

**PUBLIC ENTERPRISE ELEKTROPRIVREDA SRBIJE  
BEOGRAD**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
AND INDEPENDENT AUDITOR'S REPORT**



## ***Independent auditor's report***

**To the Management of Public Enterprise Elektroprivreda Srbije, Beograd**

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

We have audited the accompanying consolidated financial statements of Public Enterprise Elektroprivreda Srbije, Beograd (the „Company“) and its subsidiaries (the „Group“), which comprise the consolidated balance sheet as of 31 December 2015 and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes equity and consolidated cash flow statement for the year then ended and notes, comprising 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 fair presentation of these consolidated financial statements in accordance with the requirements of the Law on Accounting and accounting regulation effective in the Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



## **Report on the Consolidated Financial Statements (continued)**

### *Basis for Qualified Opinion*

As at 31 December 2015, intangible assets in the amount of RSD 1,753,849 thousand, buildings in the amount of RSD 1,040,064 thousand and assets under construction in the amount of RSD 10,980,310 thousand related to projects which are in progress for more than 3 years and for which the Group did not assess the recoverability as required by IAS 36 - Impairment of assets. Out of total amount of RSD 13,774,223 thousand, the amount of RSD 6,973,502 thousand relates to construction of the thermal power plant "Kolubara B", the amount of RSD 4,508,506 thousand relates to assets under construction in subsidiary Operator distributivnog sistema EPS distribucija d.o.o., Beograd while the remaining amount relates to various other projects. In the absence of information of the recoverable amount of these assets, we were unable to satisfy ourselves as to the carrying amount of those assets. The audit report for 2014 consolidated financial statements was qualified with this respect.

As at 31 December 2015 the Group's inventories are carried in the balance sheet at the amount of RSD 26,614,723 thousand (net of advances paid). Inventory balance includes slow moving inventories in the gross amount of RSD 6,858,024 thousand while the total provision amounts to RSD 3,194,006 thousand. In the absence of information to assess net realisable value of remaining balance of slow moving inventories in the amount of RSD 3,664,018 thousand, we were unable to satisfy ourselves as to the aforementioned carrying amount of inventories as of 31 December 2015.

As at 31 December 2015, the Group did not recognize a provision for decommissioning of landfills and dumps for ash and slag in Thermal Power Plants Kostolac, Kolubara, Morava, Nikola Tesla A and Nikola Tesla B, as required by IAS 37 - "Provisions, contingent liabilities and contingent assets". In the absence of information to assess the amount of provision for decommissioning, we were unable to satisfy ourselves as to the value of provisions, related assets and expenses in the consolidated financial statements.

As at 31 December 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 consolidated cash flow statement.

### *Qualified Opinion*

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the requirements of the Law on Accounting and accounting regulation effective in the Republic of Serbia.



## Report on Other Legal Matters

### *Report on the Annual Report*

In addition we have verified that the other information included in the annual report of the Group for the year ended 31 December 2015 is consistent with these consolidated financial statements. Management is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the consolidated financial statements based on our verification procedures.

### *Auditor's Responsibility*

We conducted our verification procedures in accordance with the International Standards on Auditing. Those standards require that we plan and perform the verification procedures to obtain reasonable assurance about whether the other information included in the annual report which describes matters that are also presented in the consolidated financial statements is, in all material respects, consistent with the relevant consolidated financial statements. We believe that the verification procedures performed provide a reasonable basis for our opinion.

### *Opinion*

In our opinion, the other information included in the annual report of the Group for the year ended 31 December 2015 is consistent, in all material respects, with the information contained in the consolidated financial statements.

Refer to the original signed  
Serbian version

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Milivoje Nešović  
Beograd  
Licensed Auditor

Belgrade, 13 July 2016

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Serbian version

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PricewaterhouseCoopers d.o.o.,

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

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

**BALANCE SHEET**  
As at 31 December 2015

- in thousands of Dinars -

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2014	Opening balance as at 1 January 2014
1	2	3	4	5	6	7
	<b>ASSETS</b>					
00	<b>A UNPAID SUBSCRIBED CAPITAL</b>	0001				
	<b>B FIXED ASSETS (0003 + 0010 + 0019 + 0024 + 0034)</b>	0002		<b>957,682,639</b>	<b>943,393,848</b>	<b>944,443,606</b>
01	<b>I. INTANGIBLE ASSETS (0004 + 0005 + 0006 + 0007 + 0008 + 0009)</b>	0003		<b>5,105,579</b>	<b>4,222,887</b>	<b>3,185,541</b>
010, p.o. 019	1. Investment in development	0004		-	-	
011, 012, p.o. 019	2. Concessions, patents, licenses, similar rights, software and other rights	0005	22	1,018,025	989,597	803,134
013, p.o. 019	3. Goodwill	0006		-	-	
014, p.o. 019	4. Other intangible assets	0007	22	38,994	34,525	53,327
015, p.o. 019	5. Intangible assets in development	0008	22	4,048,560	3,198,765	2,329,080
016, p.o. 019	6. Advance payments for acquisition of intangible assets	0009		-	-	
02	<b>II. PROPERTY, PLANT AND EQUIPMENT (0011 + 0012 + 0013 + 0014 + 0015 + 0016 + 0017 + 0018)</b>	0010		<b>949,015,863</b>	<b>934,668,242</b>	<b>933,086,429</b>
020, 021, p.o. 029	1. Land	0011	22	39,415,804	37,859,612	34,551,039
022, p.o. 029	2. Buildings	0012	22	322,809,705	327,854,618	331,982,248
023, p.o. 029	3. Plant and equipment	0013	22	495,582,893	491,294,381	512,633,765
024, p.o. 029	4. Investment property	0014	22	556,557	451,727	457,658
025, p.o. 029	5. Other property, plant and equipment	0015	22	161,812	165,910	146,148
026, p.o. 029	6. Property, plant and equipment under construction	0016	22	63,211,668	66,303,831	41,688,064
027, p.o. 029	7. Investment in PPE owned by third parties	0017	22	1,064	1,121	1,178
028, p.o. 029	8. Advance payments for property, plant and equipment	0018	22	27,276,360	10,737,042	11,626,329

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2014	Opening balance as at 1 January 2014
1	2	3	4	5	6	7
03	III. BIOLOGICAL ASSETS (0020 + 0021 + 0022 + 0023)	0019		420,391	392,991	304,438
030, 031, p.o. 039	1. Forests and plantations	0020	22	420,391	392,991	304,438
032, p.o. 039	2. Livestock	0021		-	-	
037, p.o. 039	3. Biological assets under construction	0022		-	-	
038, p.o. 039	4. Advance payments for biological assets	0023		-	-	
04, except 047	IV. LONG TERM FINANCIAL INVESTMENTS (0025 + 0026 + 0027 + 0028 + 0029 + 0030 + 0031 + 0032 + 0033)	0024		2,357,135	3,325,683	3,062,033
040, p.o. 049	1. Investments in subsidiaries	0025		-	-	
041, p.o. 049	2. Investments in associates and joint ventures	0026	23	406,457	406,457	287,632
042, p.o. 049	3. Investments in other legal entities and other securities available for sale	0027	23	360,088	1,072,093	951,467
p.o. 043, p.o. 044, p.o. 049	4. Long-term loans to parent companies and to subsidiaries	0028		-	-	
p.o. 043, p.o. 044, p.o. 049	5. Long-term loans to other associated companies	0029	23	4,923	4,461	-
p.o. 045, p.o. 049	6. Long-term loans to domestic entities	0030	23	948,462	963,550	1,140,729
p.o. 045, p.o. 049	7. Long-term loans to foreign entities	0031		-	-	
046, p.o. 049	8. Securities held to maturity	0032		-	-	
048, p.o. 049	9. Other long term investment	0033	23	637,205	879,122	682,205
05	V. LONG TERM RECEIVABLES (0035 + 0036 + 0037 + 0038 + 0039 + 0040 + 0041)	0034		783,671	784,045	4,805,165
050, p.o. 059	1. Long term receivables – parent companies and subsidiaries	0035		-	-	
051, p.o. 059	2. Long term receivables – other associated entities	0036		-	-	
052, p.o. 059	3. Long term trade receivables	0037		-	-	
053, p.o. 059	4. Trade receivables for financial lease sales	0038		-	-	
054, p.o. 059	5. Long term receivables for guarantees	0039		-	-	
055, p.o. 059	6. Doubtful long term receivables	0040		-	-	
056, p.o. 059	7. Other long term receivables	0041	24	783,671	784,045	4,805,165
288	<b>C. DEFFERED TAX ASSETS</b>	0042				

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2014	Opening balance as at 1 January 2014
1	2	3	4	5	6	7
	<b>D. CURRENT ASSETS (0044 + 0051 + 0059 + 0060 + 0061 + 0062 + 0068 + 0069 + 0070)</b>	0043		<b>133,443,872</b>	<b>108,711,414</b>	<b>150,695,108</b>
1	I. INVENTORIES (0045 + 0046 + 0047 + 0048 + 0049 + 0050)	0044		<b>29,797,561</b>	<b>26,946,525</b>	<b>25,449,257</b>
10	1. Material	0045	25	24,249,250	22,266,692	21,301,427
11	2. Work in progress	0046	25	328,108	252,449	317,739
12	3. Finished products	0047	25	2,034,598	1,090,999	847,619
13	4. Merchandise (goods, purchase for sale)	0048	25	942	1,453	1,191
14	5. Non-current assets held for trading	0049	25	1,825	-	-
15	6. Advance payments	0050	25	3,182,838	3,334,932	2,981,281
20	II. TRADE RECEIVABLES (0052 + 0053 + 0054 + 0055 + 0056 + 0057 + 0058)	0051		<b>40,671,997</b>	<b>39,093,555</b>	<b>37,932,844</b>
200, p.o. 209	1. Trade receivables - domestic parent companies and subsidiaries	0052		-	-	-
201, p.o. 209	2. Trade receivables - foreign parent companies and subsidiaries	0053		-	-	-
202, p.o. 209	3. Trade receivables - domestic other associated entities	0054		-	-	2,994
203, p.o. 209	4. Trade receivables - foreign other related parties	0055		-	-	-
204, p.o. 209	5. Trade receivables - domestic third party	0056	26	39,295,982	37,612,077	35,525,631
205, p.o. 209	6. Trade receivables - foreign third party	0057	26	1,271,439	1,360,751	1,586,351
206, p.o. 209	7. Other trade receivables	0058	26	104,576	120,727	817,868
21	III. RECEIVABLES FROM SPECIFIC BUSINESS OPERATIONS	0059	27	389,750	325,098	42,334,206
22	IV. OTHER RECEIVABLES	0060	28	9,046,202	6,485,895	1,812,906
236	V. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	0061		-	-	-
23 except 236 and 237	VI. SHORT-TERM FINANCIAL INVESTMENTS (0063 + 0064 + 0065 + 0066 + 0067)	0062		<b>1,120,801</b>	<b>1,637,121</b>	<b>6,835,844</b>
230, p.o. 239	1. Short-term loans and investments in parent companies and subsidiaries	0063		-	-	-
231, p.o. 239	2. Short-term loans and investments in other related parties	0064		-	-	37,966
232, p.o. 239	3. Short term loans - domestic	0065	29	206,377	256,938	169,423
233, p.o. 239	4. Short term loans - foreign	0066		-	-	-

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2014	Opening balance as at 1 January 2014
1	2	3	4	5	6	7
234, 235, 238, p.o. 239	5. Other short term investments	0067	29	914,424	1,380,183	6,628,455
24	VII. CASH AND CASH EQUIVALENTS	0068	30	45,937,129	31,181,332	35,524,097
27	VIII. RECEIVABLES FOR VAT	0069	31	5,603,173	1,345,338	412,892
28 except 288	IX. PREPAYMENTS AND ACCURED INCOME	0070	32	877,259	1,696,550	393,062
	<b>E. TOTAL ASSETS = OPERATING ASSETS (0001 + 0002 + 0042 + 0043)</b>	0071		<b>1,091,126,511</b>	<b>1,052,105,262</b>	<b>1,095,138,714</b>
88	<b>F. OFF BALANCE ASSETS</b>	0072	43	264,368,258	181,726,567	155,817,713
	<b>EQUITY AND LIABILITIES</b>					
	<b>A. EQUITY (0402 + 0411 - 0412 + 0413 + 0414 + 0415 - 0416 + 0417 + 0420 - 0421) ≥ 0 = (0071 - 0424 - 0441 - 0442)</b>	0401		<b>781,376,116</b>	<b>781,952,202</b>	<b>797,213,633</b>
30	I. BASIC CAPITAL (0403 + 0404 + 0405 + 0406 + 0407 + 0408 + 0409 + 0410)	0402		<b>360,011,186</b>	<b>360,011,201</b>	<b>360,010,128</b>
300	1. Share capital	0403		-	-	
301	2. Stakes in limited liability companies	0404		-	-	
302	3. Participating interests	0405		-	-	
303	4. State owned capital	0406	33	359,939,739	358,718,711	358,717,940
304	5. Socially owned capital	0407		-	-	
305	6. Stakes in co-operatives	0408		-	-	
306	7. Share premiums	0409		-	-	
309	8. Other capital	0410	33	71,447	1,292,490	1,292,188
31	II. UNPAID SUBSCRIBED CAPITAL	0411		-	-	
047 and 237	III. OWN SHARES PURCHASED	0412		-	-	
32	IV. RESERVES	0413	33	668	-	
330	V. REVALUATION RESERVES FOR REVALUATION OF INTANGIBLES AND PPE	0414	33	537,676,267	547,186,288	552,917,654
33 except 330	VI. NON REALIZED PROFIT FROM SECURITIES (debit saldo of account group 33 except 330)	0415		-	-	



Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2014	Opening balance as at 1 January 2014
1	2	3	4	5	6	7
33 except 330	VII. NON REALIZED LOSSES FROM SECURITIES (credit saldo of account group 33 except 330)	0416	33	451,497	547,680	710,120
34	VIII. RETAINED EARNINGS (0418+0419)	0417		<b>6,986,344</b>	-	<b>19,281,435</b>
340	1. Retained earnings from previous years	0418		-	-	
341	2. Retained earnings from current year	0419	33	6,986,344	-	19,281,435
	IX. NON-CONTROLLING INTEREST	0420		-	-	
35	X. ACCUMULATED LOSS (0422+0423)	0421		<b>122,846,852</b>	<b>124,697,607</b>	<b>134,285,464</b>
350	1. Previous year's losses	0422	33	122,846,852	114,905,629	134,285,464
351	2. Current year loss	0423		-	9,791,978	
	<b>B. LONG - TERM PROVISIONS AND LIABILITIES (0425+0432)</b>	0424		<b>130,756,330</b>	<b>93,032,091</b>	<b>82,861,832</b>
40	I. LONG - TERM PROVISIONS (0426 + 0427 + 0428 + 0429 + 0430 + 0431)	0425		<b>17,325,654</b>	<b>15,124,923</b>	<b>14,381,681</b>
400	1. Provisions for costs incurred during the warranty period	0426		-	-	
401	2. Provisions for the recovery of natural resources	0427	34	2,487,490	2,002,121	1,623,469
403	3. Provisions for restructuring costs	0428		-	-	
404	4. Provisions for employees benefits	0429	34	10,203,975	8,605,572	8,739,826
405	5. Provisions for litigations	0430	34	4,478,672	4,337,436	3,827,108
402 and 409	6. Other long-term provisions	0431	34	155,517	179,794	191,278
41	II. LONG - TERM LIABILITIES (0433 + 0434 + 0435 + 0436 + 0437 + 0438 + 0439 + 0440)	0432		<b>113,430,676</b>	<b>77,907,168</b>	<b>68,480,151</b>
410	1. Liabilities that can be converted into capital	0433	35	80,543	80,543	80,543
411	2. Liabilities to parent companies and subsidiaries	0434		-	-	
412	3. Liabilities to other associated companies	0435		-	-	
413	4. Liabilities for long-term securities	0436		-	-	
414	5. Long-term loans - domestic	0437	35	44,355,445	47,079,464	42,861,187
415	6. Long-term loans - foreign	0438	35	68,673,270	30,297,476	23,239,943

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2014	Opening balance as at 1 January 2014
1	2	3	4	5	6	7
416	7. Liabilities for financial lease	0439	35	22,554	82,901	
419	8. Other long-term liabilities	0440	35	298,864	366,784	2,298,478
498	<b>C. DEFERRED TAX LIABILITIES</b>	0441	21	87,348,065	89,743,489	92,012,859
42 to 49 (except 498)	<b>D. SHORT-TERM LIABILITIES (0443 + 0450 + 0451 + 0459 + 0460 + 0461 + 0462)</b>	0442		<b>91,646,000</b>	<b>87,377,480</b>	<b>123,050,390</b>
42	I. SHORT-TERM FINANCIAL LIABILITIES (0444 + 0445 + 0446 + 0447 + 0448 + 0449)	0443		<b>26,673,610</b>	<b>29,018,403</b>	<b>25,155,055</b>
420	1. Short-term loans from parent companies and subsidiaries	0444		-	-	
421	2. Short-term loans from other associated companies	0445		-	-	
422	3. Short-term loans - domestic	0446		-	-	
423	4. Short-term loans - foreign	0447		-	-	
427	5. Liabilities for fixed assets and assets of discounting operations held for sale	0448		-	-	
424, 425, 426 and 429	6. Other short-term financial liabilities	0449	36	26,673,610	29,018,403	25,155,055
430	II. RECEIVED ADVANCES PAYMENTS, DEPOSITS AND BAILS	0450	37	3,428,017	3,038,822	3,906,181
43 except 430	III. LIABILITIES FROM BUSINESS OPERATIONS (0452 + 0453 + 0454 + 0455 + 0456 + 0457 + 0458)	0451		<b>17,241,393</b>	<b>23,259,275</b>	<b>13,181,747</b>
431	1. Trade payables - parent companies and subsidiaries - domestic	0452		-	-	
432	2. Trade payables - parent companies and subsidiaries - foreign	0453		-	-	
433	3. Trade payables - other associated companies - domestic	0454		-	-	290
434	4. Trade payables - other associated companies - foreign	0455		-	-	
435	5. Trade payables - domestic	0456	38	11,717,369	15,932,845	9,805,036
436	6. Trade payables - foreign	0457	38	4,944,240	6,928,911	3,065,427
439	7. Other liabilities from business operations	0458	38	579,784	397,519	310,994
44, 45 and 46	IV. OTHER SHORT-TERM LIABILITIES	0459	39	5,411,968	6,265,886	47,445,645
47	V. LIABILITIES FOR VALUE ADDED TAX	0460	40	11,303,757	1,264,825	4,545,590
48	VI. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND OTHER DUTIES	0461	41	5,893,000	3,077,939	11,077,615
49 except 498	VII. ACCRUALS AND DEFERRED INCOME	0462	42	21,694,255	21,452,330	17,738,557

Account group, account	ITEM	AOP	Note no.	Amount		
				Current year	Previous year	
					Closing balance as at 31 December 2014	Opening balance as at 1 January 2014
1	2	3	4	5	6	7
	<b>E. LOSS OVER CAPITAL</b> (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402) ≥ 0 = (0441+0424+0442-0071) ≥ 0	0463				
	<b>F. TOTAL EQUITY AND LIABILITIES</b> (0424+0442+0441+0401-0463) ≥ 0	0464		1,091,126,511	1,052,105,262	1,095,138,714
89	<b>G. OFF BALANCE LIABILITIES</b>	0465	43	264,368,258	181,726,567	155,817,713

In \_\_\_\_\_

Legal representative

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

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

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

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

**INCOME STATEMENT**  
for the period from 1 January 2015 to 31 December 2015

- in thousands of Dinars -

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	<b>REVENUES FROM REGULAR OPERATIONS</b>				
60 to 65, except 62 and 63	<b>A. OPERATING REVENUES (1002+1009+1016+1017)</b>	1001		<b>225,063,985</b>	<b>212,091,829</b>
60	I. INCOME FROM THE SALE OF MERCHANDISE (1003+1004+1005+1006+1007+1008)	1002		<b>13</b>	-
600	1. Sales of merchandise to parent companies and subsidiaries - domestic market	1003		-	-
601	2. Sales of merchandise to parent companies and subsidiaries - foreign market	1004		-	-
602	3. Sales of merchandise to other associated companies - domestic	1005		-	-
603	4. Sales of merchandise to other associated companies - foreign	1006		-	-
604	5. Sales of merchandise to domestic customers	1007	5	13	-
605	6. Sales of merchandise to foreign customers	1008		-	-
61	II. INCOME FROM SALES OF PRODUCTS AND SERVICE RENDERED (1010+1011+1012+1013+1014+1015)	1009		<b>219,273,474</b>	<b>202,732,445</b>
610	1. Sales of merchandise to parent companies and subsidiaries - domestic market	1010	5	-	-
611	2. Sales of merchandise to parent companies and subsidiaries - foreign market	1011	5	-	-
612	3. Sales of finished goods and services rendered to other associated entities - domestic	1012	5	791,803	642,039
613	4. Sales of finished goods and services rendered to other associated entities - foreign	1013	5	-	-
614	5. Sales of merchandise to domestic customers	1014	5	215,120,775	201,814,663
615	6. Sales of merchandise to foreign customers	1015	5	3,360,896	275,743
64	III. INCOME FROM PREMIUMS, SUBVENTIONS, DONATIONS, ETC.	1016	7	2,596,617	2,968,711
65	IV. OTHER OPERATING INCOME	1017	7	3,193,881	6,390,673
	<b>COSTS FROM REGULAR OPERATIONS</b>				
50 to 55, 62 and 63	<b>B. OPERATING EXPENSES (1019-1020-1021+1022+1023+1024+1025+1026+1027+1028+1029) ≥ 0</b>	1018		<b>192,419,226</b>	<b>187,259,531</b>

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
50	I. COST OF GOODS SOLD - COGS	1019		58,277	70,175
62	II. INCOME FROM THE OWN USE OF PRODUCTS, SERVICES AND MERCHANDISE	1020	6	5,366,956	6,265,358
630	III. INCREASE OF FINISHED GOODS, WORK IN PROGRESS AND SERVICES IN PROGRESS	1021		1,371,218	286,203
631	IV. DECREASE OF FINISHED GOODS, WORK IN PROGRESS AND SERVICES IN PROGRESS	1022		303,304	260,014
51 except 513	V. COST OF MATERIAL	1023	8	13,101,510	11,066,421
513	VI. COST OF FUEL AND ENERGY	1024	9	35,496,964	38,811,037
52	VII. COSTS OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	1025	10	60,469,515	55,655,336
53	VIII. COSTS OF PRODUCTION SERVICES	1026	11	21,438,790	19,982,855
540	IX. DEPRECIATION COSTS	1027	12, 22	39,591,648	38,916,920
541 to 549	X. LONG-TERM PROVISIONS COSTS	1028	13	6,710,736	3,847,781
55	XI. NON-PRODUCTION COSTS	1029	14	21,986,656	25,200,553
	<b>C. OPERATING PROFIT (1001-1018) ≥ 0</b>	1030		<b>32,644,759</b>	<b>24,832,298</b>
	<b>D. OPERATING LOSS (1018-1001) ≥ 0</b>	1031		-	-
66	<b>E. FINANCIAL INCOME (1033+1038+1039)</b>	1032		<b>14,901,309</b>	<b>15,727,148</b>
66, except 662, 663 and 664	I. FINANCIAL INCOME INCURRED WITH ASSOCIATED COMPANIES AND OTHER FINANCIAL INCOME (1034+1035+1036+1037)	1033		<b>946,991</b>	<b>538,441</b>
660	1. Financial income incurred with parent companies and subsidiaries	1034		-	-
661	2. Financial income incurred with other associated companies	1035	15	533,217	522,732
665	3. Income from share in associated entities and joint ventures	1036	15	204	-
669	4. Other financial income	1037	15	413,570	15,709
662	II. INCOME FROM INTEREST (FROM THIRD PARTIES)	1038	15	11,069,553	12,729,529
663 and 664	III. FX GAINS AND INCOME FOR THE EFFECTS OF CURRENCY CLAUSE	1039	15	2,884,765	2,459,178
56	<b>F. FINANCIAL EXPENSES (1041+1046+1047)</b>	1040		<b>12,333,736</b>	<b>14,418,156</b>
56, except 562, 563 and 564	I. FINANCIAL EXPENSES INCURRED WITH ASSOCIATED COMPANIES AND OTHER FINANCIAL EXPENSES (1042+1043+1044+1045)	1041		<b>489,647</b>	<b>292,766</b>
560	1. Financial expenses incurred with parent companies and subsidiaries	1042	16	-	-
561	2. Financial expenses incurred with other associated companies	1043		-	-
565	3. Losses for share in loss of associated companies and joint ventures	1044		-	-

Account group, account	ITEM	АОП	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
566 and 569	4. Other financial expenses	1045	16	489,647	292,766
562	II. COSTS OF INTERESTS (TO THIRD PARTIES)	1046	16	3,637,287	4,356,300
563 and 564	III. FX LOSSES AND LOSSES FOR CURRENCY CLAUSE EFFECTS	1047	16	8,206,802	9,769,090
	<b>G. FINANCIAL PROFIT (1032-1040)</b>	1048		<b>2,567,573</b>	<b>1,308,992</b>
	<b>H. FINANCIAL LOSS (1040-1032)</b>	1049		-	-
683 and 685	<b>I. INCOME FROM OTHER ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE</b>	1050	17	1,566,286	3,564,364
583 and 585	<b>J. EXPENSES FROM OTHER ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE</b>	1051	18	19,206,171	28,709,817
67 and 68, except 683 and 685	<b>K. OTHER INCOME</b>	1052	19	4,451,556	2,622,334
57 and 58, except 583 and 585	<b>L. OTHER EXPENSES</b>	1053	20	12,492,468	12,466,235
	<b>M. PROFIT FROM OPERATIONS BEFORE TAXATION (1030-1031+1048-1049+1050-1051+1052-1053)</b>	1054		<b>9,531,535</b>	-
	<b>N. LOSS FROM OPERATIONS BEFORE TAXATION (1031-1030+1049-1048+1051-1050+1053-1052)</b>	1055		-	<b>8,848,064</b>
69 minus 59	<b>O. NET OPERATING PROFIT FROM DISCONTINUED OPERATIONS</b>	1056		-	-
59 minus 69	<b>P. NET OPERATING LOSS FROM DISCONTINUED OPERATIONS</b>	1057		-	-
	<b>Q. PROFIT BEFORE TAXATION (1054-1055+1056-1057)</b>	1058		<b>9,531,535</b>	-
	<b>R. LOSS BEFORE TAXATION (1055-1054+1057-1056)</b>	1059		-	<b>8,848,064</b>
	<b>S. CORPORATE INCOME TAX</b>				
721	I. TAX EXPENSES FOR THE PERIOD	1060	21	4,865,567	3,213,269
p.o. 722	II. DEFERRED TAX COSTS FOR THE PERIOD	1061			
p.o. 722	III. DEFERRED TAX INCOME FOR THE PERIOD	1062	21	2,320,376	2,269,355
723	<b>T. EMPLOYER'S EARNINGS PAID OUT</b>	1063		-	-
	<b>U. NET PROFIT (1058-1059-1060-1061+1062-1063)</b>	1064		<b>6,986,344</b>	-
	<b>V. NET LOSS (1059-1058+1060+1061-1062+1063)</b>	1065		-	<b>9,791,978</b>
	I. NET PROFIT ATTRIBUTABLE TO MINORITY INVESTORS	1066			
	II. NET PROFIT ATTRIBUTABLE TO MAJORITY INVESTORS	1067		<b>6,986,344</b>	
	III. NET LOSS ATTRIBUTABLE TO MINORITY INVESTORS	1068			
	IV. NET LOSS ATTRIBUTABLE TO MAJORITY INVESTORS	1069			<b>9,791,978</b>

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	V. EARNINGS PER SHARE				
	1. Basic earnings per share	1070			
	2. Diluted earnings per share	1071			

In \_\_\_\_\_

Legal representative

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

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

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

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

**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
for the period from 1 January 2015 to 31 December 2015

- in thousands of Dinars -

Account group, account	ITEM	AOP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	<b>A, NET RESULT FROM OPERATIONS</b>				
	I, NET PROFIT (AOP 1064)	2001		6,986,344	
	II, NET LOSS (AOP 1065)	2002			9,791,978
	<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			
	b) decrease in revaluation reserves	2004		9,581,939	5,731,366
	2, Actuarial gains (losses) on defined benefit plans				
331	a) gains	2005			
	b) losses	2006			
	3, Gains or losses on investments in equity instruments				
332	a) gains	2007			
	b) losses	2008			
	4, Share of other comprehensive income of associates				
333	a) gains	2009			
	b) losses	2010			
	<b>b) Items that may be reclassified subsequently to profit or loss</b>				
	1, Foreign currency translation differences for foreign Operations				
334	a) gains	2011		243	1,117
	b) losses	2012			



Account group, account	ITEM	AOP	Note no,	Amount	
				Current year	Previous year
1	2	3	4	5	6
335	2, Gains and losses on hedge of investment in foreign operations				
	a) gains	2013			
	b) losses	2014			
336	3, Cash flow hedges				
	a) gains	2015			
	b) losses	2016			
337	4, Gains and losses on available for sale financial assets				
	a) gains	2017		95,940	
	b) losses	2018			548,797
	I, OTHER COMPREHENSIVE GROSS PROFIT (2003+2005+2007+2009+2011+2013+2015+2017) - (2004+2006+2008+2010+2012+2014+2016+2018) $\geq 0$	2019			
	II, OTHER COMPREHENSIVE GROSS LOSS (2004+2006+2008+2010+2012+2014+2016+2018) - (2003+2005+2007+2009+2011+2013+2015+2017) $\geq 0$	2020		9,485,756	6,279,046
	III, TAXES ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2021			
	IV, OTHER COMPREHENSIVE NET PROFIT (2019-2020-2021) $\geq 0$	2022			
	V, OTHER COMPREHENSIVE NET LOSS (2020-2019+2021) $\geq 0$	2023		9,485,756	6,279,046
	<b>C, TOTAL COMPREHENSIVE NET RESULT FOR THE PERIOD</b>				
	I, TOTAL COMPREHENSIVE NET PROFIT (2001-2002+2022-2023) $\geq 0$	2024			
	II, TOTAL COMPREHENSIVE NET LOSS (2002-2001+2023-2022) $\geq 0$	2025		2,499,412	16,071,024
	<b>D, TOTAL COMPREHENSIVE NET PROFIT OR LOSS (2027+2028) = AOP 2024 <math>\geq 0</math> or AOP 2025 <math>&gt; 0</math></b>	2026			
	1, Attributable to owners	2027		2,499,412	16,071,024
	2, Attributable to non-controlling interest	2028			

In \_\_\_\_\_

Legal representative

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

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

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

**STATEMENT OF CHANGES IN EQUITY**  
for the period from 01 January 2015 to 31 December 2015

- In thousands of Dinars –

No.	Description	Components of Equity					
		AOP	30	AOP	31	AOP	32
			Core equity		Unpaid subscribed equity		Reserves
1	2		3		4		5
	<b>Balance as at 01.01. of the previous year</b>						
1.	a) debit balance account	4001		4019		4037	
	b) credit balance account	4002	360,010,128	4020		4038	
	<b>Correction of material errors and changes in accounting policies</b>						
2.	a) corrections on the debit side of the account	4003		4021		4039	
	b) corrections to the credit side of the account	4004		4022		4040	
	<b>Adjusted opening balance as at 01.01. of the previous year</b>						
3.	a) corrected debit balance account (1a + 2a - 2b) ≥ 0	4005		4023		4041	
	b) corrected credit balance accounts (1b - 2a + 2b) ≥ 0	4006	360,010,128	4024		4042	
	<b>Changes in the previous year _____</b>						
4.	a) turnover on the debit side of the account	4007		4025		4043	
	b) turnover on the credit side of the account	4008	1,073	4026		4044	
	<b>Balance at the end of the previous year 31.12. _____</b>						
5.	a) debit account balance (3a + 4a - 4b) ≥ 0	4009		4027		4045	
	b) credit balance accounts (3b - 4a + 4b) ≥ 0	4010	360,011,201	4028		4046	
	<b>Correction of material errors and changes in accounting policies</b>						
6.	a) corrections on the debit side of the account	4011		4029		4047	
	b) corrections to the credit side of the account	4012		4030		4048	
	<b>Corrected opening balance of the current year 01.01. _____</b>						
7.	a) corrected debit balance accounts (5a + 6a - 6b) ≥ 0	4013		4031		4049	
	b) corrected credit balance accounts (5b - 6a + 6b) ≥ 0	4014	360,011,201	4032		4050	
	<b>Changes in the current year _____</b>						
8.	a) turnover on the debit side of the account	4015	15	4033		4051	
	b) turnover on the credit side of the account	4016		4034		4052	668
	<b>Balance at end of the year 31.12. _____</b>						
9.	a) debit balance account (7a + 8a - 8b) ≥ 0	4017		4035		4053	
	b) credit balance accounts (7b - 8a + 8b) ≥ 0	4018	360,011,186	4036		4054	668

No.	DESCRIPTION	Components of Equity					
		AOP	35	АОП	047 и 237	АОП	34
			Accumulated loss		Treasury shares		Retained Earnings
	2		6		7		8
	<b>Balance as at 01.01. of the previous year</b>						
1.	a) debit balance account	4055	134,177,442	4073		4091	
	b) credit balance account	4056		4074		4092	19,281,435
	<b>Correction of material errors and changes in accounting policies</b>						
2.	a) corrections on the debit side of the account	4057	108,022	4075		4093	
	b) corrections to the credit side of the account	4058		4076		4094	
	<b>Adjusted opening balance as at 01.01. of the previous year</b>						
3.	a) corrected debit balance account (1a + 2a - 2b) ≥ 0	4059	134,285,464	4077		4095	
	b) corrected credit balance accounts (1b - 2a + 2b) ≥ 0	4060		4078		4096	19,281,435
	<b>Changes in the previous year _____</b>						
4.	a) turnover on the debit side of the account	4061	11,108,527	4079		4097	19,281,435
	b) turnover on the credit side of the account	4062	20,696,384	4080		4098	
	<b>Balance at the end of the previous year 31.12 . _____</b>						
5.	a) debit account balance (3a + 4a - 4b) ≥ 0	4063	124,697,607	4081		4099	
	b) credit balance accounts (3b - 4a + 4b) ≥ 0	4064		4082		4100	
	<b>Correction of material errors and changes in accounting policies</b>						
6.	a) corrections on the debit side of the account	4065		4083		4101	
	b) corrections to the credit side of the account	4066		4084		4102	
	<b>Corrected opening balance of the current year 01.01. _____</b>						
7.	a) corrected debit balance accounts (5a + 6a - 6b) ≥ 0	4067	124,697,607	4085		4103	
	b) corrected credit balance accounts (5b - 6a + 6b) ≥ 0	4068		4086		4104	
	<b>Changes in the current year _____</b>						
8.	a) turnover on the debit side of the account	4069	1,336,894	4087		4105	
	b) turnover on the credit side of the account	4070	3,187,649	4088		4106	6,986,344
	<b>Balance at end of the year 31.12 . _____</b>						
9.	a) debit balance account (7a + 8a - 8b) ≥ 0	4071	122,846,852	4089		4107	
	b) credit balance accounts (7b - 8a + 8b) ≥ 0	4072		4090		4108	6,986,344

No.	DESCRIPTION	Components of Other Comprehensive Income					
		AOP	330	AOP	331	АОП	332
			Revaluation reserves		Actuarial gains or losses		Gains or losses on investment in equity instruments
1	2		9		10		11
	<b>Balance as at 01.01. of the previous year</b>						
1.	a) debit balance account	4109		4127		4145	
	b) credit balance account	4110	554,439,448	4128		4146	
	<b>Correction of material errors and changes in accounting policies</b>						
2.	a) corrections on the debit side of the account	4111	1,521,794	4129		4147	
	b) corrections to the credit side of the account	4112		4130		4148	
	<b>Adjusted opening balance as at 01.01. of the previous year</b>						
3.	a) corrected debit balance account (1a + 2a - 2b) ≥ 0	4113		4131		4149	
	b) corrected credit balance accounts (1b - 2a + 2b) ≥ 0	4114	552,917,654	4132		4150	
	<b>Changes in the previous year _____</b>						
4.	a) turnover on the debit side of the account	4115	5,731,366	4133		4151	
	b) turnover on the credit side of the account	4116		4134		4152	
	<b>Balance at the end of the previous year 31.12 . _____</b>						
5.	a) debit account balance (3a + 4a - 4b) ≥ 0	4117		4135		4153	
	b) credit balance accounts (3b - 4a + 4b) ≥ 0	4118	547,186,288	4136		4154	
	<b>Correction of material errors and changes in accounting policies</b>						
6.	a) corrections on the debit side of the account	4119		4137		4155	
	b) corrections to the credit side of the account	4120		4138		4156	
	<b>Corrected opening balance of the current year 01.01. _____</b>						
7.	a) corrected debit balance accounts (5a + 6a - 6b) ≥ 0	4121		4139		4157	
	b) corrected credit balance accounts (5b - 6a + 6b) ≥ 0	4122	547,186,288	4140		4158	
	<b>Changes in the current year _____</b>						
8.	a) turnover on the debit side of the account	4123	9,510,021	4141		4159	
	b) turnover on the credit side of the account	4124		4142		4160	
	<b>Balance at end of the year 31.12 . _____</b>						
9.	a) debit balance account (7a + 8a - 8b) ≥ 0	4125		4143		4161	
	b) credit balance accounts (7b - 8a + 8b) ≥ 0	4126	537,676,267	4144		4162	

No.	DESCRIPTION	Components of Other Comprehensive Income					
		AOP	333	AOP	334 и 335	AOP	336
			Gains or losses on share in OCI of associated entities		Gains or losses on foreign operations and translation of financial statements		Gains or losses on cash flow hedges
1	2		12		13		14
	<b>Balance as at 01.01. of the previous year</b>						
1.	a) debit balance account	4163		4181		4199	
	b) credit balance account	4164		4182		4200	
	<b>Correction of material errors and changes in accounting policies</b>						
2.	a) corrections on the debit side of the account	4165		4183		4201	
	b) corrections to the credit side of the account	4166		4184		4202	
	<b>Adjusted opening balance as at 01.01. of the previous year</b>						
3.	a) corrected debit balance account (1a + 2a - 2b) ≥ 0	4167		4185		4203	
	b) corrected credit balance accounts (1b - 2a + 2b) ≥ 0	4168		4186		4204	
	<b>Changes in the previous year _____</b>						
4.	a) turnover on the debit side of the account	4169		4187		4205	
	b) turnover on the credit side of the account	4170		4188	1,117	4206	
	<b>Balance at the end of the previous year 31.12 . _____</b>						
5.	a) debit account balance (3a + 4a - 4b) ≥ 0	4171		4189		4207	
	b) credit balance accounts (3b - 4a + 4b) ≥ 0	4172		4190	1,117	4208	
	<b>Correction of material errors and changes in accounting policies</b>						
6.	a) corrections on the debit side of the account	4173		4191		4209	
	b) corrections to the credit side of the account	4174		4192		4210	
	<b>Corrected opening balance of the current year 01.01. _____</b>						
7.	a) corrected debit balance accounts (5a + 6a - 6b) ≥ 0	4175		4193		4211	
	b) corrected credit balance accounts (5b - 6a + 6b) ≥ 0	4176		4194	1,117	4212	
	<b>Changes in the current year _____</b>						
8.	a) turnover on the debit side of the account	4177		4195		4213	
	b) turnover on the credit side of the account	4178		4196	243	4214	
	<b>Balance at end of the year 31.12 . _____</b>						
9.	a) debit balance account (7a + 8a - 8b) ≥ 0	4179		4197		4215	
	b) credit balance accounts (7b - 8a + 8b) ≥ 0	4180		4198	1,360	4216	

No.	DESCRIPTION	Components of Other Comprehensive Income		AOP	Total equity [Σ(row 16 col 3 to col 15)]≥0	AOP	Loss above the value of equity [Σ(row 1a col 3 to col 15) - Σ(row 16 col 3 to col 15)] ≥ 0
		AOP	337				
			Gains or losses on AFS securities				
1	2		15		16		17
1.	<b>Balance as at 01.01. of the previous year</b>						
	a) debit balance account	4217	710,120	4235	798,843,449	4244	
	b) credit balance account	4218					
2.	<b>Correction of material errors and changes in accounting policies</b>						
	a) corrections on the debit side of the account	4219		4236	1,629,816	4245	
	b) corrections to the credit side of the account	4220					
3.	<b>Adjusted opening balance as at 01.01. of the previous year</b>						
	a) corrected debit balance account (1a + 2a - 2b) ≥ 0	4221	710,120	4237	797,213,633	4246	
	b) corrected credit balance accounts (1b - 2a + 2b) ≥ 0	4222					
4.	<b>Changes in the previous year _____</b>						
	a) turnover on the debit side of the account	4223		4238	15,261,430	4247	
	b) turnover on the credit side of the account	4224	161,323				
5.	<b>Balance at the end of the previous year 31.12 . _____</b>						
	a) debit account balance (3a + 4a - 4b) ≥ 0	4225	548,797	4239	781,952,202	4248	
	b) credit balance accounts (3b - 4a + 4b) ≥ 0	4226					
6.	<b>Correction of material errors and changes in accounting policies</b>						
	a) corrections on the debit side of the account	4227		4240		4249	
	b) corrections to the credit side of the account	4228					
7.	<b>Corrected opening balance of the current year 01.01. _____</b>						
	a) corrected debit balance accounts (5a + 6a - 6b) ≥ 0	4229	548,797	4241	781,952,202	4250	
	b) corrected credit balance accounts (5b - 6a + 6b) ≥ 0	4230					
8.	<b>Changes in the current year _____</b>						
	a) turnover on the debit side of the account	4231	63	4242	576,087	4251	
	b) turnover on the credit side of the account	4232	96,003				
9.	<b>Balance at end of the year 31.12 . _____</b>						
	a) debit balance account (7a + 8a - 8b) ≥ 0	4233	452,857	4243	781,376,116	4252	
	b) credit balance accounts (7b - 8a + 8b) ≥ 0	4234					

In \_\_\_\_\_

Legal representative

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

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

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

**CASH FLOW STATEMENT**  
for the period from 01 January 2015 to 31 December 2015

- in thousands of Dinars -

Item	AOP	Amount	
		Current year	Previous year
1	2	3	4
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>	3001	248,450,125	241,206,208
I. Cash inflow from operating activities (1 to 3)			
1. Sales and advance payments received	3002	242,603,638	235,890,851
2. Received interests from operating activities	3003	2,784,450	3,447,822
3. Other inflows from operating activities	3004	3,062,037	1,867,535
II. Cash outflows from operating activities (1 to 5)	3005	219,537,212	219,326,454
1. Payments to suppliers and advance prepayments	3006	112,399,780	103,894,566
2. Wages, salaries and other personal costs	3007	62,894,293	60,473,479
3. Paid interests	3008	5,391,002	4,256,819
4. Corporate income tax	3009	3,700,087	7,870,396
5. Other payments to tax authorities	3010	35,152,050	42,831,194
III. Net cash inflow from operating activities (I-II)	3011	28,912,913	21,879,754
IV. Net cash outflow from operating activities (II-I)	3012		
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>	3013	1,150,319	1,242,769
I. Cash inflow from investing activities (1 till 5)			
1. Sale of shares and stakes (net inflows)	3014		
2. Sale of intangible assets, property, plant, equipment and biological assets	3015		933,973
3. Other financial investments (net inflows)	3016	566,952	
4. Interests received from investing activities	3017	583,367	308,796
5. Dividends received	3018		
II. Cash outflow from investing activities (1 till 3)	3019	25,183,999	26,891,201
1. Purchase of shares and stakes (net outflows)	3020		118,825
2. Purchase of intangible investments, property, plant, equipment and biological assets	3021	25,183,999	24,210,449
3. Other financial investments (net outflows)	3022		2,561,927
III. Net cash inflow from investing activities (I-II)	3023		
IV. Net cash outflow from investing activities (II-I)	3024	24,033,680	25,648,432
<b>C. CASH INFLOW FROM FINANCING ACTIVITIES</b>	3025	23,472,727	2,863,549
I. Cash inflows from financing activities (1 till 5)			
1. Increase of basic capital	3026		
2. Long-term loans (net inflows)	3027	23,469,546	2,863,549

ITEM	AOP	Amount	
		Current year	Previous year
1	2	3	4
3. Short-term loans (net inflows)	3028		
4. Other long-term liabilities	3029		
5. Other short-term liabilities	3030	3,181	
II. Cash outflows from financing activities (1 till 6)	3031	13,812,102	3,861,115
1. Purchase of own shares and stakes	3032		
2. Long-term loans (net outflows)	3033	12,773,800	
3. Short-term loans (net outflows)	3034	30,965	1,263,616
4. Other liabilities (net outflows)	3035	941,986	1,176,833
5. Financial lease	3036	65,351	104,116
6. Paid dividends	3037		1,316,550
III. Net cash inflows from financing activities (I-II)	3038	9,660,625	
IV. Net cash outflows from financing activities (II-I)	3039		997,566
<b>D. TOTAL CASH INFLOWS (3001 + 3013 + 3025)</b>	3040	273,073,171	245,312,526
<b>E. TOTAL CASH OUTFLOWS (3005 + 3019 + 3031)</b>	3041	258,533,313	250,078,770
<b>F. NET CASH INFLOWS (3040 - 3041)</b>	3042	14,539,858	
<b>G. NET CASH OUTFLOWS (3041 - 3040)</b>	3043		4,766,244
<b>H. CASH AT THE BEGINNING OF THE CALCULATION PERIOD</b>	3044	31,181,332	35,524,097
<b>I. POSITIVE EXCHANGE RATE DIFFERENCES DUE TO CALCULATION OF CASH</b>	3045	237,466	429,982
<b>J. NEGATIVE EXCHANGE RATE DIFFERENCES DUE TO CALCULATION OF CASH</b>	3046	21,527	6,503
<b>K. CASH AT THE END OF REPORTING PERIOD (3042 - 3043 + 3044 + 3045 - 3046)</b>	3047	45,937,129	31,181,332

In \_\_\_\_\_

Legal representative

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

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



**Public Enterprise ELEKTROPRIVREDA SRBIJE  
BEOGRAD**

**Consolidated Financial Statements  
31 December 2015**

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**CONSOLIDATED INCOME STATEMENT**  
**For the period 1 January - 31 December 2015**  
**In RSD thousand**

	<b>Note</b>	<b>For the Year Ended 31 December 2015</b>	<b>For the Year Ended 31 December 2014</b> <i>Restated</i>
<b>Operating income</b>			
Income from the sale of goods – on domestic market	5	13	-
		<u>13</u>	<u>-</u>
<b>Income from sales of goods and services</b>			
Income from sales of goods and services to other related parties – on domestic market	5	791,803	642,039
Income from sales of goods and services – on domestic market	5	215,120,775	201,814,663
Income from sales of goods and services – on foreign market	5	<u>3,360,896</u>	<u>275,743</u>
		<u>219,273,474</u>	<u>202,732,445</u>
Income from premiums, subventions, grants and donations	7	2,596,617	2,968,711
Other operating income	7	3,193,881	6,390,673
<b>Income from operating activities</b>		<u>225,063,985</u>	<u>212,091,829</u>
<b>Expenses from operating activities</b>			
<b>Operating expenses</b>			
Cost of goods sold		(58,277)	(70,175)
Work performed by the entity and capitalised (Decrease)/increase in inventories of unfinished goods and services	6	5,366,956	6,265,358
		1,067,914	26,189
Cost of material	8	(13,101,510)	(11,066,421)
Cost of fuel and energy	9	(35,496,964)	(38,811,037)
Wages and salaries and other personal expenses	10	(60,469,515)	(55,655,336)
Cost of production services	11	(21,438,790)	(19,982,855)
Amortisation/Depreciation	12	(39,591,648)	(38,916,920)
Cost of long-term provisioning	13	(6,710,736)	(3,847,781)
Other operating expenses	14	<u>(21,986,656)</u>	<u>(25,200,553)</u>
		<u>(192,419,226)</u>	<u>(187,259,531)</u>
<b>Operating profit/ (loss)</b>		<u>32,644,759</u>	<u>24,832,298</u>
<b>Financial income</b>			
Financial income from other related parties	15	533,217	522,732
Income from equity investments in associated companies and joint ventures	15	204	-
Other financial income	15	413,570	15,709
Interest income (third parties)	15	11,069,553	12,729,529
Foreign exchange gains and gains on currency clause effect	15	<u>2,884,765</u>	<u>2,459,178</u>
		<u>14,901,309</u>	<u>15,727,148</u>
<b>Financial expenses</b>			
Other financial expenses	16	(489,647)	(292,766)
Interest expense (third parties)	16	(3,637,287)	(4,356,300)
Foreign exchange losses and loss on currency clause effect	16	<u>(8,206,802)</u>	<u>(9,769,090)</u>
		<u>(12,333,736)</u>	<u>(14,418,156)</u>
<b>Gain/(loss) on financing activities</b>		<u>2,567,573</u>	<u>1,308,992</u>
Income from adjustments of other assets carried at fair value through profit and loss	17	1,566,286	3,564,364
Expenses from adjustments of other assets carried at fair value through profit and loss	18	(19,206,171)	(28,709,817)
Other income	19	4,451,556	2,622,334
Other expenses	20	<u>(12,492,468)</u>	<u>(12,466,235)</u>
		<u>(25,680,797)</u>	<u>(34,989,354)</u>
<b>Operating profit/(loss) before tax</b>		<u>9,531,535</u>	<u>(8,848,064)</u>

**CONSOLIDATED INCOME STATEMENT (continued)**  
**For the period 1 January - 31 December 2015**  
**In RSD thousand**

	<b>Note</b>	<b>For the Year Ended 31 December 2015</b>	<b>For the Year Ended 31 December 2014</b>
			<i>Restated</i>
<b>Profit/ (loss) before tax</b>		<u>9,531,535</u>	<u>(8,848,064)</u>
<b>Income tax</b>			
Tax expense for the period	21	(4,865,567)	(3,213,269)
Deferred tax income /(expense) for the period	21	<u>2,320,376</u>	<u>2,269,355</u>
<b>Net profit/ loss</b>		<u>6,986,344</u>	<u>(9,791,978)</u>

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

On behalf of the Company

Milorad Grčić  
Acting General Manager

**CONSOLIDATED OTHER COPREHENSIVE INCOME**  
**For the period 1 January - 31 December 2015**  
**In RSD thousand**

<b>Note</b>	<b>For the Year Ended 31 December 2015</b>	<b>For the Year Ended 31 December 2014</b>
		<i>Restated</i>
<b>Net operating income</b>		
Net profit / loss	6,986,344	(9,791,978)
<b>Items that will not be reclassified to profit or loss</b>		
Increase/(decrease) in revaluation reserves	(9,581,939)	(5,731,366)
Actuarial gains/(losses) arising from defined benefit plans	-	-
Gains/(losses) on equity investments	-	-
Gains/(losses) arising from a share in the associate's other comprehensive profit/( loss)	-	-
	<u>(9,581,939)</u>	<u>(5,731,366)</u>
<b>Items that will be reclassified to profit or loss</b>		
Gains/(losses) on translating the results in the consolidated financial statements of foreign operations	243	1,117
Gains/(losses) on a hedge of a net investment in a foreign operation	-	-
Gains/(losses) on qualifying cash flow hedges	-	-
Gains/(losses) on available-for-sale securities	95,940	(548,797)
	<u>96,183</u>	<u>(547,680)</u>
Other Comprehensive gain/(loss), gross	<u>(9,485,756)</u>	<u>(6,279,046)</u>
Tax on other comprehensive gain or loss	-	-
Other Comprehensive gain/(loss), net	<u>(9,485,756)</u>	<u>(6,279,046)</u>
<b>Total comprehensive gain/ (loss), net</b>	<u>(2,499,412)</u>	<u>(16,071,024)</u>

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

**CONSOLIDATED BALANCE SHEET**  
**As at 31 December 2015**  
**In RSD thousand**

	Note	31 December 2015	31 December 2014 <i>Restated</i>	1 January 2014 <i>Restated</i>
<b>Assets</b>				
<b>Non-current assets</b>				
<b>Intangible Assets</b>				
Concessions, patents, licences, trademarks, software and similar rights	22	1,018,025	989,597	803,134
Other intangibles	22	38,994	34,525	53,327
Intangible Assets under construction	22	4,048,560	3,198,765	2,329,080
		<u>5,105,579</u>	<u>4,222,887</u>	<u>3,185,541</u>
<b>Property, plant and equipment</b>				
Land	22	39,415,804	37,859,612	34,551,039
Buildings	22	322,809,705	327,854,618	331,982,248
Machinery and equipment	22	495,582,893	491,294,381	512,633,765
Investment property	22	556,557	451,727	457,658
Other Property, Plant and Equipment	22	161,812	165,910	146,148
Construction in progress (CIP)	22	63,211,668	66,303,831	41,688,064
Investments in third party property, plant and equipment	22	1,064	1,121	1,178
Prepayments for property, plant and equipment	22	27,276,360	10,737,042	11,626,329
		<u>949,015,863</u>	<u>934,668,242</u>	<u>933,086,429</u>
<b>Biological assets</b>				
Forest farming	22	420,391	392,991	304,438
<b>Long-term financial investments</b>				
Investments in associates and joint ventures	23	406,457	406,457	287,632
Investments in other legal entities and other available for sale securities	23	360,088	1,072,093	951,467
Long-term financial investments in other related parties	23	4,923	4,461	-
Long term investments – domestic	23	948,462	963,550	1,140,729
Other long-term financial investments	23	637,205	879,122	682,205
		<u>2,357,135</u>	<u>3,325,683</u>	<u>3,062,033</u>
<b>Long-term receivables</b>				
Other long term receivables	24	783,671	784,045	4,805,165
<b>Current assets</b>				
<b>Inventory</b>				
Material, spare parts, tools and inventory	25	24,249,250	22,266,692	21,301,427
Work in progress and ongoing services	25	328,108	252,449	317,739
Finished goods	25	2,034,598	1,090,999	847,619
Merchandise	25	942	1,453	1,191
Prepaid inventory and services		1,825	-	-
Material, spare parts, tools and inventory	25	3,182,838	3,334,932	2,981,281
		<u>29,797,561</u>	<u>26,946,525</u>	<u>25,449,257</u>
<b>Trade receivables</b>				
Domestic trade receivables – other related parties		-	-	2,994
Trade receivables – domestic	26	39,295,164	37,612,077	35,525,631
Trade receivables – foreign	26	1,271,439	1,360,751	1,586,351
Other trade receivables	26	105,394	120,727	817,868
		<u>40,671,997</u>	<u>39,093,555</u>	<u>37,932,844</u>
Receivables from specific operations	27	389,750	325,098	42,334,206
Other receivables	28	9,046,202	6,485,895	1,812,906

(continued)

**CONSOLIDATED BALANCE SHEET (continued)**  
**As at 31 December 2015**  
**In RSD thousand**

	<b>Note</b>	<b>31 December 2015</b>	<b>31 December 2014</b> <i>Restated</i>	<b>1 January 2014</b> <i>Restated</i>
<b>Short-term financial investments</b>				
Short-term loans and borrowings – other related parties		-	-	37,966
Short-term loans and borrowings - domestic	29	206,377	256,938	169,423
Other short term financial investments	29	914,424	1,380,183	6,628,455
		<u>1,120,801</u>	<u>1,637,121</u>	<u>6,835,844</u>
Cash and cash equivalents	30	45,937,129	31,181,332	35,524,097
Value added tax	31	5,603,173	1,345,338	412,892
Prepaid expenses and other accruals	32	877,259	1,696,550	393,062
<b>Total assets</b>		<u>1,091,126,511</u>	<u>1,052,105,262</u>	<u>1,095,138,714</u>
<b>Off-balance sheet assets</b>	43	<u>264,368,258</u>	<u>181,726,567</u>	<u>155,817,713</u>
<b>Liabilities</b>				
<b>Equity</b>				
Basic capital	33	360,011,186	360,011,201	360,010,128
Other equity	33	668	-	-
Revaluation reserves based on revaluation of intangible assets, property, plant and equipment	33	537,676,267	547,186,288	552,917,654
Unrealised gain/(loss) from securities and other comprehensive income items	33	(451,497)	(547,680)	(710,120)
Current year retained earnings	33	6,986,344	-	19,281,435
Current year loss		-	(9,791,978)	-
Prior years loss	33	(122,846,852)	(114,905,629)	(134,285,464)
		<u>781,376,116</u>	<u>781,952,202</u>	<u>797,213,633</u>
<b>Long-term provisions and liabilities</b>				
<b>Long-term provisions</b>				
Provision for environmental restoration	34	2,487,490	2,002,121	1,623,469
Provisions for employee benefits	34	10,203,975	8,605,572	8,739,826
Provisions for litigations	34	4,478,672	4,337,436	3,827,108
Other long term provisions	34	155,517	179,794	191,278
		<u>17,325,654</u>	<u>15,124,923</u>	<u>14,381,681</u>
<b>Long-term liabilities</b>				
Liabilities convertible to equity	35	80,543	80,543	80,543
Long term loans and borrowings - domestic	35	44,355,445	47,079,464	42,861,187
Long-term loans and borrowings - foreign	35	68,673,270	30,297,476	23,239,943
Finance lease liabilities	35	22,554	82,901	-
Other long-term liabilities	35	298,864	366,784	2,298,478
		<u>113,430,676</u>	<u>77,907,168</u>	<u>68,480,151</u>
<b>Deferred tax liabilities</b>	21	<u>87,348,065</u>	<u>89,743,489</u>	<u>92,012,859</u>
<b>Short-term liabilities</b>				
<b>Short-term financial liabilities</b>				
Other short term financial liabilities	36	<u>26,673,610</u>	<u>29,018,403</u>	<u>25,155,055</u>

(continued)

**BALANCE SHEET (continued)**  
**As at 31 December 2015**  
**In RSD thousand**

	<b>Note</b>	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>1 January 2014</b>
Customer prepayments, deposits and caution money	37	3,428,017	3,038,822	3,906,181
<b>Operating liabilities</b>				
Trade payables – other related parties		-	-	290
Trade payables - domestic	38	11,717,369	15,932,845	9,805,036
Trade payables - foreign	38	4,944,240	6,928,911	3,065,427
Other operating liabilities	38	579,784	397,519	310,994
		<u>17,241,393</u>	<u>23,259,275</u>	<u>13,181,747</u>
Other current liabilities	39	5,411,968	6,265,886	47,445,645
Liabilities for VAT	40	11,303,757	1,264,825	4,545,590
Liabilities for other taxes, contributions and duties	41	5,893,000	3,077,939	11,077,615
Accrued expenses	42	21,694,255	21,452,222	17,738,557
		<u>44,302,980</u>	<u>32,060,872</u>	<u>80,807,407</u>
<b>Total liabilities</b>		<u>1,091,126,511</u>	<u>1,052,105,262</u>	<u>1,095,138,714</u>
<b>Off-balance sheet liabilities</b>	43	264,368,258	181,726,567	155,817,713

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



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**During the period from 1 January - 31 December 2015**  
**In RSD thousand**

	Items of equity			Items of other comprehensive income			Total equity
	Basic capital	Loss	Retained earnings	Revaluation reserves	Reserves	Gains/(losses) on available-for-sale securities	
<b>Opening balance as at 1 January 2014</b>							
a) debit balance	-	134,177,442	-	-	-	710,120	134,887,562
b) credit balance	360,010,128	-	19,281,435	554,439,448	-	-	933,731,011
	360,010,128	(134,177,442)	19,281,435	554,439,448	-	(710,120)	798,843,449
Restatement of opening balance							
a) debit balance	-	108,022	-	1,521,794	-	-	1,629,816
b) credit balance	-	-	-	-	-	-	-
<b>Restated opening balance as at 1 January 2014</b>	360,010,128	(134,285,464)	19,281,435	552,917,654	-	(710,120)	797,213,633
Movements in 2014							
a) debit turnover	-	11,108,527	19,281,435	5,731,366	-	-	36,121,328
b) credit turnover	1,073	20,696,384	-	-	-	162,440	20,859,897
<b>Closing balance as at 31 December 2014</b>							
a) debit balance	-	124,697,607	-	-	-	547,680	125,245,286
b) credit balance	360,011,201	-	-	547,186,288	-	-	907,197,489
	360,011,201	(124,697,607)	-	547,186,288	-	(547,680)	781,952,203
Restatement of opening balance							
a) debit balance	-	-	-	-	-	-	-
b) credit balance	-	-	-	-	-	-	-
<b>Restated opening balance as at 1 January 2015</b>	360,011,201	(124,697,607)	-	547,186,288	-	(547,680)	781,952,203
Movements in 2015							
a) debit turnover	15	1,336,894	-	9,510,021	-	63	10,846,993
b) credit turnover	-	3,187,649	6,986,344	-	668	96,246	10,270,906
<b>Closing balance as at 31 December 2015</b>							
a) debit balance	-	122,846,852	-	-	-	451,497	123,298,349
b) credit balance	360,011,186	-	6,986,344	537,676,267	668	-	904,674,465
	360,011,186	(122,846,852)	6,986,344	537,676,267	668	(451,497)	781,376,116

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

**CONSOLIDATED CASH FLOW STATEMENT**  
During the period from 1 January - 31 December 2015  
In RSD thousand

	2015	2014
<b>Cash flows from operating activities</b>		
<b>Cash inflows from operating activities</b>	248,450,125	241,206,208
Sales and advances received	242,603,638	235,890,851
Interests from operating activities	2,784,450	3,447,822
Other proceeds from operating activities	3,062,037	1,867,535
<b>Cash outflows from operating activities</b>	219,537,212	219,326,454
Payments and prepayments to suppliers	112,399,780	103,894,566
Salaries, fringe benefits and other personal expenses	62,894,293	60,473,479
Interests paid	5,391,002	4,256,819
Income tax	3,700,087	7,870,396
Charges for services that qualify as public revenues	35,152,050	42,831,194
<b>Cash inflows/(outflow) from operating activities, Net</b>	<u>28,912,913</u>	<u>21,879,754</u>
<b>Cash flows from investing activities</b>		
<b>Cash inflows from investing activities</b>	1,150,319	1,242,769
Sale of intangible assets, property, plant, equipment and biological assets	-	933,973
Other financial investments (net inflows)	566,952	-
Interests received from investing activities	583,367	308,796
<b>Cash outflows from investing activities</b>	25,183,999	26,891,201
Purchase of shares and stakes (outflows, net)	-	118,825
Purchase of intangible assets, property, plant, equipment and biological assets	25,183,999	24,210,449
Other financial outflows, Net	-	2,561,927
<b>Cash inflows/(outflows) from investing activities, Net</b>	<u>(24,033,680)</u>	<u>(25,648,432)</u>
<b>Cash flows from financing activities</b>		
<b>Cash inflows from financing activities</b>	23,472,727	2,863,549
Long-term borrowings (net proceeds)	23,469,546	2,863,549
Other short-term liabilities	3,181	-
<b>Cash outflows from financing activities</b>	13,812,102	3,861,115
Long-term loans (outflows)	12,773,800	-
Short-term loans (outflows)	30,965	1,263,616
Other liabilities	941,986	1,176,833
Finance lease	65,351	104,116
Dividends paid	-	1,316,550
<b>Inflows/(outflows) from financing activities, Net</b>	<u>9,660,625</u>	<u>(997,566)</u>
<b>Total cash inflow</b>	273,073,171	245,312,526
<b>Total cash outflow</b>	<u>258,533,313</u>	<u>250,078,770</u>
<b>Net cash inflow</b>	14,539,858	-
<b>Net cash outflow</b>	<u>-</u>	<u>4,766,244</u>
<b>Cash at the beginning of the accounting period</b>	31,181,332	35,524,097
<b>Foreign exchange gains on translation of cash</b>	237,466	429,982
<b>Foreign exchange losses on translation of cash</b>	21,527	6,503
<b>Cash at the end of the accounting period</b>	<u>45,937,129</u>	<u>31,181,332</u>

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

## **1. FORMATION AND OPERATIONS**

Based on Article 171, paragraph 1 of the Energy Law (Official Gazette of the Republic of Serbia, No. 84/04), the Government of the Republic of Serbia at its session held on 27 January 2005 passed the following Decisions to establish public companies (RS Official Gazette, No. 12/2005):

- Decision 05 No.023-396/2005-1 to establish Public Enterprise Elektroprivreda Srbije, to be involved in the production, distribution and trade of electricity;
- Decision 05 No. 023-397/2005-1 to establish Public Enterprise "Elektromreža Srbije", to be involved in the transmission of electricity and operation of the transmission system.

The Public Enterprise involved in the production, distribution and trade of electricity Elektroprivreda Srbije, Beograd (hereinafter "Company" or "Parent Company" or "PE EPS"), with its address at 2 Carice Milice st. started operating on 1 July 2005 based on Business Registers Agency Decision No. BD 80380/2005, and took over as at that date the assets, the rights and obligations and the employees of Public Enterprise EPS, established under the Law on Energy (RS Official Gazette, No. 45/91), other than those taken over by the energy company established by RS Government Decision to carry out the transmission of electricity, Public Enterprise "Elektromreža Srbije" and by the company for underwater coal exploitation Rudnik Kovin, situated at 85 Cara Lazara street, registered with the Business Registers Agency based on decision 80374/2005 dated 1 July 2005.

Based on Business Registers Agency's Decision No. BD 80380/2005 PE "Elektroprivreda Srbije" Beograd was registered with the Business Registers Agency, and the conditions were created for the beginning of operations of "Elektroprivreda Srbije", Beograd as of 1 July 2005, in accordance with its Articles of Association.

The 2005 Articles of Associations were amended in 2010 in the segment relating to property, to comply with separation of property, in other words status change, which was performed to achieve the continuation of construction of TPP Kolubara B and TENT B3.

Based on the Decision on Harmonization of Operations of the Public Enterprise Elektroprivreda Srbije with the Law on Public Enterprises (Official Gazette of RS, number 50/13 – hereinafter: the Decision on Harmonization), the Serbian Government harmonized the Articles of Association of the Public Enterprise Elektroprivreda Srbije with the Law on Public Enterprises (RS Official Gazette No. 119/12).

On 20 February 2014, the Serbian Government approved the Statute of Public Enterprise Elektroprivreda Srbije, which was filed by the Supervisory Board on 30 January 2014 based on which compliance was achieved with the amended Articles of Association and the 2012 Law on Public Enterprises. The Statute specifies that the Executive Board of PE EPS will carry out the activities of the subsidiaries Shareholder's assembly.

On 2 December 2014, the Supervisory Board adopted the Decision on Amending to the Statute of PE EPS, which was confirmed by the Serbian Government on 15 January 2015 and based on which preparations were made for the reorganisation of the Company in accordance with the Government's Conclusions by which the PE EPS Reorganisation Plan 05 No. 023-15149/2014 of 27 November 2014 was adopted.

In 2015, Reorganisation Plan was launched and the Company's Statute was amended on 25 May 2015, so as to comply with a status change that took place on 1 July 2015.

The Public Enterprise "Elektroprivreda Srbije", Belgrade (hereinafter „Company“, "Parent Company" or "PE EPS"), together with its subsidiaries represent EPS Group (hereinafter "Group").

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 "PE EPS, Beograd".

The Parent Company is domiciled in Belgrade at no. 2 Carice Milice Street. ID number of the Parent Company is 20053658 and tax identification number is 103920327.

**1. FORMATION AND OPERATIONS (continued)**

As at 31 December 2015, the Group had 31,784 employees (31 December 2014, – 32.120 employees).

The financial statements of the Group are presented in RSD thousand. RSD is the official reporting currency in the Republic of Serbia.

**Core activity:**

Categories such as: the goals of the Serbian Energy Policy and its implementation; the terms and conditions of a reliable, safe and quality delivery of energy and energy products; the terms and conditions of a safe and reliable supply of energy to customers; the construction of energy facilities; the manner of carrying out energy related activities; the organisation and the functioning of the energy market; the rights and obligations of market participants; the protection of energy and energy product customers; the manner and the conditions and promotion of electricity from renewable sources; combining the production of heat and power; and the rights and obligations of state bodies are governed by:

- the Energy Law (RS Official Gazette No 57/11,...124/12 - expired on 30 December 2014);
- the Energy Law (RS Official Gazette No 145/11,...14/12 - effective by 30 December 2014).

The principal activity of PE EPS, Parent Company, is trade in electricity - Code of Activity 35.14. In addition to its principal activity, PE EPS is engaged in other activities of which the most important are: energy production; distribution of electricity and management of distribution systems; coal production, processing and transport; production of steam and hot water in combined processes and other activities.

Abovementioned activities are performed by PE EPS or its subsidiaries, however management of business entity is performed exclusively by PE EPS. As of 1 July 2015, electricity distribution and distribution system management is performed by "EPS Distribucija" d.o.o., Beograd, a distribution system operator, whereas by 30 June 2015, this activity was performed by five related entities established by the Parent Company. In 2015, the electricity supply to end customers in the Republic of Serbia was performed by "EPS Snabdevanje", d.o.o., Beograd, as the Parent Company's related party/subsidiary. Under applicable regulations, the subsidiary was obliged to supply energy to end customers with the right to a guaranteed supply (households and small clients) in accordance with Government regulations and the 2014 Energy Law, and was nominated as an alternative supplier.

The Company has an energy supply licence (the RS Energy Agency Decision No. 312-137/2015 – L – I dated 23 December 2015), acquired under the 2014 Energy Law. Having obtained this licence, the validity of licence No. 312-25/2006 for trade in electricity, issued under the regulations applicable at the time when it was granted, expired.

After status change on 1 July 2015, PE EPS has obtained licences, which were in the possession of subsidiaries which ceased to operate, as follows:

- licence for production of electricity (No. 312-70/2015)
- licence for combined production of electricity and heat (No. 312-71/2015)
- licence for storing of oil, oil derivatives and bio-fuel (No. 311.02-72/2015)

**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 under the Decision to amend the Decision on the Establishment of PE EPS passed by the Government in 2010 (RS Official Gazette No. 54/10). The property was intended for investing in a joint production capacity construction entered with selected strategic partners of TPP Nikola Tesla B3 project and TPP Kolubara B project.

## **1. FORMATION AND OPERATIONS (continued)**

Under Article 20 of the Decision on the Harmonisation of Operations of the Public Enterprise Electric Power Industry of Serbia with the Law on Public Enterprises, the Public Enterprise's property rights refer to the right of ownership over movable property, cash, securities, as well as to other property rights that have been transferred to the Public Enterprise under the law, inclusive of the right to make use of public property, however the ownership rights are to be determined in more detail by the Government, as the Founder of the company, in accordance with the Law.

The assets handled by the Company and its subsidiaries in accordance with the law, the Company's Articles of Association and the Company's Statute.

Under the Law on Public Property (RS Official Gazette No. 72/13, 88/13, 105/14) public companies and their subsidiaries acquire ownership rights over movable property on the date this law becomes effective therefore on that date the Group acquired the right of ownership over movable property. Under the Energy Law (RS Official Gazette No. 145/2015, which came into force on 30 December 2014) article 158. the right of ownership over distribution systems is not regulated by Law on Public Property. On the date when Energy law became effective, on 30 December 2014, ownership of five subsidiaries of PE EPS which were performing distribution of electricity and management of distribution systems, and after 1 July 2015 that is ODS.

The ownership rights of the Republic of Serbia and the ownership rights of its Autonomous Province and Local Self-Government are governed by the Law on Public Property (RS Official Gazette No. 72/11). This Law has created conditions for the Company and its subsidiaries to make use of their ownership rights, other than ownership rights over natural resources, goods of public interest and goods in general use, as prescribed by the Law. The Law prescribes the process of obtaining government regulations on the rights of ownership over specific property and subscribing such rights in public records on immovable property and the rights thereof. The law was amended several times with respect to the deadline for subscribing the rights in public records on immovable property and the rights thereof, and based on the 2014 amendment (RS Official Gazette No.105/14), the deadline for the subscription will expire on 6 October 2016. The procedure for obtaining government regulations, initiated in 2012, is ongoing, however, not all issues on the rights of ownership over significant production facilities, primarily waterworks and mineral land, have been agreed.

Under the Law on Public Property (RS Official Gazette No. 72/13, 88/13, 105/14, which came into force on 6.10.2011 ) public companies and their subsidiaries acquire ownership rights over movable property on the date this law becomes effective (Article 72, paragraph 11), therefore on that date the Group acquired the right of ownership over movable property.

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

The Decision on Harmonization Operations of the Public Enterprise for production, distribution and trade of electricity with the Law on Public Enterprises specifies that management of the Public Enterprise is organized on a bicameral basis.

The governing bodies of the Company are: The Supervisory Board, the Executive Board and the General Manager the competencies of which are prescribed by the Law on Public Enterprises, the Company's Articles of Association and the Company's Statute.

The Audit Committee, as a special body with the rights and obligations established by the Law on Public Enterprises, the Company's Articles of Association and the Company's Statute, was appointed at the third extraordinary meeting of the Supervisory Board held on 28 April 2014.

## **2. FORMATION AND OPERATIONS (continued)**

The Supervisory Board is responsible for creating the business strategy and objectives of the public enterprise and for 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 consolidated financial statements of the public enterprise and for submitting them to the founder for information purposes (RS Official Gazette No. 15/2016); 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 PE EPS; organizes and manages the work processes; 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 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 Directors perform 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.

The Executive Board of the Company carries out the activities of the subsidiaries Shareholder's assembly in accordance with the .Company's Statute and the subsidiary's Articles of Association.

Article 79, paragraph 1 of the Law on Public Enterprises (RS Official Gazette No. 15/2016) prescribes the obligation of public company founders and companies specified in Article 3, paragraph 2, Items 1) and 2) to have their Articles of Association harmonised with the provisions of the Law within six months from its effective date. The same article of the Law prescribes the obligation of a public company as well as a company specified in Article 3, paragraph 2, items 1) and 2) to have their General Acts harmonised with the provisions of the Law within 90 days of the date of the harmonisation of the Articles of Association with the provisions of this Law.

### **Organisational Structure**

In 2015, within the EPS Group, comprising PE EPS, the Parent Company, and its subsidiaries, by 1 July 2015 total of 15 companies operated, namely: the Parent company, seven subsidiaries engaged in the production of electricity and the production of coal, five companies engaged in the distribution of electricity and management of distribution systems, one company engaged in the electricity supply to end customers and one company established in the Republic of Slovenia. After the status change took place on 1 July 2015 subsidiaries engaged in the production of electricity and the production of coal are merged to the Parent Company. The transferring companies in aforementioned merger are: „Hidroelektrane Đerdap“ d.o.o. Kladovo, „Drinsko – Limske hidroelektrane“ d.o.o. Bajina Bašta, „Termoelektrane Nikola Tesla“ d.o.o. Obrenovac, „Termoelektrane i kopovi Kostolac“ d.o.o. Kostolac, „Panonske termoelektrane – toplane“ d.o.o. Novi Sad, „Rudarski basen Kolubara“ d.o.o. Lazarevac and „EPS Obnovljivi izvori“ d.o.o. Beograd. Additionally, after the aforementioned merger on 1 July 2015 four companies engaged in the distribution of electricity and management of distribution systems merged into „Elektrodistribucije – Beograd“ d.o.o., Beograde, after 1 July 2015 „EPS Distribucija“ d.o.o., Beograd : „Privredno društvo za distribuciju električne energije Elektrovojvodina“ d.o.o. Novi Sad, „Privredno društvo za distribuciju energije Elektrosrbija“ d.o.o., Kraljevo, „Privredno društvo za distribuciju električne energije Jugoistok“ d.o.o. Niš i „Privredno društvo za distribuciju električne energije Centar“ d.o.o., Kragujevac.

**1. FORMATION AND OPERATIONS (continued)**

**Organisational Structure (continued)**

After the status change took place on 1 July 2015, and by the end of the reporting period, additional three companies operated within EPS Group:

1. Operator distributivnog sistema "EPS Distribucija" d.o.o. Beograd (hereinafter ODS EPS Distribucija),
2. „EPS Snabdevanje“, d.o.o, Beograd , and
3. „EPS Trgovanje" d.o.o. headquartered in Ljubljana, in the Republic of Slovenia.

At the end of the reporting period, the distribution of electricity and management of distribution systems was performed by its subsidiary "Operator distributivnog sistema EPS Distribucija" d.o.o., Beograd, with its registered basic capital totalling RSD 97,876,422,291. This company has been registered with the Business Registers Agency based on Decision BD 57192/2015 dated 1 July 2015. The ID is 07005466. The tax identification number is 100001378.

Electricity supply to end customers was performed in the Republic of Serbia by "EPS Snabdevanje", d.o.o, Beograd, with a registered capital amounting to a total of RSD 10,000,000. In accordance with applicable regulations, this company supplies energy to end customers with the right to a guaranteed supply. Under the Energy Law and a government enactments, the company was nominated as an alternative supplier, obliged to repurchase energy from preferential producers. The Company was established in 2013 and registered with the Business Registers Agency based on Decision BD 50126/2013 dated 7 May 2013, and started operating on 1 July 2013. The ID is 20924195. The tax identification number is 108057105.

"EPS Trgovanje" d.o.o. headquartered in Ljubljana, in the Republic of Slovenia, registered on 1 July 2014 is engaged in electricity trade in the European Union. On 3 April 2015 this subsidiary started with electricity trade without intermediaries on HUPX – Hungarian Power Exchange.

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

1. "Energija Novi Sad", a.d. Novi Sad (ENS), established together with the City of Novi Sad - a 50% stake in the company's share capital. On 6 July 2009, the Company and the City of Novi Sad concluded an Agreement on establishing "Energija Novi Sad", which was approved by the Government of the Republic of Serbia on 23 July 2009 by Decision 05 No. 023-4707/2009, in accordance with the provisions of Article 19 of the Law on public enterprises and activities of general interest. In carrying out the increase in capital, the Company and the City of Novi Sad will, in addition to providing investment funds, invest into property and equipment (existing facilities, land and infrastructure), whereas the strategic partner will invest capital and will acquire, in proportion to their investment in equity, a share in the ownership of a newly founded entity.
2. „Ibarske hidroelektrane" d.o.o. Kraljevo, established together with SECI ENERGIA S.p.A., Italy, Bologna, Via Degli Agresti 6,- a 49% share in the capital amounting to EUR 2.450.000. Supervisory board of the company „Ibarske hidroelektrane" d.o.o. Kraljevo, adopted a decision on the increase in the capital in total amount of RSD 980,000,000. This increased should have been executed in two payments, the first payment should represent 25% of the approved increase (RSD 242,500,000). Both parties should participate in accordance with their % share. The first payment was executed until 30 April 2014. The amount of the second payment is RSD 727,500,000. The second payment should be done by both parties in accordance with percentage of their share, 15 days after decision is passed by Italian Ministry Council, which needs to confirm the right on Italian support measures for hydro power plants of river Ibar which is still not done. The Company began operations on 3 December 2010, in order to establish ten cascade type hydro power plants with a total capacity 103 MW, as a facility for the production and sale electricity from renewable sources, within the Development Strategy Implementation Programme of the Republic of Serbia to be carried out by 2015 (RS Official Gazette Nos. 17/06,73/07,99/09 i 27/10).

**1. FORMATION AND OPERATIONS (continued)**

3. "Moravske hidroelektrane" d.o.o., Beograd established together with RWE Innogy GmbH, Germany (RWE AG), - a 49 % share in the capital amounting to EUR 1,960,000.00. "Moravske hidroelektrane" d.o.o was registered with competent authorities on 23 August 2011. The Company was established with a view to building hydro power plants on the river Morava, comprising no less than five hydro power plants with a total capacity of 150 MW.

PE EPS is the founder of three public companies situated in Kosovo and Metohija, namely:

- Public Enterprise for the production of thermoelectric energy Thermal Power Plants "Kosovo", Obilić;
- Public Enterprise for the production, processing and transportation of coal, PK 'Kosovo' Obilić;
- Public Enterprise for Electricity distribution Elektrokosmet , Priština.

The organisation and the operations of the Parent Company's subsidiaries in the Autonomous Province of Kosovo and Metohija will be harmonised with the Company Law, the Law on Public Enterprises, and the Energy Law once the conditions are established.

The Decision on Harmonization Operations of the Public Enterprise for production, distribution and trade of electricity with the 2013 Law on Public Enterprises, specifies in Article 42 that the Public Enterprise will harmonise the Articles of Association of its energy companies headquartered in the Autonomous Province of Kosovo and Metohija with the Law on Public Enterprises, the Decision and the rules governing the business entities' legal status, and the regulations governing the manner of carrying out energy related activities within three months from the date the conditions for harmonising the organisational structure, working procedures and operations of these companies with such regulations have been met. At the end of the reporting period, energy distribution and energy supply to citizens and business entities in the municipalities located in the North of Kosovo and Metohija is performed by Public Enterprise "Elektrokosmet", Priština.

In 2015 and early 2016, with a view to creating conditions to supply energy to citizens and business entities in the municipalities located in the North of Kosovo and Metohija, two business entities were established:

- EPS TRGOVINA , a limited liability company headquartered in North Mitrovica, and
- ELEKTROSEVER , a limited liability company headquartered in North Mitrovica, and

These companies were established to carry out the trade of electricity, but were not registered by the date of these financial statements.



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

### **2.1. Basis of preparation and presentation of financial statements**

The Group's consolidated financial statements include its consolidated balance sheet as of 31 December 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for year then ended, and a summary of the significant accounting policies and the notes to the consolidated financial statements.

The Group's consolidated financial statements for the period from 1 January to 31 December 2015 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, no. 95/2014, 144/2014).

Recognition and estimate of the line items included in the consolidated financial statements have been performed in accordance with the provisions of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as determined in the Decision enacted by the Ministry of Finance no. 401-00-896/2014-16 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 Group adhered to the accounting policies described in Note 3. The Group's consolidated financial statements are stated in RSD thousand. The dinar is the official reporting currency in the Republic of Serbia.

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

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

- IAS-32 (Amended): Financial Instruments: Presentation - Offsetting financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2014);
- IFRS 10 Consolidated Financial Statements (Amended), IFRS 12 'Disclosures of interests in other entities' and i IAS-27: Separate Financial Statements – exemption from consolidation of subsidiaries under IFRS 10 (effective for annual periods beginning on or after 1 January 2014).
- IAS 36 (Amended) – Impairment of assets- Recoverable amount disclosures for non-financial assets (effective for annual periods beginning on or after 1 January 2014).

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

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

- IAS 39 (Amended) – Novation of derivatives and continuation of hedge accounting (effective for annual periods beginning on or after 1 January 2014).
- IFRIC 21 Levies (effective for annual periods beginning on or after 1e amendments are effective for annual periods beginning on or after 1 January 2014).
- IAS 19 Employee Benefits (Amended): Defined Benefit Plans: Contribution for employees (effective for annual periods beginning on or after 1 July 2014).
- Annual improvements for the period 2010 - 2012, resulting from Annual improvements to IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS16, IAS 24 and IAS 38) made with a view to eliminate mismatching and to provide clarifications (effective for annual periods beginning on or after 1 July 2014 ).
- Annual improvements for the period 2011 - 2013, resulting from Annual improvements to IFRS (IFRS 1, IFRS 3, IFRS 13, and IAS 40) made with a view to eliminate mismatching and to provide clarifications (effective for annual periods beginning on or after 1 July 2014 ).

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

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

- IFRS 9 “Financial instruments” ” and its amendments, replacing IAS 39 „Financial instruments”: Recognition and Measurement, dealing with classification and measurement of financial liabilities. The standards eliminates the current categories stipulated in IAS 39 - assets held-to-maturity, assets available-for-sale and loans and receivables. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, and its earlier adoption is permitted.

Under IFRS 9, financial assets are classified upon initial recognition in one of the following categories: financial assets carried at amortised cost or financial assets measured at fair value. A financial asset is carried at amortised cost if the following two conditions are met: Assets relate to a business model the objective of which is to collect contractual cash flows, whereas the contracted terms and conditions provide basis to collect at a specific date the contractual cash flows, in other words only the principal and interest on the principal outstanding. All other assets are measured at fair value. Gains and losses arising on the measurement of financial assets at fair value through profit or loss are recorded the income statement except for equity investments not-held-for-trading, in which case IFRS 9 allows at initial recognition, a non-cancellable option to recognise all changes in fair values in the Statement of comprehensive income within other gains and losses.

Amounts recognised in the Statement of comprehensive income in in this way may not be subsequently recognised in the Income statement.

- IFRS 11 Joint Arrangements (Amended) – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016).
- IFRS 14 Regulatory Deferral Accounts - effective for annual periods beginning on or after 1 January 2016.

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

### **2.3. Standards and interpretations issued but not yet effective (continued)**

- IFRS 15 Revenue from Contracts with Customers, established the framework for revenue recognition. IFRS 15 replaces IAS 18 Revenue, MRS 11 Construction Contracts, IFRIC13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, and IFRIC18 Transfers of assets from customers IFRS 15 is effective for annual periods beginning on or after 1 January 2018, and its earlier adoption is permitted.
- Amendments to IAS-16: Property, Plant and Equipment and IAS-38: Intangible Assets - amended by Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS-16: Property, Plant and Equipment and IAS-41: Agriculture - Industrial crop (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 27 – Separate financial statements - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IFRS10 „Consolidated financial statements” and IAS 28 Investments in Associates and Joint Ventures Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016).
- IFRS 10, IFRS 12 and IAS 28: "Investment Company: Applying the Consolidation Exception The amendments clarify that the exemption from preparing consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, even when the investment entity measures all of its subsidiaries at fair value in accordance with IFRS 10. As a result of these amendments, IAS 28 was also amended in order to clarify the exemption from applying the equity method of accounting (i.e. the continuance of measuring assets at fair value) applicable to an investor to a subsidiary or joint venture, when the investor is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2016, and their earlier adoption is permitted)
- Amendments to various standards -Improvements to IFRS (for a period 2012 - 2014 , resulting from Annual improvements to IFRS (IFRS 5, IFRS 7, IAS19, and IAS 34) made with a view to eliminate mismatching and to provide clarifications (effective for annual periods beginning on or after 1 January 2016).

### **2.4. Comparative figures**

As at 31 December 2014, the Group presented restated consolidated balance sheet and restated consolidated income statement as comparative figures.

A clarification of adjusted figures for the comparative period is presented in the note 4.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **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 three subsidiaries and the Parent Company, comprising the Group, 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 (Public Enterprise for the production of thermoelectric energy Thermal Power Plants "Kosovo", Public Enterprise for the production, processing and transportation of coal, PK and Public Enterprise for Electricity distribution Elektrokosmet) are not included in the consolidated financial statements as of 31 December 2015 given that the Parent Company's management does not have administrative and managing control over the operations of these entities.

#### **3.2. Income and expenses**

##### *Income from sales of goods and services*

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

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

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

Income from services related to the access to the distribution network are calculated based on regulated prices (approved by Energy Agency of the Republic of Serbia).

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

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

##### *Income from connections of new customers*

Income from connection of new customers to distribution network are recognized in the amount of money received from the customers, when incurred – when customer is connected to distribution network or when the customer is provided with the ongoing access to a supply of services in accordance with IFRIC 18 "Transfer of Assets from Customers". IFRIC 18 clarifies the requirements of IFRS for agreements in which the entity receives from a customer an item of property, plant and equipment that entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods and services. In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services. When some item of property, plant and equipment transferred by the customer meets the criteria of assets, the Group needs to recognize it in its financial statements.

##### *Income from usage of finished goods and merchandises*

Income from usage of finished goods and merchandises includes usage of finished goods, merchandises and services for intangible assets, property plant and equipment, material and for internal transportation services.

Expenses are recognized in income statement based in period when occurred.

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

**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 at the date of these financial statements, 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**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are measured at fair value and take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to the period in which they are incurred.

**3.5. Employee benefits**

Employee benefits, as well as all types of remuneration that the Group 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.

Employee benefits are established under the Group's General Act:

The Group provides jubilee, retirement and other employee benefits in accordance with the Group's General Act; the Group is obliged to pay retirement benefits to employees, amounting to three monthly salaries that would be earned in the month preceding the month in which retirement benefits are paid, or three average salaries paid by the company, or in the amount prescribed by the law (if more favourable for the employee), as well as to pay jubilee awards for 10, 20, 30 and 40 years of service within the Group.

The expected costs of the above benefits are accrued over the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds and treasury bills that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

**3.6. Errors**

Errors arising as a consequence of mathematical errors, or errors associated with the misapplication of accounting policies, inappropriate interpretation of facts, or by oversights are adjusted by restating of the opening balance of net gain/loss.

**3.7. Fair value**

In the Republic of Serbia there is not enough market experience, stability or liquidity in the purchase and sale of loans and other financial assets and liabilities; additionally, official market information is not always available. Therefore, the fair values cannot be determined reliably where there is no active market, as required by IAS and IFRS. In the opinion of the Group's Management, the amounts disclosed in the financial statements represent the most valid and useful reporting values, given the existing market conditions. Provision is not made for identified hazards the carrying value of which will not be realised. In the opinion of the Group's Management, the amounts disclosed in these financial statements represent the most valid and useful reporting values, given the existing market conditions.

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

#### 3.8. Transfer pricing

The related parties performance condition is calculated at transfer prices established by the Supervisory Board of PE EPS, as determined based on:

- the cost plus method increased for the usual mark-up for Guaranteed electricity supply or supply to consumers purchasing electricity on an open market (the so called "Commercial supply") as performed by the Parent Company to Business entity "EPS Snabdevanje" d.o.o.,
- the comparable uncontrolled price method for own electricity supply so as to cover losses in the distribution system,
- regulated prices (approved by the Energy Agency of the Republic of Serbia) for accessing the electricity distribution system,
- regulated prices (specified by Decrees issued by the Government of the Republic of Serbia) for supplying electricity from renewable sources.

#### 3.9. Provisions

##### *Litigations*

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

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

##### *Environmental restoration and environmental protection*

The Management has established provisions for future costs of dismantling and removing the plant and restoring the site on which it is located, using the best estimate of the production asset's future cost and useful life. Additionally, the Group established a provision for contingent liabilities on account of toxic effects accumulation protection, as well as for other environmental related costs.

Assessing future liabilities for environmental restoration and environmental protection is a complex issue requiring estimates and judgements to be made by management. Changes in measurements relating to current liabilities may result from the changes in estimates with respect to the period of liability occurrence, future expenses or discount rates used at initial measurement.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date on the basis of applicable laws and regulations, which is susceptible to changes due to amendments made to the laws and regulations and their interpretations.

#### 3.10. Government Grants

Funds received as grant money are initially recorded as deferred income within liabilities in the balance sheet over in the period when grants are expensed the income statement.

Cash grants covering one accounting period intended to cover the Group's expenses incurred in that period, in other words intended or to increase the Group's income are recognized as income upon their receipt.

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

#### 3.11. Taxes and contributions

##### *Current income tax*

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

The right to reduce the profit tax on the basis of investments in property, plant and equipment was withdrawn as of 1 January 2014, with the exception that a taxpayer who by 31 December 2013 realized the right to a tax incentive under Article 48 of the Corporate Income Tax Law (RS Official Gazette Nos. 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 its 2013 tax balance and tax return, may carry forward the unused portion of the tax credit to a future tax period, but not to exceed the limit of 33% of the tax liability calculated for that tax period, up to 10 years.

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

##### *Deferred income tax*

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

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

##### *Taxes and contributions not related to performance*

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

#### 3.12. Property, plant and equipment

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

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

After initial recognition, property, plant and equipment used in energy related activities is stated at fair value established by applying the market approach for land, administrative and other buildings used in performing office jobs, hospitality and tourism related activities, or by applying the cost approach (present replacement cost) for other assets.

Fair value of property, plant and equipment used for electricity related activities is stated at a revalued cost estimated by an independent appraiser as of 1 January 2011. Previous valuation of property, plant and equipment was performed on 1 January 2007.

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

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.12. Property, plant and equipment (continued)**

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 assets belong.

Subsequent investments in the asset increase the asset's carrying value, where the investment is made: to upgrade the asset, to replace its part or service other than within the framework of regular maintenance, where it is probable that future economic benefits associated with such investment will flow into the company, and where the cost of the investment can be measured reliably.

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

#### **Assets arising from stripping activities (removal of overburden) in the development phase of open pit mining operations**

To the extent the benefit of the stripping activity results in improved access to ore, the cost of the stripping activity is recognised as non-current asset, provided that:

- it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
- the entity can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity associated with that component can be measured reliably

The stripping activity asset shall be accounted for as an addition to, or as an enhancement of an existing asset. In other words, the stripping activity asset will be accounted for as part of an existing asset.

To the extent that the benefit from the stripping activity is realised in the form of inventory produced, it shall be accounted for as inventory.

The allocation of stripping costs between inventory produced and assets arising from the stripping activity is performed based on the production principle, including volumes of waste extracted compared with expected volumes for given production levels.

The stripping activity asset is initially measured at cost, this being the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs.

Subsequent measurement of stripping activity assets is made at cost or its revalued amount less depreciation or amortisation and less impairment losses, in the same way as the existing asset of which it is a part.

The stripping activity asset is depreciated or amortised on a systematic basis, over the expected useful life of the identifiable component of the ore body that becomes more accessible as a result of the stripping activity.

#### **3.13. Investment property**

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

Investment property is initially measured at cost, which comprises its purchase price and any directly attributable expenditures. The carrying value of current investment property includes all replacement costs, provided that it is probable that the entity will obtain future economic benefits from the asset and that the cost of an asset can be reliably measured.



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

**3.13. Investment property (continued)**

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

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

**3.14. Depreciation charge**

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

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

	Rate (%)
Thermal power plants buildings	1.30% - 4.00%
Hydro power plants buildings	1.30% - 4.00%
Coal mine buildings	0.68% - 16.67%
Electricity distribution buildings	1.25% - 4.00%
Commercial buildings	1.18% - 1.43%
Other buildings including investment properties	1.30% - 2.50%
Thermal power plants equipment	4.00% - 20.00%
Hydro power plants equipment	4.00% - 20.00%
Coal mine equipment	1.63% - 13.57%
Equipment for electricity distribution	4.00% - 20.00%
Transportation vehicles	6.67% - 20.00%
Equipment for decoration and maintenance of office and other premises	10.00% - 20.00%
Other equipment not mentioned	12.50% - 20.00%

The depreciation period is reviewed at the end of each accounting period.

**3.15. Leases**

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

**3.16. Intangible assets**

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

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

	Years	rate %
R&D Investments	4	25%
Patents, licenses and similar rights	5	20%
Other intangible assets	5	20%

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

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

#### 3.17. Impairment of Property, Plant and Equipment

At each balance sheet date, the Group's management assesses whether there are any indications of impairment of property, plant and equipment, based on the review and consideration of internal and external sources of information.

If there is any indication of impairment, 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. As at 31 December 2015, based on the management's assessment, there are no impairment indicators for tangible assets.

#### 3.18. Inventory

Inventories are stated at the lower of cost and net realizable value. Cost includes purchase value, import duties and other non-refundable taxes, transport, handling and other expenses directly attributable to inventory acquisition, as decreased for trading discounts, rebates and similar items. The net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost is computed using the weighted-average method. Tools and fixtures are fully written off when brought to 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 of the inventories value in use.

#### 3.19. Financial instruments

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

Financial assets and liabilities not designated at fair value through profit and loss are initially recognised at fair value plus transaction costs, which are directly attributable to the acquisition or issue of a financial asset or financial liability.

##### *Investments in related parties*

Investments in related parties are stated at fair value established by an independent appraiser at Parent Company formation on 1 July 2005. The related parties financial statements prepared as at 31 December 2004 were the basis for fair value measurement.

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*

Investments in other legal entities and other long-term investments are initially measured at cost; Subsequently, they are measured at:

- Fair value, if they are held for trading or available for sale, and have a quoted market price in an active market;
- Cost, if they are held for trading or available for sale, and do not have a quoted market price in an active market;
- Amortised cost, if they have fixed maturities;
- Cost, if they do not have fixed maturities.

Any difference (increase or decrease) arising between the carrying value and the value of subsequent measurements is recognized as a separate item within equity – revaluation reserves, for instruments available for sale with quoted prices in an active market, except when there is an objective evidence of impairment, in which case any difference is recognised in the income statement. Any difference between the carrying value of other financial instruments and their subsequent measurements is recognised in profit or loss of the period in which it is incurred.

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

#### 3.19. Financial instruments (continued)

##### *Short-term investments and accounts receivable*

Short-term investments and accounts receivable comprise trade and other receivables, short-term investments in unconsolidated subsidiaries, short-term deposits held with banks and other short-term investments.

Receivables arising from the sale of electricity and other output are measured at the original invoice amount. The invoiced interest on goods and services is recognized within other receivables as income of the accounting periods to which it relates. Other investments and accounts receivable are measured at cost.

Other receivables and assets are measured at amortized cost.

Any difference between the carrying value and their subsequent measurements is recognised in profit or loss of the period in which it is incurred.

##### *Impairment of financial assets*

At each balance sheet date, the Group assesses whether there is an objective evidence of impairment by analysing the expected net cash flows in the following manner:

- Individually, for financial assets that are individually significant, or
- Collectively, for a group of similar financial assets that are not individually significant.

For receivables from third parties and households that more than 60 days overdue, and that do relate to receivables from the sales of electricity, an allowance for impairment is created. Exceptionally, the collectability of receivables from these debtors may be assessed on an individual basis.

##### *Impairment of receivables from the sales of electricity*

Collection of receivables for electricity is assessed based on the following categories:

1. Commercial supply
2. Reserve supply
3. Guaranteed supply including subcategories:
  - o Receivables from third parties („companies“)
  - o Receivables from households

Receivables from all customers with balances above RSD 200 million are assessed individually.

Receivables that are overdue for more than one year are impaired in the full amount.

Collection of receivables is assessed based on turnover (electricity sales), except for the receivables / customers that are assessed individually. Assessment is done for each group and sub-group of customers by applying collection rate on the total amount of receivables (invoiced receivables) in the reporting period:

- Collection rate is calculated as a difference between number 1 and collection ratio. Collection ratio is calculated as ratio between unpaid receivables and total receivables for current and previous reporting period;
- the Group is assessing all events after balance sheet date up to 31 January of the year after the reporting year.

Exceptionally, receivables from customers undergoing reconstruction, bankruptcy or liquidation, irrespective of their amount, may be assessed on an individual basis.

A direct write off of receivables is performed upon the conclusion of legal proceedings, or upon the decision passed by competent authorities, in accordance with the Law and the Company's General Act.

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

3.19. **Financial instruments (continued)**

*Short-term investments and accounts receivable (continued)*

*Impairment of financial assets (continued)*

*Impairment of receivables from the sales of electricity (continued)*

Other receivables for interest, debt collection expenses and for other expenses that are related to the amount of main receivables are assessed as the main related receivable.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand and deposits with banks.

*Financial liabilities*

Financial liabilities comprise 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 operating liabilities, 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, less any impairment.

**PUBLIC ENTERPRISE, ELECTRIC POWER INDUSTRY OF  
SERBIA,  
BELGRADE**

**4. OPENING BALANCE ADJUSTMENTS**

**a) Effects on the Consolidated Balance Sheet**

	1 January 2015, before adjustments	1 January 2015, adjustments	1 January 2015, adjusted	1 January 2014, before adjustments	1 January 2014, adjustments	1 January 2014, adjusted
<b>Assets</b>						
<b>Non-current assets</b>						
Intangible assets	4,222,887	-	4,222,887	3,185,541	-	3,185,541
Property, plant and equipment	932,827,107	1,841,135	934,668,242	933,086,429	-	933,086,429
Biological assets	392,991	-	392,991	304,438	-	304,438
Long-term financial investments	3,325,683	-	3,325,683	3,062,033	-	3,062,033
Other long-term financial investments	784,045	-	784,045	4,805,165	-	4,805,165
	<u>941,552,713</u>	<u>1,841,135</u>	<u>943,393,848</u>	<u>944,443,606</u>	<u>-</u>	<u>944,443,606</u>
<b>Current assets</b>						
Inventory	27,033,763	(87,238)	26,946,525	25,449,257	-	25,449,257
Receivables	46,273,830	(369,282)	45,904,548	82,079,956	-	82,079,956
Short-term financial investments	1,637,121	-	1,637,121	6,835,844	-	6,835,844
Cash and cash equivalents	31,181,332	-	31,181,332	35,524,097	-	35,524,097
Prepaid expenses and other accruals	3,095,867	(53,979)	3,041,888	805,954	-	805,954
	<u>109,221,913</u>	<u>(510,499)</u>	<u>108,711,414</u>	<u>150,695,108</u>	<u>-</u>	<u>150,695,108</u>
<b>Total assets</b>	<u>1,050,774,626</u>	<u>1,330,636</u>	<u>1,052,105,262</u>	<u>1,095,138,714</u>	<u>-</u>	<u>1,095,138,714</u>
<b>Liabilities</b>						
<b>Equity</b>						
Basic capital	360,011,201	-	360,011,201	360,010,128	-	360,010,128
Revaluation reserves	547,186,288	-	547,186,288	554,439,448	(1,521,794)	552,917,654
Unrealized gain / (loss) from securities	(547,680)	-	(547,680)	(710,120)	-	(710,120)
Retained earnings / (loss)	(125,273,448)	575,842	(124,697,606)	(114,896,007)	(108,022)	(115,004,029)
	<u>781,376,361</u>	<u>575,842</u>	<u>781,952,203</u>	<u>798,843,449</u>	<u>(1,629,816)</u>	<u>797,213,633</u>
<b>Long-term provisions and liabilities</b>						
Long-term provisions	15,102,057	22,866	15,124,923	14,381,681	-	14,381,681
Long-term loans and borrowings	77,907,168	-	77,907,168	68,480,151	-	68,480,151
	<u>93,009,225</u>	<u>22,866</u>	<u>93,032,091</u>	<u>82,861,832</u>	<u>-</u>	<u>82,861,832</u>
<b>Long-term liabilities</b>						
Deferred tax liabilities	89,743,489	-	89,743,489	90,383,043	1,629,816	92,012,859
<b>Short-term liabilities</b>						
Short-term financial liabilities	29,018,403	-	29,018,403	25,155,055	-	25,155,055
Customer prepayments	3,038,822	-	3,038,822	3,906,181	-	3,906,181
Operating liabilities	23,259,382	-	23,259,382	13,181,747	-	13,181,747
Other short-term liabilities	6,248,018	17,868	6,265,886	47,445,645	-	47,445,645
Liabilities for VAT, other taxes, contributions and duties and accrued expenses	25,080,926	714,060	25,794,986	33,361,762	-	33,361,762
	<u>86,645,551</u>	<u>731,928</u>	<u>87,377,479</u>	<u>123,050,390</u>	<u>-</u>	<u>123,050,390</u>
<b>Total Liabilities</b>	<u>1,050,774,626</u>	<u>1,330,636</u>	<u>1,052,105,262</u>	<u>1,095,138,714</u>	<u>-</u>	<u>1,095,138,714</u>

4. **OPENING BALANCE ADJUSTMENTS (continued)**

**6) Effects on the Consolidated Income Statement**

	For the Year Ended 31 December 2014 Before adjustments	Adjustment	In RSD thousand For the Year Ended 31 December 2014 Restated
<b>Operating income</b>			
Income from sales of goods and services	203,090,037	(357,592)	202,732,445
Other operating income	9,413,363	(53,979)	9,359,384
	<u>212,503,400</u>	<u>(411,571)</u>	<u>212,091,829</u>
<b>Operating expenses</b>			
Cost of goods sold	70,175		70,175
Revenue from usage of finished goods and merchandises	(4,306,752)	(1,958,606)	(6,265,358)
(Increase)/decrease in inventories	(114,756)	88,567	(26,189)
Cost of material	49,859,022	18,436	49,877,458
Wages and salaries and other personal expenses	55,655,336		55,655,336
Amortization/ Depreciation and cost of provisioning	42,615,950	148,751	42,764,701
Other operating expenses	45,175,011	8,396	45,183,407
	<u>188,953,986</u>	<u>(1,694,456)</u>	<u>187,259,530</u>
<b>Operating profit / (loss)</b>	<u>23,549,414</u>	<u>1,282,885</u>	<u>24,832,299</u>
Financial income	15,726,997	151	15,727,148
Financial expenses	(14,424,237)	6,081	(14,418,156)
Other income	5,967,777	218,921	6,186,698
Other expenses	(40,652,189)	(523,863)	(41,176,052)
	<u>(9,832,238)</u>	<u>984,175</u>	<u>(8,848,063)</u>
<b>Profit / (loss) before tax</b>	<u>(9,832,238)</u>	<u>984,175</u>	<u>(8,848,063)</u>
Tax expense for the period	(2,914,267)	(299,002)	(3,213,269)
Deferred tax income (expense) for the period	2,269,355	-	2,269,355
	<u>(10,477,150)</u>	<u>685,173</u>	<u>(9,791,977)</u>
<b>Net profit / (loss)</b>	<u>(10,477,150)</u>	<u>685,173</u>	<u>(9,791,977)</u>

**b) Effects on the accumulated loss as at 31 December 2014**

	In RSD thousand 2014
<b>Accumulated loss as at 31 December, before adjustments</b>	<u>(125,273,448)</u>
Corporate income tax adjustment 2014	(299,002)
First application of IFRIC 20	1,958,606
Restatement of operating income and financial income based on audit findings for 2014	(369,797)
Other adjustments	(713,965)
Total adjustments	<u>575,842</u>
<b>Adjusted accumulated loss as at 31 December,</b>	<u>(124,697,606)</u>

**5. OPERATING INCOME**

	<b>In RSD thousand</b>	
	<b>31 December 2015</b>	<b>Year ended 31 December 2014</b>
Income from sales of goods and services to other related parties – on domestic market	791,803	641,686
Income from sales of goods and services to other legal entities – on domestic market:		
- Sale of electricity to households	87,469,775	84,614,591
- Sale of electricity to third parties	28,651,157	32,303,665
- Sale of electricity to licensed customers	7,054,163	4,861,196
- Sale of electricity to qualified customers	73,653,568	64,230,399
- Sale to PE Elektromreža Srbije	12,903,718	10,654,678
- Income from sales of coal	3,112,224	2,323,285
- Sale of technological steam and gas	173,033	102,967
- Sale of heat energy	823,213	818,937
- Income from sales of services	989,910	1,687,407
- Income from sales of products	290,014	217,760
- Income from radio and television subscriptions	-	131
- Other income	13	-
	215,120,775	201,815,016
Income from sales of goods and services – on foreign market:	3,360,896	275,743
	219,273,474	202,732,445

Income from sales of goods and services – electricity is recognised based on realized turnover with the end customers, residents of the Republic of Serbia. Income from sales is based on the realization of the sale of electricity to households and small enterprises (the so-called "Guaranteed supply") and customers who buy energy on the open electricity market (the so-called. "Commercial supply").

Customers on a guaranteed supply are households and third parties (legal entities) of the category "broad consumption" and "low" voltage. The Energy Law regulates the price of electricity for guaranteed supply based on the methodology adopted by the Energy Agency of the Republic of Serbia.

All end electricity customers have the right to freely choose their supplier in the electricity market. The selling price of electricity on the supply is formed according to market principles.

In accordance with the provisions of the Energy Law ( "Official Gazette of RS", No. 145/14), the right for reserve supply has the end customer who is not entitled to guaranteed supply in case of: bankruptcy or liquidation of the previous supplier, termination or revocation of the license held by previous supplier, if the end customer has not found a new supplier after the termination of the supply contract with the previous supplier, unless the termination is a result of failure to pay the previous supplier; if the customer has not found a new supplier after the termination of the supply contract with the previous supplier, the customer will belong to a category which cannot be suspended from electricity supply, in accordance with the Energy Law. The backup supply can last no longer than 60 days. The government has appointed the Company for reserve supply for a period of one year based on decision on determining the supplier who will perform the reserve power supply 05 number: 312-5129 / 2015 from 14 May 2015. Reserve supplier has the right to supply the Customers for a period of one year from the date of adoption of this solution, at a price of € 61.35 / MWh, without VAT and excise duties (during the period from 1 January 2014 to 31 December 2014. year at a price starting from 59,90 EUR / MWh). The price for reserve supply represents a unique amount in EUR / MWh, and includes the cost of electricity and the cost of system balancing, but does not include the cost of access to the system and the incentive fee of privileged power producers.

**5. OPERATING INCOME (continued)**

Income from sales of goods and services – electricity to third parties are recognised based on the invoice value. Income from sales of electricity are recognised based on distributed quantities to legal entities – residents of Republic of Serbia, which own license for trading with electricity.

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: “PE 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 PE 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 PE 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 PE EMS and operators of neighbouring transmission systems.

Income from the sale of electricity abroad in the amount of RSD 3,360,896 thousand relate to the sale of electricity in the amount of RSD 570,797 thousand to “Mješoviti holding Elektroprivreda Republike Srpske” in the amount of RSD 296,529 thousand and to “Elektroprivreda Crne Gore” in the amount RSD 274,268 thousand), RSD 1,958,833 thousand relates to the sale of electricity on the Slovenian market, and income from the sale of services abroad in the amount of RSD 831,266 thousand relate to assembly and manufacture of spare parts and other metal structures services.

**6. WORK PERFORMED BY THE ENTITY AND CAPITALISED**

	<b>In RSD thousand</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2015</b>	<b>2014</b>
Income from activation and consumption of goods for own use	119,414	29,839
Income from activation and consumption of products for own use	3,778,744	5,144,427
Income from activation of services for own use	1,468,798	1,091,092
	<u>5,366,956</u>	<u>6,265,358</u>

Income from the work performed by the entity and capitalised for the year ended 31 December 2015 in the amount of RSD 3,778,744 thousand mostly relate to capitalised stripping costs in accordance with the IFRIC 20 – Stripping costs in the production phase of a surface mine. The first application of IFRIC 20 was in 2015, with calculation of the effects related to the earliest possible method, for which the adjustment was made in the consolidated financial statements of merged entities (note 4).



**7. INCOME FROM PREMIUMS, SUBVENTIONS, GRANTS, DONATIONS AND OTHER OPERATING INCOME**

	<b>31 December 2015</b>	<b>In RSD thousand Year ended 31 December 2014</b>
Income from premiums, subventions, grants and donations	1,141,884	1,418,227
Income from connections of new customers	1,454,733	1,550,484
	<u>2,596,617</u>	<u>2,968,711</u>
Other operating income:		
- Insurance claims collected	795,942	731,366
- Rental income	204,535	145,587
- Other operating income	2,193,404	5,513,720
	<u>3,193,881</u>	<u>6,390,673</u>
	<u>5,790,498</u>	<u>9,359,384</u>

Income from connections of new customers include the additional benefits for the construction of new connection valued according to the price lists that are in line with the methodology approved by the Energy Agency.

Other operating income in the total amount of RSD 2,193,404 thousand includes income from services provided to a foreign legal entity for works related to Phase One of the Package Project Kostolac-B in the amount of RSD 1,142,010 thousand.

**8. COST OF MATERIAL**

	<b>31 December 2015</b>	<b>In RSD thousand Year ended 31 December 2014</b>
Costs of basic materials	1,624,213	1,335,628
Cost of material for the maintenance and spare parts	9,187,526	7,735,257
Cost of small inventories and tyres	465,543	313,484
Materials for coal production	612,573	632,213
Cost of oil and lubricants	249,807	225,194
HT3 equipment	313,911	231,769
Cost of office and other overheads material	471,476	480,924
Other	176,461	111,952
	<u>13,101,510</u>	<u>11,066,421</u>
	<u>13,101,510</u>	<u>11,066,421</u>

Cost of material for the maintenance and spare parts for the year ended 31 December 2015 in the amount of RSD 9,187,526 thousand (2014: RSD 7,735,257 thousand) relate to the costs of maintenance of property, plants and equipment of merged subsidiaries in the amount of RSD 8,148,796 thousand.

9. COST OF FUEL AND ENERGY

	In RSD thousand	
	31 December 2015	31 December 2014
Cost of electricity:		
- on domestic market	5,745,317	13,479,235
- on foreign market	1,094,603	1,321,886
Cost of transmission of electricity PE EMS, Beograd	20,486,056	17,678,263
Cost of other energy	109,214	89,516
Cost of coal purchased from third parties	2,754,256	1,159,276
Cost of oil and oil derivatives	4,314,956	3,966,545
Cost of gas used in production	992,562	1,116,316
	<u>35,496,964</u>	<u>38,811,037</u>

For securing regular supply of distribution customers in Republic of Serbia, the Group has purchased electricity in the amount of RSD 5,745,317 thousand (2014: RSD 13,479,235 thousand) from third parties, which have licence for trading with electricity.

Purchase of electricity from non-residents of Republic of Serbia in the amount of RSD 1,094,603 thousand mostly relate to the purchase from company "Mješoviti holding Elektroprivreda Republike Srpske" (RSD 1,092,299 thousand).

The Group concluded contract with Public Enterprise "Elektromreža Srbije", Beograd for accessing and using system for transmission of electricity and for providing power for pump-accumulating plants. For the year ended 31 December 2015, costs incurred in relation with abovementioned transmission of electricity were in the amount of RSD 20,486,056 thousand (2014: RSD 17,678,263 thousand).

Fee for accessing the system for electricity transmission, approved by the Energy Agency of Republic of Serbia, is set by the Decision for Setting Prices of Use of Electricity Transmission System (Official Gazette of the Republic of Serbia, No. 14/13) in accordance with the Decision on Determining Methodology for Setting Tariff Elements for Pricing Access to and Use of Electricity Transmission System (Official Gazette of the Republic of Serbia, No. 93/2012).

10. **WAGES AND SALARIES AND OTHER PERSONAL EXPENSES**

	<b>31 December 2015</b>	<b>In RSD thousand Year ended 31 December 2014</b>
Cost of gross salaries and salary compensation	43,683,727	43,165,540
Taxes and contributions on wages and salaries paid by employer	13,343,107	9,443,320
Cost of special service and temporary service agreements	945,186	671,002
Fees paid based on other agreements	17,202	25,146
Fees paid to Supervisory and Managing Board members and other managing bodies	12,450	37,810
Cost of transportation of employees	1,529,790	1,500,186
Cost of per diem allowances and compensation of expenses on business trips	208,524	217,959
Cost of scholarship and loans	317,831	317,523
Cost of providing assistance to employees	280,013	198,311
Other personal expenses	131,685	78,539
	<b>60,469,515</b>	<b>55,655,336</b>

Since the Parent Company is a Public Enterprise, pursuant to the request on maximum salaries in public sector, salaries are not allowed to be higher than amount calculated by multiplying the maximum coefficient determined by the law regulating the salaries of employees in public sector and base salary determined by the Budget Law for the current year. Maximum salary:

- for the period 1 January – 31 March 2014 net salary was RSD 170,162.10
- for the period 1 April – 31 October 2014 net salary was RSD 171,012.87
- for the period 1 November 2014 – 31 December 2015 net salary was RSD 153,911.61

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 dated 28 October 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.

**11. COST OF PRODUCTION SERVICES**

	In RSD thousand	
	31 December 2015	Year ended 31 December 2014
Production services	2,190,002	1,859,379
PTT services	1,369,706	1,360,455
Transportation services	279,036	272,484
Cost of maintenance services provided by third parties	12,143,766	10,844,645
Cost of information system maintenance	625,281	345,571
Rental cost	576,371	640,049
Advertising, fairs and marketing costs	120,140	128,745
Cost of research and development	154,036	103,836
Scientific research costs	629,118	316,523
Cost of services for various tests, analysis, preparing technical and project documentation, reports and projects	532,789	415,235
Work safety cost	94,465	93,393
Cost of production services and assistance	294,226	271,381
Labor costs for works on separator and crusher	10,037	33,641
Costs of meter reading services	495,505	499,547
Inspection, repair, calibration, inspection and replacement of the meters	276,224	265,530
Costs of transformation of electric energy services	37,089	55,085
Cost of services provided by student and youth organizations	465,527	666,188
Utility costs	536,806	454,853
Costs of other production services	441,540	1,238,177
Costs of environmental protection and site restoration from mining operation	167,126	118,138
	21,438,790	19,982,855

Cost of maintenance services provided by third parties for the year ended 31 December 2015 in the amount of RSD 12,143,766 thousand (2014: RSD 10,844,645 thousand) includes cost of current and investment maintenance of property, plant and equipment of branches, merged entities for the period from 1 July to 31 December 2015 (note 2.4) in the amount of RSD 4,345,474 thousand.

Research costs in the amount of RSD 629,118 thousand (2014: RSD 316,523 thousand) relates to research cost in the production and other research studies, projects, analysis and technical documentation.

Costs of other production services in the amount of RSD 441 540 thousand (2014: RSD 1,238,177 thousand) mostly relate to costs of project documentation, cost of connection and disconnection of meters, printing costs warnings and similar.

**12. DEPRECIATION/AMORTISATION EXPENSE**

	In RSD thousand	
	31 December 2015	Year ended 31 December 2014
Depreciation/amortization expense:		
- Intangible assets (Note 22)	347,732	336,590
- Property, plant and equipment (note 22)	39,243,916	38,580,330
	39,591,648	38,916,920

**13. COST OF LONG-TERM PROVISIONING**

	In RSD thousand Year ended	
	31 December 2015	31 December 2014
Environmental restoration	548,432	401,738
Retirement benefits and jubilee awards	4,355,693	1,357,870
Cost of other long-term provisioning:		
- Litigations	1,792,528	2,071,934
- Environmental protection	14,083	16,239
	6,710,736	3,847,781

In 2015, the Group provided for retirement benefits payable at the date of employment termination and jubilee awards liabilities in the amount of present liability based on past events, regulated by the Labour Law (note 3.5.).

Present liability for the ongoing litigations recognized in the amount of RSD 1,792,528 thousand (2014: RSD 2,071,934 thousand) is the best management estimate.

**14. OTHER OPERATING EXPENSES**

	In RSD thousand Year ended	
	31 December 2015	31 December 2014
Water use charges	1,980,819	1,899,962
Construction land usage fee	52,024	14,045
Use of public interest resources fee	63,289	53,509
Environmental fee	3,361,467	4,213,988
Property Tax	1,098,077	1,150,532
Fee for use of riverbanks for business purposes	20,642	19,424
Other indirect taxes and contributions	1,475,845	1,494,743
Utilization of mineral resources	1,956,684	1,847,245
Entertainment expense	72,180	168,384
Cost of payment operations and banking services	396,050	338,908
Subscription cost	53,254	59,051
Legal and advocacy services	751,662	947,551
Other non-material services	2,321,228	5,783,907
Intellectual services	1,536,358	947,196
Other non-production services	1,575,857	1,512,307
Insurance costs	2,537,752	2,319,572
Student reimbursement cost	72,935	61,418
Health Service costs	153,975	195,348
VAT calculated on electricity losses	183,659	205,877
Membership fees	833,748	613,216
Costs of undertaken commitments	1,249	38,624
Costs of safeguarding property and archival materials	28,338	41,883
Security services, protection of buildings and work health and safety	1,459,564	1,273,863
	21,986,656	25,200,553

**14. OTHER OPERATING EXPENSES (continued)**

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 Group 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 1 January 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 1 January 2016.

**15. FINANCIAL INCOME**

	<b>In RSD thousand Year ended</b>	
	<b>31 December 2015</b>	<b>31 December 2014</b>
Financial income arising from related parties	533,217	522,732
	204	-
Income from equity investments in associates and joint ventures		
Other financial income	413,570	15,709
Interest income:		
- Trade receivables for electricity sold	9,636,304	10,759,662
- Short-term financial investments	983,400	991,382
- Other interest income	449,849	978,485
	<b>11,069,553</b>	<b>12,729,529</b>
Foreign exchange gains and gains on currency clause effect		
Foreign exchange gains	2,790,323	2,333,922
Gains o currency clause effects	94,442	125,256
	<b>2,884,765</b>	<b>2,459,178</b>
	<b>14,901,309</b>	<b>15,727,148</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 3,318,086 thousand and electricity customers of distribution companies in the amount of RSD 5,566,745 thousand.

Foreign exchange differences arise from the settlement of monetary items or from the translation of monetary items at exchange rates different from those for which the translation was done at initial recognition during the reporting period or in previous consolidated financial statements are recognized as income. Available cash in the reporting period was deposited in commercial banks and the interest income during 2015 amounted to RSD 983 400 thousand (2014: RSD 991,382 thousand).

**16. FINANCIAL EXPENSES**

	<b>31 December 2015</b>	<b>In RSD thousand Year ended 31 December 2014</b>
Other financial expenses	489,647	292,766
Interest expense:		
- on liabilities toward PE EMS	52,383	137,993
- Paris and London clubs of creditors	791,257	850,632
- reprogramming of liabilities related to public duties	-	7,462
- on renegotiated liability for loan from National Republic of China – Deposit Insurance Agency	36,883	34,153
- other interest expenses (on all other items)	2,664,021	2,666,514
- Interest expense related to late payment of public duties	92,743	659,546
	3,637,287	4,356,300
Foreign exchange losses and losses on currency clause effect:		
Costs of effects of foreign currency clause	146,937	107,641
Losses on currency clause effect	8,059,865	9,661,449
	8,206,802	9,769,090
	12,333,736	14,418,156

Financial 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.

Other financial expense in the amount of RSD 489,647 thousand (2014: RSD 292,766 thousand) includes commitment and management fee in accordance with Exim bank loan agreement for financing investment in B3 plant in branch "Termoelektrane i kopovi Kostolac". Remaining expense relates to financial expense derived from loan agreement with EBRD, KFW and JICA.

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

	<b>31 December 2015</b>	<b>In RSD thousand Year ended 31 December 2014</b>
Income from adjustment in value of other assets	477,273	316,450
Collection and reduction in allowances for impairment		
- advances given for fixed assets	60,794	5,389
- advances given for inventories	18,919	60,005
- accounts receivable	1,009,300	3,182,520
	1,566,286	3,564,364
	1,566,286	3,564,364

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

	In RSD thousand	
	Year ended	
	31 December	31 December
	2015	2014
	<u>                    </u>	<u>                    </u>
Expenses from value adjustments of:		
- Equity investments	10	41,450
- Rescheduled receivables for electricity	7,980	2,585,819
- Advances given for inventories and services	346,972	19,574
- Trade receivables for electricity	16,858,235	22,857,065
- Other receivables	1,960,706	1,911,359
- Short-term financial assets	32,268	1,294,550
	<u>                    </u>	<u>                    </u>
	<u>19,206,171</u>	<u>28,709,817</u>

Short-term receivables that are overdue for a longer period of time are impaired and expensed the amount of RSD 16,858,235 thousand (business entity "EPS Snabdevanje" d.o.o. RSD 11,314,989 thousand, distribution companies RSD 3,814,283 thousand, PE EPS RSD 1,728,963 thousand).

When assessing the probability of collection of receivables the Group has considered all subsequent events that have occurred until 31 January 2015.

In fiscal year 2014, the receivables from legal entities who have exceeded the deadline for payment of more than 60 days were written off.

In fiscal year 2015, for receivables arising from electricity distribution, which are formed on the basis of traffic that is used by companies to distribute electricity up until 30 June 2013 were fully written off.

The Group calculates allowance for doubtful receivables from customers and other debtors on the basis of estimated loss that would incur if customers are unable to complete the payment. When assessing the appropriate amount of the allowance for doubtful receivables, the Group relies on the age of receivables, past experience with the write-off, historical indicators of debt collection, customer creditworthiness and changes in payment terms. This requires estimates about future customer behaviour and any resulting future cash collections. In some cases, actual results may differ from these estimates. If the percentage of collection differs by 10% from management's estimates, the profit before tax for the year ended 31 December 2015 will be higher / lower by RSD 1,131,499 thousand (2014: RSD 1,048,996 thousand).

In fiscal 2015, the Group has made a change in accounting estimate related to allowances for receivables for electricity distribution and trade receivables - assessment has been performed in accordance with the methodology described in Note 3.19. "Short term loans and investments - Impairment of financial assets". If the Group had applied the previous methodology for assessing the certainty of collection of receivables for electricity transport achieved during the business year 2015, expenses from impairment of receivables would amount to RSD 20,282,206 thousand.



**19. OTHER INCOME**

	In RSD thousand	
	31 December 2015	Year ended 31 December 2014
Gains on disposal of materials, spare parts, intangible assets, properties and equipment	107,976	37,943
Income from reversal of provision for employee benefits	524,109	27,536
Receivables written off and collected	252,223	219,241
Diminution of liabilities	215,304	1,103,354
Income from reversal of provision for environmental protection	23,075	12,029
Subsequently approved discounts	41,424	39,753
Income from reversal of provision for legal cases	207,684	127,935
Income from hedging effects	858	6,769
Income from reduction in liabilities for environmental protection	920,758	445,046
Surpluses	777,064	37,546
Income from asset value adjustments	1,274,895	428,620
Other income	106,186	136,562
	<u>4,451,556</u>	<u>2,622,334</u>

Income from inventory value adjustments is for the year ended 31 December 2015 in the amount of RSD 1,274,895 thousand includes RSD 1,123,728 thousand for the reversal of impairment losses of inventory, concluded in the report of "Rudarski basen Kolubara" Expert Committee (RSD 643,420 thousand) and Distribution System Operator (RSD 480,308 thousand).

**20. OTHER EXPENSES**

	In RSD thousand	
	31 December 2015	Year ended 31 December 2014
Losses on disposal of materials, intangible assets and property, plant and equipment	3,508,019	1,198,913
Losses on disposal of inventory	288,352	127,417
Impairment losses from intangible assets and other properties	6,646	567,163
Impairment losses from inventory	1,251,131	621,380
Shortages	444,268	336,468
Losses on write off:		
- short-term receivables and rescheduled accounts receivable	837,771	3,174,115
- other assets	9,732	69,639
Expenses for contributions paid to employees from public enterprises from Kosovo and Metohija	5,162,399	5,373,996
Sponsorships and donations	137,083	204,760
Other expenses	847,067	792,384
	<u>12,492,468</u>	<u>12,466,235</u>

Expense in the amount of RSD 5,162,399 thousand (2014: RSD 5,373,996 thousand) is recognized for gross salaries for employees in public enterprises from Kosovo and Metohija.

**20. OTHER EXPENSES (continued)**

Losses on disposal of material and property, plant and equipment for the year ended 31 December 2015 in the amount of RSD 3,508,019 thousand (2014: RSD 1,198,913 thousand) includes RSD 2,615,285 thousand which relate to expense recognized in accordance with the stock-count performed as at 31 December 2015 in branch "Termoelektrane I kopovi Kostolac". Also, expense for the overhaul of thermal power plants B1 and B2 in branch "Termoelektrane I kopovi Kostolac" in the amount of RSD 2,608,948 thousand is included in the total amount.

**21. INCOME TAX EXPENSE**

**a) Current tax**

	<b>31 December 2015</b>	<b>In RSD thousand Year ended 31 December 2014</b>
Tax expense for the period	4,865,567	3,213,269
Deferred tax income /(expense) for the period	(2,320,376)	(2,269,355)
	(2,545,191)	(943,914)

**b) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the Group's profits as follows:**

	<b>31 December 2015</b>	<b>In RSD thousand Year ended 31 December 2014</b>
Profit/(loss) before tax	9,531,535	(8,848,063)
Tax calculated at statutory tax rate - 15%	1,429,730	(1,327,210)
Tax effect on:		
- expenses not deductible for tax purposes	1,955,842	1,688,304
- adjustment for subsequent calculation of income tax expense of merged entities	-	213,304
- capital gain/(losses)	14,029	-
- income not subject to tax	(147,428)	(1,149,479)
- utilization of previously unrecognized tax losses	(108,688)	(165,047)
- utilization of investment tax credit	(881,197)	(100,482)
- disposal	(400,808)	-
- transfer pricing effect	1,062,831	1,575,772
- other	(379,120)	208,752
	2,545,191	943,914

**c) Deferred tax assets/ (liability)**

	<b>31 December 2015</b>	<b>31 December 2014</b>
Balance as at 1 January 2015	89,743,489	90,383,043
Adjustments in respect of prior years asset valuation	-	1,629,816
	89,743,489	92,012,859
Recognition in profit/(loss)	(2,320,376)	(2,269,355)
Other	(75,048)	(15)
	87,348,065	89,743,489

d) Transferred investment tax credit

Year of origination	<u>2015</u>	<u>Year of termination</u>
2012	134,235,141	2022
2013	<u>66,722,407</u>	2023
	<u>200,957,548</u>	

Group as at 31 December 2015 does not have unused tax losses

22. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

	<u>Intangible assets</u>
<b>Cost</b>	
Cost amount at 1 January 2014, after opening balance adjustments	4,943,743
Additions	1,374,500
Transfers from CiP	105,508
Donations	995
Disposals	(173,356)
Other changes	(29,490)
Closing cost amount as at 31 December 2014	<u>6,221,900</u>
Opening balance adjustments	-
Cost amount at 1 January 2015, after opening balance adjustments	<u>6,221,900</u>
Additions	1,243,535
Transfers within the Intangible assets group of accounts of from other group of accounts	-
Transfers from CiP	-
Donations	789
Stock count surplus	137,247
Disposals	(172,681)
Other changes	(16,080)
Closing cost amount as at 31 December 2015	<u>7,414,710</u>
<b>Accumulated amortisation</b>	
Accumulated amortisation amount at 1 January 2014, after opening balance adjustments	1,758,202
Amortisation charge	333,976
Disposals	(83,392)
Other changes	(9,771)
Accumulated amortisation amount as at 31 December 2014	<u>1,999,015</u>
Accumulated amortisation amount as at 1 January 2015	<u>1,999,013</u>
Opening balance adjustments	-
Accumulated amortisation amount as at 1 January 2015, after opening balance adjustments	<u>1,999,013</u>
Amortisation charge	347,732
Transfers within the Intangible assets group of accounts of from other group of accounts	1,437
Disposals	(160,158)
Other changes	121,107
Closing accumulated amortisation amount as at 31 December 2015	<u>2,309,131</u>
Net book value	
At year ended 2014	4,222,887
At year ended 2015	<u>5,105,579</u>
Balance as at 01 January 2015	<u>4,222,887</u>
Balance as at 31 December 2015	5,105,579

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

	Land	Buildings	Machinery and Equipment	Investment property	Biological assets	Other property, plant and equipment	Construction in progress	Investments in third party PP&E	Prepayments for PP&E	Total
<b>Cost</b>										
<b>Cost amount at 1 January 2014</b>	46,523,069	570,295,488	1,199,009,749	667,950	304,438	337,677	42,006,265	1,396	11,773,485	1,870,919,517
Additions	3,150,433	2,019,624	11,278,742	-	25,418	-	22,299,521	-	-	38,773,737
Transfers from CIP	13,233	16,096	18,991	-	-	18,791	(1,076,962)	-	-	(1,009,851)
Internally generated property, plant and equipment (account group 62)	37,635	45,564	257,506	-	-	-	3,044,076	-	-	3,384,780
Donations	46,570	1,957,832	10,621,587	-	-	18,828	165,945	-	-	12,810,763
Sales of PP&E	-	(5,036)	(27,655)	-	-	-	-	-	-	(32,691)
Disposals	(816)	(257,879)	(13,240,770)	-	(1,641)	(1,481)	(1,411)	-	-	(13,503,998)
Cost amount of transferred PP&E to other companies (donations)	-	(27,349)	(27,936)	-	-	-	-	-	-	(55,285)
Stockcount surplus	-	3,576	55,196	-	-	58	-	-	-	58,830
Stockcount shortage	-	(566,217)	(53,837)	-	(1,282)	-	-	-	-	(621,336)
Cost amount of transferred PP&E to other companies within the EPS (transfer)	-	-	(41,182)	-	-	-	(193,252)	-	-	(234,434)
Other changes	(78,980)	(4,877)	2,209	-	66,058	219	502,967	-	(889,287)	(401,691)
<b>Cost amount at 31 December 2014</b>	<b>49,691,144</b>	<b>573,476,822</b>	<b>1,207,852,598</b>	<b>667,950</b>	<b>392,991</b>	<b>374,092</b>	<b>66,747,149</b>	<b>1,396</b>	<b>10,884,198</b>	<b>1,910,088,340</b>
Opening balance adjustments	1,958,606	-	-	-	-	-	24,733	-	-	1,983,339
<b>Cost amount at 1 January 2015, after opening balance adjustments</b>	<b>51,649,750</b>	<b>573,476,822</b>	<b>1,207,852,598</b>	<b>667,950</b>	<b>392,991</b>	<b>374,092</b>	<b>66,771,882</b>	<b>1,396</b>	<b>10,884,198</b>	<b>1,912,071,679</b>
Additions	2,546,219	277,280	4,383,985	865	1,865	96,136	35,208,136	-	22,681,719	65,196,205
Transfers within the PP&E group of accounts or from other group of accounts	(358)	(356,019)	1,184,978	-	-	(95,477)	(823,395)	-	-	(90,271)
Transfers from CIP	340,030	2,676,352	36,532,301	110,012	-	2,772	(39,661,466)	-	-	0
Internally generated property, plant and equipment (account group 62)	12,425	66,428	237,515	-	9,949	29	2,867,341	-	41,934	3,235,621
Donations	2,083	42,740	757,024	-	-	-	1,226	-	-	803,073
Transfers from CIP (Donations)	105,262	113,004	477,775	-	-	-	(696,041)	-	-	-
Stockcount surplus	-	24,073	94,126	-	4,173	-	-	-	-	122,372
Stockcount shortage	(65,933)	(181,744)	(59,751)	-	(9,475)	-	-	-	-	(316,903)
Sales of PP&E	(11,349)	(22,103)	(234,442)	(208)	-	-	-	-	(164)	(268,266)
Disposals	(19,740)	(2,227,534)	(22,469,327)	-	(3,342)	(3,541)	(17,769)	-	(455)	(24,741,708)
Cost amount of transferred PP&E to other companies (donations)	-	(347,616)	(141,351)	-	-	-	-	-	-	(488,967)
Other changes	569,737	2,205	(113,629)	-	24,230	749	181,590	-	(5,880,797)	(5,215,915)
<b>Cost amount at year ended 2015</b>	<b>55,128,126</b>	<b>573,543,888</b>	<b>1,228,501,802</b>	<b>778,619</b>	<b>420,391</b>	<b>374,760</b>	<b>63,831,503</b>	<b>1,396</b>	<b>27,726,435</b>	<b>1,950,306,921</b>

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

	Land	Buildings	Machinery and Equipment	Investment property	Biological assets	Other property, plant and equipment	Construction in progress	Investments in third party PP&E	Prepayments for PP&E	Total
<b>Accumulated depreciation</b>										
<b>Accumulated depreciation amount at 1 January 2014</b>	11,972,030	238,313,240	686,375,985	210,292	-	191,529	318,201	218	147,156	937,528,651
Depreciation charge	1,823,138	6,734,227	29,875,646	5,931	-	1,741	-	58	-	38,440,741
Transfers within the PP&E group of accounts or from other group of accounts	-	(1,379)	1,411	-	-	-	-	-	-	32
Donations	-	1,384,573	7,635,171	-	-	10,966	-	-	-	9,030,710
Impairments after valuation	-	-	-	-	-	-	10,260	-	-	10,260
Sales of PP&E	-	(2,129)	(26,260)	-	-	-	-	-	-	(28,389)
Disposals	-	(149,088)	(9,243,868)	-	-	(1,464)	-	-	-	(9,394,420)
Stockcount shortage	-	(226,666)	(35,301)	-	-	-	-	-	-	(261,967)
Accumulated depreciation amount of transferred PP&E to other companies (donations)	-	(22,137)	(18,086)	-	-	-	-	-	-	(40,223)
Other changes	(5,030)	(408,437)	1,990,906	-	-	5,410	-	(1)	-	1,582,848
<b>Accumulated depreciation amount at 31 December 2014</b>	<b>13,790,138</b>	<b>245,622,205</b>	<b>716,555,603</b>	<b>216,223</b>	<b>-</b>	<b>208,182</b>	<b>328,461</b>	<b>275</b>	<b>147,156</b>	<b>976,868,243</b>
Opening balance adjustments	-	-	2,614	-	-	-	139,590	-	-	142,204
<b>Accumulated depreciation amount at 1 January 2015, after opening balance adjustments</b>	<b>13,790,138</b>	<b>245,622,205</b>	<b>716,558,217</b>	<b>216,223</b>	<b>-</b>	<b>208,182</b>	<b>468,051</b>	<b>275</b>	<b>147,156</b>	<b>977,010,447</b>
Depreciation charge	2,241,547	6,813,174	30,125,663	5,931	-	8,533	-	58	-	39,194,906
Transfers within the PP&E group of accounts or from other group of accounts	-	(249,267)	247,830	-	-	-	-	-	-	(1,437)
Donations	-	-	234,847	-	-	-	-	-	-	234,847
Stockcount shortage	-	(64,119)	(49,453)	-	-	-	-	-	-	(113,572)
Sales of PP&E	-	(8,568)	(210,528)	(91)	-	-	-	-	-	(219,187)
Disposals	(79,448)	(1,138,353)	(14,261,403)	-	-	(2,884)	-	-	(619)	(15,482,707)
Accumulated depreciation amount of transferred PP&E to other companies (donations)	-	(222,720)	(77,271)	-	-	-	-	-	-	(299,991)
Other changes	(239,915)	(18,168)	351,007	(1)	-	(883)	151,784	(1)	303,538	547,361
<b>Accumulated depreciation amount at year ended 2015</b>	<b>15,712,322</b>	<b>250,734,183</b>	<b>732,918,909</b>	<b>222,062</b>	<b>-</b>	<b>212,948</b>	<b>619,835</b>	<b>332</b>	<b>450,075</b>	<b>1,000,870,667</b>
<b>Net book amount</b>										
<b>Net book amount at 1 January 2015</b>	<b>37,859,612</b>	<b>327,854,618</b>	<b>491,294,381</b>	<b>451,727</b>	<b>392,991</b>	<b>165,910</b>	<b>66,303,831</b>	<b>1,121</b>	<b>10,737,042</b>	<b>935,061,233</b>
<b>Net book amount at 31 December 2015</b>	<b>39,415,804</b>	<b>322,809,705</b>	<b>495,582,893</b>	<b>556,557</b>	<b>420,391</b>	<b>161,812</b>	<b>63,211,668</b>	<b>1,064</b>	<b>27,276,360</b>	<b>949,436,255</b>

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

Prepayments for property, plant and equipment as at 31 December 2015 amount to RSD 27,726,435 thousand (31 December 2014: RSD 10,884,198 thousand) mainly (in the amount of RSD 19,762,994 thousand) relate to the implementation of the second phase of the project KOSTOLAC-B POWER PLANT PROJECTS, based on an agreement signed between the PE "Elektroprivreda Srbije" Belgrade and CMEC dated 20 November 2013. The project is financed from the Loan Agreement with a preferential customer, conducted on 17 December 2014 between the Government of the Republic of Serbia, as Borrower, and the Chinese Export-Import Bank, as Lender (note 35).

**23. LONG-TERM FINANCIAL INVESTMENTS**

	<b>31 December 2015</b>	<b>In RSD thousand 31 December 2014</b>
Investments in equity:		
- Investments in associates and joint ventures	406,457	406,457
- Investments in other legal entities	2,369,992	2,132,669
<i>Less: allowance for impairment of investments in other legal entities</i>	<u>(2,009,904)</u>	<u>(1,060,576)</u>
	<u>360,088</u>	<u>1,072,093</u>
Long-term financial investments in other related parties:	4,923	4,461
Long term loans given	1,158,628	1,173,716
<i>Less: current portion of long-term financial investments in other related parties:</i>	<u>(210,166)</u>	<u>(210,166)</u>
	<u>948,462</u>	<u>963,550</u>
Other long-term financial investments	766,263	1,008,180
<i>Less: allowance for impairment</i>	<u>(129,058)</u>	<u>(129,058)</u>
	<u>637,205</u>	<u>879,122</u>
	<u><u>2,357,135</u></u>	<u><u>3,325,683</u></u>

*Investments in associates and joint ventures*

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

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

The founders undertook the obligation to pay in additional equity contributions totalling 25% of the investment value, in accordance with the investment and technical documentation for the construction of hydro power plants within the deadline set in the Company's management decisions. The work of the entity from the commencement of its registered activity will be financed from the 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 3 December 2010.

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

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

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

In addition, according to the Memorandum of Understanding concluded with RWE Innogy GmbH, Germany, (RWE AG), upon the RS Government approval (Conclusion 05 no. 018-7493/2009 dated 13 November 2009), PE 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,
- PE EPS invested EUR 1,960,000 that gives it 49% equity share.

Once the arrangement was signed, the founders paid in their contributions as follows: RWE AG paid a RSD counter value of EUR 102,000 and PE EPS paid the RSD counter value of EUR 98,000. During the reporting period monetary capital was paid in as follows: PE 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 the amount 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 23 August 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 PE 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.

**24. LONG-TERM RECEIVABLES**

	<b>31 December 2015</b>	<b>In RSD thousand 31 December 2014</b>
Rescheduled trade receivables for electricity and services:		
- households	1,961,951	2,365,720
- third parties	2,421,404	6,307,181
Placements to employees:		
- sold apartments	517,833	524,329
- housing loans	74,807	41,185
Receivables from the Privatization Agency of RS	62,516	62,702
Other	5,872	-
Allowance for impairment		
- rescheduled trade receivables for electricity and services from households	(1,961,900)	(2,365,683)
- rescheduled trade receivables for electricity and services from third parties	(2,223,395)	(6,087,529)
- receivables from the Privatization Agency of RS	(62,516)	(62,702)
- sold apartments	(1,157)	(1,157)
- other	(5,872)	-
	<u>783,671</u>	<u>784,045</u>



**24. LONG-TERM RECEIVABLES (continued)**

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 22 February 2013, number 1151/3-30 dated 2 April 2013 and number 2233/9-13 dated 25 July 2013). Namely, according to the aforementioned decisions electricity customers with matured liabilities as at 31 May 2013, and qualified customers who lost the right to public supply of electricity as at 31 December 2012, are allowed to pay in the total amount of 120 instalments depending on the amount of the loan and conditional write-off depending on the number of rescheduled instalments (up to 40% if one-off settlement of outstanding debt is paid, with no decrease if payment is in 60-120 instalments). In addition, no interest is charged on the outstanding amount owed during the duration of agreement, and in the event of two consecutive unpaid instalments, in spite of notice sent, the agreement shall be considered terminated.

Placements to employees that relate to the sale of apartments in the amount of RSD 517,833 thousand as at 31 December 2015 (2014: RSD 524,329 thousand) relate to the solidarity apartments purchased by the employees of the Group. The Group has sold the solidarity apartments to employees for a period of 40 years and repayment is done through monthly instalments that are adjusted with the corresponding indices of retail prices, up to a rate of growth of average earnings in the Republic of Serbia.

Placements to employees for housing loans at 31 December 2015 in the amount of RSD 74,807 thousand (2014: RSD 41,185 thousand) relate to loans for the housing needs of employees which are approved for a period of 20 or 40 years. Repayment of housing loans is linked to the EUR exchange rate and they were approved without interest or at a fixed interest rate of 1% per annum.

**25. INVENTORY**

	In RSD thousand	
	31 December 2015	31 December 2014
Materials	13,699,119	12,626,412
<i>Less: Allowance for impairment</i>	<u>(1,726,319)</u>	<u>(1,870,951)</u>
	<u>11,972,800</u>	<u>10,755,461</u>
Spare parts	12,768,291	12,046,713
<i>Less: Allowance for impairment</i>	<u>(1,392,049)</u>	<u>(1,274,982)</u>
	<u>11,376,242</u>	<u>10,771,731</u>
Tools and inventory	967,682	819,715
<i>Less: Allowance for impairment</i>	<u>(67,474)</u>	<u>(80,215)</u>
	<u>900,208</u>	<u>739,500</u>
Work in progress and ongoing services	328,108	252,449
Coal	2,034,598	1,090,999
Merchandise	942	1,453
	<u>2,363,648</u>	<u>1,344,901</u>
Fixed assets available for sale	9,989	8,164
<i>Less: Allowance for impairment</i>	<u>(8,164)</u>	<u>(8,164)</u>
	1,825	-
Prepaid inventory and services	3,352,639	3,542,886
<i>Less: Allowance for impairment</i>	<u>(169,801)</u>	<u>(207,954)</u>
	<u>3,182,838</u>	<u>3,334,932</u>
	<u>29,797,561</u>	<u>26,946,525</u>

26. TRADE RECEIVABLES

	31 December 2015	In RSD thousand 31 December 2014
Customers – other related parties (PE "Elektrokosmet")	7,103,891	5,780,131
<i>Less: allowance for impairment</i>	<u>(7,103,891)</u>	<u>(5,780,131)</u>
	-	-
Customers on domestic market:		
- sale of electricity – households	67,586,644	62,326,360
- sale of electricity – third parties	52,469,070	46,768,437
- sale of electricity - companies under restructuring	6,761,509	7,855,277
- other – companies under restructuring and in bankruptcy	3,874,714	2,071,755
- sale of electricity – licenced customers	9,774	9,139
- sale of electricity – qualified customers	28,742,021	22,072,506
- PE "Elektromreža Srbije"	2,438,973	1,435,561
- sale of coal	2,330,705	2,167,426
- sale of heat and process steam	679,515	547,248
- trade receivables for services	862,509	688,962
	<u>165,755,434</u>	<u>145,942,671</u>
<i>Less: allowances for impairment</i>		
- sale of electricity – households	(51,350,626)	(47,302,410)
- sale of electricity – third parties	(47,348,657)	(39,932,309)
- sale of electricity - companies under restructuring	(6,761,509)	(7,855,277)
- other – companies under restructuring and in bankruptcy	(3,874,714)	(2,071,755)
- sale of electricity – licenced customers	(7,072)	-
- sale of electricity – qualified customers	(14,225,336)	(8,561,697)
- sale of coal	(1,847,226)	(1,828,732)
- sale of heat and process steam	(532,255)	(378,761)
- trade receivables for services	(512,875)	(399,844)
	<u>(126,460,270)</u>	<u>(108,330,785)</u>
Customers on domestic market, net	<u>39,295,164</u>	<u>37,612,077</u>
Customers – foreign	6,684,114	5,915,060
<i>Less: Allowances for impairment</i>	<u>(5,412,675)</u>	<u>(4,554,309)</u>
	<u>1,271,439</u>	<u>1,360,751</u>
Other trade receivables	685,896	718,484
<i>Less: Allowances for impairment</i>	<u>(580,502)</u>	<u>(597,566)</u>
	<u>105,394</u>	<u>120,727</u>
	<u>40,671,997</u>	<u>39,093,555</u>

**26. TRADE RECEIVABLES (Continued)**

In accordance with the Conclusion issued by the Government of the Republic of Serbia, number 021-6624/2009-002 at the Government session held on 30 November 2009, the PE EPS is to supply electricity to the majority Serbian area in the north of the Autonomous Province of Kosovo and Metohija. Accordingly, income from electricity delivered to the Public Enterprise "Elektrokosmet", Pristina was recognized in the amount of RSD 7,103,891 thousand (2014: RSD 5,779,761 thousand). At the same time, the outstanding amount is recognized as an expense as it is fully provided for.

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 1 July 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 1 July 2013, as indicated in Note 24, have been rescheduled.

**27. RECEIVABLES FROM SPECIFIC OPERATIONS**

	<b>In RSD thousand</b>	
	<b>31 December 2015</b>	<b>31 December 2014</b>
Other receivables from specific operations	416,489	351,344
<i>Less: Allowances for impairment</i>	<i>(26,739)</i>	<i>(26,246)</i>
	<b>389,750</b>	<b>325,098</b>

**28. OTHER RECEIVABLES**

	<b>31 December 2015</b>	<b>In RSD thousand 31 December 2014</b>
Receivables for interest		
- PE "Elektrokosmet", Pristina	168	116,083
- for electricity – households	1,216,632	1,187,299
- for electricity – industry	6,166,223	3,194,017
- for electricity - companies under restructuring	9,316,550	9,248,239
- other legal entities (banks and sale of heat and process steam)	511,481	467,520
Receivables from insurance companies	98,673	10,023
Receivables from employees	1,819,655	1,939,054
Receivables from customers financed from the budget and overpaid taxes and contributions	3,127,399	2,357,656
Other receivables	663,185	606,028
	<u>22,919,966</u>	<u>19,125,919</u>
<i>Less: allowance for impairment</i>		-
<i>Receivables from interest</i>		
- for electricity – households	(613,982)	(820,940)
- for electricity – industry	(3,235,414)	(2,131,959)
- for electricity - companies under restructuring	(9,316,550)	(9,248,239)
- other legal entities	(654,992)	(389,604)
Receivables from employees	(24,097)	(20,509)
Receivables for overpaid taxes and contributions	(28,729)	(28,773)
	<u>(13,873,764)</u>	<u>(12,640,024)</u>
	<u>9,046,202</u>	<u>6,485,895</u>

**29. SHORT-TERM FINANCIAL INVESTMENTS**

	<b>31 December 2015</b>	<b>In RSD thousand 31 December 2014</b>
Short-term loans and borrowings – domestic	206,377	256,938
Short-term rescheduled receivables for electricity	1,707,308	3,498,835
Current portion of long-term financial investments	643,396	523,500
Short-term deposits in domestic banks	6,509	327,365
Other short-term financial investments	314,609	125,550
<i>Less: allowance for impairment</i>	<u>(1,757,398)</u>	<u>(3,095,067)</u>
	<u>1,120,801</u>	<u>1,637,121</u>

Other short-term financial investments as at 31 December 2015 in the amount of RSD 314,609 thousand, mostly relate (RSD 243,252 thousand) to deposited cash funds as guarantee for settling liabilities towards suppliers of the branch "Panonske termoelektrane i toplane, Novi Sad" with maturity up to twelve months.

**30. CASH AND CASH EQUIVALENTS**

	In RSD thousand	
	31 December 2015	31 December 2014
Current accounts:		
- in RSD	35,227,553	25,967,692
- in foreign currency	9,977,916	3,905,418
	<u>45,205,469</u>	<u>29,873,110</u>
Deposits for securing letters of credit		
- in RSD	114,800	208,548
- in foreign currency	521,315	120,595
	<u>636,115</u>	<u>329,143</u>
Cash desk:	22,165	17,346
Special purpose cash funds	61,934	862,298
Securities – cash equivalents	11,437	113,283
Cash funds with limited use	674,648	660,781
<i>Less: allowance for impairment</i>	<u>(674,639)</u>	<u>(674,629)</u>
	<u>45,937,129</u>	<u>31,181,332</u>

**31. VALUE ADDED TAX**

	In RSD thousand	
	31 December 2015	31 December 2014
Deferred value added tax	5,501,961	151,263
Accrued receivables for overpaid VAT	101,212	1,194,075
	<u>5,603,173</u>	<u>1,345,338</u>

**32. PREPAID EXPENSES AND OTHER ACCRUALS**

	In RSD thousand	
	31 December 2015	31 December 2014
Prepaid expenses	393,398	552,436
Deferred expenses	3,954	48,312
Other accruals	479,907	1,095,802
	<u>877,259</u>	<u>1,696,550</u>

Prepaid expenses in the amount of RSD 393 398 thousand (2014: RSD 552,436 thousand) relate to the cost of the prepayments to private enforcement agents based on proposals submitted for execution in accordance with the Law on Enforcement and Security

**33. CAPITAL AND RESERVES**

Based on the data from Business Registers Agency, the owner's interest in the Parent Company as at 31 December 2014 and 31 December 2015 is presented in the table below:

	<b>31 December 2015</b>		<b>31 December 2014</b>	
	<b>In RSD thousand</b>	<b>% equity share</b>	<b>In RSD thousand</b>	<b>% equity share</b>
Republic of Serbia (monetary capital)	4,209,755	100%	4,209,755	100%
Republic of Serbia (contribution in kind)	360,365,896	100%	360,365,896	100%

The Parent 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 afforested Order, the Public Enterprise, Elektroistok was separated from the PE 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 "Elektroprivreda Srbije" was established.

Accordingly, Public Enterprise "Elektroprivreda Srbije" became an owner of all individual legal entities which transferred from public enterprises to limited liabilities companies.

As a result of the above mentioned status change in 2005, the net state-owned capital increased for the effects of recognition of equity investments in 18 related parties in the amount of RSD 317,831,442 and separation of assets and liabilities between the Parent Company and Public Enterprise "Elektromreža Srbije" in the net amount of RSD 1,847,718 thousand.

As disclosed in notes 1. and 2.4. , in accordance with Program of reorganization of Public Enterprise "Elektroprivreda Srbije" adopted by the Decision 05 No. 023-15149/2014 dated 27 November 2014 by the Government of Republic of Serbia, the Parent Company has started with reorganization activities in 2015 by which there was a status change on 30 June 2015, involved merging all subsidiaries with the Parent Company. As a result of the merger, the subsidiaries as transferring companies have transferred all their assets and liabilities to the Parent Company and ceased to operate without having undergone liquidation, whereas the Parent Company, as the Parent, the controlling company and the acquirer continued to operate using same business name, core activity and address as the transferring companies' successor.

**Other capital**

Other capital stated in the Parent Company's balance sheet as of 31 December 2012 in the amount of RSD 71,447 thousand 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 1 January 2004. In 2015, there was no change in the amount of other capital.

**33. CAPITAL AND RESERVES (continued)**

**Profit distribution**

On November 5<sup>th</sup> 2015, Supervisory Board has decided on the distribution of profit for the financial statements as at 31 December 2014, as follows:

- RSD 1,336,894 thousand, which is 50% of the profit, to the founder based on share in profits, in accordance with the Budget Law of the Republic of Serbia for 2015
- RSD 1,336,894, which represents 50% of the profit, for the covering of prior years losses

The payment was effected in 2016. As at 31 December 2015, the Parent Company has disclosed liability for the profit distribution (note 39).

Changes in capital and reserves as at 31 December 2015 is disclosed below:

	In RSD thousand						Total
	Share capital	Legal reserves	Revaluation reserves	Translational reserves	Unrealized gains/losses	Retained earnings	
Balance at 1 January 2014	360,010,128	-	554,439,448	-	(710,120)	(114,896,007)	798,843,449
Opening balance adjustments	-	-	(1,521,794)	-	-	(108,022)	(1,629,816)
Balance at 1 January 2014, after adjustments	360,010,128	-	552,917,654	-	(710,120)	(115,004,029)	797,213,633
Effects of fair value change in financial instruments	-	-	-	-	161,323	-	161,323
Disposal of property, plant and equipment	-	-	(5,727,226)	-	-	1,414,173	(4,313,053)
Profit for the year	-	-	-	-	-	(9,791,978)	(9,791,978)
Payments to government of Republic of Serbia	-	-	-	-	-	(1,316,550)	(1,316,550)
Transfer to inventory	-	-	(4,140)	-	-	-	(4,140)
Foreign currency translation	-	-	-	1,117	-	-	1,117
Effects of purchase of apartments	303	-	-	-	-	-	303
Other	770	-	-	-	-	777	1,547
<b>Balance at 31 December 2014</b>	<b>360,011,201</b>	<b>-</b>	<b>547,186,288</b>	<b>1,117</b>	<b>(548,797)</b>	<b>(124,697,607)</b>	<b>781,952,202</b>
Balance at 1 January 2015	360,011,201	-	547,186,288	1,117	(548,797)	(124,697,607)	781,952,202
Effects of fair value change in financial instruments	-	-	-	-	96,003	-	96,003
Disposal of property, plant and equipment	-	-	(9,492,858)	-	-	3,186,294	(6,306,564)
Profit for the year	-	-	-	-	-	6,986,344	6,986,344
Payments to government of Republic of Serbia	-	-	-	-	-	(1,336,894)	(1,336,894)
Other	(15)	668	(17,163)	243	(63)	1,355	(14,975)
	<b>360,011,186</b>	<b>668</b>	<b>537,676,267</b>	<b>1,360</b>	<b>(452,857)</b>	<b>(115,860,508)</b>	<b>781,376,116</b>

**34. LONG-TERM PROVISIONS**

	31 December 2015	In RSD thousand 31 December 2014
Long-term provision for environmental restoration	2,487,490	2,002,121
Long-term provision for retirement benefits and jubilee rewards	10,203,975	8,605,572
Long-term provision for litigations	4,478,672	4,337,436
Long-term provision for protection of natural environment	154,919	178,627
Other long-term provisions	598	1,167
	17,325,654	15,124,923

Long-term provision for environmental restoration in 2015 in the amount of RSD 2,487,490 thousand includes provision in the amount of RSD 2,378,357 thousand which relates to "Rudarski basen Kolubara" and provision in the amount of RSD 109,133 thousand which relates to "Termoelektrane i kopovi Kostolac". Long-term provision for adverse effects of accumulation and other expenses for the protection of natural environment in the amount of RSD 154,919 thousand relates to "Drinsko Limske hidroelektrane".

Long-term provision for retirement benefits and jubilee awards are recorded as disclosed in notes 3.8. and 13.

Changes on the long-term provisions in 2015 and 2014 are disclosed in the table below:

	In RSD thousand					
	Provision for retirement and jubilee awards	Provision for litigations	Provision for environmental restoration	Provision for protection of natural environment	Other provision	Total
Balance at 1 January 2014	8,739,826	3,827,108	1,623,469	186,252	5,026	14,381,681
Current provisioning (note 13)	1,351,323	2,071,934	401,738	16,239	-	3,841,234
Used long-term provision	(1,535,979)	(1,689,541)	(23,086)	(35,893)	(12,650)	(3,297,149)
Reversal of provision	27,536	127,935	-	12,029	8,791	176,291
Balance at 31 December 2014	8,582,706	4,337,436	2,002,121	178,627	1,167	15,102,057
Opening balance adjustments	22,866	-	-	-	-	22,866
Balance at 31 December 2014, after opening balance adjustments	8,605,572	4,337,436	2,002,121	178,627	1,167	15,124,923
Current provisioning (note 13)	4,355,693	1,792,528	548,432	14,083	-	6,710,736
Used long-term provision	(2,233,181)	(1,443,608)	(63,063)	(14,118)	(1,167)	(3,755,137)
Reversal of provision	(524,109)	(207,684)	-	(23,075)		(754,868)
Balance at 31 December 2015	10,203,975	4,478,672	2,487,490	155,517	-	17,325,654



35. LONG-TERM LIABILITIES

	31 December 2015	In RSD thousand 31 December 2014
Liabilities convertible to equity	80,543	80,543
Long-term borrowings – domestic	55,117,387	61,464,707
Long-term borrowings - foreign	73,242,699	33,732,942
Financial leasing liabilities	83,359	138,302
Rescheduled public revenues liabilities:		
- Rescheduled liabilities toward suppliers	365,846	1,463,511
- Other long-term liabilities	817	1,079
Current maturities:		
- Long-term borrowings – domestic	(10,761,942)	(14,385,243)
- Long-term borrowings - foreign	(4,569,429)	(3,435,466)
- Financial leasing liabilities	(60,805)	(55,401)
Current maturities of rescheduled public revenues liabilities:		
- Current maturities of rescheduled liabilities toward suppliers	(67,658)	(1,097,665)
- Current maturities of other long-term liabilities	(141)	(141)
	113,430,676	77,907,168

**A. Foreign currency borrowings**

**I Refinanced borrowings realized prior to 1990 from the funds of:**

**1. Paris Club of Creditors**

The repayment of liabilities arising on the refinanced long-term borrowings 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 Group signed annexes to the original contracts approving an additional discount in the amount of 15% of the relevant principal.

Matured but unsettled liabilities as at 31 December 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 Group wrote off 62% of new principal of the debt to the London Club of Creditors on 30 September 2004 and reconciled the amount of new principal based on the communication from and annuity plans provided by the National Bank of Serbia. During 2006, an agreement regulating the liabilities to the Republic of Serbia was signed with the Deposit Insurance Agency. The newly determined principal is to be repaid in semi-annual annuities where the first and the last one are due on 1 May 2010 and 1 November 2024, respectively. The interest of 3.75% has been changed to the newly determined principal as of 1 November 2005 which will continue until 1 November 2009, and as of 1 November 2009 until 1 November 2024 the interest charged to this principal will total 6.75% annually, and will be settled in semi-annual annuities.

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

**Foreign currency borrowings (continued)**

***I Refinanced borrowings realized prior to 1990 from the funds of: (continued)***

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

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

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

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

The Government of the Republic of Serbia, in its capacity of a guarantor, assumed the debt towards EXIM Bank of China from the People's Republic of China and on 20 February 2009, by signing a Debt Restructuring Agreement. It has been agreed therein that 40% of debt be written off, so the new debt shall be determined as 60% of the total value of the sum of unpaid principal, accrued but unpaid interest and accrued penalty interest aggregated in the period ended 25 March 2009. Interest rate is contractually agreed as a six-month LIBOR further increased by 1.3%, shall be accrued as an actual number of days/360, and it shall be discharged bi-annually on 21 January and 21 July. The principal shall be repaid in 22 semi-annual instalments on 21 January and 21 July, 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.

Pursuant to Article 6 of the Law Governing Relations between the Republic of Serbia and Banks in Bankruptcy Regarding Foreign Loans and Borrowings (Official Gazette of RS number 45 as of 31 May 2005) on 28 June 2010, PE 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 Parent Company and its subsidiaries.

***II Borrowings from foreign governments***

***1. Borrowings from the government of the Republic of Poland***

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

35. LONG-TERM LIABILITIES (continued)

Foreign currency borrowings (continued)

*II Borrowings from foreign governments (continued)*

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

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

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

The borrowing was agreed in the amount of USD 293 million, for a period of 180 months, including grace period of 60 months, after coming into effect of Borrowing Agreement for subsidized buyer. Usage period of borrowing funds is 60 months after coming into effect of Borrowing Agreement for subsidized buyer, with possibility of extending. The instalments mature for repayment bi-annually, on 21 January and 21 July each calendar year. The principal is repaid in 20 equal bi-annual instalments over 120 months following the grace period. The agreed interest rate equals 3% annually, with the one-off loan origination fee of 1% of the agreed loan amount and the cost of financing of 0.75% annually.

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

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

**3. Borrowing from the Japanese Government through 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. Financing is done through the Japan International Cooperation Agency (JICA). The borrowing of JPY 28,252 billion was agree on 24 November 2011. Utilization period is 15 years and repayment period is 10 years following the five-year grace period. The interest rate is 0.6% annually, except for the borrowing portion used for payment of consultant services, where the interest is accrued at the rate of 0.01% annually. Semi-annual instalments mature for payment on 20 May and 20 November, whereby the repayment of the principal commences on 20 November, 2016 and completes on 20 November 2026. Repayment of the principal commences on 20 November 2016, and according to the amortization plan in Appendix 3 of the Loan Agreement, due amounts on the account of principal (I) amount to JPY 1,295,000,000, and on the account of principal (II) amount of JPY 50,340,000. Due to the fact that until 31 December 2015 the Group used JPY 102,748,611 of principal amount, a procedure was commenced with the creditor, concerning amendments to the Amortization repayment plan from Appendix 3 of the Borrowing Agreement. The borrowing principal repayment, as well as interest repayment and payment of other borrowing-related costs is guaranteed by the RS Government.

35. LONG TERM LIABILITIES (continued)

Foreign currency borrowings (continued)

*III Borrowings from International Financial Organizations*

1. *KfW*

With the German financial organization KfW financial agreements were executed in the period from 2001 through 2015 as follows:

- EUR 16 million (out of which EUR 9 million is not to be repaid) was obtained on 24 December 2003. Borrowed funds have been used in full. Principal repayment commenced on 30 June 2009. The final maturity date was 30 June 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%. All contractual obligations are completed. The borrowing has been settled in full.
- EUR 30 million was borrowed on 9 September 2005. The final date for the availability of funds borrowed was set at 31 March 2014, up to when all funds have been used in full. Pursuant to the provisions contained in the Agreement, the loan principal has commenced on 30 December 2010 in 20 equal instalments of about EUR 1,500,000. The final maturity date is 30 June 2020. The borrowing was agreed interest-free. Guarantee costs, which are calculated on the unpaid portion of the principal, amount to 0.75% annually, while commission for unused funds of borrowing amount to 0.25% annually.
- EUR 36 million (with the additional amount of EUR 10 million not to be repaid) was borrowed on 2 January 2008. Deadline for usage of borrowing funds is extended until 30 June 2016. According to the Agreement, repayment of principal commences on 30 December 2013, to be completed on 30 December 2019. The interest rate is determined two days prior to usage of each individual tranche and is fixed at that level until KfW informs the Group on the consolidated interest rate for the entire borrowing which will be determined upon the execution of the last disbursement of the subject borrowing and will remain constant throughout the entire repayment period. Interest rate of each tranche is defined as the rate determined by KfW two days prior to date of repayment of appropriate portion of the borrowing based on effective financing costs of KfW on EURO capital market in moment of payment for maturities which, as close as possible, match maturities of borrowing portions on which payments should be made plus mark-up of 1.75% annually. Commission on unused portion of borrowing amounts to 0.25% annually. Management fee amounts to 1% of total borrowing amount, and is paid once out of Borrowers own funds.
- EUR 70 million was agreed on 29 October 2010. 31 December 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 31 December 2018. According to the provisions of the Borrowing Agreement, the principal repayment commenced on 30 December 2015 in 20 equal semi-annual instalments. According to Amendment I to the Borrowing Agreement loan principal repayment terms have been changed such that principal is to be repaid in 14 equal semi-annual instalments starting on 31 December 2018. A fixed interest rate has been agreed and is to be determined by KfW annually two days before the disbursement for each portion of the borrowing received based on the expenses incurred by KfW on the EUR capital market under terms that best correspond to the fixed interest rate period 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 borrowing. Commission for unused portion of the borrowing amounts to 0.25% annually, with the PE EPS being freed from this expense in 2014. Management fee amounts to 1% of total loan amount and is paid once out of Borrowers own funds.
- EUR 65 million (with additional EUR 9 million of non-repayable funds) was agreed on 12 October 2012. 30 December 2015 was set as the final date for utilization of borrowing funds, which has been extended to 20 December 2017. According to the provisions of the Borrowing Agreement, the principal repayment commenced on 30 December 2015 in 19 equal semi-annual instalments, where in the event of extension of date for utilization of borrowing funds, repayment would commence 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 borrowing of EUR 40 million. After each payment, KfW consolidates these rates into a uniform rate for the total borrowing amount, which is fixed to the end of the repayment period. The fee for the unused portion of the loan is 0.25% per annum. Management fee amounts to 1% of total loan amount and is paid once out of Borrowers own funds.

35. LONG TERM LIABILITIES (continued)

Foreign currency borrowings (continued)

*III Borrowings from International Financial Organizations (continued)*

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

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

- EUR 39.6 million, was agreed on 25 October 2001, and was fully used until 25 February 2011, with a portion of borrowing totalling EUR 1,179. The initially agreed borrowing of EUR 100 million was divided between the Group (EUR 39.6 million) and the Public Enterprise "Elektromreža Srbije" (EUR 60.4 million). The redistribution of rights and liabilities between The Group 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 27 May 2008 by closing the following: the Amended Borrowing Agreement between PE EPS and PE EMS Beograd and EBRD, the Amended Borrowing 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, PE EPS, the Public Enterprise "Elektromreža Srbije" and the EBRD. The rights and liabilities for the portion of this borrowing amounting to EUR 60.4 million were transferred to the Public Enterprise "Elektromreža Srbije." The principal repayment commenced on 7 September 2005 and shall continue up to until 7 March 2016. The interest rate agreed is variable, consisting of EURIBOR and a margin of 1% per annum.
- EUR 59.9 million, was agreed 21 October 2003, and was fully used until 30 April 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 7 March 2008 and will continue until 7 September 2018. The interest is compounded at a variable rate. The interest rate is compounded at a variable rate, which consists of EURIBOR and mark-up of 1% annually.
- EUR 40 million was agreed on 2 September 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 2 September 2013 and is to be executed in 18 semi-annual instalments by 2 March 2022. The borrowing accrues variable interest rate, which consists of EURIBOR and mark-up of 1% annually, with the option to choose a fixed interest rate. Commission on unused portion of the loan amounts to 0.5% annually. Management fee amounts to 1% of total loan amount and is paid once out of Borrowers own funds.
- EUR 80 million was agreed as of 28 July 2011. The ultimate date until which funds are available is set at 28 January 2015, where the bank extended the drawdown period up to 31 January 2017. According to the provisions of the relevant Agreement, the principal repayment commences as of 31 January 2015 and is to be executed in 17 equal semi-annual instalments by 31 January 2023. The borrowing accrues variable interest rate, which consists of EURBOR and mark-up of 1% annually, with the option to choose a fixed interest rate. Commission on unused portion of borrowing amounts to 0.5% annually. Management fee amounts to 1% of total borrowing amount, and is paid once out of borrowing funds.
- EUR 45 million was agreed on 7 December 2011. The ultimate date until which funds are available is set on 7 December 2014, where the drawdown period has been extended to 31 December 2018. The amount of EUR 12.3 million has been cancelled. According to the provisions of the relevant Agreement, the principal repayment commenced on 30 April 2015 and is to be executed in 18 equal semi-annual instalments until 31 October 2023. The borrowing accrues variable interest rate, which consists of EURBOR and mark-up in amount of 1% annually, with the option to choose a fixed interest rate. Commission on unused portion of borrowing amounts to 0.5% annually. Management fee amounts to 1% of total borrowing amount, and is paid once out of borrowing funds.
- EUR 200 million was agreed on 30 October 2015, for a period of 15 years, including grace period of 18 months. The ultimate date for usage of borrowing funds are to be determined as a date upon expiry of one year from date of effectiveness of borrowing funds, with the option of extension. The procedure of providing conditions for achieving of effectiveness of the borrowing funds is in progress. According to the terms of the Agreement, repayment of the principal commences 15 June 2017, in 27 equal bi-annual instalments, until 15 June 2030. The borrowing accrues variable interest rate, which consists of EURIBOR and mark-up in amount of 1% annually, with the option to choose a fixed interest rate. Commission on unused portion of borrowing amounts to 0.5% annually. Management fee amounts to 1% of total borrowing amount, and is paid once out of borrowing funds.

35. LONG TERM LIABILITIES (continued)

Foreign currency borrowings (continued)

*III Borrowings from International Financial Organizations (continued)*

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

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

- Based on the borrowing on financing the project of managing the electric power system of Serbia and Montenegro entered by and between Serbia and Montenegro on one side and European Investment Bank on 30 October 2003, a loan of EUR 22 million was extended to the Group. The borrowing was fully drawn in 10 tranches in the period until 31 December 2008 since the initially agreed final date for drawing funds, 30 April 2007, was extended to 31 December 2008. The borrowing is repaid in semi-annual instalments, partly maturing on 25 May and 25 November, and in part these instalments fall due on 9 June and 9 December in the period from 2010 through 2027. The first instalment is due on 25 November 2010 and the last instalment is due on 9 December 2027. The applicable interest rate is set for each tranche individually and is fixed until the end of repayment period.
- Based on the Financial Agreement on financing the EPS Project – electricity meters, closed on 29 November 2010 between the Group and the European Investment Bank, the Group was approved a loan of EUR 40 million. The borrowing will be drawn in 10 tranches in the period ending 30 June 2015, with a commenced procedure to extend the borrowing usage deadline until 30 December 2018. The interest rate is defined as fixed or variable rate, of which the EIB will inform the Group 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. Borrowings from the World Bank – International Development Association (IDA)**

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

**International Bank for Reconstruction and Development (IBRD)**

Based on Borrowing Agreement (Project of urgent recovery from floods) agreed on 9 October 2014, between the Republic of Serbia, as the Borrower, and the IBRD, as the Creditor, in amount of EUR 227.48 million, the Republic of Serbia has via Loan Subagreement agreed on 19 February 2015 transferred to the Group rights to use a portion of the loan funds, in amount of EUR 157.11 million. Loan duration is 30 years, including grace period of 9 years. The borrowing is repaid in 42 sequential bi-annual instalments, on 1 May and 1 November, starting as of 1 November 2023 and 1 May 2024. Interest rate is the sum of 6M EURIBOR and variable mark-up which currently amounts to 0.8% annually. Commission for unused borrowing funds amounts to 0.25% annually, and is calculated on the amount of unused borrowing funds.

35. LONG-TERM LIABILITIES (continued)

An overview of all borrowings as at 31 December 2015 is presented in the table below:

No.	BORROWING	Currency	ORIGINAL CURRENCY				Means of security	
			Principal	Maturity date	Repayment schedule	Interest rate	31.12.2015.	01.01.2015.
	<b>TOTAL LONG-TERM BORROWINGS (A+B)</b>						<b>128,360,086</b>	<b>95,197,649</b>
<b>A</b>	<b>FOREIGN CURRENCY BORROWINGS (I+II+III+IV)</b>						<b>124,051,161</b>	<b>83,981,051</b>
<b>I</b>	<b>REFINANCED BORROWINGS REALIZED FROM THE FUNDS OF: (1+2+3+4)</b>						<b>28,869,149</b>	<b>32,546,508</b>
1	PARIS CLUB OF CREDITORS						26,850,080	30,515,525
1.1	AUSTRIA	EUR	2,816,565.42	30.09.2008-31.03.2024	30.03. and 30.09.	Amarketrate /EUR+0.6	342,568	427,726
1.2	FRANCE	EUR	32,480,104.55	22.09.2008-22.03.2024	22.03. and 22.09.	5.90	3,950,428	5,004,250
1.3	GERMANY	EUR	21,545,401.32	22.09.2008-22.03.2024	22.03. and 22.09.	5.50	2,620,483	3,145,262
1.4	CANADA	EUR	47,158,651.09	22.09.2008-22.03.2024	22.03. and 22.09.	Euribor/EUR +0.5%	5,735,723	7,056,474
1.5	SWITZERLAND	CHF	65,197,409.26	22.09.200.-22.03.2024	22.03. and 22.09.	6m Libor/CHF+ 0.5%	7,336,208	7,947,311
1.6	USA	USD	5,283,285.17	22.09.2008-22.03.2024	22.03. and 22.09.	5.375	587,748	665,550
1.7	RUSSIA	USD	41,455,118.26	22.03.2006-22.03.2034	22.03. and 22.09.	0.5517	4,611,749	4,420,654
1.8	JAPAN	JPY	1,802,134,820.29	22.09.2008-22.03.2024	22.03. and 22.09.	2.8390	1,665,173	1,848,298
2	LONDON CLUB OF CREDITORS	USD	9,793,979.42	01.05.2010-01.11.2024	01.05. and 01.11.	3.75 until 11/09 6.75 until 11/24	1,089,549	1,082,388
3	IBRD	EUR	7,215,842.09	15.03.2005.-15.12.2031	15.03. and 15.09. 15.06. and 15.12.	1/3-5.44 i 2/3- Euribor	877,635	896,995
4	EC	EUR	426,596.43	17.10.2012-17.10.2016	17.04. and 17.10.	6m Euribor	51,885	51,600
<b>II</b>	<b>LOANS GRANTED BY STATE GOVERNMENTS</b>						<b>37,248,618</b>	<b>20,257,127</b>
1	Chinese borrowing	USD	17,969,434.24	21.07.2010-21.01.2021	21.01. and 21.07.	LIBOR6M+1.3	1,999,042	2,112,280
2	Polish borrowing	USD	17,868,382.55	2005-2024	15.06. and 15.12.	0.75	1,987,800	2,112,455
3	Export-Import Bank of China	USD	223,569,362.90	21.07.2017-21.01.2027	21.01. and 21.07.	3% p.a.	24,871,376	15,674,643
4	Export-Import Bank of China	USD	71,060,000.00	21.07.2022-21.01.2035	21.01, and 21.07,	3% p.a.	7,905,197	0
5	Japanese – JICA	JPY	525,111,151.00	20.11.2016-20.11.2026	20.05. and 20.11.	0.6% 0.01%	485,203	357,749
<b>III</b>	<b>LOANS FROM INTERNATIONAL FINANCIAL ORGANIZATIONS</b>						<b>31,834,265</b>	<b>15,518,758</b>
1	KfW II (16 mil. EUR)	EUR	0.00	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.	0	148,872
2	KfW III (30 mil. EUR)	EUR	13,500,000.00	30.12.2010 - 30.06.2020	30.06. and 30.12.	0,00	1,641,951	1,995,812
3	KfW IV (36 mil. EUR)	EUR	17,201,566.23	30.06.2013 - 30.12.2019	30.06. and 30.12.	variable rate + mark-up of 1,75% p.a.	2,092,159	2,482,022
4	KfW V (70 mil. EUR)	EUR	6,879,856.57	31.12.2018-30.06.2025	30.06. and 30.12.	variable rate + 0,5% p.a.	836,770	815,244
5	KfW VI (65 mil. EUR)	EUR	4,492,696.91	30.12.2017 30.12.2024	30.06. and 30.12.	variable rate + 0,4% p.a. for EUR 25 million and variable + 1,15%p.a. for EUR 40 million	546,429	0
6	EBRD I (39.6 mil. EUR)	EUR	2,505,269.77	07.09.2005 - 07.03.2016	07.03. and 07.09.	EURIBOR + 1% p.a.	304,706	909,100
7	EBRD II (60 mil. EUR)	EUR	18,185,699.53	07.03.2008 - 07.09.2018	07.03. and 07.09.	EURIBOR + 1% p.a.	2,211,856	2,932,948

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8	EBRD III (40 mil. EUR)	EUR	4,307,314.81	02.09.2013 - 02.03.2022	02.03. and 02.09.	EURIBOR + 1% p.a.	523,882	169,073
9	EBRD IV(80 mil. EUR)	EUR	54,738,893.68	31.01.2015 - 31.01.2023	31.01. and 31.07.	EURIBOR + 1% p.a.	6,657,678	2,267,481
10	EBRD V (45 mil. EUR)	EUR	415,024.84	30.04.2015 - 31.10.2023	30.04. and 31.10.	EURIBOR + 1%p.a.	50,478	55,054
11	EIB II (22 mil.EUR)	EUR	15,426,666.42	09.12.2010 – 09.06.2027	09.06. and 09.12.; 25.05., and 25.11.	fixed for each tranche of 3.879% p.a. to 5.248% p.a.	1,876,285	2,043,389
13	Wb IDA (12,24 mil. SDR)	XDR	11,208,906.36	15.09.2015- 15.03.2025	15.03. and 15.09.	0.0	1,729,351	1,699,763
14	WB IBRD (157 mil.EUR)	EUR	109,867,206.54	01.11.2023 01.05.2044	01.05. and 01.11.	6M EURIBOR + plus variable mark-up which is currently 0.8%	13,362,720	0
<b>IV</b>	<b>OTHER</b>						<b>26,099,129</b>	<b>15,658,658</b>
1	PE EMS – IBRD	EUR	25,681.47	15.03.2005 - 15.12.2031	15.03. and 15.09. 15.06. and 15.12.	1/3-5.44 i 2/3- euribor	3,123	3,299
2	Tehnoexport	USD	697,086.00				77,549	69,335
3	AIK Banka a.d.	USD	13,125,000.00	30.11.2013 - 31.05.2017	31.05. i 30.11.	6M US dolar Libor +7.8%	1,460,114	2,175,777
4	AIK Banka a.d.	EUR	1,916,666.60	23.05.2014 – 23.04.2016	Monthly	1M EURIBOR + 6.95% p.a.	233,117	927,347
5	OTP Banka a.d.	EUR	10,000,000.00	22.07.2016 22.12.2018	Monthly	6M EURIBOR + 3.252% p.a.	1,216,261	1,209,583
6	Societe General Bank a.d.	EUR	5,000,000.00	22.07.2016 22.12.2018	Monthly	6M EURIBOR + 3.75% p.a.	608,131	604,792
7	Komercijalna banka a.d.	EUR	5,000,000.00	22.07.2016 22.12.2018	Monthly	6M EURIBOR + 3.89% p.a.	608,131	604,792
8	Societe General Bank a.d.	EUR	5,000,000.00	22.07.2016 22.12.2018	Monthly	6M EURIBOR + 3.95% p.a.	608,131	604,792
9	Komercijalna banka a.d.	EUR	10,000,000.00	22.07.2016 22.12.2018	Monthly	6M EURIBOR + 3.98% p.a.	1,216,261	1,209,583
10	Societe General Bank a.d.	EUR	5,000,000.00	22.07.2016 22.12.2018	Monthly	6M EURIBOR + 4.15% p.a.	608,131	604,792
11	Alpha Bank a.d.	EUR	5,000,000.00	22.07.2016 22.12.2018	Monthly	6M EURIBOR + 4.25% p.a.	608,131	604,792
12	Erste Banka a.d.	EUR	10,000,000.00	29.07.2016 29.12.2018	Monthly	6M EURIBOR + 4.25% p.a.	1,216,261	1,209,583
13	Societe General Bank a.d.	EUR	5,000,000.00	29.07.2016 29.12.2018	Monthly	6M EURIBOR + 4.25% p.a.	608,131	604,792
14	Komercijalna banka a.d.	EUR	5,000,000.00	29.07.2016 29.12.2018	Monthly	6M EURIBOR + 4.29% p.a.	608,131	604,792
15	UniCredit Bank	EUR	45,000,000.00	26.07.2016 26.12.2018	Monthly	6M EURIBOR + 4.49% p.a.	5,473,175	4,620,607
16	Vojvođanska banka a.d.	EUR	15,000,000.00	15.08.2016 15.01.2019	Monthly	6M EURIBOR + 4.50% p.a.	1,824,392	0
17	Poštanska Štedionica a.d.	EUR	5,000,000.00	27.09.2016 27.02.2019	Monthly	6M EURIBOR + 4.58% p.a.	608,131	0
18	AIK Banka a.d.	EUR	5,000,000.00	20.10.2016 20.03.2019	Monthly	6M EURIBOR + 4.72% p.a.	608,131	0
19	Banca Intesa a.d.	EUR	15,000,000.00	20.10.2016 20.03.2019	Monthly	6M EURIBOR + 4.94% p.a.	1,824,392	0
20	Alpha Bank A.E. London	EUR	50,000,000.00	31.10.2016 31.03.2019	Monthly	6M EURIBOR + 4.08% p.a.	6,081,305	0
<b>A</b>	<b>LOANS IN RSD</b>						<b>4,308,925</b>	<b>11,216,597</b>
1	UniCredit Bank	RSD	445,707,452.97	24.08.2015 14.11.2017	Monthly	1M BELIBOR + 3.15%p.a.	445,707	500,000
2	UniCredit Bank	RSD	445,787,650.27	21.09.2015 14.11.2017	Monthly	1M BELIBOR + 3.35%p.a.	445,787	500,000
3	UniCredit Bank	RSD	0.00	27.03.2013 - 27.02.2015	Monthly	1M BELIBOR + 3.75%p.a.	0	41,667
4	UniCredit Bank	RSD	0.00	27.03.2013- 27.02.2015	Monthly	1M BELIBOR + 3.75%p.a.	0	41,667
5	UniCredit Bank	RSD	0.00	18.05.2013- 18.04.2015	Monthly	1M BELIBOR + 3.55% p.a.	0	83,333
6	Sberbanka a.d.	RSD	0.00	26.05.2013- 26.04.2015	Monthly	1M BELIBOR + 3% p.a.	0	83,333
7	Komercijalna banka a.d.	RSD	398,333,333.40	01.05.2014 – 01.04.2016	Monthly	1M BELIBOR + 4.0%p.a.	398,333	1,593,333



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8	Komercijalna banka a.d.	RSD	416,666,666.60	01.05.2014 – 01.04.2016	Monthly	1M BELIBOR + 3.75%p.a.	416,667	1,666,667
9	AIK Banka a.d.	RSD	750,000,000.00	13.07.2014 - 13.06.2016	Monthly	1M BELIBOR + 3.5%p.a.	750,000	2,250,000
10	Banca Intesa a.d.	RSD	1,050,347,222.24	08.12.2014 - 08.11.2016	Monthly	1M BELIBOR + 3.48% p.a.	1,050,347	2,196,181
11	UniCredit Bank	RSD	572,916,666.58	18.12.2014 - 18.11.2016	Monthly	1M BELIBOR + 1.238% p.a.	572,917	1,197,917
12	Komercijalna banka a.d.	RSD	229,166,666.71	18.12.2014 - 18.11.2016	Monthly	1M BELIBOR + 1.27% p.a.	229,167	479,167
13	Hypo Alpe -Adria-bank	RSD	0.00	21.03.2014 - 21.02.2015	Monthly	1M BELIBOR + 3.59% p.a.	0	83,333
14	Hypo Alpe -Adria-bank	RSD	0.00	21.03.2014 - 21.02.2015	Monthly	1M BELIBOR + 3.59% p.a.	0	83,333
15	Vojvodanska banka a.d.	RSD	0.00	04.04.2014 - 04.03.2015	Monthly	1M BELIBOR + 3.40% p.a.	0	125,000
16	Vojvodanska banka a.d.	RSD	0.00	04.04.2014 - 04.03.2015	Monthly	1M BELIBOR + 3.40% p.a.	0	125,000
17	Eurobank a.d.	RSD	0.00	27.03.2014 - 27.02.2015	Monthly	1M BELIBOR + 3.80% p.a.	0	83,333
18	Eurobank a.d.	RSD	0.00	27.03.2014 - 27.02.2015	Monthly	1M BELIBOR + 3.80% p.a.	0	83,333
<b>CURRENT PORTION OF LONG TERM LOANS</b>							<b>15,331,371</b>	<b>17,820,709</b>
A	Foreign currency loans						11,415,240	10,913,037
B	Loans in RSD						3,916,131	6,907,672
<b>TOTAL LONG TERM PORTION</b>							<b>113,028,715</b>	<b>77,376,940</b>
A	Foreign currency loans						112,635,921	73,068,015
B	Loans in RSD						392,794	4,308,925

35. LONG-TERM LIABILITIES (continued)

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

<u>Creditor</u>	<u>Currency</u>	<u>Contracted Amount</u>	<u>Draw Down Amount</u>
EBRD I	EUR	39,598,821	39,598,821
EBRD II	EUR	59,864,143	59,864,143
EBRD III	EUR	40,000,000	4,726,627
EBRD IV	EUR	80,000,000	58,191,915
EBRD V	EUR	32,700,000	466,250
EBRD VI	EUR	200,000,000	-
EIB II	EUR	22,000,000	22,000,000
EIB III	EUR	40,000,000	-
KfW II	EUR	16,000,000	16,000,000
KfW III	EUR	30,000,000	30,000,000
KfW IV	EUR	36,000,000	32,630,140
KfW V	EUR	70,000,000	6,879,856
KfW VI	EUR	65,000,000	4,492,697
IDA	SDR	11,798,849	11,798,849
JICA	JPY	28,252,000,000	525,111,151
EXIM Bank of China I	USD	293,000,000	223,569,363
EXIM Bank of China II	USD	608,260,000	71,060,000
Borrowing from the Republic of Poland	USD	49,996,617	49,996,617
WB IBRD	EUR	157,107,000	109,867,206

*Analysis of long term loans maturities*

	In RSD thousand		
	<u>As at 31 December 2015</u>	<u>As at 1 January 2015</u>	<u>Index</u>
From one to five years	53,579,724	35,795,993	149.7
Over five years	59,448,991	25,260,380	235.3
<b>Total</b>	<b>113,028,715</b>	<b>61,056,373</b>	<b>185.1</b>

*Analysis of borrowings per requested discharging currency as at 31 December 2015*

<u>Currency</u>	<u>Amount in Currency</u>	<u>31 December 2015</u>
EUR	491,590,370	59,790,220
USD	382,547,952	42,557,235
CHF	60,822,764	6,843,960
YPU	2,053,236,915	1,897,191
XDR	10,029,021	1,547,315
Other		
<b>Total</b>		<b>112,635,921</b>

**36. SHORT-TERM FINANCIAL LIABILITIES**

	<b>31 December 2015</b>	<b>In RSD thousand 31 December 2014</b>
<i>Liabilities in foreign currency</i>		
Current portion of long-term loans – foreign	4,569,429	3,435,466
Current portion of long term-loans – domestic	6,845,811	7,477,571
Other short-term financial liabilities	<u>11,199,242</u>	<u>10,039,598</u>
	<u>22,614,482</u>	<u>20,952,635</u>
<i>Liabilities in RSD</i>		
Current portion of long-term liabilities	3,916,131	6,907,672
Current portion of rescheduled liabilities	40	40
Current portion of other long-term liabilities	128,564	1,153,167
Other short-term financial liabilities in RSD	<u>14,393</u>	<u>4,889</u>
	<u>4,059,128</u>	<u>8,065,768</u>
	<u>26,673,610</u>	<u>29,018,403</u>

**37. ADVANCES RECEIVED**

	<b>31 December 2015</b>	<b>In RSD thousand 31 December 2014</b>
Customer prepayments:		
- In RSD	1,888,763	1,472,830
- In foreign currency	1,297,554	1,535,736
Received deposits and down payments	99,711	30,256
Received prepayments from individuals in RSD	<u>141,989</u>	<u>-</u>
	<u>3,428,017</u>	<u>3,038,822</u>

Advances received as at 31 December 2015 in amount of RSD 3,428,017 thousand, for the most part, in amount of RSD 1,258,836 thousand, pertain to advances received from China Machinery Engineering Corporation (CMEC) on account of first phase of Kostolac-B Power plant projects (rehabilitation of blocks B1 and B2, desulphurization of blocks B1 and B2 with accompanying infrastructure which consists of railway construction and modernization of river port and road).

**38. LIABILITIES FROM OPERATIONS**

	<b>31 December 2015</b>	<b>In RSD thousand 31 December 2014</b>
Trade payables:		
- Other related parties	9,786,272	13,556,449
- PE "Elektromreža Srbije"	<u>1,931,097</u>	<u>2,376,503</u>
	<u>11,717,369</u>	<u>15,932,952</u>
Trade payables - foreign	<u>4,944,240</u>	<u>6,928,911</u>
Other trade payables:		
- expropriation liabilities	85,201	41,410
- liabilities for compensation for damages from operations	11,760	7,467
- other	<u>482,823</u>	<u>348,642</u>
	<u>579,784</u>	<u>397,519</u>
	<u>17,241,393</u>	<u>23,259,382</u>

**39. OTHER CURRENT LIABILITIES**

	<b>31 December 2015</b>	<b>In RSD thousand 31 December 2014</b>
Liabilities from specific operations	321,504	334,282
Liabilities for unpaid wages and salaries, net	1,453,466	1,336,731
Liabilities for taxes and contributions:		
- charged to employee	591,577	777,049
- charged to employer	429,706	163,121
Other liabilities for wages and salaries	29,112	22,389
Liabilities for interests and financing costs	282,438	2,707,498
Liabilities for dividends and profit share	1,336,894	19,695
Other liabilities towards employees	27,539	71,171
Liabilities towards members of Executive and Supervisory board	590	1,564
Liabilities towards individuals	48,510	22,177
Liabilities for matured loans from Ministry of Finance of the Republic of Serbia	397,223	397,223
Other liabilities	493,409	412,986
	<u>5,411,968</u>	<u>6,265,886</u>

**40. VAT LIABILITIES**

	<b>31 December 2015</b>	<b>In RSD thousand 31 December 2014</b>
Deferred VAT	8,136,515	1,264,825
Liabilities for calculated VAT	3,167,242	-
	<u>11,303,757</u>	<u>1,264,825</u>

**41. LIABILITIES FOR TAXES, CONTRIBUTIONS AND OTHER DUTIES**

	<b>31 December 2015</b>	<b>In RSD thousand 31 December 2014</b>
Liabilities for Income tax	1,598,008	300,879
Liabilities for taxes, customs and other duties charged to expenses	2,662,417	79,233
Water use charges (land)	795,801	1,035,044
Special charge for protection and improvement of environment	768,451	1,603,607
Other liabilities for taxes, customs and other duties charged to expenses	68,323	59,176
	<u>5,893,000</u>	<u>3,077,939</u>

Amendments to the Law on Excise Tax from 1 August 2015, introduced the obligation to calculate and pay excise tax on delivered and billed electricity intended for final consumption. Final consumption of electricity, in terms of this Act, is defined as delivered electricity to end customers in the Republic of Serbia, including the consumption of electricity by the supplier for its own purposes, calculated based on the reading of the consumption via the control devices on electricity delivery points, in accordance with the law. Only the supplier of electricity is obligated to pay the excise tax. Excise liabilities in the amount of RSD 2,620,333 thousand was settled after the balance sheet date, as well liabilities arising from other public revenues.

**42. ACCRUED EXPENSES**

	<b>31 December 2015</b>	<b>In RSD thousand 31 December 2014</b>
Received donations (Note 7):		
- from the Government of RS and other state authority	2,620,713	2,842,017
- foreign	7,618,614	7,832,149
- domestic	9,866,060	9,508,545
	<u>20,105,387</u>	<u>20,182,711</u>
Other accruals	895,602	283,553
Accrued expenses	680,701	985,958
Deferred purchase costs	12,565	-
	<u>21,694,255</u>	<u>21,452,222</u>

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

Changes in deferred revenue which pertain to received donations during 2015 and 2014 are the following:

	<b>31 December 2015</b>	<b>In RSD thousand 31 December 2014</b>
<b>Opening balance</b>	20,182,711	16,871,395
Current year donations	1,311,187	6,662,625
Transfer to revenues	(1,141,884)	(2,864,493)
FX rate differences	-	5,607
Other	(246,627)	(492,423)
	<u>20,105,387</u>	<u>20,182,711</u>
<b>Closing balance</b>	<u>20,105,387</u>	<u>20,182,711</u>

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

	<b>31 December 2015</b>	<b>In RSD thousand 31 December 2014</b>
Liabilities for issued guarantees and other types of collateral for liabilities	176,575,443	118,200,272
Receivables for received guarantees and other types of collateral for receivables	87,589,073	63,387,318
Written off equity investments	203,742	138,977
	<u>264,368,258</u>	<u>181,726,567</u>

#### 44. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

##### Capital risk management

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

	<b>31 December 2015</b>	<b>In RSD thousand 31 December 2014</b>
Indebtedness a)	140,104,286	106,925,571
Cash and cash equivalents	<u>45,937,129</u>	<u>31,181,332</u>
Net indebtedness	<u>94,167,157</u>	<u>75,744,239</u>
Capital b)	<u>781,376,116</u>	<u>781,952,202</u>
Debt to equity ratio	<u>0.12</u>	<u>0.10</u>

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

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

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

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

##### Financial instruments categories

	<b>31 December 2015</b>	<b>In RSD thousand 31 December 2014</b>
<b>Financial assets</b>		
Equity investments	766,545	1,478,550
Long-term financial investments	1,590,590	1,847,133
Long-term receivables	783,671	784,045
Trade receivables	40,671,997	39,093,555
Short-term financial assets	1,120,801	1,637,121
Other receivables	4,288,859	2,311,844
Cash and cash equivalents	<u>45,937,129</u>	<u>31,181,332</u>
	<u>95,159,592</u>	<u>78,333,580</u>
<b>Financial liabilities</b>		
Long-term borrowings	113,028,715	77,376,940
Other long-term liabilities	321,418	449,685
Trade payables	15,200,838	18,947,893
Current portion of long-term borrowings	15,331,371	17,820,709
Short-term financial liabilities	11,342,239	11,197,694
Other liabilities	<u>583,577</u>	<u>3,005,528</u>
	<u>155,808,158</u>	<u>128,798,449</u>

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

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

**Financial risk management**

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

**Market risk**

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

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

**Currency risk**

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

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

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

	<b>Assets</b>		<b>Liabilities</b>	
	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
EUR	136,278,390	158,152,793	587,057,479	320,629,971
JPY	112,530,351	470,368,422	2,341,330,406	470,415,760
SEK	564	-	-	-
CHF	89,723	751	65,317,242	-
GBP	2,886	24	-	-
USD	327,748,424	471,271,885	537,103,661	385,888,726
XDR	11,208,905	11,799,353	11,233,659	11,824,658

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

44. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market risk (continued)

Currency risk (continued)

	31 December 2015	In RSD thousand 31 December 2014
EUR	54,787,614	19,650,224
JPY	2,059,411	39
SEK	7	-
CHF	7,339,596	78
GBP	476	4
USD	23,290,100	8,492,606
XDR	3,819	3,718
	<u>87,481,023</u>	<u>28,146,669</u>
Current year profit	<u>87,481,023</u>	<u>28,146,669</u>

Sensitivity of the Group to changes in foreign exchange increased in the current period, mostly due to effects of nominal increase of liabilities presented in Euro currency which mostly pertain to liabilities towards suppliers.

**Interest rate risk**

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

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

	31 December 2015	In RSD thousand 31 December 2014
<b>Financial assets</b>		
<i>Interest-free</i>		
- Equity-investments	766,545	1,478,550
- Long-term financial assets	637,205	637,205
- Trade receivables	5,719,085	3,087,375
- Other receivables	1,123,423	588,932
- Cash and acash equivalents	9,073,307	14,709,930
	<u>17,319,565</u>	<u>20,501,992</u>
<i>Fixed interest-free</i>		
- Long-term financial investments	457,724	-
- Cash and cash equivalents	36,863,822	16,471,402
	<u>37,321,546</u>	<u>16,471,402</u>
<i>Variable interest-rate</i>		
- Long-term financial investments	495,661	1,209,928
- Long-term receivables	783,671	784,045
- Trade receivables	34,952,912	36,006,180
- Short-term financial investments	1,120,801	1,637,121
- Other receivables	3,165,436	1,722,912
	<u>40,518,481</u>	<u>41,360,186</u>
	<u>95,159,592</u>	<u>78,333,580</u>



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

**Market risk (continued)**

***Interest rate risk (continued)***

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

	<b>31 December 2015</b>	<b>In RSD thousand 31 December 2014</b>
<b>Financial liabilities</b>		
<i>Interest-free</i>		
- Trade payables	9,843,118	15,306,355
- Other liabilities	358,005	1,163,575
- Short-term financial liabilities	621	1,907
	<u>10,201,744</u>	<u>16,471,837</u>
<i>Fixed interest rate</i>		
- Long-term borrowings	52,823,410	38,998,221
- Current portion of long-term borrowings	1,547,578	1,478,917
- Short-term financial liabilities	61,222	436,861
	<u>54,432,210</u>	<u>40,913,999</u>
<i>Variable interest rate</i>		
- Long-term borrowings	60,205,305	38,378,719
- Other long-term liabilities	321,418	449,685
- Trade payables	5,357,720	3,643,893
- Other liabilities	225,572	1,841,953
- Current portion of long-term borrowings	13,783,793	16,341,792
- Short-term financial liabilities	11,280,396	10,758,926
	<u>91,174,204</u>	<u>71,414,968</u>
	<u>155,808,158</u>	<u>128,800,804</u>

Sensitivity analysis presented in further text is established based on exposure to changes in interest rates for non-derivative instruments at the balance sheet date. For liabilities with variable interest rate, analysis has been compiled under the assumption that the remaining amount of assets and liabilities on the balance sheet date remained the same during the business year. Increase or decrease of 1% represents, according to the Management, is an estimation of a realistically plausible change in interest rates. If the interest rates are 1% higher/lower, with all other variables unchanged, the Group would have sustained operating loss/realized profit for the year then ended 31 December 2015 in amount of RSD 606,486 thousand (31 December 2014: RSD 504,672 thousand). This situation is attributed to Group's exposure to interest rate risk, which is based on variable interest rates that are calculated on short-term borrowings.

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

**Credit risk**

***Trade receivables management***

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

44. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

Trade receivables management (continued)

Structure of trade receivables as at 31 December 2015 is presented in the following table:

	<b>Gross exposure</b>	<b>Provided amount</b>	<b>In RSD thousand Net exposure</b>
Not due trade receivables	25,503,746	(989,394)	24,514,352
Overdue, provided trade receivables	138,567,944	(138,567,944)	-
Overdue, not provided trade receivables	<u>16,157,645</u>	<u>-</u>	<u>16,157,645</u>
	<u>180,229,335</u>	<u>(139,557,338)</u>	<u>40,671,997</u>

Structure of trade receivables as at 31 December 2014 is presented in the following table:

	<b>Gross exposure</b>	<b>Provided amount</b>	<b>In RSD thousand Net exposure</b>
Not due trade receivables	30.862.079	(763.417)	30.098.662
Overdue, provided trade receivables	118.499.374	(118.499.374)	-
Overdue, not provided trade receivables	<u>8.994.893</u>	<u>-</u>	<u>8.994.893</u>
	<u>158.356.346</u>	<u>(119.262.791)</u>	<u>39.093.555</u>

*Not due trade receivables*

Not due trade receivables disclosed as at 31 December 2015 in amount of RSD 16,157,546 thousand (31 December 2014: RSD 8,994,893 thousand)

*Overdue, provided trade receivables*

In previous periods, the Group has provided for receivables impairment for overdue receivables in amount of RSD 138,567,944 thousand (31 December 2014: RSD 118,499,374 thousand), for which the Group has determined that there was a change in creditworthiness of the customers and that receivables will not be collected in original amounts.

*Overdue, not provided trade receivables*

Ageing structure of overdue, not provided receivables is presented in the table below:

	<b>31 December 2015</b>	<b>In RSD thousand 31 December 2014</b>
Less than 30 days	4,092,470	4,261,015
31 – 90 days	7,705,182	4,528,868
91 – 180 days	668,951	25,526
181 – 365 days	966,508	41,775
Over one year	<u>2,724,535</u>	<u>137,709</u>
	<u>16,157,645</u>	<u>8,994,893</u>

44. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

Trade receivables management (continued)

Overdue, not provided trade receivables (continued)

Overview of top customers (gross exposure) as at 31 December 2015 is presented below:

	31 December 2015	In RSD thousand 31 December 2014
PE Elektrokosmet Pristina	7,103,521	5,779,761
HIP Petrohemija	5,407,474	747,455
Energetika d.o.o.	4,800,423	410,289
Železnice Srbije a.d.	4,258,582	1,937,735
Rudnici bakra Bor, d.o.o.	4,248,916	2,315,597
Elektroprivreda Hrvatske, Zagreb	2,677,936	2,394,302
Elektroprivreda Krajine, Knin	1,678,761	1,516,622
Železara Smederevo d.o.o.	3,829,141	2,300,737
EMC. Beograd	2,428,467	1,792,833
PE PEU Resavica	1,646,987	1,324,982
Milan Blagojević Namenska	1,284,248	22,014
Power Company of Kosovo	1,168,966	1,142,128
China Machinery Engineering Corporation CMEC	678,015	-
Other	139,165,816	136,817,795
	<u>180,229,335</u>	<u>158,356,346</u>

Trade payables management

Trade payables as at 31 December 2015 are disclosed in amount of RSD 15,200,838 thousand (31 December 2014: RSD 18,947,893 thousand). Supplier calculate penalty interest on overdue, unsettled liabilities, whereby the Group due trade payables, according to financial risks management policy, settles in agreed period.

Liquidity risk

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

Liquidity risk and credit risk tables

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

Financial assets maturity

	In RSD thousand 31 December 2015					
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest-free	6,288,690	5,398,529	4,213,308	73,142	1,345,896	17,319,565
Fixed interest rate	32,863,822	-	-	-	4,457,724	37,321,546
Variable interest rate	11,569,449	6,422,705	20,144,741	953,385	1,428,201	40,518,481
	<u>50,721,961</u>	<u>11,821,234</u>	<u>24,358,049</u>	<u>1,026,527</u>	<u>7,231,821</u>	<u>95,159,592</u>

44. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk (continued)

*Liquidity risk and credit risk tables (continued)*

*Financial liabilities maturity (continued)*

	In RSD thousand 31 December 2014					
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest-free	10,998,663	2,224,168	5,349,173	-	1,929,988	20,501,992
Fixed interest rate	13,471,402	-	-	-	3,000,000	16,471,402
Variable interest rate	12,417,824	465,479	15,959,355	7,515,893	5,001,635	41,360,186
	<u>36,887,889</u>	<u>2,689,647</u>	<u>21,308,528</u>	<u>7,515,893</u>	<u>9,931,623</u>	<u>78,333,580</u>

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

*Financial liabilities maturity*

	In RSD thousand 31 December 2015					
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest-free	4,844,114	2,323,314	1,785,298	-	1,249,018	10,201,744
Fixed interest rate	296,049	42,096	1,489,155	17,245,336	35,359,574	54,432,210
Variable interest rate	16,699,426	6,593,098	11,880,288	39,255,827	16,745,565	91,174,204
	<u>21,839,589</u>	<u>8,958,508</u>	<u>15,154,741</u>	<u>56,501,163</u>	<u>53,354,157</u>	<u>155,808,158</u>

	In RSD thousand 31 December 2014					
	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest-free	2,589,546	6,149,525	6,465,732	-	1,267,034	16,471,837
Fixed interest rate	6,105,832	4,072,679	3,054,297	9,029,424	18,651,767	40,913,999
Variable interest rate	6,857,127	2,739,374	15,629,029	39,853,586	6,335,852	71,414,968
	<u>15,552,505</u>	<u>12,961,578</u>	<u>25,149,058</u>	<u>48,883,010</u>	<u>26,254,653</u>	<u>128,800,804</u>

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

**Fair value of financial instruments**

Presented in the following table are present values of financial assets and financial liabilities and their fair value as at 31 December 2015 and 31 December 2014.

	31 December 2015		In RSD thousand 31 December 2014	
	Net book value	Fair value	Net book value	Fair value
<b>Financial assets</b>				
Equity investments	766,545	766,545	1,478,550	1,478,550
Long-term financial assets	1,590,590	1,590,590	1,847,133	1,847,133
Long-term receivables	783,671	783,671	784,045	784,045
Trade receivables	40,671,997	40,671,997	39,093,555	39,093,555
Short-term financial assets				
	1,120,801	1,120,801	1,637,121	1,637,121
Other receivables	4,288,859	4,288,859	2,311,844	2,311,844
Cash and cash equivalents				
	45,937,129	45,937,129	31,181,332	31,181,332
	<u>95,159,592</u>	<u>95,159,592</u>	<u>78,333,580</u>	<u>78,333,580</u>
<b>Financial liabilities</b>				
Long-term borrowings	113,028,715	113,028,715	77,376,940	77,376,940
Other long-term liabilities	321,418	321,418	449,685	449,685
Trade payables	15,200,838	15,200,838	18,950,248	18,950,248
Current portion of long-term loans	15,331,371	15,331,371	17,820,709	17,820,709
Short-term financial liabilities	11,342,239	11,342,239	11,197,694	11,197,694
Other liabilities	583,577	583,577	3,005,528	3,005,528
	155,808,158	155,808,158	128,800,804	128,800,804

*Assumptions for estimation of fair value of financial instruments*

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

**45. CONTINGENCIES AND COMMITMENTS**

***Litigations***

As at 31 December 2015, the exposure of the Group for litigations amounted to RSD 3,059,114 thousand. Based on Management estimate, the Group, as at 31 December 2015, recorded long term provisions for potential losses from litigations in amount of RSD 768,975 thousand. For the remaining amount of litigations against the Group, for which a provision for potential losses has not been recorded, the Management of the Group considers that materially significant losses could not occur.

**45. CONTINGENCIES AND COMMITMENTS (continued)**

**Commitments**

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

Supplier	Agreed amount	Realized until 31 December 2015	Given prepayments	Beneficiary:
China Machinery Engineering Corporation (CMEC)	38,338,985	30,213,327	2,437,697	TE KO Kostolac
Sandvik Mining and Construction Materials Handling GmbH	1,749,045	1,684,495	6,455	RB Kolubara
KOPEX S.A.	3,440,677	3,263,867	17,479	RB Kolubara
ThyssenKrupp Resource Technologies	3,759,339	2,626,492	226,569	RB Kolubara
Consortium Mibrag Consulting International and RWE Power International RE GmbH	302,805	226,857	7,435	RB Kolubara
Voith Hydro GmbH & CoKG	7,680,610	310,175	725,536	Drimsko Limske HE
China Machinery Engineering Corporation (CMEC)	79,608,210	-	19,762,994	TE KO Kostolac
ABB Automation GmbH	593,535	-	59,354	RB Kolubara
Sandvik Mining and Construction Materials Handling GmbH & Co KG	2,285,655	271,794	201,386	RB Kolubara
	<u>137,758,861</u>	<u>38,597,007</u>	<u>23,444,905</u>	

In RSD thousand

**46. TAX RISKS**

Tax legislation of the Republic of Serbia is subject to varying interpretations. Interpretation of tax laws by the tax authorities could differ from the interpretation by the Management. Obsolescence period of tax liabilities is five years. Therefore, tax authorities have the rights to determine payment of unsettled liabilities in period of five years from when the liability occurred.

**47. SUBSEQUENT EVENTS**

Based on Article 491 of the Company Law (RS Official Gazette Nos.36/11, 99/11 and 5/15), PE Elektroprivreda Srbije, as the Parent company (the Acquiring Company/ the Acquirer) and Operator distributivnog sistema EPS Distribucija d.o.o. Beograd (the Transferor) concluded a Merger and Acquisition Agreement. The Agreement involves divesting a part of the transferor's assets and liabilities to the acquiring company.

The Merger was approved by Government Conclusion 05 No. 023-15149/2014 dated 27 November 2014, stipulating the approval of PE EPS Beograd Reorganisation Plan by which, in executing the Republic of Serbia's founding rights over PE Elektroprivreda Srbije, the Government has determined that in order to improve the Company's management and operating efficiency, cut operating costs, improve productivity and corporate governance, among other activities, and in order to maximise the operating efficiency of the Acquiring Company, a unique management and operating system should be set up in areas such as finance and economy, legal operations, IT support and other operations, so as to have EPS income and expenses optimised at the Group level.

The Transferor's assets and liabilities have been divested to the Acquiring Company on 4 January 2016, the date on which the merger was registered with the Business Registers Agency under No. BD 113220/2015 based on the Merger and Acquisition Agreement, which was verified under No. OPU: 4369-2015 on 1 December 2015.

In view of the fact that the Parent Company is the sole member and founder with a 100% share in the Transferor's basic capital, the status change did not have an effect on the company's basic capital, thus the Acquiring Company remains the only company member with a 100% share in the Transferor, which is equal to the value of the Transferor's basic capital.

In implementing the Reorganisation Plan, PE EPS Beograd and EPS Snabdevanje d.o.o. Beograd, based on the Decisions of the Supervisory Board (which is the Company's competent body functioning as the Assembly of EPS Snabdevanje", d.o.o) that had been approved by RS Government Decision 05

**49 SUBSEQUENT EVENTS (continued)**

No. 023-2175/2016 on 27 February 2016, concluded a Merger Agreement, which was verified by a Public Notary under No. UOP No. 2061/2016 on 27 April 2016.

On 1 June 2016, the Business Registers Agency passed Decision BD 44653/2016, by which the merger of PE Elektroprivreda Srbije“, Beograd was approved. On the same date, 1 June 2016, Decision BD 44653/2016 was passed by which EPS Snabdevanje“, d.o.o. Beograd was deleted from BRA’s Register based on its merger with Elektroprivreda Srbije“, Beograd. The legal consequences of the merger between EPS Snabdevanje“, d.o.o. Beograd and PE Elektroprivreda Srbije“, Beograd, its Parent, became effective on the date of the merger registry with the Business Registers Agency, i.e. on 1 June 2016.

At its 19th Extraordinary Session held on 27 April 2016, the Supervisory board of PE Elektroprivreda Srbije passed a Decision by which it put forward a proposition to the Government of the Republic of Serbia to have PE EPS Beograd legal form changed into a joint stock company under the Company Law and the Law on the Procedure of Registration with the Business Registers Agency.

By this decision, the Draft Decision on the change of the legal form of EPS Beograd into a joint stock company was verified.

This decision has been filed with the Government of the Republic of Serbia through the Ministry of Economy with a view to implementing the procedure for changing EPS Beograd legal form into a joint stock company.

**50 EXCHANGE RATES**

Middle exchange rates for foreign currency, as determined at the interbank foreign exchange market, are used in the translation of balance sheet components denominated in foreign currencies into Serbian dinar were as follows:

	<b>31 December 2015</b>	<b>In RSD 31 December 2014</b>
EUR	121.6261	120.9583
USD	111.2468	99.4641