

JOINT STOCK COMPANY „ELEKTROPRIVREDA SRBIJE“ BEOGRAD

**SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
AND INDEPENDENT AUDITOR'S REPORT**

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Independent Auditor's Report

To the Shareholder of Joint Stock Company "Elektroprivreda Srbije" Beograd

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Joint Stock Company "Elektroprivreda Srbije" Beograd (the "Company" as at 31 December 2024, and the Company's separate financial performance and separate cash flows for the year then ended in accordance with the Law on Accounting in the Republic of Serbia.

What we have audited

The Company's separate financial statements ("financial statements") comprise:

- the balance sheet as at 31 December 2024;
- the income statement for the year then ended;
- the statement of other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising significant accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by the Chamber of Auditors in the Republic of Serbia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code as adopted by the Chamber of Auditors in the Republic of Serbia.

Our audit approach

Overview

Materiality

- Overall Company materiality: RSD 4,415,603 thousand, which represents 1% of the revenue from sales of products and services for year ended on 31 December 2024.

Key audit matters

- Estimation of decommissioning and environmental protection provision
- Impairment of non-financial assets

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

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

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

Materiality

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

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

Overall Company materiality	RSD 4,415,603 thousand
How we determined it	1% of the revenues from sales of products and services for the year ended 31 December 2024
Rationale for the materiality benchmark applied	We determined our materiality should be based on revenues from sales of products and services. This benchmark is more representative for the Company as other benchmark such as net result are affected by the significant fluctuations in electricity prices. We have chosen 1% which, in our view, is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

We agreed with the those charged with governance that we would report to them misstatements identified during our audit above RSD 220,700 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Key audit matter	How our audit addressed the key audit matter
<p>Estimation of decommissioning and environmental protection provisions</p> <p>Provisions associated with decommissioning, environmental protection and restoration are disclosed in Note 32 to the financial statements; a description of the accounting policy and key judgements and estimates is included in Note 3.6 and Note 4.</p> <p>The calculation of decommissioning and environmental protection provisions requires significant management judgement because of the inherent complexity in estimating future costs, discount rates and maturity of liabilities. The decommissioning of landfills and dumps for ash and slag in Thermal Power Plants Kostolac, Kolubara, Morava, Nikola Tesla A and Nikola Tesla B (further in Thermal Power Plants) is an evolving activity and consequently there is limited historical precedent against which to benchmark estimates of future costs. These factors increase the complexity involved in determining accurate accounting provisions that are material to the Company's balance sheet.</p> <p>Management engaged an external expert to estimate the cost of decommissioning of landfills and dumps for ash and slag in Thermal Power Plants. As a result of such estimation, Management calculated provision to be included as at 31 December 2024.</p> <p>Management reviews decommissioning and environmental protection provisions on an annual basis for production assets. This review incorporates the effects of any changes in local regulations, management's expected approach to decommissioning, cost estimates, discount rates, maturity of liabilities and the effects of changes in exchange rates.</p>	<p>We critically assessed management's annual review of provisions performed as at 31 December 2024. Testing involved understanding of the legal or constructive obligations with respect to the environmental protection and decommissioning of each asset based on the estimated useful life of assets and relevant cost to complete restoration.</p> <p>Of particular note, we performed the following procedures:</p> <ul style="list-style-type: none"> -We assessed the external experts' qualifications and expertise; -Identified and tested the cost assumptions which have the most significant impact on provisions by inspecting the studies provided by external management' expert; - Used our internal valuation experts to evaluate reasonableness of the discount rate applied to the cost assumptions and compared it to the Serbian treasury notes for the similar periods; - Verified the mathematical accuracy of the underlying models; - Verified the completeness of data by cross referencing with other non-financial data and other work performed on property, plant and equipment; - Obtained the sensitivity analysis prepared by management for the change in key assumptions (discount rate and cost estimates). We tested mathematical accuracy of calculations. - We assessed the adequacy of relevant disclosures in the notes to financial statements.

Impairment of non-financial assets

Refer to Note 3.14 (significant accounting policies), Note 4 (use of key judgements), and Note 23 (intangible assets, biological assets and property, plant and equipment).

As of 31 December 2024, the carrying amount of the Company's property, plant, and equipment including biological assets was RSD 876,050,185 thousand and the value of intangible assets was RSD 5,427,371 thousand, which represents a significant portion of the Company's total assets. The assessment of impairment of non-financial assets involves significant judgement and estimates by management, particularly in relation to the determination of cash-generating units (CGUs), the recoverable amounts, and the discount rates used in the impairment calculation.

At the end of each reporting period the Company assesses whether indicators of impairment exist. If such indicators exist, the Company estimates the recoverable amount of the asset or cash-generating unit to which the asset belongs, in order to determine whether an impairment loss should be recognized.

For the year ended on 31 December 2024, the Company identified impairment indicators and performed impairment test which resulted in impairment of one CGU in the amount RSD 9,320,715 thousand (Note 23) out of which RSD 1,792,153 thousand was recognized in Income statement (Note 12).

We performed the following procedures:

- Understanding of the Process: We obtained an understanding of the Company's process for identifying indicators of impairment and its methodology for performing impairment tests on non-financial assets.
 - We assessed the external expert's qualifications and expertise;
 - Evaluating Management's key assumptions: We evaluated the appropriateness of the key assumptions used by management in their impairment analysis, including:
 - the determination of CGUs;
 - the forecasted future cash flows, comparing them to historical performance and/or external sources used by the management.
 - Sensitivity Analysis: We performed sensitivity analyses on the key assumptions to understand their impact on the impairment assessment and identified any potential risks of management bias.
 - Used our internal valuation experts to evaluate the following:
 - appropriateness of methodology applied;
 - test the mathematical accuracy of the model;
 - reasonableness of the discount rate applied in terms of methodological approach to discount rate derivation and inputs used for discount rate assessment;
 - conceptual approach to formulation of certain assumptions, including investment in net working capital of CGUs and projection of output of CGU Panonske elektrane.
 - We assessed the adequacy of relevant disclosures in the notes to financial statements.
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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The licensed auditor on the audit resulting in this independent auditor's report is Milovoje Nešović.

Refer to the original signed
Serbian version

Milivoje Nešović
Licensed Auditor
PricewaterhouseCoopers d.o.o., Beograd

Belgrade, 28 April 2025

**JOINT STOCK COMPANY ELEKTROPRIVREDA SRBIJE
BEOGRAD**

**Notes to the Financial Statements
31 December 2024**

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INCOME STATEMENT**In the period from 1 January to 31 December 2024****In thousands of RSD**

	Notes	2024	2023
Operating income			
Sales of products and services	5	441,560,271	456,543,264
Capitalization of products and goods	6	1,386,840	1,474,353
Increase in value of inventories of work in progress and finished products		-	2,085,856
Decrease in value of inventories of work in progress and finished products		(1,567,717)	-
Other operating income	7	2,992,205	37,760,631
Income from adjustment in value of assets (other than financial)	8	309,038	97,016
		444,680,637	497,961,120
Operating expenses			
Cost of material, fuel and energy	9	(236,086,500)	(216,069,388)
Salaries, wages and other personnel expenses	10	(52,583,817)	(49,514,120)
Depreciation and amortization expense	11	(37,812,200)	(36,908,058)
Costs of adjustment in value of assets (other than financial)	12	(2,650,766)	(3,378,594)
Production services	13	(37,114,642)	(32,014,431)
Provision costs	14	(9,363,487)	(6,891,454)
Non-production costs	15	(23,571,148)	(19,518,487)
		(399,182,560)	(364,294,532)
Operating profit		45,498,077	133,666,588
Financial income			
Financial income from transactions with parent company, subsidiaries and other related parties	16	1,475,805	1,430,825
Interest income	16	7,793,959	6,086,284
Foreign exchange gains and losses of foreign currency clause	16	2,061,523	5,240,332
Other financial income	16	39,654	33,349
		11,370,941	12,790,790
Financial expenses			
Financial expense from transactions with parent company, subsidiaries and other related parties	17	(3,401)	(1,842)
Interest expense	17	(5,415,025)	(5,921,036)
Foreign exchange losses and negative effects of foreign currency clause	17	(4,918,137)	(838,029)
Other financial expenses	17	(951,677)	(548,282)
		(11,288,240)	(7,309,189)
Financing gains		82,701	5,481,601
Income from valuation adjustments of other financial assets that are measured at fair value through profit and loss	18	601,139	1,107,599
Costs of valuation adjustments of other financial assets that are measured at fair value through profit and loss	19	(6,151,890)	(5,213,651)
Other income	20	1,629,245	1,690,091
Other expenses	21	(9,829,368)	(8,942,522)
		(13,750,874)	(11,358,483)
Total income		458,281,962	513,549,600
Total expenses		(426,452,058)	(385,759,894)
Profit from continuing operations before tax		31,829,904	127,789,706

(continued)

INCOME STATEMENT (continued)
For the period from 1 January to 31 December 2024
In thousands of RSD

	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Profit before tax		31,829,904	127,789,706
Income tax			
Tax expense of the period	22	(11,069,501)	(17,716,804)
Deferred tax income of the period	22	3,670,701	2,373,936
Net profit		24,431,104	112,446,838

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

Signed on behalf of the Company:

 Dušan Živković
 General Manager

STATEMENT OF OTHER COMPREHENSIVE INCOME
For the period from 1 January to 31 December 2024
In thousands of RSD

	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Net operating result			
Net profit/loss		<u>24,431,104</u>	<u>112,446,838</u>
Other comprehensive income or loss			
a) Items that will not be reclassified to profit or loss in future periods			
Actuarial gains or losses on defined benefit plans	31	(1,497,605)	(2,621,870)
Revaluation reserves decrease		<u>(7,528,562)</u>	<u>-</u>
		<u>(9,026,167)</u>	<u>(2,621,870)</u>
b) Items that will not be reclassified to profit or loss in future periods			
Gains or losses on securities measured at fair value through other comprehensive income	31	<u>1,999</u>	<u>(1,367)</u>
		<u>1,999</u>	<u>(1,367)</u>
Other comprehensive income/(loss)- gross amount		<u>(9,024,168)</u>	<u>(2,623,237)</u>
Deferred tax income/(expense) on other comprehensive income or loss of the period		<u>-</u>	<u>-</u>
Other comprehensive income/(loss)		<u>(9,024,168)</u>	<u>(2,623,237)</u>
Total net comprehensive income/(loss)		<u>15,406,936</u>	<u>109,823,601</u>

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

BALANCE SHEET
As at 31 December 2024
In thousands of RSD

	Notes	31 December 2024	31 December 2023
ASSETS			
Non-current assets			
Intangible assets			
Concessions, patents, licenses, trademarks and service marks, software and other intangible assets	23	3,677,397	4,498,289
Intangible assets under lease and intangible assets under development	23	1,749,974	989,752
		5,427,371	5,488,041
Property, plant and equipment			
Land and buildings	23	318,069,967	315,996,314
Plant and equipment	23	345,689,746	340,696,426
Investment property	23	330,255	342,341
Property, plant and equipment under lease and property, plant and equipment under construction	23	180,526,121	173,240,402
Other property, plant and equipment and leasehold improvements	23	81,634	77,681
Advances for property, plant and equipment - domestic	23	27,142,782	20,918,441
Advances given to foreign entities for property, plant and equipment	23	3,736,437	8,289,111
		875,576,942	859,560,716
Biological assets	23	473,243	473,826
		473,243	473,826
Long-term financial investments and long-term receivables			
Equity investments in legal entities (except for equity investments measured using the equity method)	24	6,934,007	4,590,961
Equity investments measured using the equity method	24	-	-
Long-term investments (loans and borrowings) domestic	24	1,684,390	1,861,908
Other long-term financial investments and other long-term receivables	24	722,536	-
		9,340,933	7,102,444
Current assets			
Inventories			
Materials, spare parts, tools and supplies	25	36,126,801	37,344,528
Work in progress and finished goods	25	3,631,770	5,199,488
Goods	25	1,447	538
Advances paid for inventories and services - domestic	25	3,968,927	4,242,863
Advances paid to foreign entities for inventories and services	25	2,182,659	666,240
		45,911,604	47,453,657
Non-current assets held for sale and discontinued operations	25	741,091	741,091
Trade receivables			
Trade receivables from domestic customers	26	83,627,248	87,165,432
Trade receivables from foreign customers	26	14,705	29,591
Trade receivables – parent, subsidiary and other related parties – domestic	26	3,251	6,518
Trade receivables – parent, subsidiary and other related parties – foreign	26	294,785	1,644,711
Other trade receivables	26	178,895	141,783
		84,118,884	88,988,035
Other short-term receivables			
Other receivables	27	15,199,262	17,216,984
Receivables for overpaid income tax	27	4,001,327	-
Receivables for prepaid taxes and contributions	27	80,058	261,197
		19,280,647	17,478,181

(continued)

BALANCE SHEET (continued)
As at 31 December 2024
In thousands of RSD

	Notes	31 December 2024	31 December 2023
Short-term financial placements			
Short-term loans, borrowings and advances – domestic	28	205,343	295,924
Other short-term financial assets	28	52,182	43,982
		257,525	339,906
Cash and cash equivalents	29	28,083,184	34,820,770
Short-term prepayments and deferred expenses	30	3,059,843	3,367,012
TOTAL ASSETS		1,072,271,267	1,065,813,679
Off-balance sheet assets	40	222,436,434	246,603,267
EQUITY AND LIABILITIES			
Equity			
Core capital	31	365,105,090	365,105,090
Positive revaluation reserves and unrealized gains on financial assets and other components of other comprehensive income	31	432,291,892	442,280,230
Unrealized losses on financial assets and other components of other comprehensive income	31	(6,314,997)	(5,609,636)
Retained earnings			
Retained earnings of previous years	31	135,063,035	22,594,615
Retained earnings of current year	31	24,431,104	112,446,838
Loss			
Previous years' losses	31	(305,180,774)	(304,800,876)
Current year loss	31	-	-
		645,395,350	632,016,261
Long-term provisions and long-term liabilities			
Long-term provisions			
Provisions for compensation and other employee benefits	32	26,986,709	18,669,078
Other long-term provisions	32	23,259,881	21,282,620
		50,246,590	39,951,698
Non-current liabilities			
Liabilities convertible into equity	33	80,500	80,500
Long-term loans, borrowings and lease liabilities – domestic	33	23,174,740	25,330,039
Long-term loans, borrowings and lease liabilities – foreign	33	134,622,376	109,528,888
		157,877,616	134,939,427
Deferred tax liabilities	22	60,112,494	63,783,193
Long-term deferred income and received donations	34	8,237,426	8,671,151
Short-term provisions and short-term financial liabilities			
Short-term financial liabilities			
Liabilities for loans and borrowings toward entities that are not domestic banks	35	9,913	10,802
Loan liabilities toward domestic banks	35	8,989,671	19,433,085
Loans, borrowings and liabilities – foreign	35	27,849,841	21,714,769
		36,849,425	41,158,656
Advances received, deposits and down payments	36	294,392	301,839

(continued)

BALANCE SHEET (continued)
As at 31 December 2024
In thousands of RSD

	Notes	31 December 2024	31 December 2023
Operating liabilities			
Trade payables – parent companies, subsidiaries and other related parties - domestic and foreign	37	320,884	238,439
Trade payables - domestic	37	46,805,818	49,036,176
Trade payables - foreign	37	9,422,823	12,922,093
Other operating liabilities	37	3,182,563	2,797,560
		59,732,088	64,994,268
Other short-term liabilities			
Other short-term liabilities	38	28,032,722	33,269,713
Liabilities for value added tax and other public revenues	38	19,512,651	24,215,325
Income tax liabilities	38	-	17,715,391
		47,545,373	75,200,429
Short-term accruals	39	5,980,513	4,796,757
TOTAL EQUITY AND LIABILITIES		1,072,271,267	1,065,813,679
Off-balance sheet equity and liabilities	40	222,436,434	246,603,267

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

STATEMENT OF CHANGES IN EQUITY
For the period from 1 January to 31 December 2024
In thousands of RSD

	Components of equity				Components of other comprehensive income	Total equity
	Core capital	Other base capital	Loss	Retained earnings	Revaluation reserves and unrealized losses and gains	
Opening balance as at 1 January 2023	360,823,892	71,447	(301,140,558)	22,594,615	441,562,750	523,912,146
Net changes in 2023	4,281,198	(71,447)	(3,660,318)	112,446,838	(4,892,156)	108,104,115
Balance at 31 December 2023	365,105,090	-	(304,800,876)	135,041,453	436,670,594	632,016,261
Net changes in 2024	-	-	(379,898)	24,452,686	(10,693,699)	13,379,089
Balance as at 31 December 2024	365,105,090	-	(305,180,774)	159,494,139	425,976,895	645,395,350

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

STATEMENT OF CASH FLOWS

For the period from 1 January to 31 December 2024

In thousands of RSD

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Cash receipts from operating activities	459,107,392	431,561,658
Sales and received advances - domestic	448,022,878	415,501,982
Sales and received advances - foreign	8,047,898	14,026,008
Interest received from operating activities	1,251,469	980,902
Other receipts from operating activities	1,785,147	1,052,766
Cash payments from operating activities	412,611,874	353,393,830
Payments to suppliers and advances paid - domestic	196,066,050	207,500,225
Payments to suppliers and advances paid - foreign	40,403,906	18,192,111
Wages, salaries and other personnel expenses	54,376,549	51,448,019
Interest paid - domestic	2,913,936	3,643,747
Interest paid - foreign	4,626,917	3,002,871
Income tax	32,787,632	1,301,847
Payments of other public duties	81,436,884	68,305,010
Net cash generated from (used in) operating activities	46,495,518	78,167,828
Cash flows from investing activities		
Cash receipts from investing activities	12,175,324	715,657
Sale of shares and stakes	-	1,415
Sale of intangible assets, property, plant, equipment and biological assets	104,678	399
Other financial investments	10,279,966	112,867
Interest received from investment activities	1,790,680	600,976
Cash payments from investing activities	59,383,672	51,783,868
Purchase of shares and stakes	2,341,082	64,523
Purchase of intangible assets, property, plant, equipment and biological assets	46,988,815	51,605,954
Other financial investments	10,053,775	113,391
Net cash generated from (used in) investing activities	(47,208,348)	(51,068,211)
Cash flows from financing activities		
Cash receipts from financing activities	36,050,955	30,377,241
Long-term domestic loans	-	6,748,410
Long-term foreign loans	36,050,955	23,475,412
Other short-term liabilities	-	153,419
Cash used in financing activities	42,096,469	32,601,915
Long-term domestic loans	12,595,141	14,609,037
Long-term foreign loans	23,244,688	15,086,752
Other liabilities	6,247,803	2,896,681
Financial leasing	8,837	9,445
Dividends paid	-	-
Net cash generated from (used in) financing activities	(6,045,514)	(122,246,74)
Net increase in cash and cash equivalents	507,333,671	462,654,556
Net decrease in cash and cash equivalents	514,092,015	437,779,613
Net increase / (decrease) in cash and cash equivalents	(6,758,344)	24,874,943
Cash at the beginning of the period	34,820,770	10,167,518
FX gains on translation of cash and cash equivalents	116,466	3,017
FX losses on translation of cash and cash equivalents	(95,708)	(224,708)
Cash at the end of the reporting period	28,083,184	34,820,770

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION**1 BACKGROUND INFORMATION**

The Joint Stock Company Elektroprivreda Srbije, Belgrade, Balkanska 13 (hereinafter: the Company) was established for the purpose of providing conditions for regular and secure electricity supply to tariff customers on the territory of the Republic of Serbia, based on the Decision of the Government of the Republic of Serbia on Establishment of the Public Entity for the Production, Distribution and Trade in Electricity 05, number 023-396/2005-1 (Official Gazette of RS, number 12/2005) in the form of a public entity under the name of Public Entity Elektroprivreda Srbije, Belgrade.

On 16 November 2012 the Government of the Republic of Serbia issued the Conclusion on Acceptance of Basic Elements for Reorganizing JP „Elektroprivreda Srbije“ 05, number 023-784/2012, and on 27 November 2014 the Conclusion on Acceptance of Basic Elements for Reorganizing JP „Elektroprivreda Srbije“ 05, number 023-15149/2014, establishing the need for change of legal form into a shareholding company, clear rights, organizational and financial separation of activities of public interest and market activities, as well as achieving maximum operating efficiency.

On 6 April 2023 the Government of the Republic of Serbia issued Decision number 023-1457/2023 on change in legal form of the Company from a public enterprise into a shareholding company with a full company name of Akcionarsko društvo „Elektroprivreda Srbije“, Beograd. his change was registered with the Business Registers Agency of the Republic of Serbia on 13 April 2023 based on the decision of the Business Registers Agency number BD 36389/2023.

The founder and sole shareholder of the Company is the Republic of Serbia, and the rights of the founder are exercised by the Government of the Republic of Serbia. The core capital of the Company is 100% share capital and is divided into 36,510,509 ordinary shares with voting rights, each with a nominal value of RSD 10,000.00. All ordinary shares have been issued and are owned by the founder.

Furthermore, on 6 April 2023, the Government adopted Decision no. 023-3090/2023 on amendments to the Company's articles of association and the Statute of the Company.

Management of the Company is bicameral, and the bodies of the Company are:

- Shareholders' Assembly - by the Decision of the Government of the Republic of Serbia 24 number 119-3415/2023 of 25 April 2023, the Founder appointed an authorized representative in the Company Shareholders' Assembly. The authorized representative of the Founder was appointed for a period of four years;
- Supervisory Board - members of the supervisory board are appointed by the Assembly for a period of up to four years. The Supervisory Board was appointed by the Decision of the Assembly dated 8 June 2023; and
- Executive Board - the Executive Board has seven executive directors, one of whom is the General Manager and they are appointed by the Supervisory Board for a period of up to four years. The acting director of the Company continues to perform the function of acting General Director of the joint-stock company, and the executive directors of the Company continue to perform the function of executive directors within the Executive Board.

As at 31 December 2024 the Company is the sole founder of the following companies:

1. Company for trading electricity „EPS Trgovanje“ d.o.o., with registered offices in Ljubljana, 48 Tivolska cesta Street, Republic of Slovenia, for performing the commercial activity of trading electricity.
2. Company for trading electricity „Elektrosever“ d.o.o., with registered offices in Severna Mitrovica, nn Filipa Višnjića Street, Kosovo and Metohija, for performing the commercial activity of trading electricity and providing the service of electricity distribution. „Elektrosever“ d.o.o was established based on the decision of the Supervisory Board of the Company number 12.01.19169/3-2016 dated 20 January 2016, with the approval of the Government of the Republic of Serbia, Decision no. 05 number 023-923/2016 dated 11 February 2016. The company was registered on 7 November 2018.
3. Electricity production company „Moravske hidroelektrane“ d.o.o., with registered offices in Belgrade, 2 Carice Milice Street. The company was established according to the Memorandum of Understanding concluded with RWE Generation Hydro, Germany (RWE AG), upon the RS Government approval (Conclusion 05 no. 018-7493/2009 dated 13 November 2009) The objective of establishing the company “Moravske hidroelektrane” d.o.o., Beograd is the construction of hydro power plants on the Velika Morava river comprised of at least five hydro power plants with the total power of about 150 MW. The company “Moravske hidroelektrane” d.o.o. Beograd was entered into the registry maintained by the competent body on 23 August 2011.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

1 BACKGROUND INFORMATION (continued)

Besides the aforesaid, the Company holds equity interests in the following subsidiaries:

1. 71.90% share in the company for construction works in the mining infrastructure and the exploitation of non-metals "Kolubara - Građevinar" d.o.o., Lazarevac, Janka Stajčića 1, based on the conversion of the Company's receivables into share capital in accordance with the pre-packaged restructuring plan of "Kolubara - Građevinar" d.o.o., Lazarevac on December 14, 2017,
2. 51% share in the company "Hidroelektroenergetski sistem Gornja Drina" d.o.o., Foča, Nemanjina number 19, Republika Srpska by joining a member and increasing the company's capital, namely on November 19, 2020, by entering it into the Register of Business Entities in the District Commercial Court in Trebinje.

The company is also the founder of three public enterprises from the territory of Kosovo and Metohija, namely: The Public Enterprise for the Production of Thermoelectric Energy TPP "Kosovo", Obilić, the Public Enterprise for the Production, Processing and Transport of Coal PK "Kosovo", Obilić and the Public Enterprise for the Distribution of Electricity "Elektrokosmet", Priština, over which there is no administrative and management control since June 1999. Acts on the establishment of public enterprises for the performance of energy activities with headquarters on the territory of the Autonomous Province of Kosovo and Metohija, the Public Entity "Elektroprivreda Srbije" will harmonize with the law, decisions and regulations governing the conditions and manner of performance of energy activities within three months from the day when conditions are met for harmonizing their organization, work and business with those regulations.

Activity

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

The performance of the Company's activities is regulated by the Energy Law (Official Gazette of RS no. 145/14, 95/18 - Dr. Law 40/21, 35/23 - Dr. Law and 62/23), the Law on Mining and Geological Research (Official Gazette of the RS No. 101/15, 95/18 - other laws and 40/21), the Law on Energy Efficiency and Rational Use of Energy (Official Gazette of the RS No. 40/21) and other substantive regulations.

The Company's predominant commercial activity is electricity production – activity code 3511. In addition to the main activity, the Company performs other activities: electricity trading, coal production, processing and transport, production of steam and hot water in combined processes, etc. Until the change of legal form the core activity of the public enterprise "Elektroprivreda Srbije" was electricity supply - activity code 3514 - trade in electricity.

The Company performs the production and commercial and guaranteed supply of electricity in the branches, which are registered in the Business Registers Agency:

- HPP DJERDAP Branch, Trg Kralja Petra 1, Kladovo,
- DRINSKO-LIMSKA HPP Branch, Trg Dušana Jerkovića 1, Bajina Bašta
- TENT Branch, Bogoljuba Uroševića-Crnog 44, Obrenovac,
- TE-KO KOSTOLAC Branch, Nikole Tesla 5-7, Kostolac,
- Branch of PANONSKA TE-TO, Bulevar Oslobođenja 100, Novi Sad,
- RB KOLUBARA Branch, St. Sava 1, Lazarevac,
- RENEWABLE RESOURCES Branch, Masarikova 1-3, Belgrade,
- EPS Supply Branch, Masarikova 1-3, Belgrade.

The Company holds a license for performing the activity of electricity supply number 312-137/2015-L-I dated 23 December 2015, which is effective for ten years, and a license for performing the activity of public electricity supply number 312-149/2016-L-I dated 23 December 2016, which is effective until the selection of the guaranteed supplier, and at most for ten years.

For the reporting period, the Government of RS designated the Company as a reserve supplier of electricity to end customers who are not entitled to public supply based on decisions, as disclosed in Note 5.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

1 BACKGROUND INFORMATION (continued)

The price of back-up supply includes the price of electricity and system balancing costs, and does not include system access costs, incentive fees for preferential electricity producers and fees for improving energy efficiency. The price of reserve supply is determined on an annual basis according to a predetermined formula.

Besides the aforementioned, the Company also holds the license for performing the following activities:

Energy activity	Number of decision	Date of decision	Effective for
Storage of oil, oil derivatives and biofuels	311.02-121/2016-L-I	1/26/2017	10 years
Combined power and heat production	312-120/2016-L-I	10-Feb-17	30 years
Electricity production	312-119/2016-L-I	10-Feb-17	30 years
Trade in oil, oil derivatives, biofuels, bioliquids, compressed natural gas, liquid natural gas and hydrogen	311.02-74/2021-L-I	27-Dec-21	10 years

The Company's short business name is: EPS AD, Beograd.

Its registration number is 20053658.

The Company's tax identification number is 103920327.

As at 31 December 2024 the Company had 19,129 employees (31 December 2023: 19,421 employees).

The Founder's corporate documents adopting the Reorganization Program for the Company define, inter alia, the procedure for establishing ownership rights over production buildings and other real-estate property over which the Company can establish ownership rights. In the period following the adoption of the Reorganization Program for the Shareholding Company „Elektroprivreda Srbije“, the Founder granted consent for the Company, as the registered holder of usage rights over buildings and separate parts of buildings (commercial buildings, ancillary buildings, warehouses, garages, etc., electricity production facilities and structures serving the electricity production facilities) and land on which they are built, to be entered as the owner thereof in the land registry records in accordance with the Law on Public Property (Off. Gazette of RS no. 72/11, 88/13, 105/14, 104/16 - oth. law, 108/16, 113/17, 95/18), the Energy Law and other regulations that regulate real-estate ownership rights.

Adoption of the appropriate corporate document is expected for establishing appropriate rights by the Company over real-estate properties over which it is not possible to establish ownership rights, in accordance with the Law on Public Property, but that are required for conducting energy and mining activities of the Company.

2 BASIS FOR PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING METHOD

2.1 Basis for preparation and presentation of the financial statements

The financial statements of the Company include the balance sheet as at 31 December 2024, income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes comprising a summary of significant accounting policies and notes to the financial statements.

The financial statements of the Company for the period 1 January 2024 to 31 December 2024 are presented in the form prescribed by the Law on Accounting (Official Gazette of RS number 73/2019 and 44/2021 – other law) and the Rulebook on the Content and Form of Financial Statements Forms and the Content and Form of the Statistical Report for Legal Entities, Cooperatives and Entrepreneurs (Official Gazette of RS number 89/2020).

Recognition and measurement of financial statement line items was carried out in accordance with International Accounting Standards and International Financial Reporting Standards, whose translation is confirmed by Ministry of Finance decision number 401-00-4351/2020-16 dated 10 September 2020 (Official Gazette of RS no. 123/2020 and 125/2020) and which have been officially published in the Republic of Serbia, except for direct transfer of revaluation reserves to retained earnings when property, plant and equipment are derecognized, in line with the Rulebook on the Content and Form of Financial Statements Forms for Legal Entities, Cooperatives and Entrepreneurs (Official Gazette of RS number 89/2020), and in accordance with other applicable laws and bylaws of the Republic of Serbia. The said translation of International Accounting Standards and International Financial Reporting Standards is effective since the financial statements prepared as at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

2 BASIS FOR PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING METHOD (continued)

2.1 Basis for preparation and presentation of the financial statements (continued)

The accompanying financial statements represent the Company's separate financial statements. The Company also prepares consolidated financial statements.

Financial statements are prepared on a historical cost basis, unless otherwise stated in the accounting policies presented below.

In preparing these financial statements the Company applied the accounting policies presented in Note 3.

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

These financial statements were authorized for issue by the General Manager on 28 April 2025.

2.2 Standards and interpretations effective in the previous and in current periods but not yet officially translated and adopted

At the date of issuance of these financial statements, the following standards and amendments were issued by IASB and interpretations issued IFRIC, but were not officially adopted and translated in the Republic of Serbia:

- Amendments to References to the Conceptual Framework in IFRS (issued in March 2018, effective for annual periods beginning on or after 1 January 2020);
- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* – definition of materiality (issued in March 2018, effective for annual periods beginning on or after 1 January 2020);
- Amendments to IFRIC 3 *Business Combinations* – Definition of a Business (issued in October 2018, effective for annual periods beginning on or after 1 January 2020);
- Revised Financial Reporting Framework – Amendments issued in December 2018, effective for annual periods beginning on or after 1 January 2020;
- Interest Rate Benchmark Reform (Phase 1) – amendments to IFRS 7, IFRS 9 and IAS 39 (amendments published in September 2019, effective for annual periods beginning on or after 1 January 2020);
- Amendments to IFRS 16 *Leases* – Concessions in Lease Payments Due to Covid-19 (amendments published in September 2019, effective for annual periods beginning on or after 1 January 2020);
- Interest Rate Benchmark Reform (Phase 2) – amendments to IFRS 4, IFRS 9, IFRS 7, IFRS 16 and IAS 39 (amendments published in August 2020, effective for annual periods beginning on or after 1 January 2021);
- IFRS 3 *Business Combinations* – updating references to the conceptual framework (issued in May 2020, effective for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 16 *Property, Plant and Equipment* – inflows from sale before intended use of asset under construction (issued in May 2020, effective for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – onerous contracts, costs of fulfilling a contract (issued in May 2020, effective for annual periods beginning on or after 1 January 2022);
- Annual Improvements to IFRSs (IFRS 1, IFRS 9, IAS 16, IAS 41) arising as a result of the project Annual Improvements Cycle 2018-2020 issued in May 2020 (effective for annual periods beginning on or after 1 January 2022);
- IFRS 17 *Insurance Contracts* – Revised and issued during 2017 as a complete standard (initially effective for annual periods beginning on or after 1 January 2021 – with amendments issued on 25 June 2020 the International Accounting Standards Board has made a decision to postpone the application of this standard for annual periods beginning on or after 1 January 2023), including amendments to first-time application of IFRS 17 and related amendments to IFRS 9 *Financial Instruments* in regard to comparative figures;

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

2 BASIS FOR PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING METHOD (continued)

2.2 Standards and interpretations effective in the previous and in current periods but not yet officially translated and adopted (continued)

- Amendments to IAS 1 *Presentation of Financial Statements* – initiative for change in disclosure of accounting policies, including amendments to *IFRS Practice Statement 2: Making Materiality Judgements* (issued in February 2021, effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of Accounting Estimates, amendments issued in February 2021 (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 12 *Income Taxes* – deferred taxes related to assets and liabilities arising from individual transactions, amendments adopted in May 2021 (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 12 *Income Taxes* – international tax reform of implementing global minimum tax (Pillar Two Model Rules) adopted in May 2023 (they went into effect immediately and are applied to annual financial statements for 2023 for the calendar fiscal year; for annual reporting that is different from the calendar reporting year; the amendments are effective on or after 31 March 2024);
- Amendments to IAS 1 *Presentation of Financial Statements* – Classification of debt with covenants as current or non-current (issued in January 2020, effective for annual periods beginning on or after 1 January 2024);
- Amendments to IFRS 16 *Leases* - valuation of lease liabilities in sale and leaseback transactions (issued in September 2022, effective for annual periods beginning on or after 1 January 2024); and
- Amendments to IAS 7 *Statement of Cash Flows*, and IFRS 7 *Financial Instruments: Disclosures* – Disclosure of Supplier Finance Arrangements (issued in May 2023, effective for annual periods on or after 1 January 2024).

2.3 Standards and interpretations in issue not yet in effect

On the date of issue of these financial statements the following standards, their amendments and interpretations were issued, but were not yet in effect:

- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* – Sale or transfer of funds free of charge between the investor and its associate or joint venture (amendments made in September 2014, with application postponed indefinitely);
- Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* - lack of convertibility - non-convertible currency (issued in August 2023, effective for annual periods beginning on or after 1 January 2025);
- IFRS 18 *Presentation and Disclosure in Financial Statements* - issued on 9 April 2024 and will replace the existing standard IAS 1 *Presentation of Financial Statements*. The objective of IFRS 18 is to prescribe requirements related to the presentation of financial statements that are prepared for general purposes and requirements for disclosure of information in financial statements, in order to satisfy the informational needs of users of financial statements. Effective for annual periods beginning on or after 1 January 2027;
- IFRS 19 *Subsidiaries without Public Accountability: Disclosures* - issued on 9 May 2024 with the aim of prescribing disclosure requirements for entities that represent subsidiaries, that do not have public accountability and whose ultimate or immediate parent legal entity prepares consolidated financial statements in accordance with IFRS and that are publicly available. This standard prescribes disclosure requirements that these entities can follow instead of the requirements contained in individual IFRS standards, thereby establishing a simplified approach to the disclosure of financial information by such entities. Effective for annual periods beginning on or after 1 January 2027;
- Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* - Classification and Valuation of Financial Instruments (issued in May 2024, effective for annual periods beginning on or after 1 January 2025);

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

2 BASIS FOR PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING METHOD (continued)

2.3 Standards and interpretations in issue not yet in effect (continued)

- Annual Improvements to IFRSs (IFRS 1, IFRS 7, IFRS 9, IFRS 10, IAS 7) arising as a result of the project Annual Improvements Cycle (vol. 11 of Annual Improvements) issued in July 2024 (effective for annual periods beginning on or after 1 January 2026); and
- Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* - contracts related to electricity dependent on nature, or contracts for the purchase of electricity from renewable sources, issued in December 2024 (effective for annual periods beginning on or after 1 January 2026).

2.4 Going concern

The financial statements are prepared on a going concern basis which assumes that the Company will continue to operate as a going concern into the foreseeable future.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with generally accepted accounting principles, based on historical cost measurement (purchase value), with subsequent assessment of all relevant events that affect the balance of assets and liabilities as at the date of preparation of the financial statements.

The principal accounting policies applied in preparing the financial statements are presented below.

3.1 Revenues

The Company is primarily involved in the business of production and supply of electricity to various categories of final customers. In addition, the Company also generate revenues from the sale of coal, heat energy, other products as well as from rendering services.

Revenue is recognized when the Company satisfies a performance obligation by transferring a promised good or service to a customer, or the customer acquires control over goods and services.

For each distinctive contracted good or service, the performance obligation contracted with the customer is fulfilled:

- over time:
 - o when the buyer simultaneously receives and consumes benefits arising from the performance of the contract,
 - o when the buyer has the power to control the creation of goods or the provision of services while assets are being created or increased,
 - o when the goods and services provided by the Company cannot be used in an alternative way and the Company has an enforceable right to payment of compensation for the performance of obligations by a certain date, based on the measurement of the progress achieved in the execution of the contract,
- at a point in time, when the buyer acquires control over assets.

Income is measured at transaction price, which represents the compensation that the Company expects to receive in exchange for the transfer of assets, not counting the amount charged on behalf of third parties (VAT, etc.), as well as discounts, rebates, bonuses, reductions, etc., if variable compensation is agreed or if it follows from the Company's usual business.

The transaction price is allocated to each individual contract performance obligation (or distinctive good or service). Changes in transaction prices upon fulfillment of contract performance are recognized as income or a decrease in income, in the period in which the change in transaction prices occurred.

Advance payments and received advances (payment of fees before the company transfers contracted goods and services) are not recognized as income, but as a liability.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Revenues (continued)

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

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

Revenues from the sale of electricity are recognized in the period when the electricity is delivered at the transaction price, excluding the amount charged to third parties (VAT, excise tax, energy efficiency fee, etc.) and approved discounts resulting from the Company's usual business practices (Note 5).

The Company provides on and off invoice rebates and discounts to customers. Rebates are treated as a variable consideration and individually estimated at contract inception and re-estimated on sales occurrence.

3.2 Effects of fluctuations in exchange rates

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

- for monetary items at the middle exchange rate on reporting date as a gain or loss,
- for non-monetary assets measured at fair value stated in foreign currency at the middle exchange rate on the date when fair value was determined,
- for non-monetary assets stated at historical cost (purchase price) at the middle exchange rate on transaction date.

The transaction date for the purpose of determining the exchange rate to be used for initial recognition of the associated asset, expense or revenue (or a part thereof), is the date on which the entity initially recognizes non-monetary assets or non-monetary liabilities arising from payment or receipt of foreign currency advances. If there are multiple payments or advances, the transaction date is determined for each payment or advance.

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

Exchange rate differences arising from the settlement of monetary items or from the translation of monetary items at exchange rates different from those at which the translation was made during the initial recognition during the given period or in previous financial statements are recognized in the profit or loss of the period in which they arose, except in cases where monetary items represent part of the Company's net foreign investment.

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

3.3 Joint Arrangements and Business Combinations

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Joint Arrangements and Business Combinations (continued)

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

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

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

- their assets, including their share in jointly owned assets,
- their liabilities, including their share in undertaken commitments,
- their income from the sale of their share in the results arising from the joint business, including their share of the income from the sale of the results of the joint business,
- their expenses, including their share of all expenses incurred jointly.

A joint venture participant recognizes their interest in the joint venture using the equity method.

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

In the case of business combinations involving members of the EPS Group that are under common control, the separate financial statements of continuing operations entity do not contain comparative information of the company that ceases to exist.

3.4 Borrowing costs

Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

Borrowing costs may include:

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, and that would have been avoided had the expenditure related to the asset not occurred, are capitalized as part of the cost of the asset. Other borrowing costs are expensed in the income statement in the period when occurred.

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

3.5 Employee benefits

Employee benefits are all types of benefits that the Company provides to employees based on the law, general internal company regulation and employment contract.

Employee benefits are recognized as an expense during the reporting period during which the employee worked, and as a liability, after deducting any amount that has already been paid.

The Company provides jubilee awards, retirement benefits and other benefits in accordance with the Company's general regulations, committing to pay:

- retirement benefits in the amount of 6 salaries of the employee that s/he earned or would have earned for the month preceding the month in which retirement pay is paid, or 6 times the average salary of the Company or in the amount determined by law, whichever is more favorable for the employee, and
- jubilee awards for 10, 20, 30, 35 and 40 years of continuous employment in the Company in the amount of 1, 1, 2, 3.5 and 4 average salaries paid out in the Company over the previous twelve months.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Employee benefits (continued)

Expected costs of employee benefits are accumulated over the period of employment. These liabilities are assessed annually using the projected unit credit method. The present value of the liability for defined benefits is determined by discounting expected future cash payments using interest rates that correspond to the return on bonds and treasury bills of the Republic of Serbia denominated in dinars, and that have maturities that approximately correspond to the maturities of related liabilities.

Any increase/decrease in the present value of liabilities for defined employee benefits upon termination of employment, due to changes in actuarial (demographic and financial) assumptions and re-measurement of the net liability, are recognized as an actuarial gain or loss in other comprehensive income and as a separate item within equity.

3.6 Provisions

Provisions are recognized when the Company has an obligation as the result of past events and when it is likely that outflow of resources embodying economic benefits will be required to settle such obligation, and the amount of the obligation can be estimated reliably. Provisions are made for the amount which corresponds to the best estimate made by management as at balance sheet date in terms of expenditures which will be required to settle such obligations. If the effect of the time value of money is significant, provisions are discounted using a pre-tax discount rate that best reflects the risk specific to the given liability.

Court cases

Provisions for court cases and other provisions are recognized: when the Company has a present legal or constructive obligation as a result of past events; when it is highly probable that the settlement of a present obligation will result in outflow of resources; when the amount of the obligations can be measured reliably. Provisions are not recognised for future operating losses.

Management holds that no material restatements with respect to currently reported provisions can occur in respect of the aforementioned.

Renewal of natural resources

Provisions for renewal of natural resources and for bringing real-estate property - land to its original condition (recultivation) are recognized in the amount that represents the estimate of costs required to settle the present obligation at the balance sheet date, based on current laws, which is subject to changes due to revisions and changes to laws and regulations and their interpretations.

3.7 Government grants and state aid

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of state aid that cannot be reasonably valued, as well as transactions with the state that cannot be distinguished from the entity's usual business transactions.

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

Government allocations are recognized as income in the period necessary to connect them with the respective costs for which they are intended to be reimbursed, namely:

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Government grants and state aid (continued)

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

State aid represents state measures with the intention of providing specific economic benefits to the Company, whose value cannot be reliably determined, as well as transactions with the state that cannot be distinguished from the Company's usual business transactions (provision of advice, guarantees, etc.).

3.8 Taxes and contributions

Current income tax

Current income tax is the amount which is calculated and paid based on the Corporate Income Tax Law of the Republic of Serbia. The corporate income tax rate for the reporting period is 15% and is applied to taxable profit reported in the tax balance. The tax base reported in the tax balance includes profit reported in the income statement, adjusted in accordance with tax regulations effective in the Republic of Serbia.

Tax regulations in the Republic of Serbia do not provide for any tax losses of the current period to be used to recover taxes paid within a specific carryback period. However, any current period losses may be used to reduce or eliminate taxes to be paid in future periods, but not for longer than five years starting in 2010, or ten years for losses occurred prior to 2010.

Deferred income tax

Deferred tax liabilities are recognized in the amount of future income tax liabilities resulting from the difference in the amount of property, plant and equipment for reporting purposes and for tax purposes.

Deferred tax assets are recognized for all deductible temporary differences and tax losses and credits, which can be carried forward into subsequent fiscal periods, up to the amount for which it is probable that taxable profit will be available against which taxable assets can be used.

Taxes and contributions not dependent on result

Taxes and contributions not dependent on result include calculated and paid property tax and other public revenues which are paid in accordance with state and municipal regulations.

3.9 Property, plant and equipment

Property, plant and equipment are initially measured at cost. The components of cost are: the amount billed by supplier decreased for any rebates stated in the invoice, import duties and other public duties, which are non-refundable, including all other directly attributable costs required for bringing such asset into a state of functional 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.

Spare parts are recognized as part of the property, plant and equipment when:

- they are expected to be used for longer than 1 year
- they are only used as part of the specific fixed asset
- it is probable that the future economic benefits associated with those strategic spare parts will flow to the entity, and
- the purchase cost/price of those spare parts can be reliably measured.

Subsequent investments in an asset increase the carrying amount of the asset, if such expense arises as the result of upgrading the asset, replacing a part or servicing, other than daily maintenance, and if it is probable that future economic benefits associated with the investment will flow to the Company and the cost of the investment in the asset can be measured reliably. Gains or losses arising from the disposal or decommissioning of property, plant and equipment are determined as the difference between the expected net disposal proceeds and the carrying amount of the item adjusted for revaluation reserves, if previously formed for a specific asset, and are recognized in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Property, plant and equipment (continued)

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

Subsequent to initial measurement, items of property, plant and equipment used in energy and mining related activities are stated at revaluation amount which is their fair value at revaluation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

- Hydro power plants buildings,
- Thermal power plants buildings,
- Buildings for distribution of electricity and distribution system management,
- Coal mine buildings,
- Commercial buildings, other than administrative and other buildings for office work, tourism and hospitality management
- Hydro power plants equipment,
- Thermal power plants equipment,
- Equipment for distribution of electricity and distribution system management,
- Coal mine equipment,
- Spare parts intended as replacements of a specific part where costs of replacement of such part are significant compared to the carrying value of such asset,
- Boats and other river and lake navigation equipment,
- Hauling vehicles and other equipment for railway transportation,
- Transport equipment for carrying out energy activities.

Based on the revaluation amount, after initial recognition, the following are also reported:

- land of any type and purpose of use,
- administrative and other buildings or separate parts of buildings used for office and administrative work,
- facilities and equipment used for processing, construction and engineering activities, telecommunications activities and repair and assembly of machines and equipment;
- line infrastructure facilities,
- hospitality and tourism buildings, except for real-estate classified as investment property.

The fair value of real estate, plant and equipment is the price that would be received for the sale of the asset or paid for the transfer of liabilities in an ordinary transaction between market participants at the measurement date.

Fair value estimation techniques, which are used, are consistently applied, as follows:

- market approach for land, administrative and other buildings for office work, tourism and hospitality management,
- cost approach (present replacement cost), for other assets.

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

Motor vehicles designated by traffic regulations as passenger vehicles, other means of transport, equipment for furnishing and maintaining office and other premises, apartments that are not used for the performance of registered activities and other equipment and tools and inventory whose useful life is longer than one year, are stated at cost after initial recognition.

3.10 Investment property

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

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

Replacement cost is recognized in the carrying amount of existing investment property at the time when such cost is incurred, if an inflow of economic benefit is probable and if such cost can be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Investment property (continued)

After initial recognition, investment property is measured at cost less the total amount of accumulated depreciation and the total amount of impairment.

The fair value of investment properties is measured for reporting purposes.

Investment property is depreciated over its useful life on a straight-line basis using equal annual quota amounts applied over the estimated useful life of each item of investment property.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no economic benefit is expected from its disposal.

Any difference between the net proceeds of disposal and the carrying amount of the investment property is recognized as a gain or loss in the income statement.

3.11 Depreciation of property, plant and equipment

Property, plant, equipment are depreciated over their useful lives on a straight-line basis, using equal annual amounts applied over the estimated useful lives of the assets. Exceptionally, land that includes the cost of dismantling, removal and restoration, recognized as a special asset or a part of an existing asset, is depreciated using the functional method, such that expenses are recognized when depreciation costs are based on expected use or exploitation (during the period in which benefits were earned as associated with these costs).

Depreciation rates applied to the principal groups of property, plant and equipment are as follows:

	<u>Rate (%)</u>
Thermal power plants buildings	1.25% - 20%
Hydro power plants buildings	0.89% - 5.15%
Mine buildings	1.06% - 20%
Commercial buildings	0.65% - 3.09%
Other buildings including investment properties	0.91% - 6.67%
Thermal power plants equipment	1.35% - 20%
Hydro power plants equipment	0.14% - 20%
hCoal mine equipment	2.04% - 20%
Transportation vehicles	0.11% - 16.67%
Equipment for decoration and maintenance of office and other premises	10.00% - 20.00%
Other equipment	<u>12.50% - 20.00%</u>

The useful life and depreciation method of the asset are reviewed periodically, with the competent authority making any decisions. The review of the useful life is mandatory for assets whose carrying amount will be amortized in full in the next business year, and when expectations differ from previous estimates.

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

3.12 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On the lease commencement date, each lease:

- depending on the duration of the lease agreement, the lease is classified as short-term or long-term (with a duration of more than 12 months from the first day of the lease term),
- is classified as a low-value lease, in case the leased asset has a value of 500 thousand dinars or less.

During the duration of the lease contract, the lease period is re-examined in case of significant events or significant changes in circumstances over which the lessee has control and which affect the real probability that the lessee will (not) use any of the options that were (not) taken into account during the initial determination of the lease period.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.12 Leases (continued)****Company as a lessee**

From the first day of the lease, the Company as lessee recognizes in the statement of financial position:

1. the right-of-use use assets separately from other assets, and
2. lease liabilities separately from other liabilities.

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

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

Right-of-use use assets are subsequently measured at cost, except in the case of classes of property, plant and equipment from Note 3.9 acquired in the financial leasing business, which are subsequently measured at revaluation amount.

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

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

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

Company as a lessor

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

The net investment in the lease referred to in paragraph 1 is equal to the gross investment discounted at the interest rate built into the lease and includes all fixed payments, less any incentives that will be paid in connection with the lease, variable payments that depend on a certain index or rate, all guaranteed residual value, the cost of exercising the purchase option if there is a real probability that the lessee will exercise that option and penalties for terminating the lease agreement, if the lease term indicates that the lessee used that option.

Financial income is recognized based on a model that reflects a constant periodic rate of return on the net investment throughout the entire lease term for a finance lease.

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

- income, which represents the fair value of the leased asset or, if lower, the present value of the lease payments discounted at the market interest rate,
- costs of sale, which represent the purchase price or book value of the leased asset, if they differ, reduced by the present value of the non-guaranteed residual value,
- gain or loss from the sale in accordance with Note 3.1.

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.13 Intangible assets**

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

Intangible assets with a limited useful life are amortized over their useful lives on a straight-line basis. The estimated useful lives and amortization rates for the most significant groups of intangible assets, unless otherwise arising from the contractual right of use, are as follows:

	Year	Rate %
Investments in development	5	20%
Patents, licenses and similar rights	5	20%
Other intangible assets	5	20%

The amortization period and amortization method are reviewed at the end of each reporting period. The correction of the amortization expense is recognized as an expense in the income statement for the current and future period.

Intangible assets with an indefinite useful life are not amortized. These assets are tested for impairment on an annual basis or whenever there are indications that an intangible asset may be impaired.

3.14 Impairment of assets

Assets are impaired when the carrying amount exceeds the amount that can be recovered from the use of the asset.

As at each balance sheet date, an assessment is made of the existence of any indications that the value of the asset has been impaired.

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

If there are indications that the value of an asset may be impaired, the remaining useful life, depreciation method or residual value of the asset is reviewed and an adjustment is made in accordance with the standard applicable to that asset, although no impairment loss is recognized.

The recoverable amount of an asset or cash-generating unit is the higher of the fair value less costs of disposal or the value in use.

If there is any indication that the value of an asset is impaired, the recoverable amount is estimated for the individual asset. If the recoverable amount of an individual asset cannot be estimated, the recoverable amount of the cash-generating unit to which such asset belongs is estimated.

3.15 Inventories

Inventories are measured at the lower of cost or net realizable value. Cost includes purchase price, import duties and other non-refundable taxes, transportation, handling and other costs that can be directly attributed to the acquisition of inventories, less trade discounts, rebates and other similar items.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of product completion and estimated necessary selling expenses.

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Inventories (continued)

In the event that the cost of finished products is higher than the net realizable value of the finished products, the net realizable value of inventory is estimated on a representative sample using the replacement cost method (repurchasing). If it is determined that inventories are impaired, the impairment calculation for all inventory items is performed by projecting results obtained from the sample onto the entire inventory.

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

The amount of any write-down of inventories to net realizable value is recognized as an expense in the period the write-down or loss occurs.

When the circumstances that previously caused inventory to be impaired below its cost/purchase price are no longer present or when there is evidence of an increase in net realizable value due to changed economic circumstances, the written-off amount is returned through the income statement, so that the new carrying amount corresponds to the cost/purchase price or the changed cost, whichever is lower.

Outgoing (used up) inventories are calculated using the average weighted price method. Tools and small fittings are written off in full after they are issued for use.

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

3.16 Financial Instruments

Initial recognition

Financial assets and financial liabilities are recognized when a Company becomes a party to using settlement date accounting, namely:

- recognition is carried out when an asset is transferred to the Company or when the Company delivers an asset, and
- it is derecognized when an asset is delivered by the Company (when a contractual obligation is discharged, cancelled or expires).

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

Trade receivables are recognized at their transaction price.

Derecognition of financial instruments

A financial asset is derecognized when the contractual rights to cash flows from the financial asset expire or when the Company transfers the financial asset and that transfer qualifies for derecognition.

The transfer of a financial asset is carried out only when the Company transfers the contractual rights to receive cash flows from the financial asset or retains the rights to receive, but assumes the obligation to pay cash flows to one or more recipients.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Financial instruments (continued)

Upon derecognition of a financial asset and financial liability in full, or a part of financial instruments, the difference between the carrying amount (measured on the date of derecognition) and the compensation received (including any newly acquired asset minus any new liability assumed) or compensation paid, including all transferred non-cash assets or undertaken commitments, is recognized in the income statement. On the date of derecognition of a financial asset measured at fair value through other comprehensive income, any previously recognized cumulative gain or loss in other comprehensive income is transferred from equity to the profit or loss.

Classification and subsequent measurement of financial instruments

Classification

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

- 1) Financial assets measured at amortised cost,
- 2) Financial assets measured at fair value through other comprehensive income, and
- 3) Financial assets measured at fair value through profit and loss.

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

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

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

- Asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial asset,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. Such determination is made individually, for each equity investment individually.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes those financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL. Additionally, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income, as an asset at fair value through profit or loss if this eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition or the continuous involvement approach is applied,
- contracts for financial guarantees,
- the obligation to provide a loan at an interest rate lower than the market rate,
- contingent consideration recognized by the acquirer in a business combination to which IFRS 3 applies.

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

NOTES TO THE FINANCIAL STATEMENTS
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T R A N S L A T I O N

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Financial instruments (continued)

Long-term financial investments and receivables

Equity investments in subsidiaries, equity investments in associates and joint ventures are included in the Company's separate financial statements using the cost method.

For the purposes of subsequent measurement, financial assets and:

- equity investments in other legal entities, other securities with characteristics of contracted cash flows and sales, are classified as financial assets measured at fair value through other comprehensive income,
- long-term investments in subsidiaries and other related parties in the country and abroad, long-term investments in the country and abroad, securities and other long-term financial investments with characteristics of contracted cash flows, are classified as financial assets measured at amortized cost.

Exceptionally, in the event that no more recent information is available (lack of quoted prices of equity instruments in an active market) to a sufficient extent to measure fair value or if there is a wide range of possible fair value measurements and the purchase price represents the best estimate of fair value in that range, equity investments in other legal entities are subsequently measured at cost.

Short-term receivables and investments are measured at transaction price, which represents the amount of compensation the company expects to be entitled to in exchange for the transfer of promised goods and services to the customer, excluding amounts charged on behalf of third parties.

Subsequent measurement of non-derivative financial assets is based on their classification on initial recognition. Classification depends on purpose for which financial assets are acquired.

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

Equity investments in related parties

Equity investments in related parties are stated at cost.

Other long-term investments

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

- fair value, if held for trading or available for sale, when their price is quoted in an active market,
- at cost, if held for trading or available for sale, when their price is not quoted in an active market,
- amortized cost, if with fixed maturity,
- cost, if without fixed maturity.

Any difference, whether increase or decrease, between the recognized and subsequently measured amount is recognized within a separate item of equity, for available-for-sale instruments that have a quoted market price in an active market, unless there is objective evidence of impairment, when any difference is recognized in the income statement. Any difference between the recognized and subsequently measured amount of other financial instruments is reported as a gain or loss in the period when occurred.

On each reporting date, the provision for losses for financial instruments, except for trade receivables, is measured in the amount:

- which is equal to expected credit risks during the lifetime of the financial instrument, if credit risk has significantly increased compared to initial recognition,
- corresponding to twelve-month expected credit losses, if credit risk of the financial instrument has not significantly increased compared to initial recognition.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.17 Impairment of financial assets**

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

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

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

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

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

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

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

- Households (subsegments formed based on geographical area: Belgrade, Novi Sad, Kragujevac, Kraljevo and Nis),
- Small customers (subsegments formed based on geographical area: Belgrade, Novi Sad, Kragujevac, Kraljevo and Nis),
- Commercial customers,
- Reserve supply customers.

The following table provides information on applied loss rates per customer segment for the calculation of expected credit losses as of 31 December 2024:

Guaranteed supply

Number of days past due	% of expected credit losses (range)	
	Households	Small customers
Unmatured	0.58% - 3.71%	1.75% - 5.12%
1 – 30	1.94% - 10.17%	3.2% - 10.66%
31 – 60	3.5% - 15.68%	4.43% - 15.71%
61 – 90	5.25% - 20.9%	5.29% - 20.04%
91 – 180	7.64% - 25.75%	5.84% - 24.36%
181 – 270	24.33% - 44.91%	8.78% - 46.8%
271 +	61.11%	61.11%

NOTES TO THE FINANCIAL STATEMENTS
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TRANSLATION**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.17 Impairment of financial assets (continued)***Commercial and reserve supply*

Number of days past due	% of expected credit losses (regular demand)	
	Reserve supply	Commercial customers
Unmatured	9.91%	1.32%
1 – 30	14.29%	4.61%
31 – 60	39.66%	12.62%
61 – 90	55.55%	20.67%
91 – 180	62.38%	26.08%
181 – 270	72.70%	41.30%
271 – 360	80.81%	59.97%
361 +	90.74%	75.13%

For the calculation of expected credit losses for receivables from customers filed in court for collection for commercial and reserve supply, as of 31 December 2024, rates of 75.13% and 90.74% were used, respectively, while the rate of expected credit losses on receivables from customers in the reorganization process, in bankruptcy or liquidation is 100%.

Trade receivables, regardless of which group of receivables they belong to, and for which the receivable amounts is 200 and more million dinars, are assessed individually.

Exceptionally, receivables from customers in the process of restructuring (prepacked restructuring plan), bankruptcy or liquidation, regardless of the amount of debt, can also be estimated individually.

The applied loss rates per customer segment for the calculation of expected credit losses as of 31 December 2023 were as follows:

Guaranteed supply

Number of days past due	% of expected credit losses (range)	
	Households	Small customers
Unmatured	0.57% - 3.37%	1.65% - 5.23%
1 – 30	1.91% - 10.35%	4.01% - 10.88%
31 – 60	3.39% - 14.44%	5.60% - 16.03%
61 – 90	5.07% - 18.92%	6.74% - 20.74%
91 – 180	7.41% - 24.14%	7.49% - 26.18%
181 – 270	24.24% - 43.33%	9.69% - 45.81%
271 +	59.31%	59.31%

Commercial and reserve supply

Number of days past due	% of expected credit losses (regular demand)	
	Reserve supply	Commercial customers
Unmatured	11.46%	2.12%
1 – 30	16.19%	7.28%
31 – 60	42.19%	20.63%
61 – 90	54.93%	33.15%
91 – 180	60.41%	39.71%
181 – 270	68.81%	54.59%
271 – 360	77.74%	68.90%
361 +	89.07%	87.53%

For the calculation of expected credit losses for receivables from customers filed in court for collection for commercial and reserve supply, as of 31 December 2023, rates of 87.53% and 89.07% were used, while the rate of expected credit losses on receivables from customers in the reorganization process, in bankruptcy or liquidation is 100%.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

4 SIGNIFICANT ACCOUNTING ESTIMATES

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the ensuing financial year.

Depreciation and amortization charge and rates applied

The estimate of useful life of property, plant, equipment and intangible assets is based on historical experience with similar assets, as well as the anticipated technical advancement and changes in economic and industrial factors. The adequacy of the estimated useful life of fixed assets is analyzed annually based on current forecasts.

Determining the fair value of property, plant and equipment

Items of property, plant and equipment intended for the performance of energy activities as well as the Company's immovable property (note 3.9.) are measured at fair value for financial reporting purposes. In estimating the fair value of those items, the Company uses market-observable data to the extent it is available and engages third party qualified valuers to perform the valuation.

Impairment of non-financial assets

As disclosed in note 3.14, the Company assesses at each reporting date whether there is an indication that an asset may be impaired.

On 31 December 2024 the Company conducted tests for potential asset impairment on 31 December 2024 at the branch level, where each branch was treated as a cash-generating unit and it determined that the value in use, or the recoverable amount of assets, is higher than their carrying value for all branches, with the exception of the Panonske TE-TO branch, which shows signs of impairment. Value in use for Panonske TE-TO branch was estimated in amount of RSD 2,687,305 thousand and it is in amount of RSD 9,320,715 less than carrying value of tested branch. As a result an impairment loss was recognized in the income statement for 2024 in the amount of RSD 1,792,153 thousand, and a decrease in revaluation reserves in the amount of RSD 7,528,562 thousand (Notes 12 and 23).

On 31 December 2023, the Company performed an analysis of internal and external indicators of potential impairment of property, plant, equipment and intangible assets. Based on the analysis of indicators from external and internal sources of information, the Company concluded that during 2023 there were no significant changes of any kind that would indicate significant changes in the value of the Company's total assets, and that there are no indications of a decrease in the value of property, plant and equipment of the Company as a whole and its branches.

An exception are assets under construction that relate to the "Kolubara B" Thermal Power Plant Construction Project, that have indications of impairment in value for which an impairment loss has been recognized in the income statement for 2023 in the total amount of RSD 2,129,167 thousand (Notes 12 and 23). The Company concluded that "Kolubara B" Thermal Power Plant Construction Project are not on location and in condition necessary for functional use, which had been expected at the moment of initial recognition and for which significant progress in development and construction had not occurred over a longer period of time and for which the future status of construction remains unknown.

Long-term provisions for renewal of natural resources

Long-term provisions for the costs of renewal of natural resources primarily relate to provisions for final land recultivation of the slag and ash dump sites for the thermal power plants of Kostolac and Nikola Tesla. Related estimates require judgment by management in respect of the amount of liability for land recultivation which will occur in the future.

Changes in measurement of existing liabilities can result from changes in the estimate of date of occurrence, future expenses or discount rates used at the time of initial measurement of provisions. The amount of the recognized provision is the best estimate of outlays required for settling present obligations as at balance sheet date, based on effective regulations, and is also subject to changes due to revisions and amendments to laws and associated regulations and their interpretations. Due to the subjective character of these provisions, there is uncertainty in respect of amount and estimated time of occurrence of these expenses. The effects of changes in key parameters for provisions for the final land recultivation of the slag and ash landfills, which relate to the discount rate used and the useful life of a landfill, are disclosed in Note 32.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

4 SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Provisions for court cases

In general, provisions are to a large extent subject to judgement. The Company assesses the probability that adverse events may occur as a result of past events and estimates the amount required to settle an obligation. Although the Company acts prudently in making such estimates, given the great extent of uncertainty, in certain cases actual results may depart from these assessments.

Provisions for expected credit losses

IFRS 9 introduces the "expected credit loss" (ECL) model which is future-oriented. This requires significant judgment as to how changes in economic factors affect expected credit losses, which are determined on a probability-weighted basis.

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

In the event that all applied expected credit loss rates disclosed in Note 42 had been higher by one percentage point, the Company would have had an additional RSD 980,652 thousand in impairment on this basis

Employee benefits

The present value of the liability for retirement benefits and jubilee awards is based on actuarial assessment. Actuarial assessment implies the use of assumptions related to discount rate, expected salary increase, mortality rates and employee turnover. In determining the appropriate discount rate, Company management uses the interest rate that would be equivalent to the rate of return on treasury bonds of the Republic of Serbia. The mortality rate is determined based on publicly available mortality tables.

Fair value

The fair value of financial instruments for which there is not an active market is determined by applying appropriate valuation methods. The Company applies professional judgement in selecting appropriate methods and assumptions.

It is Company policy to disclose the fair value information of those components of assets and liabilities for which published or quoted market prices are readily available, and of those for which the fair value may be materially different than their recorded amounts. In the Republic of Serbia, sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available. As a result, fair value cannot readily or reliably be determined in the absence of an active market. The Company's management assesses its overall risk exposure and in instances in which it estimates that the value of assets stated in its books may not have been realized, it recognizes a provision. According to the Company's management, amounts disclosed in the financial statements reflect the value which under current conditions is most valid and useful for reporting purposes.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION**5. SALES OF PRODUCTS AND SERVICES****Revenue streams**

The Company generates revenues primarily from the sale of electricity and related services. Other sources of revenues include sale of products, rendering of services and other revenues. In the following table, revenue from contracts with customers is disaggregated by major revenue streams:

	In thousands of RSD	
	For the year ended	
	31 December	
	2024	2023
Income from the sale of electricity	415,380,015	425,056,360
Sales to A.D. "Elektromreža Srbije", Beograd (a)	20,950,857	23,856,093
Sales of products	4,846,631	4,965,956
Sales of services	9,237	2,283,938
Other (b)	373,531	380,917
	441,560,271	456,543,264

- (a)** Sales to the customer Joint Stock Company Elektromreža Srbije, Beograd (hereinafter: EMS) in the amount of RSD 20,950,857 thousand (2023: RSD 23,856,093 thousand) relate to the sale of electricity and provision of services to an energy entity - the distribution system operator. The decrease in revenue in the reporting period compared to 2023 is due to lower prices and lower supply of electricity for energy balance responsibility.

Namely, the Company provides system services of primary, secondary and tertiary regulation and delivers electricity as part of energy balance responsibility, as well as for the transmission system operator's own consumption and compensation for electricity losses in the transmission system, based on contracts under which it fulfills its obligations in accordance with the Energy Law and operating rules for the transmission system and the functioning of the market. In accordance with the Energy Law, the prices of auxiliary services of primary regulation, voltage regulation, as well as system services of secondary and tertiary regulation, are regulated prices.

- (b)** Other income reported for 2024 in the amount of RSD 373,531 thousand (2023: RSD 380,917 thousand) relates to compensation for transactions in which the Company acts as agent – calculation and collection of Public Media Service fee (Note 27). Namely, the Company and the Public Media Institution "Radio Television Serbia" and the Public Media Institution "Radio Television Vojvodina" had concluded an agreement that regulates activities in applying the Law on Temporary Regulation of Public Media Service Fee Collection (Off. Gazette of RS no. 112/ 2015, 112/2015, 108/2016, 153/2020, 129/2021, 142/2022, 92/2023 and 64/2024), which specifies that in calculating and collecting for electricity supply the Company shall charge to customers the aforesaid fee, in return for compensation of 3% of cash funds transferred to public media institutions. According to the latest amendments to this Law, collection of the public media service fee shall continue until 31 December 2025, with the fee amount in the reporting period being RSD 349 (2023: RSD 299).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION**5. SALES OF PRODUCTS AND SERVICES (continued)****Breakdown of revenue from contracts with customers****Electricity**

Sales of electricity relates to the following service lines:

	In thousands of RSD	
	For the year ended	
	31 December	
	2024	2023
Sales on domestic market:		
- Sales of electricity to households (a)	133,873,540	118,044,194
- Sales of electricity – customers in the open market (a)	255,529,816	267,019,840
- Sales of electricity – related parties within the EPS Group (Note 41) (b)	34,534	38,688
- Sales of electricity to third parties (industry) (a)	15,610,258	14,898,397
- Sales of electricity to licensed customers (a)	574,586	1,292,094
- Sale of electricity on stock exchange operations (c)	3,428,742	8,700,168
- Sales of electricity to PE "Elektrokosmet", Priština (d)	-	394,976
	<u>409,051,476</u>	<u>410,388,357</u>
Sales of electricity on foreign market - third parties (e)	48,022	83,395
Sales of electricity on foreign market – related parties within the EPS Group (Note 41) (d)	6,280,517	14,584,608
	<u>6,328,539</u>	<u>14,668,003</u>
	415,380,015	425,056,360

- (a)** Income from sales of electricity is recognized on the basis of sales made to end customers: private individuals, small customers or customers entitled to choose a supplier, after meeting requirements according to the Energy Law.

The terms of delivery and supply of electricity, as well as measures taken in the event that the security of the supply of electricity to customers is jeopardized due to disruptions in the operation of the energy system or disruptions in the market, based on which sales revenues are recognized, are regulated by the Energy Law, the Law on Energy Efficiency and Rational Use of Energy (Official Gazette of RS No. 40/21), the Decree on Terms of Delivery and Supply of Electricity (Official Gazette of RS No. 63/13, 91/18), the Decision on the Regulated Price of Electricity for Guaranteed Supply to Which the Founder Grants Consent (Official Gazette of RS No. 77/19, as amended in the Official Gazette of RS No. 154/20, effective from 1 February 2021), Rules on the Operation of the Electricity Market (Official Gazette of RS no. 120/12, 120/14), and other regulations. Namely, these regulations regulate:

1. the terms and method for issuing approval for connection to the system and system connections, as well as proof of fulfillment of conditions for connecting a facility,
2. the place of measurement and the place of segregation of responsibility for delivered electricity,
3. the terms and method for connecting temporary facilities, construction sites and facilities under trial operation or other facilities in accordance with the law governing the construction of buildings,
4. measures taken in case of short-term disruptions of the energy system due to breakdowns and other unforeseen situations that jeopardize the safety of the energy system, as well as due to unforeseen and necessary maintenance work on energy facilities or necessary work on system expansion,
5. measures taken in the event of a general shortage of electricity, the terms and methods for taking measures and the sequence of restrictions on the supply of electricity, as well as measures of saving and rational consumption of electricity in the event of a general shortage of electricity,
6. the terms and method for suspending electricity supply, as well as rights and obligations of system operators, suppliers, public suppliers and end customers,
7. the terms and method of rational consumption and electricity saving,
8. the terms of supply to customers' facilities for which suspension of electricity supply is not permitted, due to default on obligations for the supplied electricity or in other cases,
9. ways of regulating mutual relations between the supplier, the system operator and the final customer to whom the supply of electricity cannot be suspended,

5. SALES OF PRODUCTS AND SERVICES (continued)**Breakdown of revenues from contracts with customers (continued)**

10. the terms and method of measuring delivered electricity,
11. the method of calculating unauthorized electricity consumption,
12. notification of the end customer,
13. conditions and measures for supplying customers with electricity,
14. accounting period and mandatory content of electricity bills for payment of delivered electricity,
15. requirements for concluding a contract on the sale of electricity and content of the contract,
16. the terms and method for the performance of supplier and public supplier obligations.

The contract for the sale of electricity, in addition to the general elements established by the law governing contracts and torts, also contains the following elements: rights and obligations in terms of power and quantity of electricity, supply dynamics, rights and obligations of the supplier and the end customer in case of default on obligations and in case of temporary suspension of delivery, term for which the contract is concluded and rights and obligations in case of termination and annulment of contract, method for calculating the terms of payment for the purchased electricity which cannot be shorter than 8 days, how customers are informed about changes in prices and other terms of electricity supply, how disputes are resolved and other elements depending on the specifics and type of services provided by the supplier.

Time frame and fulfillment of performance

In accordance with the operating rules of the system operator, the billing period for all interconnection metering points is a calendar month with the reading of billing and control meters on the first day of the month at 00:00 hours and on the last day of the month at 24:00 hours. The billing period for other metering points in the transmission and distribution network, and for other metering points in the distribution network with remote reading, is the period that begins with the reading of the billing and control meters on the first day of the month at 7:00 a.m. and ends with the reading of the meters on the first day of the following month at 7:00 a.m. For all other metering points in the distribution network reading for the billing period begins on the date of the previous reading to the date of the reading in the current month, which falls on the 1st to the 9th of the month for the previous month.

Determining the transaction price

The price of electricity for end customers is determined according to the type of supply, as follows:

1) Guaranteed supply

The price of electricity for customers entitled to guaranteed supply is determined in accordance with the adopted Methodology for Determining the Price of Electricity for Guaranteed Supply, adopted by the Energy Agency of the Republic of Serbia. The price is applied after obtaining consent of the Agency. It includes the cost of access to the distribution system.

The price of electricity for customers who have the right to guaranteed supply at regulated prices (households and small customers) did not change in 2024, where the Decision on Regulated Price of Electricity for Customers for Guaranteed Supply number 12.01.-869991/6-2023, dated 26 September 2023, which is effective as of 1 November 2023, was applied.

In 2024 the average sale prices of electricity for guaranteed supply amounted to 10.310 din/KWh (2023: 9.372 din/KWh).

5. SALES OF PRODUCTS AND SERVICES (continued)**Breakdown of revenues from contracts with customers (continued)**

Furthermore, in order to encourage the rational consumption and saving of electricity, the Company's Shareholders' Assembly adopted the recommendations from the Conclusion of the Government of the Republic of Serbia 05 Number: 312-8817/2023, dated 28 September 2023, by passing Decision No. 12.01.952024/6-2023 dated 19 October 2023, for which customers in the household group, under guaranteed supply, are to be granted a discount on the charge for electricity in the reporting period (calculated power, costs of the guaranteed supplier and energy), starting with the electricity bill for October 2023, and ending with the electricity bill for March 2024, as follows:

- 20% discount - for households that reduce electricity consumption compared to the same month in the previous two years by more than 5% and less than or equal to 15%,
- 25% discount - for households that reduce electricity consumption compared to the same month in the previous two years by more than 15% and less than or equal to 20%,
- 30% discount - for households that reduce electricity consumption compared to the same month in the previous two years by more than 20% and less than or equal to 25%,
- 35% discount - for households that reduce electricity consumption compared to the same month in the previous two years by more than 25% and less than or equal to 30%,
- 40% discount - for households that reduce electricity consumption by more than 30% compared to the same month in the previous two years.

Also in the period from September 2022 through March 2023, the Company approved the said discount based on the Decision of the Government of the Republic of Serbia 05 number 312-7254/2022 dated 16 September 2022, as follows:

- 15% discount - for households that reduce electricity consumption compared to the same month of the previous year by more than 5% and less than or equal to 20%,
- 20% discount - for households that reduce electricity consumption compared to the same month of the previous year by more than 20% and less than or equal to 30%,
- 30% discount - for households that reduce electricity consumption by more than 30% compared to the same month of the previous year.

In accordance with the same decision, the Company calculated a discount of 5% to customers from the household group, under guaranteed supply, if they increased the share of the lower tariff in the monthly electricity bill calculation by at least 5% compared to the share of the lower tariff in monthly electricity bill calculation for the same month of the previous year.

Discounts were calculated on the charge for electricity minus the items of calculated power and guaranteed supplier's cost, in the billing period ending with the bill for March 2024.

In the reporting period, based on the Decision of the Company's Shareholders Assembly number: 12.01.1126566/6-2023 dated 12 December 2023, customers on guaranteed supply (households and small customers) who decided to receive their electricity bills electronically, without sending of a paper bill, were granted a discount of 50.00 dinars without VAT and excise duty on their electricity bills.

The discount is calculated starting from the first subsequent calculation for electricity from the date when the customer's request for receiving electricity bills electronically was received.

The Executive Board of the Company adopted Decision No. 12.01.1049567/2-2024 dated 30 September 2024, based on which the Company grants a discount of 30 dinars, excluding VAT and excise duty, on electricity bills to customers on guaranteed supply (households and small customers) who, during the calendar month, make a payment for electricity through the portal for electronic download and payment of bills for consumed electricity in the period of 1 November 2024 to 31 October 2025. If, in one billing period, the customer makes several payments, the discount is calculated only on one payment, the first payment.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

5 SALES OF PRODUCTS AND SERVICES (continued)

Breakdown of revenues from contracts with customers (continued)

2) Commercial supply

For customers under commercial supply, price is determined based on price movements on the reference electricity exchanges and according to market principles.

However, in the period from December 2022 to October 2023, the Government of the Republic of Serbia issued conclusions recommending to the Company to conclude electricity supply contracts with commercial supply customers at single (limited) prices, as follows:

- 102.60 eur/MWh, without VAT, for the supply period from 1 January to 30 April 2023, based on the Government Decision 05 Number: 338-10312/2022, dated 15 December 2022, and the Decision of the Supervisory Board of the Company number: 12.01.876827/2-22, dated 21 December 2022. In the same period, for customers who are members of the Serbian Defense Industry group, the single price amounted to 93.02 eur/MWh without VAT;
- 110.81 eur/MWh, without VAT, for electricity customers whose contracted supply period expires by 31 October 2023, and with whom a supply contract is concluded for the subsequent period, for the supply period from 1 May to 31 October 2023, based on Government Conclusion 05 Number: 338-3387/2023 dated 20 April 2023, and Decision of the Company's Shareholder's Assembly Number: 12.01.377920/13-23 dated 27 April 2023. In the same period, for customers who are members of the Serbian Defense Industry group, the single price amounted to 100.46 eur/MWh without VAT;
- 119.67 eur/MWh, without VAT, for the supply period from 1 November 2023 to 30 April 2024, based on the Government Conclusion 05 Number: 338-9567/2023, dated 12 October 2023, and the Decision of the Company's Shareholder's Assembly number: 12.01.969159/4-2023, dated 26 October 2023. In the same period, for customers who are members of the Serbian Defense Industry group, the single price amounted to 105.00 eur/MWh.

Since the beginning of May 2024 the supply of electricity to commercial supply customers is performed at contracted prices, which are determined based on price movements on relevant electricity exchanges, that is market principles.

3) Reserve supply

For customers under reserve supply, a single price is applied in the amount offered by the Company at the public tender for the selection of a reserve supplier, announced by the Government of the Republic of Serbia in accordance with the Energy Law. For the reporting period, the Government of the Republic of Serbia designated the Company as a reserve supplier of electricity to end customers who are not entitled to public supply, based on the following decisions:

- Decision on the Designation of the Reserve Supplier Who Will Perform Reserve Supply 05 number: 312-9219/2022-1 (Official Gazette of RS no. 127/2022) dated 17 November 2022 for a period of six months from the date of adoption of this decision, at a price of 392.50 EUR/MWh, excluding VAT. Decision on the Designation of the Reserve Supplier Who Will Perform Reserve Supply 05 number: 312-9219/2022-1 (Official Gazette of RS no. 127/2022) dated 17 November 2022 for a period of six months from the date of adoption of this decision, at a price of 392.50 EUR/MWh, excluding VAT. The Supervisory Board of the Company adopted this Conclusion on 21 December 2022, based on Decision No. 12.01.87827/3-22. On 20 April 2023, the Government of the Republic of Serbia issued Conclusion 05 number: 338-3386/2023, which recommended to the Company for reserve supply in the period from 1 to 17 May 2023, to be at a price of 144.05 eur/MWh, which was accepted by the Company's Shareholders' Assembly based on Decision 12.01.377920/12-23, dated 27 April 2023.
- Decision on the Designation of the Reserve Supplier Who Will Perform Reserve Supply 05 number: 312-3591/2023 (Official Gazette of the RS no. 34/2023) dated 27 April 2023 for the period from 18 May to 31 October 2023, at a price of 182.42 EUR/MWh, excluding VAT. On the same day, 27 April 2023, the Government of the Republic of Serbia issued Conclusion 05 Number: 338-3590/2023, based on which the Company's Shareholders' Assembly issued Decision Number: 12.01.424239/2-23, dated 11 May 2023, specifying the sales price of electricity in the amount of 144.05 eur/MWh, without VAT, at which from 18 May to 31 October 2023, the reserve supply of electricity to end customers will be carried out.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

5 SALES OF PRODUCTS AND SERVICES (continued)

Breakdown of revenues from contracts with customers (continued)

- Decision on the Designation of the Reserve Supplier Who Will Perform Reserve Supply 05 number: 312-10178/2023 (Official Gazette of the RS no. 93/2023) dated 26 October 2023 for the period from 1 November 2023 to 30 April 2024, at a price of 157.34 EUR/MWh, excluding VAT. Immediately after the adoption of this decision, the Government of the Republic of Serbia also passed Conclusion 05 Number: 338-10179/2023, dated 26 October 2023, which recommended to the Company that the supply of end customers under reserve supply be carried out at a single price of 155.57 eur/MWh in the period from 1 November 2023 to 30 April 2024, and whose recommendations were adopted based on the Decision of the Company's Shareholders' Assembly No. 12.01.1021776/4-2023, dated 8 November 2023.
- Decision on the Designation of the Supplier Who Will Perform Reserve Supply 05 number 312-3269/2024 (Official Gazette of the RS no. 34/2024) dated 18 April 2024, at a price of 115.40 EUR/MWh, excluding VAT.
- Decision on the Designation of the Supplier Who Will Perform Reserve Supply 05 number 312-3269/2024 (Official Gazette of the RS no. 34/2024) dated 18 April 2024, at a price of 115.40 EUR/MWh, excluding VAT.

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

4) Electricity supply for covering losses in the distribution system

In addition to supplying end customers, the Company supplies electricity to the customer "Elektrodistribucija Srbije" d.o.o. Beograd, for the purposes of covering losses in the distribution system.

The Conclusion of the Government of the Republic of Serbia 05 Number: 338-2815/2023, date 30 March 2023, accepts the Report on the Implementation of the Government Conclusion 05 Number: 312-11081/2022-1, dated 29 December 2022, which specifies the manner and conditions for setting the price for the purpose of purchasing electricity to compensate losses in the distribution network.

In the period from January to March 2023, sales were realized at the price of 132 eur/MWh, while in the period from April to August 2023, the price was adjusted on a monthly basis and harmonized with the price of monthly electricity futures for base supply for the Serbian market on the European Energy Exchange.

Based on the conclusion of the Government of the Republic of Serbia 05 No.: 338-7933/2023, dated 31 August 2023, the sale price of electricity for the compensation of losses in the distribution system was approved in the amount of 70 eur/MWh, and is still in effect.

- (b) Revenues from the sale of electricity to related parties within the EPS Group in the amount of RSD 34,534 thousand as a whole refer to the sale of electricity to the related legal party Kolubara - Građevinar d.o.o. Lazarevac.
- (c) The Company is also involved in electricity trading at the SEEPEX stock exchange which started with operations on 17 February 2016. SEEPEX a.d. Beograd is a licensed operator on the organized electricity market formed based on the partnership between the enterprise Elektromreža Srbije a.d. Beograd (hereinafter: EMS a.d.) and EPEKS SPOT, as a shareholding company. The aim of SEEPEX is to ensure a transparent and reliable mechanism of forming the wholesale electricity market price by comparing the supplies and demands at fair and transparent price and to enable all transactions made at SEEPEX to be delivered and paid.
- (d) In accordance with the Decision of the Government of the Republic of Serbia No. 021-6624/2009-002 dated 30 November 2009, the Company engaged its capacities in order to provide electricity for the northern part of Kosovo and Metohija, for which revenues in 2023 in the amount of RSD 394,976 thousand were recognized, while in 2024 there were no revenues on this basis.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION**5 SALES OF PRODUCTS AND SERVICES (continued)****Breakdown of revenues from contracts with customers (continued)**

- (e) Sales of electricity on the foreign market relate to the sales of electricity to the company Mješoviti holding Elektroprivreda Republike Srpske (Bosnia & Hercegovina) in the amount of RSD 48,022 thousand and to the sale of electricity realized through subsidiaries "EPS Trgovanje" d.o.o., Ljubljana and "Elektrosever" d.o.o., Severna Mitrovica in the amount of RSD 5,216,332 thousand and RSD 1,064,185 thousand, respectively.

The decrease in sales of electricity on domestic and regional exchanges, as well as the decrease in the sales of electricity to the related parties on foreign markets, is a result of lower quantities of electricity available for sale, caused by reduced output from hydropower plants and increased consumption of electricity of domestic customers during 2024.

Sales of products

Revenues earned in sales of products relate to the following:

	In thousands of RSD	
	For the year ended	
	31 December	
	2024	2023
Sales of coal:		
- related parties within the EPS Group (Note 41)	70,578	59,844
- third parties	2,016,451	2,239,774
	<u>2,087,029</u>	<u>2,299,618</u>
Sales of heat energy	2,524,574	2,443,994
Sales of technological steam and gas	111,823	111,860
Sales of other products	123,205	110,484
	<u>4,846,631</u>	<u>4,965,956</u>

Revenue from sales of products relates to sale of coal, heat energy, technological steam and gas and other products on the domestic and foreign markets. Revenues from the sale of coal reported for the year ending on 31 December 2024, in the amount of RSD 2,087,029 thousand mostly refer to deliveries of coal to third parties by the Kolubara Mining Basin Branch in the amount of RSD 1,739,453 thousand and the Kostolac Thermal Power Plant and Mines Branch in the amount of RSD 276,998 thousand.

Sales of heat energy as at 31 December 2024 in the amount of RSD 2,524,574 thousand relate to supply and delivery of heat energy produced by the following branches: Panonske TE-TO in the amount of RSD 2,162,838 thousand; "Termoelektrane i kopovi Kostolac" in the amount of RSD 200,697 thousand; Nikola Tesla Thermal Power Plant in the amount of RSD 100,303 thousand and "Rudarski basen Kolubara" in the amount of RSD 60,736 thousand.

Revenue from the sale of services

Revenues earned in sales of services relate to the following:

	In thousands of RSD	
	For the year ended	
	31 December	
	2024	2023
Other services – related parties (Note 41)	50	506
Other services – third parties	9,187	2,283,432
	<u>9,237</u>	<u>2,283,938</u>

The Law on the Use of Renewable Energy Sources (Official Gazette of RS, no. 40/2021 and 35/2023) stipulates that producers of electricity from renewable sources have the right to guarantees of origin.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION**5 SALES OF PRODUCTS AND SERVICES (continued)****Breakdown of revenues from contracts with customers (continued)**

The Decree on the Guarantee of Origin (Official Gazette of the RS, No. 82/2017) prescribes in detail the content of the guarantee of origin, the procedure for issuing, transferring and terminating the effectiveness of a guarantee of origin, how a register is kept, how information on produced electricity is provided, as measured at the point of delivery to the transmission, distribution and closed distribution system, supervision, as well as other issues in accordance with the Energy Law.

Guarantees of origin are electronic documents that have the sole function of providing evidence to the end customer that a given share or amount of energy was produced from renewable sources and offer the electricity buyers the opportunity to express their demand for "green" energy and to stimulate energy production that contributes to the development of the energy system under more environmentally friendly conditions. The guarantee of origin system is regulated at EU level, such that a guarantee issued in Serbia is effective in other countries and is compliant with the European Association's rights.

The transmission system operator EMS A.D., Belgrade shall issue guarantees of origin at the request of producers from renewable energy sources and is responsible for its accuracy, reliability and protection against misuse. The transmission system operator keeps the register of guarantees of origin in electronic form and publishes data from the register on its website.

In 2024 the Company did not contract the sale and transmission of guarantees of origin for produced electricity due to the drastic drop in prices, and did not recognize any related income, by contrast with the previous year when this income was recognized in the amount of RSD 2,269,640 thousand, out of which income from the sale of guarantees of origin to foreign customers amounted to RSD 1,513,359 thousand, while sale of guarantees of origin to domestic customers amounted to RSD 756,281 thousand.

Geographical region

In the following table, revenue from contracts with customers is disaggregated by customer's location:

	In thousands of RSD	
	For the year ended	
	31 December	
	2024	2023
Serbia, including Kosovo and Metohija	436,295,917	441,875,261
Slovenia	5,216,332	14,584,608
Republic of Srpska	48,022	83,395
	441,560,271	456,543,264

Revenue from the sale of electricity in the territory of the Republic of Serbia in 2024, in the amount of RSD 436,295,917 thousand, includes revenue from sales to customers in Kosovo and Metohija in the amount of RSD 1,064,185 thousand. In 2023, there were no deliveries of electricity to customers in Kosovo and Metohija.

Timing of revenue recognition

Timing of revenue recognition is presented in the table below:

	In thousands of RSD	
	for the year ended	
	31 December	
	2024	2023
Products and services recognized at a point in time	5,648,213	13,394,208
Products and services recognized over time	435,912,058	443,149,056
	441,560,271	456,543,264

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

5 SALES OF PRODUCTS AND SERVICES (continued)

Breakdown of revenues from contracts with customers (continued)

The billing period for all interconnection metering points in the transmission and distribution network is the calendar month, with the reading of billing meters as disclosed in this note (*Time frame and fulfillment of performance*), which is performed by transmission and distribution system operators in accordance with the Energy Law, which is when the Company recognizes income and when it can collect its charges, where the customer during the billing period, the calendar month, has the ability to acquire all essential benefits from the electricity delivered during the billing period

The following table provides information about the nature and timing of the satisfaction of performance obligations for the key selected revenue streams:

Type of sale	Nature and timing of satisfaction of performance obligations	Revenue recognition
Sales of electricity to end customers	<p>These contracts with customers relate to the sale of electricity to customers for guaranteed supply, for commercial and a reserve supply.</p> <p>Contracts with customers for guaranteed supply are concluded for an indefinite period of time, such that the customer is entitled to terminate the contract at any time without early contract termination penalties, where the contract period is a single reporting period invoiced to the customer.</p> <p>Contracts with customers for commercial supply are concluded for a finite period of time, however according to the Rules for Change of Supplier (enacted by the regulatory body "Energy Agency of the Republic of Serbia") the customer is entitled to terminate the contract at any time without payment of early contract termination penalties, where the contract period is a single reporting period invoiced to the customer.</p>	Revenue is recognized over time, as invoiced to the customers.
Sale of electricity to customers on the open market, licensed customers and stock exchange operations	Revenues from sale of electricity to licensed and customers on the open market relate to deliveries of electrical energy to customers who hold a license for performing energy activities. Besides this, the Company also generates revenues from stock exchange operations. Each individual order constitutes a contract. The Company holds that on this basis each delivery of electricity based on a specific order constitutes fulfillment of contract performance obligation.	Income from sale of electricity to licensed and customers on the open market is recognized over time, based on the bill or invoice issued to the customer, while revenue from the exchange business is recognized at a specific point in time.
Sales of electricity to EMS	The subject of contract is the delivery of a particular quantity of energy for a defined period at a fixed unit price. Accordingly, the contract contains only one performance obligation - delivery of electricity for a defined period of time.	Revenue is recognized over time, as invoiced to customers for delivered electricity.
Sale and transmission of renewable guarantees of origin (GOs)	The subject of the contract is the sale and transmission of renewable guarantees of origin. Each individual renewable GO represents a single contract. Therefore, the contract only contains a single performance obligation - delivery and transmission of renewable GO based on a specific contract at a specific point in time.	Income from the sale and transmission of GOs is recognized at a specific point in time, after transmission and billing to the customer.
Sale of coal, heat energy, products, technological steam and gas	<p>Each individual order constitutes a contract. The Company holds that on this basis each supply of goods or provision of services based on a specific order will constitute fulfillment of contract performance obligation.</p> <p>Invoices are issued when the goods are dispatched or monthly, depending on the type of product and customer. Payment terms varies depending on the contractual terms and condition, however, in general payment term are within 30 days or less.</p> <p>Invoices for heat energy are issued on a monthly basis with the payment terms of 15 to 60 days.</p> <p>Invoices for technology steam are issued on a monthly basis with the payment terms of 5 to 15 days.</p>	Income from the sale of coal is recognized at a specific point in time, upon delivery and upon invoicing to the customer, while revenues from the sale of thermal energy, technological steam and gas are recognized over time.

NOTES TO THE FINANCIAL STATEMENTS
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T R A N S L A T I O N**5 SALES OF PRODUCTS AND SERVICES (continued)****Balances for contracts with customers**

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	In thousands of RSD	
	31 December 2024	31 December 2023
Receivables from contracts with customers - presented under trade receivables (Note 26)	84,118,884	88,988,035
Receivables from contracts with customers - presented under other short-term receivables (Note 27)	10,524,386	6,961,657
Receivables from contracts with customers - presented under long-term financial investments and long-term receivables (Note 24)	15	-
Receivables from contracts with customers - presented under short-term financial investments and short-term receivables (Note 24)	46,805	73,352
Contract assets	966	981
Contract liabilities - presented under advances, deposits and down payments received (Note 36)	294,392	301,839
Contract liabilities - presented under other liabilities (Note 38)	2,959,642	2,549,146

6. CAPITALIZATION OF PRODUCTS AND GOODS

	In thousands of RSD	
	For the year ended 31 December 2024	2023
Own products capitalized	1,386,840	1,298,455
Own services capitalized	-	175,898
	1,386,840	1,474,353

Revenues from own products and services capitalized are recognized based on the use of products and services for the revitalization of plants and equipment, production of spare parts and materials.

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TRANSLATION**7 OTHER OPERATING INCOME**

	In thousands of RSD	
	For the year ended	
	31 December	
	2024	2023
Income from premiums, subsidies, grants, recourses, compensation and refunds of tax duties	200,780	351,933
Income from reversal of deferred income, in line with accounting policy (Note 34)	394,242	247,471
Income from donations, premiums, subsidies and grants from abroad (IPA Funds) (Note 34)	60,227	147,662
	<u>655,249</u>	<u>747,066</u>
Income from the collection of insurance claims	157,785	364,737
Rental income from related parties within the EPS Group (Note 41)	283	343
Other operating income from related parties within the EPS Group (Note 41)	20,095	10,797
Rental income	330,856	156,585
Income from loss compensation related to electricity price limitations	-	34,698,000
Income from subsequent billing of electricity customers	1,039,020	489,183
Other operating income	<u>788,917</u>	<u>1,293,920</u>
	<u>2,992,205</u>	<u>37,760,631</u>

Income from donations, premiums, subsidies and grants in 2024 amounted to RSD 655,249 thousand (2023: RSD 747,066 thousand) out of which the amount of RSD 200,780 thousand (2023: RSD 351,933 thousand) is recognized as a refund of customs duties on oil derivatives and biofuel that are used in the production process, with the remaining income in the amount of RSD 394,242 thousand (2023: RSD 247,471 thousand) relate to income recognized in the amount of expenditures associated with assets received as donations.

Income from the collection of insurance claims reported in 2024 in the amount of RSD 157,785 thousand (2023: RSD 364,737 thousand) are mostly related to income realized in the procedure of collecting damages from Dunav osiguranje a.d.o., Belgrade, based on a depositor damaged by a fire in the RB Kolubara Branch.

On 24 May 2023 the Company submitted a Request to the Ministry of Mining and Energy of the Republic of Serbia for compensation of damages resulting from price caps for electricity used for compensating losses in the distribution system that the Company delivered to the companies EMS a.d. and EDS d.o.o. in the period from October 2021 to December 2022, based on the Government of Serbia's Conclusion number 312-11315/2022 dated 29 December 2022. Based on the aforementioned Request, the Government issued Decision No. 312-4780/2023-1, dated 1 June 2023, based on which the Company recognized other operating income from compensation of damages in the amount of RSD 34,698,000 thousand.

The income from subsequent billing of customers for electricity in the amount of RSD 1,039,020 thousand (2023: RSD 489,183 thousand) relates to hiring of private debt enforcers and court expenses in the procedure of enforced collection of outstanding electricity debts.

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8 INCOME FROM ADJUSTMENT IN VALUE OF ASSETS (OTHER THAN FINANCIAL)

	In thousands of RSD for the year ended 31 December	
	2024	2023
Income from adjustment in value of assets:		
- property, plant and equipment	285,409	1,309
- inventories	17,100	87,648
- other assets	6,529	8,059
	309,038	97,016

Income from adjustment in value of assets for 2024 in the amount of RSD 309,038 thousand (2023: RSD 97,016 thousand) primarily relates to RSD 280,605 thousand for reassessment of the remaining useful life of intangible assets and property, plant and equipment used in 2024 whose net book value during the year was reduced to RSD zero, while in 2023 in the amount of RSD 87,648 thousand it primarily relates to reversal of previously recognized impairment of slow moving inventories in 2023, principally in the branch "TE Nikola Tesla".

9 COSTS OF MATERIALS, FUEL AND ENERGY

	In thousands of RSD for the year ended 31 December	
	2024	2023
Costs of primary materials	1,127,165	943,570
Materials for maintenance and spare parts	11,684,752	9,392,572
Tools and fittings and car tires	526,671	661,608
Oil and lubricants	393,109	320,225
Safety and protection equipment	356,703	366,207
Costs of office and other overheads materials	509,931	685,516
Costs of other materials	487,286	700,550
	15,085,617	13,070,248
Cost of purchased electricity:		
- from related parties within the EPS Group (Note 41)	10,031,764	1,381,458
- domestic	51,264,227	31,398,182
- foreign market	170,931	563,082
	61,466,922	33,342,722
Transmission and purchases of electricity by AD "Elektromreža Srbije", Beograd	12,311,060	12,043,744
Fees for access to the distribution system	94,085,220	92,280,481
Oil derivatives	11,240,972	10,935,391
Natural gas	7,669,603	9,959,190
Coal	34,148,030	44,355,826
Cost of other energy	79,076	81,786
	159,533,961	169,656,418
	236,086,500	216,069,388

Cost of purchased electricity

Of the total costs of electricity procurement, RSD 35,704,893 thousand (2023: RSD 8,168,153 thousand) relates to procurement used for balancing and optimization. The increase in these procurements is a result of lower output of electricity from hydropower plants, as well as the increased consumption of electricity of domestic customers during 2024.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

9 COST OF MATERIALS, FUEL AND ENERGY (continued)

Cost of purchased electricity (continued)

Electricity procurement costs refer to the procurement of electricity:

- from the subsidiary "EPS Trgovanje", Ljubljana, Slovenia, in the amount of RSD 10,031,764 thousand (2023: RSD 1,381,458 thousand),
- from legal entities that hold a license to trade in electricity in the amount of RSD 14,423,357 thousand (2023: RSD 5,546,856 thousand),
- from legal entities that hold a license to trade in electricity in the amount of RSD 14,423,357 thousand (2023: RSD 5,546,856 thousand),
- from Mjesoviti holding "Elektroprivreda Republike Srpske" a.d. Trebinje, in the amount of RSD 170,931 thousand (2023: RSD 563,082 thousand),
- from privileged electricity producers in the amount of RSD 26,289,872 thousand (2023: RSD 25,027,298 thousand), as well as
- from customers – electricity producers in the amount of RSD 1,940,370 thousand.

The status of preferential suppliers, temporary preferential suppliers and suppliers of electricity from renewable energy sources is regulated by the Energy Law. The Law stipulates incentive measures for preferential suppliers of electricity, which include: the obligation to purchase electricity from a preferential supplier, prices at which electricity is purchased, the validity period of the obligation to purchase electricity, the assumption of energy balance responsibility and other incentive measures prescribed by the act adopted based on this law, as well as other laws and regulations governing taxes, customs duties and other duties, environmental protection and energy efficiency. Incentive measures can be used by an energy entity that has acquired the status of a preferential supplier in the sense of this law.

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

- to purchase electricity at an incentive purchase price for the produced electricity depending on the type and installed power of the power plant, as well as the maximum effective working time for the corresponding type of power plant (a form of operational state aid to preferential and temporarily preferential suppliers),
- to provide guarantees of payment to the preferential supplier of electricity in accordance with the agreement on the purchase of electricity.

All electricity end customers are required to pay a fee for the incentive of preferential electricity suppliers, except in cases established by the Energy Law, and which is collected by the Company as a selected/guaranteed supplier.

The Regulation on the Fee for the Incentive of Preferential Suppliers of Electricity, adopted by the Government of the Republic of Serbia, stipulates that the fee shall change every year depending on the production of electricity from renewable sources. From 20 January 2023, the new Regulation on the Amount of the Special Incentive Fee for Preferential Consumers of Electricity 05 No. 110-366/2023 (Official Gazette of the RS, No. 3/2023) is in force, according to which the amount of the incentive fee for preferential consumers of electricity in 2023 amounts to 0.801 din/kWh, which is the same amount as in 2024.

The Law on the Use of Renewable Energy Sources (Official Gazette of RS, no. 40/2021 and 35/2023) stipulates that the customer-producer is the final customer of electricity, who has connected his own facility for the production of electricity from renewable sources to the internal installations, whereby the electricity is used to supply his own consumption, and the excess electricity produced is delivered to the transmission and distribution system, which is a closed distribution system. The buyer-producer cannot use incentive measures in the form of a market premium and feed-in tariff, nor can he be entitled to guarantees of origin.

The Decree on Criteria, Conditions and Method of Calculating Receivables and Payables Between the Buyer-producer and Supplier (Official Gazette of RS, no. 83/2021 and 74/2022) regulates the general conditions, the method of acquiring and terminating the status of a buyer-producer, the criteria for the calculation of receivables and payables between the buyer-producer and the supplier. In this regard, the Company, as one of the suppliers of electricity in the Republic of Serbia, concludes contracts with customers-producers using two models, namely:

- a full supply contract with net metering, if the buyer-producer is a household or housing association, or one or more members of a housing association, and
- a full supply contract with net billing, if the final customer is not a household or a housing association, whereby the supplier and the buyer-producer freely agree on the terms of the calculation of mutual receivables and payables.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

9 COST OF MATERIALS, FUEL AND ENERGY (continued)

Cost of access to the distribution system

The costs of access to the distribution system (network fee) in the amount of RSD 94,085,220 (2023: RSD 92,280,481 thousand) are recognized at the transaction price determined by the "Elektro distribucija Srbije" d.o.o. Beograd with the consent of the Energy Agency, in accordance with the Energy Law. The Decision on Determining Prices for Access to the Electricity Distribution System (Official Gazette of RS No. 95/21) sets the fee for accessing the electricity distribution system.

Costs of accessing the electricity transmission system

The Company concluded a contract with A.D. "Elektromreža Srbije", Beograd, for accessing and using the system for transmission of electricity, rental of capacities and energy balance responsibility. For the reporting period, costs incurred were in the amount of RSD 12,311,060 thousand (2023: RSD 12,043,744 thousand).

The fee for accessing the electricity transmission system is determined by the Decision on Determining Prices for Access to the Electricity Transmission System (Official Gazette of the RS No. 95/21), which is in effect from 1 October 2021, and to which the Council of the Energy Agency granted consent on 24 September 2021, with letter no. 501/2021-D-02/1.

Costs of coal in 2024 reported in the amount of RSD 34,148,030 thousand (2023: RSD 44,355,826 thousand) primarily relate to costs of externally purchased coal from coal mines in neighboring countries (Rumania, Greece, Montenegro, Bosnia & Herzegovina, Republic of Srpska) in the amount of RSD 13,315,558 thousand (2023: RSD 22,476,568 thousand), and from Shen Hua Hong Kong International Trading Ltd in the amount of RSD 18,175,015 thousand (2023: RSD 20,175,675 thousand) and from JP PEU Resavica in the amount of RSD 2,287,041 thousand (2023: RSD 844,225 thousand). The remaining amount of RSD 120,132 thousand (2023: RSD 859,357 thousand) relates to directly attributable costs of transport and other handling costs related to coal purchases.

10 SALARIES, SALARY COMPENSATION AND OTHER PERSONNEL EXPENSES

	In thousands of RSD	
	For the year ended	
	31 December	
	2024	2023
Gross salaries and salary compensation	42,055,339	39,007,946
Taxes and contributions on salaries and salary compensation charged to employer	7,401,396	6,853,146
Transport of employees to and from work	1,260,289	1,180,488
Fees paid to private individuals based on other contracts	526,562	489,407
Cost of providing assistance to employees	285,058	273,760
Per diems and compensation of employee business trip expenses	159,534	111,347
Compensation paid to managing and supervisory board members	100,988	55,098
Fees for contracts on temporary and occasional work	-	1,050
Other personnel expenses	794,651	1,541,878
	52,583,817	49,514,120

Earnings in public enterprises and joint stock and limited liability companies founded by the Republic of Serbia, an autonomous province or local self-government unit and their subsidiary companies, which perform activities of general public interest (hereinafter: companies) are calculated and paid in accordance with the Law on Public Enterprises, the Law on Determining the Maximum Salary in the Public Sector (Official Gazette of RS No. 93/12) and the Decree on the Manner and Control of Calculation and Payment of Wages in Public Enterprises (Official Gazette of RS No. 27/14). The maximum salary of public sector employees may not exceed the amount obtained by multiplying the maximum coefficient for a job position, as established by the law governing the salaries of civil servants and employees and the base determined by the budget law for the current year. Also, the Law on Public Enterprises stipulates that an annual operating program shall be adopted for each calendar year by the founder which shall contain, inter alia, elements for a complete overview of the Company's salary and employment policy, as per the policy of the projected increase in salaries in the public sector, as set out by the Government for the year for which the program is adopted.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION**10 SALARIES, SALARY COMPENSATION AND OTHER PERSONNEL EXPENSES (continued)**

Other personnel expenses in the amount of RSD 794,651 thousand mostly relate to the Company's obligations under the Collective Agreement (prevention of work disability, cultural and sports activities of employees, expenses for providing assistance to employees for treatment, loans, etc.) for which, in terms of tax regulations, public revenues are paid.

11 DEPRECIATION/AMORTIZATION COST

	In thousands of RSD	
	For the year ended 31 December	
	2024	2023
Depreciation/amortization expense:		
- intangible assets (Note 23)	2,012,405	2,562,824
- property, plant and equipment (Note 23)	35,790,990	34,336,222
- property, plant and equipment with right of use longer than one year (Note 23)	8,805	9,012
	37,812,200	36,908,058

12 COSTS OF ADJUSTMENT IN VALUE OF ASSETS (OTHER THAN FINANCIAL)

	In thousands of RSD	
	For the year ended 31 December	
	2024	2023
Costs of adjustment in value of assets:		
- property, plant and equipment	1,989,887	2,295,980
- inventories	627,649	1,077,693
- other assets	33,230	4,921
	2,650,766	3,378,594

Costs of adjustment in value of inventories in the amount of RSD 627,649 thousand (2023: RSD 1,077,693 thousand) mostly refer to the impairment of inventories of spare parts based on an internal assessment of their value in use in the branches of RB Kolubara, in the amount of RSD 191,755 thousand (2023: RSD 802,543 thousand) and TE Kostolac, in the amount of RSD 269,157 thousand (2023: RSD 163,011 thousand).

The Company conducted tests for potential asset impairment on 31 December 2024 at the branch level, where each branch was treated as a cash-generating unit and it determined that the value in use, or the recoverable amount of assets, is higher than their carrying value for all branches, with the exception of the Pannonian TE-TO branch, which shows signs of impairment for which an impairment loss was recognized in the income statement in the total amount of RSD 1,792,153 thousand. (Notes 4 and 23)

As at 31 December 2024 and 31 December 2023 Company management concluded that there are indicators of impairment of intangible assets, property, plant and equipment under development or construction for assets that are not on location and in condition necessary for the asset to be functional in the manner that was expected at the time of initial recognition and where significant progress in development or construction has not been made for a significant period of time, and where further status of construction is unknown at this time. For those assets the Company recognized impairment losses in the income statement for 2024 in the amount of RSD 197,734 thousand (2023: RSD 2,295,980 thousand). The impairment recognized in 2023 primarily relates to the "Kolubara B" Thermal Power Plant Construction Project (Notes 4 and 23), in the amount of RSD 2,129,167 thousand.

NOTES TO THE FINANCIAL STATEMENTS
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T R A N S L A T I O N

13 COSTS OF PRODUCTION SERVICES

	In thousands of RSD	
	For the year ended	
	31 December	
	2024	2023
Maintenance services	27,406,812	24,329,300
Postal, telephone and fax services	2,186,394	2,005,198
Information system maintenance	1,965,752	1,257,163
Other cost of production services charged by related parties within the EPS Group (Note 41)	1,315,105	1,161,925
Cost of utilities services	629,294	590,389
Costs of various tests, analyses, drafting of technical and project documentation, studies and projects	853,818	600,703
Costs of services and assistance in the production process	-	344,752
Costs of separator operation and workers on crushers	735,231	557,941
Transportation services	606,585	309,862
Rental expense	1,138,584	628,923
Advertisement, fairs and promotions	81,931	24,442
Safety at work	102,542	129,041
Costs of services on recultivation and environmental protection	92,594	74,792
	37,114,642	32,014,431

The costs of maintenance services in the amount of RSD 27,406,812 thousand (2023: RSD 24,329,300 thousand) refer to the maintenance services of the Company's production facilities.

The costs of PTT services include the costs of preparing and sending electricity bills to end users in the amount of RSD 2,019,870 thousand (2023: RSD 1,867,304 thousand) in the Branch EPS Snabdevanje.

14 PROVISIONS

	In thousands of RSD	
	For the year ended 31 December	
	2024	2023
Provisions for renewal of natural resources	180,425	1,245,728
Provisions for compensation and other employee benefits	8,539,191	5,621,148
Provisions for court cases	643,871	24,578
	9,363,487	6,891,454

In the course of 2024, the Company made provisions for the costs of renewal of natural resources, which will be paid for the recultivation of land on which mining operations have been completed, and for the purpose of bringing the land to its original state after the end of exploitation. The calculation of provisions for land reclamation costs for 2024 was made for the RB Kolubara Branch and TE KO Kostolac in the amount of RSD 164,074 thousand. In addition, as disclosed in Note 32, the Company made a provision for the final reclamation of land on which the ash and slag landfills are located in the thermal power plants Kostolac, Kolubara, Morava, Nikola Tesla A and Nikola Tesla B, and accordingly recognized expenses in 2024 in the amount of RSD 16,351 thousand (2023: RSD 1,048,556 thousand).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION**14 PROVISIONS (continued)**

In 2024 the Company made provisions for employee benefits and other payments to employees upon termination of employment in the amount of RSD 8,539,191 thousand (2023: RSD 5,621,148 thousand), which will be paid upon termination of employment, as well as employee benefits which include jubilee award benefits in the amount of the current obligation based on past events, and which are in compliance with the Labor Law and the Company's corporate regulations (Notes 3.5 and 32). The increase in provisions for employee benefits and compensation is a result of the new Collective Agreement signed by the Company and the increase in the average salary in the Republic of Serbia. Specifically, on 5 August 2024, the Company signed a new Collective Agreement which stipulates that, starting from 1 January 2025, employees are entitled to severance pay upon retirement in the amount of six monthly salaries (compared to three salaries until 31 December 2024), based on the salary earned in the month preceding the month in which the severance is paid, or six average salaries (previously three) paid by the employer, whichever is more favorable for the employee. Furthermore, when calculating provisions for severance pay as of 31 December 2024, the average salary in the Republic of Serbia in the amount of RSD 138,911 was used (31 December 2023: RSD 123,971).

Provisions for court cases were formed according to best estimates of expenses required to settle the current liability based on ongoing court cases raised against the Company, which in 2024 were estimated at RSD 643,871 thousand (2023: RSD 24,578 thousand).

15 NON-PRODUCTION COSTS

	In thousands of RSD	
	For the year ended	
	31 December	
	2024	2023
Water usage fee	2,128,997	2,302,258
Fee for use of public interest resources	2,013	1,716
Environmental fee (Note 38)	4,057,654	3,451,292
Property tax	689,621	702,399
Other taxes and contributions	909,453	843,012
Fee for use of mineral resources	2,914,447	2,747,149
Entertainment expense	45,698	76,166
Banking charges	233,393	158,763
Subscriptions to professional publications	34,827	26,957
Court expenses	2,303,433	1,201,974
Maintenance costs of non-production facilities	1,338,486	992,132
Other non-production costs	668,123	317,801
Professional services	540,085	177,875
Insurance premiums	1,526,178	1,395,067
Health service costs	177,270	182,123
Union memberships and contributions	570,847	417,856
Security services, protection of facilities and safety at work	2,730,407	2,341,650
Other non-production services	2,679,999	2,182,295
	23,571,148	19,518,487

Starting from January 1, 2019, the Law on Fees for the Use of Public Resources (Official Gazette of RS no. 95/18, 49/19, 86/19, 156/20, 15/21, 15/23, 120/23 and 99/24) is in force, which regulates the fees for the use of public resources, in particular: the payer, the base, amount, calculation and payment method, allocation of income from fees, as well as other issues of importance for determining and paying fees for the use of public resources. This law introduces fees for the use of public resources, as follows:

- 1) geological survey fees,
- 2) fees for the use of resources and mineral reserves,
- 3) fees for the use of energy and energy products,
- 4) fee for changing the use of agricultural land,
- 5) fees for changing the purpose and use of forests and forest land,
- 6) fee for the use of hunting game protected by the fallow zone,
- 7) water usage charges,
- 8) environmental fee,
- 9) fees for navigation and use of ports, piers and navigation safety facilities on state waterways,

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

15 NON-PRODUCTION COSTS (continued)

- 10) fee for use of public roads,
- 11) fee for use of railway infrastructure,
- 12) fee for use of public areas,
- 13) fee for use of the natural medicinal factor,
- 14) fee for use of tourist areas,
- 15) fee for electronic communications.

Then, as part of the fee for the use of energy and energy products, the Law on Fees for the Use of Public Resources introduced the fee for the improvement of energy efficiency in the amount of 0.015 din/kWh. Determining the fee for the improvement of energy efficiency for delivered energy and/or energy products to the final customer/consumer is carried out by the Company, as an energy entity that performs energy activities of electricity supply and that has a license to perform these activities in accordance with the Energy Law, when issuing bills for delivered energy and/or energy products to the final customer/consumer. The fee liability is determined based on the amount of electricity delivered, determined based on consumption readings through measuring devices at the point of handover, in accordance with the Energy Law and after reducing the electricity purchased from suppliers who have the status of a preferential supplier.

Costs of environmental protection in the amount of RSD 4,057,654 thousand (2023: RSD 3,451,292 thousand) include fees for the emission of sulfur dioxide, nitrogen dioxide and powdery materials in facilities of the Nikola Tesla TPP Branch, in the amount of RSD 2,769,676 thousand (2023: RSD 2,681,851 thousand) and TPP Kostolac in the amount of RSD 1,239,407 thousand (2023: RSD 725,424 thousand). The main reason for the increase in environmental protection fee expenses is the rise in unit fee amounts for 2024.

The largest part of the line item other taxes and fees in 2024 refers to fees for the use of public areas, occupation of public areas and protection of national parks in the Branches of HPP Djerdap and Drinsko-Limske HPP in the amount of RSD 581,902 thousand.

Court costs, for the most part, in the amount of RSD 1,892,945 thousand (2023: 856,963 thousand dinars) refer to the costs of hiring private enforcers in the EPS Snaabdevanje Branch.

16 FINANCIAL INCOME

	In thousands of RSD	
	For the year ended	
	31 December	
	2024	2023
Finance income from legal entities within the EPS Group (Note 41):		
- interest income	38,292	37,220
- foreign exchange gains	3,625	810
	41,917	38,030
Financial income from other related parties	1,433,888	1,392,795
Foreign exchange gains	2,050,018	5,220,380
Income from effects of foreign currency clause	11,505	19,952
	2,061,523	5,240,332
Interest income:		
- on trade receivables from electricity customers	4,859,324	4,400,822
- from short-term financial investments	1,691,819	735,238
- for Public Media service tax	683,991	660,811
- from other income from services	558,825	289,413
	7,793,959	6,086,284
Other financial income	39,654	33,349
	11,370,941	12,790,790

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION**16 FINANCIAL INCOME (continued)**

For all monetary items whose settlement is required in a foreign currency, the effects of exchange rate changes on the due date or on balance sheet date, are recognized within income and expenses, as well as for monetary items for which receivables/payables are hedged with a contractually specified currency clause, with collection/settlement in dinar equivalent of foreign currency. Foreign exchange gains reported in 2024 in the amount of RSD 2,050,018 thousand (2023: RSD 5,220,380 thousand) primarily, in the amount of RSD 730,124 thousands (2023: RSD 4,338,586 thousand), relate to unrealized foreign exchange gains on loans granted by foreign creditors. In the previous year the dinar appreciated with respect to the YPU by 9.89% and to the USD by 3.89% per annum, which resulted in higher foreign exchange gains on loans denominated in the said currencies.

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

17 FINANCIAL EXPENSES

	In thousands of RSD	
	For the year ended	
	31 December	
	2024	2023
Finance costs for legal entities within the EPS Group (Note 41):		
- foreign exchange losses	3,401	1,842
	3,401	1,842
Other financial expenses	951,677	548,282
Interest expense:		
- other interest expense (all types)	5,393,259	5,886,856
- penalty interest on late payments of public duties	21,155	33,379
- lease interest expense - assets with right of use longer than one year	611	801
	5,415,025	5,921,036
Expenses from effects of foreign currency clause	35,175	12,022
Foreign exchange losses	4,882,962	826,007
	4,918,137	838,029
	11,288,240	7,309,189

Other interest expenses include interest expenses and loan fees in the amount of RSD 5,393,259 thousand (2023: RSD 5,886,856 thousand).

Foreign exchange losses reported in 2024 in the amount of RSD 4,882,962 thousand (2023: RSD 826,007 thousand) primarily, in the amount of RSD 3,459,011 thousand, relate to unrealized foreign exchange gains on loans granted by foreign creditors. The dinar depreciated with respect to the USD by approximately 6.21% per annum, which resulted in an increase in foreign exchange losses, given that a significant portion of loan liabilities is linked to this currency.

Other financial expenses in the amount of RSD 951,677 thousand include the amount of RSD 801,321 thousand that relates to the effects of movements in provisions due to elapsed time (Note 32) and the amount of RSD 150,356 thousand (2023: RSD 548,282 thousand) that relates to commitment and management fees for loan arrangements with foreign creditors.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION

**18 INCOME FROM VALUATION ADJUSTMENTS OF FINANCIAL ASSETS
 THAT ARE MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS**

	In thousands of RSD	
	For the year ended	
	31 December	
	2024	2023
Adjustment in value of long-term financial investments	2,909	3,254
Collection and decrease in provisions for:		
- advances paid for fixed assets	4,755	3,170
- advances for inventories	31,179	26,428
- trade receivables	562,296	1,074,747
	598,230	1,104,345
	601,139	1,107,599

Income from adjustment in the value of receivables from customers in the current year mostly relates to income from adjustment in the value of receivables in the branch Panonske TE TO Novi Sad (in the amount of RSD 454,409 thousand) resulting from reversal of previously posted adjustments in receivables resulting from late payment by thermal energy customers, as well as income from adjustment in the value of receivables for coal in the amount of RSD 337,991 thousand for the branch RB Kolubara.

**19 COSTS OF VALUATION ADJUSTMENTS OF FINANCIAL ASSETS
 MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS**

	In thousands of RSD	
	For the year ended	
	31 December	
	2024	2023
Costs of impairment:		
- advance payments	1,403	556
- trade receivables from electricity customers	5,836,048	4,207,691
- other receivables	275,966	968,726
- receivables from related parties within the EPS Group (Note 41)	38,473	36,678
	6,151,890	5,213,651

Credit losses on trade receivables from electricity customers in the amount of RSD 5,836,048 thousand (2023: RSD 4,207,691 thousand) are recognized as an expense from value adjustments calculated as set out in Note 3.17.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

20 OTHER INCOME

	In thousands of RSD	
	For the year ended	
	31 December	
	2024	2023
Income from reversal of long-term provisions for renewal of natural resources (Note 32)	74,554	768,155
Income from reversal of long-term provisions for court cases (Note 32)	215,107	209,684
Gains on the sale of materials, equity investments, intangible assets, property, plant and equipment	122,040	9,655
Income from collected written off receivables and reversal of allowance for impairment of receivables and short-term financial investments	864	1,676
Income from reduction in liabilities	547,896	31,806
Income from risk hedging effects	8,514	7,709
Income from reduction of liabilities for environmental protection	190,922	209,204
Surpluses	169,835	88,883
Other income	299,513	363,319
	1,629,245	1,690,091

Income from reduction in liabilities in the amount of RSD 547,896 thousand (2023: RSD 31,806 thousand) primarily relates to extinguishment of liabilities in favor of income in the amount of RSD 404,596 thousand, as per the Report of the Central Physical Count Committee on Performed Physical Count of the Company's Assets and Liabilities as at 31 December 2024, as adopted on 20 January 2025.

Income from reduction of liabilities for environmental protection was recognized in 2024 in the amount of RSD 190,922 thousand (2023: RSD 209,204 thousand) based on the reduction in liabilities toward the Ministry of Environmental Protection of the Republic of Serbia, due to a higher advance payment for 2023 in relation to the amount determined by the final calculation of the environmental protection fee.

21 OTHER EXPENSES

	In thousands of RSD	
	For the year ended	
	31 December	
	2024	2023
Costs of compensation paid to employees of public enterprises on the territory of AP Kosovo and Metohija	6,407,552	5,886,048
Losses on disposal, write-off and sale of fixed assets intangible assets, equity investments and materials	1,315,007	1,051,810
Losses from write-off of short-term receivables and rescheduled trade receivables	115,186	18,490
Losses on write-off of other assets	-	22
Losses on disposal of inventories	108,945	91,270
Shortages	1,822	2,546
Sponsorships and donations	85,465	518
Other expenses from transactions with related parties within the EPS Group	283	284
Other expenses	1,795,108	1,891,534
	9,829,368	8,942,522

Costs of compensation paid to employees in the amount of RSD 6,407,552 thousand (2023: RSD 5,886,048 thousand) were recognized for payment of salaries and salary compensation for employees employed in the public enterprises on the territory of AP Kosovo and Metohija. The Government of the Republic of Serbia adopted Conclusion 05 No. 02-4586/2003-001 date 17 July 2003, which regulates the amount and method of payment of salary compensation for employees in companies on the territory of the AP Kosovo and Metohija. During 2024, the average number of employees was 3,169, while in 2023 it was 3,247.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION**21 OTHER EXPENSES (continued)**

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

Other expenses in the amount of RSD 1,795,108 thousand (2023: RSD 1,891,556 thousand) primarily relate to providing meals to workers at open pit mines in the amount of RSD 697,949 thousand (2023: RSD 659,082 thousand), archaeological exploration in the amount of RSD 98,327 thousand (2023: RSD 90,800 thousand), as well as costs of financing public purpose facilities in the amount of RSD 583,099 thousand (2023: RSD 923,360 thousand).

22 INCOME TAX**(a) Components of income taxes**

	In thousands of RSD For the year ended 31 December	
	2024	2023
Current tax expense of the period	11,069,501	17,716,804
Deferred tax income of the period	(3,670,701)	(2,373,936)
	7,398,800	15,342,868

b) Numerical reconciliation of income tax expense and profit before tax multiplied by the income tax rate

	In thousands of RSD	
	2024	2023
Profitbefore tax	31,829,904	127,789,706
Income tax calculated at a rate of 15%	4,774,486	19,168,456
Tax effects of disallowed expenses	4.686.751	3,931,720
Tax effects of costs recognized on a cash basis	(999,699)	(851,187)
Effect of capital gains	-	242
Tax effect of disallowed income	(34,025)	(31,453)
Effects of transfer pricing adjustments	176,855	158,115
Tax effects of unrecognized deferred tax assets – tax loss	-	(7,054,291)
Deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly credited to equity	(1.092.302)	-
Other	(113,265)	21.266
	7,398,800	15,342,868
<i>Effective tax rate</i>	23.24%	12.01%

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N**22 INCOME TAX (continued)****c) Deferred tax liabilities**

Deferred tax liabilities reported as at 31 December 2024 in the amount of RSD 60,112,494 thousand (31 December 2023: RSD 63,783,193 thousand) relate to temporary differences arising between amounts for property, plant and equipment disclosed in the Company's tax balance and amounts disclosed in its financial statements.

Movements in deferred tax liabilities were as follows:

	In thousands of RSD	
	2024	2023
Opening balance 1 January	63,783,193	66,157,129
Effects on income statement	(3,670,701)	(2,373,936)
Other	2	-
Balance as at 31 December	60,112,494	63,783,193

d) Tax losses

As at 31 December 2024 and 31 December 2023, the Company has no tax losses which could be used against income tax liabilities of future tax periods.

23 INTANGIBLE ASSETS, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT

Intangible assets

In thousands of RSD	Concessions, patents, licenses, trademarks and service marks	Software and other rights	Other intangible assets	Intangible assets under development	Total
Cost or valuation					
Balance as at 1 January 2023	6,624,943	7,378,521	447	195,831	14,199,742
Additions/purchases	410,169	600	-	815,998	1,226,767
Transfers from other accounts within 02 group or other account groups					
Transfer from investments under construction (activation)	3,395	21,240	-	(22,031)	2,604
Write-off/disposal	(124,986)	(405,217)	-	-	(530,203)
Balance as at 31 December 2023	6,913,521	6,995,144	447	989,798	14,898,910
Additions/purchases	85,552	626	-	2,084,291	2,170,469
Transfers from other accounts within 02 group or other account groups	11,469	-	-	(162,041)	(150,572)
Transfer from investments under construction (activation)	619,540	336,560	-	(945,078)	11,022
Write-off/disposal	(3,677,332)	(1,531,000)	-	(112,010)	(5,320,342)
Balance as at 31 December 2024	3,952,750	5,801,330	447	1,854,960	11,609,487
Accumulated depreciation					
Balance as at 1 January 2023	3,574,532	3,736,819	362	-	7,311,713
Depreciation expense (Note 11)	1,269,672	1,293,124	28	-	2,562,824
Impairment	-	-	-	46	46
Write-off/disposal	(121,179)	(342,535)	-	-	(463,714)
Balance as at 31 December 2023	4,723,025	4,687,408	390	46	9,410,869
Depreciation expense (Note 11)	1,243,598	768,793	14	-	2,012,405
Effects of change in useful life	(34,895)	(198,384)	-	-	(233,279)
Impairment	2,220	15,890	-	104,940	123,050
Write-off/disposal	(3,643,101)	(1,487,358)	-	-	(5,130,459)
Other changes	(445)	(25)	-	-	(470)
Balance as at 31 December 2024	2,290,402	3,786,324	404	104,986	6,182,116
Net book value					
31 December 2023	2,190,496	2,307,736	57	989,752	5,488,041
31 December 2024	1,662,348	2,015,006	43	1,749,974	5,427,371

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NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION

23 INTANGIBLE ASSETS, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)

Biological assets and property, plant and equipment

	Agricultural land and construction land	Buildings	Plant and equipment	Investment property	Biological assets	Other property, plant and equipment	Assets under construction	Property, plant and equipment under lease (with right of use longer than one year)	Advances for property, plant and equipment - domestic	Advances for property, plant and equipment - foreign entities	Total fixed assets
Cost											
Balance as at 1 January 2023	92,704,332	516,693,341	948,535,523	710,453	539,560	125,030	143,480,261	40,030	7,955,730	5,752,310	1,716,536,570
Increases (purchases based on supplier invoices)	2,170,357	25,789	4,156,154	-	3,145	-	41,073,339	1,883	15,064,462	5,253,312	67,748,441
Transfer within account group 02 (except activation) or transfer from another group to account group 02	(2,934)	-	2,566	-	2,459	-	(388,761)	-	(2)	-	(386,672)
Transfer from investments under construction (activation)	33,944	1,346,063	7,155,404	-	-	-	(8,538,014)	-	-	-	(2,603)
Own funded/managed investments	-	-	-	-	-	-	518,966	-	-	-	518,966
Increase/(decrease) in recognized asset based on estimated costs of recultivation of slag and ash landfills	(8,580,703)	-	-	-	-	-	-	-	-	-	(8,580,703)
Handover of PP&E based on Conclusions of the Government of RS	(1,762)	-	(180,406)	-	-	-	-	-	-	-	(182,168)
Surpluses on physical count	-	-	13,883	63,328	-	-	-	-	-	-	77,211
Shortages on physical count	-	-	(1,661)	-	-	-	(252)	-	-	-	(1,913)
Sales	-	-	(16,278)	-	-	-	-	-	-	-	(16,278)
Derecognition of property, plant and equipment	(706,685)	(255,069)	(6,026,161)	-	(71,338)	-	-	(3,270)	-	-	(7,062,523)
Transfer to available-for-sale assets (Note 25)	(529,443)	-	-	-	-	-	(211,648)	-	-	-	(741,091)
Other changes	(5)	(723)	(13,181)	-	-	1,179	(7,537)	647	(1,675,274)	(2,716,511)	(4,411,405)
Balance as at 31 December 2023	85,087,101	517,809,401	953,625,843	773,781	473,826	126,209	175,926,354	39,290	21,344,916	8,289,111	1,763,495,832
Balance as at 1 January 2024	85,087,101	517,809,401	953,625,843	773,781	473,826	126,209	175,926,354	39,290	21,344,916	8,289,111	1,763,495,832
Increases (purchases based on supplier invoices)	2,014,284	76,203	6,244,932	-	-	-	52,624,438	3,233	7,746,893	1,953,286	70,663,269
Transfer within account group 02 (except activation) or transfer from another group to account group 02	(168,229)	-	161,763	-	9,793	5,407	(54,805)	-	-	-	(46,071)
Transfer from investments under construction (activation)	125,040	14,127,662	31,360,616	-	-	-	(45,613,318)	-	-	-	-
Own funded/managed investments	-	-	-	-	-	-	415,971	-	-	-	415,971
Transferred as non-monetary contribution – capital increase in EDS	(291,955)	(2,836,212)	-	-	-	-	-	-	-	-	(3,128,167)
Increase(decrease) in recognized asset based on estimated costs of recultivation of slag and ash landfills	1,008,217	-	-	-	-	-	-	-	-	-	1,008,217
Surpluses on physical count	-	-	-	-	673	-	-	-	-	-	673
Shortages on physical count	-	-	(381)	-	(172)	-	-	-	-	-	(553)
Sales	-	-	(329,394)	-	-	-	-	-	-	-	(329,394)
Derecognition of property, plant and equipment	(70,381)	(1,371,050)	(5,582,050)	-	(10,877)	(103)	(4,489)	-	-	-	(7,038,950)
Other changes	(663)	(7,997)	37,450	-	-	1,171	(38,375)	-	(1,527,307)	(6,505,960)	(8,041,681)
Balance as at 31 December 2024	87,703,414	527,798,007	985,518,779	773,781	473,243	132,684	183,255,776	42,523	27,564,502	3,736,437	1,816,999,146

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NOTES TO THE FINANCIAL STATEMENTS
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TRANSLATION

23 INTANGIBLE ASSETS, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)

Biological assets and property, plant and equipment (continued)

In thousands of RSD	Agricultural land and construction land	Buildings	Plant and equipment	Investment property	Biological assets	Other property, plant and equipment	Assets under construction	Property, plant and equipment under lease (with right of use longer than one year)	Advances for property, plant and equipment - domestic	Advances for property plant and equipment - foreign entities	Total fixed assets
Accumulated depreciation											
Balance as at 1 January 2023	36,565,059	248,019,635	590,895,494	370,013	-	45,820	407,977	14,820	429,645	8,883	876,757,346
Depreciation expense (Note 11)	1,481,503	6,287,553	26,555,533	11,633	-	-	-	9,012	-	-	34,345,234
Transfer within account group 02 (except activation) or transfer from another group to account group 02	-	-	(7,870)	-	-	-	-	-	-	-	(7,870)
Surpluses on physical count	-	-	15	49,794	-	-	-	-	-	-	49,809
Shortages on physical count	-	-	(941)	-	-	-	-	-	-	-	(941)
Sales	-	-	(14,219)	-	-	-	-	-	-	-	(14,219)
Derecognition of property, plant and equipment	-	(76,340)	(4,368,847)	-	-	-	-	(1,402)	-	-	(4,446,589)
Handover of PP&E based on Conclusions of the Government of RS	(93)	-	(117,577)	-	-	-	-	-	-	-	(117,670)
Increase/(decrease) in recognized asset based on estimated costs of recultivation of slag and ash landfills	(5,375,657)	-	-	-	-	-	-	-	-	-	(5,375,657)
Impairment - IAS 36	-	-	-	-	-	-	2,295,980	-	-	-	2,295,980
Other changes	(6)	(1,466)	(12,171)	-	-	2,708	(1,145)	-	(3,170)	(8,883)	(24,133)
Balance as at 31 December 2023	32,670,806	254,229,382	612,929,417	431,440	-	48,528	2,702,812	22,430	426,475	-	903,461,290
Balance as at 1 January 2024	32,670,806	254,229,382	612,929,417	431,440	-	48,528	2,702,812	22,430	426,475	-	903,461,290
Depreciation expense (Note 11)	1,005,882	6,438,372	28,334,483	12,086	-	167	-	8,805	-	-	35,799,795
Transfer within account group 02 (except activation) or transfer from another group to account group 02	(158,435)	-	(122,998)	-	-	1,815	(798)	-	-	-	(280,416)
Transferred as non-monetary contribution – capital increase in EDS	-	(1,693,343)	-	-	-	-	-	-	-	-	(1,693,343)
Impairment - IAS 36 - Panonske TE-TO	1,115,322	4,233,352	3,972,041	-	-	-	-	-	-	-	9,320,715
Effects of change in useful life	-	(167)	(48,728)	-	-	(765)	-	-	-	-	(49,660)
Sales	-	-	(323,030)	-	-	-	-	-	-	-	(323,030)
Derecognition of property, plant and equipment	-	(406,851)	(4,899,771)	-	-	(103)	-	-	-	-	(5,306,725)
Other changes	-	(2,866)	(12,381)	-	-	1,408	38,931	(2)	(4,755)	-	20,335
Balance as at 31 December 2024	34,633,575	262,797,879	639,829,033	443,526	-	51,050	2,740,945	31,233	421,720	-	940,948,961
Net book value											
As at 31 December 2023	52,416,295	263,580,019	340,696,426	342,341	473,826	77,681	173,223,542	16,860	20,918,441	8,289,111	860,034,542
As at 31 December 2024	53,069,839	265,000,128	345,689,746	330,255	473,243	81,634	180,514,831	11,290	27,142,782	3,736,437	876,050,185

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NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

23 INTANGIBLE ASSETS, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)

Biological assets and property, plant and equipment (continued)

As at 31 December 2024 and 31 December 2023 the Company has no pledges and mortgages over intangible assets, property, plant and equipment.

During 2024, the amount of capitalized borrowing costs was RSD 2,095,004 thousand (2023: RSD 1,956,332 thousand).

The fair value of investment property as at 31 December 2024 amounts to 1,550,947 thousand dinars (31 December 2023: 1,188,098 thousand dinars). The Company's investment properties include apartments, commercial premises, garage spaces, and other facilities that are subleased to employees and third parties.

The Law on Public Property regulates public ownership rights, as well as other property rights of the Republic of Serbia, autonomous provinces and local self-government units. In the process of resolving the issue of rights over real-estate property, the Founder adopted several resolutions related to production buildings, parts of production buildings and land intended for regular use, except for buildings that according to the Law on Public Property are classified as buildings of public use, including real-estate property intended for public use, and which the Company recognized as the holder of rights of use, being the holder or factual user of such properties, such that the Company can register as owner in public records. In the periods that follow the proceedings for resolving the issue of property ownership rights will continue.

The most recent valuation of classes of property, plant, and equipment carried under the revaluation model was performed as of 1 January 2021.

Transfer of assets to Elektroprivreda Srbije

Up to the date preceding 1 January 2021, the Company was the sole founder of the Distribution System Operator "EPS Distribucija" d.o.o. Belgrade, registered for the activity of electricity distribution and distribution system management (which changed its business name to "Elektroprivreda Srbije" d.o.o. Belgrade on 29 January 2021). Based on the Government Decision 05 Number: 023-10578/2020-1 dated 17 December 2020, the Plan for Implementing Activities on Reorganizing "Elektroprivreda Srbije" d.o.o. Belgrade, was adopted on the basis of which the Company:

- undertook the obligation to transfer to "Elektroprivreda Srbije" d.o.o., Beograd, working capital in the amount of RSD 37,272 thousand and property, plant and equipment and intangible assets in the amount of RSD 18,226,921 thousand, as a non-monetary contribution that is part of a capital increase. This change in non-monetary contributions was registered with the Business Registers Agency on 23 December 2020.
- concluded the Agreement on Transfer of Shares in "Elektroprivreda Srbije" d.o.o. Belgrade, from the Company to the Republic of Serbia number 12.01.655216/1-20 dated 29 December 2020, based on the Decision of the Supervisory Board. The change was registered with the Business Registers Agency on 31 December 2020.

On the aforementioned basis in 2021 and 2022 the Company performed a transfer of a portion of assets in the total amount of RSD 13,479,141 thousand to the entity "Elektroprivreda Srbije" d.o.o. Beograd. In 2024 the Company performed additional transfer of real-estate property in the total amount of RSD 1,534,094 thousand, in accordance with the Agreement on Transfer of Ownership Rights Without Compensation, dated 31 October 2024 (Note 31).

The entry of the remaining assets will be contributed according to the terms stipulated in the founding act of the legal entity "Elektroprivreda Srbije" d.o.o., Belgrade.

Transfer of assets to the Republic of Serbia

In 2023, in accordance with the Government's Decisions dated 6 October 2022 05 number: 464-7835/2022 and 05 number 464-8943/2023 dated 6 October 2023 the Company transferred to the ownership of the Republic of Serbia immovable properties which, as part of the network, are intended for the performance of electricity transmission activities in the distribution plants at the Vrla 1 and Vrla 2 Hydroelectric Power Plants, with a total value of RSD 64,498 thousand, of which the amount of RSD 1,669 thousand refers to land, and RSD 62,829 thousand to equipment.

This transfer of assets was carried out without contribution charged to revaluation reserves and was reported under the Company's accumulated losses (Note 31).

23 INTANGIBLE ASSETS, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)**Biological assets and property, plant and equipment (continued)*****Impairment of non-current assets***

In accordance with the adopted accounting policies of the Company (note 3.14), the Company assesses at each reporting date whether there is any indication that an asset may be impaired. If such indications exist, the Company considers the recoverable amount of such assets and determines the recoverable amount of individual asset or cash-generating unit in order to determine potential impairment of an asset of cash-generating unit.

Impairment indicators

The Company identified following indicators for 2024. that assets may be impaired:

- Significant decline in profitability in 2024. compared to 2023. The Company reported in Statement of profit and loss, net profit in amount of RSD 24,431,104 thousand, while net profit in 2023. amounted to 112,446,838 thousand;
- The company reported in Statement of cash flows net decrease of cash in 2024. in amount of 6,758,344 thousand.

Additionally, Company has considered currently foreseeable impact of European Union's CBAM regulation, which has been in force since October 1, 2023, and will be implemented in two phases : (1) the transitional period (October 1, 2023 – December 31, 2025), during which CBAM-obligated entities shall measure and report their emissions, through submission of CBAM reports, but will not have any financial obligations; and (2) the definitive period (starting January 1, 2026).

The Company's subsidiary has already been reporting to the European Commission on the embedded emissions in the electricity it has imported from Serbia to the EU member countries, starting from October 1, 2023, on quarterly basis. In 2024, the Company exported a total of 532,930 MWh of electricity to the EU through EPS Trgovanje. The adopted emission factor for Serbia is 1.04054, and the weighted average price of CO2 certificate for 2024 amounted to EUR 60.5 per ton. Accordingly, the CBAM tax would have been approximately EUR 32.2 million, if CBAM payments had been in the effect during the observed period.

Given the proposed trading plan for the purpose of balancing and optimization—which includes the sale of approximately 200–500 GWh during the 2025–2026 period and about 1,665 GWh in 2027—it is planned that all sales will be conducted within Serbia (primarily through the Serbian power exchange) or within the Western Balkans region in order to avoid CBAM-related costs. Furthermore, the Company is taking steps to increase energy efficiency and reduce emissions. Overhauls, revitalizations, and modernizations of thermal power units will continue in the coming period. A major overhaul of TEKOB1 was completed in 2024, while a capital overhaul of TENT A6 is planned for 2025, and the second phase of revitalization of TENT B2 is scheduled for 2026.

In accordance with the requirements of relevant accounting standards (IFRS), and due to the current lack of complete information regarding the specific impact of CBAM, no direct effects have been included in the assumptions underlying the models and projections used to support this impairment indicator assessment of the Company's property, plant, and equipment as of December 31, 2024.

23 INTANGIBLE ASSETS, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)**Biological assets and property, plant and equipment (continued)***Impairment test*

The Company performed the impairment test for assets at the level of cash generating units (CGU) as at 31 December 2024. Group CGUs relate to each individual branch of the Company. The recoverable amount of each CGU is determined based on the value in use. These calculation were based on before tax cash flow projections, based on the business plan for period from 2025 to 2027 and further projections of net cash flows for the remaining useful life of assets. The structure of deliveries in the period from 2028 onwards, is projected so that the share of guaranteed supply gradually decreases in favor of commercial supply and that the share of export increases. Income and expenses that are not directly related to electricity in the period from 2028 onwards are projected to follow the projected inflation rate.

Projections of future cash flows from operations are based on the current state of assets that are subject to impairment testing on the specified date, and do not include the effects of potential restructuring in future periods, nor the effects that will arise in the future period due to the expansion of existing asset capacities, either through construction of new or expansion or improvement of existing capacities. Future cash flow projections assume current income generating capacities of the CGU.

Other key assumptions on which the Company's management based its cash flow projections were as follows:

- The price of electricity is projected separately for guaranteed and commercial supply. The price of electricity for guaranteed and commercial supply for 2025 is projected on the basis of the Three-Year Business Program for 2025-2027. During 2024 prices for guaranteed supply were based on current AERS price list, while the prices for commercial supply were determined on current market prices.
- In the period from 2026 to 2030, a price increase for guaranteed supply of 5% per year is projected, and from 2030 onwards it is based on the inflation rate. Prices for commercial supply for 2026 were formed based on futures prices on the HUDEX stock exchange on 31 December 2024, as a weighted average of base and peak energy prices. From 2027 onwards, the growth of these prices is projected based on the inflation rate.
- Import and export prices (market prices) for 2025 and 2026 were formed based on futures prices on the HUDEX stock exchange on 31 December 2018, as a weighted average of base and peak energy prices. From 2027 onwards, as with commercial supply, the growth of these prices is projected based on the inflation rate.
- The price of coal was determined based on the internal prices of mines within the Company and realized prices of external coal in 2023 and 2024. Based on production projections (lower production in TENT and higher in RBK), the assumption was introduced for the needs of thermal power plants to be met to the maximum extent from domestic sources. In the coming years, coal prices follow the projected inflation rate.
- Electricity production of the Pannonian TE-TO was increased compared to the plan for the average coefficient of exceeding the plan in the period 2022-2024 (40%). Electricity prices for Pannonian TE-TOs for the year 2025 are projected based on the average of futures on the HUDEX stock exchange for peak energy in the months in which Pannonian TE-TOs are active. In the years that follow, prices reflect the projected inflation rate.
- The discount rate is before tax and reflects the weighted average cost of capital relevant to the related industry. The discount rate is determined separately for each individual branch of the Company (CGU). The discount rate was formed in the range between 8.0% and 10.5% for each individual branch of the Company for the impairment test on 31 December 2024.
- Inflation projection is based on the revised fiscal strategy for 2025, with projections for 2026 and 2027. Consequently, the projected inflation rate for 2025 for the asset impairment test model was determined to be

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T R A N S L A T I O N

23 INTANGIBLE ASSETS, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)

Biological assets and property, plant and equipment (continued)

3.5%, for 2026 in the amount of 3.5%, and for 2027 in the amount of 3.3%. From 2027 onwards, a projected long-term inflation rate of 3.3% was used.

The following table shows used prices in impairment test by product type for the next five years:

Type	Unit	2025	2026	2027	2028	2029
Guaranteed supply	RSD/kWh	6.11	6.61	7.16	7.52	7.89
Commercial supply	RSD/kWh	12.04	12.37	12.77	13.20	13.63
Network fee	RSD/kWh	12.04	12.37	12.77	13.20	13.63
HUPX	RSD/kWh	14.21	12.37	12.77	13.20	13.63
Coal	RSD thousand/ tonn	3.66	3.79	3.91	4.04	4.18

The following table shows the results of the testing as at 31 december 2024:

Branch (CGU)	Discount rate	Carrying value (RSD million)	Value in use (RSD million)	Difference (RSD million)
HPP DJERDAP Branch	9.5%	174,067	870,441	696,374
DRINSKO-LIMSKA HPP Branch	9.5%	101,687	177,455	75,768
TENT Branch	10.5%	196,309	226,361	30,052
RB KOLUBARA Branch	10.5%	156,183	269,664	113,480
TE-KO KOSTOLAC Branch	10.5%	222,183	397,956	175,774
Branch of PANONSKA TE-TO	10.0%	12,008	2,687	(9,321)
RENEWABLE RESOURCES Branch	10.0%	4,284	26,039	21,755
EPS Supply Branch	9.5%	536	141,036	140,499
Headquarters branch	9.0%	21,583	65,619	44,037
Total		888,840	2,177,257	1,288,417

Based on the performed testing of the potential impairment of assets on 31 December 2024, the Company determined that the value in use and the recoverable amount of assets is higher than their carrying value for all CGUs, except for Panonske TE-TOs for which the recoverable amount is determined to be RSD 2,687,305 thousand. This amount is lower by RSD 9,320,715 thousand compared to the carrying value of the tested branch. On this basis the Company recognized an impairment loss in the amount of RSD 9,320,715 thousand and in the income statement for 2024, in the amount of RSD 1,792,153 thousand, with a decrease in revaluation reserves in the amount of RSD 7,528,562 thousand (Notes 4 and 12).

Sensitivity analysis

The sensitivity analysis for the value in use to changes in the discount rate and prices by individual types of electricity supply showed that the value in use in all branches is weakly to moderately sensitive to changes in the discount rate, with guaranteed and commercial supply exhibiting highest sensitivity to price changes. A change in key assumptions, provided that other parameters remained unchanged, would have the following effects on impairment in Panonske TE-TOs: if the discount rate were increased by 1%, the amount of impairment would increase by RSD 563,981 thousand (in the case of a decrease of 1%, the amount of impairment would decrease by RSD 706,595 thousand). If the price of electricity were to increase by 5%, the impairment amount would decrease by RSD 4,703,099 thousand (in the case of a price reduction, the impairment amount would increase by RSD 2,687,305 thousand). In the TENT branch, which is the most sensitive to assumption changes and where no impairment has been identified, an increase in the discount rate by 2% would lead to an impairment of approximately 4.9 billion dinars. An increase in the assumed coal price by 5 percentage points would result in an impairment of approximately 17.6 billion dinars. On the other hand, only if the assumed electricity price for guaranteed supply were to decrease by 10%, the impairment in the TENT branch would amount to approximately 12.1 billion dinars.

In 2023, in accordance with the Government's Decisions dated 6 October 2022 05 number: 464-7835/2022 and 05 number 464-8943/2023 dated 6 October 2023 the Company transferred to the ownership of the Republic of Serbia immovable properties which, as part of the network, are intended for the performance of electricity transmission activities in the distribution plants at the Vrla 1 and Vrla 2 Hydroelectric Power Plants, with a total value of RSD 64,498 thousand, of which the amount of RSD 1,669 thousand refers to land, and RSD 62,829 thousand to equipment. The impairment recognized in 2023 primarily relates to the "Kolubara B" Thermal Power Plant Construction Project (Notes 4 and 12), in the amount of RSD 2,129,167 thousand.

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23 INTANGIBLE ASSETS, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)

Biological assets and property, plant and equipment (continued)

The "Kolubara B" Thermal Power Plant Project is not included in the document Basic Principles of the Energy Infrastructure Development Plan and Energy Efficiency Measures for the Period 2028 With Projections Until 2030, as adopted by the Government of the Republic of Serbia in June 2023. After receiving approval of the Shareholders' Assembly of EPS AD on the plan in July 2023, this project was abandoned in accordance with the Basic Principles of the Energy Infrastructure Development Plan and Energy Efficiency Measures for the Period 2028 With Projections Until 2030. Therefore, Decision No. 12.01.491634/9-2024, dated 28 May 2024 was adopted for the impairment of assets under construction related to the aforementioned project, with the balance as at 31 December 2023.

Advances paid for property, plant and equipment

Advances given for property, plant and equipment that as at 31 December 2024 amount to RSD 30,879,219 thousand (31 December 2023: RSD 29,207,552 thousand) relate to:

- Delivery of 10 km of B=2000 transporter route with 6 drive stations, 6 return stations, 5 inclined bridges, one loading trolley, based on the contract concluded with AD Goša Fabrika opreme i machina Smederevska Palanka, as the leader of the group of contractors, and Energotehnika Južna Bačka Novi Sad doo, as a member of the group. As at 31 December 2024, the amount of advances given on this basis amounts to RSD 6,654,324 thousand (31 December 2023: RSD 3,191,653 thousand);
- Delivery of a conveyor with a 10 km route with 6 drive stations, 6 return stations, 5 drawbridges, one loading trolley and one MRS 2000 mobile distribution station, based on the contract concluded with AD Goša Fabrika opreme i mašina Smederevska Palanka, as the leader of a group of contractors consisting of Metaling doo Belgrade and Energotehnika Južna Bačka doo. As at 31 December 2024 the amount of advances given on this basis amounts to RSD 6,141,125 thousand (31 December 2023: RSD 4,449,849 thousand);
- Procurement of drive stations, return stations and inclined bridges for 6 belt conveyors B=1600mm, according to the contract concluded between EPS AD and the group consisting of AD Goša Fabrika opreme i mašina Smederevska Palanka-leader and Energotehnika Južna Bačka Novi Sad doo-group member. As at 31 December 2024, the total amount of advances given on this basis amounts to RSD 2,646,960 thousand (31 December 2023: RSD 847,698 thousand);
- Delivery of two rotary excavators with a capacity of 4800 m³/h, in accordance with the contract concluded with the group whose leader is the German company KOCH SOLUTIONS GmbH and the members of the group: ROAMING NETWORKS Belgrade and Ltd. company for construction and installation of equipment and facilities Goša montaža Beograd. As at 31 December 2024, the advance payment amounts to RSD 2,198,194 thousand;
- Procurement of one BTO system B-2000 mm for PK Radljevo: Procurement of a rotary excavator with a capacity of 6600 m³/hour, based on the contract signed with Energotehnika Južna Bačka Novi Sad doo. Advances given as at 31 December 2024 amounted to RSD 2,040,825 thousand (31 December 2023: 989,570 thousand);

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23 INTANGIBLE ASSETS, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)

Biological assets and property, plant and equipment (continued)

- The project Replacement of Ash and Slag Transport System for TENT A, based on which the contract was concluded between the Company and the consortium consisting of Rudis doo Trbovlje, Millenium team doo, Energotehnika Južna Bačka doo, and MVM EGI Zrt. As at 31 December 2024, the amount of advances given on this basis amounts to RSD 1,852,863 thousand (31 December 2023: RSD 1,874,862 thousand);
- Construction of a Wind Park in Kostolac, based on a contract concluded on 13 April 2022 with a consortium consisting of Siemens Gamesa Renewable Energy A/S and Siemens Gamesa Renewable energy d.o.o. As at 31 December 2024, the total amount of advances given on this basis amounts to RSD 974,409 thousand (31 December 2023: RSD 6,347,861 thousand);
- Delivery of one dumper with a capacity of 8500 m³/h, based on the contract concluded with Energotehnika Južna Bačka Novi Sad doo, as the leader of a group of contractors consisting of AD Goša Fabrika opreme i mašina Smederevska Palanka and FAM Minerals & Minin GmbH Germany. As at 31 December 2024, the amount of advances given on this basis amounts to RSD 957,030 thousand (31 December 2023: RSD 983,144 thousand);
- Delivery of two self-propelled conveyors/disposers with a capacity of 4800 m³/h, based on the contract with the leader of the KOCH SOLUTIONS GmbH group and its members ROAMING NETWORKS and Ltd. company for construction and installation of equipment and facilities Goša montaža Beograd. As at 31 December 2024, the total amount of advances given on this basis amounts to RSD 917,568 thousand;
- Delivery of belt conveyors B = 2000 mm for which an agreement was concluded with AD Goša Fabrika opreme i mašina, Smederevska Palanka, as a lead contractor of the group consisting of: HIDRO-TAN doo Beograd and ANSAL STEEL DOO Beograd. As at 31 December 2024, the amount of advances given on this basis amounts to RSD 802,415 thousand (31 December 2023: RSD 3,988,699 thousand).

Right-of-use assets and lease liabilities

Movements in recognized right-of-use assets by asset category in 2024 are given in the following table:

	In thousands of RSD			
	Land	Buildings	Equipment	Total
Cost as at 1 January 2024	3,491	33,916	1,883	39,290
Additions during the year	-	3,233	-	3,233
Cost as at 31 December 2024	3,491	37,149	1,883	42,523
Accumulated depreciation as at 1 January 2024	1,399	20,246	785	22,430
Depreciation during the year	528	7,335	942	8,805
Other	-	(1)	(1)	(2)
Accumulated depreciation as at 31 December 2024	1,927	27,580	1,726	31,233
Net book value as at 1 January 2024	2,092	13,670	1,098	16,860
Net book value as at 31 December 2024	1,564	9,569	157	11,290

The Company recognized lease liabilities as follows:

	In thousands of RSD	
	31 December 2024	1 January 2024
Short-term lease liabilities	6,549	7,438
Long-term lease liabilities	3,974	8,519
Total lease liabilities	10,523	15,957

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23 INTANGIBLE ASSETS, BIOLOGICAL ASSETS, PROPERTY, PLANT AND EQUIPMENT (continued)

Biological assets and property, plant and equipment (continued)

Liabilities based on recognized right-of-use assets as of 31 December 2024 and 31 December 2023 in accordance with IFRS 16 are shown as follows:

	31 December 2024		In thousands of RSD 1 January 2024	
	Net book value	Contractual undiscounted cash flows	Net book value	Contractual undiscounted cash flows
Minimum lease payments				
Up to 1 year	6,549	6,083	7,438	8,134
From 1 to 5 years	3,974	4,701	8,519	8,543
Balance at	10,523	10,784	15,957	16,677

Effects of IFRS 16 application on the income statement were as follows:

	In thousands of RSD	
	31 December 2024	31 December 2023
Interest expense on leases	611	801
Variable lease payments that depend on usage/consumption	1,549,955	1,653,130
Expenses relating to short-term leases	634,384	61,988
Expenses relating to leases of low-value assets	2,173	1,168

Some property leases contain variable payment terms that are linked to their usage consumption. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base. Variable lease payments that depend on usage/consumption are recognised in profit or loss in the period in which the condition that triggers those payments occurs, and are not included in measurement of lease liabilities measured as at 31 December 2024.

The total outflow of cash related to leases stated in the Cash Flow Statement in 2024 amounted to RSD 8,728 thousand (2023: RSD 9,445 thousand).

The carrying amount for each revalued class of property, plant and equipment that would have been recognized had the assets been carried under the cost model

The following table shows the carrying amounts of each revalued class of property, plant, and equipment, as well as the carrying amounts of the same classes of assets had they been recognized under the cost model.

	Carrying amount		In thousands of RSD Cost model	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Agricultural land and construction land	53,069,839	52,416,295	49,982,651	49,326,873
Buildings	265,000,128	263,580,019	196,200,045	194,745,258
Plant and equipment	345,689,746	340,696,426	290,422,775	288,881,858

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TRANSLATION

24 LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES

	In thousands of RSD	
	31 December 2024	31 December 2023
Equity investments in legal entities		
Equity investments in subsidiaries (Note 41)	6,614,159	4,273,077
Equity investments in other legal entities		
Equity investments in other legal entities	2,612,252	2,905,889
Less: Impairment of equity investments in other legal entities	(2,292,404)	(2,588,005)
	319,848	317,884
	6,934,007	4,590,961
Long-term investments - domestic		
Long-term loans granted	1,684,390	1,861,908
Other long-term financial investments		
Other long-term financial investments	1,328,727	1,231,126
Less: Impairment of other long-term financial investments	(766,219)	(766,219)
	562,508	464,907
Long term receivables		
Rescheduled trade receivables for electricity and services:		
- legal entities	1,210,111	830,292
Loan to employees:		
- for sold apartments	142,027	162,961
- for housing loans	19,643	23,364
	1,371,781	1,016,617
Less: allowance for impairment		
- rescheduled receivables for electricity and services from legal entities	(1,210,096)	(830,292)
- for sold apartments and housing loans	(1,657)	(1,657)
	(1,211,753)	(831,949)
	160,028	184,668
	9,340,933	7,102,444

Equity investments in legal entities**Equity investments in subsidiaries**

Equity investments in subsidiaries as at 31 December 2024 and 2023 relate to the following legal entities:

	% of ownership	In thousands of RSD	
		31 December 2024	31 December 2023
"EPS Trgovanje" d.o.o., Ljubljana	100%	66,304	66,304
"Kolubara – Gradjevinar" d.o.o., Lazarevac	71.90%	1,771,606	1,771,606
"Elektrosever" d.o.o., Severna Mitrovica	100%	2,342,264	1,182
"HSE Gornja Drina" d.o.o., Foča	51%	2,381,363	2,381,363
"Moravske hidroelektrane" d.o.o., Beograd	100%	52,622	52,622
		6,614,159	4,273,077

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T R A N S L A T I O N

24 LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (continued)

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

In 2023 the Company acquired control over the company „Moravske hidroelektrane“ d.o.o., Beograd.

According to the Memorandum of Understanding concluded with RWE Generation Hydro, Germany (RWE AG), upon the RS Government approval (Conclusion 05 no. 018-7493/2009 dated 13 November 2009), the Company and RWE AG entered into an agreement on establishment of the company "Moravske hidroelektrane" d.o.o. Beograd in which each participant had a registered stake as follows:

- RWE Generation Hydro, GmbH Germany - 51%.
- The Company - 49%.

The objective of establishing the company "Moravske hidroelektrane" d.o.o., Beograd is the construction of hydro power plants on the Velika Morava river comprised of at least five hydro power plants with the total power of about 150 MW. The company "Moravske hidroelektrane" d.o.o. Beograd was entered into the registry maintained by the competent body on 23 August 2011.

On 29 December 2022, members of the company "Moravske hidroelektrane" d.o.o., Beograd, RWE Generation Hydro GmbH and the Company concluded contract number 1500 E1201-903628/1-22 on the sale of shares and intellectual property rights over preliminary technical documentation. RWE Generation Hydro GmbH, as the majority member, sold its 51% share, with all the rights and obligations that a majority owner has in the company Moravske hidroelektrane d.o.o., Beograd. This contract is the realization of the JP EPS Supervisory Board Decision number 12.01.460297/27-19, dated 28 August 2019, on investment in the company Moravske hidroelektrane d.o.o., to which the Government of the Republic of Serbia consented with Decision 05 number 023-4052/2020 on 21 May 2020.

Through the purchase of these shares, the Company became the majority and sole equity owner in Moravske hidroelektrane d.o.o., and acquired intellectual property rights over the Preliminary Technical Documentation for the Construction of Hydro Power Plants, without any time, territorial or other restrictions, while intellectual property rights over the Preliminary Technical Documentation by RWE Generation Hydro GmbH no longer hold. The change was registered in the Serbian Business Registers Agency on 7 April 2023 under no. 32972/2023.

Elektrosever d.o.o., Severna Mitrovica

As part of the negotiation process with the Provisional Institutions of Self-Government in Pristina, which is conducted with the mediation of the European Union, several agreements were reached on the issue of energy: The 2013 Energy Arrangement, the 2014 Energy Action Plan, the 2015 EU Mediator Conclusions and the 2013 and 2015 Roadmap for the Implementation of the 2013 and 2015 Energy Agreements, achieved in 2022.

Based on the aforementioned agreements, the Company exercises founding rights in the company "Elektrosever" d.o.o. Severna Mitrovica, which is based on the territory of AP Kosovo and Metohija.

Through the "Elektrosever" d.o.o. Severna Mitrovica, and based on these agreements, the Company started supplying electricity to the population in four municipalities in the north of AP Kosovo and Metohija from 1 January 2024.

The main activity of the company will be the supply and distribution of electricity (such as electricity billing and collection, maintenance, connection and disconnection from the grid) to consumers in the municipalities of Severna Mitrovica, Zvečan, Leposavić and Zubin Potok.

In order to ensure the conditions for uninterrupted operation of the company and reliable electricity supply, on 19 March 2024, the Company's Shareholders' Assembly adopted Decision No. 12.01.238650/4-2024 on increase in its monetary investment in the capital of the subsidiary "Elektrosever" d.o.o. Severna Mitrovica, in the amount of EUR 23,000,000, which the Company will pay successively within six months from the date of its adoption.

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24 LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (continued)

Equity investments in other legal entities

Equity investments in other legal entities comprise, among other things, the following:

- Equity investments in the bankruptcy debtor "Fabrika automobila Priboj" a.d. in the amount of RSD 125,742 thousand (31 December 2023: RSD 125,742 thousand). In 2018, the Company's receivables were converted into capital of the bankrupt debtor "Fabrika automobila Priboj" a.d., based on the Prepacked Restructuring Plan of the Bankruptcy Debtor, which became legally binding on 25 October 2017. On 22 March 2018, the shares of "Fabrika automobila Priboj" a.d. were transferred in the Central Register of HoV to the Company's ownership account in the amount of RSD 261,910 thousand (261,910 shares with nominal par value of RSD 1,000).
- Equity investments in the company "Trayal corporation" a.d. Kruševac in the amount of RSD 329,151 thousand (31 December 2023: RSD 329,151 thousand) were acquired in 2019 through the conversion of the Company's receivables into the share capital of the company "Trayal corporation" a.d. Kruševac in accordance with the Prepacked Restructuring Plan (final PPRP Decision of the Commercial Court in Kraljevo No. 4. Reo.2/2017).
- Equity investments in the company "Simplo" a.d. Vranje in the amount of RSD 204,948 thousand (31 December 2023: RSD 585,568 thousand) were acquired through conversion of the Company's receivables into the share capital of "Simplo" a.d. Vranje in accordance with the Prepacked Restructuring Plan (final PPRP Decision Decision Posl. no. 10.St.8/2018). The conversion of a portion of the receivables in the amount of RSD 245,342 thousand was carried out in 2019, in the amount of RSD 340,226 thousand in 2020 and conversion in the amount of RSD 380,620 thousand in 2024.
- Equity investments in the company "Yumco" a.d. Vranje in the amount of RSD 804,810 thousand (31 December 2023: RSD 804,810 thousand). The commercial court in Leskovac issued Decision No. 04. Reo 1/2020 confirming the adoption of the PPRP. The aforementioned decision became legally binding on 26 May 2021. The Government of the RS adopted Conclusion 05 number: 023-8981/2021-1 dated 30 September 2021, with which it agreed that creditors, which include the Company, can convert their receivables as at the PPRP cut-off date until 26 May 2021, with accrued interest until the date of the RS Government's decision, being 30 September 2021. The Supervisory Board of the Company adopted Decision No. 12.01.208645/6-22 of 7 April 2022, with which it agreed to implement the Conclusion of the Government of the RS.
- The equity investment in the Joint Stock Company "Holding industrija kablova Jagodina" amounts to RSD 449,058 thousand (31 December 2023: RSD 447,819 thousand). The Commercial Court in Kragujevac issued Decision Posl. no. 1. Reo 6/2017 dated 22 February 2018, which confirms the adoption of the PPRP. The Decision became legally binding on 11 March 2019. The Government of the RS issued Conclusion 05 No. 023-7837/2017 dated 17 August 2017, which established the obligation for the Company to convert its receivables from A.D. "Holding industrija kablova Jagodina" with the balance as of 31 August 2016 into an equity investment in this company. The Supervisory Board of the Company adopted Decision No. 12.01.537296/31-17 dated 31 October 2017, with which it agreed to implement the Conclusion of the Government of the RS.
- Equity investments in the company Nodular d.o.o. in the amount of RSD 53,356 thousand. The Commercial Court in Belgrade issued Decision No. 16/19 on 23 December 2019 confirming the adoption of the PPRP. The Decision became legally binding on 6 April 2020. Based on the above, the Company converted its receivables from the company Nodular d.o.o. into an equity investment.
- The amount of RSD 283,551 thousand refers to equity investments based on the agreement on joint financing of the implementation of previous works on the HPP "Komarnica" project with the Electric Power Company of Montenegro in order to make a decision on the possible joint construction of a hydroelectric power plant, the implementation of which has been ongoing since 1992. The provisions of the contract regulate property relations so that the invested funds constitute the founding roles of the contracted parties, if both parties decide to continue joint activity on the construction of the hydroelectric power plant, or intangible assets, if both parties abandon the joint realization. The Company also concluded annexes to the agreement on joint financing of the implementation of the previous works of HPP "Komarnica" from 1992, namely: Annex No. 1 dated 13 August 2007, Annex No. 2 dated 13 July 2011, Annex No. 3 dated 5 February 2014 and Annex No. 4 dated 13 March 2017. On 3 June 2020, the stake in HE "Komarnica" was increased in the amount of EUR 13,132. Furthermore, on 5 December 2023 the investment in HE "Komarnica" was further increased by the amount of EUR 310,164.43.

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24 LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (continued)

Long-term domestic loans

Long-term loans reported as at 31 December 2024 in the amount of RSD 1,684,390 thousand (31 December 2023: RSD 1,861,908 thousand) relate in full to loans that the Company concluded with international financial institutions on behalf of former subsidiary "Elektrodistribucija Srbije" d.o.o., Beograd, for financing projects such as the purchase of equipment for reconstructing five 110/xkV/kV substations in Petrovac, Šabac, Gornji Milanovac, Lešnica and Aleksinac, with related services for the distribution network and for the project of emergency repairs due to floods. As disclosed in Note 1, as at 31 December 2020 the Company lost control over "Elektrodistribucija Srbije" d.o.o. through transfer of its ownership interest without contribution to the Republic of Serbia, whereby "Elektrodistribucija Srbije" d.o.o. does not dispute its liabilities toward the Company on the aforementioned basis.

Other long-term financial investments

Other long-term financial assets comprise, among other things, the following:

- Investments in water reservoir "Rovni" in the amount of RSD 637,205 thousand. The aforementioned investments relate to joint ventures in the public company Kolubara, Valjevo and on the basis of the construction of the body of the dam and the reservoir "Rovni", whose purpose is to supply water to the population and industry, flood protection in the surrounding municipalities, as well as for the needs of the Company. Based on the Decree of the Government of the Republic of Serbia on the establishment of the program for construction, reconstruction and maintenance of water facilities for 2006 ("Official Gazette of RS" no. 117 dated 30 December 2005), further works on the construction of the body of the dam and reservoir "Rovni" were envisaged during 2006, with the participation of the Government of the Republic of Serbia in the amount of 100%. The mentioned investment was made in order to ensure the necessary conditions for the operation of the Kolubara B TPP project. Due to significant changes in regulatory requirements, primarily relating to the recognition of originally pooled assets, the issue of ownership of water management assets and the like, the Company recognized impairment losses on the aforementioned basis in previous years.
- Collateral for transactions performed on the organized electricity market (SEEPEX) in the amount of RSD 514,451 thousand. As indicated in note 5 (c), the Company trades electricity at the stock exchange "SEEPEX", and as a trading participant is obliged to comply with the trading conditions issued by the European commodity clearing AG, which, among other things, require the depositing of collateral to ensure the fulfillment of obligations of all trading participants.
- The Company has receivables from employees in the amount of RSD 48,058 thousand (31 December 2023: RSD 101,969 thousand). The Decision of the Supervisory Board of the Company No. 12.01.-603121/32-2021 dated 1 December 2021, and the Decision on the Amendment of Decision No. 12.01.270924/12-23 dated 29 March 2023 enabled employees who lost court cases against the Company for compensation for damages due to less paid wages due to the calculation of the lower value of working hours and shift work, to settle their payables toward the Company, based on previously paid amounts, in 48 or 96 half-monthly installments.

Long term receivables

Rescheduled trade receivables

Rescheduled receivables from customers for electricity and services stated with the balance as of 31 December 2024, in the gross amount of RSD 1,210,096 thousand (31 December 2023: RSD 830,292 thousand), in the largest part in the amount of RSD 324,999 thousand (31 December 2023: 520,312 thousand dinars) refer to receivables from the City of Kragujevac, which, with the consent of the Founder, are regulated such that the amount of the debt is settled in ten consecutive annual annuities with a grace period until 29 February 2020, where during debt repayment interest shall be accrued on principal, which is the subject of the Agreement, in the amount of the NBS key policy rate. In addition, the reprogrammed receivables from customers also include receivables from the Municipality of Smederevska Palanka in the amount of RSD 505,010 thousand, which, with the consent of the Founder, are regulated such that the outstanding debt is settled in ten consecutive annual payments with a grace period until 30 June 2025, where during the debt repayment interest is calculated on the total amount of the principal debt outstanding, which is the subject of the Agreement, using the NBS key policy rate. Receivables from customers, which have been recognized in accordance with legally binding Prepacked Restructuring Plans (PPRP), amount to RSD 380,102 thousand.

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T R A N S L A T I O N

24 LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (continued)

Loans to employees

Loans to employees related to the sold apartments reported as at 31 December 2024 in the amount of RSD 142,027 thousand (31 December 2023: RSD 162,567 thousand) relate to the solidarity apartments purchased by the employees of the Company. These apartments were sold to employees for loans with a period of 20 to 40 years, with repayment through monthly installments that are adjusted by the corresponding indices of retail prices, up to a rate of growth of the average salary in the Republic of Serbia.

25 INVENTORIES AND FIXED ASSETS AVAILABLE FOR SALE

	In thousands of RSD	
	31 December 2024	31 December 2023
Materials	14,530,965	14,552,560
External purchase of coal	3,704,777	4,675,679
Less: Allowance for impairment of materials	(5,345,652)	(4,976,728)
	<u>12,890,090</u>	<u>14,251,512</u>
Spare parts	24,943,984	24,729,440
Tools and small fittings	1,457,149	1,261,787
Less: Allowance for impairment of spare parts, tools and fittings	(3,164,422)	(2,898,211)
	<u>23,236,711</u>	<u>23,093,016</u>
Total materials, spare parts, tools and supplies	<u>36,126,801</u>	<u>37,344,528</u>
Work in progress	3,631,770	544,243
Finished goods – coal	-	4,655,245
	<u>3,631,770</u>	<u>5,199,488</u>
	<u>39,758,571</u>	<u>42,544,016</u>
Goods	1,447	637
Less: Allowance for impairment of goods	-	(99)
	<u>1,447</u>	<u>538</u>
Fixed assets available for sale	<u>741,091</u>	<u>741,091</u>
	<u>741,091</u>	<u>741,091</u>
Advances paid for inventories and services - domestic:		
- advance payments to legal entities within the EPS Group (Note 41)	161,562	158,114
- other advances paid for inventory and services	4,018,890	4,329,288
Less: Allowance for impairment of advances given	(211,525)	(244,539)
	<u>3,968,927</u>	<u>4,242,863</u>
Advances paid for inventories and services - foreign entities:		
- advances given to related parties within the EPS Group (Note 41)	985,842	515,683
- other advances paid for inventory and services	1,196,817	169,449
Less: Allowance for impairment of advances given	-	(18,892)
	<u>2,182,659</u>	<u>666,240</u>
	<u>46,652,695</u>	<u>48,194,748</u>

Fixed assets available for sale, shown with the balance as of 31 December 2024, in the amount of RSD 741,091 thousand, refer to real-estate property for which the Company's Shareholders' Assembly made, a decision to sell on 8 November 2023, and the Government of the RS gave prior consent to Decision on the Sale of Real-estate by Decision 05 No. 464-12106/2023 dated 7 December 2023. The sold property includes construction land and a building under construction with a net book value of RSD 529,443 thousand and RSD 211,648 thousand, which form a business and energy complex in Block 20 in New Belgrade. The real-estate properties were sold through a public call for offers under terms set out in the Law on Public Property.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION

25 INVENTORIES AND FIXED ASSETS AVAILABLE FOR SALE (continued)

Other advances given for inventories and services in the country in the amount of RSD 4,018,890 thousand as of 31 December 2024 (31 December 2023: RSD 4,329,288 thousand) include advances given to JP Srbijagas in the amount of RSD 2,396,323 thousand (31 December 2023: RSD 3,426,399 thousand). The lower account balance in the reporting year compared to previous year is due to lower gas consumption due to reduced engagement of blocks for electricity production.

The advances given to legal entities within the EPS group in the amount of RSD 985,842 thousand as of 31 December 2024 (31 December 2023: 515,683 thousand dinars) are related to the advance given to the subsidiary EPS Trgovanje d.o.o., Ljubljana, based on the Agreement on the Purchase and Sale of Electricity and Cross-border Transmission Capacities concluded on 5 July 2022.

26 TRADE RECEIVABLES

	In thousands of RSD	
	31 December 2024	31 December 2023
Trade receivables - related parties within the EPS Group (Note 41):		
- domestic	11,761	14,981
- foreign	294,785	1,644,711
Less: Allowance for impairment of receivables from related parties within the EPS Group	(8,510)	(8,463)
	298,036	1,651,229
Trade receivables – Public Enterprise „Elektrokosmet“, Priština	21,128,234	19,694,346
Less: Allowance for impairment of receivables from Public Enterprise „Elektrokosmet“, Priština	(21,128,234)	(19,694,346)
	-	-
Trade receivables - domestic:		
- for supplied electricity - individuals	42,772,170	39,598,120
- for supplied electricity - legal entities	11,010,558	10,955,063
- for supplied electricity - entities under restructuring and in bankruptcy	12,521,407	12,977,296
- other entities under restructuring and in bankruptcy	1,267,740	1,267,740
- for supplied electricity - licensed customers	137,381	99,176
- for supplied electricity - customers on open electricity market	42,870,786	54,385,117
- A.D. Elektromreža Srbije, Beograd	3,530,858	2,109,916
- "Elektro distribucija Srbije" d.o.o., Beograd	7,697,888	7,557,206
- for delivered coal	2,169,703	2,396,550
- for delivered technological steam	308,823	311,648
- for delivered heat energy	871,919	1,010,558
- trade receivables for services	272,658	17,159
	125,431,891	132,685,549
Less: Allowance for impairment of trade receivables - domestic		
- for supplied electricity - individuals	(9,931,492)	(9,579,297)
- for supplied electricity - legal entities	(4,170,044)	(3,853,108)
- for supplied electricity - entities under restructuring and in bankruptcy	(12,483,531)	(12,942,041)
- other entities under restructuring and in bankruptcy	(1,267,740)	(1,267,740)
- for supplied electricity - licensed customers	(7,072)	(7,072)
- for supplied electricity - customers on open electricity market	(11,711,740)	(12,499,273)
- "Elektro distribucija Srbije" d.o.o., Beograd	-	(2,942,188)
- for delivered coal	(1,892,931)	(2,054,051)
- for delivered technological steam	(289,750)	(290,211)
- for delivered heat energy	(45,112)	(79,162)
- trade receivables for services	(5,231)	(5,974)
	(41,804,643)	(45,520,117)
Trade receivables - domestic, total	83,627,248	87,165,432
Trade receivables - foreign	5,117,695	4,853,715
Less: Allowance for impairment of receivables from foreign customers	(5,102,990)	(4,824,124)
	14,705	29,591
Other trade receivables	3,372,152	757,580
Less: Allowance for impairment of other trade receivables	(3,193,257)	(615,797)
	178,895	141,783
	84,118,884	88,988,035

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

NOTES TO THE FINANCIAL STATEMENTS
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T R A N S L A T I O N

26 TRADE RECEIVABLES (continued)

In accordance with the Conclusion of the Government of the Republic of Serbia, number 021-6624/2009-002 adopted at the Government session held on 30 November 2009, the Company uses its available production capacity in order to provide with electricity to the north of AP of Kosovo and Metohija. On the above basis, the receivables for delivered electricity to the Public entity "Elektrokosmet" Priština were recognized, in the amount of RSD 21,128,234 thousand (31 December 2023: RSD 19,694,346 thousand). At the same time, the unpaid amount is recognized as an expense by indirect write-off.

27 OTHER SHORT-TERM RECEIVABLES

	In thousands of RSD	
	31 December 2024	31 December 2023
Receivables from related parties within the EPS Group	-	11,952
Other receivables from specific operations	10,799	15,727
Receivables for Public Media service tax	5,689,504	5,491,277
Interest receivables:		
- legal entities within the EPS Group (Note 41)	109,720	71,277
- for supplied electricity (individuals)	4,303,173	2,221,899
- for supplied electricity (legal entities)	10,668,352	8,216,517
- for supplied electricity (entities under restructuring)	2,899,024	2,899,762
- other legal entities	776,967	885,933
Receivables from employees	1,752,416	1,243,596
Receivables from insurance for damages compensation	1,568	2,386
Receivables from points of sale	36,957	220,871
Receivables for refunded fees	175,266	201,083
Receivables for prepaid taxes and contributions	143,995	325,133
Other receivables from the state	526,493	547,607
Other receivables from legal entities within the EPS Group (Note 41)	4,407	9,790
Other receivables	919,489	1,035,529
Prepaid VAT	-	4,360,448
Receivables for overpaid income tax	4,001,327	-
	<u>32,019,457</u>	<u>27,760,787</u>
<i>Less: Allowance for impairment of other receivables</i>		
Other receivables from specific operations	(10,799)	(13,393)
Receivables for Public Media service tax	(962,177)	(872,166)
Interest receivables:		
- for supplied electricity (individuals)	(3,029,423)	(3,834,677)
- for supplied electricity (legal entities)	(4,396,254)	(2,899,762)
- for supplied electricity (entities under restructuring)	(2,914,206)	(885,933)
- other legal entities	(938,258)	(920,996)
Receivables from employees	(15,709)	(29,989)
Receivables for prepaid taxes and contributions	(63,937)	(63,936)
Other receivables from the state	(969)	(1,073)
Interest receivables and other receivables from related parties within the EPS Group	(112,737)	(74,256)
Other receivables	(294,341)	(686,425)
	<u>(12,738,810)</u>	<u>(10,282,606)</u>
	<u>19,280,647</u>	<u>17,478,181</u>

Receivables for Public Media service tax relate to the Company's receivables, as an electricity supplier, from end customers for the Public Media Service tax (Note 5). In accordance with regulatory requirement, all risks related to the collection of receivables for the Public Media Service tax from customers are borne by the Company. The Company has assessed the possibility of collecting these receivables, based on which a correction in the value of the receivables was recognized, which, as of 31 December 2024, amounts to RSD 962,177 thousand (2023: RSD 872,166 thousand).

NOTES TO THE FINANCIAL STATEMENTS
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T R A N S L A T I O N

27 OTHER SHORT-TERM RECEIVABLES (continued)

Receivables for overpaid taxes and contributions in the amount of RSD 143,995 thousand as of 31 December 2024 (2023: RSD 325,133 thousand), that in the largest part in the amount of RSD 67,108 thousand (2023: RSD 236,934 thousand) refer to receivables from the Environmental Protection Fund of the Republic of Serbia, for overpaid advance payments for 2022 and 2024 compared to the amount determined by the final calculation of the environmental protection fee, according to the administrative act of the competent authority, after the date of approval of the financial statements for the previous reporting period.

Prepaid value added tax as at 31 December 2024 in the amount of RSD 3,601,226 thousand (31 December 2023: RSD 4,360,448 thousand) refers to input tax that the Company used after balance sheet date to reduce its value added tax liabilities payable.

28 SHORT-TERM FINANCIAL INVESTMENTS

	In thousands of RSD	
	31 December 2024	31 December 2023
Short-term domestic loans and borrowings		-
Current maturities of graded long-term loans - domestic	260,511	341,719
Current maturities of long-term loans to entities within the EPS Group (Note 41)	269,021	269,021
Current maturities of other long-term financial investments in entities within the EPS Group (Note 41)	415,966	415,966
Current maturities of other long-term financial investments	278,796	278,611
<i>Less: Allowance for impairment of short-term loans and borrowings - domestic</i>	<u>(967,816)</u>	<u>(967,816)</u>
	<u>256,478</u>	<u>337,501</u>
Current maturities of rescheduled trade receivables - electricity	168,657	98,145
Current maturities of rescheduled receivables for coal, heat energy and technical steam and services	123	2,339
<i>Less: Allowance for impairment of other short-term financial investments</i>	<u>(167,733)</u>	<u>(98,079)</u>
	<u>1,047</u>	<u>2,405</u>
	<u>257,525</u>	<u>339,906</u>

Current maturities of other long-term financial placements given to legal entities within the EPS Group in the amount of RSD 415,966 thousand (31 December 2023: RSD 415,966 thousand), refer to receivables from the subsidiary "Kolubara - Građevinar" d.o.o., Lazarevac, which are reprogrammed in accordance with the Pre-packed Reorganization Plan (PPRP) dated 29 June 2017. In accordance with the aforementioned PPRP, the Company is classified in class "D" of creditors. For this class of creditors a 6 month grace period is specified, starting from the beginning date of implementation of the Prepacked Restructuring Plan.

The total repayment period (including the grace period) is 18 months, during which liabilities are settled in equal quarterly installments. The defined interest rate is 1% per annum. The Company performed an assessment of expected credit losses based on the aforementioned receivables from a subsidiary and as a result of the assessment, recognized an impairment loss in the amount of RSD 415,966 thousand in previous years.

Current maturities of loans granted to legal entities within the EPS Group in the amount of RSD 269,021 thousand (31 December 2023: RSD 269,021 thousand dinars) in their entirety relate to receivables from the subsidiary "Kolubara - Građevinar" d.o.o., Lazarevac based on a long-term loan. The loan was approved for a period of four years, including a grace period of up to one year, until 1 July 2020, with interest calculated at the National Bank of Serbia's key policy rate. As of 31 December 2024, the receivable for the aforementioned loan is matured and provisioned in full.

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T R A N S L A T I O N

29 CASH AND CASH EQUIVALENTS

	In thousands of RSD	
	31 December 2024	31 December 2023
Current accounts:		
- in dinars	24,736,281	27,934,052
- in foreign currency	1,563,507	4,633,968
	<u>26,299,788</u>	<u>32,568,020</u>
Deposits for securing letters of credit in dinars	52,743	-
Deposits for securing letters of credit in foreign currency	1,735,701	2,225,906
Cash in hand	24,493	24,944
Special purpose cash funds	-	20
Securities – cash and cash equivalents	2,303	1,880
Cash funds with restricted use or reduced value	239,026	244,626
<i>Less: Allowance for impairment of cash funds with restricted use or reduced value</i>	<u>(270,870)</u>	<u>(244,626)</u>
	<u>28,083,184</u>	<u>34,820,770</u>

Letters of credit deposits stated as at 31 December 2024 in the amount of RSD 1,735,701 thousand (31 December 2023: RSD 2,225,906 thousand) relate to the guarantee deposit for the settlement of obligations under letters of credit with the Bank of China a.d. Belgrade, as payment instruments for the Company's obligations stemming from the coal purchase agreement concluded with Shen Hua Hong Kong International Trading Limited, Hong Kong.

An impairment of the value of cash assets refers to cash assets deposited with banks in which bankruptcy proceedings have been initiated.

30 SHORT-TERM PREPAYMENTS AND DEFERRED EXPENSES

	In thousands of RSD	
	31 December 2024	31 December 2023
Prepaid expenses	-	26,404
Deferred expenses	1,493,155	1,238,400
Other prepayments and deferred expenses to related parties within the EPS Group (Note 41)	3,142	3,313
Other prepayments and deferred expenses	<u>1,563,546</u>	<u>2,098,895</u>
	<u>3,059,843</u>	<u>3,367,012</u>

Deferred expenses shown with the balance as of 31 December 2024 in the amount of RSD 1,493,155 thousand (31 December 2023: RSD 1,238,400 thousand) mostly, in the amount of RSD 1,381,417 thousand (31 December 2023: RSD 1,238,400 thousand), refer to the costs of property insurance and employee insurance for the following period after balance sheet date.

Other prepayments and deferred expenses as at 31 December 2023 in the amount of RSD 2,098,895 thousand, include the amount of RSD 794,194 thousand, which refers to credit notes issued to the legal entity "Elektrodistribucija Srbije" d.o.o., Belgrade, during January and February 2024, based on invoiced electricity for compensation of losses in the distribution system for the billing period of December 2023. The remaining amount of other prepayment and deferred expenses relate to the calculated value added tax where the Company is the tax debtor, which was paid in the period after balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

31 EQUITY

Core capital

On 6 April 2023, the Government of the Republic of Serbia adopted Decision no. 023-1457/2023 on the change of the Company's legal form from a public company to a joint-stock company under the full business name of Akcionarsko društvo "Elektroprivreda Srbije", Beograd, which will continue to perform the public company's activities in the same way as before the change of legal form.

In accordance with the aforementioned decision, the total share capital of the Company is converted into 36,510,509 common shares with voting rights, with a nominal value of RSD 10,000 each, so that the Republic of Serbia acquires all 100 percent of the shares of the joint-stock company with a total value of RSD 365,105,090 thousand.

By the Business Registers Agency's decision number BD 36389/2023 dated 13 April 2023, the change of data on the legal form as well as the change of the Company's business name to Akcionarsko društvo "Elektroprivreda Srbije", Beograd was registered. The Company as a joint-stock company takes over the assets, rights, obligations and employees of the public company on that same date.

The Company's core capital as at 31 December 2024 consisted of a single stake held by the Republic of Serbia as its sole member, with a 100% ownership interest.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

31 EQUITY (continued)

Movements in equity

Movements in equity during 2024 and 2023 are presented in the table below:

	In thousands of RSD					
	Core capital	Revaluation reserves	Actuarial gains/(losses)	Gains/(losses) on available-for-sale securities	Accumulated losses	Total
Balance as at 31 December 2022	360,895,339	443,688,604	(1,710,629)	(415,225)	(278,545,943)	523,912,146
Effects of change in fair value of financial instruments	-	-	-	(1,367)	-	(1,367)
Disposal of fixed assets	-	(2,250,273)	-	-	595,285	(1,654,988)
Actuarial losses, provisions for employee benefits for retirement pay (Note 32)	-	-	(2,621,870)	-	-	(2,621,870)
Handover of assets to the Republic of Serbia based on Conclusion of the Government of RS (Note 23)	-	(18,646)	-	-	(45,852)	(64,498)
Other estimates	4,209,751	-	-	-	(4,209,751)	-
Current year profit	-	-	-	-	112,446,838	112,446,838
Balance as at 31 December 2023	365,105,090	441,419,685	(4,332,499)	(416,592)	(169,759,423)	632,016,261
Effects of change in fair value of financial instruments	-	-	-	1,999	-	1,999
Disposal of fixed assets	-	(1,446,816)	-	-	953,063	(493,753)
Impairment for Panonske TE-TO (Note 4 and 23)	-	(7,528,562)	-	-	-	(7,528,562)
Actuarial losses, provisions for employee benefits for retirement pay (Note 32)	-	-	(1,497,605)	-	-	(1,497,605)
Reversal of actuarial losses	-	-	709,010	-	(709,010)	-
Handover to the Republic of Serbia (without compensation) of equity investment in "Elektro distribucija Srbije" d.o.o., Beograd (Note 23)	-	(931,725)	-	-	(602,369)	(1,534,094)
Current year profit	-	-	-	-	24,431,104	24,431,104
Balance as at 31 December 2024	365,105,090	431,512,582	(5,121,094)	(414,593)	(145,686,635)	645,395,350

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

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31 December 2024

T R A N S L A T I O N

31 EQUITY (continued)

Movements in equity (continued)

In 2023, in accordance with the Government's Decision dated 6 October 2022, number: 464-7835/2022, the Company transferred to the ownership of the Republic of Serbia immovable properties which, as part of the network, are intended for the performance of electricity transmission activities in the distribution plant at the Vrla 2 Hydroelectric Power Plant, with a total value of RSD 64,498 thousand, of which the amount of RSD 1,669 thousand refers to land, and RSD 62,829 thousand to equipment (Note 15). This transfer was charged to revaluation reserves and accumulated losses.

During 2024 the Company transferred to Elektro distribucija Srbije d.o.o., Beograd, real-estate property in the total amount of RSD 1,534,094 thousand, in accordance with the Agreement on Transfer of Ownership Rights Without Compensation, dated 31 October 2024 (Note 23).

32 LONG-TERM PROVISIONS

	In thousands of RSD	
	31 December 2024	31 December 2023
Long-term provisions for employee benefits for retirement pay and jubilee awards	26,986,709	18,669,078
Long-term provisions for court cases	2,595,539	2,463,834
Long-term provisions for renewal of natural resources	20,664,318	18,818,762
Other long-term provisions	24	24
	50,246,590	39,951,698

Long-term provisions for employee benefits

Long-term provisions for employee benefits as at 31 December 2024 in the amount of RSD 26,986,709 thousand (31 December 2023: RSD 18,669,078 thousand) relate to provisions for employee benefits for retirement pay and for jubilee awards for 10, 20, 30, 35 and 40 years of continuous services with the Company and are recognized using the projected credit unit method. When determining the present value of future expected payments, a discount rate ranging from 3.85% to 6.41% was used (2023: from 3.11% to 6.94%), with the assumption that the annual fluctuation rate ranges from 0.07% to 2.52% (2023: from 0.06% to 2.56%), while the salary growth rate is 6.3228% (2023: 5.6912%). Mortality tables published by the Republic of Serbia Statistical Office were used to calculate the present value of future expected payments. Any difference, as a result of the remeasurement of the current value of the obligation for retirement pay, and due to changes in actuarial assumptions and experiential projections, in 2024 was recognized as a separate item of equity within other comprehensive income in the amount of RSD 1,497,605 thousand (2023: RSD 2,621,870 thousand), and the difference, which is not a consequence of changes in actuarial assumptions and empirical projections, is recognized in the income statement.

The increase in provisions for employee benefits and compensation is a result of the Company's new Collective Agreement. On 5 August 2024, the Company signed a new Collective Agreement stipulating that, as of 1 January 2025, employees are entitled to severance pay upon retirement in the amount of six monthly salaries (compared to three salaries until 31 December 2024), based on the salary earned in the month preceding the month in which the severance is paid, or six average salaries (previously three), paid by the employer, whichever is more favorable to the employee.

The change of key actuarial assumptions for 1% as at the reporting date under the assumption that all other calculation parameters are constant, would have the following effects on calculated present value of retirement benefits:

	31 December 2024	
<i>In RSD 000</i>	(+)	(-)
Discount rate (1pp movement)	(1,099,947)	1,281,716
Fluctuation rate (1pp movement)	(1,175,605)	1,356,370
Salary growth rate (1pp movement)	1,266,616	(1,107,575)

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TRANSLATION**32 LONG-TERM PROVISIONS (continued)**

The effect of these changes for calculated present value of jubilee awards are as follows:

<i>In RSD 000</i>	31 December 2024	
	(+)	(-)
Discount rate (1pp movement)	(914,366)	1,046,877
Fluctuation rate (1pp movement)	(977,042)	1,106,228
Salary growth rate (1pp movement)	1,034,110	(920,352)

Long-term provisions for court cases

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

Long-term provisions for renewal of natural resources

Long-term provisions for the costs of renewal of natural resources primarily relate, in the amount of RSD 17,442,379 thousand (31 December 2023: RSD 15,708,975 thousand) to provisions for final recultivation of land on which slag and ash landfills are located for thermal power plants of Kostolac, Kolubara, Morava, Nikola Tesla A and Nikola Tesla B. In determining the present value of expected future payments a discount rate was used in the range from 5.01% to 6.36%, with the estimated useful life of the landfill of 2 to 19 years. A change in key assumptions, provided that other parameters remained unchanged, would have the following effects on the present value of future expected payments: if the discount rate were increased by 1%, the amount of provision would be reduced by RSD 1,080,214 thousand (in the case of a decrease of 1%, the amount of the provision would be increased by RSD 1,225,983 thousand). If the lifetime of the landfill were extended by one year, the provision amount would decrease by RSD 340,820 thousand (in the case of a reduction in the lifetime of the landfill, the provision amount would increase by RSD 311,034 thousand). If the costs of future expected payments for each of the landfills were to increase by RSD 100,000 thousand, the amount of the provision would increase by 1,657,999 thousand dinars (in the case of a decrease of 100,000 thousand dinars, the amount of the provision would decrease by RSD 1,657,999 thousand).

The regulation on disposal of waste in landfills, adopted on the basis of the Law on Waste Management, among other things, prescribes the manner and procedures of landfill closure, as well as subsequent maintenance after landfill closure. According to the aforementioned Regulation, the area of the landfill or one of its parts is closed when the conditions specified in the permit and the main project for the closure of the entire landfill or one of its parts are met. Landfills are covered and protective layers are applied in accordance with the procedures and mode of operation of the landfill. After the landfill is closed, maintenance, protection, control and monitoring of the closed landfill are ensured, in accordance with the Regulation. As part of the regular production process, the Company manages slag and ash landfills that are generated during production from the burning of coal in the Kostolac, Kolubara, Morava, Nikola Tesla A and Nikola Tesla B thermal power plants. Landfills are of different capacity, age, technical solution and with different remaining useful lives.

Long-term provisions for the costs of renewal of natural resources relate, in the remaining amount of RSD 3,221,939 thousand (31 December 2023: RSD 3,109,787 thousand) to provisions for final recultivation of land on which open-pit mines "Drmno" for thermal power plants of Kostolac, and open-pit mines "Polje C", "Polje G", and "Polje E" in RB Kolubara. In determining the present value of expected future payments a discount rate was used in the range from 2.07% to 6.39%, with the estimated useful life of open-pit mines of 6 to 26 years. A change in key assumptions, provided that other parameters remained unchanged, would have the following effects on the present value of future expected payments: if the discount rate were increased by 1%, the amount of provision would be reduced by RSD 116,043 thousand (in the case of a decrease of 1%, the amount of the provision would be increased by RSD 144,439 thousand). If the lifetime of open-pit mines were extended by one year, the provision amount would decrease by RSD 28,400 thousand (in the case of a reduction in the lifetime of open-pit mines, the provision amount would increase by RSD 29,659 thousand). If the costs of future expected payments for each of open-pit mines were to increase by RSD 100,000 thousand, the amount of the provision would increase by 256,902 thousand dinars (in the case of a decrease of 100,000 thousand dinars, the amount of the provision would decrease by RSD 256,902 thousand).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION**32 LONG TERM PROVISIONS (continued)**

Movements in long-term provisions in 2024 and 2023 are presented in the table below:

	In thousands of RSD				
	Provisions for employee benefits for retirement pay and jubilee awards	Provisions for court cases	Provisions for renewal of natural resources	Other long-term provisions	Total
Balance as at 1 January 2023	12,396,184	2,939,490	21,587,246	24	36,922,944
New provisions charged to income statement (note 14)	5,621,148	24,578	1,245,728	-	6,891,454
New provisions reported under other comprehensive income (Note 31)	2,621,870	-	-	-	2,621,870
Derecognition of provisions credited to fixed assets (Note 23)	-	-	(3,205,046)	-	(3,205,046)
Used provisions	(1,970,124)	(290,550)	(41,011)	-	(2,301,685)
Reversal of provisions (Note 20)	-	(209,684)	(768,155)	-	(977,839)
Balance as at 31 December 2023	18,669,078	2,463,834	18,818,762	24	39,951,698
New provisions charged to income statement (Notes 14 and 17)	8,539,191	643,871	180,425	-	9,363,487
New provisions reported under other comprehensive income (Note 31)	1,497,605	-	-	-	1,497,605
Increase in provisions credited to fixed assets (Note 23)	-	-	1,008,218	-	1,008,218
Used provisions	(1,719,165)	(297,059)	(69,854)	-	(2,086,078)
Reversal of provisions (Note 20)	-	(215,107)	(74,554)	-	(289,661)
Effects of movements in provisions due to elapsed time	-	-	801,321	-	801,321
Balance as at 31 December 2024	26,986,709	2,595,539	20,664,318	24	50,246,590

The changes in the present value of calculated retirement benefits and jubilee awards in 2024 and 2023 are presented in the table below:

	In thousands of RSD		
	Retirement benefits	Jubilee anniversary awards	Total
Balance as at 1 January 2023	4,084,978	8,311,206	12,396,184
<i>Included in profit or loss:</i>			
Interest costs (note 14)	200,096	380,398	580,494
Current service costs (note 14)	237,247	538,974	776,221
Actuarial losses (note 14)	-	4,264,433	4,264,433
<i>Included in other comprehensive income:</i>			
Actuarial losses (note 31)	2,621,870	-	2,621,870
Payments to employees	(508,932)	(1,461,192)	(1,970,124)
Balance at 31 December 2023	6,635,259	12,033,819	18,669,078
<i>Included in profit or loss:</i>			
Interest costs (note 14)	350,457	36,956	387,413
Current service costs (note 14)	372,469	367,505	739,974
Past service costs (note 14)	5,780,493	-	5,780,493
Actuarial losses (note 14)	-	1,631,311	1,631,311
<i>Included in other comprehensive income:</i>			
Actuarial losses (note 31)	1,497,605	-	1,497,605
Payments to employees	(335,367)	(1,383,798)	(1,719,165)
Balance as at 31 December 2024	14,300,916	12,685,793	26,986,709

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31 December 2024

T R A N S L A T I O N

33 LONG-TERM LIABILITIES

	In thousands of RSD	
	31 December 2024	31 December 2023
Liabilities convertible into equity	80,500	80,500
Liabilities for long-term domestic loans and borrowings in dinars and foreign currency	32,131,528	44,596,674
Less: <i>Current maturities of long-term domestic loans and borrowings in dinars and foreign currency</i>	(8,960,762)	(19,275,154)
	23,170,766	25,321,520
Liabilities for long-term loans and borrowings - foreign	162,472,217	131,243,657
Less: <i>Current maturities of long-term foreign loans</i>	(27,849,841)	(21,714,769)
	134,622,376	109,528,888
Lease liabilities	10,523	15,957
Less: <i>Current portion of lease liabilities</i>	(6,549)	(7,438)
	3,974	8,519
	157,877,616	134,939,427

I Refinanced loans realized prior to 1990 from the funds of:

1. Paris Club of Creditors

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

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

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

As of March 2024, obligations toward the Paris Club of Creditors, except for Russia, have been repaid in full. The Company will continue to repay the remaining outstanding debt in semi-annual installments until March 2034.

2. London Club of Creditors

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION

33 LONG-TERM LIABILITIES (continued)

*I Refinanced loans realized prior to 1990 (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 installments in the period from 15 June 2005 to 15 December 2031 and carries a variable interest rate. On 17 May 2006, the Company entered into an agreement on rescheduled liabilities with the Deposit Insurance Agency governing the Company's liabilities to the Republic of Serbia arising from the rescheduled loans from the aforementioned creditor.

*II Loans from foreign governments***1. Borrowings from the government of the Republic of Poland**

The loan 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 loan administrator is the OTP banka a.d. Novi Sad (the legal successor of Vojvođanska banka a.d. Novi Sad). The loan is being repaid in semi-annual installments starting from 2005 up to June 2024, when it was repaid in full. Interest is accrued semi-annually by applying the annual rate of 0.75%.

2. Loan from the Japanese Government through Japanese International Cooperation Agency (JICA)

The Government of Japan through the Japan International Cooperation Agency (JICA) is financing the project of flue gas desulphurization plant construction at "Nikola Tesla" Thermal Power Plant. The loan of JPY 28,252 billion was agreed on 24 November 2011 for a period of 15 years (the repayment period is 10 years, after expiry of the 5 year grace period). Utilization period of loan funds is 10 years after the Loan Agreement goes into effect, with possibility of extension. Based on the Loan Agreement, dated 31 May 2022, the creditor, at the request of the Company, extended the loan period until 1 April 2024.

The interest rate is 0.60% per annum for Principal I, except for the part of the loan used to pay for consulting services – Principal II, for which the interest rate is 0.01% per annum. The cost of committed, unused loan funds (*commitment fee*), which amounts to 0.10% per annum, as well as the costs of interest for Principal I and interest for Principal II, were capitalized and paid from loan funds, until 20 December 2023, after which they are paid from the Company's own funds. Maturity dates are 20 May and 20 November, whereby the repayment of the principal, according to the amortization plan in Appendix 3 and Annex 1 of the Loan Agreement, commences on 20 November 2016 and completes on 20 November 2026.

3. Loans 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, 2 following Agreements have been concluded:

- Loan 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. The loan was agreed in the amount of USD 293 million, for a period of 180 months, including grace period of 60 months. Loan funds were withdrawn during the grace period, with the possibility of extending the drawdown period. With the consent of EXIM Bank, as of 31 May 2017, the drawdown period was extended to 31 December 2018. After the expiration of the drawdown period, and in accordance with Article 3.3 of the Loan Agreement, part of the loan in the amount of USD 6.361 million was automatically cancelled. The installments mature for repayment semi-annually, on 21 January and 21 July each calendar year. The amount of the withdrawn loan until 4 June 2017, is repaid in 20 equal consecutive half-yearly installments in the period from 21 July 2017 to 21 January 2027. The amount of the loan withdrawn between 5 June 2017, and 31 December 2018, is repaid in 17 equal consecutive semi-annual installments, from 21 January 2019 to 21 January 2027. The agreed interest rate is fixed (3.00% annually), with a one-off loan origination fee (1.00% of the agreed loan amount) and the cost of financing (0.75% annually).

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T R A N S L A T I O N

33 LONG-TERM LIABILITIES (continued)

II Loans from foreign governments (continued)

- Loan 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. The loan 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 was 25 May 2022, with possibility of extension. At the borrower's request, the creditor approved the extension of the drawdown period until 31 December 2023, and then until 30 April 2024. The installments mature for repayment semi-annually, on 21 January and 21 July each calendar year. Loan principal is repaid in the period from 21 July 2022 to 21 January 2035, with an interest rate of 2.50% per annum, a one-time loan processing fee of 0.25% of the contracted value and a commission on the undrawn part of the loan of 0.25% per annum. After the extension of the drawdown period until 31 December 2023 and the repayment of 3 equal principal installments in the total amount of USD 33,343,915.23, the balance up to the contracted USD 574,916,084.77 is to be repaid in 23 equal installments, starting from 21 January 2024 to 21 January 2035, where the last installment to be determined, fixed, with the last loan payment. In 2024 the availability of loan funds for drawdown was extended to 30 April and subsequently, to 31 December 2024 as the final date for drawdown of funds.

III Loans from International Financial Organizations

1. European Bank for Reconstruction and Development (EBRD) loans

Financial agreements were concluded with the European Bank for Reconstruction and Development (EBRD) in period from 2015 to 2024 for the following amounts:

- EUR 200 million was agreed on 30 October 2015. Loan duration is 15 years, including grace period of 18 years. The final date for loan drawdown is to be determined as the date upon expiry of one year from the date when the loan funds are made available. Drawdown of funds occurred in full on 18 January 2016. Principal repayment began on 15 June 2017, in 27 equal semi-annual installments, and will end on 17 June 2030. The interest rate agreed is variable and corresponds the sum of EURIBOR and 1.00% annual mark-up. Commission for unused portion of the loan amounts to 0.50% annually. The management fee amounts to 1.00% of the total loan amount, and is paid once out of the Borrowers funds. The Company used loan funds for early repayment of loans from commercial banks.
- EUR 300 million was agreed on 15 March 2023. The contract went into effect on 12 June 2023. The loan consists of 2 tranches, the first tranche - 200 million euros, the second tranche - 100 million euros. The minimum withdrawal amount is 20 million euros. The loan is available for drawdown until 5 September 2024. As of May 2024 drawdown of loan funds occurred in full. Principal is repaid in semi-annual installments starting from 8/20/2024 and is to be completed by 2/21/2028. The interest rate agreed is variable and corresponds the sum of 6M EURIBOR and 1.00% annual mark-up. Commission for unused portion of the loan amounts to 0.50% annually. The management fee amounts to 1.00% of the total loan amount and is paid once out of the Borrowers funds.
- EUR 67 million with additional 15.432 million of non-repayable funds was agreed on 22 November 2024. The drawdown percentages are 79.65% from loan and 20.35% from donation facilities. The minimum drawdown amount, except for the last one, is EUR 150,000.00. Loan facilities are available for 5 years as of execution of the Loan Agreement. Principal is repaid in 22 equal semi-annual installments starting from 30 April 2029 and is to be completed by 30 October 2039. The interest rate agreed is variable and corresponds the sum of 6M EURIBOR and 1.00% annual mark-up. Commission for unused portion of the loan amounts to 0.50% annually. The management fee amounts to 1.00% of the total loan amount and is paid once out of the loan funds 60 days from execution of loan agreement. The loan agreement did not go into effect until 31 December 2024.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION

33 LONG-TERM LIABILITIES (continued)

III Loans from International Financial Organizations (continued)

2. KfW loans

With the German financial organization KfW financial agreements were executed in the period from 2010 through 2024 as follows:

- EUR 70 million was agreed on 29 October 2010. As the final deadline for the use of borrowed funds is set 31 December 2015 with the option of deadline extension. The said deadline was extended several times. The Bank approved 30 August 2024 as the last date for availability of loan facilities. Undrawn loan funds until the drawdown deadline amount to EUR 766,033.32, were canceled on 30 June 2024. According to the provisions of the Loan Agreement, the principal repayment should have commenced on 30 December 2015 in 20 equal semi-annual installments. According to Amendment I to the Loan Agreement loan principal repayment terms have been changed such that principal is to be repaid in 14 semi-annual installments starting on 30 December 2018. A fixed interest rate has been agreed and is to be determined by KfW annually two days before the disbursement for each portion of the loan received based on the expenses incurred by KfW on the EUR capital market under terms that best correspond to the fixed interest rate period decreased by 0.50% mark-up annually, given that the rate calculated in this manner cannot be below 1.00% annually. After each payment, KfW consolidates these rates into a uniform rate for the total loan. Commission for unused portion of the loan amounts to 0.25% annually, with the Company being freed from this expense in 2014. The management fee amounts to 1.00% of the total loan amount, and is paid once out of the Borrower's own funds.
- EUR 65 million (with additional EUR 9 million of non-repayable funds) was agreed on 12 October 2012. As the final date for drawdown of loan funds was set 30 December 2015, which has been extended to 30 June 2020. Undrawn loan funds after the drawdown deadline in the amount of EUR 51.60 million were canceled with the creditor's consent. According to the provisions of the Loan Agreement, the principal repayment commenced on 30 December 2015 in 19 equal semi-annual installments, where in the event of extension of date for utilization of loan funds, repayment would commence 3 years later, on 30 December 2018, in 13 semi-annual installments. 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 loan received based on the expenses incurred by KfW on the EUR capital market under terms that best correspond to the fixed interest rate period increased by 0.40% for the portion of the loan of EUR 25 million, and by 1.15% for the portion of the loan of EUR 40 million. After each payment, KfW consolidates these rates into a uniform rate for the total borrowing amount, which is fixed to the end of the repayment period. Commission for unused portion of the loan amounts to 0.25% annually. The management fee amounts to 1.00% of the total loan amount, and is paid once out of the Borrower's own funds.
- EUR 80 million (with an additional EUR 1 million in grants) on 29 November 2017, and then on 29 June 2022, an additional EUR 790,000.00 in grants. In December 2023, the Donation Agreement was concluded with the WBIF for a donation of up to EUR 30 million, with a drawdown deadline until June 2025. The originally agreed deadline for loan and grant funds (30 December 2021) was extended to 30 December 2024. Also, the repayment of the principal, which is realized in 23 equal half-yearly installments, from the originally agreed repayment period of 30 December 2021 to 30 December 2032, was moved by two years, where the first loan installment was repaid in 2021 and the other 22 installments will be repaid starting from 30 June 2024 until 30 December 2034. A fixed interest rate has been agreed and amounts to 0.85% annually. Commission for unused portion of the loan amounts to 0.25% annually, with the Company being freed from this expense in the period from 30 March 2019 to 30 June 2019. The management fee amounts to 0.75% of the total loan amount, and is paid once out of the Company's own funds.
- EUR 100 million was agreed on 30 June 2023. The contract is effective starting 4 November 2023. The minimum withdrawal amount is EUR 20 million, except for the last drawdown amount. The deadline for drawdown of loan facilities was 30 September 2024 and the loan amount was drawn in full. Principal repayment is in 15 equal semi-annual installments, starting from 15 March 2026 until 15 March 2033. A fixed interest rate is agreed for each payment, the Swap Rate, published on the Reuters website or Bloomberg's "ICAPEURO" or "ICAE", plus a 0.65% mark-up. Commission for undrawn loan funds amounts to 0.25%. The management fee amounts to 0.50% of the total loan amount, and is paid once on 4 December 2023 out of the Company's own funds.

NOTES TO THE FINANCIAL STATEMENTS
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T R A N S L A T I O N

33 LONG-TERM LIABILITIES (continued)

III Loans from International Financial Organizations (continued)

- EUR 30 million on 27 September 2024. After drawdown of WBIF donation facilities agreed in December 2023 in the amount of EUR 30 million, loan facilities drawdown will commence in June 2025 up to 30 April 2026. Principal repayment is in 21 equal semi-annual installments, starting from 15 November 2029 until 15 November 2039. A fixed interest rate has been agreed in the amount of 3.15% per annum. Commission for undrawn loan funds amounts to 0.25%. The management fee amounts to 0.50% of the total loan amount and is paid once out of the Company's own funds. The loan agreement did not go into effect until 31 December 2024.

3 CDP, Cassa Depositi e Prestiti S.p.A. loan

- EUR 100 million, agreed on 23 May 2024. The contract went into effect on 3 October 2024. The loan consists of 2 tranches, the first tranche - 70 million euros, the second tranche - 30 million euros. The minimum withdrawal amount is 20 million euros. The loan is available for drawdown until 3 October 2025. As of December 2024 drawdown of loan funds occurred in full. Principal is repaid in 8 equal semi-annual installments starting from 30 December 2025 and is to be completed by 30 June 2029. The interest rate agreed is variable and corresponds the sum of 6M EURIBOR and 1.00% annual mark-up. Commission for unused portion of the loan amounts to 0.50% annually. The management fee amounts to 1.00% of the total loan amount and is paid once out of the Borrowers funds.

4. European Investment Bank (EIB) loan

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

- A loan of EUR 22 million was extended to the Company for financing the project of managing the electric power system of Serbia and Montenegro, concluded between Serbia and Montenegro and the European Investment Bank on 30 October 2003. The loan was fully drawn in 10 tranches in the period until 31 December 2008. The loan is repaid in semi-annual installments, partly maturing on 25 May and 25 November, and in part these installments fall due on 9 June and 9 December in the period from 2010 through 2027. The first instalment was due on 25 November 2010 and the last installment 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.

5. World Bank (WB) loans

• International Development Association (IDA)

Pursuant to the Agreement on a Development Loan (Serbia and Montenegro Component of the Program of Energy Community of South East Europe – Serbia Project - ECSEE) date on 8 September 2005 between the State Union of Serbia and Montenegro on one side and the International Development Association on the other, in the amount of SDR 13.9 million and a Loan Sub-agreement signed between the Republic of Serbia and the State Union of Serbia and Montenegro and the Loan Sub-agreement concluded between the Republic of Serbia and this Company, the Company can use the loan funds of SDR 12.24 million. Funds were drawn down up to 30 June 2012, with the exception that the amount of SDR 441,151.20 was cancelled. The loan is to be repaid in installments maturing on 15 March and 15 September in the period from 2015 to 2025. The loan was agreed interest-free. 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 0.50% annually.

33 LONG-TERM LIABILITIES (continued)**III Loans from International Financial Organizations (continued)**

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

Based on Borrowing Agreement (Project of urgent recovery from floods) concluded on 9 October 2014, between the Republic of Serbia, as the Borrower, and the IBRD, as the Creditor, in amount of EUR 227.48 million, the Republic of Serbia has agreed on 19 February 2015 in the Loan Subagreement, to transfer to the Company rights to use a portion of the loan funds, in the amount of EUR 157.11 million. Through amendment of the loan sub-agreement on 4 October 2017, the loan amount transferred by the Republic of Serbia to the Company was reduced to EUR 139.74 million, and then on 5 October, the Republic of Serbia canceled part of the loan in the amount of EUR 3.2 million. After expiry of the deadline for drawdown of loan funds, being 31 October 2019, on 10 March 2020, the Company returned to the creditor the previously withdrawn, unused amount of the loan of EUR 364.8 thousand, with the total loan amount repayable as at 31 December 2022 being EUR 135,037,339.22. The loan period is 30 years, including a 9 year grace period. The loan is repaid in 42 sequential semi-annual installments, on 1 May and 1 November starting from November 2023 until May 2044. Interest rate is the sum of 6M EURIBOR and variable mark-up which currently amounts to 0.93% annually. Commission for unused loan funds amounts to 0.25% annually, and is calculated on the amount of unused loan funds.

IV Euro denominated loans from commercial banks**Project financing loans****1 Komercijalna banka a.d. Beograd**

EUR 15 million was agreed on 12 December 2019. Loan funds were withdrawn in full on 17 November 2020. The loan repayment period is within 10 years, including a 4 year grace period. Principal repayment is in 12 equal consecutive semi-annual installments, with the first principal installment due on 15 October 2023, and the last one due on 15 April 2029. Payment dates are 15 April and 15 October. The loan interest rate agreed is variable and corresponds to the sum of 6M EURIBOR and 1.95% annual mark-up. The actual value of 6M EURIBOR is used (no agreed floor) as the value of the 6M EURIBOR rate. Commission for unused portion of the loan amounts to 0.25% annually. A one-time commission for organizing the transaction (management fee) has not been contracted.

2 Banca Intesa a.d. Beograd

- EUR 45 million was agreed on 9 December 2019. Loan funds were withdrawn in full on 14 November 2022. The loan repayment period is within 10 years, including a 4 year grace period. Principal repayment is in 12 equal consecutive semi-annual installments, with the first principal installment due on 15 October 2023, and the last one due on 15 April 2029. Payment dates are 15 April and 15 October. The loan interest rate agreed is variable and corresponds to the sum of 6M EURIBOR and 3.50% annual mark-up. The actual value of 6M EURIBOR is used (no agreed floor) as the value of the 6M EURIBOR rate. Commission for unused loan funds amounts to 0.25% annually, and is calculated from 1 January 2020. A one-time commission for organizing the transaction (management fee) has not been contracted.
- EUR 30 million was agreed on 9 December 2019. Loan funds were withdrawn in full on 13 March 2023. The loan repayment period is within 10 years, including a 4 year grace period. Principal repayment is in 12 equal consecutive semi-annual installments, with the first principal installment due on 15 October 2023, and the last one due on 15 April 2029. Payment dates are 15 April and 15 October. The loan interest rate agreed is variable and corresponds to the sum of 6M EURIBOR and 3.75% annual mark-up. The actual value of 6M EURIBOR is used (no agreed floor) as the value of the 6M EURIBOR rate. Commission for unused loan funds amounts to 0.25% annually, and is calculated from 1 January 2020. A one-time commission for organizing the transaction (management fee) has not been contracted.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

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33 LONG-TERM LIABILITIES (continued)

IV Euro denominated loans from commercial banks (continued)

3 OTP banka (former Vojvođanska banka a.d. Novi Sad)

EUR 30 million was agreed on 6 December 2019. The is administered by OTP banka a.d. Novi Sad (the legal successor of Vojvođanska banka a.d. Novi Sad). Loan funds drawdown period is from 1 January 2020 until 31 December 2023. The loan repayment period is within 10 years, including a 4 year grace period. Principal repayment is in 12 equal consecutive semi-annual installments, with the first principal installment due on 15 October 2023, and the last one due on 15 April 2029. Payment dates are 15 April and 15 October. The loan interest rate agreed is variable and corresponds to the sum of 6M EURIBOR and 3.75% annual mark-up. The actual value of 6M EURIBOR is used (no agreed floor) as the value of the 6M EURIBOR rate. Commission for unused loan funds amounts to 0.25% annually, and is calculated from 1 January 2020. A one-time commission for organizing the transaction (management fee) has not been contracted.

4 OTP banka

EUR 15 million was agreed on 10 December 2019. Loan funds drawdown period is from 1 January 2020 until 31 December 2023. The loan repayment period is within 10 years, including a 4 year grace period. Principal repayment is in 12 equal consecutive semi-annual installments, with the first principal installment due on 15 October 2023, and the last one due on 15 April 2029. Payment dates are 15 April and 15 October. The loan interest rate agreed is variable and corresponds to the sum of 6M EURIBOR and 3.75% annual mark-up. The actual value of 6M EURIBOR is used (no agreed floor) as the value of the 6M EURIBOR rate. Commission for unused loan funds amounts to 0.25% annually, and is calculated from 1 January 2020. A one-time commission for organizing the transaction (management fee) has not been contracted.

5 Loans for working capital in euros

In order to ensure liquidity for the purpose of purchasing gas, electricity and for paying tax obligations, agreements were concluded with commercial banks in the total amount of EUR 175 million. In August 2022, these Agreements were annexed (except for the 2022 agreement with OTP Bank in the amount of EUR 35 million), which changed the terms of loan repayment in 48 monthly installments starting from 1 October 2023 until 30 August 2027. Interest is calculated and paid monthly at a variable interest rate agreed as the sum of 3M EURIBOR and a fixed mark-up:

- Agreement concluded in 2021 for EUR 70 million with Erste bank a.d. Novi Sad and Eurobank Direktna akcionarsko društvo Belgrade;
- Agreement concluded in 2021 for EUR 10 million with Agroindustrijska komercijalna banka AIK banka Beograd;
- Agreement concluded in 2021 for EUR 50 million with NLB Komercijalna banka a.d. Beograd. Annex 1 was concluded in July 2022, and Annex 2 of the Core Agreement in August.

The agreement from 2022 that was not annexed in August 2022:

- Agreements concluded in 2021 for EUR 15 million and in January 2022 for EUR 20 million with OTP bank Srbija ad Novi Sad. In August 2022, a new Agreement was concluded with which these two agreements were refinanced, changing the terms of repayment of the loan in 48 monthly installments starting from 1 October 2023 until 30 August 2027. Interest is calculated and paid monthly at an interest rate that is the sum of 3M EURIBOR and a fixed mark-up.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

33 LONG-TERM LIABILITIES (continued)

V *Loans for working capital in dinars*

In order to secure working capital needed to finance current liabilities that arise in the regular course of business activities of AD EPS, secure supply of electricity to customers, secure and reliable operation of the electric power system, as well as to ensure funds for the purpose of financing the purchase of electricity from renewable sources, loan agreements were concluded with commercial banks in dinars, as follows:

- Agreement concluded in 2022 with Banca Intesa a.d. Novi Sad, in the amount of RSD 3.0 billion. The loan is repaid in 24 equal monthly installments starting from 1 January 2023 to 1 December 2024. Interest is calculated monthly as the sum of 1M BELIBOR and a fixed mark-up.
- Agreement concluded in 2022 with Agroindustrijska komercijalna banka AIK banka Beograd, in the amount of RSD 4.0 billion. Annex 1 was concluded in August 2022. The loan is repaid in 48 equal monthly installments starting from 1 October 2023 until 30 August 2027. Interest is calculated monthly as the sum of 1M BELIBOR and a fixed mark-up.
- Agreement concluded in 2021 with Banka Poštanska štedionica a.d. Beograd in the amount of RSD 3.0 billion. Annex 1 was concluded in August 2022. The loan is repaid in 48 equal monthly installments starting from 1 October 2023 to 1 September 2027. Interest is calculated monthly as the sum of 1M BELIBOR and a fixed mark-up.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024
TRANSLATION**33 LONG-TERM LIABILITIES (continued)**

An overview of all loans as at 31 December 2024 is provided in the table below:

No.	LOANS	Currency	ORIGINAL CURRENCY				Collateral	Equivalent amount in RSD In thousands of RSD	
			Outstanding balance at 31 Dec 2024	Installment due date	Repayment period	Interest rate		31 Dec 2024	1 Jan 2024
	TOTAL LONG-TERM LOANS (A+B)							194,603,744	175,840,330
A	FOREIGN CURRENCY LOANS (I+II+III+IV+V)							190,203,744	168,340,330
I	REFINANCED LOANS REALIZED FROM FUNDS (1+2+3+4)							3,662,275	5,916,730
1	PARIS CLUB OF CREDITORS							3,455,302	5,572,296
1.1	AUSTRIA	EUR	0	30.09.2008. 31.03.2024.	30.03 and 30.09	Amarketrate/EU R + 0,6% p.a.	Bills of exchange	0	31,592
1.2	FRANCE	EUR	0	22-Sep-08 22-Mar-24	22 Mar and 22 Sep	5.9% p.a.	Bills of exchange	0	364,313
1.3	GERMANY	EUR	0	22.09.2008. 22.03.2024.	22 Mar and 22 Sep	5.5% p.a.	Bills of exchange	0	241,664
1.4	CANADA	EUR	0	22-Sep-08 22-Mar-24	22 Mar and 22 Sep	Euribor/EUR + 0,5% p.a.	Bills of exchange	0	528,955
1.5	SWITZERLAND	CHF	0	22-Sep-08 22-Mar-24	22 Mar and 22 Sep	Libor/CHF + 0,5% p.a.	Bills of exchange	0	783,466
1.6	USA	USD	0	22-Sep-08 22-Mar-24	22 Mar and 22 Sep	5.375% p.a.	Bills of exchange	0	53,542
1.7	RUSSIA	USD	30,730,571	22-Mar-06 22-Mar-34	22 Mar and 22 Sep	0.5517% p.a.	Bills of exchange	3,455,302	3,439,595
1.8	JAPAN	JPY	0	22-Sep-08 22-Mar-24	22 Mar and 22 Sep	2.839% p.a.	Bills of exchange	0	129,169
2	LONDON CLUB OF CREDITORS	USD	0	01-May-10 01-Nov-24	01 May and 01 Nov	3.75% until 11/09 fixed 6.75% until 11/24	Bills of exchange	0	115,207
3	IBRD 2338-5	EUR	1,043,742	15-Jun-05 15-Dec-31	15 Jun and 15 Dec	6.75% p.a. until 11/24	Bills of exchange	122,133	139,386
4	IBRD 2338-7	EUR	298,437	15-Jun-05 15-Dec-31	15 Jun and 15 Dec	6.75% p.a. until 11/24	Bills of exchange	34,922	39,855
5	European Union	EUR	426,596	17-Oct-12 17-Oct-16	17 Apr and 17 Oct	6M Euribor p.a.	-	49,918	49,986
II	LOAN FROM FOREIGN GOVERNMENTS							74,644,040	70,931,222
1	Polish loan	USD	0	2005 - 2024.	15 Jun and 15 Dec	0.75% p.a.	Guarantee RS	0	2,907
2	Japanese loan (JICA)	JPY	12,256,752,000	20-Nov-16 20-Nov-26	20 May and 20 Nov	0.60% p.a. (Principal 1) 0.01% p.a. (Principal 2)	RS guarantee	8,824,359	13,743,655
3	Export-Import Bank of China I	USD	73,130,009	21-Jul-17 21-Jan-27	21 Jan and 21 Jul	3% p.a.	Bills of exchange	8,222,636	10,838,887
4	Export-Import Bank of China II	USD	512,253,308	21-Jul-22 21-Jan-35	21 Jan and 21 Jul	2.5% p.a.	Bills of exchange	57,597,045	46,345,773
III	LOANS FROM INTERNATIONAL FINANCIAL ORGANIZATIONS							87,749,798	60,238,635
1	EBRD VI (200 mil. EUR)	EUR	81,481,481	15-Jun-17 15-Jun-30	15 Jun and 15 Dec	EURIBOR + 1% p.a.	RS guarantee	9,534,547	11,283,393
2	EBRD VII (300 mil. EUR)	EUR	262,500,000	20-Aug-24 20-Feb-28	20/02 and 20/08	6M BELIBOR + 1.00% p.a.	RS guarantee	30,716,411	23,551,914
3	EIB II (22 mil. EUR)	EUR	2,226,666	25-Nov-10 09-Dec-27	09.06. and 09.12; 25.05. and 25.11.	fixed for each tranche of 3.879% p.a. to 5.248% p.a.	RS guarantee	260,553	432,761
6	KfW V (70 mil. EUR)	EUR	5,604,200	30-Dec-18 30-Jun-25	30 Jun and 30 Dec	Variable rate + 0.5% p.a.	RS guarantee	655,775	1,308,116
7	KfW VI (65 mil. EUR)	EUR	0	30-Dec-18 30-Dec-24	30 Jun and 30 Dec	variable rate + 0.4% p.a. for EUR 25 million and variable rate + 1.15% p.a. for EUR 40 million	RS guarantee	0	1,171,728
8	KfW VIII (80 mil. EUR)	EUR	71,955,483	30-Dec-21 30-Dec-34	30 Jun and 30 Dec	0.85% p.a.	RS guarantee	8,419,864	6,793,098
9	KfW IX (100 mil. EUR)	EUR	100,000,000	15-Mar-26 15-Mar-33	15/03 and 15/09	variable rate, Swap rate + 0.65% mark-up	RS guarantee	11,701,490	0
8	CDP (100 mil. EUR)	EUR	100,000,000	30-Dec-25 30-Jun-29	30 Jun and 30 Dec	6M EURIBOR + 1.00%	RS guarantee	11,701,490	0
10	Wb IDA (12,24 mil. SDR)	XDR	589,942	15-Sep-15 15-Mar-25	15 Mar and 15 Sep	-	RS guarantee	86,506	251,384
11	WB IBRD (139.7 mil. EUR)	EUR	125,395,673	01-Nov-23 01-May-44	01 May and 01 Nov	6M EURIBOR + variable mark-up	Bills of exchange	14,673,162	15,446,241

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NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION

33 LONG-TERM LIABILITIES (continued)

No.	LOANS	Currency	ORIGINAL CURRENCY				Collateral	Equivalent amount in RSD In thousands of RSD	
			Outstanding balance at 31 Dec 2024	Installment due date	Repayment period	Interest rate		31 Dec 2024	1 Jan 2024
IV	EURO DENOMINATED LOANS FROM COMMERCIAL BANKS							24,057,560	31,166,601
1	Komercijalna banka 15mil	EUR	11,250,000	15-Oct-23 15-Apr-29	15 Apr and 15 Oct	6M EURIBOR + 1.95%	Bills of exchange	1,316,418	1,611,138
2	Banca Intesa 45mil	EUR	33,750,000	15-Oct-23 15-Apr-29	15 Apr and 15 Oct	6M EURIBOR + 3.50%	Bills of exchange	3,949,253	4,833,415
3	Banca Intesa 30mil	EUR	22,500,000	15-Oct-23 15-Apr-29	15 Apr and 15 Oct	6M EURIBOR + 3.75%	Bills of exchange	2,632,835	3,222,277
4	Vojvodanska banka 30mil	EUR	22,500,000	15-Oct-23 15-Apr-29	15 Apr and 15 Oct	6M EURIBOR + 3.75%	Bills of exchange	2,632,835	3,222,277
5	OTP banka 15mil	EUR	11,610,144	15-Oct-23 15-Apr-29	15 Apr and 15 Oct	6M EURIBOR + 3.75%	Bills of exchange	1,358,560	1,662,715
6	ERSTE banka	EUR	22,057,292	01-Oct-23 30-Aug-27	every 1st in month	3M EURIBOR + 5.00%	Bills of exchange	2,581,032	3,524,365
7	EUROBANK DIREKTNA	EUR	22,057,292	01-Oct-23 30-Aug-27	every 1st in month	3M EURIBOR + 5.00%	Bills of exchange	2,581,032	3,524,365
8	AIK banka	EUR	6,302,083	01-Oct-23 30-Aug-27	every 1st in month	3M EURIBOR + 5.00%	Bills of exchange	737,438	1,006,961
9	Komercijalna banka	EUR	31,509,819	01-Oct-23 30-Aug-27	every 1st in month	3M EURIBOR + 5.00%	Bills of exchange	3,687,118	5,034,712
10	OTP banka	EUR	22,057,357	01-Oct-23 30-Aug-27	every 1st in month	3M EURIBOR + 5.00%	Bills of exchange	2,581,039	3,524,376
V	OTHER							90,071	87,142
1	IBRD 1469-5 - EMS AD	EUR	99,922	15-Mar-05 15-Sep-31	15 Mar and 15 Sep	1/3-5.44% p.a. and 2/3- EURIBOR		11,692	13,344
2	Tehnoexport	USD	697,086			-		78,379	73,798
B	DINAR DENOMINATED LOANS FROM COMMERCIAL BANKS							4,400,000	7,500,000
2	Banca Intesa	RSD	0	01-Jan-23 01-Dec-24	every 1st in month	1M BELIBOR + 2.70%	Bills of exchange	0	1,500,000
3	AIK banka	RSD	2,750,000,000	01-Oct-23 30-Aug-27	every 1st in month	1M BELIBOR + 3.50%	Bills of exchange	2,750,000	3,750,000
13	Postanska stedionica	RSD	1,650,000,000	01-Oct-23 01-Sep-27	every 1st in month	1M BELIBOR + 3.50%	Bills of exchange	1,650,000	2,250,000
	DUE WITHIN ONE YEAR							36,810,603	40,989,923
A	Foreign currency loans							35,210,603	37,889,923
B	Loans in RSD							1,600,000	3,100,000
	DUE IN OVER ONE YEAR							157,793,142	134,850,408
A	Foreign currency loans							154,993,142	130,450,408
B	Loans in RSD							2,800,000	4,400,000

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NOTES TO THE FINANCIAL STATEMENTS
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TRANSLATION**33 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 2003 to 2024 the Company executed various loan agreements with international financial institutions, to which the Federal Republic of Yugoslavia, State Union of Serbia and Montenegro or Republic of Serbia served as guarantors:

<u>Creditor</u>	<u>Currency</u>	<u>Contracted amount</u>	<u>Withdrawn loan amount</u>
European Bank for Reconstruction and Development VI	EUR	200,000,000	200,000,000
European Bank for Reconstruction and Development VII	EUR	300,000,000	300,000,000
European Investment Bank II	EUR	22,000,000	22,000,000
KfW V	EUR	69,233,967	69,233,967
KfW VI	EUR	64,999,948	64,999,948
KfW VIII	EUR	80,000,000	80,000,000
KfW IX	EUR	100,000,000	100,000,000
CDP	EUR	100,000,000	100,000,000
IDA	SDR	11,798,849	11,798,849
JICA	JPY	28,249,647,536	28,249,647,536
EXIM Bank of China I	USD	286,639,231	286,639,231
EXIM Bank of China II	USD	595,589,927	595,589,927
Loan from the Government of the Republic of Poland	USD	49,996,617	49,996,617
WB IBRD	EUR	135,402,191	135,402,191
Commercial banks	EUR	297,083,428	297,083,428
Commercial banks	RSD	10,000,000,000	10,000,000,000

Current maturities of long-term loans

	31 December 2024	31 December 2023	In thousands of RSD
			Index
Up to 1 year	36,810,603	40,916,125	89.87
From 1 to 5 years	104,084,932	95,242,450	109.28
Over 5 years	53,708,210	39,681,756	135.35
Total	194,603,745	175,840,331	110.67

Breakdown of loans by currency required for loan repayment

Currency	31 December 2024		31 December 2023	
	Amount in currency	In thousands of RSD	Amount in currency	In thousands of RSD
EUR	772,864,027	90,436,607	789,963,527	92,562,949
USD	535,541,939	60,215,586	574,963,403	60,869,708
CHF	0	0	6,241,047	783,466
YPU	6,128,376,000	4,412,179	18,527,681,609	13,872,824
XDR	0	0	1,769,827	251,384
RSD	2,800,000,000	2,800,000	7,500,000,000	7,500,000
Total		157,864,372		175,840,331

NOTES TO THE FINANCIAL STATEMENTS
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T R A N S L A T I O N

33 LONG-TERM LIABILITIES (continued)

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

The following tables provide reconciliations of opening and closing balances for liabilities arising from financing activities for the year ended 31 December 2024 and 2023:

	Balance as at 1 January 2024	Cash flows		Non-cash flows					Balance as at 31 December 2024
		Proceeds	Repayment	Direct supplier tranche	Conversion of costs to principal	Reclas- sification	Foreign exchange differences	Other	
2024									
Long-term loans	175,840,332	36,050,955	(35,839,829)	15,701,941	117,003	-	2,728,887	4,456	194,603,745
Other short-term financial liabilities	160,702	338,157	(626,603)	-	-	-	2	160,015	32,273
Lease liabilities	15,957	-	(8,837)	-	-	-	(2)	3,405	10,523
Total liabilities from financing activities	176,016,991	36,389,112	(36,475,269)	15,701,941	117,003	-	2,728,887	167,876	194,646,541
2023									
Long-term loans	166,220,505	30,223,822	(29,695,789)	15,739,904	443,976	(2,806,010)	(4,283,090)	(2,986)	175,840,332
Other short-term financial liabilities	33,250	153,419	(90,671)	-	-	-	-	64,704	160,702
Lease liabilities	20,728	28	(9,445)	-	-	-	-	4,646	15,957
Total liabilities from financing activities	166,274,483	30,377,269	(29,795,905)	15,739,904	443,976	(2,806,010)	(4,283,090)	66,364	176,016,991

34 LONG-TERM DEFERRED INCOME AND RECEIVED DONATIONS

	In thousands of RSD	
	31 December 2024	31 December 2023
Donations and subsidies received:		
- from the Government of RS and other state authorities	890,265	903,069
- foreign	7,345,750	7,745,756
- domestic	1,411	22,326
	8,237,426	8,671,151

On 29 December 2022, the Protocol was signed between the Ministry of Mining and Energy and the Company on the implementation of Government Decision 05 Number: 401-11262/2022 of 29 December 2022, which adopts the Program on the allocation and use of subsidies to public non-financial enterprises and organizations. The Protocol stipulates that the Government of the Republic of Serbia, through the line ministry, in the period from 2022 to 2024, will provide part of the funds needed for the reconstruction of the turbines on blocks TENT A3-A6 for the further implementation of the Obrenovac-Novı Belgrade heating pipeline construction project. The transport heat pipe of the non-urban heat pipe connects the heat source - thermal power plant "Nikola Tesla A" in Obrenovac with the heating plant (TO) Novi Beograd. This project provides heating to Belgrade. Based on the above, the Company recognized subsidies in the amount of RSD 226,100 thousand on 31 December 2023.

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

34 LONG-TERM DEFERRED INCOME AND RECEIVED DONATIONS (continued)

Changes in deferred revenue which pertain to received grants during 2024 and 2023 were as follows:

	In thousands of RSD	
	31 December 2024	31 December 2023
Balance at the beginning of the year	8,671,151	8,823,866
Value of assets transferred by third parties without compensation (donations)	20,744	147,662
Reversal of deferred income charged to current income on a systemic basis and direct write-off (Note 7)	(454,469)	(384,195)
RS subsidies for reconstruction of bocks A3-A6 of TENT Branch, as part of construction of the Obrenovac-Belgrade heat pipeline	-	226,100
Other	-	(142,282)
Balance at end of year	8,237,426	8,671,151

35 SHORT-TERM FINANCIAL LIABILITIES

	In thousands of RSD	
	31 December 2024	31 December 2023
<i>Foreign currency liabilities</i>		
Portion of foreign long-term loans maturing within 1 year	27,849,841	21,714,769
Portion of domestic long-term loans in foreign currency maturing within 1 year	8,960,762	16,175,154
	36,810,603	37,889,923
<i>Liabilities in RSD</i>		
Portion of domestic long-term loans in dinars maturing within 1 year	-	3,100,000
Portion of lease liabilities	6,549	7,438
	6,549	3,107,438
Other short-term financial liabilities in foreign currency	3,364	3,364
Other short-term financial liabilities in RSD	28,909	157,931
	36,849,425	41,158,656

Liabilities for foreign long-term loans maturing within 1 year in the amount of RSD 27,849,841 thousand (31 December 2023: 21,714,769 thousand) relate to the loans from international financial organizations in the amount of RSD 14,449,118 thousand (31 December 2023: RSD 8,659,371 thousand), loans granted by State Governments in the amount of RSD 13,251,113 thousand (31 December 2023: RSD 12,981,599 thousand) and loans granted by other commercial entities in the amount of RSD 78,379 thousand (31 December 2023: RSD 73,798 thousand).

Liabilities for domestic long-term loans in foreign currency maturing within 1 year in amount of RSD 8,960,762 thousand (31 December 2023: RSD 16,175,154 thousand) comprise loans granted by the Paris Club of Creditors in the amount of RSD 220,464 thousand (31 December 2023: RSD 2,318,939 thousand), liabilities for other refinanced loans in the amount of RSD 73,495 thousand (31 December 2023: RSD 188,801 thousand), loans granted by domestic commercial banks in the amount of RSD 7,066,803 thousand (31 December 2023: RSD 13,667,414 thousand).

Liabilities for domestic long-term loans in dinars that mature within one year in the amount of RSD 3,100,000 thousand as at 31 December 2023 refer to liquidity loans granted to the Company during 2021 by domestic commercial banks.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

36 RECEIVED ADVANCES, DEPOSITS AND CAUTION MONEY

	In thousands of RSD	
	31 December 2024	31 December 2023
Advances received:		
- from related parties within the EPS Group (Note 41)	832	813
- in dinars	126,643	76,096
- in foreign currency	137	137
Received deposits and down payments	166,047	223,516
Advances received from private individuals in dinars	733	1,277
	294,392	301,839

37 OPERATING LIABILITIES

	In thousands of RSD	
	31 December 2024	31 December 2023
Trade payables – domestic legal entities within the EPS Group (Note 41)	200,731	181,211
Trade payables – other domestic related parties	120,082	57,228
	320,813	238,439
Trade payables - domestic	24,579,660	22,247,301
A.D. "Elektromreža Srbije", Beograd	1,330,387	1,021,616
"Elektro distribucija Srbije" d.o.o., Beograd	20,895,771	25,767,259
	46,805,818	49,036,176
Trade payables - legal entities within the EPS Group abroad	71	-
Trade payables - foreign	9,422,823	12,922,093
Other operating liabilities:		
- operating liabilities for expropriations in operations	111,721	63,603
- liabilities for compensation of damages from operations	19,479	20,578
- other	3,051,363	2,713,379
	3,182,563	2,797,560
	59,732,088	64,994,268

Liabilities toward "Elektro distribucija Srbije" d.o.o. Beograd reported as at 31 December 2024 in the amount of RSD 20,895,771 thousand (31 December 2023: RSD 25,767,259 thousand) relate to liabilities toward "Elektro distribucija Srbije" d.o.o. Beograd for fees for distribution system access (Note 9).

Liabilities toward A.D. „Elektromreža Srbije” stated with the balance as of 31 December 2024, in the amount of RSD 1,330,387 thousand (31 December 2023: RSD 1,021,616 thousand) refer to liabilities for fees for access and use of the electricity transmission system, capacity lease and energy balance responsibility (Note 9).

Trade payables - foreign suppliers with the balance as of 31 December 2024 in the amount of RSD 9,422,823 thousand (31 December 2023: RSD 12,922,093 thousand) refer to the undertaken commitment for renewal and revitalization of plant and equipment, which are financed from borrowed funds (Note 33).

As disclosed in Note 5, other liabilities as of 31 December 2024 in the amount of RSD 3,051,363 thousand, include contracted liabilities to customers of electricity under guaranteed and commercial supply based on subscriptions and undistributed customer payments in the amount of RSD 2,959,642 thousand (31 December 2023: RSD 2,549,146 thousand).

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31 December 2024

T R A N S L A T I O N

38 OTHER SHORT-TERM LIABILITIES

	In thousands of RSD	
	31 December 2024	31 December 2023
Liabilities from specific operations	2,331,981	1,955,846
Other liabilities towards employees	38,613	222,643
Net salaries and salary compensation	1,488,796	1,355,528
Liabilities for taxes and contributions:		
- charged to employee	574,092	534,047
- paid by employer	370,897	375,660
Other liabilities for salaries and salary compensation	30,092	27,856
Liabilities for interest and financing costs	29,850	29,930
Liabilities for profit sharing	3,012,191	3,032,107
Liabilities toward members of Supervisory Board and Audit Committee	2,849	2,102
Liabilities towards individuals	31,643	33,213
Other liabilities	20,121,718	25,700,781
Prepaid VAT	5,604,211	9,335,826
Liabilities for value added tax	3,648,357	5,041,033
Income tax liabilities	-	17,715,391
Fees for water usage and other public resources	891,093	1,337,187
Fees for energy efficiency	81,451	89,544
Environmental fee	3,956,945	3,019,745
Other liabilities for other public duties	25,188	57,136
Excise duty liabilities	5,236,237	5,257,595
Liabilities for other taxes, customs and other charges	69,169	77,259
	47,545,373	75,200,429

Liabilities for specific operations reported on 31 December 2024, in the amount of RSD 2,331,981 thousand (31 December 2023: RSD 1,955,846 thousand) refer to liabilities for the Public Media Service tax that the Company as the electricity supplier is required to collect from end customers on behalf of the Public Media Service (Note 5 and 27).

Liabilities for dividends and profit sharing reported as at 31 December 2024 in the amount of RSD 3,012,191 thousand (31 December 2023: RSD 3,032,107 thousand) relate to liabilities toward the founder, recognized in previous years on the basis of the decision of the Supervisory Board of the Company, on the distribution of profits in favor of the founder, and in accordance with the Budget Law of the Republic of Serbia, including liabilities toward employees and former employees for participation in profits reported in the financial statements for the year ended 31 December 2015, in accordance with the decision of the Supervisory Board dated 6 December 2018.

Prepaid value added tax relates to tax due for the next tax period, which is paid after deduction of input value added tax after balance sheet date.

Liabilities for public dues were settled by the Company after balance sheet date within the terms stipulated by tax regulations and/or tax administrative regulations. In the event that the same documents are not received, the Company is required to pay in advance in the amount of the previously determined liability until the receipt of the same documents from tax and other authorities.

During the reporting period, there was a decrease in other liabilities incurred in 2022, due to support during the energy crisis due to the Company's limited prices.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

39 SHORT-TERM ACCRUALS

	In thousands of RSD	
	31 December 2024	31 December 2023
Accrued expenses	1,815,743	1,819,673
Other accruals	4,164,770	2,977,084
	5,980,513	4,796,757

Accrued expenses as at 31 December 2024, in the amount of RSD 1,815,743 thousand (31 December 2023: RSD 1,819,673 thousand) include the amount of RSD 1,677,039 thousand (31 December 2023: RSD 1,629,976 thousand) recognized for the calculation of interest on loans and borrowings for which no accounting document has been received.

Other accruals primarily includes the amounts of value added tax included in advance payments made to suppliers (principle of grossed up recognition of value added tax) in the amount of RSD 3,814,846 thousand (31 December 2023: RSD 2,646,236 thousand).

40 OFF-BALANCE SHEET ITEMS

	In thousands of RSD	
	31 December 2024	31 December 2023
Materials received for finishing and processing	-	79
Issued guarantees and other forms of payables security	131,339,597	183,329,086
Issued guarantees and other forms of receivables security	91,029,539	63,205,168
Other off-balance sheet items	67,298	68,934
	222,436,434	246,603,267

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

41 RELATED PARTY TRANSACTIONS

a) Balance sheet

Balances of receivables and payables arising from related party transactions are provided in the table below:

	In thousands of RSD	
	31 December 2024	31 December 2023
Equity investments (Note 24)		
"EPS Trgovanje" d.o.o., Ljubljana	66,304	66,304
Kolubara - Građevinar d.o.o. Lazarevac	1,771,607	1,771,606
Elektrosever d.o.o.	2,346,960	5,878
HES Gornja Drina d.o.o. Foča	2,381,362	2,381,363
Moravske hidroelektrane d.o.o.	47,926	47,926
	<u>6,614,159</u>	<u>4,273,077</u>
Short-term financial investments (Note 28)		
Kolubara - Građevinar d.o.o. Lazarevac	684,987	684,987
Less: Allowance for impairment of short-term financial investments	<u>(684,987)</u>	<u>(684,987)</u>
	<u>-</u>	<u>-</u>
Inventories – advances given (Note 25)		
"EPS Trgovanje" d.o.o., Ljubljana	985,842	515,683
Kolubara - Građevinar d.o.o. Lazarevac	161,562	158,114
Less: Allowance for impairment of advances given	<u>(135,284)</u>	<u>(135,284)</u>
	<u>1,012,120</u>	<u>538,513</u>
Fixed assets – advances given		
Kolubara - Građevinar d.o.o. Lazarevac	273,958	210,777
Less: Allowance for impairment of advance payments for fixed assets	<u>(100,548)</u>	<u>(100,548)</u>
	<u>173,410</u>	<u>110,229</u>
Trade receivables (Note 26)		
"EPS Trgovanje" d.o.o., Ljubljana	42,002	1,644,711
Elektrosever d.o.o.	252,783	-
Kolubara - Građevinar d.o.o. Lazarevac	11,761	14,981
Less: Allowance for impairment of receivables from related parties within the EPS Group	<u>(8,510)</u>	<u>(8,463)</u>
	<u>298,036</u>	<u>1,651,229</u>
Other receivables (Note 27)		
Kolubara - Građevinar d.o.o. Lazarevac (interest receivable and other receivables)	114,126	81,067
Less: Allowance for impairment of other receivables from related parties within the EPS Group	<u>(112,737)</u>	<u>(74,256)</u>
	<u>1,389</u>	<u>6,811</u>
Prepayments and deferred expenses (Note 30)		
Kolubara - Građevinar d.o.o. Lazarevac	<u>3,142</u>	<u>3,313</u>
Total assets	<u>8,102,256</u>	<u>6,583,172</u>

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION

41 RELATED PARTY TRANSACTIONS (CONTINUED)

a) *Balance sheet (continued)*

	In thousands of RSD	
	31 December 2024	31 December 2023
Trade payables (Note 37)		
Kolubara - Građevinar d.o.o. Lazarevac	200,802	181,211
	<u>200,802</u>	<u>181,211</u>
Advances received (Note 36)		
Kolubara - Građevinar d.o.o. Lazarevac	832	813
	<u>832</u>	<u>813</u>
Total equity and liabilities	<u>201,634</u>	<u>182,024</u>
Receivables/(payables) – net amount	<u>7,900,622</u>	<u>6,401,148</u>

b) *Income statement*

Income and expenses generated from related party transactions:

	In thousands of RSD	
	2024	2023
Sales of electricity (Note 5)		
EPS Trgovanje, Ljubljana	5,216,332	14,584,608
Kolubara - Građevinar d.o.o. Lazarevac	34,534	38,688
Elektrosever d.o.o.	1,064,185	-
	<u>6,315,051</u>	<u>14,623,296</u>
Sales of products and services (Note 5)		
Kolubara - Građevinar d.o.o. Lazarevac	70,628	60,350
	<u>70,628</u>	<u>60,350</u>
Other operating income (note 7)		
Kolubara - Građevinar d.o.o. Lazarevac	11,717	10,856
Moravske hidroelektrane d.o.o.	283	284
Elektrosever d.o.o.	8,378	-
	<u>20,378</u>	<u>11,140</u>
Financial income (Note 16)		
EPS Trgovanje, Ljubljana	3,572	810
Kolubara - Građevinar d.o.o. Lazarevac	38,292	37,217
Elektrosever d.o.o.	53	-
	<u>41,917</u>	<u>38,027</u>
Fuel and energy (Note 9)		
EPS Trgovanje, Ljubljana	10,031,088	1,381,458
Elektrosever d.o.o.	676	-
	<u>10,031,764</u>	<u>1,381,458</u>
Costs of production services (Note 13)		
Kolubara - Građevinar d.o.o. Lazarevac	1,315,105	1,161,925
	<u>1,315,105</u>	<u>1,161,925</u>
Financial expenses (Note 17)		
EPS Trgovanje, Ljubljana	3,006	1,842
Elektrosever d.o.o.	395	-
	<u>3,401</u>	<u>1,842</u>
Costs of impairment of receivables (Note 19)		
Kolubara - Građevinar d.o.o. Lazarevac	38,473	36,678
Moravske hidroelektrane d.o.o.	283	-
	<u>38,756</u>	<u>36,678</u>
Income/(expenses), net amount	<u>(4,941,052)</u>	<u>12,150,910</u>

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

42 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES

Capital risk management

The Company's gearing ratio at the year-end was as follows:

	In thousands of RSD	
	31 December 2024	31 December 2023
Indebtedness a)	194,727,041	176,098,083
Cash and cash equivalents	28,083,184	34,820,770
Net indebtedness	166,643,857	141,277,313
Equity b)	645,306,293	632,016,261
Ratio of total indebtedness to equity	0.26	0.22

- a) The debt pertains to long-term and short-term liabilities for loans and borrowings and other long-term and short-term financial liabilities.
b) Capital includes share capital, revaluation reserves, unrealized gains and losses from available for sale securities, retained earnings and accumulated loss.

Significant accounting policies related to financial instruments

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

Categories of financial instruments

	In thousands of RSD	
	31 December 2024	31 December 2023
Financial assets		
Equity investments	6,934,007	4,590,961
Long-term financial investments and long-term receivables	2,406,926	2,511,483
Trade receivables	84,118,884	88,988,035
Short-term loans and financial investments	257,525	339,906
Other receivables	12,761,765	10,895,312
Cash and cash equivalents	28,083,184	34,820,770
	134,562,291	142,146,467
Financial liabilities		
Long-term loans and long-term lease liabilities	157,877,616	134,939,427
Operating liabilities	59,732,088	64,994,268
Other short-term liabilities	25,527,383	30,751,877
Current portion of long-term loans and lease liabilities	36,817,152	40,997,361
Short-term financial liabilities	32,273	161,295
	279,986,512	271,844,228

The Company's basic financial instruments comprise cash and cash equivalents, trade receivables and interest receivables, and trade payables, whose basic purpose is to finance the Company's current operations. In the ordinary course of business the Company is exposed to the below listed risks.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

42 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)

Objectives of financial risk management

Financial risks comprise of market risk (foreign currency and interest rate risks), credit risk, and liquidity risk. Financial risks are considered on a timely basis and are avoided primarily through minimizing the Company's exposure to these risks. The Company does not use any financial instruments to hedge financial risks in its operations because such instruments are not in wide use, and there is no organized market for such instruments in the Republic of Serbia.

Market risk

In its operations, the Company is exposed to financial risks from fluctuations in foreign exchange rates and interest rates.

Exposure to market risk is reviewed with sensitivity analysis. There were no significant changes in the Company's exposure to market risk, nor in the manner in which the Company managed and measured that risk.

Foreign currency risk

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

The stability of the economic environment in which the Company operates is dependent to a large extent on Government measures in respect of the economy, including the establishment of an appropriate legal and legislative framework.

The carrying amounts of monetary assets and liabilities stated in foreign currency as at reporting date in the Company were as follows:

	Assets		In thousands of RSD Payables	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
EUR	4,827,590	12,658,141	120,018,349	95,552,901
JPY	4,411	25,625	8,835,631	13,889,996
CHF	1	1	-	786,472
USD	1,953,485	12,010,727	71,575,175	71,864,172
XDR	86,506	251,384	86,697	251,939

The Company is sensitive to the movements in foreign exchange rates. The following table gives details on the Company's sensitivity to the increase and decrease of 10% in dinar to foreign currency exchange rates. The sensitivity rate of 10% is used for internal presentation of the exchange rate and represents the management's estimate of reasonably expected changes in the exchange rates of foreign currencies. The sensitivity rate of 10% is used for internal presentation of the exchange rate and represents the management's estimate of reasonably expected changes in the exchange rates of foreign currencies.

	31 December 2024		In thousands of RSD 31 December 2023	
	Appreciation of RSD	Depreciation of RSD	Appreciation of RSD	Depreciation of RSD
EUR	11,519,076	(11,519,076)	8,289,476	(8,289,476)
JPY	883,122	(883,122)	1,386,437	(1,386,437)
CHF	-	-	78,647	(78,647)
USD	6,962,169	(6,962,169)	5,985,345	(5,985,345)
XDR	19	(19)	56	(56)
Current period result	19,364,386	(19,364,386)	15,739,961	(15,739,961)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION**42 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)*****Foreign currency risk (continued)***

The Company's sensitivity to foreign exchange movements decreased in the current period, primarily due to the effects of the nominal decreases in liabilities denominated in EUR, USD and JPY.

Interest rate risk

The Company is exposed to interest rate risk on assets and liabilities with variable interest rates. This risk depends on the financial market and the Company does not have available instruments for mitigating its effects.

The carrying amount of financial assets at the end of the period under review, grouped according to level of risk of interest rate changes, is provided in the table below:

	In thousands of RSD	
	31 December 2024	31 December 2023
Financial assets		
<i>Non-interest bearing</i>		
- share in equity	6,934,007	4,590,961
- long-term financial investments and long-term receivables	766,219	766,340
- trade receivables	84,118,884	88,988,035
- cash and cash equivalents	2,175,687	2,273,820
- other receivables	555,343	503,157
	<u>94,550,140</u>	<u>97,122,313</u>
<i>Fixed interest rate</i>		
- long-term financial investments and long-term receivables	592,003	506,735
- short-term loans and short-term financial investments	52,182	2,370
- cash and cash equivalents	25,907,497	32,546,950
	<u>26,551,682</u>	<u>33,056,055</u>
<i>Variable interest rate</i>		
- long-term financial investments and long-term receivables	1,048,704	1,238,408
- short-term loans and other short-term financial investments	205,343	337,536
- other receivables	12,206,422	10,392,155
	<u>13,460,469</u>	<u>11,968,099</u>
	<u>134,562,291</u>	<u>142,146,467</u>

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION**42 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)*****Interest rate risk (continued)***

The carrying amount of financial liabilities at the end of the period under review, grouped according to level of risk of interest rate changes, is provided in the table below:

	In thousands of RSD	
	31 December 2024	31 December 2023
Financial liabilities		
<i>Non-interest bearing</i>		
- trade payables	59,732,088	64,994,268
- payables	25,218,324	30,443,545
	<u>84,950,412</u>	<u>95,437,813</u>
<i>Fixed interest rate</i>		
- long-term loans	23,170,766	25,321,520
- current portion of long term loans	8,960,762	19,275,154
	<u>32,131,528</u>	<u>44,596,674</u>
<i>Variable interest rate</i>		
- long-term loans	134,702,876	109,609,388
- other long-term liabilities	3,974	8,519
- payables	309,059	308,337
- current portion of long term loans	27,856,390	21,722,207
- short-term financial liabilities	32,273	161,290
	<u>162,904,572</u>	<u>131,809,741</u>
	<u>279,986,512</u>	<u>271,844,228</u>

The sensitivity analysis presented in the following text has been established based on the Company's exposure to interest rate risk inherent in instruments as of the balance sheet date. For liabilities with variable rates the analysis was prepared under the assumption that the remaining amounts of assets and liabilities as at balance sheet date would remain unchanged during the entire year. The 1 % increase or decrease in interest rates represents the fluctuation reasonably anticipated by management. Had the interest rates been 1 percentage point higher/lower and all other variables remained unchanged, the Company would have realized an operating loss for the year ended 31 December 2024 in the amount of RSD 1,494,441 thousand (31 December 2023: RSD 1,198,416 thousand). Such a situation is ascribed to exposure.

Credit risk

The Company is exposed to credit risk which represents the risk that debtors will not be able to settle their liabilities toward the Company in full on time, and that as a result the Company would suffer financial loss. The Company's exposure to credit risk is limited to the value of financial assets and contract assets at balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

42 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)

Credit risk (continued)

Trade receivables and contract assets

The Company's exposure to credit risk from trade receivables and contract assets as of 31 December 2024, and 31 December 2023, is shown in the following table:

	<u>Gross exposure</u>	<u>Allowance</u>	<u>In thousands of RSD Net exposure</u>
Trade receivables not yet due	42,938,163	(682,184)	42,255,979
Matured provisioned trade receivables	112,420,149	(70,550,449)	41,864,699
31 December 2024	155,358,312	(71,237,634)	84,120,679
Trade receivables not yet due	52,892,897	(1,086,604)	51,806,293
Matured provisioned trade receivables	101,904,270	(64,752,119)	37,152,151
31 December 2023	154,797,167	(65,838,723)	88,958,444

Trade receivables for electricity are predominant in the breakdown of trade receivables. As at 31 December 2024 the Company is exposed to credit risk for trade receivables for sold electricity in the amount of RSD 71,023,128 thousand, or around 85%:

	<u>Gross exposure</u>	<u>Allowance</u>	<u>In thousands of RSD Net exposure</u>
Guaranteed supply	63,488,579	(17,155,273)	46,333,306
Commercial supply	41,773,600	(14,425,016)	27,348,584
Reserve supply	4,590,252	(4,264,999)	325,253
Customers-producers	436,031	(3,461)	432,570
	110,288,462	(35,848,749)	74,439,713

Expected credit loss for trade receivables for sold electricity

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION**42 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)****Credit risk (continued)***Expected credit loss assessment for trade receivables from electricity (continued)*

The following table provides information about exposure to the credit risk and expected credit losses for trade receivables for guaranteed, commercial and reserve supply customers as at 31 December 2024:

		In thousands of RSD	
	Weighted- average loss rate	Gross amount	Credit loss
Guaranteed supply			
Unmatured	1.85%	21,615,801	(400,215)
0-30	5.37%	5,863,194	(314,610)
31-60	8.51%	2,946,379	(250,812)
61-90	12.39%	1,866,374	(231,212)
91-180	15.85%	3,788,814	(600,681)
181-270	33.00%	4,947,504	(1,632,443)
271+	61.11%	22,460,513	(13,725,300)
		63,488,579	(17,155,273)
Commercial supply			
Unmatured	1.32%	20,871,417	(276,098)
Up to 30	7.31%	4,214,146	(308,214)
31-60	29.01%	870,269	(252,493)
61-90	31.57%	500,525	(158,008)
91-180	36.38%	807,717	(293,858)
181-270	52.78%	662,059	(349,434)
271-360	68.27%	358,167	(244,515)
361+	92.98%	13,489,300	(12,542,396)
		41,773,600	(14,425,016)
Reserve supply			
Unmatured	9.91%	35,843	(3,551)
Up to 30	72.21%	133,606	(96,479)
31-60	70.49%	41,321	(29,129)
61-90	93.34%	104,184	(97,241)
91-180	82.24%	137,738	(113,278)
181-270	88.13%	107,597	(94,826)
271-360	88.88%	23,625	(20,999)
361+	95.09%	4,006,338	(3,809,496)
		4,590,252	(4,264,999)
Customers-producers			
Unmatured	0.56%	415,103	(2,320)
Up to 30	3.00%	17,228	(516)
31-60	14.47%	3,525	(510)
61-90	40.43%	47	(19)
91+	75.00%	128	(96)
		436,031	(3,461)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION

42 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)

Table of movements in impairment of financial assets

The table of movements in impairment of financial assets for 2024 and 2023 is provided in the table below:

	Long-term financial investments	Long term receivables	Trade receivables	Receivables from specific operations	Other receivables	Short-term financial placements	Cash and cash equivalents	Total
Balance as at 1 January 2023	3,684,893	705,028	68,877,224	1,217,425	10,366,946	1,244,997	250,856	86,347,369
Allowance for impairment charged to income statement	-	33,145	3,262,882	-	1,917,068	-	-	5,213,095
Derecognition of written off receivables and investments	(380,101)	-	(2,944,538)	(234,436)	(506,373)	-	(6,230)	(4,071,678)
Income from adjustment in value – collection of receivables and decrease in allowance of impairment (Note 18)	-	(940)	(859,483)	(10,887)	(185,818)	(17,619)	-	(1,074,747)
Conversion of receivables into equity	54,936	(54,936)	-	-	-	-	-	-
Collection of provisioned receivables (Note 20)	-	-	(1,676)	-	-	-	-	(1,676)
Transfer within receivables	(5,556)	150,416	2,328,438	(116,379)	(2,212,059)	(144,860)	-	-
Increase from valuation of securities	52	-	-	-	-	-	-	52
Other	-	(764)	-	29,836	17,283	(16,623)	-	29,732
Balance as at 31 December 2023	3,354,224	831,949	70,662,847	885,559	9,397,047	1,065,895	244,626	86,442,147
Allowance for impairment charged to income statement	-	62,650	3,193,435	108,953	2,748,944	9,930	26,574	6,150,487
Derecognition of written off receivables and investments	(296,348)	(191)	(1,924,442)	(2,163)	(151,422)	(2,264)	-	(2,376,830)
Income from adjustment in value – collection of receivables and decrease in allowance of impairment (Note 18)	-	(82,544)	(188,772)	(18,281)	(228,351)	(44,019)	(329)	(562,296)
Foreign exchange differences	-	-	-	-	(153)	-	-	(153)
Conversion of receivables into equity	965	-	-	-	-	-	-	965
Collection of provisioned receivables (Note 20)	-	-	(563)	-	(301)	-	-	(864)
Transfer within receivables	-	399,889	(504,871)	(1,093)	69	106,006	-	-
Increase from valuation of securities	(217)	-	-	-	-	-	-	(217)
Balance as at 31 December 2024	3,058,624	1,211,753	71,237,634	972,975	11,765,833	1,135,548	270,871	89,653,238

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

T R A N S L A T I O N

42 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)

Trade payables management

Trade payables as at 31 December 2024 are reported in the amount of RSD 59,732,088 thousand (31 December 2023: RSD 64,994,268 thousand).

The final responsibility for liquidity risk management rests with the Company's management, which has established an appropriate management system for the needs of the Company's short-term, medium-term and long-term financing, as well as liquidity risk management by maintaining appropriate cash reserves through continuous monitoring of planned and actual cash flows, as well as by maintaining an adequate maturity ratio of financial assets and liabilities.

Liquidity risk and credit risk tables

The following tables present remaining contractual maturities of the Company's financial assets. Reported amounts are based on undiscounted cash flows resulting from financial assets, based on the earliest date on which the Company will be able to collect related funds.

Maturities of financial assets

In thousands of RSD 31 December 2024						
	Less than 1 month	1 to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Non-interest bearing	86,331,723	-	518,191	-	7,700,226	94,550,140
Fixed interest rate	25,959,679	-	514,451	-	77,552	26,551,682
Variable interest rate	12,206,422	-	205,343	918,171	130,533	13,460,469
	124,497,824	-	1,237,985	918,171	7,908,311	134,562,291

In thousands of RSD 31 December 2023						
	Less than 1 month	1 to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Non-interest bearing	91,487,351	246,422	31,360	-	5,357,180	97,122,313
Fixed interest rate	32,546,915	2,405	363,212	-	143,523	33,056,055
Variable interest rate	8,740,665	-	337,797	1,861,908	1,027,729	11,968,099
	132,774,931	248,827	732,369	1,861,908	6,528,432	142,146,467

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

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42 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)

The following tables present remaining contractual maturities of the Company's liabilities. Reported amounts are based on undiscounted cash flows resulting from financial liabilities, based on the earliest date on which the Company will be required to settle such liabilities.

Maturities of financial liabilities

In thousands of RSD 31 December 2024						
	Less than 1 month	1 to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Non-interest bearing	61,053,259	23,776,714	120,439	-	-	84,950,412
Fixed interest rate	-	-	8,960,762	-	23,170,766	32,131,528
Variable interest rate	392,575	-	27,885,647	134,626,350	-	162,904,572
	61,445,834	23,776,714	36,966,848	134,626,350	23,170,766	279,986,512

In thousands of RSD 31 December 2023						
	Less than 1 month	1 to 3 months	3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Non-interest bearing	75,825,784	19,554,801	57,228	-	-	95,437,813
Fixed interest rate	-	-	19,275,154	-	25,321,520	44,596,674
Variable interest rate	396,863	-	21,875,471	109,537,407	-	131,809,741
	76,222,647	19,554,801	41,207,853	109,537,407	25,321,520	271,844,228

The following table presents the present value of financial assets and financial liabilities and their fair value as at 31 December 2024 and 31 December 2023.

	31 December 2024		31 December 2023	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Equity investments	6,934,007	6,934,007	4,590,961	4,590,961
Long-term financial investments and long-term receivables	2,406,926	2,406,926	2,511,483	2,511,483
Trade receivables	84,118,884	84,118,884	88,988,035	88,988,035
Short-term loans and financial investments	257,525	257,525	339,906	339,906
Other receivables	12,761,765	12,761,765	10,895,312	10,895,312
Cash and cash equivalents	28,083,184	28,083,184	34,820,770	34,820,770
	134,562,291	134,562,291	142,146,467	142,146,467
Financial liabilities				
Long-term loans	157,873,642	157,873,642	134,930,908	134,930,908
Other long-term liabilities	3,974	3,974	8,519	8,519
Operating liabilities	59,732,088	59,732,088	64,994,268	64,994,268
Other short-term liabilities	25,527,383	25,527,383	30,751,882	30,751,882
Current maturities long-term loans	36,817,152	36,817,152	40,997,361	40,997,361
Short-term financial liabilities	32,273	32,273	161,295	161,295
	279,986,512	279,986,512	271,844,233	271,844,233

Assumptions for estimating the current fair value of financial instruments

Given that sufficient market experience, stability and liquidity do not presently exist for the purchase and sale of financial assets and liabilities, and given that the quoted prices, which could be used for the purposes of disclosing fair value of financial assets and liabilities are unavailable, the method here applied is that of discounted cash flows. In using these methods of measurement, interest rates for financial instruments with similar characteristics were used, with the objective of getting relevant estimates of the market value of financial instruments as at balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2024

TRANSLATION**43 COMMITMENTS AND CONTINGENT LIABILITIES***Court cases*

As at 31 December 2024, total value of court cases raised against the Company amounted to RSD 11,511,009 thousand (31 December 2023: RSD 2,949,072 thousand). The final outcome of these litigations is uncertain. As at 31 December 2024, based on the management's assessment, the Company formed a provision for potential losses that may arise out of those court cases (Note 32) in the total amount of RSD 2,595,539 thousand (31 December 2023: RSD 2,463,834 thousand). As for the remaining amount of court cases that conducted against the Company as respondent and for which no provision for potential losses has been made, Company management considers that there is no risk of material losses for the Company.

Commitments based on investment contracts

For the purpose of acquiring property, plant and equipment the Group has undertaken commitments as at 31 December 2024 towards the following suppliers:

Supplier	Contracted amount	Realized up to 31 December 2024	For use by Branch
Consortium Elnos BL Koessler GmbH & Co KG	970,562	647,029	Renewable sources
WEIRTurkey Mineralleri LTD	473,260	454,216	TE KO Kostolac
Extra Auto Transport	543,177	542,141	TE KO Kostolac
EX ING B&P DOO Beograd	3,684,372	3,608,959	TE Nikola Tesla
Energotehnika-Južna Bačka DOO	3,683,372	3,575,466	TE Nikola Tesla
Mitsubishi Power LTD	15,910,680	14,621,397	TE Nikola Tesla
Hidro-Tan DOO Beograd	1,099,948	665,612	Renewable sources
China Machinery Engineering Corporation (CMEC)	80,461,062	74,437,311	TE KO Kostolac
Power Machines PJSC	4,578,262	2,412,656	HPP Djerdap
Nari Group Corporation	1,561,035	1,431,127	Renewable sources
ESOTECH Družba za Ril	1,143,282	853,575	TE Nikola Tesla
ELEKTROMONTAŽA DOO Kraljevo	1,405,278	9,160	TE Nikola Tesla
Siemens Gamesa Renewable	13,882,999	7,615,516	TE KO Kostolac
Consortium Mitsubishi Hitachi Power Systems Ltd., Itochu Corporation, Mitsubishi Hitachi Power Systems Europe GmbH and Jedinstvo AD Sevojno	26,267,176	23,765,516	TE Nikola Tesla
Toshiba International Europe LTD	3,054,089	1,729,413	Drinsko-Limske HE
Consortium MPP Jedinstvo, NDC, Elektrovat, Informatika, Rudarski Ins	549,841	12,000	TE Nikola Tesla
	159,268,395	136,381,094	

The total amount of undertaken commitments for contracted investments in property, plant and equipment as of 31 December 2023, amounted to RSD 40,475,219 thousand.

Contingent liabilities arising from agreements with local self-governments

Based on the financing of infrastructure projects, the Company has potential obligations towards local self-governments, and according to the agreements which, most often, relate to the regulation of watercourses and infrastructure corridors, regulation of zones of mining and related activities, protection of water sources, moving settlements and relocating facilities, building or adapting educational, cultural, health, religious, sports, infrastructural facilities, wastewater treatment plants, water and other facilities, including maintenance of water levels in rivers belonging to the Black Sea basin, removal of harmful effects of sedimentation, etc. with the participation of local self-governments, namely in the part of co-financing or providing conditions for construction in accordance with regulations governing planning and construction, expropriation of real estate in places of local self-government, etc.

NOTES TO THE FINANCIAL STATEMENTS
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TRANSLATION**43 COMMITMENTS AND CONTINGENT LIABILITIES (continued)**

However, there are significant uncertainties regarding the likelihood of future events that are not fully within the Company's control, such as: hydrometeorological conditions, water levels, fulfillment of commitments undertaken by local self-governments - signatories to an agreement, as well as the consent of owners of the such facilities. In some of the agreements (program foundations and the like), the estimated value of the funds required by the Company for financing total obligations was not determined, and according to some agreements from earlier years, although the value was projected, it was not realized, at least not in the scope originally determined, given that no events occurred that would lead to an outflow of economic benefits. The execution of agreements with local self-governments will be confirmed only by the fulfillment of the obligations of local self-governments or by the occurrence or non-occurrence of one or more uncertain future events, over which the Company has no influence and for which the amount and probability of occurrence cannot be determined reliably.

For each occurrence of relevant events, operating liabilities were recognized, as disclosed in the following table:

No. Number	Agreement name	In thousands of RSD Total recorded per agreements up to 31-Dec-24
1	Agreement on regulating mutual obligations with the Municipality of Svilajnac	300,000
2	Agreement on realization of the project for the construction of the main route of the new heat pipeline rout III	150,125
3	Agreement on acquisition of public purpose facilities (AD Dragan Marković and Serbia's Army Club)	40,000
4	Agreement on project for paving uncategorized roads on the territory of the Municipality of Obrenovac	50,000
5	Self-governing agreement on rights and obligations in conducting activities on expropriation of real-estate properties for relocating settlements and regulating the zone of the Principal facility linked to construction of HEPS Djerdap 2	437,199
6	Program basis for relocating the Vreoci settlement	2,478,004
7	Agreement on implementing the program of resettling parts of the settlements Baroševac, Zeoke and Medoševac	1,563,382
8	Agreement on regulating relations associated with relocation of public function facilities from the territories of Land Registry Municipality Mali Borak and Land Registry Municipality Skobalj	620,809
9	Agreement on financing the relocation of cultural monuments located in the zone of mine works	45,096
10	Agreement on regulating relations linked to the opening of the open pit mine "Radljevo" - Phase I (part related to phase one – RSD 6,242,448,002)	3,171,266
11	Agreement on regulating relations linked to financing the repair and improvement in infrastructural facilities on the territory of the City of Požarevac	388,987

Liabilities toward the Deposit Insurance Agency

The Company did not reconcile its liabilities toward the Deposit Insurance Agency, which manages assets and liabilities transferred in the process of restructuring of banks and other activities associated with the process of restructuring of banks, in accordance with the Law on the Deposit Insurance Agency. The disputed amount relates to the liability toward the London Club of Creditors for the debt principal of USD 42,148,080.27 and interest in the amount of USD 50,709,409.81, which in the equivalent amount in dinars amounts to RSD 10,440,766 thousand.

Namely, the disputed amount relates to funds borrowed by public enterprises on the territory of the Autonomous Province of Kosovo and Metohija, which are directly related to the assets of those enterprises, and over which the Company does not have control, despite the capital relationship, as indicated in Note 1. The ultimate beneficiaries, according to binding agreements on borrowed funds, are enterprises on the territory of the Autonomous Province of Kosovo and Metohija.

As indicated in Note 33, according to the Law Governing Relations Between the Republic of Serbia and Banks in Bankruptcy Regarding Foreign Loans and Borrowings (Off. Gazette of RS no. 45/05), under conditions when the Republic of Serbia assumed such liabilities in accordance with the Law Governing the Relations between the Federal Republic of Yugoslavia and Legal Entities and Banks within the Territory of the Federal Republic of Yugoslavia (FRY Official Gazette No. 36/02 and 7/03), the Company concluded with the Agency an agreement in which it regulates its obligations toward the Republic of Serbia, as per transactions in which it is the ultimate debtor.

NOTES TO THE FINANCIAL STATEMENTS
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44 RECONCILIATION OF RECEIVABLES AND PAYABLES

In accordance with article 22 of the Law on Accounting, the Company reconciled its receivables and payables with its debtors and creditors. The reconciliation of receivables and payables was performed with balances as at 31 September 2024. The number of unreconciled investments and receivables is 6,553 in the amount of RSD 5,688,941 thousand, which is 3% of the total number of claims and 5% of the total amount of recognized investments and receivables as of 30 September 2024. The number of unreconciled payables is 1,615 in the amount of RSD 46,662 thousand, which is 2% of the total number of payables and 0.1% of the total amount of recognized payables as of 30 September 2024.

45 TAX RISKS

Tax regulations in the Republic of Serbia are frequently subject to different interpretations and frequent changes. Interpretations of tax regulations by the tax authorities in respect of transactions and activities of the Company can differ from management's interpretations. The period of limitation for tax liabilities is five years. This practically means that the tax authorities can assess payment of unsettled liabilities within five years of the occurrence of the liability.

46 SUBSEQUENT EVENTS

Loans with international financial institutions

On 10 February 2025, Annex 3 of the Special Agreement dated 29 November 2017 was signed, which is a supporting document of the Loan Agreement concluded with KfW Bank on 27 September 2024, in the amount of EUR 30 million. Based on the signed annex the Republic of Serbia has adopted the law on issuing guarantees for the said loan, after which the loan agreement shall go into effect, with the application of appropriate procedures.

Furthermore, on 27 December 2024, the Republic of Serbia concluded a financial agreement with the European Investment Bank in the amount of 100 million euros. After its confirmation by the Parliament of the Republic of Serbia, the Agreement will be concluded on the transfer of funds between the Ministry of Finance, the Ministry of Mining and Energy and the Company, based on which the amount of RSD 100 million will be made available to the Company in order to modernize existing hydroelectric power plants and put into operation new plants for the production of renewable energy.

Revitalization of the second unit at RHE "Bajina Bašta" has begun

During March 2025, the second phase of the revitalization of the second unit at the RHE "Bajina Bašta" began. The revitalization project is divided into three segments, with the first part contracted with the Japanese "Toshiba", covering the procurement, installation, testing and commissioning of the pump-turbine and engine-generator. In the second part, experts from the "Mihailo Pupin" Institute will perform the revitalization of the control system, that is, the electrical protection system and generator voltage equipment, while the third segment includes the revitalization of the generator excitation system in the RHE operated by the "Nikola Tesla" Institute.

New project Kostolac B3

The Company received new production capacity on 13 December 2024, thermo power plant Kostolac B3 with 350 MW output capacity. Kostolac B3 is in trial operation, which will last until 26 June 2025, and the Company is currently in the process of obtaining operating permits. Currently, the comments and deficiencies are being eliminated, and the deadline for their elimination is the end of May 2025. In addition, during the warranty period, which lasts until 3 December 2025, Chinese company CMEC eliminates deficiencies and malfunctions that occur during the warranty period. Kostolac B3 reached constant operation at nominal capacity in the second half of March 2025. During the previous period of operation, the unit has been operating in manual mode, while the nominal operation of the unit is in automatic mode. In order to achieve the maximum effect of the unit's exploitation during the warranty period, it is necessary to check the control loops and additional combustion optimization.

NOTES TO THE FINANCIAL STATEMENTS
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T R A N S L A T I O N**47 FOREIGN EXCHANGE RATES**

Official foreign currency exchange rates used in translating line items stated in foreign currencies into dinars are presented below:

	31 December 2024	In dinars 31 December 2023
EUR	117.0149	117.1737
USD	112.4386	105.8671
CHF	124.5237	125.5343
JPY	71.9959	0.748762