES

	In RSD thousand	
	31 December	31 December
	2021	2020
		<i>Corrected</i>
Liabilities from specific jobs	1,933,655	1,615,204
Other liabilities towards employees	102,463	71,133
Liabilities for unpaid wages and salaries, net	1,335,937	1,602,865
Liabilities for taxes and contributions:		
- charged to employee	533,653	651,891
- charged to employees	357,525	1,026,421
Other liabilities for wages and salaries	58,461	52,136
Liabilities for interests and financing costs	65,270	65,562
Liabilities for dividends and profit share	3,032,107	6,032,142
Liabilities towards the members of the NO and the Audit Commission	431	415
Liabilities towards individuals	31,455	36,628
Liabilities for matured loans from Ministry of Finance of the Republic of Serbia	397,223	397,223
Other liabilities	86,860	159,868
Deferred value added tax	6,884,414	5,315,511
Liabilities based on calculated value added tax	2,309,385	2,043,136
Tax liabilities from results	-	3,195,792
Fees for the use of water and other public goods	830,124	720,315
Fee for energy efficiency	91,583	87,934
Fees for environmental protection	1,961,801	1,182,026
Other liabilities based on other public revenues	294,390	281,682
Liabilities based on excise duty	3,584,341	3,318,620
Liabilities for other taxes, customs duties and other duties	74,427	119,753
	23,965,505	27,976,257

Obligations from specific operations reported on December 31, 2021 in the amount of RSD 1,933,655 thousand (December 31, 2020: RSD 1,615,204 thousand) refer to obligations based on the fee for the Public Media Service, which the Company as the electricity supplier is obliged to collect from the end customers for the account of the Public Media Service (Notes 6 and 28).

Obligations for dividends and profit sharing reported on December 31, 2021 in the amount of RSD 3,032,107 thousand (December 31, 2020: RSD 6,032,142 thousand) refer to obligations towards the founder recognized in earlier years based on the decision of the Supervisory Board of the Company on the distribution of profit in favor of the founder, and in accordance with the Law on the Budget of the Republic of Serbia, and on obligations to employees and former employees in the name of participation in the profit determined according to the financial statements for the year ending on December 31, 2015. year, in accordance with the decision of the Supervisory Board of December 6, 2018. During 2021, the Company paid RSD 3,000,000 to the founder in the name of participation in the distribution of profits.

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

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

NOTES TO FINANCIAL STATEMENTS
31 December 2021

40. SHORT TERM ACCRUED EXPENSES

	In RSD thousand	
	31 December 2021	31 December 2020
Calculated costs	724,598	741,103
Other passive accruals	748,620	869,670
	<u>1,473,218</u>	<u>1,610,773</u>

The calculated costs shown with the balance as of December 31, 2021 include the amount of RSD 655,947 thousand (31 December 2020: RSD 617,062 thousand) recognized for the calculation of interest on loans and credits for which no accounting document has been received.

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

41. OFF-BALANCE SHEET ASSETS AND LIABILITIES

	In RSD thousand	
	31 December 2021	31 December 2020
Received material for finishing and processing	16,169	16,169
Given guarantees and other forms of securing obligations	196,588,477	179,748,843
Received guarantees and other forms of securing claims	52,941,336	51,255,089
Other off-balance sheet records	68,934	70,148
	<u>249,614,916</u>	<u>231,090,249</u>

NOTES TO FINANCIAL STATEMENTS
31 December 2021

42. TRANSACTIONS WITH RELATED LEGAL ENTITIES

a) *Balance sheet*

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

	31 December 2021	In RSD thousand 31 December 2020
Equity participations (Note 25):		
EPS Trgovanje d.o.o. Ljubljana	66,304	66,304
Kolubara - Građevinar d.o.o. Lazarevac	1,771,606	1,771,606
Elektrosever d.o.o.	1,182	1,182
HES Gornja Drina d.o.o. Focha	1,787,097	595,653
	<u>3,626,189</u>	<u>2,434,745</u>
Long-term financial investments (note 25):		
Kolubara - Građevinar d.o.o. Lazarevac	44,837	134,511
<i>Less: Correction of value of long-term financial investments</i>	<u>(44,837)</u>	<u>(134,511)</u>
	<u>-</u>	<u>-</u>
Short-term financial investments (note 29):		
Kolubara - Građevinar d.o.o. Lazarevac	640,150	550,477
<i>Less: Correction of value of short-term financial investments</i>	<u>(640,150)</u>	<u>(550,477)</u>
	<u>-</u>	<u>-</u>
Inventories - Advances Given (Note 26)		
EPS Trgovanje d.o.o. Ljubljana	365	-
Kolubara - Građevinar d.o.o. Lazarevac	185,562	251,684
<i>Less: Correction of the value of advances given</i>	<u>(104,516)</u>	<u>(104,516)</u>
	<u>81,411</u>	<u>147,168</u>
Fixed assets - Advances given		
Kolubara - Građevinar d.o.o. Lazarevac	196,525	145,650
<i>Less: Correction of the value of advances given for fixed assets</i>	<u>(84,812)</u>	<u>(84,812)</u>
	<u>111,713</u>	<u>60,838</u>
Trade receivables (Note 27):		
Kolubara - Građevinar d.o.o. Lazarevac	10,902	11,073
<i>Less: Adjustment of the value of receivables from related legal entities within EPS Group</i>	<u>(7,615)</u>	<u>(5,952)</u>
	<u>3,287</u>	<u>5,121</u>
Other receivables (Note 28):		
Kolubara - Građevinar d.o.o. Lazarevac (claims for interest and other claims)	17,828	6,802
<i>Less: Adjustment of the value of other receivables from related legal entities within the EPS Group</i>	<u>(17,827)</u>	<u>(6,789)</u>
	<u>1</u>	<u>13</u>
Accruals (Note 31)		
Kolubara - Građevinar d.o.o. Lazarevac	<u>1,142</u>	<u>582</u>
Total assets	<u>3,823,743</u>	<u>2,648,467</u>

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NOTES TO FINANCIAL STATEMENTS
31 December 2021

42. TRANSACTIONS WITH RELATED LEGAL ENTITIES (continued)
a) Balance sheet (continued)

	31 December 2021	In RSD thousand 31 December 2020
Operating liabilities (Note 38)		
Kolubara - Građevinar d.o.o. Lazarevac	67,033	80,656
	<u>67,033</u>	<u>80,656</u>
Advances received (Note 37)		
Kolubara - Građevinar d.o.o. Lazarevac	396	134
	<u>396</u>	<u>134</u>
Total liabilities	<u>67,429</u>	<u>80,790</u>
Receivables/(liabilities) - net	<u>3,756,314</u>	<u>2,567,677</u>

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NOTES TO FINANCIAL STATEMENTS
31 December 2021

42. TRANSACTIONS WITH RELATED LEGAL ENTITIES (continued)

b) Income statement

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

	2021	In RSD thousand 2020
<i>Income from the sale of electricity (Note 6):</i>		
Elektrodistribucija Srbije d.o.o. Belgrade	-	23,440,937
EPS Trading, Ljubljana	4,466,604	3,870,648
Kolubara - Građevinar d.o.o. Lazarevac	23,054	24,480
	<u>4,489,658</u>	<u>27,336,065</u>
<i>Income from the sale of products and services (Note 6):</i>		
Elektrodistribucija Srbije d.o.o. Belgrade	-	17,002,371
Kolubara - Građevinar d.o.o. Lazarevac	47,687	49,102
	<u>47,687</u>	<u>17,051,473</u>
<i>Other operating income (Note 8):</i>		
Elektrodistribucija Srbije d.o.o. Belgrade	-	16,208
Kolubara - Građevinar d.o.o. Lazarevac	1,208	1,299
Rental income - Elektrodistribucija Srbije d.o.o.	-	476,160
	<u>1,208</u>	<u>493,667</u>
<i>Financial income (Note 17):</i>		
Elektrodistribucija Srbije d.o.o. Belgrade	-	26,847
EPS Trading, Ljubljana	127	627
Kolubara - Građevinar d.o.o. Lazarevac	10,189	5,887
	<u>10,316</u>	<u>33,361</u>
<i>Fuel and energy costs (Note 10):</i>		
EPS Trading, Ljubljana	1,027,536	47,279
Elektrodistribucija Srbije d.o.o. Belgrade	-	77,901,760
	<u>1,027,536</u>	<u>77,949,039</u>
<i>Cost of production services (Note 14):</i>		
Elektrodistribucija Srbije d.o.o. Belgrade	-	529,666
Kolubara - Građevinar d.o.o. Lazarevac	601,617	714,759
	<u>601,617</u>	<u>1,244,425</u>
<i>Intangible costs (Note 16):</i>		
Elektrodistribucija Srbije d.o.o. Belgrade	-	12,494
	<u>-</u>	<u>12,494</u>
<i>Financial expenses (Note 18):</i>		
EPS Trading, Ljubljana	255	156
Elektrodistribucija Srbije d.o.o. Belgrade	-	44,362
	<u>255</u>	<u>44,518</u>
<i>Expenses based on impairment of receivables (Note 20):</i>		
Kolubara - Građevinar d.o.o. Lazarevac	12,702	868,111
Elektrodistribucija Srbije d.o.o. Belgrade	-	3,613,761
	<u>12,702</u>	<u>4,481,872</u>
Income/(expenses), net	<u>2,906,759</u>	<u>(38,817,782)</u>

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NOTES TO FINANCIAL STATEMENTS
31 December 2021

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

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

	31 December 2021	In RSD thousand 31 December 2020
Indebtedness a)	147,200,029	126,001,310
Cash and cash equivalents	<u>12,370,822</u>	<u>19,610,430</u>
Net indebtedness	<u>134,829,207</u>	<u>106,390,880</u>
Capital b)	<u>600,980,511</u>	<u>599,520,552</u>
Total debt to equity ratio	<u>0,22</u>	<u>0,18</u>

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

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

Significant accounting policies that pertain to financial instruments

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

Financial instruments categories

	31 December 2021	In RSD thousand 31 December 2020
Financial assets		
Equity investments	3,944,968	3,167,080
Long-term financial investments and receivables	2,792,708	3,793,963
Trade receivables	62,804,980	57,125,731
Short-term loans and short-term financial investments	231,691	206,220
Other receivables	11,965,722	8,558,645
Cash and cash equivalents	<u>12,370,822</u>	<u>19,610,430</u>
	<u>94,110,891</u>	<u>92,462,069</u>
Financial liabilities		
Long-term borrowings	92,782,280	107,612,728
Other long-term liabilities	14	14
Business obligations	72,695,327	48,142,381
Other short-term liabilities	5,546,570	8,306,627
Current portion of long-term borrowings	54,407,935	18,378,872
Short-term financial liabilities	<u>9,800</u>	<u>9,696</u>
	<u>225,441,926</u>	<u>182,450,318</u>

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

NOTES TO FINANCIAL STATEMENTS
31 December 2021

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Objectives of financial risk management

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

Market risk

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

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

Currency risk

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

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

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

	Assets		Liabilities	
	31 December	31 December	31 December	31 December
	2021	2020	2021	2020
EUR	6,825,449	5,794,513	74,533,426	60,413,534
JPY	30,890	31,748	16,927,685	11,514,479
CHF	1	753	3,115,742	3,902,198
GBP	-	-	217	-
USD	9,606,072	4,612,159	53,829,126	42,366,524
XDR	600,666	731,549	601,993	731,549

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

	31 December 2021		31 December 2020	
	Strengthening	Weakening	Strengthening	Weakening
	RSD	RSD	RSD	RSD
EUR	6,770,798	(6,770,798)	5,461,902	(5,461,902)
JPY	1,689,679	(1,689,679)	1,148,273	(1,148,273)
CHF	311,574	(311,574)	390,144	(390,144)
GBP	22	(22)	-	-
USD	4,422,305	(4,422,305)	3,775,436	(3,775,436)
XDR	133	(133)	-	-
The result of current period	13,194,511	(13,194,511)	10,775,755	(10,775,755)

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NOTES TO FINANCIAL STATEMENTS
31 December 2021

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Currency risk (continued)

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

Interest rate risk

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

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

	31 December 2021	In RSD thousand 31 December 2020
Financial assets		
<i>Interest-free:</i>		
- Equity-investments	3,944,968	3,167,080
- Long-term financial investment and long-term receivables	766,219	1,000,000
- Trade receivables	62,804,980	57,125,731
- Cash and cash equivalents	36,702	19,751
	<u>67,552,869</u>	<u>61,312,562</u>
<i>Fixed interest-rate:</i>		
- Long-term financial investments and long-term receivables	279,980	124,754
- Short-term loans and short-term financial investments	19,205	707
- Cash and cash equivalents	12,334,120	19,590,679
	<u>12,633,305</u>	<u>19,716,140</u>
<i>Variable interest-rate</i>		
- Long-term financial investments and long-term receivables	1,746,509	2,669,209
- Short-term loans and short-term financial investments	212,486	205,513
- Other receivables	11,965,722	8,558,645
	<u>13,924,717</u>	<u>11,433,367</u>
	<u>94,110,891</u>	<u>92,462,069</u>

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

NOTES TO FINANCIAL STATEMENTS
31 December 2021

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk (continued)

	31 December 2021	In RSD thousand 31 December 2020
Financial liabilities		
<i>Interest-free:</i>		
- Trade payables	72,695,327	48,142,381
- Other liabilities	58,901	90,433
	<u>72,754,228</u>	<u>48,232,814</u>
<i>Fixed interest rate:</i>		
- Long-term borrowings	21,146,274	22,935,910
- Current portion of long-term borrowings	24,393,008	9,091,159
	<u>45,539,282</u>	<u>32,027,069</u>
<i>Variable interest rate:</i>		
- Long-term borrowings	71,636,006	84,676,818
- Other long-term liabilities	14	14
- Other liabilities	5,487,669	8,216,194
- Current portion of long-term borrowings	30,014,927	9,287,713
- Short-term financial liabilities	9,800	9,696
	<u>107,148,416</u>	<u>102,190,435</u>
	<u>225,441,926</u>	<u>182,450,318</u>

The sensitivity analyses presented in the following text are established based on the exposure to changes in interest rates for the instruments at the balance sheet date. For liabilities with a variable rate, the analysis was compiled under the assumption that the remaining amount of assets and liabilities on the balance sheet date was unchanged throughout the year. An increase or decrease of 1% represents, on the part of the management, an assessment of a realistically possible change in interest rates. If the interest rate is 1% higher/lower, and all other variables remain unchanged. The company would suffer an operating loss for the year ending on December 31, 2021 in the amount of RSD 932,237 thousand (December 31, 2020: RSD 907,571 thousand). This situation is attributed to exposure.

Credit risk

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

NOTES TO FINANCIAL STATEMENTS
31 December 2021

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

Trade receivables and contract assets

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

	Gross exposure	Allowance	In RSD thousand Net exposure
Not due trade receivables	31,626,646	(622,846)	31,003,800
Overdue, corrected accounts receivable	93,946,272	(62,145,092)	31,801,180
31 December 2021	125,572,918	(62,767,938)	62,804,980
Not due trade receivables	39,111,559	(715,153)	38,396,406
Overdue, corrected accounts receivable	108,528,584	(89,799,259)	18,729,325
31 December 2020	147,640,143	(90,514,412)	57,125,731

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

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

Expected credit loss assessment for trade receivables from electricity

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
31 December 2021

43. 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 2021:

	Weighted- average loss rate	In RSD thousand	
		Gross exposure	Credit loss
Guaranteed supply			
Not past due receivables			
0-30	2,2%	16,367,456	352,868
31-60	6,0%	4,636,395	279,521
61-90	9,5%	2,727,242	259,245
91-180	13,2%	1,705,310	225,759
181-270	17,2%	3,582,760	616,623
271-360	34,7%	2,027,569	703,566
361+	63,2%	18,474,981	11,667,951
		49,521,713	14,105,533
Commercial supply			
Not past due receivables			
0 - 30	1,7%	15,183,035	263,641
31-60	22,1%	2,871,274	634,536
61-90	22,6%	498,912	112,770
91-180	46,0%	181,933	83,653
181-270	61,2%	458,778	280,782
271-360	83,1%	776,296	645,180
361+	83,8%	384,681	322,364
	97,8%	13,119,270	12,828,360
		33,474,179	15,171,286
Reserved supply			
Not past due receivables			
0 - 30	8,3%	76,155	6,337
31-60	37,6%	130,269	48,951
61-90	43,8%	84,650	37,070
91-180	46,8%	24,829	11,616
181-270	67,4%	60,235	40,617
271-360	75,3%	55,561	41,836
361+	91,8%	79,580	73,052
	96,0%	4,905,784	4,709,859
		5,417,063	4,969,338

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NOTES TO FINANCIAL STATEMENTS
31 December 2021

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

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

	Long-term financial investments	Long-term receivables	Trade receivables	Receivables from specific operations	Other receivables	Short-term financial investments	Total
Balance at 1 January 2020	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
Write-off of receivables and investments	(555)	(1,071)	(153,809)	(8,729)	(16,846)	(158,500)	(339,510)
Income regarding to adjustment of allowance	-	(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)
Transfers within receivables	326,088	(575,769)	(301,133)	43,093	(43,093)	550,814	-
Posting a correction based on UPPR	(560)	4,685	(4,697)	-	-	-	(572)
Decrease based on valuation of securities	(90,306)	-	-	-	-	-	(90,306)
Reclassification from other 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
Allowances through Statement of profit and loss	379,630	-	4,635,325	66,666	820,394	16,018	5,918,033
Write-off of receivables and investments	-	(289)	(144,381)	(4,913)	(17,136)	(171,909)	(338,628)
Income regarding to adjustment of allowance (Note 19)	-	(2,926)	(6,596,816)	(26,816)	(680)	(139,954)	(6,767,192)
Foreign exchange differences	-	-	-	-	3,276	-	3,276
Collection of previously impaired receivables (Note 21)	-	-	(1,856)	-	-	-	(1,856)
Transfers within receivables	(89,673)	421,621	369,456	(2,106)	(764,730)	65,432	-
Posting a correction based on UPPR	-	(2,539)	2,539	-	-	-	-
Decrease based on valuation of securities	574	-	-	-	-	-	574
Transfer of property from JP EPS to "Elektrodistribucija Srbije" d.o.o.	(219,893)	(1,334,593)	(26,178,886)	-	(414,256)	(453,749)	(28,601,377)
Assignment of PPE to the Republic of Serbia in the capital of "ODS EPS Distribucija" d.o.o.	(1,197,594)	-	-	-	-	-	(1,197,594)
Other	95	185,666	168,145	-	(25)	1,871	355,752
Balance at 31 December 2021	2,467,704	1,562,461	62,767,938	1,101,674	9,168,218	1,078,891	78,146,886

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NOTES TO FINANCIAL STATEMENTS
31 December 2021

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Trade payables management

Trade payables as of December 31, 2021 were reported in the amount of RSD 72,695,327 thousand (December 31, 2020: RSD 48,142,381 thousand). In accordance with the financial risk management policy, the company settles due obligations to suppliers within 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.

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 2021					
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest-free	61,121,521	1,717,141	-	-	4,714,207	67,552,869
Fixed interest rate	12,334,120	19,205	182,140	-	97,840	12,633,305
Variable interest rate	11,406,076	-	212,486	2,306,155	-	13,924,717
	84,861,717	1,736,346	394,626	2,306,155	4,812,047	94,110,891

	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 <i>Corrected</i>
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	8,353,970	-	405,775	2,356,385	317,237	11,433,367
	78,845,280	6,245,558	410,478	2,356,385	4,604,368	92,462,069

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

NOTES TO FINANCIAL STATEMENTS
31 December 2021

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial liabilities maturity

	In RSD thousand 31 December 2021					Total
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Interest-free	50,143,066	20,367,178	2,243,984	-	-	72,754,228
Fixed interest rate	-	-	24,393,008	-	21,146,274	45,539,282
Variable interest rate	5,571,216	-	30,014,927	71,562,273	-	107,148,416
	55,714,282	20,367,178	56,651,919	71,562,273	21,146,274	225,441,926

	In RSD thousand 31 December 2020					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	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

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

	31 December 2021		In RSD thousand 31 December 2020	
	Net book value	Fair value	Net book value	Fair value
Financial assets				
Equity investments	3,944,968	3,944,968	3,167,080	3,167,080
Long-term financial assets and long-term receivables	2,792,708	2,792,708	3,793,963	3,793,963
Trade receivables	62,804,980	62,804,980	57,125,731	57,125,731
Short-term loans and short- term financial investments	231,691	231,691	206,220	206,220
Other receivables	11,965,722	11,965,722	8,558,645	8,558,645
Cash and cash equivalents	12,370,822	12,370,822	19,610,430	19,610,430
	94,110,891	94,110,891	92,462,069	92,462,069
Financial liabilities				
Long-term borrowings	92,782,280	92,782,280	107,612,728	107,612,728
Other long-term liabilities	14	14	14	14
Trade payables	72,695,327	72,695,327	48,142,381	48,142,381
Other short-term financial liabilities	5,546,570	5,546,570	8,306,627	8,306,627
Current portion of long-term loans	54,407,935	54,407,935	18,378,872	18,378,872
Short-term financial liabilities	9,800	9,800	9,696	9,696
	225,441,926	225,441,926	182,450,318	182,450,318

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NOTES TO FINANCIAL STATEMENTS
31 December 2021

43. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Assumptions for estimation of fair value of financial instruments

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

44. CONTINGENCIES AND COMMITMENTS

Litigations

With the balance as of December 31, 2021. there are legal disputes against the Company, the value of which is RSD 3,641,701 thousand (December 31, 2020:RSD 4,629,891 thousand). The final outcome of these lawsuits is uncertain. Based on the management's assessment, on December 31, 2021, the Company formed a provision for potential losses that may arise from the aforementioned disputes (note 33) in the total amount of RSD 2,845,319 thousand (December 31, 2020: RSD 3,847,071 thousand of). According to the remaining amount of court cases that are being conducted against the Company, for which no provision has been made for potential losses, the Company's management believes that no materially significant losses can arise for the Company.

Commitments based on contracted investments

For the purpose of acquiring property, plant and equipment, as at 31 December 2021, The Company has assumed a contractual obligation with the following suppliers in relation to production branches and the Company Management:

Supplier	Contractual amount	Realised as of 31.12.2021.	Branch
Consortium Elnos BL Koessler GmbH & Co KG	975,267	628,059	Obnovljivi izvori
WEIRTurkey Mineralleri LTD	475,554	239,771	TE KO Kostolac
Extra Auto Transport	376,016	-	TE KO Kostolac
EX ING B&P DOO Beograd	3,702,754	-	TE Nikola Tesla
Energotehnika-Južna Bačka DOO	3,701,226	405,656	TE Nikola Tesla
Mitsubishi Power LTD	15,987,803	940,880	TE Nikola Tesla
Hidro-Tan DOO Beograd	1,105,280	458,650	Obnovljivi izvori
China Machinery Engineering Corporation (CMEC)	74,369,589	28,473,385	TE KO Kostolac
Power Machines PJSC	2,392,154	2,378,912	HE Djerdap
Nari Group Corporation	1,568,601	1,349,766	Obnovljivi izvori
Konzorcijum Mitsubishi Hitachi Power Systems Ltd., Itochu Corporation, Mitsubishi Hitachi Power Systems Europe GmbH i Jedinstvo AD Sevojno	25,316,480	17,404,705	TE Nikola Tesla
Toshiba International Europe LTD	3,068,893	-	Drinsko-Limske HE
	133,039,617	52,279,784	

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

NOTES TO FINANCIAL STATEMENTS
31 December 2021

44. CONTINGENCIES AND COMMITMENTS (continued)

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 recorded under agreements until 31.12.2021.
1.	Program basis for relocation of Vreoci settlement	2,450,038
2.	Agreement on the implementation of the resettlement program for parts of the settlements of Baroševac and Zeoke	1,393,231
3.	Agreement regulating mutual relations related to relocation of facilities with public functions from the area of KO Mali Borak and KO Skobalj	427,351
4.	Agreement on financing the relocation of cultural monuments located in the zone of influence of mining work	32,823
5.	Agreement on the regulation of mutual relations on the occasion of the opening of the surface mine "Radljevo" - Phase I (part relating to the first phase 6,242,448,002 RSD)	2,361,633
6.	Agreement on the regulation of mutual relations on the financing of repair and improvement of infrastructure facilities on the territory of the City of Požarevac	325,484
7.	Real Estate Expropriation of Relocation of Settlements and Development of the Zone of the Main Facility in Relation to the Construction of HEPS Đerdap 2	358,803

Liabilities to the Deposit Insurance Agency

The Company has not reconciled its liabilities to the Deposit Insurance Agency, which manages assets and liabilities transferred in the bank restructuring process and performs other tasks related to the bank restructuring process, in accordance with the Law on the Deposit Insurance Agency. The disputed amount refers to liabilities to creditors of the London Club and for basic debt in the amount of USD 44,315,085.03 and interest in the amount of USD 42,174,423.43, which in RSD equivalent on the balance sheet date amounts to RSD 9,988,526 thousand.

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

As stated in Note 34, the Company, in accordance with the provisions of the Law on Regulation of Relations between the Republic of Serbia and Banks in Bankruptcy on the Basis of Taking Foreign Loans, ie Loans ("Official Gazette of RS" No. 45/05), in the case when The Republic of Serbia undertook these obligations under the Law on the Regulation of Relations between the Federal Republic of Yugoslavia and Legal Entities and Banks from the Territory of the Federal Republic of Yugoslavia which are the original debtors or guarantors to the creditors of the Paris and London Club (Official Gazette of the FRY, Nos. 36/02 and 7 / 03), concluded agreements with the Agency by which it regulated its obligations towards the Republic of Serbia, and in legal transactions in which the ultimate debtor.

45. RECONCILIATION OF RECEIVABLES AND LIABILITIES

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

NOTES TO FINANCIAL STATEMENTS
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46. TAX RISKS

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

47. EVENTS AFTER BALANCE SHEET DATE

Ibarske Hidroelektrane d.o.o., Kraljevo

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

Moravske Hidroelektrane d.o.o., Beograd

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

Fee for the incentive of privileged consumers

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

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

At the meeting held on January 20, 2022, the Council of the Energy Agency of the Republic of Serbia made a decision to approve the amendment of the Rules on the Operation of the Electricity Market, which was prepared by the operator of the transmission system of the Republic of Serbia EMS AD. This amendment refers to the part of the rule that determines the maximum amount of the price of balancing energy that can be offered on the balancing market, thus ensuring that the level of the price of electricity provided by the energy supplier for balancing the system is adequate in comparison with the price of electricity realized on the stock market.

The impact of the current world energy crisis

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

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

NOTES TO FINANCIAL STATEMENTS
31 December 2021

47. EVENTS AFTER BALANCE SHEET DATE (continued)

Withdrawn loans for liquidity

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

No	Loans	Currency	Original currency			
			principal	Annuity due date	Repayment schedule	Interest rate level
1	OTP Banka	EUR	20,000,000.00	every 15th of the month until 07/01/22, after that 01 of the month, until the end of the repayment period	01.07.2022 01.06.2023	3M EURIBOR + 3.30%
2	UniCredit banka	EUR	50,000,000.00	every 1st of the month	01.08.2022 01.07.2023	3M EURIBOR + 3.30%
3	Banca Intesa	RSD	3,000,000,000.00	every 1st of the month	01.01.2023 01.12.2024	1M BELIBOR + 2.70%
4	UniCredit banka	EUR	25,000,000.00	every 25th of the month	25.10.2022 25.09.2023	3M EURIBOR + 3.80%
5	Alk Banka	RSD	4,000,000,000.00	every 1st of the month	01.10.2022 01.03.2024	1M BELIBOR + 3.00%
6	ERSTE Banka	EUR	5,000,000.00	every 25th of the month	25.01.2023 25.12.2023	3M EURIBOR + 3.95%

Buyer-producer

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

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

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

48. FOREIGN EXCHANGE RATES

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

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