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## TRANSLATION

### **Independent Auditor's Report**

TO THE OWNERS OF

JAVNO PREDUZEĆE ELEKTROPRIVREDA SRBIJE, BEOGRAD

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of the company Javno preduzeće „Elektroprivreda Srbije“, Beograd and its subsidiaries, (hereinafter: the Group) which comprise the consolidated balance sheet as at 31 December 2014 and the related consolidated statement of income, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, as well as notes which contain a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and true and fair view of these consolidated financial statements in accordance with accounting regulations effective in the Republic of Serbia, and for establishing internal controls that are considered relevant to the preparation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We have conducted our audit in accordance with the Law on Auditing effective in the Republic of Serbia and International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair and objective presentation of the consolidated financial statements in order to design appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of applied internal controls. Also, an audit includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, with overall assessment of consolidated financial statements presentation.

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

*Basis for Qualified Opinion*

As disclosed in Note 16 to the consolidated financial statements, property, plant and equipment amount to RSD 922,483,056 thousand, and intangible assets amounts to RSD 4,222,885 thousand, as at 31 December 2014. The aforementioned assets also comprise the following:

- Assets under construction in the amount of RSD 66,418,689 thousand which also include projects whose realization has been interrupted for a number of years and in which no significant construction progress has occurred over a period of 4 or more years in the amount of RSD 8,962,105 thousand (31 December 2013: RSD 8,278,372 thousand for assets with interruption in construction of 4 or more years). Also, the aforementioned assets under construction include the amount of RSD 1,258,989 thousand which relates to the commercial-energy complex in Blok 20 New Belgrade. Related investments were initiated in 2008, while the largest portion of the investment was carried out in 2012. Over the last two years there were no significant movements in these assets under construction, and according to information received, only the first phase of the project has been concluded. The mentioned scheduling of project realization, as well as the uncertainty in terms of future construction schedules, also point to the potential existence of the basis for writing down these assets to their recoverable amounts. In this respect the Group did not consider whether there is potential justification for writing down the carrying amounts of the aforementioned assets under construction to their recoverable amounts, as required by IAS 36 *Impairment of Assets*. Based on the available information we were unable to quantify the effects of such detraction from IAS 36 on the accompanying consolidated financial statements. This issue was also the subject of qualification in the audit opinion on the consolidated financial statements for 2013 in respect of projects whose realization is interrupted for a number of years and in which no significant construction progress has occurred in a period of 4 or more years.
- Intangible assets under construction in the amount of RSD 1,753,849 thousand, investments under construction in the amount of RSD 4,183,548 thousand, land and buildings in the amount of RSD 4,408,097 thousand (a total of RSD 10,345,494), which relate to the construction project of the thermal power plants „Kolubara B“ and „Nikola Tesla B3“. The aforementioned assets are intended for joint construction of the aforementioned production capacities with a potential strategic partner, as a contribution in kind to the future joint company (Note 37), which to this day still had not been realized. In view of the aforementioned facts and the existence of significant uncertainty in respect of future realization of the construction plans, we believe that there is basis for impairment of the aforementioned assets. Group management did not estimate the recoverable amount of these assets as at 31 December 2014 and as a result did not determine whether there is any potential need for recognition of impairment in accordance with IAS 36 *Impairment of Assets*. We were not provided with appropriate information based on which we could determine the recoverable amounts of these assets and on that basis to quantify the potential impairment effects thereof on the financial statements for 2014. This issue was also the subject of qualification in the previous auditor's opinion on the consolidated financial statements for 2013.

As disclosed in Note 14 to the consolidated financial statements, losses on disposal and sale of fixed assets in the amount of RSD 1,198,913 thousand and shortages of assets in the amount of RSD 336,468 thousand are reported under other expenses. These expenses include expenses arising from the damage to assets suffered by individual subsidiaries as the result of inclement weather conditions (floods) which occurred in the month of May in 2014. Related losses were calculated by decreasing associated revaluation reserves formed in previous valuations. Based on the available documentation and information, as well as due to the method of recording sub-ledger records of fixed assets, we were unable to assure ourselves that the estimated amount of damages

has been reported realistically, that the reported expenses are associated with the appropriate revaluation reserves and that impairment thereof has been adequately calculated, nor whether in this respect the Group should have disclosed potential receivables and income in respect of compensation of damages from insurance companies.

As disclosed in Note 20 to the consolidated financial statements, as at 31 December 2014 inventories of materials, spare parts, tools and fittings amount to RSD 23,310,751 thousand, before reduction for allowances for impairment in the amount of RSD 5,900,209 thousand. The aforementioned inventories include inventories with a carrying amount of RSD 1,103,551 thousand, whose balance had not been confirmed by the physical count as at 31 December 2014, nor had a reconciliation of actual and accounting balances been performed as at the said date. The physical count of these inventories and reconciliation of actual and accounting balances will be carried out in an extraordinary physical count at a future period, when conditions for this are met. Given the above mentioned, we were unable to assure ourselves of the reported balance of inventories as at 31 December 2014, nor to determine any potential allowances for impairment of these inventories, nor their effects on the accompanying consolidated financial statements for 2014.

In the process of preparing the consolidated statement of cash flows, cash receipts and payments from internal transactions were not fully reconciled, while the amount of unreconciled internal cash flows remained unconsolidated and was included in the accompanying consolidated cash flow statement. Such practice is not in line with the requirements of IFRS 10 *Consolidated Financial Statements*, which requires full elimination of internal cash flows occurred within the group.

#### *Qualified Opinion*

In our opinion, except for the effects of the issues raised in the Basis for Qualified Opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2014, and the consolidated results of its operations and consolidated cash flows for the year then ended, in accordance with the accounting regulations effective in the Republic of Serbia.

#### *Emphasis of Matter*

Without further qualifying our opinion, we draw attention to the following:

- /i/ As disclosed in Note 1 to the consolidated financial statements, the Group has significant equity investments (49%) in two companies (Ibarske hidroelektrane d.o.o., Kraljevo and Moravske hidroelektrane d.o.o., Beograd), and joint control in the company Energija Novi Sad a.d., Novi Sad. These companies are not consolidated and are not included in the accompanying consolidated financial statements, nor are the three subsidiaries on the territory of Kosovo and Metohija in which the Group does not have control since 1999, since when Kosovo and Metohija are under the control of the international community (Note 3.1).
- /ii/ As disclosed in Note 17 to the consolidated financial statements, advances given for intangible assets, property, plant and equipment amount to RSD 10,737,042 thousand, after reduction for allowances for impairment which as at 31 December 2014 amount to RSD 147,156 thousand. The mentioned advances also include advances for future expropriation of the settled territory of Vreoci in the amount of RSD 1,227,333 thousand as at the said date, the majority of which had been paid out in 2010. The process of expropriation is not unfolding according to planned schedule and is currently in delay by around 3 years. Besides this, the initial decision on expropriation of the settlement of Vreoci which is indirectly affected by

planned mining works is currently in the process of review by the competent Ministry, where there is a possibility that it could be reversed and cancelled, in full or in part. The funds paid for the expropriation of this part of the settlement of Vreoci comprise the majority of funds paid for the expropriation of the entire settlement. Furthermore, for the majority of the advances paid, around 90% of their value, secured by mortgages over property which is the subject of expropriation, including collaterals provided for the amounts paid, have expired as at 31 December 2014. In view of all of the above stated, there is significant uncertainty in terms of the amount for which these advances will be justified in a future period, where at the present time it is not possible to estimate reliably whether they are reasonably stated. Potential adjustments to advances given would be the subject of financial reporting in future periods, when the expropriation process is initiated based on which it could be determined whether there are grounds for potential adjustments to advances given thus far which are disclosed in the accompanying consolidated financial statements.

### Report on Other Statutory and Regulatory Requirements

We reviewed the Group's consolidated annual business report. Group management is responsible for preparing and presenting the consolidated annual business report, in accordance with the Law on Accounting (Official Gazette of RS number 62/2013). Our responsibility is to express an opinion on the extent to which the consolidated annual business report is reconciled with the consolidated financial statements for the financial year 2014. In this respect our test procedures are limited to the assessment of the extent to which the accounting information contained in the consolidated annual business report is reconciled with the consolidated annual financial statements which are the subject of the audit. In accordance with this, our procedures did not include a review of other information contained in the consolidated annual business report which originate from information and records which were not the subject of audit.

In our opinion, the accounting information presented in the consolidated annual business report is, in all materially significant aspects, reconciled with the Group's consolidated financial statements for the year ended 31 December 2014.

Belgrade, 30 June 2015

KPMG d.o.o. Beograd

(L.S.)

Ivana Manigodić  
Certified Auditor

*This is a translation of the original Independent Auditors' Report issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.*

Belgrade, 30 June 2015



KPMG d.o.o. Beograd

*Ivana Manigodić*  
Ivana Manigodić  
Certified Auditor



Account group, account	I T E M	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
540	IX DEPRECIATION COSTS	1027		38.774.716	37.354.085
541 to 549	X LONG-TERM PROVISIONS COSTS	1028		3.841.234	5.048.915
55	XI NON-PRODUCTION COSTS	1029		25.160.327	23.855.560
	<b>C OPERATING PROFIT (1001-1018) ≥ 0</b>	1030		23.549.414	32.611.450
	<b>D OPERATING LOSS (1018-1001) ≥ 0</b>	1031		0	0
66	<b>E FINANCIAL INCOME (1033+1038+1039)</b>	1032		15.726.997	16.754.412
66, except 662, 663 and 664	I FINANCIAL INCOME INCURRED WITH ASSOCIATED COMPANIES AND OTHER FINANCIAL INCOME (1034+1035+1036+1037)	1033		538.290	487.445
660	1 Financial income incurred with parent companies and subsidiaries	1034		0	0
661	2 Financial income incurred with other associated companies	1035		522.732	445.955
665	3 Income from share in associated entities and joint ventures	1036		0	0
669	4 Other financial income	1037		15.558	41.490
662	II INCOME FROM INTEREST (FROM THIRD PARTIES)	1038		12.729.529	13.987.961
663 and 664	III FX GAINS AND INCOME FOR THE EFFECTS OF CURRENCY CLAUSE	1039		2.459.178	2.279.006
56	<b>F FINANCIAL EXPENSES (1041+1046+1047)</b>	1040		14.424.237	7.438.737
56, except 562, 563 and 564	I FINANCIAL EXPENSES INCURRED WITH ASSOCIATED COMPANIES AND OTHER FINANCIAL EXPENSES (1042+1043+1044+1045)	1041		302.449	475.997
560	1 Financial expenses incurred with parent companies and subsidiaries	1042		0	0
561	2 Financial expenses incurred with other associated companies	1043		0	0
565	3 Losses for share in loss of associated companies and joint ventures	1044		0	0
566 and 569	4 Other financial expenses	1045		302.449	475.997
562	II COSTS OF INTERESTS (TO THIRD PARTIES)	1046		4.352.698	5.918.830
563 and 564	III FX LOSSES AND LOSSES FOR CURRENCY CLAUSE EFFECTS	1047		9.769.090	1.043.910
	<b>G FINANCIAL PROFIT (1032-1040)</b>	1048		1.302.760	9.315.675
	<b>H FINANCIAL LOSS (1040-1032)</b>	1049		0	0
683 and 685	I INCOME FROM OTHER ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE	1050		3.564.364	4.437.461
583 and 585	J EXPENSES FROM OTHER ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE	1051		28.709.817	18.050.695
67 and 68, except 683 and 685	<b>K OTHER INCOME</b>	1052		2.403.413	3.427.782
57 and 58, except 583 and 585	<b>L OTHER EXPENSES</b>	1053		11.942.372	8.817.071
	<b>M PROFIT FROM OPERATIONS BEFORE TAXATION (1030-1031+1048-1049+1050-1051+1052-1053)</b>	1054		0	22.924.602
	<b>N LOSS FROM OPERATIONS BEFORE TAXATION (1031-1030+1049-1048+1051-1050+1053-1052)</b>	1055		9.832.238	0
69 minus 59	<b>O NET OPERATING PROFIT FROM DISCONTINUED OPERATIONS</b>	1056		0	0
59 minus 69	<b>P NET OPERATING LOSS FROM DISCONTINUED OPERATIONS</b>	1057		0	0
	<b>Q PROFIT BEFORE TAXATION (1054-1055+1056-1057)</b>	1058		0	22.924.602

- in thousands of Dinars -

Account group, account	I T E M	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	<b>R LOSS BEFORE TAXATION (1055-1054+1057-1056)</b>	1059		9.832.238	0
	<b>S CORPORATE INCOME TAX</b>			0	0
721	I TAX EXPENSES FOR THE PERIOD	1060		2.914.267	4.835.008
p.o. 722	II DEFERRED TAX COSTS FOR THE PERIOD	1061		0	0
p.o. 722	III DEFERRED TAX INCOME FOR THE PERIOD	1062		2.269.355	1.191.841
723	<b>T EMPLOYER'S EARNINGS PAID OUT</b>	1063		0	0
	<b>U NET PROFIT (1058-1059-1060-1061+1062-1063)</b>	1064		0	19.281.435
	<b>V NET LOSS (1059-1058+1060+1061-1062+1063)</b>	1065		10.477.150	0
	I NET PROFIT ATRIBUTABLE TO MINORITY INVESTORS	1066		0	19.281.435
	II NET PROFIT ATRIBUTABLE TO MAJORITY INVESTORS	1067		0	19.281.435
	III NET LOSS ATRIBUTABLE TO MINORITY INVESTORS	1068		0	0
	IV NET LOSS ATRIBUTABLE TO MAJORITY INVESTORS	1069		0	0
	V EARNINGS PER SHARE				
	1 Basic earnings per share	1070			
	2 Diluted earnings per share	1071			

In \_\_\_\_\_

Legal representative

Stamp

Date \_\_\_\_\_

\_\_\_\_\_

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

Registration number		Activity code		TIN - Tax identification number	
Company					
Head office					

**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
for the period from 01.01.2014. to 31.12.2014.

- in thousands of Dinars -

Account group, account	I T E M	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	<b>A NET RESULT FROM OPERATIONS</b>	2001		0	19.281.435
	I NET PROFIT (AOP 1064)	2002		10.477.150	0
	II NET LOSS (AOP 1065)				
	<b>B OTHER COMPREHENSIVE PROFIT OR LOSS</b>				
	<b>a Items that will not be reclassified subsequently to profit or loss</b>				
	1 Revaluation of intangibles and PPE				
330	a) increase in revaluation reserves	2003		0	0
	b) decrease in revaluation reserves	2004		5.731.366	434.799
	2 Actuarial gains (losses) on defined benefit plans				
331	a) gains	2005		0	0
	b) losses	2006		0	0
	3 Gains or losses on investments in equity instruments				
332	a) gains	2007		0	0
	b) losses	2008		0	0
	4 Share of other comprehensive income of associates				
333	a) gains	2009		0	0
	b) losses	2010		0	0
	<b>b Items that may be reclassified subsequently to profit or loss</b>				
	1 Foreign currency translation differences for foreign operations				
334	a) gains	2011		1.117	0
	b) losses	2012		0	0
	2 Gains and losses on hedge of investment in foreign operations				
335	a) gains	2013		0	0
	b) losses	2014		0	0
	3 Cash flow hedges				
336	a) gains	2015		0	0
	b) losses	2016		0	0
	4 Gains and losses on available for sale financial assets				
337	a) gains	2017		35.346	20.235
	b) losses	2018		584.143	730.355



Account group, account	I T E M	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	I OTHER COMPREHENSIVE GROSS PROFIT (2003+2005+2007+2009+2011+2013+2015+2017) - (2004+2006+2008+2010+2012+2014+2016+2018) $\geq 0$	2019		0	0
	II OTHER COMPREHENSIVE GROSS LOSS (2004+2006+2008+2010+2012+2014+2016+2018) - (2003+2005+2007+2009+2011+2013+2015+2017) $\geq 0$	2020		6.279.046	1.144.919
	III TAXES ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2021		0	0
	IV OTHER COMPREHENSIVE NET PROFIT (2019-2020-2021) $\geq 0$	2022		0	0
	V OTHER COMPREHENSIVE NET LOSS (2020-2019+2021) $\geq 0$	2023		6.279.046	1.144.919
	<b>C TOTAL COMPREHENSIVE NET RESULT FOR THE PERIOD</b>				
	I TOTAL COMPREHENSIVE NET PROFIT (2001-2002+2022-2023) $\geq 0$	2024		0	18.136.516
	II TOTAL COMPREHENSIVE NET LOSS (2002-2001+2023-2022) $\geq 0$	2025		16.756.196	0
	<b>D TOTAL COMPREHENSIVE NET PROFIT OR LOSS (2027+2028) = AOP 2024 <math>\geq 0</math> ili AOP 2025 <math>&gt; 0</math></b>	2026		0	18.136.516
	1 Attributable to owners	2027		0	18.136.516
	2 Attributable to non-controlling interest	2028		0	0

In \_\_\_\_\_

Legal representative

Stamp

Date \_\_\_\_\_

To be filled in by the legal entity - entrepreneur																										
Registration number												Activity code				TIN - Tax identification number										
Company																										
Head office																										

**BALANCE SHEET**  
as at 31.12.2014.

- in thousands of Dinars -

Account group, account	I T E M	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31.12.2013.	Opening balance as at 01.01.2013.
1	2	3	4	5	6	7
	<b>ASSETS</b>					
00	<b>A UNPAID SUBSCRIBED CAPITAL</b>	0001		0	0	0
	<b>B FIXED ASSETS (0003+0010+0019+0024+0034)</b>	0002		941.552.713	944.443.606	954.841.328
01	<b>I INTANGIBLE ASSETS (0004+0005+0006+0007+0008+0009)</b>	0003		4.222.887	3.185.541	2.500.398
010, p.o. 019	1 Investment in development	0004		0	0	0
011, 012, p.o. 019	2 Concessions, patents, licenses, similar rights, software and other rights	0005		989.597	803.134	527.914
013, p.o. 019	3 Goodwill	0006		0	0	0
014, p.o. 019	4 Other intangible assets	0007		34.525	53.327	0
015, p.o. 019	5 Intangible assets in development	0008		3.198.765	2.329.080	1.972.484
016, p.o. 019	6 Advance payments for acquisition of intangible assets	0009		0	0	0
02	<b>II PROPERTY, PLANT AND EQUIPMENT (0011+0012+0013+0014+0015+0016+0017+0018)</b>	0010		932.827.107	933.086.429	949.040.400
020, 021, p.o. 029	1 Land	0011		35.901.006	34.551.039	32.966.107
022, p.o. 029	2 Buildings	0012		327.854.618	331.982.247	333.608.674
023, p.o. 029	3 Plant and equipment	0013		491.296.995	512.633.765	509.393.472
024, p.o. 029	4 Investment property	0014		451.727	457.658	374.790
025, p.o. 029	5 Other property, plant and equipment	0015		165.910	146.148	133.337
026, p.o. 029	6 Property, plant and equipment under construction	0016		66.418.688	41.688.064	60.328.048
027, p.o. 029	7 Investment in PPE owned by third parties	0017		1.121	1.178	1.235
028, p.o. 029	8 Advance payments for property, plant and equipment	0018		10.737.042	11.626.329	12.234.737
03	<b>III BIOLOGICAL ASSETS (0020+0021+0022+0023)</b>	0019		392.991	304.438	260.499
030, 031, p.o. 039	1 Forests and plantations	0020		392.991	304.438	260.499
032, p.o. 039	2 Livestock	0021		0	0	0
037, p.o. 039	3 Biological assets under construction	0022		0	0	0
038, p.o. 039	4 Advance payments for biological assets	0023		0	0	0
04 except 047	<b>IV LONG TERM FINANCIAL INVESTMENTS (0025+0026+0027+0028+0029+0030+0031+0032+0033)</b>	0024		3.325.683	3.062.033	2.508.263
040, p.o. 049	1 Investments in subsidiaries	0025		0	0	0
041, p.o. 049	2 Investments in associates and joint ventures	0026		406.457	287.632	212.598
042, p.o. 049	3 Investments in other legal entities and other securities available for sale	0027		1.072.093	951.467	1.031.314

Account group, account	I T E M	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31.12.2013.	Opening balance as at 01.01.2013.
1	2	3	4	5	6	7
p.o. 043, p.o. 044, p.o. 049	4 Long-term loans to parent companies and to subsidiaries	0028		4.461	0	0
p.o. 043, p.o. 044, p.o. 049	5 Long-term loans to other associated companies	0029		0	0	0
p.o. 045, p.o. 049	6 Long-term loans to domestic enities	0030		963.55	1.140.729	993.813
p.o. 045, p.o. 049	7 Long-term loans to foreign enities	0031		0	0	0
046, p.o. 049	8 Securities held to maturity	0032		0	0	0
048, p.o. 049	9 Other long term investment	0033		879.122	682.205	270.538
05	V LONG TERM RECEIVABLES (0035+0036+0037+0038+0039+0040+0041)	0034		784.045	4.805.165	531.818
050, p.o. 059	1 Long term receivables- parent companies and subsidiaries	0035		0	0	0
051, p.o. 059	2 Long term receivables- other associated entities	0036		0	0	0
052, p.o. 059	3 Long term trade receivables	0037		0	0	0
053, p.o. 059	4 Trade receivables for financial lease sales	0038		0	0	0
054, p.o. 059	5 Long term receivables for guarantees	0039		0	0	0
055, p.o. 059	6 Doubful long term receivables	0040		0	0	0
056, p.o. 059	7 Other long term receivables	0041		784.045	4.805.165	531.818
288	C DEFERRED TAX ASSETS	0042		0	0	0
	D CURRENT ASSETS (0044+0051+0059+0060+0061+0062+0068+0069+0070)	0043		109.221.913	150.695.108	115.826.576
1	I INVENTORIES (0045+0046+0047+0048+0049+0050)	0044		27.033.763	25.449.257	24.170.657
10	1 Material	0045		22.265.363	21.301.427	18.659.919
11	2 Work in progress	0046		341.016	317.739	0
12	3 Finished products	0047		1.090.999	847.619	1.723.510
13	4 Merchandise (goods, purchase for sale)	0048		1.453	1.191	816
14	5 Non-current assets held for trading	0049		0	0	0
15	6 Advance payments	0050		3.334.932	2.981.281	3.786.412
20	II TRADE RECEIVABLES (0052+0053+0054+0055+0056+0057+0058)	0051		39.462.837	37.932.844	38.000.793
200, p.o. 209	1 Trade receivables - domestic parent companies and subsidiaries	0052		0	0	0
201, p.o. 209	2 Trade receivables - foreign parent companies and subsidiaries	0053		0	0	0
202, p.o. 209	3 Trade receivables - domestic other associated entities	0054		0	2.994	2.993
203, p.o. 209	4 Trade receivables - foreign other related parties	0055		0	0	0
204, p.o. 209	5 Trade receivables - domestic third party	0056		37.981.168	35.525.631	35.991.683
205, p.o. 209	6 Trade receivables - foreign third party	0057		1.360.751	1.586.351	1.904.134
206, p.o. 209	7 Other trade receivables	0058		120.918	817.868	101.983
21	III RECEIVABLES FROM SPECIFIC BUSINESS OPERATIONS	0059		325.098	42.334.206	33.983.679
22	IV OTHER RECEIVABLES	0060		6.485.895	1.812.906	3.019.040

Account group, account	I T E M	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31.12.2013.	Opening balance as at 01.01.2013.
1	2	3	4	5	6	7
236	V FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	0061		0	0	0
23 except 236 and 237	VI SHORT-TERM FINANCIAL INVESTMENTS (0063+0064+0065+0066+0067)	0062		1.637.121	6.835.844	1.899.191
230, p.o. 239	1 Short-term loans and investments in parent companies and subsidiaries	0063		0	0	0
231, p.o. 239	2 Short-term loans and investments in other related parties	0064		0	37.966	2.560
232, p.o. 239	3 Short term loans - domestic	0065		256.938	169.423	295.722
233, p.o. 239	4 Short term loans - foreign	0066		0	0	0
234, 235, 238, p.o. 239	5 Other short term investments	0067		1.380.183	6.628.455	1.600.909
24	VII CASH AND CASH EQUIVALENTS	0068		31.181.332	35.524.097	13.407.424
27	VIII RECEIVABLES FOR VAT	0069		1.345.338	412.892	741.510
28 except 288	IX PREPAYMENTS AND ACCURED INCOME	0070		1.750.529	393.062	604.282
	<b>E TOTAL ASSETS = OPERATING ASSETS (0001+0002+0042+0043)</b>	0071		1.050.774.626	1.095.138.714	1.070.667.904
88	<b>F OFF BALANCE ASSETS</b>	0072		181.726.567	155.817.713	145.828.096
	<b>EQUITY AND LIABILITIES</b>					
	<b>A EQUITY (0402+0411-0412+0413+0414+0415-0416+ 0417+0420-0421) ≥ 0 = (0071-0424-0441-0442)</b>	0401		783.006.177	798.843.449	783.162.510
30	I BASIC CAPITAL (0403+0404+0405+0406+0407+0408+0409+0410)	0402		360.011.201	360.010.128	356.167.867
300	1 Share capital	0403		0	0	0
301	2 Stakes in limited liability companies	0404		0	0	0
302	3 Participating interests	0405		0	0	0
303	4 State owned capital	0406		358.718.711	358.717.940	354.897.768
304	5 Socially owned capital	0407		0	0	0
305	6 Stakes in co-operatives	0408		0	0	0
306	7 Share premiums	0409		0	0	0
309	8 Other capital	0410		1.292.490	1.292.188	1.270.099
31	II UNPAID SUBSCRIBED CAPITAL	0411		0	0	0
047 and 237	III OWN SHARES PURCHASED	0412		0	0	0
32	IV RESERVES	0413		0	0	0
330	V REVALUATION RESERVES FOR REVALUATION OF INTANGIBLES AND PPE	0414		548.708.082	554.439.448	554.874.247
33 except 330	VI NON REALIZED PROFIT FROM SECURITIES (debit saldo of account group 33 except 330)	0415		36.463	20.235	12.539
33 except 330	VII NON REALIZED LOSSES FROM SECURITIES (credit saldo of account group 33 except 330)	0416		584.143	730.355	686.477
34	VIII RETAINED EARNINGS (0418+0419)	0417		0	0	0
340	1 Retained earnings from previous years	0418		0	0	0
341	2 Retained earnings from current year	0419		0	0	0
35	IX NON-CONTROLLING INTEREST	0420		0	0	0

Account group, account	I T E M	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31.12.2013.	Opening balance as at 01.01.2013.
1	2	3	4	5	6	7
	X ACCUMULATED LOSS (0422+0423)	0421		125.165.426	114.896.007	127.205.666
350	1 Previous year's losses	0422		125.165.426	114.896.007	127.205.666
351	2 Current year loss	0423		0	0	0
	<b>B LONG- TERM PROVISIONS AND LIABILITIES (0425+0432)</b>	0424		93.009.225	82.861.832	74.477.122
40	I LONG- TERM PROVISIONS (0426+0427+0428+0429+0430+0431)	0425		15.102.057	14.381.681	12.718.556
400	1 Provisions for costs incurred during the warranty period	0426		0	0	0
401	2 Provisions for the recovery of natural resources	0427		2.002.121	1.623.469	1.370.016
403	3 Provisions for restructuring costs	0428		0	0	0
404	4 Provisions for employees benefits	0429		8.582.706	8.739.826	8.013.227
405	5 Provisions for litigations	0430		4.337.436	3.827.108	2.253.149
402 and 409	6 Other long-term provisions	0431		179.794	191.278	82.164
41	II LONG- TERM LIABILITIES (0433+0434+0435+0436+0437+0438+0439+0440)	0432		77.907.168	68.480.151	61.758.566
410	1 Liabilities that can be converted into capital	0433		80.543	80.543	80.543
411	2 Liabilities to parent companies and subsidiaries	0434		0	0	0
412	3 Liabilities to other associated companies	0435		0	0	0
413	4 Liabilities for long-term securities	0436		0	0	0
414	5 Long-term loans - domestic	0437		47.079.464	42.861.187	34.378.119
415	6 Long-term loans - foreign	0438		30.297.476	23.239.943	23.765.244
416	7 Liabilities for financial lease	0439		82.901	0	0
419	8 Other long-term liabilities	0440		366.784	2.298.478	3.534.660
498	<b>C DEFERRED TAX LIABILITIES</b>	0441		88.113.673	90.383.043	91.527.077
42 to 49 (except 498)	<b>D SHORT-TERM LIABILITIES (0443+0450+0451+0459+0460+0461+0462)</b>	0442		86.645.551	123.050.390	121.501.195
42	I SHORT-TERM FINANCIAL LIABILITIES (0444+0445+0446+0447+0448+0449)	0443		29.018.403	25.155.055	32.011.169
420	1 Short-term loans from parent companies and subsidiaries	0444		0	0	0
421	2 Short-term loans from other associated companies	0445		0	0	0
422	3 Short- term loans - domestic	0446		0	0	15.968.070
423	4 Short-term loans - foreign	0447		0	0	0
427	5 Liabilities for fixed assets and assets of discounting operations held for sale	0448		0	0	0
424, 425, 426 and 429	6 Other short-term financial liabilities	0449		29.018.403	25.155.055	16.043.099
430	II RECEIVED ADVANCES PAYMENTS, DEPOSITS AND BAILS	0450		3.038.822	3.906.181	1.814.746
43 except 430	III LIABILITIES FROM BUSINESS OPERATIONS (0452+0453+0454+0455+0456+0457+0458)	0451		23.259.382	13.181.747	23.916.220
431	1 Trade payables - parent companies and subsidiaries - domestic	0452		0	0	0
432	2 Trade payables - parent companies and subsidiaries - foreign	0453		0	0	0

Account group, account	I T E M	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31.12.2013.	Opening balance as at 01.01.2013.
1	2	3	4	5	6	7
433	3 Trade payables - other associated companies - domestic	0454		107	290	0
434	4 Trade payables - other associated companies - foreign	0455		0	0	0
435	5 Trade payables - domestic	0456		15.932.845	9.805.036	18.397.440
436	6 Trade payables - foreign	0457		6.928.911	3.065.427	4.963.099
439	7 Other liabilities from business operations	0458		397.519	310.994	555.681
44, 45 and 46	IV OTHER SHORT-TERM LIABILITIES	0459		6.248.018	47.445.645	37.583.312
47	V LIABILITIES FOR VALUE ADDED TAX	0460		1.264.825	4.545.590	3.165.543
48	VI LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND OTHER DUTIES	0461		2.776.909	11.077.615	5.256.398
49 except 498	VII ACCRUALS AND DEFERRED INCOME	0462		21.039.192	17.738.557	17.753.807
	<b>LOSS OVER CAPITAL (0412+0416+0421-0420-0417- E 0415-0414-0413-0411-0402) ≥ 0 = (0441+0424+0442-0071) ≥ 0</b>	0463		0	0	0
	<b>F TOTAL EQUITY AND LIABILITIES (0424+0442+0441+0401-0463) ≥ 0</b>	0464		1.050.774.626	1.095.138.714	1.070.667.904
89	<b>G OFF BALANCE LIABILITIES</b>	0465		181.726.567	155.817.713	145.828.096

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No.	DESCRIPTION	Components of Other Comprehensive Income													
		AOP	Revaluation reserves (330)	AOP	Actuarial gains or losses (331)	AOP	Gains or losses on investment in equity instruments (332)	AOP	Gains or losses on share in OCI of associated entities (333)	AOP	Gains or losses on foreign operations and translation of financial statements (334 and 335)	AOP	Gains or losses on cash flow hedges (336)	AOP	Gains or losses on AFS securities (337)
1	2		9		10		11		12		13		14		15
	<b>Balance as at 01.01. of the previous year</b>														
1	a) debit balance account	4109	0	4127	0	4145	0	4163	0	4181	0	4199	0	4217	673.938
	b) credit balance account	4110	556.261.621	4128	0	4146	0	4164	0	4182	0	4200	0	4218	0
	<b>Correction of material errors and changes in accounting policies</b>														
2	a) corrections on the debit side of the account	4111	0	4129	0	4147	0	4165	0	4183	0	4201	0	4219	0
	b) corrections to the credit side of the account	4112	587.055	4130	0	4148	0	4166	0	4184	0	4202	0	4220	0
	<b>Adjusted opening balance as at 01.01. of the previous year</b>														
3	a) corrected debit balance account (1a + 2a - 2b) ≥ 0	4113	0	4131	0	4149	0	4167	0	4185	0	4203	0	4221	673.938
	b) corrected credit balance accounts (1b - 2a + 2b) ≥ 0	4114	556.848.676	4132	0	4150	0	4168	0	4186	0	4204	0	4222	0
	<b>Changes in the previous year _____</b>														
4	a) turnover on the debit side of the account	4115	2.409.228	4133	0	4151	0	4169	0	4187	0	4205	0	4223	36.182
	b) turnover on the credit side of the account	4116	0	4134	0	4152	0	4170	0	4188	0	4206	0	4224	0
	<b>Balance at the end of the previous year 31.12 . _____</b>														
5	a) debit account balance (3a + 4a - 4b) ≥ 0	4117	0	4135	0	4153	0	4171	0	4189	0	4207	0	4225	710.12
	b) credit balance accounts (3b - 4a + 4b) ≥ 0	4118	554.439.448	4136	0	4154	0	4172	0	4190	0	4208	0	4226	0
	<b>Correction of material errors and changes in accounting policies</b>														
6	a) corrections on the debit side of the account	4119	0	4137	0	4155	0	4173	0	4191	0	4209	0	4227	0
	b) corrections to the credit side of the account	4120	0	4138	0	4156	0	4174	0	4192	0	4210	0	4228	0
	<b>Corrected opening balance of the current year 01.01. _____</b>														
7	a) corrected debit balance accounts (5a + 6a - 6b) ≥ 0	4121	0	4139	0	4157	0	4175	0	4193	0	4211	0	4229	710.12
	b) corrected credit balance accounts (5b - 6a + 6b) ≥ 0	4122	554.439.448	4140	0	4158	0	4176	0	4194	0	4212	0	4230	0
	<b>Changes in the current year _____</b>														
8	a) turnover on the debit side of the account	4123	5.731.366	4141	0	4159	0	4177	0	4195	0	4213	0	4231	0
	b) turnover on the credit side of the account	4124	0	4142	0	4160	0	4178	0	4196	1.117	4214	0	4232	161.323
	<b>Balance at end of the year 31.12 . _____</b>														
9	a) debit balance account (7a + 8a - 8b) ≥ 0	4125	0	4143	0	4161	0	4179	0	4197	0	4215	0	4233	548.797
	b) credit balance accounts (7b - 8a + 8b) ≥ 0	4126	548.708.082	4144	0	4162	0	4180	0	4198	1.117	4216	0	4234	0



- In thousands of Dinars -

No.	DESCRIPTION	AOP	Total equity [Σ(row 16 col 3 to col 15)]≥0	AOP	Loss above the value of equity [Σ(row 1a col 3 to col 15) - Σ(row 16 col 3 to col 15)] ≥ 0
1	2		16		17
	<b>Balance as at 01.01. of the previous year</b>				
1	a) debit balance account	4235	780.953.152	4244	0
	b) credit balance account				
	<b>Correction of material errors and changes in accounting policies</b>				
2	a) corrections on the debit side of the account	4236	0	4245	96.082
	b) corrections to the credit side of the account				
	<b>Adjusted opening balance as at 01.01. of the previous year</b>				
3	a) corrected debit balance account (1a + 2a - 2b) ≥ 0	4237	780.857.070	4246	0
	b) corrected credit balance accounts (1b - 2a + 2b) ≥ 0				
	<b>Changes in the previous year _____</b>				
4	a) turnover on the debit side of the account	4238	18.460.479	4247	0
	b) turnover on the credit side of the account				
	<b>Balance at the end of the previous year 31.12 . _____</b>				
5	a) debit account balance (3a + 4a - 4b) ≥ 0	4239	799.317.549	4248	0
	b) credit balance accounts (3b - 4a + 4b) ≥ 0				
	<b>Correction of material errors and changes in accounting policies</b>				
6	a) corrections on the debit side of the account	4240	0	4249	474.100
	b) corrections to the credit side of the account				
	<b>Corrected opening balance of the current year 01.01. _____</b>				
7	a) corrected debit balance accounts (5a + 6a - 6b) ≥ 0	4241	798.843.449	4250	0
	b) corrected credit balance accounts (5b - 6a + 6b) ≥ 0				
	<b>Changes in the current year _____</b>				
8	a) turnover on the debit side of the account	4242	0	4251	15.837.272
	b) turnover on the credit side of the account				
	<b>Balance at end of the year 31.12 . _____</b>				
9	a) debit balance account (7a + 8a - 8b) ≥ 0	4243	783.006.177	4252	0
	b) credit balance accounts (7b - 8a + 8b) ≥ 0				

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I T E M	AOP	Amount	
		Current year	Previous year
1	2	3	4
2 Long-term loans (net inflows)	3027	2.863.549	0
3 Short-term loans (net inflows)	3028	0	0
4 Other long-term liabilities	3029	0	125.269
5 Other short-term liabilities	3030	0	0
<b>II Cash outflows from financing activities (1 till 6)</b>	<b>3031</b>	<b>3.861.115</b>	<b>4.993.258</b>
1 Purchase of own shares and stakes	3032	0	0
2 Long-term loans (net outflows)	3033	0	4.993.029
3 Short-term loans (net outflows)	3034	1.263.616	229
4 Other liabilities (net outflows)	3035	1.176.833	0
5 Financial lease	3036	104.116	0
6 Paid dividends	3037	1.316.550	0
<b>III Net cash inflows from financing activities (I-II)</b>	<b>3038</b>	<b>0</b>	<b>0</b>
<b>IV Net cash outflows from financing activities (II-I)</b>	<b>3039</b>	<b>997.566</b>	<b>4.867.989</b>
<b>D TOTAL CASH INFLOWS (3001+3013+3025)</b>	<b>3040</b>	<b>245.312.526</b>	<b>245.241.687</b>
<b>E TOTAL CASH OUTFLOWS (3005+3019+3031)</b>	<b>3041</b>	<b>250.078.770</b>	<b>223.054.867</b>
<b>F NET CASH INFLOWS (3040-3041)</b>	<b>3042</b>	<b>0</b>	<b>22.186.820</b>
<b>G NET CASH OUTFLOWS (3041-3040)</b>	<b>3043</b>	<b>4.766.244</b>	<b>0</b>
<b>H CASH AT THE BEGINNING OF THE CALCULATION PERIOD</b>	<b>3044</b>	<b>35.524.097</b>	<b>13.407.424</b>
<b>I POSITIVE EXCHANGE RATE DIFFERENCES DUE TO CALCULATION OF CASH</b>	<b>3045</b>	<b>429.982</b>	<b>29.517</b>
<b>J NEGATIVE EXCHANGE RATE DIFFERENCES DUE TO CALCULATION OF CASH</b>	<b>3046</b>	<b>6.503</b>	<b>99.664</b>
<b>K CASH AT THE END OF REPORTING PERIOD (3042-3043+3044+3045-3046)</b>	<b>3047</b>	<b>31.181.332</b>	<b>35.524.097</b>

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PUBLIC ENTERPRISE

ELECTRIC POWER INDUSTRY OF SERBIA

Notes to the Consolidated Financial Statements  
For the Year Ended December 31, 2014

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**CONSOLIDATED INCOME STATEMENT**  
 For the period from January 1 to December 31, 2014  
 (In thousands of RSD)

	In thousands of RSD (adjusted)	
	For the year ended December 31, 2014	For the year ended December 31, 2013
<b>OPERATING INCOME</b>		
Sales	203,090,037	210,172,373
Other operating income	9,413,363	5,553,020
	<u>212,503,400</u>	<u>215,725,393</u>
<b>OPERATING EXPENSES</b>		
Cost of goods sold	(70,175)	(48,900)
Own work capitalized	4,306,752	4,614,094
Change in value of inventories – increase / (decrease)	114,756	(917,856)
Costs of materials	(49,859,022)	(48,013,748)
Gross salaries and wages	(55,655,336)	(53,870,995)
Depreciation	(38,774,716)	(37,354,085)
Provisions	(3,841,234)	(5,048,915)
Other operating expenses	(45,175,011)	(42,473,538)
	<u>(188,953,986)</u>	<u>(183,113,943)</u>
<b>OPERATING INCOME/(LOSS)</b>	23,549,414	32,611,450
Financial income	15,726,997	16,754,412
Financial expense	(14,424,237)	(7,438,737)
Other income	5,967,777	7,865,243
Other expense	(40,652,189)	(26,867,766)
<b>PROFIT/(LOSS) BEFORE TAX</b>	(9,832,238)	22,924,602
Income tax	(2,914,267)	(4,835,008)
Deferred tax income/(expense) of the period	2,269,355	1,191,841
<b>NET PROFIT/LOSS</b>	<u>(10,477,150)</u>	<u>19,281,435</u>

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

**CONSOLIDATED BALANCE SHEET**

As at December 31, 2014

(In thousands of RSD)

	As at 31 Dec 2014	As at 1 Jan 2014 after adjustments	As at 1 Jan 2013 after adjustments
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	4,222,887	3,185,541	2,500,398
Land	35,901,006	34,551,039	32,966,107
Buildings	327,854,618	331,982,248	333,608,674
Plant and equipment	491,296,995	512,633,765	509,393,472
Other property, plant and equipment	618,758	604,984	509,362
Property, plant and equipment under construction	66,418,688	41,688,064	60,328,048
Advances for property, plant and equipment	10,737,042	11,626,329	12,234,737
Biological assets	392,991	304,438	260,449
Equity investments	1,478,550	1,239,099	1,243,912
Other long-term financial investments	1,847,133	1,822,934	1,264,351
Long-term receivables	784,045	4,805,165	531,818
	<u>941,552,713</u>	<u>944,443,606</u>	<u>954,841,328</u>
<b>Current assets</b>			
Inventories	23,698,831	22,467,976	20,384,245
Advances for inventories	3,334,932	2,981,281	3,786,412
Receivables	46,273,830	82,079,956	75,003,512
Short-term financial investments	1,637,121	6,835,844	1,899,191
Cash and cash equivalents	31,181,332	35,524,097	13,407,424
Value added tax and prepayments and deferred expenses	3,095,867	805,954	1,345,792
	<u>109,221,913</u>	<u>150,695,108</u>	<u>115,826,576</u>
Total assets	<u>1,050,774,626</u>	<u>1,095,138,714</u>	<u>1,070,667,904</u>
<b>Off-balance sheet assets</b>	181,726,567	155,817,713	145,828,096
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Basic capital	360,011,201	360,010,128	356,167,867
Revaluation reserves	548,708,082	554,439,448	554,874,247
Unrealized gains on securities and other components of other comprehensive income	36,463	20,235	12,539
Unrealized losses on securities and other components of other comprehensive income	(584,143)	(730,355)	(686,477)
Retained earnings	-	-	-
Accumulated loss	(125,165,426)	(114,896,007)	(127,205,666)
	<u>783,006,177</u>	<u>798,843,449</u>	<u>783,162,510</u>

<b>Long-term provisions</b>	15,102,057	14,381,681	12,718,556
<b>Long-term liabilities</b>			
Long-term loans	77,376,940	66,101,130	58,143,363
Other long-term liabilities	530,228	2,379,021	3,615,203
Deferred tax liabilities	88,113,673	90,383,043	91,527,077
	<u>166,020,841</u>	<u>158,863,194</u>	<u>153,285,643</u>
<b>Short-term liabilities</b>			
Short-term financial liabilities	29,018,403	25,155,055	32,011,169
Operating liabilities	26,298,204	17,087,928	25,730,966
Other short-term liabilities	6,248,018	47,445,645	37,583,312
Liabilities for value added tax, other public duties and accruals	25,080,926	33,361,762	26,175,748
	<u>86,645,551</u>	<u>123,050,390</u>	<u>121,501,195</u>
Total equity and liabilities	<u>1,050,774,626</u>	<u>1,095,138,714</u>	<u>1,070,667,904</u>
<b>Off-balance sheet liabilities</b>	<u>181,726,567</u>	<u>155,817,713</u>	<u>145,828,096</u>

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



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
 for the period from January 1 to December 31, 2014  
 (In thousands of RSD)

	<i>000 RSD</i>					
	Basic capital	Revaluation reserves	Translation reserves	Gains/losses on securities	Retained profit/(loss)	Total
Balance as at Jan 1, 2013 before adjustments	359,988,038	556,848,676	-	(673,938)	(135,340,925)	780,821,851
Opening balance adjustment (Jan. 1, 2013)	-	(11,462)	-	-	35,221	23,759
Balance as at Jan. 2013, adjusted	359,988,038	556,837,214	-	(673,938)	(135,305,704)	<b>780,845,610</b>
Current year net profit	-	-	-	-	19,281,436	19,281,436
Sale and disposal of PPE	-	(2,367,831)	-	-	1,159,151	(1,208,680)
Effects of change in value of AVS securities	-	-	-	(36,434)	-	(36,434)
Valuation of PPE and intangibles	22,042	-	-	-	-	22,042
Other	48	(29,935)	-	252	(30,890)	(60,525)
<b>Balance as at December 31, 2013</b>	<b>360,010,128</b>	<b>554,439,448</b>	<b>-</b>	<b>(710,120)</b>	<b>(114,896,007)</b>	<b>798,843,449</b>

	<i>000 RSD</i>					
	Basic capital	Revaluation reserves	Translation reserves	Gains/losses on securities	Retained profit/(loss)	Total
Balance as at Jan 1, 2014 before adjustments	360,010,128	553,061,114	-	(710,120)	(112,613,174)	799,747,948
Opening balance adjustment:						
- as at Jan 1, 2013	-	(11,462)	-	-	35,221	23,759
- as at Jan 1, 2014	-	1,389,796	-	-	(2,318,054)	(928,258)
Balance as at Jan 1, 2014, adjusted	360,010,128	554,439,448	-	(710,120)	(114,896,007)	<b>798,843,449</b>
Net profit of current year	-	-	-	-	(10,477,150)	(10,477,150)
Effects of change in value of AVS securities	-	-	-	161,323	-	161,323
Profit distribution – Gov of RS	-	-	-	-	(1,316,550)	(1,316,550)
Sale and disposal of PPE	-	(5,727,226)	-	-	1,277,067	(4,450,159)
Cancelation of VAT included in advance invoices (CMEC)	-	-	-	-	246,437	246,437
Transfer to inventories	-	(4,140)	-	-	-	(4,140)
FX gains/losses on translation of financial statements	-	-	1,117	-	-	1,117
Effects of purchase of apartments	303	-	-	-	-	303
Other	770	-	-	-	777	1,547
<b>Balance as at December 31, 2014</b>	<b>360,011,201</b>	<b>548,708,082</b>	<b>1,117</b>	<b>(548,797)</b>	<b>(125,165,426)</b>	<b>783,006,177</b>

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

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
 for the period January 1 to December 31, 2014  
 (In thousands of RSD)

	Current year	Previous year
<b>A. NET OPERATING RESULT</b>		
I. NET PROFIT	-	19,281,435
II. NET LOSS	10,477,150	-
<b>B. OTHER COMPREHENSIVE PROFIT OR LOSS</b>		
<b>a) Items which will not be reclassified in the Income Statement of future periods</b>		
Decrease in revaluation reserves based on revaluation of intangible assets, property, plant and equipment	5,731,366	434,799
<b>b) Items which may be reclassified subsequently in the Income Statement of future periods</b>		
1. Gains on translation of financial statements of a foreign operation	1,117	-
2. Gains or losses on AVS securities		
a) gains	35,346	20,235
b) losses	584,143	730,355
<b>NET OTHER COMPREHENSIVE LOSS</b>	<b>6,279,046</b>	<b>1,144,919</b>
TOTAL NET COMPREHENSIVE RESULT OF THE PERIOD		
<b>TOTAL NET COMPREHENSIVE PROFIT</b>	-	<b>18,136,516</b>
<b>TOTAL NET COMPREHENSIVE LOSS</b>	<b>16,756,196</b>	-
<b>TOTAL NET COMPREHENSIVE PROFIT OR LOSS</b>	-	<b>18,136,516</b>
Attributable to majority equity holders	-	18,136,516

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

**CONSOLIDATED CASH FLOW STATEMENT**  
 For the period from January 1, to December 31, 2014  
 (In thousands of RSD)

	Current year	Previous year
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
I. Cash flow from operating activities (1 to 3)	241,206,208	242,987,847
1. Cash receipts from customers and received advances	235,890,851	231,463,560
2. Interest received from operating activities	3,447,822	8,893,424
3. Other receipts from regular operations	1,867,535	2,630,863
II. Cash outflows from operating activities (1 to 5)	219,326,454	199,635,442
1. Payments to suppliers and advances given	103,894,566	96,595,949
2. Gross salaries and wages	60,473,479	58,478,267
3. Interests paid	4,256,819	5,697,171
4. Income tax	7,870,396	1,158,125
5. Other taxes	42,831,194	37,705,930
III. Net cash generated from operating activities (I-II)	21,879,754	43,352,405
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
I. Cash flow from investing activities (1 to 3)	1,242,769	2,128,571
1. Sales of intangible assets, property, plant, equipment and biological assets	933,973	964,912
2. Interests received from investing activities	308,796	1,145,331
3. Dividends received	0	18,328
II. Cash outflows from investing activities (1 to 3)	26,891,201	18,426,167
1. Purchase of shares and stakes (net outflows)	118,825	75,034
2. Purchase of intangible assets, property, plant, equipment and biological assets	24,210,449	17,556,212
3. Other financial investments (net receipts)	2,561,927	794,921
Net cash outflow from investing activities (II-I)	25,648,432	16,297,596
<b>V. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
I. Cash inflow from financing activities (1 to 2)	2,863,549	125,269
1. Long term loans (net receipt)	2,863,549	0
2. Other long term liabilities	0	125,269
II. Cash outflows from financing activities (1 to 5)	3,861,115	4,993,258
1. Long term loans (outflow)	0	4,993,029
2. Short term loans (outflow)	1,263,616	229
3. Other liabilities	1,176,833	0
4. Finance leasing	104,116	0
5. Dividend payments	1,316,550	0
Net cash outflow from financing activities (II-I)	997,566	4,867,989
<b>G. TOTAL CASH INFLOW</b>	<b>245,312,526</b>	<b>245,241,687</b>
<b>D. TOTAL CASH OUTFLOW</b>	<b>250,078,770</b>	<b>223,054,867</b>
<b>DJ. NET CASH INFLOW</b>	<b>0</b>	<b>22,186,820</b>
<b>E. NET CASH OUTFLOW</b>	<b>4,766,244</b>	<b>0</b>
<b>Ž. CASH AT THE BEGINNING OF THE PERIOD</b>	<b>35,524,097</b>	<b>13,407,424</b>
<b>Z. POSITIVE EFFECT OF EXCHANGE RATE CHANGES</b>	<b>429,982</b>	<b>29,517</b>
<b>Z. NEGATIVE EFFECT OF EXCHANGE RATE CHANGES</b>	<b>6,503</b>	<b>99,664</b>
<b>J. CASH AT THE END OF PERIOD</b>	<b>31,181,332</b>	<b>35,524,097</b>

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

Signed on behalf of Public Enterprise Electric Power Industry of Serbia, Belgrade:

Aleksandar Obradović,

General Manager of JP EPS

Aleksandar Surla,

Executive Director of Department for Economic and Financial Affairs

Dragan Jonkić,  
Accounts

Department Director

## 1. ESTABLISHMENT, ACTIVITY, ORGANIZATION AND MANAGEMENT STRUCTURE

Pursuant to Article 171, Paragraph 1 of the Energy Law (Official Gazette of the Republic of Serbia, no. 84/04), as of January 27, 2005, the Government of the Republic of Serbia enacted the Decision number 05 023-396/2005-1 on the Foundation of a Public Enterprise involved in Generation, Transmission and Sales of Electricity – Public Enterprise Electric Power Industry of Serbia (“Elektroprivreda Srbije”). The Public Enterprise Electric Power Industry of Serbia commenced its operations as of July 1, 2005 assuming as of that date all assets, rights, liabilities and employees of the Public Enterprise, Electric Power Industry of Serbia with unlimited liability, save for the portion of assets and liabilities assumed by an entity established through a Decision of the Government of the Republic of Serbia involved in power transmission – Public Enterprise “Elektromreža Srbije”.

Based on the Decision on Harmonization of Operations of the Public Enterprise Electric Power Industry of Serbia with the Law on Public Enterprises (Official Gazette of RS, number 50/13 – hereinafter: Decision on Harmonization), the Serbian Government harmonized the articles of association of the Public Enterprise Electric Power Industry of Serbia with the Law on Public Enterprises. Article 40 of the Decision specifies that the Statute, in accordance with the law and this decision, shall set out: the business name and headquarters of the Public Enterprise; the commercial activities of the Public Enterprise not specified in this decision; representation of the Public Enterprise; reserves; competences and method of operation of the Public Enterprise; appointment of representatives of employees in the Supervisory Board; general acts of the Public enterprise and competences for their adoption; method of preparation and monitoring of realization of plans for operations and development and annual business program; principles and method for ensuring harmonized realization and development of the activity of production of electricity and coal, distribution of electricity and management of the distribution system and electricity supply, principles of managing subsidiaries, appearance and content of the seal and stamp of the Public Enterprise and other issues of relevance for the operation and execution of the Public Enterprise. On 20 February 2014 the Serbian Government issued its consent on the Statute of the Public Enterprise Electric Power Industry of Serbia. On December 2, 2014 the Supervisory Board adopted the Decision on Amendments to the Statute of JP EPS, which was confirmed by the Serbian Government on January 15, 2015 and which, *inter alia*, specifies that the Executive Board of JP EPS will carry out the activities of the shareholder’s assembly of subsidiary companies.

### **Registered Name**

The registered name of the Parent Company is: “Javno preduzeće za proizvodnju, distribuciju i trgovinu električne energije Elektroprivreda Srbije,” Beograd [Public Enterprise for Generation, Distribution and Trade of Electricity, Electric Power Industry of Serbia, Belgrade]. The abbreviated name of the Public Enterprise is “JP EPS, Beograd”.

### **Registered Address**

The Parent Company is domiciled in Belgrade at no. 2 Carice Milice Street.

### **Incorporation (Business Register)**

Pursuant to a Decision of the Serbian Business Registers Agency, numbered BD 80380/2005, the Public Enterprise, Electric Power Industry of Serbia from Belgrade was incorporated and the conditions for the Company’s operations were created as of July 1, 2005 in accordance with the Founding Decision.

The change of data pertinent to the business entity relative to the person authorized to represent the Company was performed pursuant to the Decision enacted by the Serbian Business Registers Agency number BD 119405/2012 dated September 10, 2012 and based on the Decision enacted by the Agency number 130545/2009 on July 31, 2009, an annotation was entered regarding the status change of demerger and acquisition performed according to the Board of Directors’ Decision, whereof a portion of assets and corresponding liabilities of the subsidiary “Termoelektrane Nikola Tesla” (Thermal Power Plant “Nikola Tesla”) was separated and assumed by the Parent.

Pursuant to Decisions of the Serbian Business Registers Agency, all Company’s subsidiaries were incorporated as of January 1, 2006.

### **Principal Activity**

The principal activity of the Parent Company – JP EPS is trade in electricity, as well as electricity generation: electricity distribution; distribution system management; coal production, processing and transport; production of steam and hot water in combined processes performed in subsidiaries established by JP EPS.

Licenses for performing energy activities which had been issued until the going into force of the Energy Law (effective as of December 30, 2014) shall be valid until the date of their expiry, except for the licenses for performing the activities of supplying electricity. Namely, an energy company which on the date of going into force of this law holds a license for performing the energy activity of supplying electricity, is required to procure the license for supplying or license for wholesale supplying of electricity, within six months of the adoption of the document which regulates the terms for issuing, amending and retracting of a license.

The license held by JP EPS for performing energy-related activities for supplying tariff customers (no. 312-26/2006) expired in accordance with article 200 of the Energy Law, on the date of issue of the license for performing energy-related activities which was issued on July 1, 2013 to the subsidiary company JP EPS – Privredno društvo za snabdevanje električnom energijom krajnjih kupaca "EPS Snabdevanje" d.o.o. Beograd.

Besides this, the Government of the Republic of Serbia specified JP EPS as the reserve supplier who shall temporarily, as of 1 February 2013, supply end customers for electricity who are not entitled to public supply according to article 145 of the Energy Law, until such time as a public tender is carried out for selecting the reserve supplier. The decision on specification of the reserve supplier was published in the Official Gazette of RS number 10/2013.

For the reporting period the Government of Serbia, based on the Decision on Appointment of a Reserve Supplier (Official Gazette of RS no. 115/13), assigned the entity "EPS Snabdevanje", Beograd, as the reserve electricity supplier of end customers who are not entitled to public supply in the period from January 1, 2014 to December 31, 2014.

### *Ownership Structure*

The assets handled by the Company and its subsidiaries, are state-owned, with the exception of non-current assets over which ownership rights have been established pursuant to the Decision to amend the Decision on the Establishment of JP EPS enacted by the owner and published in the Official Gazette of RS no. 54/10. The state capital is recognized in the amount of assets allocated to JP EPS, as adjusted for the amounts of realized net profit or loss (referred to as the concept of "the maintenance of capital").

The Public Property Law amends the concept of ownership of real-estate property of public enterprises and companies founded by the Republic and their subsidiaries, which establishes the legal basis for ownership over this real-estate property. The issue that remains open relates to the portion of ownership of real-estate property – resources which are designated by this law and other regulations as resources of public interest (agricultural land, water resources, water plants, etc.) or resources of public use (public highways, public railway lines, bridges and tunnels on a public road, railway or street, streets, squares, public parks, border crossings, etc.), given that it is not possible to assert ownership over them.

Of special significance for carrying out the obligation for making a legal separation between the operator of distribution systems is the issue of ownership over electricity distribution networks, which are designated as a resource of public interest and as such represents state-public ownership of the Republic of Serbia. The Energy Law (effective as of December 30, 2014) specifies that in terms of acquisition of ownership of the operator of transmission and distribution systems of the electricity network in accordance with this law shall not be subject to the provisions of the Law on Public Property (Official Gazette of RS no. 72/11, 83/13 and 105/14) which relate to acquisition of ownership of public companies and companies over state owned property. On the date of going into effect of the Energy Law (December 30, 2014) ownership has been established of subsidiary companies which perform the activity of electricity distribution and management of distribution systems, which on the date of going into effect of this law are owned by the Republic of Serbia, and which are used by subsidiary companies. This Law specifies as follows:

- the operator of the electricity distribution system and users of the system are required to conclude, within a period of two years of the going into effect of this law, the agreement on transfer of ownership rights over electricity network distribution facilities which are owned by the users of the system,
- the operator of the electricity distribution system acquires ownership over electricity network facilities which up to the date of the going into effect of this law he had constructed with own resources or acquired in a purchase transaction,
- if the system operator whose founder is the Republic of Serbia, ceases to exist, the electricity network shall become the property of the Republic of Serbia,
- if the system operator – subsidiary company of the legal entity whose founder is the Republic of Serbia, ceases to exist, the electricity network shall become the property of that legal entity, and if that legal entity ceases to exist, the electricity network shall become the property of the Republic of Serbia,
- exclusive of items 3 and 4 of this paragraph, when the legal successor of the system operator who discontinues operations is another legal entity whose founder is the Republic of Serbia, which according to the provisions of this law can have ownership over electricity networks, such legal entity will become the owner of such electricity networks,
- electricity networks cannot be sold outside of public ownership, nor outside of the ownership of the system operator, nor can they be encumbered or be the subject of forced collection.

The Law on Amendments to the Law on Public Property (Off. Gazette of RS 88/13) specifies that public enterprises and companies, including their subsidiaries, are required to file an application for registering ownership within five years as of the date of the going into effect of this Law.

#### ***Governing bodies of the Public Enterprise during reporting period***

The Decision on Harmonization of Operations of the Public Enterprise Electric Power Industry of Serbia with the Law on Public Enterprises, specifies that management of the Public Enterprise is organized on a bicameral basis.

The managing bodies of the Public Enterprise are: the Supervisory Board, the Executive Board and the General Manager.

The Public Enterprise also has an Audit Committee as a separate body with rights and obligations specified by the Law on Public Enterprises, the Decision and the Statute, and which has been appointed at the 3<sup>rd</sup> extraordinary meeting of the Supervisory Board held on 28 April 2014.

The Supervisory Board is charged with formulating the business strategy and objectives of the public enterprise and ensuring their realization; it monitors the work of directors; carries out internal supervision over the operations of the public enterprise; establishes, approves and monitors accounting, internal control, financial statements and risk management policy; is responsible for the financial statements of the public enterprise and for submitting them to the founder for approval; adopts the statute with the consent of the founder; makes decisions on distribution of profits and on covering losses, with the consent of the founder; grants approval to the general manager for undertaking actions or measures in accordance with the law, the statute and the decision of the founder; carries out other activities in accordance with the law, the statute and regulations that concern the legal position of legal entities.

The General Manager of the Public Enterprise represents and acts on behalf of JP EPS; organizes and manages the work process; manages the operations of the public enterprise; is responsible for compliance of the public enterprise; proposes the annual business plan and undertakes measures for implementing it; submits financial statements; carries out the decisions of the supervisory board; nominates executive directors; carries out other activities required by law, the articles of association and the statute of the public enterprise.

The Executive Board consists of seven executive directors who are appointed by the Supervisory Board at the recommendation of the General Manager, where the Chairman of the Executive Board is the General Manager of the Public Enterprise. The Executive Director performs work in the following areas: finance, economy and accounting; corporate affairs; coal production; energy production; distribution of electricity and management of distribution systems; wholesale supply of electricity and supply of electricity.

#### ***Organizational Structure***

According to the relevant Decision issued by the Government of the Republic of Serbia, the Company, in the capacity of a Parent Company, has assumed all founder's rights in its subsidiaries, and the organization of labor and business activities has been harmonized with the laws regulating the legal position of business entities. Namely, based on the Decision enacted by the Board of Directors, approved by the RS Government as in accordance with the Law on Public Enterprises and Performance of Activities of General Interest, public enterprises – subsidiaries, were reorganized and their legal form was changed or these have undergone merger and spin-off or merger and acquisition status changes, and these new entities assumed assets, liabilities and employees from January 1, 2006.

The legal status of the subsidiaries was harmonized with the Company Law (Official Gazette of the Republic of Serbia, nos. 36/2011 and 99/2011) with regard to management and other issues relevant to their status during 2012. After balance sheet date the legal status of subsidiaries will be harmonized with the Decision on Harmonization of Operations of the Public Enterprise Electric Power Industry of Serbia with the Law on Public Enterprises, and with the Statute of the Public Enterprise Electric Power Industry of Serbia.

The parent company established the Business Entity for Renewable Energy Sources „EPS Obnovljivi izvori“, d.o.o., Beograd, and holds a 100% ownership interest in its equity in the amount of RSD 72,195 thousand, as entered in the register of the competent authority on April 2, 2012. The objective in establishing this Business Entity is the production of electrical energy using renewable sources.

During the reporting period, the Public Enterprise Electric Power Industry of Serbia, as the parent company, established the Business Entity "EPS Snabdevanje" d.o.o. Beograd, with the consent of the Founder, which will perform the activity of supplying electricity to end customers in the Republic of Serbia, including the activity of public supply as an activity of general interest. Thus conditions have been created for commencing the performance of this activity by a separate legal entity, and of separation of the activity of distribution of electricity and management of the distribution system, which activities are conducted by distribution business entities. The business entity "EPS Snabdevanje" d.o.o. Beograd, is registered with the Serbian Business Registers Agency based on decision BD 50126/2013 dated May 7, 2013, and started conducting its activities on July 1, 2013.

In the reporting period of 2014, the Public Enterprise "Elektroprivreda Srbije", as the parent company, founded the Company for Trading in Electricity "EPS Trgovanje" d.o.o. with headquarters in Ljubljana, Republic of Slovenia, with 100% ownership share in equity in the amount of EUR 220,000, which is registered with the competent authorities in the Republic of Slovenia, July 1, 2014. The Company did not perform the activity of trading in electricity in 2014.

The Parent Company exercises control over all subsidiaries, save for those domiciled on the territory of the Autonomous Province of Kosovo and Metohija (the Public Enterprise for the production of thermal and electrical energy – Thermal Power Plant "Kosovo," Public Enterprise for the production, processing and transport of coal – Open Pit Mines "Kosovo" and Public Enterprise involved in the distribution of electrical energy "Elektrokosmet", Priština), for, ever since June 1999, Kosovo has been under the control of the International Community, which is why the Parent Company lost its administrative and management influence over the operations of these companies.

The Electric Power Industry of Serbia Group is vertically organized and it comprised the following entities in the reporting period:

No.	Name of Business Entity	TIN/RN	Registered predominant activity
1	Public Enterprise Electric Power Industry of Serbia, (Parent Company) Belgrade, 2 Carice Milice Street	TIN: 103920327 Reg.no.: 20053658	trading in electricity 35.14
2	Business Entity Hydro Power Plant Đerdap d.o.o., Kladovo 1 Kralja Petra Square	TIN: 100695213 Reg.no.: 7715226	production of electricity 35.11
3	Business Entity „Drinsko – Limske hidroelektrane“, d.o.o. Bajina Bašta, 1 Dušana Jerkovića Square	TIN: 104196916 Reg.no.: 20114207	production of electricity 35.11
4	Business Entity „Termoelektrane Nikola Tesla“, d.o.o. Obrenovac Obrenovac, 44 Bogoljuba Uroševića - Crnog Street	TIN: 101217456 Reg.no.: 7802161	production of electricity 35.11
5	Business Entity „Termoelektrane i kopovi Kostolac“, d.o.o. Kostolac Kostolac, 5-7 Nikole Tesle Street	TIN: 104199176 Reg.no.: 20114185	production of electricity 35.11
6	Business Entity „Panonske termoelektrane - toplane“, d.o.o. Novi Sad Novi Sad, 100 Bulevar oslobođenja	TIN: 100187552 Reg.no.: 8271259	production of electricity 35.11
7	Business Entity for Coal Production, Processing and Transportation – Mining Basin “Kolubara”, d.o.o. Lazarevac Lazarevac, 1 Svetog Save Street	TIN: 101138490 Reg.no.: 7788053	lignite and brown coal exploitation 05.20
8	Business Entity for Distribution of Electricity „Elektrovojvodina“, d.o.o. Novi Sad Novi Sad, 100 Bulevar oslobođenja	TIN: 102040644 Reg.no.: 8038139	distribution of electricity 35.13
9	Business Entity for Distribution of Electricity „Elektrodistribucija – Beograd“, d.o.o. Beograd, 1 Masarikova Street	TIN: 100001378 Reg.no.: 7005466	distribution of electricity 35.13
10	Business Entity for Distribution of Electricity „Elektrosrbija“, d.o.o. Kraljevo, 5 Dimitrija Tucovića Street	TIN: 101957610 Reg.no.: 7152566	distribution of electricity 35.13
11	Business Entity for Distribution of Electricity „Jugoistok“, d.o.o. Niš Niš, 46a Bulevar dr Zorana Đinđića	TIN: 104196932 Reg.no.: 20114142	distribution of electricity 35.13
12	Business Entity for Distribution of Electricity „Centar“, d.o.o. Kragujevac, 7 Ulica slobode	TIN: 104196924 Reg.no.: 20114169	distribution of electricity 35.13
13	Business Entity for Supplying Electricity to End Customers „EPS snabdevanje“, d.o.o. Beograd, 2 Carice Milice Street	TIN: 108057105 Reg.no.: 20924195	trading in electricity 35.14
14	Business Entity for Renewable Energy Sources „EPS Obnovljivi izvori“, d.o.o. Beograd, 2 Carice Milice Street	TIN: 107504635 Reg.no.: 20816244	production of electricity 35.11
15	Business Entity for Trading in Electricity “EPS Trgovanje” d.o.o. 48 Tivolska cesta Street, 10000 Ljubljana, Republic of Slovenia	TIN: 21561591 Reg.no.: 6639607000	trading in electricity 35.14

In addition, based on its founding rights, JP EPS holds significant equity interests in the following business entities:

1. The entity for combined generation of thermal and heat energy “Energija Novi Sad” a.d. Novi Sad (ENS) was established jointly with the City of Novi Sad, each side participating 50% in share capital of this entity. On July 6, 2009, JP EPS and the City of Novi Sad closed an Agreement on the Establishment of the Entity for Thermal and Heat Energy “Energija Novi Sad” a.d. Novi Sad to which the Government of the Republic of Serbia issued its consent at the cession held on July 23, 2009, under Decision 05 number 023-4707/2009, as in accordance with the provision of Article 19 of the Law on Public Enterprises and Performance of Activities of General Interest. JP EPS and the City of Novi Sad shall, in addition to a cash contribution, in the stage of increase in capital, also make contributions in kind and equipment (existing capacities, land and infrastructure), while the strategic partner will invest capital and acquire a proportionate share in ownership over the newly-founded entity.



2. The entity "Ibarske hidroelektrane" d.o.o. Kraljevo, established jointly with SECI ENERGIA S.p.A., Republic of Italy, Bologna, Via Degli Agresti no. 6, with 49% equity share in this entity, worth EUR 2,450,000. The entity commenced its operations as of December 3, 2010 for the purpose of building ten cascade hydro-power plants with the total power of 103 MW, as well as plants for the generation and sale of electricity from renewable sources and within the Program for the implementation of Energy Development Strategy of the Republic of Serbia by 2015 (Official Gazette of RS no. 17/06, 73/07, 99/09 and 27/10).
3. The entity "Moravske hidroelektrane" d.o.o. Beograd, established jointly with RWE Innogy GmbH, Republic of Germany (RWE AG), with 49% equity share in this entity, worth EUR 1,960,000. The company "Moravske hidroelektrane" d.o.o. was duly registered with the competent Agency as of August 23, 2011. The company "Moravske hidroelektrane" was founded with the aim to enable construction of a hydroelectric power system at the Velika Morava River the company comprised of at least 5 hydroelectric power plants of the total power rating of 150 MW.

The founder's contributions in the legal entities that do not perform energy-related activities in the course of the years 2003, 2005 and 2007 were transferred to the Republic of Serbia, except for the founder's contribution in the Company for designing, production, mounting and maintenance of mining and energy equipment "Kolubara Metal" d.o.o., a spin-off of the subsidiary "RB Kolubara." In the previous reporting period, the business entity "Kolubara Metal" d.o.o. merged with the business entity RB "Kolubara" d.o.o., through transfer of all of its assets and liabilities, and was consequently extinguished. Deregistration of the company was carried out based on Decision BD 139067/2013 issued by the Serbian Business Registers Agency on December 31, 2013.

As of December 31, 2014, the Company had 31,140 employees (December 31, 2013: 31,569 employees).

## 2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.1. Basis of Preparation and Presentation of Consolidated Financial Statements

The Company's consolidated financial statements include its consolidated balance sheet as of December 31, 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of the significant accounting policies and the notes to the consolidated financial statements.

The Company's consolidated financial statements for the period from 1 January to 31 December 2014 are presented in a form pursuant to the Law on Accounting (Official Gazette of the Republic of Serbia no. 62/2013) and "Guidelines on the Prescribed Form and Content of the Financial Statements of Enterprises, Cooperatives and Entrepreneurial Ventures" (Official Gazette of the Republic of Serbia, nos. 95/2014, 144/2014).

Recognition and estimate of the line items included in the financial statements have been performed in accordance with the provisions of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as determined in the Decision enacted by the Ministry of Finance no. 401-00-896/2014-16 on 13 March 2014 (Official Gazette of the Republic of Serbia no. 35/2014) except for recognition of losses on sale and disposal of property, plant and equipment. Namely, gains and losses arising on the disposal or sale of property, plant and equipment are determined as the difference between net income from the sale, if relevant, and the carrying amount of the asset item adjusted by revaluation reserves, if they had been previously formed, and are recognized in the income statement, in accordance with the Rulebook on the Chart of Accounts and the Contents of Accounts in the Chart of Accounts (Official Gazette of RS number 95/2014).

The consolidated financial statements were prepared based on the historical cost principle, unless otherwise stipulated in the accounting policies presented hereunder.

In the preparation of the accompanying consolidated financial statements, the Company adhered to the accounting policies described in Note 3. The Company's consolidated financial statements are stated in thousands of dinars (RSD). The dinar is the official reporting currency in the Republic of Serbia.

## 2.2. Standards and Interpretations in Issue but not yet officially Translated and Adopted

As of the consolidated financial statements issuance date, the following standards, amendments were issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee but were not officially adopted and translated in the Republic of Serbia:

- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* – Investment Entities (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IAS 32 *Financial Instruments: Presentation* – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IAS 36 *Impairment of Assets* – Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* – Disclosure of Derivatives and Hedge Accounting (effective for annual periods beginning on or after January 1, 2014);
- IFRIC 21 *Levies* (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IAS 19 *Employee Benefits* – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after July 1, 2014);
- Annual Improvements to IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38, IAS 24) occurred as the result of the project of annual improvements cycle from 2010 to 2012 issued in December 2013 (effective for annual periods beginning on or after July 1, 2014);
- Annual Improvements (IFRS 1, IFRS 3, IFRS 13, IAS 40) occurred as the result of the project of annual improvements cycle from 2011 to 2013 issued in December 2013 (effective for annual periods beginning on or after July 1, 2014).

## 2.3. Standards and Interpretations in Issue not yet in Effect

At the date of issuance of these financial statements the following standards, revisions and interpretations were in issue but not yet effective:

- IFRS 9 *Financial Instruments* – revised and issued in 2014 as a complete standard (effective for annual periods beginning on or after January 1, 2018);
- IFRS 14 *Regulatory Deferral Accounts* (effective for annual periods beginning on or after January 1, 2016);
- IFRS 15 *Revenue from Contracts and Customers* (effective for annual periods beginning on or after January 1, 2017);
- Amendments to IFRS 11 *Joint Arrangements* – Accounting for Joint Arrangements and Associates (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* - Bearer Plants (effective for annual periods beginning on or after January 1, 2016).

## 2.4. Comparative Data

As comparative information, the Company presented the restated consolidated income statement for the year ended December 31, 2013 and the restated consolidated balance sheet as of December 31, 2013.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Preparation of the consolidated financial statements was carried out in compliance with general accounting principles, based on measurement according to the historical cost principle (acquisition cost) with subsequent review of all relevant events which could affect the value of assets and liabilities as at the date of preparation of the financial statements.

The basic accounting policies applied in the preparation of these financial statements are presented below.

#### 3.1. Principles of Consolidation

The recognition of line items in the consolidated financial statements was performed in accordance with the generally accepted accounting principles at historical cost principle, with the subsequent estimation of all relevant events influencing the balance of assets and liabilities as of the consolidated financial statements' preparation date.

The consolidated financial statements represent the consolidation of the financial statements of 14 enterprises and the Parent Company, comprising the Group of the Electric Power Industry of Serbia (EPS), and are prepared on the full consolidation principle as the Parent Company is the sole owner of its subsidiaries.

The financial statements of three entities domiciled on the territory of the Autonomous Province of Kosovo and Metohija are not included in the consolidated financial statements as of December 31, 2014 given that the Company's management does not have administrative and managing control over the operations of these companies.

#### 3.2. Revenues and Expenses

Revenues and expenses are recognized on an accrual basis (as per "matching principle"). This principle requires that all expenses incurred in the generation of revenue be recognized in the same accounting period in which the related revenues are recognized regardless of the period in which the payments are actually made (invoiced realization).

Revenues associated with the sale of electricity are recognized in the period in which electricity is delivered.

Income from the sale of goods is recognized when the risks and rewards associated with the rights of ownership are transferred to the customer, which assumes the date of delivery to the customer.

Income is measured at the fair value of the consideration received or receivable, less any effective discounts and value added tax.

Contractual income from services is recognized according to the stage of completion method.

#### 3.3. Effects of Foreign Exchange Translation

Monetary and non-monetary items of assets and liabilities denominated in foreign currencies are translated at the official exchange rates published by the central bank, at the date of each transaction. As of the financial statements' preparation date, monetary items were presented at the middle exchange rate of the central bank, while adjustments were recognized in the income statement.

#### 3.4. Borrowing Costs

Cost of borrowings is recognized as an expense when it is incurred, except for borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets and which would have been avoided, had the expense associated with the asset not been incurred.

#### 3.5. Employee Benefits

Employee benefits, as well as all types of remuneration that the Company provides to employees pursuant to internal regulations and employment contract, are expensed in the period in which the employee worked and the respective liabilities are also recognized, upon the deduction of each amount that has already been paid, except as disclosed in Note 3.9.

### 3.6. Materially Significant Error Correction

Material errors arise as a consequence of a variety of reasons, including the following: mathematical errors, or errors associated with the misapplication of accounting policies, the inappropriate interpretation of facts, or by oversights. Such errors are subsequently adjusted by the restatement of the opening balance of retained earnings or accumulated losses. Immaterial errors are recognized in the income statement as they are incurred.

### 3.7. Fair value

In the Republic of Serbia, sufficient market experience, stability and liquidity do not exist for the purchase and sale of financial assets or liabilities, for which published market information is neither readily, nor reliably available. Accordingly, fair value cannot readily be determined in the absence of an active market, as required under IAS and IFRS. In the opinion of management, the reported carrying amounts are the most valid and useful reporting values under the present market conditions. For the purposes of determining the fair value, future cash flows are discounted to the net present value, by applying a discount rate equal to the contractual interest rate, which equalizes the net present value and nominal value. An allowance for impairment is recognized in the amount of the estimated risk that the carrying value of the asset will not be realized.

### 3.8. Transfer Pricing

The transactions entered into between the enterprises consolidated within the EPS group were based on transfer prices set by the JP EPS' Supervisory Board as determined based on:

- the cost plus method increased for the usual markup for services of rental of electrical energy capacities intended for the production of electrical energy and coal for use by thermal power plants, electricity supply for trading as performed by JP EPS' electricity production companies, delivery of electricity for supplying the public as performed by JP EPS to the business entity "EPS Snaabdevanje" d.o.o. and delivery of coal for production of electricity in thermal power plants,
- the comparable uncontrolled price method for electricity supply to business entities for the production of electricity and coal production as carried out by JP EPS and for electricity supply for the purpose of covering losses in the distribution system,
- regulated prices (approved by the Energy Agency of the Republic of Serbia) for services of accessing the electricity distribution system,
- regulated prices (specified by Decrees issued by the Government of the Republic of Serbia) for supplying electricity from renewable sources.

### 3.9. Provisions

Provisions for pending litigations, for renewal of natural resources, for bringing property-land to its initial condition (recultivation), for employee retirement benefits and jubilee awards, are charged to expenses in accordance with best estimates of the expenditures required to settle such obligations.

The calculation and presentation of long-term liabilities arising from retirement benefits and jubilee awards is performed using the method of present value of expected future payments based on the following:

- The Company's general enactments, i.e. the commitment to pay retirement benefits in the amount of 3 salaries earned by the employee in the month preceding the month in which retirement benefit is paid or in the amount of three average salaries in the Company, or in legally prescribed amounts (if such arrangement is more favorable for the employee), as well as the obligation to discharge jubilee awards for each 10, 20 and 30 years of continued service with the Company;
- Projected salary growth at the rate of 1.5%, a discount rate of 7.18%, the annual rate of employee turnover of 1.5% with the final limit to the employee turnover of 15%, taking into account the mortality risk based on the most recent data published by the Republic's Statistical Office.

### 3.10. Grants

Funds received as grant money are initially accounted for as deferred income under liabilities in the balance sheet, which are decreased and credited to the income statement in the period when expenses are incurred which are related to use of grant funds.

Cash grants that cover one accounting period and are intended to cover the Company's expenses, or to increase its income, are recognized as income upon reception.

### 3.11. Taxes and Contributions

#### *Current Income Taxes*

Current income tax represents an amount that is computed and paid in accordance with the effective Republic of Serbia Corporate Income Tax Law. Current income tax is payable at the rate of 15% on the tax base reported in the annual corporate income tax return. The taxable base stated in the income tax return includes the profit shown in the statutory income statement, as adjusted for differences that are specifically defined under statutory tax rules.

The right to an income tax exemption based on investment in property, plant and equipment has been discontinued starting as of January 1, 2014, with the exception that a taxpayer who by December 31, 2013 realized the right to a tax incentive as per article 48 of the Corporate Income Tax Law (Official Gazette of RS no. 25/01, 80/02, 80/02 – other law, 43/03, 84/04, 18/10, 101/11, 119/12 and 47/13) and declared it in the tax balance and tax return for 2013, can carry forward the unused portion of the tax credit to a future tax period, but at most up to a limit of 33%, of the tax liability calculated for that tax period, and not for longer than 10 years.

The tax regulations effective in the Republic of Serbia do not envisage that any tax losses of the current period be used to recover taxes paid within a specific carryback period. However, any current year losses may be used to reduce or eliminate taxes to be paid in future periods, but only for the duration of no longer than five ensuing years starting from 2010, i.e. ten years for losses incurred by 2010.

#### *Deferred Income Taxes*

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

Deferred tax assets are recognized for all deductible temporary differences, and the tax effects of income tax losses and credits are available for carryforward, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the tax loss/credits of the carryforwards can be utilized.

#### *Indirect Taxes and Contributions*

Indirect taxes and contributions include property taxes and various other taxes and contributions paid in accordance with tax regulations.

### 3.12. Property, Plant and Equipment

Property, plant and equipment are initially recognized at cost. The components of cost include: prices billed by suppliers net of discounts, import duties and other non-refundable taxes, as well as all other directly attributable costs of bringing assets 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 amount of such asset are recognized as separate items of equipment, if they meet the definition of property, plant and equipment.

The cost of land, which includes the costs of dismantlement, removal and renewal, is recognized as a separate asset which is depreciated over the period over which benefits are received from the incurrence of such expenses.

Property, plant and equipment which is used in conducting energy activity after initial measurement is stated at revaluation amount, which reflects their fair value determined through valuation using the market approach, for land, administrative and other buildings used in performing office jobs, hotel and restaurant activity and tourism, and using the cost approach (present replacement cost) for other assets.

Fair value of property, plant and equipment used to perform the electricity related activities were stated at a revalued cost estimated by an independent appraiser as of January 1, 2011. Previous valuation of property, plant and equipment was performed as of January 1, 2007 and each difference between the fair value and the respective carrying amount was recognized as described in Note 16.

Vehicles, office equipment, as well as the equipment used in other premises, other equipment and tools and fixtures the useful life of which is longer than a year are stated at cost.

Self-constructed assets are stated at cost if it does not exceed their market value, and such assets are subsequently measured in accordance with the class to which these assets belong.

Subsequent investments in an asset which increase the carrying amount of the asset, if such expenses occur as the result of additions to the asset, replacement of a part or servicing, excluding regular maintenance, if it is probable that future economic benefits associated with such investment will flow into the company and if the cost of investment in such asset can be measured reliably.

Gains or losses on disposal of property, plant and equipment are determined as a difference between the expected net proceeds from sale and the carrying amount of an item adjusted for revaluation reserves, if they have been previously formed for a particular assets, and are recognized in the income statement.

#### *Depreciation*

The depreciation of property, plant, equipment and investment property is computed on a straight-line basis for every individual item of such assets in order to fully write off the cost of the assets over their estimated useful lives unless otherwise stated.

Exceptionally, land which includes the cost of dismantlement, removal and renewal is recognized as a separate asset, depreciated using the functional method, where costs are recognized when depreciation costs are based on expected use or performance (over the period in which benefits are acquired through occurrence of such costs).

The estimated useful lives and depreciation rates in use for the major classes of property, plant and equipment are as summarized below:

	<u>Useful life</u>	<u>Rate</u>
Hydro power plants buildings	25 - 100	1% - 4%
Thermal power plants buildings	25 - 77	1.3% - 4%
Coal mine buildings	50 - 80	1.25% - 2%
Electricity distributions entities buildings	2 - 90	1.1% - 50%
Commercial buildings, except those used for administrative purposes and other buildings for accommodation and tourism activities and investment property	2 - 90	1.1% - 50%
Hydro power plant equipment	5 - 25	4% - 20%
Thermal plant equipment	5 - 25	4% - 20%
Coal mine equipment	8 - 25	4% - 12.33%
Equipment of electricity distribution entities	5 - 25	4% - 20%
Transportation vehicles, elsewhere not mentioned	8 - 15	6.6% - 12.5%
Equipment for decoration and maintenance of office and other premises	1.3 - 50	2% - 75%
Other equipment, elsewhere not mentioned	5 - 8	12.5% - 20%

The depreciation period and depreciation method are reviewed at the end of each reporting year.

### **3.13. Intangible Assets**

Intangible assets are stated 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 use for the major classes of intangible assets, unless otherwise indicated in contract, are as summarized below:

	<u>Useful life</u>	<u>Rate</u>
Investments in development	4	25%
Patents, licenses and similar rights	5	20%
Other intangible assets	5	20%

The amortization period and method are reviewed at the end of each reporting year.

### **3.14. Impairment of Property, Plant and Equipment**

At each balance sheet date, the Company's management assesses whether any indication exists that the value of property, plant and equipment has become impaired, based on the review and consideration of internal and external sources of information.

If there is any indication that such assets have become impaired, the recoverable amount of the asset is estimated. If the recoverable amount of an asset cannot be estimated, the recoverable amount of the cash generating unit is estimated.

### 3.15. Inventories

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 inventories acquisition, as decreased for trading discounts, rebates and similar items. The net realizable value is the price at which inventories may be realized throughout the normal course of business, after allowing for the costs to sell. Cost is computed using the weighted-average method. Tools and fixtures are fully written off when issued into use.

Provisions charged to other expenses are made where appropriate and when the management estimates that the value of inventories needs to be adjusted to the net realizable value, i.e., based on the documented reduction in the value in use of inventories.

### 3.16. Financial Instruments

Each contractual right resulting in financial assets, financial liabilities or equity instruments is recognized in the Company's balance sheet as a financial instrument on the settlement date.

In the case of a financial asset or financial liability which is not measured at fair value through profit or loss, financial assets and liabilities are initially measured at fair value increased for transaction costs which can be directly attributed to the acquisition or issue of the financial asset or financial liability.

#### *Equity Investments in other related parties*

Equity investments in other related parties are stated at cost.

Dividends from available for sale equity investments are recognized in profit or loss when the right to receive payment is established.

#### *Other Long-Term Investments*

Equity investments in other entities and other long-term investments are initially accounted for at cost. Following the initial recognition, they are measured at:

- fair values, if such assets are held for sale or are available for sale and their value is quoted on the active market;
- at cost, if such assets are held or available for sale, the value of which is not quoted in the active market;
- amortized costs, if such assets have fixed maturities, or
- cost, if such assets do not have fixed maturities.

The differences (increases or decreases) arising between the carrying amounts of assets, and subsequent measurements are recognized as a special item of capital – revaluation reserves, for instruments available for sale listed on the active market, except in the event of existence of objective evidence of impairment, when each difference is recognized in the income statement. The differences arising between the carrying amounts of assets and subsequent measurements of other financial instruments are recognized as a gain or loss in the income statement of the period.

#### *Short-Term Receivables and Assets*

Short-term receivables include all of the following: accounts receivable and other receivables, as well as short-term loans to unconsolidated subsidiary companies, short-term deposits with banks and other short-term assets.

Accounts receivable associated with the sale of electricity and other products or services are stated at invoiced value. The invoiced interest related to the sale of products and services is recognized as other receivables and recorded as income of the period in which it is accrued.

Other receivables and assets are measured at amortized cost.

Each difference between the amount stated and subsequent measurement is recognized as gain or loss of the respective period.

#### *Impairment of Financial Assets*

At each balance sheet date, an evaluation of objective impairment evidence is performed by analyzing the expected cash inflows, in the following manner:

- individually for significant assets, or
- based on a portfolio of similar financial assets that are not individually identified as being impaired.

The assessment of the collectability of accounts receivable associated with the sale of electricity is based upon particular categories of debtors. For receivables from legal entities that are more than 60 days past due, an allowance for impairment is formed. Exceptionally, for these debtors, the collectability may be assessed individually. In its assessment of recoverability of accounts receivable, the Company considered all events up to January 31, 2015. The Company does not record an allowance for receivables from members of the Electric Power Industry of Serbia Group, and from legal entities that are concurrently its debtors and creditors.

Receivables that are subject of a pending litigation are fully provided for. The write-off of receivables is performed upon the conclusion of legal proceedings, based on notice from bankruptcy/liquidation administrator or in accordance with relevant management decision.

#### *Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand and balances on accounts held with commercial banks.

#### *Financial Liabilities*

Financial liabilities include long-term financial liabilities (long-term borrowings, long-term securities and other long-term liabilities), short-term financial liabilities (short-term borrowings and other short-term financial liabilities), short-term accounts payable, liabilities from specific operations and other liabilities.

Financial liabilities are initially recognized at the value of the consideration received. Upon initial recognition, financial liabilities are measured at the initially-recognized amount, less repayments of principal, increased or decreased for total amortization using the effective interest rate method for all differences between the opening balance and the balance upon maturity date, with deduction of all decreases due to impairment or uncollectability.

#### 4. OPENING BALANCE ADJUSTMENTS AND RECLASSIFICATIONS AND RESTATEMENT OF COMPARATIVE DATA IN THE INCOME STATEMENT

	In thousands of RSD					
	as at Jan 1, 2014 before adjustment	as at Jan 1, 2014, adjustment	as at Jan 1, 2014 after adjustment	as at Jan 1, 2013 before adjustment	as at Jan 1, 2013, adjustment	as at Jan 1, 2013 after adjustment
<b>a) Effects of adjustment on Balance Sheet</b>						
<b>ASSETS</b>						
<b>Non-current assets</b>						
Intangible assets	3,211,415	(25,874)	3,185,541	2,500,934	(536)	2,500,398
Land	34,060,025	491,014	34,551,039	32,463,631	502,476	32,966,107
Buildings	331,920,670	61,578	331,982,248	333,497,060	111,614	333,608,674
Plant and equipment	511,823,602	810,163	512,633,765	508,525,827	867,645	509,393,472
Other property, plant and equipment	556,582	48,402	604,984	509,362	-	509,362
Property, plant and equipment under construction	43,077,865	(1,389,801)	41,688,064	60,486,487	(158,439)	60,328,048
Advances for property, plant and equipment	11,626,329	-	11,626,329	12,234,737	-	12,234,737
Biological assets	304,438	-	304,438	260,449	-	260,449
Equity investments	1,239,099	-	1,239,099	1,243,912	-	1,243,912
Other long-term financial investments	(3,686,436)	5,509,370	1,822,934	1,429,502	(165,151)	1,264,351
Long-term receivables	10,314,535	(5,509,370)	4,805,165	-	531,818	531,818
	<u>944,448,124</u>	<u>(4,518)</u>	<u>944,443,606</u>	<u>953,151,901</u>	<u>1,689,427</u>	<u>954,841,328</u>
<b>Current assets</b>						
Inventories	22,845,400	(377,424)	22,467,976	22,018,812	(1,634,567)	20,384,245
Advances for inventories	2,981,283	(2)	2,981,281	3,786,412	-	3,786,412
Receivables	82,342,145	(262,189)	82,079,956	74,905,741	97,771	75,003,512
Short-term financial investments	6,835,844	-	6,835,844	1,899,191	-	1,899,191
Cash and cash equivalents	35,524,097	-	35,524,097	13,407,424	-	13,407,424
Value added tax and prepayments and deferred expenses	801,363	4,591	805,954	1,340,214	5,578	1,345,792
	<u>151,330,132</u>	<u>(635,025)</u>	<u>150,695,108</u>	<u>117,357,794</u>	<u>(1,531,218)</u>	<u>115,826,576</u>
<b>Total assets</b>	<u><b>1,095,778,256</b></u>	<u><b>(639,542)</b></u>	<u><b>1,095,138,714</b></u>	<u><b>1,070,509,695</b></u>	<u><b>158,209</b></u>	<u><b>1,070,667,904</b></u>



Off-balance sheet assets	152,056,718	3,760,995	155,817,713	145,828,096	-	145,828,096
<b>EQUITY AND LIABILITIES</b>						
<b>Equity</b>						
Basic capital	360,010,128	-	360,010,128	356,167,867	-	356,167,867
Revaluation reserves	553,061,114	1,378,334	554,439,448	554,874,247	-	554,874,247
Unrealized gains on securities and other components of other comprehensive income	20,235	-	20,235	12,539	-	12,539
Unrealized losses on securities and other components of other comprehensive income	(730,355)	-	(730,355)	(686,477)	-	(686,477)
Accumulated loss	(112,613,174)	(2,282,833)	(114,896,007)	(127,240,886)	35,220	(127,205,666)
	799,747,948	(904,499)	798,843,449	783,127,290	35,220	783,162,510
<b>Long-term provisions</b>	14,620,433	(238,752)	14,381,681	12,718,556	-	12,718,556
<b>Long-term liabilities</b>						
Long-term loans	66,101,130	-	66,101,130	58,143,363	-	58,143,363
Other long-term liabilities	2,379,021	-	2,379,021	3,248,536	366,667	3,615,203
Deferred tax liabilities	90,816,087	(433,044)	90,383,043	92,036,278	(509,201)	91,527,077
	159,296,238	(433,044)	158,863,194	153,428,177	(142,534)	153,285,643
<b>Short-term liabilities</b>						
Short-term financial liabilities	25,155,055	-	25,155,055	32,011,169	-	32,011,169
Operating liabilities	17,006,744	81,184	17,087,928	25,730,968	-	25,730,968
Other short-term liabilities	47,262,640	183,005	47,445,645	37,400,635	182,677	37,583,312
Liabilities for value added tax, other public duties and accruals	32,689,198	672,564	33,361,762	26,092,900	82,848	26,175,748
	122,113,637	936,753	123,050,390	121,235,672	265,525	121,501,197
<b>Total equity and liabilities</b>	<b>1,095,778,256</b>	<b>(639,542)</b>	<b>1,095,138,714</b>	<b>1,070,509,695</b>	<b>158,211</b>	<b>1,070,667,906</b>
<b>Off-balance sheet liabilities</b>	<b>152,056,718</b>	<b>3,760,995</b>	<b>155,817,713</b>	<b>145,828,096</b>	<b>-</b>	<b>145,828,096</b>

b) Effects of December 31, 2013 accumulated loss adjustments (In thousands of RSD)

<b>Balance of accumulated losses as at January 1, 2014, before adjustments</b>	(112,613,174)
Recognition of real-estate property based on subsequently acquired documents	528,245
Reclassification of strategic reserves of spare parts due to change in accounting policy and change associated with it, which relate to:	
1. Calculation of depreciation	(897,439)
2. Deferred tax liabilities	(108,364)
Subsequently determined entitlement of employees to insurance period with increased duration, who work in specially difficult, dangerous jobs that are detrimental to health	(182,677)
Recognition of liabilities for public duties, based on tax assessments received during 2014	(507,370)
Recognition of income tax based on amended tax returns (2013)	(144,923)
Reversal of expense/provision for environmental protection	238,752
Adjustment in receivables/payables based on final calculation for delivered and used electricity during 2013	(27,416)
Cancellation of receivables from R&D	(473,349)
Recognition of receivables for accrued interest	158,192
Recognition of decreased liabilities based on final ruling from Court of Arbitration	11,016
Recognition of liabilities toward JP "Elektromreža Srbije" for rental of commercial property in 2013	(34,197)
Recognition of trade payables for received invoices after balance sheet date	(9,099)
Subsequently determined VAT liabilities	5,619
Harmonization of recording method for costs of non-current assets with accounting regulations	(1,389,796)
Cancellation of deferred tax liabilities based on subsequent reconciliation as stated in previous item	567,202
Cancellation of deferred income from installation of connections	(24,177)
Other	6,948
<b>Total adjustments</b>	<b>(2,282,833)</b>
<b>Adjusted balance of accumulated losses as at January 1, 2014</b>	<b>(114,896,007)</b>

c) Effects of adjustments to the income statement for the year ended December 31, 2013

	in thousands of RSD		
	for the year ended Dec 31, 2013, before adjustments	for the year ended Dec 31, 2013, adjustment	for the year ended Dec 31, 2013, after adjustments
<b>OPERATING INCOME</b>			
Sales	210,173,697	(1,324)	210,172,373
Other operating income	5,945,928	(392,908)	5,553,020
	<u>216,119,625</u>	<u>(394,232)</u>	<u>215,725,393</u>
<b>OPERATING EXPENSES</b>			
Cost of goods sold	(48,900)	-	(48,900)
Own work capitalized	4,605,056	9,038	4,614,094
Change in value of inventories – increase / (decrease)	(917,856)	-	(917,856)
Costs of materials	(47,970,449)	(43,299)	(48,013,748)
Gross salaries and wages	(53,870,992)	(3)	(53,870,995)
Depreciation	(37,269,631)	(84,454)	(37,354,085)
Provisions	(5,287,667)	238,752	(5,048,915)
Other operating expenses	(42,078,759)	(394,779)	(42,473,538)
	<u>(182,839,198)</u>	<u>(274,745)</u>	<u>(183,113,943)</u>
<b>OPERATING INCOME/(LOSS)</b>	<u>33,280,427</u>	<u>(668,977)</u>	<u>32,611,450</u>
Financial income	16,663,818	90,594	16,754,412
Financial expense	(7,401,515)	(37,222)	(7,438,737)
Other income	7,851,601	13,642	7,865,243
Other expense	(28,080,950)	1,213,185	(26,867,766)
<b>PROFIT/(LOSS) BEFORE TAX</b>	<u>22,313,381</u>	<u>611,222</u>	<u>22,924,602</u>
Income tax	(4,702,983)	(132,025)	(4,835,008)
Deferred tax income/(expense) of the period	1,216,616	(24,775)	1,191,841
<b>NET PROFIT/LOSS</b>	<u>18,827,014</u>	<u>454,422</u>	<u>19,281,435</u>

d) Effects of adjustments to the earliest prior comparative period presented in the income statement for the year 2013  
 (In thousands of RSD)

<b>Balance of after tax result (profit) as at December 31, 2013, before adjustments</b>	18,827,014
Recognition of real-estate property based on subsequently acquired documents	25,769
Reclassification of strategic reserves of spare parts due to change in accounting policy and change associated with it, which relate to:	
1. Calculation of depreciation	(84,454)
2. Deferred tax liabilities	(1,474)
Recognition of liabilities for public duties, based on tax assessments received during 2014	(429,824)
Harmonization of recording method for costs of non-current assets with accounting regulations	1,322,259
Recognition of income tax based on amended tax returns (2013)	(144,923)
Reversal of expense/provision for environmental protection	238,752
Adjustment in income/expenses based on final calculation for delivered and used electricity during 2013	(26,167)
Reversal of income from R&D	(473,349)
Recognition of interest income	90,594
Decrease in expenses based on final ruling from Court of Arbitration	11,016
Costs of rental of commercial property from JP "Elektromreža Srbije" in 2013	(34,197)
Costs of impairment of interest receivables for delay in settling liabilities for used electricity	(30,173)
Recognition of liabilities/expenses for suppliers for received invoices after balance sheet date	(9,099)
Decrease in costs of subsequently determined VAT liability	5,673
Cancellation of deferred income from installation of connections	(24,177)
Other	18,196
<b>Total adjustments</b>	<u>454,422</u>
<b>Adjusted balance of after tax result (profit) as at December 31, 2013</b>	<u>19,281,435</u>

## 5. SALES REVENUES

In thousands of RSD	For the year ended December 31, 2014	For the year ended December 31, 2013 (adjusted)
Income from sale of JP Elektrokosmet, Priština	641,686	802,107
Income from sale of EPS:		
Income from sale of electricity		
-private individuals	86,456,514	82,681,573
-legal entities	34,034,774	77,159,948
-licensed customers	4,861,196	15,963,143
-qualified customers	62,499,290	9,667,429
Sales of coal	2,323,285	5,025,555
Sales of technological steam and gas	102,967	135,736
Income from services	1,687,407	1,769,996
Income from sale of products	217,407	223,770
JP Elektromreža Srbije	10,642,976	11,040,841
Sales to foreign legal entities	275,743	5,616,841
Income from radio and television subscriptions	131	15,912
Heat energy	818,937	1,605,172
Benefits and discounts of consumers for timely settlement of liabilities	(1,472,276)	(1,535,650)
<b>Total</b>	<b>203,090,037</b>	<b>210,172,373</b>

Besides supplying end customers, a portion of income from sale of electricity in the total amount of RSD 4,861,196 thousand (in the previous period RSD 15,963,143 thousand) is also recognized for deliveries of electricity to legal entities – residents of the Republic of Serbia, who hold a license for trading in electrical energy. During the reporting period natural disasters (floods, heavy rains and torrents) more than once (May, July) temporary interrupted or slowed down exploitation of coal in open pit mines, which impacted the realized production result, and therefore the investment of electrical energy for the purpose of trading, as well as sales of coal.

During the reporting period, according to article 206 of the Energy Law, a portion of the customers for electricity lost their right to public supply. Namely, the right to public supply is held/will be held:

- 1) from January 1, 2013 by end customers for electricity,
- 2) from January 1, 2014 only by households and small customers for electricity.

Income from delivered electricity to customers who are entitled to select freely their electricity supplier was realized in the amount of RSD 62,499,290 thousand (in the previous reporting period RSD 9,667,429 thousand).

In accordance with the Energy Law the Government of the Republic of Serbia adopted the Decree on Incentive Measures for Protected Electricity Producers, the Decree on Methods of Calculation and Allocation for Collected Funds for Compensation for Protected Electricity Producers (Official Gazette of RS number 8/2013) and the Decree on Amount of Special Incentive Compensation for 2014 (Official Gazette of RS number 3/2014). The difference between total incentive price at which a protected producer is entitled to sell to a public supplier the total amount of produced electricity during the incentive period and regulated price of the public supplier is financed from the incentive compensation. The incentive compensation in 2014 amounted to RSD 0.081 /kWh.

Pursuant to the Conclusion of the Republic of Serbia Government numbered 021-6624/2009-002 as of November 30, 2009, the Company engaged its capacities to secure electricity for the north part of the Autonomous Province of Kosovo and Metohija, with related income recognized in the amount of RSD 641.686 thousand (in the previous reporting period RSD 802,107 thousand).

Based on the Energy Law and Rules on the Transmission System Operation, in its own name and for its own account, as well as for the account of its subsidiaries, the Company entered into the Agreements with the Public Enterprise "Elektromreža Srbije" (hereinafter: "JP EMS"), an entity involved in energy supply and responsible for electricity transmission. The forgoing Agreements delineate the manner of providing system services so as to enable JP EMS, as the operator of the transmission system, to create all conditions necessary for the regular operation of the energy supply system and mutual supplies intended to provide for the systems separate from the rest of the interconnection, and to recover excessive power losses, i.e. losses of electricity that are not caused by the consumption of power, i.e. energy for heating elements in the transmission network due to the active resistance present in these elements.

In addition, for the purpose of balancing the regulation area of the Republic of Serbia or securing sufficient amount of tertiary reserve, the Company agreed with JP EMS on a manner of mutual power deliveries in case of a major breakdown on a barter or commercial basis depending on the terms agreed between JP EMS and operators of neighbouring transmission systems.

Income realized from sales to non-residents in the Republic of Serbia were realized from Mixed Holding Company "Elektroprivreda Republike Srpske" in the amount of RSD 261,728 thousand dinars. In the previous reporting period this income included sales to "Elektroprivreda Crne Gore" a.d.

Income from deliveries of heat energy due to climatic conditions and external energy, were realized to a lesser extent compared to the previous reporting period.

Income from sales of electricity to customers who are entitled to public/guaranteed deliveries are decreased for approved rebates to customers whose family households are entitled as protected energy customers, including discounts of 5% to customers who settle their electricity bills within payment due date.

Starting as of April 1, 2013, the government of the Republic of Serbia enacted the Decree on the Protected Energy Customer (Official Gazette of RS, no. 27/13), and the Decree on the Protected Energy Customer and Protected Heating Energy Customer (Official Gazette of RS, no. 90/14), whereby the protected energy customer becomes entitled to the reduction of the monthly liability for a certain quantity of electricity delivered as follows:

1. For one-member household of 120 kWh per month;
2. For two-member and three-member households of 160 kWh per month;
3. For four-member and five-member households of 200 kWh per month;
4. For households with six and more members of 250 kWh per month.

Also, it is prescribed that funds for protected energy customers are to be secured by the Public Entity "Elektroprivreda Srbije", up to December 31, 2013, while from January 1, 2014 they are to be provided from the budget of the Republic of Serbia. For the total amount of receivables for 2014 compensation was received from the state budget in the amount of RSD 732,642 thousand up to the date of approval of the financial statements.

#### 5.1. Income from Own Work Capitalized

In thousands of RSD	For the year ended December 31, 2014	For the year ended December 31, 2013 (adjusted)
Income from activation and consumption of goods for own use	29,839	75,856
Income from activation and consumption of products for own use	3,185,821	3,772,378
Income from activation of services for own use	1,091,092	765,860
<b>Total</b>	<b>4,306,752</b>	<b>4,614,094</b>

A portion of income from own work capitalized of RSD 4,306,246 thousand (Entity "Elektrosrbija" – RSD 1,981,380 thousand, Entity "Elektrovojvodina" – RSD 911,470 thousand, Entity "ED Beograd" – RSD 365,973 thousand, Entity "Jugoistok" – RSD 256,827 thousand, Entity "Centar" – RSD 164,475 thousand, Entity "RB Kolubara" RSD 440,970 thousand and Entity "HE Đerdap" RSD 185,151 thousand) relates to the recognized self-constructed non-current assets.

#### 6. INCOME FROM PREMIUMS, SUBSIDIES AND GRANTS AND OTHER OPERATING INCOME

##### INCOME FROM PREMIUMS, SUBSIDIES AND GRANTS

In thousands of RSD	For the year ended December 31, 2014	For the year ended December 31, 2013 (adjusted)
Income from donations, premiums, subsidies and grants	1,854,035	1,525,050
Income from connections for new customers	1,114,676	1,317,664
<b>Total</b>	<b>2,968,711</b>	<b>2,842,714</b>

Income from connections for new customers include inflows of benefits for construction of new connections, calculated at prices in accordance with the methodology approved by the Energy Agency.

##### OTHER OPERATING INCOME

In thousands of RSD	For the year ended December 31, 2014	For the year ended December 31, 2013 (adjusted)
Insurance claims collected	731,366	330,247
Rental income	145,587	180,404
Other operating income	5,567,699	2,199,655
<b>Total</b>	<b>6,444,652</b>	<b>2,710,306</b>

Other operating income includes income from services provided to a foreign legal entity on work related to Phase One of the Package Project Kostolac-B in the amount of RSD 4,391,711 thousand.

In the previous reporting period, other operating income in the amount of RSD 1,084,227 thousand related to positive effects of surpluses from the Hydro Power Plant "Piva" based on a binding contract with the parent company which was effective up to 31 December 2014.

## 7. COST OF MATERIALS

In thousands of RSD	For the year ended December 31, 2014	For the year ended December 31, 2013 (adjusted)
Cost of electricity purchased:		
- in domestic market	13,479,083	1,196,394
- in foreign markets	1,321,886	11,296,172
Transfer and purchases of electricity by the Public Enterprise "Elektromreža Srbije", Belgrade	17,678,263	16,853,013
Costs of other energy	89,516	135,391
Externally purchased coal	1,159,276	1,145,266
Costs of basic materials	1,231,651	1,664,730
Materials for maintenance and spare parts	7,875,793	6,912,326
Oil derivatives	3,911,702	3,862,464
Costs of natural gas	1,116,316	2,724,051
Small fittings and vehicle tires	313,484	335,672
Materials for coal production	632,213	717,173
Oil and lubricants	225,194	246,025
Fire protection equipment	231,769	276,161
Costs of office supplies and other overhead materials	480,924	491,768
Other	111,952	157,142
<b>Total</b>	<b>49,859,022</b>	<b>48,013,748</b>

The purchase of electricity for performance of commercial activity in the amount of RSD 14,800,969 thousand relates to the purchase of electricity from companies outside of the EPS system. They comprise purchases from companies outside of the EPS system as follows:

- entities holding a license for trading of electricity in the amount of RSD 11,140,280 thousand to secure conditions for regular and reliable supply of electricity for tariff customers on the territory of the Republic of Serbia, under conditions of natural disasters, as indicated in Note 5, and
- preferential producers who produce electricity from renewable sources in the amount of RSD 2,338,467 thousand.

The Company concluded numerous contracts for the purchase of electricity with electricity producers who attained the status of protected producers at purchase prices specified in the Decree on Conditions and Procedure for Attaining the Status of Protected Electricity Producers (Official Gazette of RS number 08/13) for the appropriate renewable energy source. Namely, incentive measures for the use of renewable energy sources for the production of electricity, in the sense of the Energy Law, include the obligation to purchase electricity from a protected producer, prices at which such electricity is purchased and effective period of the obligation to purchase electricity and to assume responsibility for the electricity balance. Also, it is specified that incentive funds are secured from end customers through payment of special incentive compensation which is paid with the invoice for accessing the transmission and distributions system, and is presented as a separate item. The special incentive compensation in 2013 amounted to RSD 0.044 /kWh, and in 2014, RSD 0.081 /kWh.

Purchase of electrical energy from non-residents of the Republic of Serbia is recognized based on binding contracts with the Power Utility of the Republic of Srpska in the amount of RSD 1,167,161 thousand (RSD 3,989,321 thousand in 2013). In the previous reporting period, purchases were also made from the Power Utility of Montenegro (RSD 7,282,277 thousand) based on a contract on business and technical cooperation, which was effective up to December 31, 2014.

The Company concluded an agreement with the Public Enterprise "Elektromreža Srbije" for access and use of the system for transmission of electricity for customers and energy companies that produce electricity, as well as for power supplies of pump-accumulation facilities, which are founded by JP EPS. The fee for accessing the system for electricity transmission, with the approval of the Energy Agency of the Republic of Serbia, is specified by the Decision on Determining the Price for Accessing the System of Electricity Transmission (Official Gazette of RS no. 16/13) in accordance with the Decision on Establishing the Methodology for Determining the Price for Accessing the System of Electricity Transmission (Official Gazette of RS, number 93/2012) and is as follows:

	Tariff element	Tariff	Unit of measurement	Dinars per unit of measurement
1.	Active power	approved power	kW	37.5638
		surplus power	kW	150.2554
2.	Active energy	higher daily tariff	kWh	0.3303
		lower daily tariff	kWh	0.1651
3.	Reactive energy	reactive energy	kVArh	0.1399
		surplus reactive energy	kVArh	0.2798

## 8. STAFF COSTS

In thousands of RSD	For the year ended December 31, 2014	For the year ended December 31, 2013 (adjusted)
Costs of gross salaries and salary compensation	43,165,540	42,401,232
Taxes and contributions on salaries and salary compensation charged to employer	9,443,320	8,616,639
Contractual fees for contracts and temporary and occasional work	671,002	488,099
Compensation to private individuals for other contracts	25,146	32,644
Remuneration to members of managing and supervisory bodies	37,810	42,923
Transportation of employees	1,500,186	1,490,056
Per diems and compensation of employee expenses on business trips	217,015	236,284
Stipends and loans	317,523	311,740
Assistance to employees	198,311	175,417
Other personnel expenses	79,483	75,961
<b>Total</b>	<b>55,655,336</b>	<b>53,870,995</b>

Staff costs comprise salaries, benefits, contributions and other considerations paid to employees as in accordance with the general enactments of EPS determining the labor-based rights.

The enterprise is part of the public sector of the Republic of Serbia, and according to regulatory requirements maximum employee salaries, including key management, cannot be higher than the amount calculated by multiplying the highest coefficient for job position, prescribed by law which regulates the salaries of state employees and officials, and the salary base prescribed by the budget law for the current year. Maximum salary:

- in the period from January 1 to March 31, 2014, net salary amounted to RSD 170,162.10,
- in the period from April 1 to October 31, 2014, net salary amounted to RSD 171,012.87,
- in the period from November 1 to December 31, 2014, net salary amounted to RSD 153,911.61.

Reported expenses include taxes and contributions charged to employees, as well as decrease in salaries, in accordance with the Law on Decrease in Net Earnings of Public Sector Employees (Official Gazette of RS number 108/13 - which is applicable as of October 28, 2014), as follows:

- net monthly salary above RSD 60,000 but below RSD 100,000 is multiplied by a coefficient of 1 which is applied to the amount up to RSD 60,000, and by a coefficient of 0.8 for the amount above RSD 60,000 and up to the monthly salary amount not above RSD 100,000;
- net monthly salary which is above RSD 100,000 is multiplied by a coefficient of 1 applied to the amount up to RSD 60,000, and by a coefficient of 0.8 for the amount above RSD 60,000 and up to the monthly salary amount not above RSD 100,000, and with a coefficient of 0.75 for the monthly salary amount above RSD 100,000.

Beneficiaries of state funds are required to make payment of the amount of decrease in salaries to the public revenues account.

The Law on Temporary Regulation of Bases for Calculation and Payment of Salaries and Wages and Other Permanent Earnings Among Beneficiaries of Public Funds (Official Gazette of RS number 116/14 - in application from October 28, 2014) specifies a 10% decrease in the base for calculation and payment of salaries of beneficiaries of public funds, defined by law, other regulation or other general and individual act which is in force at the time of adoption of this law. The beneficiary of public funds is required to pay the difference between the total amount of salaries calculated using the base which is not decreased in accordance with this law, with calculated contributions charged to the employer and the total amount of salaries calculated using the decreased base according to this law, with included contributions which are charged to the employer.

## 9. DEPRECIATION, AMORTIZATION AND PROVISIONS

### DEPRECIATION/AMORTIZATION CHARGE

In thousands of RSD	For the year ended December 31, 2014	For the year ended December 31, 2013 (adjusted)
Depreciation/amortization charge:		
- intangible assets	333,976	242,686
- property, plant and equipment	38,440,740	37,111,399
<b>Total</b>	<b>38,774,716</b>	<b>37,354,085</b>

The useful life of property, plant, equipment and intangible assets as of January 1, 2011 was determined by an independent appraiser, for all Business Entities operating within EPS and JP EPS (previous appraisal was performed as of January 1, 2007).

### COSTS OF PROVISIONS

In thousands of RSD	For the year ended December 31, 2014	For the year ended December 31, 2013 (adjusted)
Provisions for costs of renewal of natural resources	401,738	297,835
Provisions for employee compensation and other benefits	1,351,323	1,389,168
Other long-term provisions:		
- provisions for court cases	2,071,934	3,183,454
- provisions for environmental protection	16,239	178,458
<b>Total</b>	<b>3,841,234</b>	<b>5,048,915</b>

Provisions for employee retirement benefits, litigations and provisions for natural resource restoration are recognized as delineated in Notes 3.9 and 26.

10. COSTS OF PRODUCTION SERVICES AND OTHER OPERATING EXPENSES

COSTS OF PRODUCTION SERVICES

In thousands of RSD	For the year ended December 31, 2014	For the year ended December 31, 2013 (adjusted)
Production of outputs	1,859,379	1,888,235
Costs of postal, telegraph and telephone services	1,360,455	1,324,360
Transportation services	272,484	235,980
Maintenance costs outside of EPS	10,847,465	8,595,833
Information system maintenance	345,571	262,881
Rental costs	640,049	507,738
Advertising, fairs and propaganda	128,745	192,403
Research and development	103,836	78,603
Scientific research	316,523	508,024
Costs of services for various testing, analysis, drafting of technical and project documentation, studies and projects	416,900	367,923
Work safety and protection	93,393	80,474
Costs of services and assistance in production process	271,381	288,679
Costs of separator operation and workers on crusher	33,641	74,794
Services of electricity meter readings	499,547	608,298
Review, repair, calibration, control and replacement of electricity meters	265,530	175,913
Services of electricity transformation	55,085	75,504
Costs of services of student and youth organizations	666,188	722,519
Costs of utility services	454,853	500,335
Costs of other production services	1,383,659	2,129,482
<b>Total</b>	<b>20,014,684</b>	<b>18,617,978</b>

During the reporting period, natural disasters (floods, heavy rains and torrents) on several occasions (May, July) to a large extent temporarily interrupted or slowed down the exploitation of coal, in particular exploitation in open pit mines "Tamnava Zapadno polje" and "Drmno". Floods and large silt deposits and deposits of other materials resulted in temporary interruption of plant and equipment, as well as in significant investments in pumping of water and bringing facilities and equipment into functional readiness, which had not been initially planned, with recognized related maintenance expenses of RSD 1,341,385 thousand.

Rental expenses for the year ended December 31, 2014 stated in the amount of RSD 640,049 thousand (2013 – RSD 507,738 thousand) include the amount of RSD 570,088 thousand occurred in respect of rental of equipment for alleviating the detrimental effects of coal exploitation and allowing the use of existing locations, as well as for repairing flood damage.

Costs of other production services, including the amount of RSD 875,051 dinars related to hiring of workers for lignite exploitation (RSD 1,328,557 thousand in 2013).



## OTHER NON-OPERATING EXPENSES

In thousands of RSD	For the year ended December 31, 2014	For the year ended December 31, 2013 (adjusted)
Water consumption charge	1,899,962	2,058,053
Construction land usage fee	14,045	3,475,788
Use of public interest resources fee	53,509	40,734
Environmental pollution fee	4,213,988	4,559,473
Property tax	1,150,532	1,053,424
Fee for use of riverbanks for business purposes	19,424	14,310
Other indirect taxes and contributions	1,454,517	602,591
Fee for exploitation of mineral resources	1,847,245	1,795,489
Entertainment expense	168,384	210,866
Payment operations and banking services	338,908	615,172
Subscriptions to professional publications	59,051	72,690
Court expenses	947,551	651,090
Other non-production costs	5,783,907	1,192,603
Professional services	947,196	960,093
Other non-production services	1,512,307	1,607,150
Insurance premiums	2,319,572	2,380,362
Professional education	61,418	119,337
Health services	195,348	223,052
VAT calculated on electricity losses	205,877	190,676
Membership fees	613,216	623,251
Costs of undertaken commitments	38,624	76,767
Costs of safeguarding property and archival materials	41,883	43,956
Security services, protection of buildings and work health and safety	1,273,863	1,288,633
<b>Total</b>	<b>25,160,327</b>	<b>23,855,560</b>

In accordance with the Law on Environment Protection (Official Gazette of RS, no. 135/04) and Decree on pollution types, criteria for computing the environment pollution fees, as well as the amount and manner of fee accrual and payment (Official Gazette of RS, no. 113/05), the Company recorded the compensations for SO<sub>2</sub> and NO<sub>2</sub> emission and release of powdery materials and hazardous waste materials commencing from January 1, 2006, as follows:

- in the amount of 20% from the full amount of the compensation up to December 31, 2008;
- in the amount of 40% from the full amount of the compensation from January 1, 2009 through December 31, 2011;
- in the amount of 70% from the full amount of the compensation from January 1, 2012 through December 31, 2015;
- in full amount from January 1, 2016.

Starting as of January 1, 2014, the construction land usage fee is integrated into property tax. Costs of other indirect taxes and charges include local utility charges for occupying public areas in the amount of RSD 1,401,825 thousand.

Other non-production expenses include costs in the amount of RSD 4,416,715 thousand related to income from services provided to a foreign entity for Phase One of the Package Project Kostolac-B, as mentioned in Note 6.

## 11. FINANCE INCOME

In thousands of RSD	For the year ended December 31, 2014	For the year ended December 31, 2013 (adjusted)
Interest income:		
-from accounts receivable from electricity consumers	11,282,394	11,964,954
-from short-term financial investments	991,382	1,303,248
-other interest income (on all other items)	978,485	1,165,714
Foreign exchange gains	2,333,922	2,144,977
Gains on effects of foreign currency clause	125,256	134,029
Other financial income	15,558	41,490
<b>Total</b>	<b>15,726,997</b>	<b>16,754,412</b>

Interest income was recognized in the amount of statutory penalty interest charged to consumers defaulting on their liabilities for electricity and other goods and services consumed, which include accrued interest for the customers of business entity "EPS Snabdevanje" d.o.o. in the amount of RSD 2,961,346 thousand and electricity customers of distribution companies in the amount of RSD 6,531,396 thousand, which up to July 1, 2013, supplied electricity to final customers.

## 12. FINANCE EXPENSES

In thousands of RSD	For the year ended December 31, 2014	For the year ended December 31, 2013 (adjusted)
Interest expense:		
- on liabilities toward JP EMS	137,993	388,651
- Paris and London clubs of creditors	850,632	776,030
- reprogramming of liabilities related to public duties	7,462	34,603
- on renegotiated liability for loan from National Republic of China – Deposit Insurance Agency	34,153	44,678
- other interest expenses (on all other items)	2,666,514	4,035,415
Costs of effects of foreign currency clause	107,641	52,645
Foreign exchange losses	9,661,449	991,265
Interest expense related to late payment of public duties	655,944	639,453
Other financial expenses	302,449	475,997
<b>Total</b>	<b>14,424,237</b>	<b>7,438,737</b>

Finance expenses are recognized in the amount of interest agreed with creditors – financial institutions.

For all monetary items to be settled in foreign currencies, the effects of fluctuations in exchange rates at maturity dates, i.e. as of the balance sheet date, are recognized within income and expenses. This also applies to the monetary items of receivables/payables hedged by a contractually agreed currency clause, i.e. which are collected/settled in RSD equivalents of amounts stipulated in foreign currencies.

## 13. INCOME FROM ADJUSTMENT IN VALUE OF ASSETS AND OTHER INCOME

### INCOME FROM ADJUSTMENT IN VALUE OF ASSETS

In thousands of RSD	For the year ended December 31, 2014	For the year ended December 31, 2013 (adjusted)
Income from adjustment in value of other assets	213,158	127,062
Collection and reduction in allowances for impairment		
- advances given for fixed assets	5,389	5,913
- advances given for inventories	60,005	28,612
- accounts receivable	3,175,325	4,395,095
Income from adjustment in value of long-term financial investments	316,450	2,121
<b>Total</b>	<b>3,770,327</b>	<b>4,558,803</b>

Income from adjustment in value of assets include collected receivables from electricity consumers of distribution companies in the amount of RSD 2,589,379 thousand, which had supplied electricity up to July 1, 2013.

In respect of collection of rescheduled accounts receivable from electricity consumers for which allowances of impairment had been made in previous reporting periods that were charged to expenses, income was reported in the amount of RSD 315,534 thousand (PD "Elektrosrbija" d.o.o.).

## OTHER INCOME

In thousands of RSD	For the year ended December 31, 2014	For the year ended December 31, 2013 (adjusted)
Gains on sale of materials, equity investments, intangible assets, property, plant and equipment	37,943	101,449
Income from cancellation of long-term provisions for employee benefits	27,536	11,077
Income from collected written off receivables and reversal of allowance for impairment of receivables and short-term financial investments	219,241	1,840,640
Income from reduction in liabilities	1,103,354	53,936
Income from reversal of long-term provisions for environmental protection	12,029	0
Subsequently approved discounts	39,753	48,361
Income from reversal of long-term provisions for court cases	127,935	307,367
Income from hedging effects	6,769	27,377
Income from reduction in liabilities for environmental protection	445,046	494,038
Surpluses	37,546	102,827
Other income	140,298	319,368
<b>Total</b>	<b>2,197,450</b>	<b>3,306,440</b>

Income from reduction in liabilities for environmental protection in the amount of RSD 445,046 thousand is recognized based on the prescribed liability for the environmental protection charge for 2014, based on subsequently issued final administrative decisions of the line ministry for business entity TE "Nikola Tesla".

Income from reduction in liabilities reported in 2014, in the amount of RSD 1,103,354 thousand are recognized based on write-off of 30% of interest, accrued on public duties rescheduled in line with the Decision on Terms of Payment of Matured Liabilities for Public Duties of Public Enterprise "Elektroprivreda Srbije" (Official Gazette number 99/2003), after settlement of the full amount outstanding.

## 14. COSTS OF ADJUSTMENT IN VALUE OF ASSETS AND OTHER EXPENSES

### COSTS OF ADJUSTMENT IN VALUE OF ASSETS

In thousands of RSD	For the year ended December 31, 2014	For the year ended December 31, 2013 (adjusted)
Costs of impairment:		
- property, plant and equipment	49,300	230,650
- equity investments	41,460	30,030
- rescheduled receivables for electricity	2,585,819	1,492,843
- inventories	621,380	639,696
- advances	19,574	129,655
- receivables for electricity	22,857,065	14,601,638
- other receivables	1,911,349	1,796,529
- other assets	1,364,164	619,800
<b>Total</b>	<b>29,450,111</b>	<b>19,540,841</b>

Short-term receivables for which compensation had not been received for a longer period of time are recognized as an expense based on impairment in the amount of RSD 22,857,065 thousand (business entity "EPS Snabdevanje" d.o.o. RSD 10,489,959 thousand, distribution companies RSD 10,331,297 thousand, JP EPS RSD 1,999,138 thousand).

The carrying amount of receivables from sale of electricity, in respect of which supplies were carried out by electricity distribution companies up to June 30, 2013, were written down due to limited possibilities of managing credit and market risk, where all differences have been recognized as impairment losses. The aforementioned assets were initially recognized in line with sales contracts whose content is more closely regulated by the Decree on Conditions of Delivery and Supply of Electricity, where estimates of likelihood of collection were made for a group of financial assets, given that they belong to the group with identical or similar characteristics of credit risk, with consideration of the following information: starting as of July 1, 2013 electricity distribution companies stopped selling electricity to end customers, debtors are experiencing significant financial difficulties, given that they did not settle their outstanding debts due on July 31, 2013, debtors have defaulted on their contracts in respect of their obligations, either in delay payments of interest or principal, debtors have defaulted on their agreement on reschedule of debt in respect of their obligations-failure to pay to instalments, which resulted in termination of agreement, high likelihood of bankruptcy/liquidation or other financial reorganization of companies under restructuring and negative trends in the purchasing power of debtors reflected in the indicators published by the Statistics Bureau of Serbia.

## OTHER EXPENSES

In thousands of RSD	For the year ended December 31, 2014	For the year ended December 31, 2013 (adjusted)
Losses on disposal, write-off and sale of fixed assets, intangible assets, equity investments and materials	1,198,913	545,296
Losses on disposal of inventories	127,417	133,518
Shortages	336,468	84,508
Losses on write-offs		
- short-term receivables and rescheduled accounts receivable	3,174,140	739,327
- other assets	792,384	862,390
Costs of compensation paid to employees of public enterprises on the territory of the Autonomous Province of Kosovo and Metohija	5,373,996	4,612,336
Costs of sponsorships and donations	198,760	349,550
<b>Total</b>	<b>11,202,078</b>	<b>7,326,925</b>

Losses on disposal of plant and equipment were recognized in the amount of RSD 1,198,913 thousand, based on activities undertaken towards the revitalization of plant and equipment.

Impairment of financial assets is carried out through direct write-off of the carrying amount, when court proceedings are concluded and in cases of establishment of termination of liabilities due to the impossibility of meeting obligations, and especially for receivables: which relate to a building which is destroyed or abandoned by the customer (no electricity consumption registered), with not inheritors or legal successors; whose amount is lower than the legally determined lowest fee for filing a claim or than the lowest fee for compensation or award to debt collectors; for which claims or applications for execution based on valid documentation have been cancelled or proceedings have been discontinued based on effective ruling of the competent court; for which claims or applications for execution based on valid documentation have been cancelled because the customer died or ceased to exist (deleted from the register of companies) where no electricity consumption has been registered in the building; established by effective rulings or decisions, when forced collection did not yield results, and the period of limitation of 10 years had expired; from legal entities which had been deleted from relevant registers of competent authorities in accordance with the law, if the issue of the legal successor to the liability had not been resolved otherwise.

Expenses amounting to RSD 5,373,996 thousand are recognized based on the benefits accrued and paid to employees in the public companies on the territory of the Autonomous Province of Kosovo and Metohija, as well as in connection with the investments intended to provide for an uninterrupted energy supply to private individuals on the territory of the North part of Autonomous Province of Kosovo and Metohija.

15. INCOME TAXES

a) Income tax components	January-December 2014	January-December 2013
Current tax – period tax expense	2,914,267	4,835,008
Deferred tax – deferred tax (income)/expense	(2,269,355)	(1,191,841)
	644,912	3,643,167

b) Reconciliation of income tax and the product of operating result before tax and statutory tax rate	January-December 2014	January-December 2013
Profit/(loss) before tax	(9,832,238)	22,924,602
Reconciliation of expenses disallowed in the tax balance (permanent differences)	11,477,251	14,104,910
Reconciliation of depreciation expenses for reporting and tax purposes (temporary differences)	11,086,094	8,651,436
Consolidation of internal revenues and internal profits	7,658,148	39,990
Other	6,839	-
Taxable profit/(loss)	20,396,094	45,720,938
Amount of used tax losses from previous periods	(5,035,399)	(10,289,315)
Amount of taxable profit for which no deductible tax losses of previous periods were available	15,360,695	35,431,623
Current tax loss	9,813,388	4,362,986
Capital gain/(loss)	566	(3,354)
Tax base	25,174,649	39,791,255
Calculated tax at 15%	3,859,765	6,039,691
Decrease in calculated tax based on investments in property, plant and equipment	(945,498)	(1,204,683)
Calculated tax – current tax	2,914,267	4,835,008
Deferred tax – deferred tax (income)/expense	(2,269,355)	(1,191,841)
Total tax (income)/expense of the period	644,912	3,643,167

v) Deferred tax assets and liabilities	as at December 31, 2014	as at January 1, 2014
v1) Present value of property, plant and equipment whose value is systematically written off over time reported in the financial statements	833,372,573	857,805,304
v2) Present value of property, plant and equipment recognized in line with tax regulations	245,948,086	255,251,684
Taxable temporary difference (v1-v2)	587,424,487	602,553,620
<b>Deferred tax liabilities</b>	88,113,673	90,383,043

As of December 31, 2014, the Company did not recognize deferred tax assets with respect to tax loss and tax credit carryforwards due to the uncertainty whether sufficient taxable profit will be available in the future against which the unused tax losses and tax credits may be utilized by the Company.

**Deferred Tax Assets**

Deferred tax assets upon tax losses were as follows:

- For the year 2010	-	43,021
- For the year 2011	-	44,355
- For the year 2012	-	144,333
- For the year 2013	-	-
- For the year 2014	-	-
- Total	-	231,709
Deferred tax assets based on capital losses	1,457	1,753
Deferred tax assets based on tax credits for capital expenditures	12,965,562	11,866,680
<b>Total</b>	12,967,019	12,100,142

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## 16. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	in thousands of RSD							
	Land	Buildings	Plant and equipment	Other fixed assets	Assets under construction	Total	Intangible assets	Total
<b>Costs or valuation</b>								
Balance as at Jan 1, 2013, before adjustments	43,206,153	567,248,031	1,168,392,087	1,163,070	60,950,858	1,840,960,199	4,179,046	1,845,139,245
Opening balance adjustments	502,476	104,627	1,744,768	-	(233,093)	2,118,778	-	2,118,778
Balance as at Jan 1, 2013, after adjustments	43,708,629	567,352,658	1,170,136,855	1,163,070	60,717,765	1,843,078,977	4,179,046	1,847,258,023
Additions during the year	2,150,423	233,303	2,541,757	25	16,639,676	21,565,184	764,805	22,329,989
Activation of assets under construction	730,510	4,439,290	28,274,035	39,429	(33,526,145)	(42,881)	2,450	(40,431)
Transfers	24,296	12,639	712,520	(12,826)	(1,128,665)	(392,036)	(29)	(392,065)
Investments with own funds	10,482	61,487	343,075	-	1,381,208	1,796,252	-	1,796,252
Donations	420,505	2,651,080	3,418,475	1,097	70,624	6,561,781	139,316	6,701,097
Sales	(2,208)	(6,955)	(231,882)	(3,514)	-	(244,559)	(2,016)	(246,575)
Write-offs (disposals)	(11,462)	(783,733)	(3,289,432)	(1,107)	(580)	(4,086,314)	(34,173)	(4,120,487)
Transfers to third parties	-	-	(21,959)	-	-	(21,959)	-	(21,959)
Surpluses	-	11,432	22,908	4,366	-	38,706	-	38,706
Shortages	(1,147)	(132,295)	(49,195)	(1,600)	-	(184,237)	-	(184,237)
Cost of assets transferred to other members of the EPS Group (assignment)	-	(867,228)	(117)	-	-	(867,345)	-	(867,345)
Other equipment	(427,806)	(2,682,688)	(2,840,791)	122,521	(2,147,617)	(7,976,381)	(105,656)	(8,082,037)
Balance as at Dec 31, 2013, after adjustments	46,602,222	570,288,990	1,199,016,249	1,311,461	42,006,266	1,859,225,188	4,943,743	1,864,168,931
<b>Cost or valuation</b>								
Balance as at Jan 1, 2014, before adjustments	46,032,055	570,257,771	1,197,231,878	1,232,457	43,396,066	1,858,150,227	4,943,743	1,863,093,970
Opening balance adjustments	491,014	37,717	1,777,871	79,004	(1,389,801)	995,805	-	995,805
Balance as at Jan 1, 2014, after adjustments	46,523,069	570,295,488	1,199,009,749	1,311,461	42,006,265	1,859,146,032	4,943,743	1,864,089,775
Additions during the year	3,150,433	2,019,624	11,278,742	44,209	22,299,521	38,792,528	1,374,500	40,167,028
Activation of assets under construction	13,233	16,096	18,991	-	(1,076,962)	(1,028,642)	105,508	(923,134)
Investments with own funds	37,635	45,564	257,506	-	3,044,076	3,384,780	-	3,384,780
Donations	46,570	1,957,832	10,621,587	18,828	165,945	12,810,763	995	12,811,758
Sales	-	(5,036)	(27,655)	-	-	(32,691)	-	(32,691)

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Property, plant and equipment and intangible assets (continued)	Land	Buildings	Plant and equipment	Other fixed assets	Assets under construction	Total	Intangible assets	Total
Write-offs (disposals)	(816)	(257,879)	(13,240,770)	(3,122)	(1,411)	(13,503,999)	(173,356)	(13,677,355)
Transfers to third parties	-	(27,349)	(27,936)	-	-	(55,285)	-	(55,285)
Surpluses	-	3,576	55,196	58	-	58,830	-	58,830
Shortages	-	(566,217)	(53,837)	(1,282)	-	(621,336)	-	(621,336)
Cost of assets transferred to other members of the EPS Group (assignment)	-	-	(41,182)	-	(193,252)	(234,434)	-	(234,434)
Other changes	(78,980)	(4,644)	1,941	66,277	502,968	487,562	(29,490)	458,072
Balance as at Dec 31, 2014, after adjustments	49,691,144	573,477,055	1,207,852,330	1,436,429	66,747,150	1,899,204,108	6,221,900	1,905,426,008
<b>Accumulated depreciation</b>								
Balance as at Jan 1, 2013, before adjustments	10,355,842	232,540,663	659,006,671	387,531	318,201	902,608,908	1,550,705	904,159,613
Opening balance adjustments	-	7	912,289	-	-	912,296	536	912,832
Balance as at Jan 1, 2013, after adjustments	10,355,842	232,540,670	659,918,960	387,531	318,201	903,521,204	1,551,241	905,072,445
Current year depreciation	1,617,719	6,591,009	28,897,798	4,873	-	37,111,399	242,686	37,354,085
Donations	-	1,429,610	2,125,264	-	-	3,554,874	12,901	3,567,775
Sale	-	(4,283)	(153,983)	(274)	-	(158,540)	-	(158,540)
Sale and disposal	-	(407,657)	(2,339,426)	(787)	-	(2,747,870)	(35,642)	(2,783,512)
Shortages	-	(86,405)	(32,611)	(384)	-	(119,400)	-	(119,400)
Transfers to third parties	-	(318,675)	(118)	-	-	(318,793)	-	(318,793)
Other changes	77,623	(1,431,018)	(2,039,909)	11,080	-	(3,382,224)	(12,984)	(3,395,208)
Balance as at Dec 31, 2013, after adjustments	12,051,184	238,313,251	686,375,975	402,039	318,201	937,460,650	1,758,202	939,218,852
<b>Accumulated depreciation</b>								
Balance as at Jan 1, 2014, before adjustments	11,972,030	238,337,101	685,408,276	371,437	318,201	936,407,045	1,732,328	938,139,373
Opening balance adjustments	-	(23,861)	967,709	30,602	-	974,450	25,874	1,000,324
Balance as at Jan 1, 2014, after adjustments	11,972,030	238,313,240	686,375,985	402,039	318,201	937,381,495	1,758,202	939,139,697
Current year depreciation	1,823,138	6,734,227	29,875,646	7,729	-	38,440,740	333,976	38,774,716
Transfers	-	(1,379)	1,411	-	-	32	-	32
Donations	-	1,384,573	7,635,171	10,966	-	9,030,710	-	9,030,710
Impairments after valuation	-	-	-	-	10,260	10,260	-	10,260
Sale	-	(2,129)	(26,260)	-	-	(28,389)	-	(28,389)
Sale and disposal	-	(149,088)	(9,243,868)	(1,464)	-	(9,394,420)	(83,392)	(9,477,812)
Shortages	-	(226,666)	(35,301)	-	-	(261,967)	-	(261,967)
Transfers to third parties	-	(22,137)	(18,086)	-	-	(40,223)	-	(40,223)
Other changes	(5,029)	(408,206)	1,990,638	5,411	-	1,582,814	(9,771)	1,573,043
Balance as at Dec 31, 2014, after adjustments	13,790,139	245,622,436	716,555,335	424,681	328,461	976,721,052	1,999,015	978,720,067

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<b>Net book value</b>								
December 31, 2013	34,551,038	331,975,739	512,640,274	909,422	41,688,065	921,764,538	3,185,541	924,950,079
Balance as at Jan 1, 2013, before adjustments	32,850,311	334,707,368	509,385,416	775,539	60,632,657	938,351,291	2,628,341	940,979,632
Balance as at Jan 1, 2013, after adjustments	33,352,787	334,811,988	510,217,895	775,539	60,399,564	939,557,773	2,627,805	942,185,578
December 31, 2013, net book value after elimination of valuation effects	18,270,233	110,545,228	105,529,840	909,422	41,688,065	276,942,788	3,185,541	280,128,329
<b>Net book value</b>								
December 31, 2014	35,901,005	327,854,620	491,296,995	1,011,748	66,418,689	922,483,056	4,222,885	926,705,941
Balance as at Jan 1, 2014, before adjustments	34,060,025	331,920,670	511,823,602	861,020	43,077,865	921,743,182	3,211,415	924,954,597
Balance as at Jan 1, 2014, after adjustments	34,551,039	331,982,248	512,633,764	909,422	41,688,064	921,764,537	3,185,541	924,950,078
December 31, 2014, net book value after elimination of valuation effects	19,661,817	107,216,073	91,352,975	1,011,748	66,418,689	285,661,301	4,222,885	289,884,186



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## 17. ADVANCES PAID FOR PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

In thousands of RSD	as at December 31, 2014	as at Jan 1, 2014, after adjustments	as at Jan 1, 2013, after adjustments
Advances given for property, plant and equipment	10,884,198	11,773,485	12,384,501
Allowance for impairment:			
- advances given for property, plant and equipment	(147,156)	(147,156)	(149,764)
<b>Total</b>	<b>10,737,042</b>	<b>11,626,329</b>	<b>12,234,737</b>

Advances of RSD 1,227,333 thousand (2012: RSD 1,324,377 thousand) were paid to the owners of property registered in the Cadastral Municipality of Vreoci as in accordance with the Program Bases adopted under the Decision of the Board of Directors of JP EPS approved by the RS Government in its Decision 05 no. 310-5277/2007-3 as of November 22, 2007. The RS Government delivered for realization purposes the Conclusion number 465-8001/2009-3 as of December 17, 2009 allowing that the Public Company RB Kolubara, in its capacity of expropriation beneficiary, submit with the body concerned, proposals for the expropriation of buildings registered on the orthoimage as of January 15, 2007.

## 18. LONG-TERM FINANCIAL INVESTMENTS

In thousands of RSD	as at December 31, 2014	as at Jan 1, 2014, after adjustments	as at Jan 1, 2013, after adjustments
Equity investments:			
- associates	406,457	287,632	212,598
- other legal entities	2,132,669	1,969,227	2,105,487
Long-term financial investments			
Long-term receivables from other entities	4,461	-	-
Provided long-term loans	1,173,716	1,259,202	1,112,286
Other long-term financial investments	1,008,180	811,263	399,596
<b>Allowance for impairment</b>			
- equity investments	(1,060,576)	(1,017,760)	(1,074,173)
- long-term loans granted	(210,166)	(118,473)	(118,473)
- other long-term financial investments	(129,058)	(129,058)	(129,058)
<b>Total</b>	<b>3,325,683</b>	<b>3,062,033</b>	<b>2,508,263</b>

Based on the closed international treaties, the entity Public Enterprise Electric Power Industry of Serbia and "SECI" from Italy entered into contractual arrangements on the establishment of the entity "Ibarske hidroelektrane" d.o.o., Kraljevo with the following equity interests:

- "SECI", Italy invested EUR 2,550,000.00 which gives it 51% equity share,
- JP EPS invested EUR 2,450,000.00 which gives it 49% equity share.

Once the arrangement had been signed, the founders paid in their contributions as follows: "SECI" paid the RSD counter value of EUR 102,000.00 and JP EPS paid the RSD counter value of EUR 98,000.00, whereby as at balance sheet date of the previous reporting period payment of subscribed capital was effected in the dinar counter value of EUR 3,227,432 ("SECI" paid in EUR 1,646,119.83 and JP EPS paid in EUR 1,581,312.17). During the reporting period, both sides made payment of the remaining amount of monetary capital in the equivalent dinar amount.

The founders undertook the obligation to pay in additional equity contributions totalling 25% of the investment value, in accordance with the investment and technical documentation for the construction of hydro power plants within the deadline set in the Company's management decisions. The work of the entity from the commencement of its registered activity will be financed from the core capital and if it proves insufficient, the funds will be used from the borrowing that is to be approved to the Company by "SECI". This does not apply to the construction of hydro power plants. 75% of investments into the hydro power plant construction will be funded from borrowings to be obtained by the Company from a bank or another financial institution. The objective of establishing the company is the construction of hydro power plants on the Ibar river, which will comprise ten hydro power plants with a total power of around 102 MW. The business entity "Ibarske hidroelektrane" d.o.o. was registered in the register with the competent authority on December 3, 2010.

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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 November 13, 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 which gives it 49% equity share.

Once the arrangement had been signed, the founders paid in their contributions as follows: RWE AG paid a RSD counter value of EUR 102,000 and JP EPS paid the RSD counter value of EUR 98,000. During the reporting period monetary capital was paid in as follows: JP EPS paid the RSD counter value of EUR 142,100, and RWE AG paid a RSD counter value of EUR 147,900. The balance of subscribed capital not paid in of EUR 3, 510,000 will be paid in the respective amounts determined by the Board of Directors' Decision thereon and within terms set in accordance with the prevailing legislation.

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 August 23, 2011.

As disclosed in Note 1, pursuant to Article 15 of the Agreement on Company Establishment of the Entity for Combined Thermal and Heat Energy "Energija Novi Sad" a.d. Novi Sad closed between JP EPS and the City of Novi Sad, in 2009 the Company paid in EUR 6,000 which at the payment date totalled RSD 560 thousand and was recognized as an equity investment into a newly-founded entity.

Equity investments in domestic banks, insurance companies and other legal entities are classified as available for sale and for the portion thereof, for which there is a quoted value on an active market, with their fair value recognized as at December 31, 2014. The difference between fair value recognized as at December 31, 2013 and fair value recognized as at December 31, 2014 is recognized in other comprehensive result by recognizing profit in the amount of RSD 15,11 thousand and by cancelling losses in the amount of RSD 146,212 thousand. Permanent impairment of equity investments was also carried out in the amount of RSD 40,697 thousand.

Namely, according to management, the amount of accumulated losses was not derecognized from equity given that, from the aspect of the acquisition and recognition date, as well as the scope of trading in equity instruments, there have been no significantly different data which would indicate that: the issuers are experiencing considerable financial difficulties (the number of days of non-liquidity is determined based on the NBS records of defaulting liabilities of debtors, subject to forced collection), defaulting against the contractually-agreed liabilities, experiencing significant and determinable decline in cash flows (by examining the independent auditors' reports, positive results achieved in the prior reporting period and the like), or that significant changes, with adverse effects, have occurred in the technological, market, economic or legal environment in which the issuers are operating.

In the year ended December 31, 2013, at the recommendation of the State Audit Institution, equity investments in other entities were recognized in the amount of RSD 207,624 thousand in respect of investments made based on the agreement on joint financing of preliminary work on the construction of hydro power plant "Komarnica", Montenegro. In 2014 additional investments were made on the same basis in the amount of RSD 752 thousand.

Equity investments in other legal entities represent equity investments in certain domestic legal entities available for sale that are not listed in a capital market and are presented at cost.

Other long-term investments include investments in the "Rovni" Water Accumulation and the loan approved by the entity RB Kolubara d.o.o. to the entity Kolubara Građevinar in the amount of RSD 866,084 thousand. Namely, long-term joint investments of RSD 637,205 thousand as of December 31, 2013, relate to the joint investment in the Public Company Kolubara, Valjevo, based on the construction of "Rovni" Water Accumulation Basin and Dam, intended for water supply, flood prevention in the surrounding municipalities as well as for the needs of the Public Enterprise Electric Power Industry of Serbia. Based on the Government's Decree on determining the program of construction, reconstruction and maintenance of water supply structures in 2010 (Official Gazette of RS, no. 8/2010), further plans of construction work on the dam and accumulation were made with the 100% of the RS Government interest. The subject investment was made with the intention to provide the conditions necessary for the operation of TE Kolubara B Project.

Also, other long-term investments include an amount of RSD 105,014 thousand associated with investments in the construction of network for heat distribution in the village of Drmno and reconstruction of the existing network for heat distribution in the town of Kostolac. Due to substantial uncertainty over the continuation of investment, an impairment loss was recognized within expenses.

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## 19. LONG-TERM RECEIVABLES

In thousands of RSD	as at December 31, 2014	as at Jan 1, 2014, after adjustments	as at Jan 1, 2013, after adjustments
Rescheduled trade receivables for electricity and services:			
- private individuals	2,365,720	3,518,431	7,654
- legal entities	6,307,181	8,908,564	653,421
Placements to employees:			
- sold apartments	524,598	428,096	451,179
- housing loans	40,916	44,442	51,560
Receivables from the Privatization Agency of RS	62,702	89,020	92,181
<i>Allowance for impairment</i>			
- rescheduled trade receivables for electricity and services from private individuals	(2,365,683)	(2,720,031)	(6,782)
- rescheduled trade receivables for electricity and services from legal entities	(6,088,687)	(5,374,337)	(625,214)
- receivables from the Privatization Agency of RS	(62,702)	(89,020)	(92,181)
<b>Total</b>	<b>784,045</b>	<b>4,805,165</b>	<b>531,818</b>

Rescheduled trade receivables for electricity relate to receivables from households and legal entities with which an agreement on rescheduled loans was concluded in line with the decisions by the Board of Directors (number 860/4-13 dated February 22, 2013, number 1151/3-30 dated April 2, 2013 and number 2233/9-13 dated July 25, 2013). Namely, according to the aforementioned decisions electricity customers are allowed to pay matured liabilities as at May 31, 2013, and for qualified customers who lost the right to public supply of electricity as at December 31, 2012, in the total amount of 120 instalments, depending on the amount of the loan and terms of write-off, depending on the number of rescheduled instalments (up to 40% if one-off settlement of outstanding debt is paid, with no decrease if payment is in 60-120 instalments). Also, no interest is accrued on the outstanding amount owed during the duration of agreement, and in the event two consecutive instalments of the rescheduled debt are not paid, in spite of notice sent, the agreement shall be considered terminated. As indicated in Note 14, indirect write-offs of the aforementioned receivables were performed based on estimates of the probability of inflow of economic benefits from them.

## 20. INVENTORIES

In thousands of RSD	as at December 31, 2014	as at Jan 1, 2014, after adjustments	as at Jan 1, 2013, after adjustments
Materials	11,972,011	11,402,024	10,363,805
Spare parts	12,046,713	11,505,237	9,606,221
Tools and fittings	3,492,111	3,259,630	3,093,537
Work in progress and finished products	386,627	371,556	-
Goods	1,453	1,191	816
Coal	1,700,125	1,308,776	1,961,147
<i>Adjustment in value of inventories</i>			
Materials	(1,870,951)	(1,646,072)	(1,169,820)
Spare parts	(1,274,982)	(1,093,392)	(996,884)
Tools and fittings	(2,754,276)	(2,640,974)	(2,474,577)
Advances given for inventories and services	3,542,886	3,258,200	3,956,841
<i>Allowance for impairment of advances given</i>	(207,954)	(276,919)	(170,429)
<b>Total</b>	<b>27,033,763</b>	<b>25,449,257</b>	<b>24,170,657</b>

For the amount of slow moving inventories which cannot be technically or technologically used, an allowance for impairment was formed. The volume of materials and spare part inventories was dictated by intensive capital works on the existing plants and equipment, circumstances related to procurement at request procedures and the need to maintain the optimum volume of inventories for the purpose of regular servicing and addressing potential breakdowns.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 21. ACCOUNTS RECEIVABLE

In thousands of RSD	as at December 31, 2014	as at Jan 1, 2014, after adjustments	as at Jan 1, 2013, after adjustments
<b>Trade receivables</b>			
<i>Domestic trade receivables</i>			
- JP "Elektrokosmet", Priština	5,780,131	4,620,853	3,408,790
- for delivered electricity – households	62,326,360	54,606,224	57,419,363
- for delivered electricity – industry	69,599,817	57,671,579	58,408,250
- for delivered electricity – enterprises under restructuring	7,855,277	4,755,714	4,750,941
- other receivables from enterprises under restructuring	1,322,020	1,319,299	1,319,381
- JP Elektromreža Srbije	1,805,208	1,341,362	426,175
- for delivered coal	2,167,426	2,390,250	2,273,262
- for delivered heating energy and steam	547,248	3,282,326	3,391,780
- trade receivables for services	676,907	589,470	706,953
Other trade receivables	718,484	620,852	450,627
<i>Foreign trade receivables (third parties)</i>	5,915,060	5,438,958	6,195,350
<b>Allowance for impairment of trade receivables:</b>			
<i>Domestic trade receivables</i>			
- other related parties	(5,780,131)	(4,617,859)	(3,405,800)
- for delivered electricity – households	(47,626,735)	(41,141,301)	(41,020,581)
- for delivered electricity – industry	(48,919,416)	(38,216,546)	(40,783,989)
- for delivered electricity – enterprises under restructuring	(7,855,277)	(4,755,714)	(4,750,941)
- other receivables from enterprises under restructuring	(1,322,020)	(1,319,299)	(1,319,381)
- for delivered coal	(1,828,732)	(1,937,739)	(1,740,810)
- for delivered heating energy and steam and accrued interest thereon	(378,761)	(2,707,284)	(2,763,602)
- trade receivables for services	(388,154)	(352,710)	(325,118)
- other trade receivables	(597,566)	197,016	(348,644)
<i>Foreign trade receivables (third parties)</i>	(4,554,309)	(3,852,607)	(4,291,216)
<b>Receivables from specific operations</b>			
Receivables for TV subscriptions	-	42,037,967	33,702,161
Other receivables from specific operations	351,344	320,414	281,518
<b>Allowance for impairment of receivables from specific operations</b>	(26,246)	(24,175)	-
<b>Other receivables</b>			
Interest receivables:			
- JP "Elektrokosmet", Priština	116,083	13,885	-
- for delivered electricity – households	1,187,299	1,263,606	-
- for delivered electricity – industry	3,194,017	2,085,956	1,234,424
- for delivered electricity – enterprises under restructuring	9,248,239	8,889,121	8,480,349
- other legal entities (banks and interest on delivered heat energy and steam)	467,520	500,718	323,023
Receivables for insurance against damages	10,023	13,994	136,130
Receivables from collection points	161,450	168,680	175,513
Receivables from employees	1,939,054	727,215	848,969
Receivables from budget beneficiaries and prepaid taxes and contributions	2,357,656	225,182	1,426,398
Other receivables	444,578	421,727	504,955
<b>Allowance for impairment of other receivables:</b>			
Accrued interest on delivered electricity – households	(820,940)	(1,209,871)	-
Accrued interest on delivered electricity – industry	(2,131,959)	(1,977,382)	(1,232,305)
Accrued interest on delivered electricity – enterprises under restructuring	(9,248,239)	(8,889,121)	(8,480,349)
Accrued interest on other receivables	(389,604)	(384,508)	(323,023)
Receivables from employees	(20,509)	(7,517)	(4,633)
Receivables for overpaid taxes and contributions	(28,773)	(28,779)	(70,411)
<b>Total</b>	<b>46,273,830</b>	<b>82,079,956</b>	<b>75,003,512</b>

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The Energy Law (Official Gazette of RS number 57/11,....124/2014 effective until 30 December 2015) specifies that electricity prices and services provided by electricity companies are either regulated or free, with the exception that regulated prices are determined based on methodology that is adopted by the Energy Agency of the Republic of Serbia. The act on regulated prices is adopted by the energy company, with the approval of the Energy Agency of the Republic of Serbia. Regulated prices are:

- electricity prices for public supply;
- prices for accessing the system for electricity transmission;
- prices for accessing the system for electricity distribution;
- electricity prices for use in balancing the system which are calculated using the method established by market rules;
- prices of system services from article 69 of the Energy Law as established by the Agency;
- charges for participating in the organized electricity market, in accordance with the rules of operation of the organized electricity market.

Starting as of July 1, 2013 the sale of electricity to customers who are entitled to public supply at regulated prices is performed by a newly created subsidiary company "EPS Snabdevanje" d.o.o. Part of the receivables which comprise the assets of distribution companies and that performed the activity of retail electricity sales up to July 1, 2013, as indicated in Note 19, have been reprogrammed.

Inflow of benefits from delivery of goods to legal entities – large systems under restructuring, is independent because of the regulatory framework, and limited possibilities for collection. The portion of receivables from enterprises under restructuring, and which are registered with the Privatization Agency of the Republic of Serbia, has been fully provided for, while the allowance for impairment for the remaining receivables, as well as receivables from other legal entities is formed in accordance with accounting policy, as indicated in note 3 and 14.

Based on the effective ruling of the Commercial Court in Sremska Mitrovica about the allocation of the bankruptcy estate of the bankruptcy debtor Public Enterprise „Milan Stepanović Matroz“ the Company has discontinued recognizing assets related to deliveries of electricity in the amount of RSD 981,257 thousand and heating energy of RSD 2,258,554 thousand (the amount of RSD 15,263 thousand and RSD 37,740 thousand respectively, has been collected from the bankruptcy estate in 2014).

In accordance with the Conclusion issued by the Republic of Serbia Government number 021-6624/2009-002 at the Government session held as of November 30, 2009, the Public Enterprise Electric Power Industry of Serbia is to supply electricity to the majority Serb area in the north of the Autonomous Province of Kosovo and Metohija. Accordingly, income from electricity delivered to the Public Enterprise "Elektrokosmet", Priština was recognized in the amount of RSD 5,780,131 thousand. At the same time, the outstanding amount is recognized as an expense fully provided for.

A portion of foreign accounts receivable of RSD 25.475 thousand is stated based on the trade in electricity with the Mixed Holding Power Utility of the Republic of Srpska with which the Company executed long-term agreements on business and technical cooperation. The inflow of cash arising therefrom is anticipated subsequent to the balance sheet date. The remaining balance of foreign accounts receivable of RSD 4,302,150 thousand mostly relates to the amounts due from power utilities of former Yugoslav Republics dating from prior years, which are fully provided for.

The Act on Changes and Amendments to the Broadcast Act, prescribes that radio and television subscription is to be collected from end-users through JP EPS for the account of Broadcasting Corporation Radio and Television of Serbia ("RTS") under the same terms as JP EPS collects the electricity bills. The Law on Public Media Services (Official Gazette of RS number 83/2014, effective as of August 13, 2014) specifies that the Public Media Institution Radio Television Serbia and the Public Media Institution Radio Television Vojvodina, shall be finance from the budget of the Republic of Serbia, such that the previously concluded contracts on collection of subscriptions in the name and on behalf of the Broadcasting Institution Radio Television Serbia are no longer effective. Based on reconciled balances, receivables were transferred and have been derecognized.

For the aforedescribed consignment, the distribution companies were entitled to 6.3% of TV subscription collected until September 2010 and to 3% thereon. A portion of matured receivables based on RTS subscription accrued in the period ended August 2010 in the total of RSD 413,950 thousand was rescheduled over a 24-month period starting from September 2010 with the interest accrued at the rate of 6% annually. Starting from February 2012, the agreed consignment fee was set to 0.5% of TV subscription collected within a respective month, whereas the receivables matured and uncollected in the period between the previous Agreement and February 2012 were rescheduled over a 24-month period. During the reporting period loan repayment has been rescheduled, whereby RTS undertook to repay the outstanding part of the loan, with accrued interest as at August 31, 2013, in 24 equal monthly instalments, starting as of January 2014 and ending with December 2015.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 22. SHORT-TERM FINANCIAL ASSETS

In thousands of RSD	as at December 31, 2014	as at Jan 1, 2014, after adjustments	as at Jan 1, 2013, after adjustments
Loans and receivables:			
- other related parties	-	37,966	2,560
Short-term loans and borrowings – domestic	256,938	138,341	264,640
Short-term loans and borrowings – foreign	-	31,082	31,082
Short-term rescheduled receivables for electricity	3,498,835	6,284,710	-
Current maturities of other long-term financial investments	523,500	386,704	513,042
Short-term deposits with domestic banks	327,365	273,138	217,156
Other short-term financial investments	125,550	1,185,367	885,039
<i>Allowance for impairment</i>	<i>(3,095,067)</i>	<i>(1,501,464)</i>	<i>(14,328)</i>
<b>Total</b>	<b>1,637,121</b>	<b>6,835,844</b>	<b>1,899,191</b>

Current maturities of reprogrammed receivables, as indicated in Note 19, are recognized as short-term financial investments.

Short-term financial assets related to short-term deposits placed with domestic banks for a period from one month to one year and to current portions of rescheduled short-term receivables from customers.

## 23. CASH AND CASH EQUIVALENTS

In thousands of RSD	as at December 31, 2014	as at Jan 1, 2014, after adjustments	as at Jan 1, 2013, after adjustments
Current account:			
- in RSD	25,967,692	29,985,701	9,436,771
- in foreign currency	3,905,418	4,216,597	3,296,916
Deposits for coverage of letters of credit:			
- in RSD	208,548	189,589	920
- in foreign currency	120,595	68,067	256,200
Cash on hand	17,346	22,243	14,186
Special purpose cash funds	862,298	967,267	378,396
Securities – cash equivalents	113,283	75,912	24,035
Cash funds whose use is limited or value decreased	660,781	606,360	7,221
<i>Allowance for impairment of cash and cash equivalents</i>	<i>(674,629)</i>	<i>(607,639)</i>	<i>(7,221)</i>
<b>Total</b>	<b>31,181,332</b>	<b>35,524,097</b>	<b>13,407,424</b>

In the reporting period, up to the date of approval of financial reports for the year ended December 31, 2013, the operating license was withdraw for Univerzal banka a.d., and on this basis an allowance for impairment was recognized for cash funds whose use is limited or value decreased, which relates to the balance on the account of Univerzal banka a.d.

## 24. VALUE ADDED TAX AND PREPAYMENTS AND DEFERRED EXPENSES

## VALUE ADDED TAX

In thousands of RSD	as at December 31, 2014	as at Jan 1, 2014, after adjustments	as at Jan 1, 2013, after adjustments
Deferred value added tax	151,263	412,892	741,510
Accrued receivables for overpaid VAT	1,194,075	-	-
<b>Total</b>	<b>1,345,338</b>	<b>412,892</b>	<b>741,510</b>

Value added taxes is associated with input value added tax which the Company utilized subsequent to the preparation of the balance sheet to decrease its liabilities based on output value added tax.

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## PREPAYMENTS AND DEFERRED EXPENSES

In thousands of RSD	as at December 31, 2014	as at Jan 1, 2014, after adjustments	as at Jan 1, 2013, after adjustments
Prepaid expenses	606,415	7,247	4,107
Deferred expenses	48,312	69,874	123,885
Other prepayments and deferred expenses	1,095,802	315,941	476,290
<b>Total</b>	<b>1,750,529</b>	<b>393,062</b>	<b>604,282</b>

Other prepayments and deferred expenses include the amount of RSD 676,254 thousand, which relate to input VAT contained in accumulated liabilities.

## 25. CAPITAL

## State-Owned Capital

The Company's capital is state-owned. It is comprised of initial contributions, as adjusted by the revaluation using the retail price index as of December 31, 2000 and by the IFRS transition adjustments as of January 1, 2004, as well as due to the foundation of a public enterprise for the production, transmission, distribution and sale of electricity, the "Electric Power Industry of Serbia", in accordance with the Order of the Government of the Republic of Serbia effective as of July 1, 2005. In accordance with the aforesaid Order, the Public Enterprise, Elektroistok was separated from the JP EPS and as of July 1, 2005, Public Enterprise Elektroistok has operated as an independent entity, under the name of the Public Enterprise "Elektromreža Srbije" and a new Public Enterprise Electric Power Industry of Serbia was established. As a result of the above mentioned status change in 2005, the net state-owned capital increased for the effects of separation of assets and liabilities between the Company and Public Enterprise "Elektromreža Srbije" in the net amount of RSD 1,847,718 thousand.

Pursuant to the Decision of the Government of the Republic of Serbia on the Establishment of the Public Enterprise engaged in generation, production and distribution of electricity Public Enterprise "Electric Power Industry of Serbia", the Company assumed all the assets of the earlier Public Enterprise including the investments in the subsidiaries founded with the Company's assets in the prior period except in the Public Company for Power Transmission "Elektroistok" from Belgrade and in the entity "Elektroenergetski koordinacioni centar" d.o.o., Beograd. The JP EPS group is comprised of 14 related parties entirely owned by the Company. The Company engaged an independent appraiser in 2005 for the purpose of appraising non-monetary investment in the newly-established Public Company, where the independent valuer also estimated the aforesaid value of equity interest in related parties.

The estimated value of equity interests in the related parties was the carrying value of capital as of December 31, 2004. The amount of state-owned balance recognized in the accompanying consolidated financial statements as of December 31, 2013 amounted to RSD 358,718,711 thousand and exceeded the amount recognized by the Parent Company of RSD 322,906,234 thousand, by RSD 35,812,477 thousand due to a difference between estimated value of equity investments in the related parties and the respective capital of the related parties.

## Other Capital

Other capital stated in the Company's balance sheet as of December 31, 2014 relates to the consolidated public enterprises' sources of non-operating assets that were transferred upon the transition to the new accounting regulations applicable in the Republic of Serbia as of January 1, 2004.

## Profit Distribution

On October 2, 2014 the Serbian Government issued Resolution 05 number 41-11918/2014 in which it issued a recommendation to public enterprises and other types of organizations which are founded by the Republic of Serbia, that at the latest by November 30, 2014 they should pay into the budget of the Republic of Serbia a portion of at least 70% of profits reported in their 2013 financial statements. The remaining amount of 30% shall be distributed based on the decision on distribution, with the consent of the founders.

At the meeting held on November 2, 2014 the supervisory body issued the decision on distribution of a portion of profits of the parent company reported in the financial statements for the year ended December 31, 2013, in the amount of RSD 1,316,550 thousand, which represents 70% of profits, to the founder based on share in profits, in accordance with the Budget Law of the Republic of Serbia for 2014. The payment was effected in the reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 26. LONG-TERM PROVISIONS

In thousands of RSD	as at December 31, 2014	as at Jan 1, 2014, after adjustments	as at Jan 1, 2013, after adjustments
Provisions for costs of renewal of natural resources	2,002,121	1,623,469	1,370,016
Provisions for employee benefits (retirement pay, jubilee awards etc.)	8,582,706	8,739,826	8,013,227
Provisions for court cases	4,337,436	3,827,108	3,253,149
Provisions for environmental protection costs	178,627	186,252	-
Other long-term provisions	1,167	5,026	82,164
<b>Total</b>	<b>15,102,057</b>	<b>14,381,681</b>	<b>12,718,556</b>

The movements on long-term provisions during 2013 and 2014 are presented in the following table:

In thousands of RSD	Provisions for employee benefits	Provisions for court cases	Provisions for renewal of natural resources	Provisions for environ- mental protection	Other provisions	Total provisions
<b>Balance as at January 1, 2013</b>	8,013,227	3,253,149	1,370,016	-	82,164	12,718,556
New provisions during the year	1,389,168	3,183,454	297,835	178,458	-	5,048,915
Provisions used	(673,646)	(2,916,862)	(44,382)	7,794	(77,138)	(3,704,234)
Reversal in favour of income	11,077	307,367	-	-	-	318,444
<b>Balance as at December 31, 2013</b>	<b>8,739,826</b>	<b>3,827,108</b>	<b>1,623,469</b>	<b>186,252</b>	<b>5,026</b>	<b>14,381,681</b>
New provisions during the year	1,351,323	2,071,934	401,738	16,239	-	3,841,234
Provisions used	(1,535,979)	(1,689,541)	(23,086)	(35,893)	(12,650)	(3,297,149)
Reversal in favour of income	27,536	127,935	-	12,029	8,791	176,291
<b>Balance as at December 31, 2014</b>	<b>8,582,706</b>	<b>4,337,436</b>	<b>2,002,121</b>	<b>178,627</b>	<b>1,167</b>	<b>15,102,057</b>

Provisions for retirement benefits and jubilee awards of RSD 8,582,706 thousand were formed as disclosed in Note 3.9.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 27. LONG-TERM LIABILITIES

In thousands of RSD	as at December 31, 2014	as at Jan 1, 2014, after adjustments	as at Jan 1, 2013, after adjustments
Liabilities that can be converted into equity	80,543	80,543	80,543
Long-term loans and borrowings - domestic	61,464,709	59,108,197	41,810,619
Long-term loans and borrowings – foreign	33,732,940	23,239,943	23,765,244
Financial leasing liabilities	138,302	-	-
Rescheduled public revenues liabilities:			
- principal	40	1,105,446	1,772,738
- interest	-	222,316	253,035
Rescheduled trade payables	1,463,511	2,561,170	3,285,604
Other long-term liabilities	1,039	1,346	1,705
Current maturities:			
- long-term loans and receivables	(17,820,709)	(16,247,010)	(7,432,500)
- long-term financial leasing liabilities	(55,401)	-	-
Current maturities of rescheduled public revenues liabilities:			
- principal	(40)	(492,098)	(659,978)
- interest	-	(1,942)	(20,693)
Current maturities of rescheduled trade payables	(1,097,665)	(1,097,659)	(1,097,650)
Current maturities of other long-term liabilities	(101)	(101)	(101)
<b>Total</b>	<b>77,907,168</b>	<b>68,480,151</b>	<b>61,758,566</b>

## 28. LONG-TERM LOANS

No.	LOAN	Currency	ORIGINAL CURRENCY				Equivalent value in thousands of RSD	
			Principal	Maturity date	Repayment schedule	Interest rate	December 31, 2014	January 1, 2014
	<b>TOTAL LONG TERM LOANS (A+B)</b>						<b>95,197,649</b>	<b>82,348,141</b>
<b>A</b>	<b>FOREIGN CURRENCY LOANS (I+II+III+IV)</b>						<b>83,981,051</b>	<b>62,326,000</b>
<b>I</b>	<b>REFINANCED LOANS REALIZED FROM THE FUNDS OF: (1+2+3+4)</b>						<b>32,546,508</b>	<b>30,177,121</b>
1	PARIS CLUB OF CREDITORS						30,515,525	28,260,064
1.1	AUSTRIA	EUR	3,536,140.64	30/09/2008-31/03/2024	30/03 and 30/09	Amarketrate/EUR	427,726	405,391
1.2	FRANCE	EUR	41,371,695.46	22/09/2008-22/03/2024	22/03 and 22/09	5.90	5,004,250	4,742,938
1.3	GERMANY	EUR	26,002,860.99	22/09/2008-22/03/2024	22/03 and 22/09	5.50	3,145,262	3,018,610
1.4	CANADA	EUR	58,338,079.08	22/09/2008-22/03/2024	22/03 and 22/09	Euribor/EUR +0.5%	7,056,474	6,688,000
1.5	SWITZERLAND	CHF	79,040,604.69	22/09/2008-22/03/2024	22/03 and 22/09	Libor/CHF+0.5%	7,947,311	7,394,027
1.6	USA	USD	6,691,355.47	22/09/2008-22/03/2024	22/03 and 22/09	5.375	665,550	556,240
1.7	RUSSIA	USD	44,444,729.53	22/03/2006-22/03/2034	22/03 and 22/09	0.5517	4,420,654	3,694,610
1.8	JAPAN	JPY	2,224,222,690.06	22/09/2008-22/03/2024	22/03 and 22/09	2.8390	1,848,298	1,760,248
2	LONDON CLUB OF CREDITORS	USD	10,882,199.34	01/05/2010-01/11/2024	01/05 and 01/11	3.75 to 11/09 6.75 to 11/24	1,082,388	995,079
3	IBRD	EUR	7,415,737.67	15/03/2005-15/12/2031	15/03 and 15/09/ 15/06 and 15/12	1/3-5.44 and 2/3- euribor	896,995	873,072
4	EC	EUR	426,596.43	17/10/2012-17/10/2016	17/04 and 17/10	6M Euribor p.a.	51,600	48,906
<b>II</b>	<b>LOANS GRANTED BY STATE GOVERNMENTS</b>						<b>20,257,127</b>	<b>12,517,437</b>
1	Chinese loan	USD	21,236,604.12	21/07/2010-21/01/2021	21/01 and 21/07	LIBOR6M+1.3	2,112,280	2,036,955

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2	Polish loan	USD	21,238,370.63	2005-2024	15/06 and 15/12	0.75	2,112,455	2,045,649	
3	Export-Import Bank of China	USD	157,590,974.37	21/07/2017-21/01/2027	21/01 and 21/07	3.00	15,674,643	8,191,200	
4	Japanese - JICA	JPY	430,511,457.00	20/11/2016-20/11/2026	20/05 and 20/11	0.6% 0.01%	357,749	243,633	
<b>III</b>	<b>LOANS FROM INTERNATIONAL FINANCIAL ORGANIZATIONS</b>							<b>15,518,758</b>	<b>15,706,000</b>
1	KfW II (16 mil. EUR)	EUR	1,230,769.23	30/06/2009-30/06/2015	30/06 and 30/12	Fixed at 4.5247% p.a. 4.8598% p.a. and 5.2778% p.a.	148,872	423,294	
2	KfW III (30 mil. EUR)	EUR	16,500,000.00	30/12/2010-30/06/2020	30/06 and 30/12	0.000	1,995,812	2,230,672	
3	KfW IV (36 mil. EUR)	EUR	20,519,654.34	30/06/2013-30/12/2019	30/06 and 30/12	variable interest +1.75% margin p.a.	2,482,022	2,937,916	
4	KfW V (70 mil. EUR)	EUR	6,739,876.13	31/12/2015-30/06/2025	30/06 and 30/12	variable interest + 0.5% p.a.	815,244	32,668	
5	EBRD and (39.6 mil. EUR)	EUR	7,515,809.29	07/09/2005-07/03/2016/	07/03 and 07/09	6M EURIBOR +1% p.a.	909,100	1,436,047	
6	EBRD II (60 mil. EUR)	EUR	24,247,599.37	07/03/2008-07/09/2018	07/03 and 07/09	6M EURIBOR +1% p.a.	2,932,948	3,474,745	
7	EBRD III (40 mil. EUR)	EUR	1,397,775.53	02/09/2013-02/03/2022	02/03 and 02/09	6M EURIBOR +1% p.a.	169,073	112,012	
8	EBRD IV (80 mil. EUR)	EUR	18,745,973.10	31/01/2015-31/01/2023	31/01 and 31/07	6M EURIBOR +1% p.a.	2,267,481	1,391,770	
9	EBRD V (45 mil. EUR)	EUR	455,150.00	30/04/2015-31/10/2023	30/04 and 31/10	6M EURIBOR +1% p.a.	55,054	51,589	
10	EIB II (22 mil. EUR)	EUR	16,893,333.14	09/12/2010-09/06/2027	09/06 and 09/12; 25/05 and 25/11	fixed for each tranche at 3.879% p.a. to 5.248% p.a.	2,043,389	2,104,829	
11	Wb IDA (12x24 mil. SDR)	XDR	11,798,848.80	15/09/2015-15/03/2025	15/03 and 15/09	0.000	1,699,763	1,510,458	
<b>IV</b>	<b>OTHERS</b>							<b>15,658,658</b>	<b>3,925,442</b>
1	JP EMS - IBRD	EUR	27,270.93	15/03/2005-15/12/2031	15/03 and 15/09 15/06 and 15/12	1/3-5.44 and 2/3-euribor	3,299	3,309	
2	Tehnoexport	USD	697,086.00				69,335	57,948	
3	AIK Banka	USD	21,875,000.00	30/11/2013-31/05/2017	31/05 and 30/11	6M US dollar Libor +7.8%	2,175,777	2,545,801	
4	AIK Banka	EUR	7,666,666.64	23/05/2014-23/04/2016	monthly	1M EURIBOR +6.95% p.a.	927,347	1,318,384	
5	OTP Banka	EUR	10,000,000.00	22/06/2016-22/12/2018	monthly	6M EURIBOR + 3.252% p.a.	1,209,583		
6	Societe General Bank a.d.	EUR	5,000,000.00	22/06/2016-22/12/2018	monthly	6M EURIBOR + 3.75% p.a.	604,792		
7	Komercijalna banka a.d.	EUR	5,000,000.00	22/06/2016-22/12/2018	monthly	6M EURIBOR + 3.89% p.a.	604,792		
8	Societe General Bank a.d.	EUR	5,000,000.00	22/06/2016-22/12/2018	monthly	6M EURIBOR + 3.95% p.a.	604,792		
9	Komercijalna banka a.d.	EUR	10,000,000.00	22/06/2016-22/12/2018	monthly	6M EURIBOR + 3.98% p.a.	1,209,583		
10	Societe General Bank a.d.	EUR	5,000,000.00	22/06/2016-22/12/2018	monthly	6M EURIBOR + 4.15% p.a.	604,792		
11	Alpha Bank a.d.	EUR	5,000,000.00	22/06/2016-22/12/2018	monthly	6M EURIBOR + 4.25% p.a.	604,792		
12	Erste Banka a.d.	EUR	10,000,000.00	29/06/2016-29/12/2018	monthly	6M EURIBOR + 4.25% p.a.	1,209,583		
13	Societe General Bank a.d.	EUR	5,000,000.00	29/06/2016-29/12/2018	monthly	6M EURIBOR + 4.25% p.a.	604,792		
14	Komercijalna banka a.d.	EUR	5,000,000.00	29/06/2016-29/12/2018	monthly	6M EURIBOR + 4.29% p.a.	604,792		
15	UNIKREDIT BANKA a.d.	EUR	38,200,000.00	26/06/2016-26/12/2018	monthly	6M EURIBOR + 4.49% p.a.	4,620,607		
<b>B</b>	<b>LOANS IN RSD</b>							<b>11,216,597</b>	<b>20,022,141</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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1	CREDI+KOM+SOSIETE	RSD	0.00	14/01/2013- 14/01/214	monthly	6M BELIBOR +3.95 % p.a.	0	223,333
2	UNICREDIT BANK	RSD	0.00	12/12/2012- 12/12/2014	monthly	12.82 p.a.	0	33,808
3	UNICREDIT BANK	RSD	500,000,000.00	24/08/2015- 24/11/2017	monthly	1M BELIBOR +3.15% p.a.	500,000	0
4	UNICREDIT BANK	RSD	500,000,000.00	21/09/2015- 24/11/2017	monthly	1M BELIBOR +3.35% p.a.	500,000	0
5	UNICREDIT BANK	RSD	41,666,666.52	27/03/2013- 27/02/2015	monthly	1M BELIBOR +3.75% p.a.	41,667	291,667
6	UNICREDIT BANK	RSD	41,666,666.52	27/03/2013- 27/02/2015	monthly	1M BELIBOR +3.75% p.a.	41,667	291,667
7	UNICREDIT BANK	RSD	83,333,333.40	18/05/2013- 18/04/2015	monthly	1M BELIBOR +3.55% p.a.	83,333	333,333
8	SBERBANKA	RSD	83,333,333.29	26/05/2013- 26/04/2015	monthly	1M BELIBOR +3% p.a.	83,333	333,333
9	Komercijalna banka	RSD	1,593,333,333.36	01/05/2014 - 01/04/2016	monthly	1M BELIBOR +4.0 % p.a.	1,593,333	3,390,000
10	Komercijalna banka	RSD	0.00	01/05/2014 - 01/04/2016/	monthly	1M BELIBOR +4.0 % p.a.	0	2,000,000
11	Komercijalna banka	RSD	1,666,666,666.64	01/05/2014 - 01/04/2016/	monthly	1M BELIBOR +3.75 % p.a.	1,666,667	2,500,000
12	AIK Banka	RSD	2,250,000,000.00	13/07/2014 - 13/06/2016	monthly	1M BELIBOR +3.5% p.a.	2,250,000	3,000,000
13	Banca Intesa	RSD	2,196,180,555.56	08/12/2014- 08/11/2016	monthly	1M BELIBOR +3.48% p.a.	2,196,181	2,291,667
14	UNICREDIT BANK	RSD	1,197,916,666.66	18/12/2014- 18/11/2016/	monthly	1M BELIBOR +1.238% p.a.	1,197,917	1,250,000
15	Komercijalna banka	RSD	479,166,666.67	18/12/2014- 18/11/2016/	monthly	1M BELIBOR +1.27%p.a.	479,167	500,000
16	Hypo Alpe -Adria-bank	RSD	0.00	10/08/2013- 10/07/2014	monthly	1M BELIBOR +3.95% p.a.	0	583,333
17	Hypo Alpe -Adria-bank	RSD	83,333,333.30	21/03/2014 - 21/02/2015	monthly	1M BELIBOR +3.59% p.a.	83,333	500,000
18	Hypo Alpe -Adria-bank	RSD	83,333,333.30	21/03/2014 - 21/02/2015	monthly	1M BELIBOR +3.59% p.a.	83,333	500,000
19	Vojvodanska banka	RSD	124,999,999.97	04/04/2014 - 04/03/2015	monthly	1M BELIBOR +3.40% p.a.	125,000	500,000
20	Vojvodanska banka	RSD	124,999,999.97	04/04/2014 - 04/03/2015	monthly	1M BELIBOR +3.40% p.a.	125,000	500,000
21	Eurobank a.d. Beograd	RSD	83,333,333.30	27/03/2014 - 27/02/2015	monthly	1M BELIBOR +3.80% p.a.	83,333	500,000
22	Eurobank a.d. Beograd	RSD	83,333,333.30	27/03/2014 - 27/02/2015	monthly	1M BELIBOR +3.80% p.a.	83,333	500,000

<b>CURRENT PORTION OF LONG-TERM LOANS</b>							<b>17,820,709</b>	<b>16,247,011</b>
A	Foreign currency loans						10,913,037	8,441,467
B	Loans in RSD						6,907,672	7,805,544
<b>TOTAL LONG-TERM PORTION</b>							<b>77,376,940</b>	<b>66,101,130</b>
A	Foreign currency loans						73,068,015	53,884,533
B	Loans in RSD						4,308,925	12,216,597

## A. Foreign Currency Loans

### I. *Refinanced Loans Realized Prior to 1990 from the Funds of:*

#### 1. *Paris Club of Creditors*

The repayment of liabilities arising on the refinanced long-term loans from the Paris Club of Creditors realized through domestic banks was frozen upon the introduction of the United Nations' Sanctions in May 1992. The liabilities arising on 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 Being the Original Debtors or Guarantors toward the Paris Club and London Club Creditors (FRY Official Gazette No. 36/2002) which are creditors or guarantors to the Paris Club of Creditors and the balance reconciled with the National Bank of Serbia, in the amount of 49% of the relevant principal, based on the bilateral agreements entered into, 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.

Matured but unsettled liabilities as at December 31, 2014 in the amount of RSD 6.1 billion were settled on 15, 16 and 17 of April 2015.

#### 2. *London Club of Creditors*

The Company wrote off 62% of new principal of the debt to the London Club of Creditors as of September 30, 2004 and reconciled the amount of new principal based on the communication from and annuity plans provided by the National Bank of Serbia. In 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 May 1, 2010 and November 1, 2024, respectively. The interest of 3.75% has been changed to the newly determined principal as of November 1, 2005 which will continue until November 1, 2009, and as of November 1, 2009 until November 1, 2024 the interest charged to this principal will total 6.75% annually, and will be settled in semi-annual annuities.

#### 3. *International Banks for Reconstruction and Development*

In accordance with the Agreement entered into between the Government of the Federal Republic of Yugoslavia and the IBRD dated December 17, 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 June 15, 2005 to December 15, 2031 and carries a variable interest rate. On May 17, 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 on the rescheduled loans from the aforementioned creditor.

#### 4. *Loans from the People's Republic of China through Domestic Banks*

JP EPS recognized the liability arising from the loan facility used by JP EPS and JP 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 December 23, 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 RS Government, in its capacity of a guarantor, assumed the debt towards EXIM Bank of China from the People's Republic of China and on February 20, 2009, it signed 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 March 25, 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 semiannually on January 21 and July 21. The principal shall be repaid in 22 semi-annual instalments on January 21 and July 21, with a grace period of one year starting from the effectiveness date determined. In case of delay in settling liabilities matured, a penalty interest rate of 1% above the regular interest has been agreed.

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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 May 31, 2005) on June 28, 2010, JP EPS closed with the Deposit Insurance Agency an Agreement regulating the liabilities thereof towards the Republic of Serbia under same terms as those applied to the agreement signed between the Republic of Serbia and Chinese party relevant to the portion used by the Company and its subsidiaries.

## **II Loans from Foreign Governments**

### **1. Loan from the Government of the Republic of Poland**

The loan from the Government of the Republic of Poland was approved in 2003 in the amount of USD 49,996,616.78 and was used in full by December 31, 2005. The agent is Vojvođanska banka a.d. Novi Sad. The loan is repaid in semi-annual instalments starting from 2005 and is to be completed in 2024. Interest is accrued semiannually by applying the annual rate of 0.75 %.

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

As of December 26, 2011, an agreement on the loan approved to subsidized buyer for stage 1 of the Kostolac-B Power Plant Projects was entered by and between the RS Government, as the Borrower and Chinese Export-Import Bank, as the Lender, in accordance with:

- The Agreement on Economic and Technical Cooperation in Infrastructure, concluded by and between the RS Government and the PR of China Government as of August 20, 2009, and
- Contractual agreement entered into as of December 8, 2010 for implementation of stage 1 of the Kostolac-B Power Plant Projects.

The loan was agreed in the amount of up to USD 293 million for a usage period of 60 months subsequent to the loan agreement coming into effect with the option of renewal. The loan repayment is due within 180 months with a grace period of up to 60 months subsequent to the loan agreement coming into effect. The instalments mature for repayment semi-annually, on January 21 and July 21 each year. The principal is repaid in 20 equal semi-annual instalments over 120 months following the grace period. The interest rate agreed equals 3% annually, the one-off loan origination fee amounts to 1% of the loan amount agreed and the cost of financing total 0.75% annually.

### **3. Loan of the Japanese Government through Japan International Cooperation Agency (JICA)**

- Through the Japan International Cooperation Agency (JICA), the Government of Japan is financing the project of flue gas desulphurization plant construction at "Nikola Tesla" Thermal Power Plant. The loan of up to JPY 28,252 million was agreed upon as of November 24, 2011 for a utilization period of 15 years and repayment period of 10 years following the five-year grace period. The interest rate agreed upon equals 0.6% annually, except for the loan portion used for payment of consultant services, where the interest is accrued at the rate of 0.01% annually. Semi-annual instalments mature for payment on May 20 and November 20, whereby the repayment of the principal commences as of November 20, 2016 and completes as of November 20, 2026. The loan principal repayment, as well as interest repayment and payment of other loan-related costs is guaranteed by the RS Government.

## **III Loans from International Financial Organizations**

### **1. KfW**

With the German financial organization KfW financial agreements were executed in the period from 2001 through 2013 as follows:

- EUR 16 million (out of which EUR 9 million is not to be repaid) was obtained on December 24, 2003. Borrowed funds have been used in full. At June 30, 2009, the loan principal repayment commenced. The final maturity date was June 30, 2015. The applicable annual interest rate was fixed after the withdrawal period for Project A at 4.52470%, for Project B at 4.85980%, and for Project C at the level of 5.27780%.
- On September 9, 2005, EUR 30 million was borrowed. The final date for the availability of funds borrowed was set at March 31, 2014. Pursuant to the provisions contained in the Agreement, the loan principal repayment has commenced on December 30, 2010 in 20 equal instalments of about EUR 1,500,000. The final maturity date was set at June 30, 2020. The loan was agreed interest-free.

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- EUR 36 million (with the additional amount EUR 10 million not to be repaid) was obtained on January 2, 2008. April 30, 2014 is set as the final date for funds availability leaving the option to extend this deadline. Part of the loan for TENT was extended up to December 31, 2015. According to the Agreement, repayment of the principal commences on June 30, 2013, to be completed by December 30, 2019. The interest rate is determined two days before each tranche has been drawn and used and is fixed until KfW informs JP EPS on the consolidated interest rate for the entire loan which will be determined upon the execution of the last disbursement of the subject loan and will remain constant throughout the entire repayment period.
- EUR 70 million was agreed on October 29, 2010. December 30, 2015 has been set as the final deadline for the use of borrowed funds with the option of deadline extension. This deadline has been extended to December 31, 2018. According to the provisions of the Loan Agreement, the principal repayment commences as of December 30, 2015 in 20 equal semi-annual instalments. According to Amendment I to the Loan Agreement loan principal repayment terms have been changed such that principal is to be repaid in 14 equal semiannual instalments starting as of December 31, 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 increased 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 loan.
- EUR 65 million (with additional EUR 9 million of non-repayable funds) was agreed on October 12, 2012. December 30, 2015 was set as the final date for utilization of loan funds, which has been extended to December 20, 2017. According to the provisions of the Loan Agreement, the principal repayment commences as of December 30, 2015 in 19 equal semi-annual instalments, where in the event of extension of date for utilization of loan funds, repayment would commence 2 years later in 15 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 0.4% for the portion of the loan of EUR 25 million, and by 1.15% for the portion of the loan of EUR 40 million. After each payment, KfW consolidates these rates into a uniform rate for the total loan amount, which is fixed to the end of the repayment period.

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

Financial agreements were concluded with the European Bank for Reconstruction and Development (EBRD) for the following amounts:

- EUR 39.6 million was fully used until February 25, 2011, with a portion of loan totalling EUR 1,179 cancelled. The initially agreed borrowing of EUR 100 million was divided between JP EPS (EUR 39.6 million) and the Public Enterprise "Elektromreža Srbije" (EUR 60.4 million). The redistribution of rights and liabilities between JP EPS and the Public Enterprise "Elektromreža Srbije" with the consent of the EBRD, as the concerned creditor, and the Republic of Serbia, as the guarantor, was executed on May 27, 2008 by closing the following: the Amended Loan Agreement between JP EPS and JP EMS Beograd and EBRD, the Amended Loan Agreement between the Public Enterprise "Elektromreža Srbije" and the EBRD and the Agreement on the Recognition, Consent and Reaffirmation signed between the Republic of Serbia, JP EPS, the Public Enterprise "Elektromreža Srbije" and the EBRD. The rights and liabilities for the portion of this loan amounting to EUR 60.4 million were transferred to the Public Enterprise "Elektromreža Srbije." The principal repayment commenced as of September 7, 2005 and shall continue up to until March 7, 2016. The interest rate agreed is variable.
- EUR 59,864,142.51 million was used by April 30, 2010. EUR 60 million had been agreed, but a portion of borrowing of EUR 135,857.49 was cancelled. The repayment of the principal commenced from March 7, 2008 and will continue until September 7, 2018. The interest is compounded at a variable rate.
- EUR 40 million was agreed on September 2, 2010. The date until which funds are available is set at September 2, 2016 with the option of deadline extension. According to the provisions of the relevant Agreement, the principal repayment commenced on September 2, 2013 and is to be executed in 18 semi-annual instalments by March 2, 2022. The loan accrues variable interest rate with the option to choose a fixed interest rate.
- EUR 80 million was agreed as of July 28, 2011. The ultimate date until which funds are available is set at January 28, 2015, where the bank extended the drawdown period up to January 31, 2017. According to the provisions of the relevant Agreement, the principal repayment commences as of January 31, 2015 and is to be executed in 17 equal semi-annual instalments by January 31, 2023. The loan accrues variable interest rate

with the option to choose a fixed interest rate.

- EUR 45 million was agreed as of December 7, 2011. The ultimate date until which funds are available is set at December 7, 2014, where the drawdown period has been extended to December 31, 2018. The amount of EUR 12.3 million has been cancelled. According to the provisions of the relevant Agreement, the principal repayment commences as of April 30, 2015 and is to be executed in 18 equal semi-annual instalments by October 31, 2023. The loan accrues variable interest rate with the option to choose a fixed interest rate.

### **3. Loan from the European Investment Bank**

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

- Based on the loan 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 October 30, 2003, a loan of EUR 22 million was extended to the Company. The loan was fully drawn in 10 tranches in the period until December 31, 2008 since the initially agreed final date for drawing funds, April 30, 2007, was extended to December 31, 2008. The loan is repaid in semi-annual instalments, partly maturing on May 25 and November 25, and in part these instalments fall due on June 9 and December 9 in the period from 2010 through 2027. The first instalment is due on November 25, 2010 and the last instalment is due on December 9, 2027. The applicable interest rate is set for each tranche individually and is fixed until the end of repayment period.
- Based on the Financial Agreement on financing the EPS Project – electricity meters, closed on November 29, 2010 between this Company and the European Investment Bank, the Company was approved a loan of EUR 40 million. The loan will be drawn in 10 tranches in the period ending June 30, 2015 with a fixed and variable interest, of which the EIB will inform the Company within 10 days after the commencement of any referent period for variable interest rate. The procedure has been initiated for extending the loan repayments period. There is a possibility to convert variable into fixed interest rate. The tranches will be repaid in equal annual, semi-annual and quarterly instalments or one-off. The date of maturity for the first instalment will be set at the date which immediately follows the expiry of three years from drawing the first tranche and the last date of tranche repayment will be set at the date that falls no earlier than four years and no later than twelve years from the tranche drawing date. If the tranche is repaid one-off and in full, the maturity date will be the date falling no earlier than four years and no later than seven years from the tranche drawing date. The interest rate and terms of tranche repayment is determined for each tranche separately at the tranche disbursement date.

### **4. Loan from the World Bank – International Development Association (IDA)**

- Pursuant to the Agreement on a development loan (Serbia and Montenegro Component of the Program of Energy Community of South East Europe – Serbia Project - ECSEE) executed on September 8, 2005 between the State Union of Serbia and Montenegro on one side and the International Development Association on the other, for the amount of SDR 13,9 million and a Loan Sub agreement signed between the Republic of Serbia and the State Union of Serbia and Montenegro and the Loan Sub agreement executed between the Republic of Serbia and this Company, the Company can use the loan funds of SDR 12,24 million. Funds were drawn down up to June 30, 2012, with the exception that the amount of SDR 441,151.20 was cancelled. The loan is to be repaid in instalments maturing on March 15 and September 15 in the period from 2015 to 2025, free of interest.

## **IV Loans from commercial banks in foreign currency**

### **1. AIK BANKA a.d. Niš**

- The Company obtained a long-term loan from AIK BANKA a.d., Niš of USD 35 million, to settle the liabilities of a portion of advance payment of USD 344.63 million assumed under the Contractual Agreement on the Stage 1 Realization of the Kostolac-B Power Plant Projects, entered into by and between JP EPS from Belgrade and Thermal Power Plants and Open Mine Pits Kostolac on one side and Consortium comprised of China Machinery Engineering Corporation (CMEC) and Thermal Power Plants and Open Mine Pits Kostolac on the other. The repayment period is five years, with a one year grace period, to be repaid in 8 (eight) equal six-month instalments, where the first instalment for principal repayment was due on November 30, 2013, while the last instalment is due on May 31, 2017, with variable annual interest rate determined as the sum of 6-month USD LIBOR plus 7.8% mark-up.

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- The company reprogrammed liabilities in the amount of EUR 11.5 million for a period of three years, with a one year grace period, and principal repayment over two years through 24 equal monthly instalments starting as of May 23, 2014 and ending with April 23, 2016, where interest is paid monthly at a rate of one month EURIBOR plus 6.95% p.a. This liability was undertaken in 2012 for the purpose of overcoming liquidity problems by concluding a Loan Agreement on January 12, 2012, with Annex 1 dated October 24, 2012, for the amount of EUR 23.0 million with AIK banka a.d. Niš.

## 2. Foreign currency loans

The Company took loans for financing investments and expenses required for alleviating the effects of floods and preparations for securing steady supply of electricity to industry and retail customers in the upcoming period, as follows:

1. OTP a.d. Beograd, in the amount of EUR 10,000,000.00 concluded on December 11, 2014, with repayment period of 4 (four) years, and a grace period of 1.5 (one and a half) years, calculated as of date of drawdown of funds, with interest of 6m EURIBOR + 3.252% p.a. and one-off fee of 0.25% of the loan amount. Loan funds were drawn down in full on December 22, 2014.
2. Societe Generale Banka Srbija A.D. Beograd:
  - in the amount of EUR 5,000,000.00 concluded on December 11, 2014, with repayment period of 4 (four) years, and a grace period of 1.5 (one and a half) years, calculated as of date of drawdown of funds, with interest of 6m EURIBOR + 3.75% p.a. and one-off fee of 0.20% of the loan amount. Loan funds were drawn down in full on December 22, 2014.
  - in the amount of EUR 5,000,000.00 concluded on December 11, 2014, with repayment period of 4 (four) years, and a grace period of 1.5 (one and a half) years, calculated as of date of drawdown of funds, with interest of 6m EURIBOR + 3.95% p.a. and one-off fee of 0.20% of the loan amount. Loan funds were drawn down in full on December 22, 2014.
  - in the amount of EUR 5,000,000.00 concluded on December 11, 2014, with repayment period of 4 (four) years, and a grace period of 1.5 (one and a half) years, calculated as of date of drawdown of funds, with interest of 6m EURIBOR + 4.15% p.a. and one-off fee of 0.20% of the loan amount. Loan funds were drawn down in full on December 22, 2014.
  - in the amount of EUR 5,000,000.00 concluded on December 11, 2014, with repayment period of 4 (four) years, and a grace period of 1.5 (one and a half) years, calculated as of date of drawdown of funds, with interest of 6m EURIBOR + 4.25% p.a. and one-off fee of 0.20% of the loan amount. Loan funds were drawn down in full on December 29, 2014.
3. Komercijalna banka a.d. Beograd:
  - in the amount of EUR 5,000,000.00 concluded on December 11, 2014, with repayment period of 4 (four) years, and a grace period of 1.5 (one and a half) years, calculated as of date of drawdown of funds, with interest of 6m EURIBOR + 3.89% p.a. and one-off fee of 0.25% of the loan amount. Loan funds were drawn down in full on December 22, 2014.
  - in the amount of EUR 10,000,000.00 concluded on December 11, 2014, with repayment period of 4 (four) years, and a grace period of 1.5 (one and a half) years, calculated as of date of drawdown of funds, with interest of 6m EURIBOR + 3.89% p.a. and one-off fee of 0.25% of the loan amount. Loan funds were drawn down in full on December 22, 2014.
  - in the amount of EUR 5,000,000.00 concluded on December 11, 2014, with repayment period of 4 (four) years, and a grace period of 1.5 (one and a half) years, calculated as of date of drawdown of funds, with interest of 6m EURIBOR + 4.29% p.a. and one-off fee of 0.25% of the loan amount. Loan funds were drawn down in full on December 29, 2014.
4. ALPHABNK SRBIJA A.D. Beograd, in the amount of EUR 5,000,000.00 concluded on December 11, 2014, with repayment period of 4 (four) years, and a grace period of 1.5 (one and a half) years, calculated as of date of drawdown of funds, with interest of 6m EURIBOR + 4.25% p.a. and one-off fee of 0.15% of the loan amount. Loan funds were drawn down in full on December 29, 2014.
5. Unicredit Bank a.d. Beograd, in the amount of EUR 45,000,000.00 concluded on December 11, 2014, with repayment period of 4 (four) years, and a grace period of 1.5 (one and a half) years, calculated as of date of drawdown of funds, with interest of 6m EURIBOR + 4.49% p.a. and one-off fee of 0.25% of the loan amount. Loan funds in the amount of EUR 38,200,000.00 were drawn down by December 31, 2014.
6. Erste bank a.d. Novi Sad, in the amount of EUR 10,000,000.00 concluded on December 11, 2014, with repayment period of 4 (four) years, and a grace period of 1.5 (one and a half) years, calculated as of date of drawdown of funds, with interest of 6m EURIBOR + 4.25% p.a. and one-off fee of 0.20% of the loan amount. Loan funds were drawn down in full on December 29, 2014.



**B. RSD loans*****I. Loans from commercial banks***

Borrowed funds were taken from domestic commercial banks in the country for the purpose of settling commitments, as follows:

**1. Banca Intesa a.d. Beograd**

- The Company refinanced liabilities in the amount of RSD 2.291.666.666 with a loan for a three year period and a one year grace period, and principal repayment over two years in 24 equal monthly instalments starting as of December 8, 2014 and ending with November 8, 2016, where interest is paid monthly at a rate of one month EURIBOR plus 3.48% p.a. This liability was undertaken in 2013 for the purpose of overcoming liquidity problems by concluding four loan agreements on January 10, 2013 for a total amount of RSD 2.5 billion (initially with a Consortium of creditors comprising Unicredit Bank a.d. Beograd and Sberbank Srbija a.d. Beograd).

**2. Unicredit Bank a.d. Beograd**

- The Company refinanced the amount of RSD 1.25 billion with a loan for a three year period and a one year grace period, and principal repayment over two years in 24 equal monthly instalments starting as of December 18, 2014 and ending with November 18, 2016, where interest is paid monthly at a rate of one month EURIBOR plus 1.238% p.a. This liability was undertaken in 2012 for the purpose of overcoming liquidity problems by concluding a loan agreement on November 23, 2012 for a total amount of RSD 2.5 billion, with the consortium of Unicredit Bank a.d. Beograd and Sberbank Srbija a.d. Beograd.
- The business entity „RB Kolubara“ d.o.o. agreed a loan in the amount of RSD 500 million with a principal repayment period of 12 equal monthly instalments after a one year grace period, with monthly interest payments at a fixed interest rate of 12.80% p.a. Loan terms are fixed and will not be changed until the end of the repayment period. Loan funds were used in the amount of RSD 346,373 thousand. The remaining funds will not be used. The loan has been repaid in full.
- The business entity „RB Kolubara“ d.o.o. agreed a loan in the amount of RSD 1 billion with a principal repayment period of 24 equal monthly instalments after a 6 month grace period (from March 27, 2013 to February 27, 2015), with monthly interest payments at a rate of BELIBOR+3.75% p.a. The loan funds were drawn down in full in a single tranche.
- The business entity „RB Kolubara“ d.o.o. agreed a loan in the amount of RSD 500 million with a principal repayment period of 24 equal monthly instalments after a 6 month grace period (from May 18, 2013 to April 8, 2015), with monthly interest payments at a rate of BELIBOR+3.55% p.a. The loan funds were drawn down in full in a single tranche.
- PD „RB Kolubara“ d.o.o. agreed a loan in the amount of RSD 500 million with principal repayment period in 24 equal monthly instalments after a 12 month grace period, interest is paid monthly at an interest rate of 1 month BELIBOR+3.15% p.a.
- PD „RB Kolubara“ d.o.o. agreed a loan in the amount of RSD 500 million with principal repayment period in 24 equal monthly instalments after a 12 month grace period, interest is paid monthly at an interest rate of 1 month BELIBOR+3.35% p.a.

**3. Komercijalna banka a.d. Beograd**

- The Company reprogrammed the amount of RSD 2.5 billion with a loan for a three year period and a one year grace period, and principal repayment over two years in 24 equal monthly instalments starting as of May 1, 2014 and ending with April 1, 2016, where interest is paid monthly at a rate of one month BELIBOR plus 3.75% p.a. This liability was undertaken in 2012 for the purpose of overcoming liquidity problems by concluding a loan agreement on December 12, 2012 for a total amount of RSD 2.5 billion, with Komercijalna banka a.d. Beograd.
- The Company refinanced the amount of RSD 500 million with a loan for a three year period and a one year grace period, and principal repayment over two years in 24 equal monthly instalments starting as of December 18, 2014 and ending with November 18, 2016, where interest is paid monthly at a rate of one month BELIBOR plus 1.27% p.a. This liability was initially undertaken in 2013 for the purpose of overcoming liquidity problems by concluding a loan agreement on February 12, 2013 for a total amount of RSD 500 million (initial creditor Unicredit Bank a.d. Beograd).
- The business entity TENT reprogrammed the amount of RSD 2 billion with a loan for a three year period and a one year grace period, and principal repayment over two years in 24 equal monthly instalments starting as of May 1, 2014 and ending with April 1, 2016, where interest is paid monthly at a rate of one month BELIBOR plus 4% p.a. This liability was undertaken in 2012 for the purpose of realizing investment work on blocks A5 and B1 and other investment activities, by concluding a loan agreement on September 10, 2012 for a total amount of RSD 2 billion, with Komercijalna banka a.d. Beograd. Up to March 31, 2014 these loan liabilities were repaid in full.

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- The business entity TENT reprogrammed the amount of RSD 3.39 billion with a loan for a three year period and a one year grace period, and principal repayment over two years in 24 equal monthly instalments starting as of May 1, 2014 and ending with April 1, 2016, where interest is paid monthly at a rate of one month BELIBOR plus 4% p.a. This liability was undertaken in 2012 for the purpose of realizing investment work on blocks A5 and B1 and other investment activities, by concluding a loan agreement on February 22, 2012 for a total amount of RSD 4 billion, with Komercijalna banka a.d. Beograd. Up to April 1, 2014 the business entity TENT carried out early repayment of RSD 1 billion.
- 4. AIK Banka a.d. Niš**
- The Company refinanced the amount of RSD 3.0 billion with a loan for a three year period and a one year grace period, and principal repayment over two years in 24 equal monthly instalments starting as of July 13, 2014 and ending with June 13, 2016, where interest is paid monthly at a rate of one month BELIBOR plus 3.5% p.a. This liability was undertaken in 2013 for the purpose of overcoming liquidity problems by concluding a loan agreement on February 13, 2013 for a total amount of RSD 1.5 billion, with AIK Bank a.d. Niš.
- 5. Hypo Alpe -Adria-bank a.d. Beograd**
- The Company acquired RSD 1.0 billion for a one and a half year period, with a six month grace period, and principal repayment in 12 equal monthly instalments starting as of August 10, 2013 and ending on July 10, 2014, where interest is paid monthly and one month BELIBOR plus 3.95% p.a.
  - The Company acquired RSD 500 million for a two year period, with a one year grace period, and principal repayment in 12 equal monthly instalments starting as of March 21, 2014 and ending on February 21, 2015, where interest is paid monthly at a rate of one month BELIBOR plus 3.95% p.a.
  - The Company acquired RSD 500 million for a two year period, with a one year grace period, and principal repayment in 12 equal monthly instalments starting as of March 21, 2014 and ending on February 21, 2015, where interest is paid monthly at a rate of one month BELIBOR plus 3.95% p.a.
- 6. Vojvodanska banka a.d.Novi Sad**
- The Company acquired RSD 500 million for a two year period, with a one year grace period, and principal repayment in 12 equal monthly instalments starting as of April 4, 2014 and ending on March 4, 2015, where interest is paid monthly at a rate of one month BELIBOR plus 3.40% p.a.
  - The Company acquired RSD 500 million for a two year period, with a one year grace period, and principal repayment in 12 equal monthly instalments starting as of April 4, 2014 and ending on March 4, 2015, where interest is paid monthly at a rate of one month BELIBOR plus 3.40% p.a.
- 7. Eurobank a.d. Beograd**
- The Company acquired RSD 500 million for a two year period, with a one year grace period, and principal repayment in 12 equal monthly instalments starting as of March 27, 2014 and ending on February 27, 2015, where interest is paid monthly at a rate of one month BELIBOR plus 3.80% p.a.
  - The Company acquired RSD 500 million for a two year period, with a one year grace period, and principal repayment in 12 equal monthly instalments starting as of March 27, 2014 and ending on February 27, 2015, where interest is paid monthly at a rate of one month BELIBOR plus 3.80% p.a.
- 8. SBERBANKA Srbija a.d.,Beograd**
- The business entity „RB Kolubara“ d.o.o. acquired RSD 500 million with a repayment period in 24 equal monthly instalments and a 6 month grade period (starting as of May 26, 2013 and ending on April 26, 2015) where interest is paid monthly at a rate of one month BELIBOR+3,0% p.a. The loan funds were drawn down in a single tranche.
- 9. Consortium of banks (Komercijalna banka a.d., Beograd Societe Generale banka a.d., Beograd, Credy banka a.d., Kragujevac)**
- PD „Centar“ d.o.o. Kragujevac obtained RSD 670 million, where the principal is to be repaid in 24 equal monthly instalments after a 6-month grace period (from January 4, 2013 to June 14, 2014). Interest is also repaid monthly at the rate of 6-month BELIBOR+3.950% p.a. By March 31, 2014 liabilities related to this loan have been discharged in full.

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*Analysis of Approved Loan Withdrawals*

In order to finance the specific projects to increase production capacities in thermoelectric and hydroelectric plants, in the period from 2001 to 2014 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 Amount</u>
European Bank for Reconstruction and Development I	EUR	39,598,821	39,598,821
European Bank for Reconstruction and Development II	EUR	59,864,143	59,864,143
European Bank for Reconstruction and Development III	EUR	40,000,000	1,611,243
European Bank for Reconstruction and Development IV	EUR	80,000,000	18,745,973
European Bank for Reconstruction and Development V	EUR	32,700,000	455,150
European Investment Bank II	EUR	22,000,000	22,000,000
European Investment Bank III	EUR	40,000,000	0
KfW II	EUR	16,000,000	16,000,000
KfW III	EUR	30,000,000	30,000,000
KfW IV	EUR	36,000,000	30,805,370
KfW V	EUR	70,000,000	6,739,876
KfW VI	EUR	65,000,000	0
IDA	SDR	11,798,849	11,798,849
JICA	JPY	28,252,000,000	430,511,457
EXIM Bank of China	USD	293,000,000	157,590,974
Loan from the Republic of Poland	USD	49,996,617	49,996,617

*Analysis of Long-Term Loan Maturities*

In thousands of RSD

	<u>As at Dec 31, 2014</u>	<u>As at January 1, 2014</u>	<u>Index</u>
From one to five years	42,194,356	34,447,449	122,5
Over five years	35,182,584	31,653,681	111,1
<b>Total</b>	<b>77,376,940</b>	<b>66,101,130</b>	<b>117,1</b>

*Analysis of Loans per Requested Discharging Currency*

In thousands of RSD

<u>Currency</u>	<u>Amount in Currency</u>	<u>December 31, 2014</u>
EUR	304,856,261	36,874,895
USD	263,086,174	26,167,630
CHF	65,197,409	6,555,417
YPU	2,232,646,277	1,855,298
XDR	11,208,906	1,614,775
Other		
<b>TOTAL</b>		<b>73,068,015</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## OTHER LONG-TERM LIABILITIES

As noted in Note 13, financial liabilities in the amount of RSD 1,103,354 thousand were previously recognized based on accrued interest on public revenues, rescheduled in accordance with the Decision on Terms of Payment of Matured Liabilities for Public Revenues of JP "Elektroprivreda Srbije" (Official Gazette number 99/2003), which were derecognized after settlement of the full amount outstanding.

Rescheduled accounts payable pertain to the liabilities toward JP EMS arising from the electricity transmission services.

## 29. SHORT-TERM FINANCIAL LIABILITIES

In thousands of RSD	as at December 31, 2014	as at Jan 1, 2014, after adjustments	as at Jan 1, 2013, after adjustments
<b>Foreign currency liabilities</b>			
Short-term loans – domestic and foreign	-	-	3,297,831
Portion of long-term foreign loans which matures within one year	3,435,466	3,004,486	3,413,336
Long-term domestic loans maturing within one year	7,477,571	5,436,980	2,520,581
Other short-term financial liabilities in foreign currency	10,039,598	7,311,948	6,830,398
<b>Liabilities in dinars</b>			
Short-term domestic loans	-	-	12,670,239
Portion of long-term domestic loans which mature within one year	6,907,672	7,805,544	1,498,583
Portion of rescheduled liabilities for public revenues which matures within one year	40	494,040	680,671
Portion of other long-term liabilities which matures within one year	1,153,167	1,097,760	1,097,751
Other short-term financial liabilities in RSD	4,889	4,297	1,779
<b>Total</b>	<b>29,018,403</b>	<b>25,155,055</b>	<b>32,011,169</b>

The Governments of the Russian Federation and the Republic of Serbia concluded on April 27, 2007 the International Bilateral Treaty governing the liabilities of the Former Soviet Union upon the calculation associated with the commodity trade between the Former Soviet Union and the Former SFRY and a Protocol was signed between the Ministry of Finances and the Ministry of Mining and Energy of the Republic of Serbia and the respective ministries of the Russian Federation defining the manner of discharging debts, with recognition of liability for payment in the amount of RSD 8,362,717 thousand, related to delivery of goods and services, in respect of Supplement number 9 to the Contract number 05030856/030135 – 0275 dated March 29, 2003, between JP EPS, PD "Đerdap" and OAO "Silovije Mašini" for the rehabilitation of the Hydro Power Plant Đerdap I. After balance sheet date it is expected that the question of terms, maturity and repayment method of used funds will be regulated based on the clearing debt.

## 30. ACCOUNTS PAYABLE

In thousands of RSD	as at December 31, 2014	as at Jan 1, 2014, after adjustments	as at Jan 1, 2013, after adjustments
Advances received	3,038,822	3,906,181	1,814,746
Domestic trade payables	13,556,449	7,644,054	16,668,549
JP Elektromreža Srbije	2,376,503	2,161,272	1,728,891
Foreign trade payables	6,928,911	3,065,427	4,963,099
Other operating liabilities	397,519	310,994	555,681
<b>Total</b>	<b>26,298,204</b>	<b>17,087,928</b>	<b>25,730,966</b>

The liability towards the Public Enterprise "Elektromreža Srbije" was recognized based on the fee for the access and the use of electricity transmission system, as disclosed in Note 7.

For the purpose of acquiring equipment, spare parts, production material and services necessary to achieve conditions for technical and technological unity of the energy supply system in the Republic, harmonized development of electricity related activities, rational and effective exploitation of natural resources and continued supply of customers with electricity, the Company recognized the liabilities towards creditors in the country and abroad. A portion of domestic and foreign commitments will be settled from the borrowed funds as stated in Note 27.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014

## 31. OTHER SHORT-TERM LIABILITIES

In thousands of RSD	as at December 31, 2014	as at Jan 1, 2014, after adjustments	as at Jan 1, 2013, after adjustments
<b>Liabilities from specific operations</b>	<b>334,282</b>	<b>42,348,128</b>	<b>33,988,866</b>
<b>Liabilities for salaries and salary compensation</b>			
Liabilities for net salaries and salary compensation	1,336,731	1,409,891	1,263,241
Liabilities for taxes and contributions on salaries and salary compensation	940,170	1,174,991	1,179,829
Other liabilities for salaries and salary compensation	22,389	25,284	19,022
<b>Other liabilities</b>			
Interest liabilities and cost of financing	2,689,630	1,915,103	791,695
Liabilities for dividends and profit sharing	19,695	19,695	19,695
Other liabilities toward employees	71,171	39,610	56,005
Liabilities toward members of BoD and Supervisory Board	1,564	1,083	1,512
Liabilities toward private individuals	22,177	20,349	26,097
Matured borrowing from the Ministry of Finance of the Republic of Serbia	397,223	397,223	158,164
Other liabilities	412,986	94,288	79,186
<b>Total</b>	<b>6,248,018</b>	<b>47,445,645</b>	<b>37,583,312</b>

As indicated in Note 21, with the going into effect of the Law on Public Media Services, the legal validity of concluded contracts for collection of TV subscriptions in the name and on behalf of the Radio Broadcasting Institution "Radio Televizija Srbije" ceased, with derecognition of the related contractual liabilities.

Interest payable and costs of financing stated as of December 31, 2014 as totalling RSD 2,689,630 thousand mostly, in the amount of RSD 2,451,467 thousand, include interest accrued as follows:

- Interest on restructured liabilities to the Paris club of Creditors in the amount of RSD 2,047,776 thousand;
- Interest on refinanced loans from the International Bank for Reconstruction and Development and European Investment Bank of RSD 232.954 thousand;
- Interest on dinar loans from domestic banks in the amount of RSD 170.737 thousand;

As indicated in Note 28, liabilities towards the Paris Club of Creditors were settled after balance sheet date.

## 32. VALUE ADDED TAX AND OTHER DUTIES PAYABLE AND ACCRUALS

In thousands of RSD	as at December 31, 2014	as at Jan 1, 2014, after adjustments	as at Jan 1, 2013, after adjustments
Deferred value added tax	1,264,825	2,660,065	2,847,154
Accrued liabilities for VAT as per tax return	-	1,885,525	318,389
Income tax liabilities	-	3,352,009	8,494
Liabilities for taxes, customs and other duties charged to expenses	79,233	326,615	208,509
Fees for use of water, construction land and other public resources	1,071,839	4,866,342	3,302,311
Environmental protection fee	1,603,607	2,515,352	1,715,135
Other liabilities for other public revenues charged to expenses	22,230	17,297	21,949
Accrued expenses	74,474	41,037	59,351
Accrued interest on rescheduled trade receivables	498,454	432,717	431,276
Deferred income from received donations	20,182,711	16,871,395	16,803,258
Other accruals	283,553	393,408	459,922
<b>Total</b>	<b>25,080,926</b>	<b>33,361,762</b>	<b>26,175,748</b>

Deferred liabilities arising from VAT presented relate to future period taxes paid upon deducting input VAT subsequent to the balance sheet date.

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Over prior year, the Company received funds on the basis of financial and technical assistance from international donors in the European Union, Switzerland, and Japan and from international organizations, which were initially recognized as deferred income. The recognition of income is performed on a systematic basis over the useful economic life of a respective asset, in the period in which the corresponding expenses associated with the use of such assets are recorded.

**33. OFF-BALANCE SHEET ITEMS**

In thousands of RSD	as at December 31, 2014	as at Jan 1, 2014, after adjustments	as at Jan 1, 2013, after adjustments
Liabilities for issued guarantees and other types of collateral for liabilities of JP EPS	118,200,272	114,850,695	145,567,162
Receivables for received guarantees and other types of collateral for liabilities of JP EPS	63,387,318	40,827,777	-
Written off equity investments	138,977	139,241	260,934
<b>Total</b>	<b>181,726,567</b>	<b>155,817,713</b>	<b>145,828,096</b>

**34. CONTINGENT LIABILITIES AND COMMITMENTS****Litigation**

As of December 31, 2014, the Company recognized provisions against potential losses arising from litigations in the amount of RSD 4,337,436 thousand (December 31, 2013 RSD: 3,827,108 thousand).

In the assessment of the Company's management, no additional materially significant losses are anticipated upon resolution of the remaining legal suits filed against the Company for which no provisions were formed.

**Commitments**

For the purpose of acquiring property, plant and equipment for its own needs and for the account of its subsidiaries, the Company has commitments towards the following suppliers:

Supplier	Contractual amount (RSD)	Realized until December 31, 2014	Advances Paid	Beneficiary
Clyde Bergemann DRYCON GmbH	1,414,041,080.04	1,057,522,956.01	57,873,122.78	TE KO Kostolac
Goša montaža ad	835,844,982.65	562,159,787.48	42,671,318.83	TE KO Kostolac
Hitachi Power Europe GmbH	3,175,155,375.00	2,857,639,837.50	63,503,107.50	TENT
Minel kotlogradnja ad	1,220,191,042.91	1,134,778,056.63	14,099,731.63	TENT
China national machinery & equipment import & export corporation (CMEC)	34,278,312,783.00	16,482,937,743.64	5,338,612,512.50	TE KO Kostolac
Sandvik Mining and Construction Materials Handling GmbH	1,739,441,558.90	226,348,691.03	151,309,287.27	RB Kolubara
KOPEX S.A.	3,421,785,840.91	1,041,864,855.69	237,992,099.49	RB Kolubara
ThyssenKrupp Resource Technologies	3,738,698,159.37	508,252,624.48	646,089,106.98	RB Kolubara
Montprojekt doo Beograd	220,604,473.29	5,878,573.38	20,293,711.19	RB Kolubara
Consortium Mibrag Consulting International and RWE Power International RE GmbH	301,142,622.01	171,014,357.17	13,012,826.97	RB Kolubara
				Drinsko- Limske
Voith Hydro GmbH & CoKG	7,638,438,626.90	-	763,843,862.69	hidroelektrane
<b>Total</b>	<b>57,983,656,544.97</b>	<b>24,048,397,483.01</b>	<b>7,349,300,687.84</b>	

**Environmental Protection**

The Company's Business Plan specifies the amount of EPS' investment in environmental protection activities (e.g., installation of desulphurization equipment, disposal of ash and coal mining scrap, stabilization of the terrain surrounding dams, protection of ground waters, waste-water treatment and the like). No related provision has been formed in the Company's books of account, since EPS' management holds that all future expenses will be directly attributable to assets purchased for the purposes of environmental protection.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 35. OPERATING RISKS

For the purpose of reviewing the financial position, effectiveness and changes in the financial position of the Company, additional information is provided with respect to financial instruments so as to assess their significance on the Company's financial position and performance.

As disclosed in Notes to the consolidated financial statements, the Company does not have financial instruments classified as instruments at fair value through profit and loss. Financial assets and liabilities are recognized at amortized value using the effective interest method.

According to the data made available by the NBS, the reference interest rate as of the balance sheet date equalled 8%.

However, the Company is exposed to market risk (currency and interest rate risks), liquidity risk and credit risk, as described below.

*Currency Risk*

The Company is exposed to currency risk as it enters into foreign currency transactions in connection with the purchase of equipment and the settlement and reconciliation of sales revenue and expenses. In the absence of an active market, the Company does not make use of financial hedging instruments in an effort to decrease its foreign exchange exposure. In addition, the most significant portion of the Company's liabilities based on borrowings is denominated in foreign currencies. The value of monetary items the payment or collection of which is executed in other than functional currency was as follows:

The table below presents the Company's credit risk exposure as at December 31, 2014 in thousands of RSD:

In thousands of RSD	EUR	JPY	DKK	SEK	CHF	GBP	USD	XDR	Total
Cash and cash equivalents	2,475,403	28,439	52	10	8,601	487	1,541,670	0	4,054,663
Receivables	1,863,586	0	0	0	0	0	10,037,317	0	11,900,903
Short-term financial investments	169,932	0	0	0	0	0	0	0	169,932
Long-term financial investments	519,009	0	0	0	0	0	0	0	519,009
Other receivables	3,754,987	0	0	0	698	0	6,425,214	0	10,180,900
<b>Total</b>	<b>8,782,918</b>	<b>28,439</b>	<b>52</b>	<b>10</b>	<b>9,299</b>	<b>487</b>	<b>18,004,201</b>	<b>0</b>	<b>26,825,406</b>
Short-term financial liabilities	6,982,273	350,749	0	0	1,391,895	0	12,142,730	84,988	20,952,634
Operating liabilities	9,239,297	33,121	0	0	0	0	2,468,727	0	11,741,145
Long-term liabilities	36,874,895	1,855,298	0	0	6,555,417	0	26,167,630	1,614,775	73,068,015
Other liabilities	1,668,407	180,450	0	0	142,369	0	233,699	3,718	2,228,643
<b>Total</b>	<b>54,764,872</b>	<b>2,419,618</b>	<b>0</b>	<b>0</b>	<b>8,089,680</b>	<b>0</b>	<b>41,012,786</b>	<b>1,703,482</b>	<b>107,990,437</b>
Net foreign currency position as at December 31, 2014	(45,981,954)	(2,391,179)	52	10	(8,080,381)	487	(23,008,584)	(1,703,482)	(81,165,031)

The table below presents the Company's credit risk exposure as at December 31, 2013 in thousands of RSD:

In thousands of RSD	EUR	JPY	DKK	SEK	CHF	GBP	USD	XDR	Total
Cash and cash equivalents	2,769,054	27,084	65	10	7,981	432	1,507,165	0	4,311,792
Receivables	6,163,023	0	0	0	0	0	7,401,453	0	13,564,476
Short-term financial investments	122,740	0	0	0	0	0	31,082	0	153,822
Long-term financial investments	400,476	0	0	0	0	0	0	0	400,476
Other receivables	3,166,905	0	0	0	0	0	7,850,991	0	11,017,896
<b>Total</b>	<b>12,622,199</b>	<b>27,084</b>	<b>65</b>	<b>10</b>	<b>7,981</b>	<b>432</b>	<b>16,790,691</b>	<b>0</b>	<b>29,448,463</b>
Short-term financial liabilities	5,545,307	250,352	0	0	937,108	0	9,020,647	0	15,753,415
Operating liabilities	3,221,054	14,130	0	0	172,689	0	2,459,923	0	5,867,796
Long-term liabilities	25,751,861	1,753,528	0	0	6,456,919	0	18,411,767	1,510,458	53,884,533
Other liabilities	1,118,736	116,482	0	0	93,124	0	290,825	0	1,619,167
<b>Total</b>	<b>35,636,959</b>	<b>2,134,492</b>	<b>0</b>	<b>0</b>	<b>7,659,840</b>	<b>0</b>	<b>30,183,162</b>	<b>1,510,458</b>	<b>77,124,911</b>
Net foreign currency position as at December 31, 2013	(23,014,760)	(2,107,408)	65	10	(7,651,859)	432	(13,392,470)	(1,510,458)	(47,676,448)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014

The table below presents the Company's foreign currency risk exposure as at December 31, 2014:

In currency	EUR	JPY	DKK	SEK	CHF	GBP	USD	XDR
Cash and cash equivalents	20,464,932	34,223,472	3,200	765	85,543	3,146	15,499,765	0
Receivables	15,406,845	0	0	0	0	0	100,913,965	0
Short-term financial investments	1,404,883	0	0	0	0	0	0	0
Long-term financial investments	4,290,809	0	0	0	0	0	0	0
Other receivables	31,043,653	0	0	0	6,940	0	64,598,325	0
<b>Total</b>	<b>72,611,122</b>	<b>34,223,472</b>	<b>3,200</b>	<b>765</b>	<b>92,483</b>	<b>3,146</b>	<b>181,012,055</b>	<b>0</b>
Short-term financial liabilities	57,724,629	422,087,870	0	0	13,843,195	0	122,081,531	589,942
Operating liabilities	76,384,149	39,856,965	0	0	0	0	24,820,285	0
Long-term liabilities	304,856,261	2,232,646,277	0	0	65,197,409	0	263,086,176	11,208,906
Other liabilities	13,793,243	217,152,053	0	0	1,415,937	0	2,349,580	25,810
<b>Total</b>	<b>452,758,283</b>	<b>2,911,743,165</b>	<b>0</b>	<b>0</b>	<b>80,456,542</b>	<b>0</b>	<b>412,337,573</b>	<b>11,824,659</b>
Net foreign currency position as at								
December 31, 2014	380,147,160	(2,877,519,693)	3,200	765	(80,364,059)	3,146	(231,325,518)	(11,824,659)

The table below presents the Company's foreign currency risk exposure as at December 31, 2013:

In currency	EUR	JPY	DKK	SEK	CHF	GBP	USD	XDR
Cash and cash equivalents	24,153,902	34,223,472	4,250	765	85,316	3,152	18,130,613	0
Receivables	53,758,810	0	0	0	0	0	89,036,614	0
Short-term financial investments	1,070,639	0	0	0	0	0	373,904	0
Long-term financial investments	3,493,274	0	0	0	0	0	0	0
Other receivables	27,624,279	0	0	0	0	0	94,444,373	0
<b>Total</b>	<b>110,100,905</b>	<b>34,223,472</b>	<b>4,250</b>	<b>765</b>	<b>85,316</b>	<b>3,152</b>	<b>201,985,504</b>	<b>0</b>
Short-term financial liabilities	48,370,599	316,340,840	0	0	10,017,492	0	108,514,890	0
Operating liabilities	28,096,611	17,853,967	0	0	1,846,010	0	29,591,920	0
Long-term liabilities	224,628,310	2,215,732,515	0	0	69,023,112	0	221,486,410	11,798,849
Other liabilities	9,758,510	147,185,449	0	0	995,472	0	3,498,506	0
<b>Total</b>	<b>310,854,030</b>	<b>2,697,112,770</b>	<b>0</b>	<b>0</b>	<b>81,882,086</b>	<b>0</b>	<b>363,091,726</b>	<b>11,798,849</b>
Net foreign currency position as at								
December 31, 2013	200,753,126	(2,662,889,298)	4,250	765	(81,796,770)	3,152	(161,106,222)	(11,798,849)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014

*Interest Rate Risk*

The exposure to interest rate risk relates to the possibility that the value of the Company's debts will fluctuate due to the changes in market interest rates. In the absence of an active market, the Company does not make use of financial hedging instruments in an effort to decrease its interest rate risk exposure. What follows is the review of risk exposure arising, inter alia, from borrowings at the effective interest rate, as disclosed in Note 27.

	December 31, 2014	In thousands of RSD As at January 1, 2014
<b>Financial assets</b>		
<b><i>Non-interest bearing</i></b>		
Equity investments	1,478,550	1,239,099
Long-term investments	879,122	637,205
Accounts receivable	18	112,012
Other receivables	613,321	671,717
Cash and cash equivalents	1,194,803	217,449
	<u>4,165,814</u>	<u>2,877,482</u>
<b><i>Fixed interest rate</i></b>		
Long-term investments	492,780	4,530,102
Short-term loans and other short-term financial assets	731,133	5,070,712
Cash and cash equivalents	28,777,742	31,643,693
	<u>30,001,655</u>	<u>41,244,507</u>
<b><i>Variable interest rate</i></b>		
Long-term investments	1,259,276	1,460,792
Accounts receivable	39,462,819	37,820,832
Short-term loans and other short-term financial assets	905,988	1,765,132
Other receivables	1,947,514	42,563,611
Cash and cash equivalents	1,208,787	3,662,955
	<u>44,784,384</u>	<u>87,273,322</u>
	<u>78,951,853</u>	<u>131,395,311</u>
<b>Financial liabilities</b>		
<b><i>Non-interest bearing</i></b>		
Accounts payable	16,297,054	7,148,450
Other liabilities	974,991	960,013
Short-term financial liabilities	620	620
	<u>17,272,665</u>	<u>8,109,083</u>
<b><i>Fixed interest rate</i></b>		
Long-term borrowings	31,243,906	28,472,427
Other long-term liabilities	-	833,722
Current portion of long-term borrowings	2,798,904	2,713,495
Short-term financial liabilities	279,639	718,232
	<u>34,322,449</u>	<u>32,737,876</u>
<b><i>Variable interest rate</i></b>		
Long-term borrowings	46,133,034	37,628,703
Other long-term liabilities	449,685	1,464,756
Accounts payable	6,479,214	5,685,690
Other liabilities	3,390,577	44,497,947
Current portion of long-term borrowings	15,021,805	13,533,515
Short-term financial liabilities	10,917,435	8,189,193
	<u>82,391,750</u>	<u>110,999,804</u>
	<u>133,986,864</u>	<u>151,846,763</u>
Net interest rate risk exposure	<u>(37,607,366)</u>	<u>(23,726,482)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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*Credit Risk*

The Company is exposed to credit risk in the instances in which its customers default on their obligations. The Company's exposure to credit risk is limited to the carrying value of accounts receivable and other receivables. Accounts receivable correspond to a significant number of customers (3.3 million) and have normal credit terms, and thus, the individual concentrations of credit risk are not considered significant. Accounts and other receivables are presented in the accompanying consolidated financial statements net of allowances for bad and doubtful receivables, as estimated by the Company's management based on historical experience and present economic condition in the environment in which the Company operates. The average days' sales outstanding in 2014 (determined based on the net value of receivables) counted 66 days (2013: 64 days).

As of the consolidated balance sheet date, the financial assets – accounts receivable that were/were not past due and are impaired/unimpaired were as follows:

Trade receivables as at December 31, 2014	Gross exposure	Allowance for impairment	Net exposure
Unmatured trade receivables	31,219,671	751,727	30,467,944
Matured, impaired trade receivables	118,499,374	118,499,374	-
Matured, unimpaired trade receivables	8,994,893	-	8,994,893
	158,713,938	119,251,101	39,462,837

Trade receivables as at January 1, 2014	Gross exposure	Allowance for impairment	Net exposure
Unmatured trade receivables	25,881,739	479,094	25,402,645
Matured, impaired trade receivables	98,224,949	98,224,949	-
Matured, unimpaired trade receivables	12,530,199	-	12,530,199
	136,636,887	98,704,043	37,932,844

*Liquidity Risk*

The Company uses no financial instruments in order to decrease liquidity risks. The balances of contractually agreed financial assets mature for collection as presented in the following summary:

2014	In thousands of RSD					
	Within a Month	From 1 to 3 Months	From 3 Months to a Year	From 1 to 5 Years	Over 5 Years	Total
Equity investments	-	-	-	-	1,478,550	1,478,550
Long-term financial investments	-	-	-	-	879,122	879,122
Trade receivables	18	-	-	-	-	18
Other receivables	1	-	613,320	-	-	613,321
Cash and cash equivalents	1,194,803	-	-	-	-	1,194,803
<b>Non-interest bearing</b>	1,194,822	-	613,320	-	2,357,672	4,165,814
Long-term financial investments	-	-	-	-	492,780	492,780
Short-term loans and other short-term financial placements	-	-	731,133	-	-	731,133
Cash and cash equivalents	28,777,742	-	-	-	-	28,777,742
<b>Fixed interest rate</b>	28,777,742	-	731,133	-	492,780	30,001,655
Long-term financial investments	-	-	-	968,011	291,265	1,259,276
Trade receivables	39,462,819	-	-	-	-	39,462,819
Short-term loans and other short-term financial placements	-	270,341	635,647	-	-	905,988
Other receivables	792,436	-	1,155,078	-	-	1,947,514
Cash and cash equivalents	1,208,787	-	-	-	-	1,208,787
<b>Variable interest rate</b>	41,464,042	270,341	1,790,725	968,011	291,265	44,784,384
	71,436,606	270,341	3,135,178	968,011	3,141,717	78,951,853

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2013	In thousands of RSD					
	Within a Month	From 1 to 3 Months	From 3 Months to a Year	From 1 to 5 Years	Over 5 Years	Total
Equity investments	-	-	-	-	1,239,099	1,239,099
Long-term financial investments	-	-	-	-	637,205	637,205
Trade receivables	112,012	-	-	-	-	112,012
Other receivables	67,927	-	603,790	-	-	671,717
Cash and cash equivalents	217,449	-	-	-	-	217,449
<b>Non-interest bearing</b>	<b>397,388</b>	<b>-</b>	<b>603,790</b>	<b>-</b>	<b>1,876,304</b>	<b>2,877,482</b>
Long-term financial investments	-	-	-	-	4,530,102	4,530,102
Short-term loans and other short-term financial placements	-	5,070,712	-	-	-	5,070,712
Cash and cash equivalents	31,643,693	-	-	-	-	31,643,693
<b>Fixed interest rate</b>	<b>31,643,693</b>	<b>5,070,712</b>	<b>-</b>	<b>-</b>	<b>4,530,102</b>	<b>41,244,507</b>
Long-term financial investments	-	-	-	1,140,729	320,063	1,460,792
Trade receivables	37,817,838	-	2,994	-	-	37,820,832
Short-term loans and other short-term financial placements	1,171,039	122,740	471,353	-	-	1,765,132
Other receivables	42,395,877	-	167,734	-	-	42,563,611
Cash and cash equivalents	3,662,955	-	-	-	-	3,662,955
<b>Variable interest rate</b>	<b>85,047,709</b>	<b>122,740</b>	<b>642,081</b>	<b>1,140,729</b>	<b>320,063</b>	<b>87,273,322</b>
	<b>117,088,790</b>	<b>5,193,452</b>	<b>1,245,871</b>	<b>1,140,729</b>	<b>6,726,469</b>	<b>131,395,311</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014

*Liquidity Risk (Continued)*

The balances of contractually agreed financial liabilities mature for payment as presented in the following summary:

2014	In thousands of RSD					
	Within a Month	From 1 to 3 Months	From 3 Months to a Year	From 1 to 5 Years	Over 5 Years	Total
Trade payables	-	12,071,160	4,225,894	-	-	16,297,054
Other liabilities	476,537	498,454	-	-	-	974,991
Short-term financial liabilities	-	-	620	-	-	620
<b>Non-interest bearing</b>	476,537	12,569,614	4,226,514	-	-	17,272,665
Long-term loans	-	-	-	11,134,533	20,109,373	31,243,906
Current maturities of long-term loans	1,552,365	69,335	1,177,204	-	-	2,798,904
Short-term financial liabilities	-	-	279,639	-	-	279,639
<b>Fixed interest rate</b>	1,552,365	69,335	1,456,843	11,134,533	20,109,373	34,322,449
Long-term loans	-	-	-	13,708,595	32,424,439	46,133,034
Other long-term liabilities	-	-	-	84,701	364,984	449,685
Trade payables	5,137,974	1,341,240	-	-	-	6,479,214
Other liabilities	3,390,577	-	-	-	-	3,390,577
Current maturities of long-term loans	2,718,839	2,554,625	9,748,341	-	-	15,021,805
Short-term financial liabilities	-	-	10,917,435	-	-	10,917,435
<b>Variable interest rate</b>	11,247,390	3,895,865	20,665,776	13,793,296	32,789,423	82,391,750
	13,276,292	16,534,814	26,349,133	24,927,829	52,898,796	133,986,864

2013	In thousands of RSD					
	Within a Month	From 1 to 3 Months	From 3 Months to a Year	From 1 to 5 Years	Over 5 Years	Total
Trade payables	-	6,750,704	397,746	-	-	7,148,450
Other liabilities	527,297	432,716	-	-	-	960,013
Short-term financial liabilities	-	-	620	-	-	620
<b>Non-interest bearing</b>	527,297	7,183,420	398,366	-	-	8,109,083
Long-term loans	-	-	-	7,952,099	20,520,328	28,472,427
Other long-term liabilities	-	-	-	833,722	-	833,722
Current maturities of long-term loans	1,232,880	399,885	1,080,730	-	-	2,713,495
Short-term financial liabilities	-	-	718,232	-	-	718,232
<b>Fixed interest rate</b>	1,232,880	399,885	1,798,962	8,785,821	20,520,328	32,737,876
Long-term loans	-	-	-	26,495,348	11,133,355	37,628,703
Other long-term liabilities	-	-	-	226,204	1,238,552	1,464,756
Trade payables	4,935,612	750,078	-	-	-	5,685,690
Other liabilities	44,497,947	-	-	-	-	44,497,947
Current maturities of long-term loans	1,778,912	1,591,871	10,162,732	-	-	13,533,515
Short-term financial liabilities	-	-	8,189,193	-	-	8,189,193
<b>Variable interest rate</b>	51,212,471	2,341,949	18,351,925	26,721,552	12,371,907	110,999,804
	52,445,351	2,741,834	20,150,887	35,507,373	32,892,235	143,737,680

*Taxation Risks*

The Republic of Serbia tax legislation is subject to varying interpretations. The fiscal periods remain open to review by the tax and customs' authorities with respect to tax liabilities for a period of ten years.

**36. LOSSES OF ELECTRICAL POWER**

Throughout the normal course of business, the Company incurs substantial technical and non-technical losses of electrical power. Technical losses arise upon the transmission of electricity to the end-users. Non-technical losses represent the electricity consumed by users which the Company is unable to identify and invoice. In 2013, the Company incurred total distribution losses of 14.83% or 4,215 GWh (2013: 14.83% or 4,487 GWh), which represents the total difference between purchased and sold electricity and includes technical and non-technical losses.

**37. SUBSEQUENT EVENTS***a) Change of Legal Form*

Subsequent to the balance sheet date, the owner intends to change the legal form of the public company. Namely, the Law on the Right to Free of Charge Shares and Money Consideration Exercised by Citizens within the Process of Privatization (Official Gazette of RS number 123/07) governs the exercise of citizens' rights to money consideration on the account of the sale of shares or stakes (hereinafter: money consideration) recorded in the Privatization Register kept in accordance with the Law on Privatization ("Official Gazette of the Republic of Serbia," nos. 38/01, 18/03 and 45/05) and to the transfer without consideration of shares in enterprises and business companies specified by this Law (hereinafter: transfer of shares).

Holders of rights realize their entitlement to share distribution free of charge (hereinafter: free of charge shares) in the Public Enterprise "Electric Power Industry of Serbia" from Belgrade, i.e. in business entities with majority state-owned capital and business entities performing activities of general interest, where the capital distributed as shares free of charge equals 15% of the core capital of any business entity.

Also, employees and ex-employees in a company that has undergone privatization are entitled to the transfer of shares of such company free of charge in the amount of EUR 200 per full year of employment in such company, reported at the estimated market value of such company's total capital before undergoing privatization, calculated in dinar equivalent using medium exchange rate of the National Bank of Serbia prevailing on the day of making assessment, up to a maximum of 35 years of employment. Employees and ex-employees within the meaning of the Law are considered to be employees and ex-employees of the Public Enterprise "Electric Power Industry of Serbia" from Belgrade and employees and ex-employees of the Public Enterprise "Elektromreža Srbije" from Belgrade, Public Enterprise for Underground Coal Exploitation "Resavica," Public Enterprise "Kopovi Kosova," Public Enterprise "Termoelektrane Kosovo" and Public Enterprise "Elektrokosmet," as well as their legal predecessors. The capital stated in shares transferred free of charge to employees and ex-employees is not held to be a portion of capital transferred free of charge to citizens.

The deadline for transferring shares to employees and ex-employees of a business entity is set 6 months following the Privatization of the business entity based on an official Government's enactment. Within the deadline set for submitting applications, July 30, 2008, the citizens entitled to a cash consideration and transfer of shares free of charge were determined, as were the employees and ex-employees of JP EPS.

In addition, legal status of each of the subsidiaries has been harmonized with the Company Law with regard to management and other issues relevant to their status.

Under the Memorandum on the Budget and Fiscal Policy, for the past few years the Republic of Serbia has focused on the corporatization of public enterprises, including JP EPS, in accordance with commitments assumed under the Agreement on Stabilization and Association entered into by and between the European Union and the Republic of Serbia. Given the aforesaid and taking into consideration the changes in the legislation, particularly in respect of conditions and manner of performing energy-related activities, public enterprises and business companies, at its session held on November 16, 2012, the Government of the Republic of Serbia enacted Conclusion 05 no. 023-784/202 whereby it adopted the Preliminary Basis for Reorganization in JP EPS. The aforesaid document delineates the basic concept and directions of reorganization of JP EPS and its subsidiaries. Pursuant to the RS Government's Conclusion, the highest priority activity is the change of legal form of JP EPS into a shareholding company, with the enactment of the necessary decisions that fall under the Government's remit in exercising the founder's rights.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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As disclosed in Note 1, the founder shall harmonize the Parent Company's Article of Incorporation with the Law on Public Enterprises (Official Gazette of the Republic of Serbia, no. 119/2012, effective from December 25, 2012), where on February 20, 2014 the Government of the Republic of Serbia gave its approval on the Statute of the Public Enterprise Electric Power Industry of Serbia. After balance sheet date the Company will harmonize the articles of association of its subsidiary companies.

In this regard, the Serbian Government accepted the Program for Reorganization of the Public Enterprise „Elektroprivreda Srbije“, Beograd, based on Resolution number 023-15149/2014 dated November 27, 2014, which will include improvements in management within the existing organizational structure, changes in legal status and organizational harmonization, implementation of activities initiated in regard to establishing ownership over property owned by JP EPS and its subsidiaries, as well as the previous condition for implementing changes of status and change in legal form of the Public Enterprise into a shareholding company, which completes the process of corporate organization of the Public Enterprise „Elektroprivreda Srbije“.

As part of the activities of executing the change of status, the Supervisory Board adopted the Program for Change of Status in implementing the Program for Reorganization of the Public Enterprise „Elektroprivreda Srbije“, which specifies that starting as of July 1, 2015, the following shall be organized:

- one legal entity which will perform the commercial activity of production of electricity, coal production, wholesale supply of electricity and supply of electricity, by merging the existing seven subsidiary companies for the production of electricity and coal production, the Public Enterprise „Elektroprivreda Srbije“, as the parent company, and
- one legal entity for performing the commercial activity of electricity distribution and management of the distribution system (ODS), by merging the four existing companies for the distribution of electricity and management of the distribution system, with the fifth entity – Business entity for distribution of electricity "Elektrodistribucija Beograd".

In this regard, draft agreements on status changes have been published on the internet site of the Company and the Serbian Business Registers Agency. On May 25, 2015 the Supervisory Board adopted the decision on the change of status of a merger, to which the Founder gave his consent on May 29, 2015, with decisions published in the Official Gazette of RS number 48/2015.

*b) Investments in equity instruments*

In the previous reporting period, the Company invited potential strategic partners to submit their letters of interest and supply evidence that they comply with the necessary criteria set for entities interested in the joint investment in:

- the project of the Thermal Power Plant Nikola Tesla B3, associated with the construction and management of a new power plant located at the Thermal Power Plant Nikola Tesla B, with above-critical parameters of steam and power of about 700 MW,
- the project of the Thermal Power Plant Kolubara B (an organizational section of the subsidiary PD TENT d.o.o.), pertaining to the completion of construction and running the Thermal Power Plant on brown coal with the power of 2 x 350 MW.

In fact, based on the agreement achieved with the owner, the Board of Directors enacted the Decision on the Procedure for the selection of strategic partners for the joint construction of the aforementioned production capacities.

With regard thereto, upon the RS Government approval, JP EPS and EDISON S.p.A, Italy concluded a preliminary agreement in the tender procedure for the TE Kolubara B Project, stipulating the principles and rules to be applied and actions to be undertaken in order execute the feasibility stage, determine the deadlines for undertaking those and costs to prepare the feasibility study.

In addition to the aforesaid, as of October 20, 2011, the Cooperation Protocol was signed (came into effect as of the Government's approval date, November 10, 2011) by and between JP EPS and a Chinese Consortium comprised of the companies Shenzhen Energy Group Co. Ltd. and China Environmental Energy Holdings Co. Ltd. in order to realize Project TENT B3.

The subject of the Protocol is arrangement of the mutual relations with regard to the determining the basic directions of cooperation in energy sector project realization, particularly a more detailed regulation of relations in the preparation of the justifiability study and the detailed design for the realization of the TENT B3 project, involving financing, design, construction, placement into operation, management and maintenance of a thermal power plant or the power of 744 MW, and the related coal production project in order to provide fuel for the plant.

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Recognizable assets assumed will be subject to a non-cash contribution into the jointly controlled entity intended to be established with a chosen qualifying company. Accordingly, the reporting entity will select the relevant accounting policy for the first time.

During the previous reporting period, on September 12, 2012, and upon the prior consent of the Government granted on September 8, 2012, the Memorandum of Understanding has been closed with RWE Group (comprised in terms of this Memorandum of RWE AG, RWEI, RWE Innogy Serbia – subsidiary of RWEI for realization of renewable technologies in Serbia, RWE Technology – responsible for technical services to RWE AG), on the strategic partnership in order to achieve joint objectives of establishing and developing strategic cooperation between the parties within the energy sector of Serbia and the South-East European region.

*c) Sustainable Development Strategy*

For the purpose of successful competition era of economic relations on the global, regional, national, as well as the local level, the RS Government passed the National Sustainable Development Strategy and an Action Plan for the Implementation of the National Sustainable Development Strategy for the period 2009-2017 (Official Gazette of RS, nos. 57/08 and 22/09).

With regards to the needs for the construction of a new, and revitalization and upgrading of the existing infrastructure, as well as the fact that the production and consumption of energy puts greatest pressure on the environment in the Republic of Serbia, most significant investment are anticipated in the energy sector. This is at the same time the condition for the integration of domestic energy sector in the regional and European energy market.

According to the aforementioned, and based on international protocols in effect, the Memorandum of Understanding was signed with RWE AG, Germany whereby the cooperation is to be realized in the following projects: Đerdap III and six power plants on the Great Morava River.

*d) Energy Law*

The new Energy Law (Official Gazette of RS number 145/14, hereinafter: the new Law) superseded the Energy Law (Official Gazette of RS number 57/11,...124/12) on December 20, 2014. The new Law regulates the objectives of energy policy and ways of realizing them, conditions for reliable, save and quality supply of energy and fuel and conditions for secure supply of customers, protection of customers of energy and fuel, conditions and method for conducting energy activities, conditions for constructing new energy facilities, status and scope of work of the Energy Agency of Serbia, use of renewable energy sources, incentives and guarantees of origin, method for organizing and functioning electrical energy markets, natural gas and oil and oil derivatives, rights and obligations of market participants, establishing ownership over operator system networks, as well as supervision of implementation of the law. Besides this, the new Law normatively regulates the following:

- Energy activities performed by members of the EPS Group comprise: production of electricity, combined production of electricity and heat energy, distribution of electricity and management of the distribution system, distribution of electricity and management of a closed distribution system, supply of electricity and wholesale supply of electricity, where the activity of distribution of electricity and management of the distribution system is an activity of general public interest.
- Supply of electricity to households and small customers, is performed by the supplier as a public services (guaranteed supply), who is designated by the Government in accordance with this Law (guaranteed supplier).
- On the date of going into effect of this Law, the right to guaranteed supply as a public service belongs to households and small electricity suppliers. The supplier who supplied final customer until the date of going into effect of this law, shall continue to supply him. Customers who until the date of going into effect of this law had the status of small customers, and who in 2014 consumer electricity in excess of 30.000 kWh, starting as of July 1, 2015, shall no longer have the right to guaranteed supply.
- The price of energy, fuel and services provided by an energy company in performing energy activities are not regulated, except for regulated prices: the prices of access of the system of electricity transfer, the price of access to the system of electricity distribution and the price of associated services – primary regulation, regulation of voltage, voltage-off start and island operation. Besides these prices, the following prices can also be regulated: electricity price for guaranteed customers and the price of rental of reserves of electricity for system services for secondary and tertiary regulation (article 88 paragraph 3).
- The Energy Agency analyses once a year the need for regulating prices from article 88 paragraph 3 of the Law based on the realized level of competition on the domestic electricity market, achieved level of protection of energy deficient customers, development of the regional electricity market and estimation of available cross-border capacities and preparation and publishes a report on the need for further regulating those prices.

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- The energy company which on the date of going into effect of this law holds a license for performing the commercial activity of public electricity supply shall continue to supply households and small customers at regulated prices, and shall be required to conclude contracts on purchase of electricity and to settle obligations toward authorized producers and temporarily preferred electricity producers, with the rights and obligations of the guaranteed supplier, until the appointment of the guaranteed supplier in accordance with article 190 of the Law, as well as that the Agency is required by May 1, 2017, to publish the first report on the need for further regulating prices as per article 88 paragraph 1 point 1 of this Law.

*e) securing liquid funds*

In order to meet undertaken contractual obligations and with a view to executing planned activities, to which the Serbian Government granted its consent, collection of loan funds was performed after balance sheet date as follows:

No	Loan	Currency	Principal	Interest rate
	<b>Total</b>		<b>96.800.000,00</b>	
1	Unicredit banka ad Beograd	EUR	6,800,000.00	6M EURIBOR + 4.49% p.a.
2	Vojvodanska banka a.d.Novi Sad	EUR	15,000,000.00	6M EURIBOR+ 4.50% p.a.
3	Banka Poštanska štedionica a.d. Beograd	EUR	5,000,000.00	6M EURIBOR + 4.58% p.a.
4	AIK Banka a.d. Niš	EUR	5,000,000.00	6M EURIBOR + 4.72% p.a.
5	Banca Intesa a.d. Beograd	EUR	15,000,000.00	6M EURIBOR + 4.94% p.a.
6	Alpha bank A.E. Acting through branch	EUR	50,000,000.00	6M EURIBOR + 4.08% p.a.

The total amount of agreed loan funds were withdrawn in full.

*f) Financing of phase two of the Project Package Kostolac-B Power Plant Projects*

As indicated in Note 32, the Agreement on Economic and Technical Cooperation in the Area of Infrastructure was concluded on August 20, 2009, between the Government of the Republic of Serbia and the Government of the National Republic of China and was ratified by the National Assembly of Serbia (Official Gazette of RS – International Agreements, no. 90/09, 9/13, 11/13 and 13/13). The Agreement on Cooperation specifies that, among other things, cooperation shall include the supply of works, materials and services for the construction of electrical energy plants and facilities.

Based on the Agreement on Cooperation the Public Enterprise „Elektroprivreda Srbije“ Beograd and the business entity „TE-KO Kostolac“, on the one hand, and the Chinese company, China National Machinery & Equipment Import & Export Corporation (CMEC), on the other, on July 22, 2010 concluded the Framework Agreement for Realization of the Project Package KOSTOLAC-B POWER PLANT PROJECTS, JP EPS br. I-170/37-10, in the total amount of USD 1,060,230,000. The Framework Agreement specifies that the Project Package KOSTOLAC-B POWER PLANT PROJECTS shall be realized in two phases and that Phase One, in the amount of USD 344,630,000, and Phase Two, in the amount of USD 715,600,000, shall be financed from the approved loan in the amount of 85% of each Project phase.

The framework agreement for the realization of Phase Two of the Project Package KOSTOLAC-B POWER PLANT PROJECTS was concluded on November 20, 2013, between Public Enterprise „Elektroprivreda Srbije“ Beograd and the business entity „TE-KO Kostolac“ d.o.o. and CMEC, in the amount of USD 715,600,000.

In this respect, the company shall make advance payments in the amount of USD 106,590,000 from own resources within a period of 30 days as of the going into effect of the commercial agreement, which corresponds to 15% of the value of sections I and II of the concluded agreement.

The loan agreement for the preferred buyer for Phase Two of the Project Package KOSTOLAC-B POWER PLANT PROJECTS was signed on December 17, 2014, for financing 85% of the value of Phase Two of the Project Package in the amount of USD 608,260,000, and was confirmed by the National Assembly of the Republic of Serbia (Official Gazette of RS – International Agreement, number 02/15, dated January 20, 2015).



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e) Financing of the Project of Emergency Flood Relief (urgent loan from the International Bank for Renewal and Development)

The Serbian Government as part of the activities for alleviating the effects of floods secured an emergency loan from the International Bank for Renewal and Development (hereinafter: IBRD), in the total amount of EUR 227.48 million, for financing the Project of Emergency Flood Relief (Emergency Recovery Loan). The Emergency Recovery Loan no. 8449-YF dated October 9, 2014 was confirmed by the National Assembly of the Republic of Serbia (Official Gazette of RS – International Agreements, number 17/14 dated December 9, 2014).

A part of these funds in the amount of EUR 157,107 million was intended for financing Part I of the Project for which the Public Enterprise „Elektroprivreda Srbije“ Beograd, is designated as leader. Based on Government Resolution 05 Number: 48-1016/2015 dated January 31, 2015, the Serbian Government adopted the Draft Sub-Agreement on the Loan for Financing the Realization of Part I of the Emergency Flood Relief Project (hereinafter: the Loan Agreement). The loan funds are effective as of March 6, 2015. The amount of EUR 96,621,960.57 was drawn down, with another scheduled drawdown in the amount of EUR 2,398,393.17.

### 39. EXCHANGE RATES

The official exchange rates for major currencies as determined at the interbank foreign exchange market and used in the translation of balance sheet components denominated in foreign currencies into dinars were as follows:

	December 31, 2014	December 31, 2013
EUR	120.9583	114.64210
DKK	16.2395	15.36020
JPY	0.83099	0.79140
SEK	12.8395	12.94030
CHF	100.5472	93.54720
GBP	154.8365	136.96790
USD	99.4641	83.12820
XDR	144.06180	128.01740

Signed on behalf of Public Enterprise Electric Power Industry of Serbia, Belgrade, by:

Aleksandar Obradović,  
General Manager

Aleksandar Surla,  
Executive Director of Department for Economic Accounts  
and Financial Affairs

Dragan Jonkić,

Department Director