

# **Separate Financial Statements for the Year ended 31 December 2022 and Independent Auditor's Report**

**JP Elektroprivreda BiH d.d. Sarajevo**

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## Independent Auditor's Report

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### Public Enterprise "JP Elektroprivreda BiH d.d." - Sarajevo

#### Opinion

We have audited the separate financial statements of the Public Enterprise "JP Elektroprivreda BiH d.d." Sarajevo (hereinafter: „the Company“), which comprise the separate statement of financial position as at 31 December 2022, the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements relevant to our audit of the separate financial statements in the Federation of Bosnia and Herzegovina, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of matter

1. As disclosed in Note 31 to the accompanying separate financial statements, the value of litigation in which the Company is a defendant is stated in the amount of BAM 205.856 thousand as at 31 December 2022. This value of litigation includes the arbitration proceedings of the Consortium Strabag AG Austria and Končar d.d. Zagreb in the amount of BAM 39.267 thousand as well as the lawsuit of minority shareholders Jadran kapital d.d. Split and Stanovi Jadran d.d. Split in the amount of BAM 125.000 thousand (the plaintiff's claim was rejected in February 2023). The total amount of provisions is BAM 37.785 thousand as at 31 December 2022, and according to the Company's statements, the provision was made in accordance with the best estimate.

Our opinion is not modified in respect of this matter.

## Key audit matters

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

Key audit matter	Applied audit procedures
<p>Revenue recognition from sales of electricity (see Note 5)</p> <p>Revenue from sales of electricity in the amount of BAM 1.230.005 thousand refers to revenue from sales of electricity on the domestic and foreign market. The Company recognizes revenue on a monthly basis after the delivery of electricity. The electricity price is defined by decisions and agreements.</p> <p>Revenue from sales of electricity is selected as a key audit matter since there is a significant risk of revenue recognition from sales of electricity by the Company as well as a risk of reporting revenues in the period in which they arose.</p>	<p><i>Our procedures included the following:</i></p> <p>As part of the audit procedures, we tested internal controls established by Management.</p> <p>Based on a sample, we tested the calculation of delivered electricity in accordance with the prices defined by decisions and agreements.</p> <p>Based on a sample, we tested revenue recognition in the period in which they actually incurred.</p> <p>Based on conducted audit procedures, we did not identify significant findings with respect to the accuracy of recording revenues in accordance with agreements and decisions, as well as recording revenues in the period in which they actually incurred.</p>

## Other information

Management is responsible for the other information. Other information comprise information included in the annual report, but does not include the financial statements and our audit report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. In this regard, we do not have any significant facts that we consider appropriate for disclosure.

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

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

In preparing the separate 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 entity 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 separate financial statements**

Our objectives are to obtain reasonable assurance about whether the separate 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 ISAs 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 separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate 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 the 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 separate 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 separate financial statements, including the disclosures, and whether the separate 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.

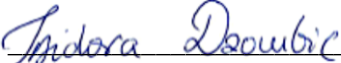
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.


From the matters communicated with those charged with governance, we are required to determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore key audit matters. We are required to describe these matters in our auditor's report unless law or regulation preclude public disclosure about the matter or when, in

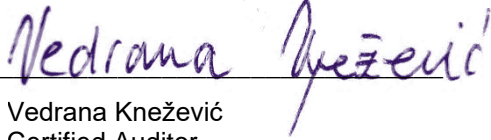
extremely rare circumstances, we determine that a matter that has not otherwise been publicly disclosed should not be communicated in our report in view of the significance of the adverse consequences that can reasonably be expected to arise as a result of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Vedrana Knežević.

Banja Luka, 22 May 2023

  
Isidora Džombić  
Managing Partner – Director  
Grant Thornton d.o.o. Banja Luka



  
Vedrana Knežević  
Certified Auditor  
Grant Thornton d.o.o. Banja Luka

## Separate statement of comprehensive income for the period 01.01.2022 - 31.12.2022

Item	Note	2022 in BAM 000	2021 in BAM 000
Income from contracts with related parties		15.302	12.674
Income from contracts with unrelated parties on the domestic market		1.168.704	1.041.583
Revenues from contracts with unrelated parties on the foreign market		90.757	40.679
<b>Revenues from contracts with customers</b>	5	<b>1.274.763</b>	<b>1.094.936</b>
Gains from long-term non-financial assets		483	314
Income from sale of materials (net)		500	996
Surpluses and other positive inventory adjustments		1.610	2.779
Income from dividends		500	-
Financial income		8.155	6.241
Other operating income	6	20.882	13.024
<b>Total income and gains</b>		<b>32.130</b>	<b>23.354</b>
<b>Total income</b>		<b>1.306.893</b>	<b>1.118.290</b>
Cost of goods sold	7	200.127	176.622
Raw materials and materials	7	412.034	328.450
Energy and fuel	7	9.797	6.802
Employee benefits	8	185.801	173.898
Depreciation and amortization	9	156.228	156.202
Costs of services received	10	104.474	101.772
Other operating expenses and costs	10	57.880	66.360
<b>Operating expenses</b>		<b>1.126.341</b>	<b>1.010.106</b>
Losses from long-term non-financial assets	11	26.504	1.621
Losses from financial assets	12	95.590	70.886
Provisions (net)	13	32.353	8.400
Deficiencies and other negative inventory adjustments		6.241	5.571
Financial expenses		4.302	4.472
Other expenses and losses		4.858	3.232
<b>Other expenses and losses</b>		<b>169.848</b>	<b>94.182</b>
<b>Total expenses</b>		<b>1.296.189</b>	<b>1.104.288</b>
<b>Result before taxes</b>		<b>10.704</b>	<b>14.002</b>
Income tax		4.556	1.676
Current income tax liability	14	12.873	3.145
Deferred tax assets/income		(8.317)	(1.469)
<b>Result for the year</b>		<b>6.148</b>	<b>12.326</b>

<b>Item</b>	<b>Note</b>	<b>2022 in BAM 000</b>	<b>2021 in BAM 000</b>
<b>Total other comprehensive income</b>			
Actuarial gains/(losses)		(3.404)	65
<b>Total result</b>		<b>2.744</b>	<b>12.391</b>

*Notes on the following pages form an integral part of these separate financial statements.*

The separate financial statements have been approved and signed by the Company's Management on 20 February 2023.

Signed on behalf of the Company:

*Authorized representative*

*Licensed person*



## Separate statement of financial position as at 31.12.2022

Item	Note	31.12.2022 in BAM 000	31.12.2021 in BAM 000
<b>Non-current assets</b>			
Property, plant, equipment	15	2.227.048	2.322.353
Advances for za property, plant and equipment	17	218.236	218.236
Right of use assets		394	-
Intangible assets	16	9.126	10.896
Biological assets		50	50
Investments in subsidiaries	18	400.852	426.960
Investments in associated legal entities	19	1.950	1.950
Financial assets at fair value through other comprehensive income		6	8
Borrowings and deposits	20	169.642	98.851
<b>Non-current assets</b>		<b>3.027.303</b>	<b>3.079.303</b>
<b>Deferred tax assets</b>		<b>9.786</b>	<b>1.469</b>
<b>Current assets</b>			
Inventories	22	66.817	42.935
Advances given for inventories	17	9.662	2.074
Trade receivables	21	129.176	129.776
Borrowings and deposits	20	169.429	115.039
Cash and cash equivalents	23	165.905	172.615
Income tax advances		-	1.952
Advances given for services	17	1.233	1.338
Other assets and receivables, including accruals	21	29.231	18.839
<b>Current assets</b>		<b>571.453</b>	<b>484.568</b>
<b>TOTAL ASSETS</b>		<b>3.608.542</b>	<b>3.565.340</b>
<b>Equity</b>			
Share capital	24	2.236.964	2.236.964
Legal reserves		80.493	70.473
Other reserves		508.664	508.664
Retained earnings		175.971	185.553
<b>Equity</b>		<b>3.002.092</b>	<b>3.001.654</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Loan liabilities	25	194.921	243.390
Lease liabilities		304	-
Deferred income	26	62.414	67.977
Provisions	27	111.265	65.400

Item	Note	31.12.2022 in BAM 000	31.12.2021 in BAM 000
Other liabilities, including deferrals		33	91
<b>Long-term liabilities</b>		<b>368.937</b>	<b>376.858</b>
<b>Short-term liabilities</b>			
Loan liabilities	25	47.521	48.019
Lease liabilities		93	-
Trade payables and contractual liabilities	28	76.776	62.337
Deferred income	29	13.678	11.227
Income tax liabilities		9.843	-
Other liabilities and deferrals	29	89.602	65.245
<b>Short-term liabilities</b>		<b>237.513</b>	<b>186.828</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3.608.542</b>	<b>3.565.340</b>

*Notes on the following pages form an integral part of these separate financial statements.*

## Separate statement of cash flows for the period 01.01.2022 - 31.12.2022

Item	2022 in BAM 000	2021 in BAM 000
<b>Cash flows from operating activities</b>		
<b>Net profit for the year</b>	<b>6.148</b>	<b>12.326</b>
Adjustments for:		
Depreciation and amortization	156.228	156.202
Net loss on disposal of fixed assets, impairment of fixed assets	81.180	1.620
Net loss / (profit) from write-off of doubtful and bad receivables	37.513	69.804
Write-off of inventories	4.632	2.306
Changes in employee benefits, net	4.274	(662)
Changes in provisions, net	28.187	(9.577)
Interest income and other financial income	(3.791)	(4.366)
Interest expenses and other financial expenses	(8.155)	(6.553)
	4.302	4.783
	<b>310.518</b>	<b>225.883</b>
Changes in:		
- trade receivables	3.060	(2.573)
- inventories	(36.102)	19.922
- advances	-	(24.070)
- other receivables	(11.934)	6.722
- other long-term liabilities	(996)	(4.008)
- trade payables	21.120	(41.251)
- other liabilities	45.554	5.724
- deferred income	(3.112)	(3.972)
<b>Net cash flows from operating activities</b>	<b>328.108</b>	<b>182.377</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(87.552)	(88.481)
Increase in shares in subsidiaries	(29.051)	(12.157)
Increase in deposits and given loans	(262.782)	(90.888)
Repayment of deposits and given loans	92.902	60.631
Interest charged	8.155	6.553
<b>Net cash flows from investing activities</b>	<b>(278.328)</b>	<b>(124.342)</b>
<b>Cash flows from financing activities</b>		
Repayment of received loans	(48.530)	(49.538)
Loan withdrawals	-	45.638
Interest paid	(5.685)	(4.783)
Dividends paid	(2.276)	(4.739)
<b>Net cash flows from financing activities</b>	<b>(56.491)</b>	<b>(13.422)</b>
<b>Net increase/(decrease) of cash and cash equivalents</b>	<b>(6.711)</b>	<b>44.613</b>
<b>Cash and cash equivalents as at 1 January</b>	<b>172.616</b>	<b>128.003</b>
<b>Cash and cash equivalents as at 31 December</b>	<b>165.905</b>	<b>172.616</b>

*Notes on the following pages form an integral part of these separate financial statements.*

## Separate statement of changes in equity for the period 01.01.2022 - 31.12.2022

(in BAM 000)

	Share capital	Legal reserves	Other reserves	Retained earnings	Total
<b>Balance as at 01.01.2021</b>	<b>2.236.964</b>	<b>67.974</b>	<b>508.664</b>	<b>180.413</b>	<b>2.994.015</b>
Profit for the year	-			12.325	12.325
Other comprehensive loss	-			65	65
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12.390</b>	<b>12.390</b>
<i>Transactions with owners recorded directly in equity</i>					
<i>Contributions and distribution to owners</i>					
Transfers	-	2.499	-	(2.499)	-
Dividends	-			(4.751)	(4.751)
<b>Balance as at 31.12.2021/ 01.01.2022</b>	<b>2.236.964</b>	<b>70.473</b>	<b>508.664</b>	<b>185.553</b>	<b>3.001.654</b>
Profit for the year	-			6.148	6.148
Other comprehensive loss	-			(3.404)	(3.404)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.744</b>	<b>2.744</b>
<i>Transactions with owners recorded directly in equity</i>					
<i>Contributions and distribution to owners</i>					
Transfers	-	10.020		(10.020)	-
Dividends	-			(2.306)	(2.306)
<b>Balance as at 31.12.2022</b>	<b>2.236.964</b>	<b>80.493</b>	<b>508.664</b>	<b>175.971</b>	<b>3.002.092</b>

Notes on the following pages form an integral part of these separate financial statements.

## 1. General information about the Company

„JP Elektroprivreda BiH d.d.“ - Sarajevo (hereinafter "the Company") is a public enterprise registered in accordance with the Law on Public Enterprises, and organized as a joint stock company in accordance with the provisions of the Law on Companies, in which 90,37% of the equity is owned by the Federation of Bosnia and Herzegovina, and 9,63% is owned by small shareholders.

The organizational units of the Company comprise the Directorate and 8 branches:

- Hidroelektrane na Neretvi, Jablanica
- Termoelektrana „Kakanj“, Kakanj
- Termoelektrana „Tuzla“, Tuzla
- „Elektrodistribucija“, Bihać
- „Elektrodistribucija“, Mostar
- „Elektrodistribucija“, Sarajevo
- „Elektrodistribucija“, Tuzla
- „Elektrodistribucija“, Zenica.

As of 2009, „JP Elektroprivreda BiH d.d.“ - Sarajevo has the status of the parent company in the Consolidated Company „EPBiH“. By the decision published in the Official Gazette of the Federation of Bosnia and Herzegovina, No. 4 of 26 January 2009, the Federation of Bosnia and Herzegovina transferred its shares in coal mines in the Federation of Bosnia and Herzegovina to „JP Elektroprivreda BiH d.d.“ - Sarajevo, namely:

- Brown Coal Mine „Abid Lolić“ d.o.o. Travnik – Bila
- Brown Coal Mine „Breza“ d.o.o. Breza
- Brown Coal Mine „Đurđevik“ d.o.o. Đurđevik
- Coal Mine „Gračanica“ d.o.o. Gornji Vakuf – Uskoplje
- Brown Coal Mine „Kakanj“ d.o.o. Kakanj
- Coal Mines „Kreka“ d.o.o. Tuzla
- Brown Coal Mine „Zenica“ d.o.o. Zenica

The Company has majority stakes in the following legal entities:

- „Iskraemeco d.o.o.“ Sarajevo - company for the production and maintenance of measuring devices, 57,51% ownership;
- „Eldis Tehnika d.o.o.“ Sarajevo - company for the production of energy distribution equipment, trade of products and services, 100% ownership;
- „Hotel Makarska d.o.o.“ Makarska, Republic of Croatia – gastronomy and tourism company, 100% ownership;
- „TTU energetik d.o.o.“, company for the production of transport devices, 80% ownership;
- „GEOLP d.o.o.“ Kakanj, company for geological research, testing, design and protection, 100% ownership;
- „MiOD“ d.o.o. Tuzla – company for providing maintenance services and auxiliary machinery to subsidiaries of mines within „EP BiH“, 100% ownership.

The Company's core business is generation of electricity, distribution of electricity, supply of electricity, trade, representation and mediation on the domestic electricity market.

The Company's shares are listed on the Sarajevo Stock Exchange.

The Company's bodies are: the Assembly, the Supervisory Board, the Management Board and the Audit Committee.

The Company's Assembly consists of shareholders. The total number of shareholders at the last reporting period date is 2.582 shareholders (as at 24 November 2022).

The Company's Supervisory Board:

- Izet Žigić, chairperson
- Milenko Obad, member
- Selvedin Subašić, member,
- Admir Softić, member,
- Muhidin Zametica, member,
- Safet Isić, member,
- Hasen Mašović, member until 26 April 2022,
- Ivan Gržić, member as of 27 April 2022.

The Company's Management Board:

- Admir Anđelića - Managing Director,
- Samir Selimović - Executive Director for production,
- Elvir Lojić - Executive Director for distribution,
- Zlatan Planinčić - Executive Director for supply and trade,
- Muhamed Kozadra - Executive Director for economic affairs,
- Ružica Burić - Executive Director for legal and personnel affairs,
- Senad Salkić - Executive Director for capital investments.

Audit Committee:

- Almira Zulić, chairperson
- Mustafa Šakić, member
- Ismeta Jakupović-Divković, member.

As at 31 December 2022, the Company had 4.025 employees (as at 31 December 2021: 4.168 employees).

The Company's headquarters is in Sarajevo, Vilsonovo šetalište street, no. 15.

The Company's ID number: 4200225150005.

The Company's VAT number: 200225150005.

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

### **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Company has also prepared consolidated financial statements in accordance with IFRS for the Company and its subsidiaries (the Group). In the consolidated financial statements, subsidiaries are fully consolidated. Subsidiaries are companies controlled by the Group. Control exists when the Group is exposed to or has a right to variable returns from its involvement with a subsidiary and has the ability to influence those returns through control over the subsidiary. Beneficiaries of these separate financial statements should read them together with the Group's consolidated financial statements as at 31 December 2022 and for the year then ended in order to obtain complete information about the Group's financial position, operating results and changes in the Group's financial position as a whole.

The separate financial statements have been approved by the Management Board on 23 February 2023.

As comparative data, the Company presented the statement of profit or loss, the statement of changes in equity and the statement of cash flows, as well as the statement of financial position as at 31 December 2021.

In accordance with the Rulebook on the accounting framework and account content for companies and the Rulebook on the content and form of financial statements for companies, which is applied as of 1 January 2022, there was a change in the presentation of comparative data for 2021 in the financial statements of the Company. These changes have no impact on the net result, total assets, liabilities and capital of the Company for the year 2021.

### **Basis of measurement**

The financial statements have been prepared under the historical cost convention or surrogate cost convention.

### **Functional and presentation currency**

The financial statements are stated in Convertible marks (BAM), which is the functional currency. All financial information presented in convertible marks are rounded to the nearest thousand.

### **Use of estimates and judgments**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and disclosed amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and related assumptions are reviewed regularly. Changes in accounting estimates are recognized in the period in which the change in estimate occurs and in future periods to which it relates.

In particular, information about material estimates of uncertainty and critical judgments about the application of accounting policies that have a material effect on the amounts recognized in the financial statements are described in Note 34.

## **3. Significant accounting policies**

The accounting policies below have been applied consistently and consistently in all periods presented in these separate financial statements.

### **Foreign currencies**

Transactions in foreign currencies are denominated in the Company's functional currency using the exchange rates prevailing at the transactions dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rate prevailing at that date. Foreign exchange gains and losses from the settlement of such transactions, and gains or losses from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

Non-monetary assets and items measured at historical cost in a foreign currency are not translated at the new exchange rate.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the exchange rate prevailing at the date when the amounts were determined.

## Financial instruments

### Non-derivate financial instruments

Non-derivative financial instruments comprise borrowings, trade receivables and other receivables, cash and cash equivalents, leases and loans as well as trade payables and other liabilities.

Non-derivative financial instruments are initially measured at fair value plus transaction costs, except in the case of financial instruments that are not measured at fair value through profit or loss. Non-derivative financial instruments are subsequently measured as described below.

For short-term trade receivables, without a significant financing component, the Company applies the simplified approach required by IFRS 9 and measures expected impairment losses during the term of the contract, and from the initial recognition of receivables. The Company uses a provision matrix according to which impairment losses are calculated for trade receivables in accordance with historical data and the geographical region. In order to measure expected credit losses, trade receivables are grouped according to common credit risk characteristics and by the geographical region (branches). The analysis is performed for the previous three years by relating the provision of a certain group of receivables and the invoiced amount of receivables. The three-year average of the corrective rate thus obtained is applied to the balance of the receivables group for which it was obtained at the reporting date.

The amount of expected credit losses for the categories of borrowings, housing loans and rescheduling was determined as the difference between the carrying amount at the reporting date and the present value of future cash flows. For other receivables with no adjustments through provision in the analyzed period, the Company applies a corrective rate of 1% at the reporting date.

Classification:

DESCRIPTION	Business model
<b>Long-term assets</b>	
Long-term given loans	Held for collection
<b>Short-term assets</b>	
Trade receivables	Held for collection
Other short-term receivables	Held for collection
Rescheduled receivables	Held for collection

The Company's business model shows the way how it manages its financial assets with the aim of generating cash flows, that is, the business model shows whether the Company will generate cash flows by collecting contracted cash flows or selling financial assets.

#### - Trade payables

Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Company's contractual rights to the cash flows from the financial assets have expired and the Company has transferred the financial assets without retention of control or has transferred all the risks and rewards related to those assets. Regular acquisition and sale of financial assets is recognized on the trade date or on the date that the Company commits to purchase or sell the asset. Financial liabilities are derecognized if the contractual obligation has been settled, adjusted or expired.

### Issued capital

#### Purchase of issued capital

When issued capital is purchased, the compensation amount together with the direct costs attributed to it are recognized as a deduction of capital. Purchased shares are presented as own shares and are



presented as a deduction from the total amount of share capital.

## Investments in subsidiaries

Subsidiaries are Companies controlled by the Group. Control exists if the Group is exposed to or has a right to variable returns from its involvement with a subsidiary and has the ability to influence those returns through control of the subsidiary. Investments in subsidiaries are recorded at cost, less impairment losses.

## Investments in associates

Associates are those entities in which the Company has significant influence, but not control over the financial and operating policies. Investments in subsidiaries are recorded at cost, less impairment losses.

## Property, plant and equipment

### Recognition and measurement

Property, plant and equipment are stated at cost, that is surrogate cost, less accumulated depreciation and impairment of assets.

If significant parts of items of property, plant and equipment have different useful lives, they are recognized as separate items (significant components) of property, plant and equipment.

Cost includes expenditures that can be directly attributed to the acquisition of the asset. In addition, cost includes a cost estimate for dismantling and removing items and rebuilding the site when the Company has an obligation to dismantle an asset or rebuild a site.

Gains and losses from disposal of an individual item of property, plant and equipment (determined as the difference between the net proceed of disposal and the carrying amount of the asset) are recognized in profit or loss.

Assets under construction, which are built for the purpose of providing services or administrative purposes, are stated at cost less any impairment losses. Procurement cost also includes professional fees. Such assets are reclassified to the appropriate categories of property, plant and equipment after completion and readiness for their intended use.

### Subsequent expenditures

The replacement cost of an item of property, plant and equipment is recognized as an asset if it is certain that the Company will have future economic benefits from that asset and that the cost of the asset can be measured reliably. Costs for day-to-day maintenance of property, plant and equipment are recognized in profit or loss as they incur.

### Depreciation

Depreciation is recognized in profit or loss using the straight-line method. Land and assets under construction are not depreciated.

The estimated useful life of assets are as follows:

Buildings	10 to 80 years
Plant and equipment	5 to 40 years
Other	3 to 5 years

At the reporting date, the validity of the depreciation method, useful life and residual value of the asset are reassessed.

## Intangible assets

### Development

An intangible asset arising from development (or in the development phase of an internal project) is recognized as an asset if, and only if, the entity can prove all of the following:

- the technical feasibility of completing the intangible asset so that it is available for use or sale;
- the intention to complete the intangible asset for use or sale;
- the possibility of using or selling the intangible asset;
- the manner in which the intangible asset will bring probable future economic benefits;
- the availability of appropriate technical, financial and other resources in order to complete the development and use or sale of the intangible asset;
- the ability to reliably measure expenses that can be attributed to the intangible asset during its development.

### Software

Software is initially valued at cost. After initial recognition, software is measured at cost less accumulated amortization and accumulated impairment loss.

### Subsequent expenditures

Subsequent expenditures related to intangible assets are capitalized only when they increase the future economic benefits of the associated asset. All other expenditures, including expenditures for internally developed goodwill and brand, are presented in profit or loss as an expense in the period in which they incurred.

### Amortization

Amortization is recognized in profit or loss using the straight-line write-off method over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative period are as follows:

Software and development costs	2 - 10 years
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At the reporting date, the validity of the amortization method and useful life are reassessed.

## Inventories

Inventories are valued at the lower of cost and net realizable value. Inventories are valued at cost, including all costs necessary to bring inventories in a ready-to-use condition, using the weighted average cost method.

Any write-down is recognized for inventories that have been held in stock for a longer time, damaged, completely or partially obsolete, unusable (inventories of poor quality and technologically obsolete inventories).

## **Impairment of assets**

The carrying amount of the Company's assets, except for inventories and deferred tax assets, is reviewed at each reporting date in order to determine whether there is any indication of impairment. If any indication exists, the recoverable amount of the asset is estimated.

The recoverable amount of intangible assets with an indefinite useful life and intangible assets not yet available for use is estimated at each reporting date.

Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest group of assets that generates cash inflows that are independent of cash inflows from other assets or groups of assets. An impairment loss is recognized in profit or loss.

An impairment loss of a financial asset carried at amortized cost is calculated as the difference between the carrying amount and the present value of estimated future cash flows of the asset by using its original effective interest rate. Losses are recognized in the statement of financial position, in the allowance account for borrowings and receivables or held-to-maturity investment securities. Interest on impaired assets continue to be recognized. When events occur that, after an impairment is recognized, cause a decrease of the impairment loss, the decrease of the impairment loss is reversed through profit or loss.

In assessing collective impairment, the Company uses historical trends for the probability of default, return time and amount of loss incurred, adjusted for management's judgments as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than historical trends.

## **Calculation of recoverable amount**

The recoverable amount of a financial asset carried at amortized cost is determined as the present value of estimated future cash flows, discounted at the original effective interest rate (that is, the effective interest rate calculated on the initial measurement of the financial asset). Current receivables are not discounted.

The recoverable amount of other assets is the net realizable value or value in use, whichever is greater. In assessing value in use, the present value of estimated future cash flows is calculated using a pre-tax discount rate that reflects the estimate of the time value of money on the market and the risks specific to this asset. For assets that do not generate independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## **Reversal of an impairment loss**

An impairment loss relating to receivables carried at amortized cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

If the amount of the impairment loss for receivables decreases in the next period due to an event occurring after the write-off, then the previously recognized impairment loss is reversed through profit or loss with a corresponding increase in the carrying amount and assets. The reversal is limited to the amount that would not have been greater than the amortized cost had there been no impairment.

An impairment loss with respect of other assets, non-financial assets is reversed if there is any indication that the impairment may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

## **Provisions**

Provisions are recognized if the Company currently has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

Provision amounts are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects the current estimate of the time value of money on the market and, where applicable, liability-specific risks.

Provisions are reversed only for those costs for which the provision was originally recognized. If the outflow of economic benefits to settle the obligation is no longer probable, the provision is reversed.

## **Employee benefits**

### **Mandatory contributions to the pension fund**

Liabilities for contributions to the mandatory pension fund are included in profit or loss in the period in which they incurred, that is, in the period in which the services are provided by employees.

Compensations for meal allowances, transport to/from work and holiday recourse are paid in accordance with domestic legal regulations.

### **Severance pay upon retirement**

The Company pays severance pay upon retirement in the amount of five average net salaries of the employee paid in the previous three months before retirement or six average net salaries earned in the Federation of BiH, if it is more favorable for the employee. The Company has no other payment plans for its employees or the Management Board after the retirement date in Bosnia and Herzegovina.

Costs for severance pay upon retirement is determined using the projected unit credit method, with actuarial estimates being made at each reporting date. Gains and losses from the actuarial valuation are fully recognized in other comprehensive income in the period in which they arise. Retirement benefit obligations recognized in the statement of financial position represent the present value of the defined benefit obligation, adjusted for the unrecognized past service cost.

### **Jubilee awards**

The Company pays jubilee awards to its employees. The liability and cost of these benefits are estimated using the projected unit credit method. The projected monetary method takes into account each employment year of the employee with the Company, which, in the sum of all individual units, comprise the final liability, which is measured individually for each unit. The liability is measured at the present value of estimated future cash flows discounted at an effective interest rate that approximates the rate on government debt securities where the currency and terms of government debt securities approximate the currency and estimated terms of the employee benefit obligation. Jubilee awards range from one to two average net salaries paid in the Federation of Bosnia and Herzegovina, depending on the period of employment from 10 to 30 years.

## **Revenue**

### **Products and services sold**

Revenue from sales of products is measured at fair value of the consideration received or receivable. Revenue from sales of products is recognized when significant risks and rewards related to the ownership have been transferred to the customer, when the transaction is likely to be accompanied by an inflow of economic benefits, when costs and possible returns can be measured reliably and when the Company does not retain the right to manage and control the goods sold.

Revenue from services is recognized in the period in which the services are provided in accordance with

the stage of completion at the reporting date.

Revenue from connections is recognized in the period when the customer pays the connection fee, and the installation is provided.

Revenues, expenses and assets are recognized net of value added tax (VAT), unless the VAT amount cannot be refunded by the State. In these circumstances, VAT is recognized as part of the cost of the asset acquired or as part of the expense incurred.

Receivables and liabilities are carried at the amount that includes VAT. The amount of pre-tax, that is VAT receivables, is included in current receivables. The VAT amount to be paid is included in current liabilities.

Revenue from sales of goods and services is recognized at the date the goods and services are delivered and represents the net invoiced value excluding value added tax.

### **Uninvoiced electricity income**

Electricity supply is maintained on a monthly basis. At the end of the year, electricity delivered to customers, which has not yet been invoiced, is recognized within revenue at an estimated amount from the date of the last reading until the end of the year. The estimate of the monthly change in uninvoiced electricity comes from the measured supply of electricity after the reduction of invoiced consumption and estimated transmission losses.

### **Donations**

Donations in cash and equipment used for current investments, for the reconstruction of assets and for other activities are presented in a separate statement of financial position as deferred income that is carried in profit or loss using the linear method in future periods, so that these donations could be used in investments or in day-to-day operations during the estimated economic life of the donated asset.

### **Financial income and expenses**

Financial income and expenses include interest on loans that are calculated using the effective interest rate method, default interest, interest receivable on invested funds, dividend income, foreign exchange gains and losses.

Interest income is recognized when it is calculated taking into account the effective return on assets. Dividend income is recognized in profit or loss on the date when the Company's right to receive dividends arose.

Borrowing costs, which are directly attributable to the acquisition, construction or production of qualifying assets, assets that take a significant period of time to be brought to a condition suitable for their intended use or sale, are included in the cost of those assets until the assets are substantial ready for their intended use or sale. Investment income earned on temporary investments of specific borrowings whose cost is transferred to a qualifying asset is deducted from the cost of the loan recognized as capitalization. All other borrowing costs are recognized in net profit or loss in the period in which they incurred.

### **Income tax**

Income tax is calculated based on reported revenues according to the laws and regulations of the Federation of Bosnia and Herzegovina for the parent Company.

Income tax includes current tax and deferred tax. Income tax is recognized in profit or loss except for

taxes relating to items within equity, when the cost of income tax is recognized within the principal. Current tax is the expected tax payable calculated on the taxable income for the year, using the tax rate effective at the reporting date, and any adjustment to tax payable in respect of previous years.

The amount of deferred tax is based on the expected realization or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the assets can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## Segment reporting

A segment is a component of the Company that can be separated either as a part engaged in the production of products or provision of services (business segment) or as a part engaged in the production of products or provision of services within a certain economic environment (geographical segment), subject to different risks and benefits from that other segment. The Company's current business comprise production, distribution and supply of electricity (business segment), and the business, total assets and most of the clients are located in Bosnia and Herzegovina.

## Amendments to existing standards effective in the current period

The following new standards, amendments to existing standards were effective for the current reporting period, but did not cause any material changes in the Company's financial statements:

- Reference to the Conceptual Framework (Amendments to IFRS 3);
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16) (effective for annual periods beginning on or after 1 April 2021);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual Improvements (2018-2020 Cycle): – Subsidiary as a First-time Adopter (Amendments to IFRS 1) – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendments to IFRS 9)
- Lease Incentives (Amendments to IFRS 16);
- Taxation in Fair Value Measurements (Amendments to IAS 41).

The adoption of these standards and amendments did not lead to material changes in the Company's separate financial statements.

## New standards and amendments to existing standards published but not yet adopted

At the issuing date of the financial statements, the following new standards, amendments to existing standards and interpretations have been issued but are not yet effective:

- IFRS 17 "Insurance Contracts";
- Amendments to IFRS 17 "Insurance Contracts" (amendments to IFRS 17 and IFRS 4);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS practice statement 2);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The Company's management has chosen not to adopt these new Standards and amendments to existing Standards before they become effective. Management anticipates that the adoption of these new Standards and changes to existing Standards will not have a material impact on the Company's financial separate statements in the period of initial application.

## Determining fair value

The Company has included additional disclosures with regards to fair value measurements as explained below.

The Company has established a control system within fair value measurement, which includes the overall responsibility of the Management Board and financial functions related to monitoring all significant fair value measurements, consulting with external experts and, in this context, reporting on the same corporate governance bodies.

Fair values are measured in relation to information collected from third parties, with the Management Board and the finance function taking into account that evidence collected from third parties ensures that those fair value estimates meet the requirements of IFRS, including the level in the fair value hierarchy in which estimates should be classified.

Fair value are categorized into different levels of the fair value hierarchy based on inputs which are used in estimation techniques as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (e.g. prices) or indirectly (e.g. derived from prices)
- Level 3 - inputs for assets or liabilities which are not based on observable market data (inputs are unobservable).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is considered active if the quoted prices are known based on the stock exchange, the activities of brokers, the industry group or the regulatory agency, and these prices represent actual and regular market transactions under normal trading conditions.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques require the maximum use of visible market data where possible, and rely as little as possible on entity-specific estimates. If all significant inputs required for fair valuation are visible, the fair value estimate is categorized as level 2.

If one or more significant inputs are not based on observable market data, the fair value estimate is categorized as level 3.

The Company has made the following significant estimates of fair value in preparing the financial statements:

- Demand deposits

The carrying amount of demand deposits approximates their fair value primarily because these deposits are most similar to cash and are due within one year.

- Trade receivables and other receivables and trade payables

The current value of trade and other receivables is estimated in accordance with IFRS 9, and the current value of trade payables approximates their fair value due to the short-term nature of these instruments.

- Short-term given loans

The carrying amount of short-term given loans approximates their fair value because they are due within one year. In the financial statements as at 31 December 2022 and in accordance with IFRS 9 - Financial Instruments, the Company has impaired receivables based on electricity and other goods and services, loans, loans to employees, rescheduling and the like in the amount of BAM 6.165 thousand.

- Long-term loan liabilities

The fair value of long-term loan liabilities is based on the market price for the same or similar loans or on the current interest rates of loans with the same maturity. The carrying amount of long-term liabilities per loans with variable interest rates approximates their fair value.

## 4. Key accounting estimates and assumptions

In applying the accounting policies described in Note 3, the Company's Management Board makes decisions and makes estimates as well as assumptions that affect the amounts of assets and liabilities that may be derived from other sources.

Estimates and assumptions are based on previous and other relevant factors.

Estimates and assumptions are constantly reviewed. Changes in accounting estimates are recognized in the period of the change if they relate only to that period, or in the period of the change and future periods if the change affects both the current and future periods.

### Key sources of estimation uncertainty

Key future-related assumptions and the key sources of estimation uncertainty at the balance sheet date have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Estimates are used, although not limited to the following purposes: depreciation and amortization periods and present value of assets, plant and equipment and intangible assets, provisions for impairment of inventories and bad receivables, accrued interconnection income and expenses, and for estimates of provisions for long-term and short-term employee benefits. Future events and their effects cannot be estimated with certainty.

Therefore, accounting estimates require a professional opinion that is included in the preparation of financial statements and will be changed when new events occur, when new experience is gained, when new information is obtained and when the Company's business environment changes. Actual results may differ from those estimated.

### Useful life of property, plant and equipment

As described in Note 3, the Company reviews the estimated useful life of property, plant and equipment at the end of each annual reporting period.

### Fair value of financial instruments

The Company's management uses judgment in selecting appropriate valuation techniques for financial instruments that are not quoted in an active market. Valuation techniques commonly used in the market are applied. Financial instruments are measured by analyzing discounted cash flows based on assumptions supported by market prices or rates, if possible.



## 5. Sales revenue

<b>Sales revenue</b>	<b>2022 in BAM 000</b>	<b>2021 in BAM 000</b>
Sales of electricity and services to related entities	15.302	12.674
Sales of electricity to unrelated entities	1.162.633	1.006.637
- <i>domestic market</i>	<i>1.071.876</i>	<i>965.958</i>
- <i>foreign market</i>	<i>90.757</i>	<i>40.679</i>
Connection fees	22.261	21.473
Technological steam and thermal energy	14.876	13.837
Services and other revenue	59.691	40.315
<b>Total sales revenue:</b>	<b>1.274.763</b>	<b>1.094.936</b>

## 6. Other operating income

<b>Other operating income</b>	<b>2022 in BAM 000</b>	<b>2021 in BAM 000</b>
Rental income	1.468	1.464
Donations	6.407	6.837
Collected written-off receivables	2.961	1.083
Insurance charges	1.732	148
Penalty proceeds	256	415
Income from previous years	6.263	2.351
Other operating income	1.795	726
<b>Total other operating income:</b>	<b>20.882</b>	<b>13.024</b>

## 7. Raw materials, materials, energy and cost of goods sold

<b>Raw materials, materials, energy and cost of goods sold</b>	<b>2022 in BAM 000</b>	<b>2021 in BAM 000</b>
Cost of goods sold	200.127	176.622
Utilized coal	356.537	289.720
Coal delivery and analysis	33.701	22.193
Utilized maintenance material	627	860
Other raw materials and material	21.169	15.677
Energy and fuel	9.797	6.802
<b>Total raw materials, materials, energy and cost of goods sold:</b>	<b>621.958</b>	<b>511.874</b>

## 8. Employee benefits

<b>Employee benefits</b>	<b>2022 in BAM 000</b>	<b>2021 in BAM 000</b>
Net salaries and other employee expenses	128.992	120.326
Mandatory social benefits and contributions	58.661	55.616
<b>Total employee costs</b>	<b>187.653</b>	<b>175.942</b>
Own work capitalized	(1.852)	(2.044)
<b>Employee costs recognized in the statement of comprehensive income</b>	<b>185.801</b>	<b>173.898</b>
<b>Total employee benefits:</b>	<b>185.801</b>	<b>173.898</b>

## 9. Depreciation and amortization

<b>Depreciation and amortization</b>	<b>2022 in BAM 000</b>	<b>2021 in BAM 000</b>
Depreciation of property, plant and equipment	154.075	153.984
Amortization of intangible assets	2.149	2.218
Depreciation of right of use assets	4	-
<b>Total depreciation and amortization:</b>	<b>156.228</b>	<b>156.202</b>

In the branch of „HE na Neretvi“, a functional method of calculating depreciation for 2022 is applied for equipment that directly participates in the production process and whose use is conditioned by the volume of production, in accordance with the realized production.

## 10. Other operating expenses

<b>Other operating expenses</b>	<b>2022 in BAM 000</b>	<b>2021 in BAM 000</b>
Services for production and processing of own goods and services	2.702	3.061
Transportation services	73.953	73.719
Maintenance	22.692	20.693
Rent	233	227
Trade fairs, advertising, sponsorships and research	825	298
Other production service costs	671	504
Non-production services	3.398	3.270
<b>Total costs of services received:</b>	<b>104.474</b>	<b>101.772</b>
Representation	123	114
Insurance premiums	2.456	2.078
Payment transactions	2.800	3.093
Postal and telecommunications services	8.036	6.803
Taxes, fees and charges	37.561	46.972

<b>Other operating expenses</b>	<b>2022 in BAM 000</b>	<b>2021 in BAM 000</b>
Membership contributions	6.566	6.977
Other intangible costs	338	323
<b>Total other operating expenses and costs:</b>	<b>57.880</b>	<b>66.360</b>
<b>Total other operating expenses:</b>	<b>162.354</b>	<b>168.132</b>

## 11. Losses from long-term non-financial assets

<b>Losses from long-term non-financial assets</b>	<b>2022 in BAM 000</b>	<b>2021 in BAM 000</b>
Net losses from impairment of intangible assets	2	-
Net losses from impairment of property, plant and equipment	782	1.621
Net losses from impairment of investments in progress	25.720	-
<b>Total losses from long-term non-financial assets:</b>	<b>26.504</b>	<b>1.621</b>

The value adjustment of investments in progress in the amount of BAM 25.720 thousand refers to projects where there have been no changes in the investment amount for a long period of time, as well as to projects whose certainty of realization has been reduced. The recorded amount of adjustment does not mean that JP EP BiH d.d. - Sarajevo cancels the implementation of projects.

## 12. Losses from financial assets

<b>Losses from financial assets</b>	<b>2022 in BAM 000</b>	<b>2021 in BAM 000</b>
Value adjustment and write-off of receivables	34.267	66.431
Value adjustment and write-off of receivables IFRS 9	6.165	4.455
Losses from impairment of investments in subsidiaries	55.158	-
<b>Total losses from financial assets:</b>	<b>95.590</b>	<b>70.886</b>

The value adjustment and write-off of receivables includes the value adjustment on the basis of previously given advances to subsidiaries - coal mines in the amount of BAM 33.307 thousand (2021 in the amount of BAM 64.265 thousand). The amount of BAM 55.158 thousand refers to the value adjustment of investments in subsidiaries - mines (see Note 18).

## 13. Provisions (net)

<b>Provisions (net)</b>	<b>2022 in BAM 000</b>	<b>2021 in BAM 000</b>
Provisions for litigation	27.372	5.491
Income from reversal of provisions for litigation	(661)	(2.119)
<b>Net effect of provisions for litigation:</b>	<b>26.711</b>	<b>3.372</b>
Provisions for compensations and other employee benefits	4.032	3.219
Income from reversal of provisions for compensations and other employee benefits	(8)	(638)

<b>Provisions (net)</b>	<b>2022 in BAM 000</b>	<b>2021 in BAM 000</b>
<b>Net effect of provisions for compensations and other employee benefits:</b>	<b>4.024</b>	<b>2.581</b>
Other provisions	1.618	2.447
Income from reversal of other provisions	-	-
<b>Net effect of other provisions:</b>	<b>1.618</b>	<b>2.447</b>
<b>Total provisions (net):</b>	<b>32.353</b>	<b>8.400</b>

Provisions for litigation as at 31 December 2022 amount to BAM 27.372 thousand and include the amount for the arbitration dispute between the plaintiffs "Konzorcij Strabag AG" Austria and "Končar dd" Zagreb in the amount of BAM 24.527 thousand. In the course of 2022, funds were disbursed in the name of litigation in the total amount of BAM 1.442 thousand and the release of funds (paid, reduced value of the dispute, lawsuit withdrawn, claim rejected, etc.) in the total amount of BAM 661 thousand. Provisions for compensations and other employee benefits amount to BAM 4.032 thousand, while actuarial profits for 2022 amount to BAM 8 thousand.

## 14. Income tax

<b>Income tax</b>	<b>2022 in BAM 000</b>	<b>2021 in BAM 000</b>
Accounting profit before tax	10.704	14.002
Income tax at the rate of 10%	1.070	1.400
Non-tax deductible expenses	120.167	9.889
Non-taxable income	(6.701)	(1.482)
Reconciliation of taxable income	5.698	9.041
Income tax	12.987	3.145
Income tax in the statement of profit or loss	12.874	3.145
<b>Effective income tax rate</b>	<b>121,33%</b>	<b>22,46%</b>

In the tax balance sheet, the Company stated the calculated income tax in the amount of BAM 12.987 thousand. During 2022, the Company paid advance payments based on income tax for 2021 in the amount of BAM 1.613 thousand. The total amount of paid income tax advances until 31 December 2022 amounts to BAM 3.146 thousand (as at 31 December 2021: BAM 1.532 thousand). The offset of the tax credit and the calculated profit tax for 2022 was realized as at 31 December 2022.

## 15. Property, plant, equipment

<b>in BAM 000</b>	<b>Land</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Assets in preparation</b>	<b>Total</b>
<b>C O S T</b>					
<b>Balance as at 01.01.2021</b>	<b>84.703</b>	<b>4.221.784</b>	<b>3.396.069</b>	<b>326.650</b>	<b>8.029.206</b>
Acquisitions (additions)	-	-	-	88.356	88.356
Disposals and write-offs		(9.176)	(15.208)	-	(24.384)
Transfers (activation in use)	79	59.331	163.164	(222.427)	147

in BAM 000	Land	Buildings	Plant and equipment	Assets in preparation	Total
Other				(1.122)	(1.122)
<b>Balance as at 31.12.2021</b>	<b>84.782</b>	<b>4.271.939</b>	<b>3.544.025</b>	<b>191.457</b>	<b>8.092.203</b>
Acquisitions (additions)	-	-	-	88.089	88.089
Disposals and write-offs	(2)	(5.112)	(33.737)	-	(38.851)
Transfers (activation in use)	77	29.310	40.805	(70.998)	(806)
Other	-	-	-	(535)	(535)
<b>Balance as at 31.12.2022</b>	<b>84.857</b>	<b>4.296.137</b>	<b>3.551.093</b>	<b>208.013</b>	<b>8.140.100</b>
ACCUMULATED DEPRECIATION					
<b>Balance as at 01.01.2021</b>	-	<b>2.862.128</b>	<b>2.777.157</b>	-	<b>5.639.285</b>
Depreciation	-	77.994	75.991	-	153.985
Disposals, write-offs and other	-	(4.464)	(18.956)	-	(23.420)
<b>Balance as at 31.12.2021</b>	-	<b>2.935.658</b>	<b>2.834.192</b>	-	<b>5.769.850</b>
Depreciation	-	75.507	78.568	-	154.075
Impairment	-	-	-	25.720	25.720
Disposals, write-offs and other	-	(3.839)	(32.754)	-	(36.593)
<b>Balance as at 31.12.2022</b>	-	<b>3.007.326</b>	<b>2.880.006</b>	<b>25.720</b>	<b>5.913.052</b>
<b>Present value as at 31.12.2021</b>	<b>84.782</b>	<b>1.336.281</b>	<b>709.833</b>	<b>191.457</b>	<b>2.322.353</b>
<b>Present value as at 31.12.2022</b>	<b>84.857</b>	<b>1.288.811</b>	<b>671.087</b>	<b>182.293</b>	<b>2.227.048</b>

During 2022, the Company impaired assets in preparation in the amount of BAM 25.720 thousand.

The Company pledged property with an estimated market value of BAM 214.689 thousand as collateral for loan repayment.

## 16. Intangible assets

in BAM 000	Patents, licenses and concessions	Intangible assets in preparation	Software and other intangible assets	Total
C O S T				
<b>Balance as at 01.01.2021</b>	<b>28.850</b>	<b>438</b>	<b>12.318</b>	<b>41.606</b>
Acquisitions	-	126	-	126
Disposals and write-offs	(20)	-	(412)	(432)
Transfers	1.055	(453)	521	1.123
<b>Balance as at 31.12.2021</b>	<b>29.885</b>	<b>111</b>	<b>12.427</b>	<b>42.423</b>
Disposals and write-offs	(57)	-	(48)	(105)
Transfers	236	(495)	258	(1)
Other	-	384	-	384
<b>Balance as at 31.12.2022</b>	<b>30.064</b>	<b>-</b>	<b>12.637</b>	<b>42.701</b>
A C C U M U L A T E D A M O R T I Z A T I O N				
<b>Balance as at 01.01.2021</b>	<b>22.065</b>	<b>-</b>	<b>7.675</b>	<b>29.740</b>
Amortization	1.254	-	965	2.219
Disposal	(20)	-	(412)	(432)
<b>Balance as at 31.12.2021</b>	<b>23.299</b>	<b>-</b>	<b>8.228</b>	<b>31.527</b>
Amortization	1.129	-	1021	2.150
Disposal	(57)	-	(45)	(102)
<b>Balance as at 31.12.2022</b>	<b>24.371</b>	<b>-</b>	<b>9.204</b>	<b>33.575</b>
<b>Present value as at 31.12.2021</b>	<b>6.586</b>	<b>111</b>	<b>4.199</b>	<b>10.896</b>
<b>Present value as at 31.12.2022</b>	<b>5.693</b>	<b>-</b>	<b>3.433</b>	<b>9.126</b>

## 17. Advances given

<b>Advances given</b>	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
Advances given to subsidiaries	2.261	2.590
Advances given to third parties	265.514	256.683
<i>VAT included in the amount of given advances</i>	<i>(38.644)</i>	<i>(37.625)</i>
<b>Total advances given:</b>	<b>229.131</b>	<b>221.648</b>

## 18. Investments in subsidiaries

<b>Subsidiary</b>	<b>Business activity</b>	<b>Ownership</b>	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
RMU Breza d.o.o.	Coal exploitation	100%	49.100	49.100
RMU Kakanj d.o.o.	Coal exploitation	100%	104.799	104.799
RMU Zenica d.o.o.	Coal exploitation	100%	68.154	68.154
RMU Đurđevik d.o.o.	Coal exploitation	100%	39.001	38.999
RU Kreka d.o.o.	Coal exploitation	100%	133.936	125.556
RMU Abid Lolić d.o.o.	Coal exploitation	100%	11.731	11.731
RMU Gračanica d.o.o.	Coal exploitation	100%	11.301	11.301
<b>Total investments in mines:</b>			<b>418.022</b>	<b>409.640</b>

During 2022, the Company realized a recapitalization of mines in the amount of BAM 8.382 thousand. The following is an overview of recapitalization:

<b>Subsidiary</b>	<b>Business activity</b>	<b>Recapitalization 2022 in BAM 000</b>
RMU Đurđevik d.o.o.	Coal exploitation	2
RU Kreka d.o.o.	Coal exploitation	8.380
<b>Total recapitalization:</b>		<b>8.382</b>

Other subsidiaries of the Company:

<b>Subsidiary</b>	<b>Business activity</b>	<b>Ownership</b>	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
Iskraemeco d.o.o.	Energy management and services	58%	3.193	3.193
Hotel ELBiH Makarska d.d.	Hotel business	100%	2.048	2.048
Eldis Tehnika d.o.o.	Manufacture of electrical equipment and communications	100%	1.324	1.324
TTU Energetik d.o.o.	Manufacture of transport equipment	80%	6.648	6.648
GEOLP d.o.o. Kakanj	Geological research, testing, design and protection	100%	4.107	4.107
MiOD d.o.o. Tuzla	Maintenance services and auxiliary machinery	100%	20.668	-

	to subsidiaries of mines within „EP BiH“			
<b>Total investments in other subsidiaries:</b>			<b>37.988</b>	<b>17.320</b>

In 2022, the Company established a new subsidiary with limited liability “MiOD d.o.o.” Tuzla, with a basic capital in the amount of BAM 22.668 thousand. The company's activities are provision of maintenance services and auxiliary machinery to subsidiaries of mines within „EP BiH”.

As at 31 December 2022, the Company impaired investments in subsidiaries – coal mines in the amount of BAM 55.158 thousand.

As at 31 December 2022, total investments in subsidiaries amount to BAM 456.010 thousand, which equals to BAM 400.852 if the impairment in the amount of BAM 55.158 is considered.

## 19. Investments in associated legal entities

The Company's share in the associated legal entity is as follows:

<b>Associated legal entity</b>	<b>Reporting date</b>	<b>Business activity</b>	<b>Ownership</b>	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
ETI d.o.o. Sarajevo	31 December 2022	Production of fuses	49%	1.950	1.950

## 20. Given loans and deposits

<b>Given loans and deposits</b>	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
<b>Long-term portion</b>		
Long-term time deposits	48.896	1
Loans to subsidiaries	111.178	93.532
- Loans created by converting previously given advances	195.442	195.442
- <i>Value adjustment of loans (older than 365 days)</i>	<i>(195.442)</i>	<i>(162.135)</i>
- VAT on previously given advances (long-term portion)	7.679	13.464
- Loans granted in 2021/2022	114.433	51.771
- <i>Value adjustment of loans (IFRS 9)</i>	<i>(10.263)</i>	<i>(4.290)</i>
- <i>Value adjustment of receivables based on VAT in previously given advances (IFRS 9)</i>	<i>(671)</i>	<i>(720)</i>
Long-term loans to employees	75	140
Other receivables	9.492	5.178
<b>Total long-term portion</b>	<b>169.642</b>	<b>98.851</b>
<b>Short-term portion</b>		
Short-term investments	809	809
Short-term time deposits	151.577	102.681
Short-term portion of long-term loans to subsidiaries	9.426	-

<b>Given loans and deposits</b>	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
Short-term portion of VAT on previously given advances to subsidiaries	6.157	8.959
Short-term portion of long-term loans to employees	80	133
Other receivables	3.280	3.777
<i>Value adjustment of other receivables</i>	<i>(1.900)</i>	<i>(1.320)</i>
<b>Total short-term portion</b>	<b>169.429</b>	<b>115.039</b>
<b>Total given loans and deposits:</b>	<b>339.071</b>	<b>213.890</b>

As at 31 December 2022, time deposits in the amount of BAM 200.473 thousand (as at 31 December 2021 in the amount of BAM 102.682 thousand) refer to cash deposits with eight banks in the country.

Borrowings given to related legal entities refer to borrowings given to mines based on the Decision of the Assembly number: SD-12872/21-69/8. on approving funds for giving borrowings to subsidiaries - coal mines in the total amount of BAM 125.000 thousand in order to finance incentive measures for the agreed termination of employment contracts, financing arrears of „PIO/MIO“ (pension and disability insurance) and unemployment contributions, financing the cost of re-education/up-education of employees and financing the settlement of other operating expenses from the previous period. For each borrowing, the Company has entered into an agreement, of which the repayment schedule is an integral part. The basic elements of the agreement are the following: an interest rate of 1,5% per annum, a repayment period of 72 or 96 months including the grace period of 24 months. The balance of receivables on the basis of borrowings as at 31 December 2022 amounts to BAM 114.433 thousand (as at 31 December 2021: BAM 51.771 thousand).

During 2021, six agreements were signed with related legal entities that refer to the conversion of paid but unjustified advances into a long-term loan. The basic elements of the signed agreements are: the interest rate is 1,5% per year, the repayment period is 72, 120 or 240 months, with a grace period of 24 months. The balance of receivables based on this category of long-term loans as at 31 December 2022 is BAM 195.442 thousand, with the fact that the total amount of receivables on this basis has been corrected through the expenses of the period. The amount of BAM 33.307 thousand was debited to the results of the current period, and in previous years there was a reduction in the value of advances in the amount of BAM 162.135 thousand.

## 21. Trade receivables and other receivables

<b>Trade receivables and other receivables</b>	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
Customers – related legal entities	1.796	3.511
Domestic customers	147.110	161.473
International customers	19.744	5.113
<i>Value adjustment of trade receivables</i>	<i>(39.474)</i>	<i>(40.321)</i>
<b>Total trade receivables</b>	<b>129.176</b>	<b>129.776</b>
Receivables from employees	92	79
Receivables from state bodies and institutions	755	683
Other short-term receivables	14.936	13.409



<b>Trade receivables and other receivables</b>	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
<i>Value adjustment of other short-term receivables</i>	(454)	(2.644)
VAT receivables	13.902	7.312
<b>Total other receivables</b>	<b>29.231</b>	<b>18.839</b>
<b>Total trade receivables and other receivables:</b>	<b>158.407</b>	<b>148.615</b>

In accordance with International Financial Reporting Standard 9 "Financial Instruments", the Company recognized expected credit losses as at 31 December 2022, that is reduced the value of receivables (for delivered electricity and other services, borrowings to related companies, loans given to employees, rescheduling), debited to the comprehensive income of the period in the total amount of BAM 6.165 thousand (as at 31 December 2021: BAM 4.455).

## 22. Inventories

<b>Inventories</b>	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
Raw materials and material	70.150	48.207
Spare parts	20.624	19.134
Car tires and packaging	661	544
Tools and small supplies	9.651	9.657
<i>Write downs of raw materials, material, spare parts and supplies</i>	(34.273)	(34.610)
Goods in social standard	4	3
<b>Total inventories:</b>	<b>66.817</b>	<b>42.935</b>

## 23. Cash and cash equivalents

<b>Cash and cash equivalents</b>	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
Transaction account – domestic currency	104.262	136.713
Transaction account – foreign currency	60.198	34.744
Cash on hand	1.445	1.158
<b>Total cash and cash equivalents:</b>	<b>165.905</b>	<b>172.615</b>

## 24. Equity

<b>Equity</b>	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
Share capital	2.236.964	2.236.964
Statutory and other reserves	589.157	579.137

<b>Equity</b>	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
Accumulated (retained) earnings	169.824	173.228
Profit for the reporting year	6.147	12.325
<b>Total equity:</b>	<b>3.002.092</b>	<b>3.001.654</b>

The authorized and issued share capital consists of 31.506.541 ordinary shares (as at 31 December 2021 the same amount of ordinary shares). The nominal value is BAM 71 per share (as at 31 December 2021 the same value per share). During 2022, dividends were paid in the amount of BAM 2.276 thousand (during 2021 in the amount of BAM 4.739 thousand).

On 30 July 2022, the Company's Assembly passed a Decision on the distribution of profit realized in 2021. The profit in the amount of BAM 12.325 thousand is being distributed as follows: reserve fund in the amount of BAM 10.020 thousand and dividends in the amount of BAM 2.305 thousand.

The Company debited actuarial losses in the amount of BAM 3.404 thousand to the accumulated profit in 2022.

## 25. Loan liabilities

<b>Loan liabilities</b>	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
<b>Long-term loans</b>		
Long-term loans with domestic banks	42.384	70.640
Long-term international loans	152.537	172.750
<b>Total long-term loans</b>	<b>194.921</b>	<b>243.390</b>
<b>Short-term loans</b>		
Short-term portion of long-term loans with domestic banks	28.256	28.256
Short-term portion of long-term international loans	19.233	19.708
Short-term portion of other long-term liabilities	32	55
<b>Total short-term loans</b>	<b>47.521</b>	<b>48.019</b>
<b>Total loan liabilities:</b>	<b>242.442</b>	<b>291.409</b>

<b>Loans and borrowings</b>	<b>Maturity up to 1 year in BAM 000</b>	<b>Maturity over 1 year in BAM 000</b>
Loans in BAM	28.256	42.384
Loans in XDR	2.414	14.220
Loans in EUR	16.316	130.722
Loans in YEN	503	7.595
Other loans	32	-
<b>Total loans and borrowings:</b>	<b>47.521</b>	<b>194.921</b>

## 26. Deferred income

<b>Deferred income</b>	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
Deferred income for donated funds	61.720	67.183
Deferred income for donated inventories	88	90
Deferred income for donated cash	606	704
<b>Total deferred income:</b>	<b>62.414</b>	<b>67.977</b>

## 27. Provisions

<b>Severance pay and jubilee awards</b>	<b>in BAM 000</b>
<b>Balance as at 1 January 2022</b>	<b>32.809</b>
Provisions during the year	1.716
Changes in provisions during the year	5.366
Provisions used during the year	(2.808)
<b>Balance as at 31 December 2022</b>	<b>37.083</b>

Liabilities for employee benefits are calculated as follows:

	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
<b>Opening balance of liabilities</b>	<b>32.809</b>	<b>33.471</b>
Interest expenses	785	837
Costs of current work	1.716	1.435
Premium paid	(2.808)	(2.231)
Actuarial losses/(gains) recognized through the statement of profit or loss	1.177	(638)
Actuarial losses/(gains) recognized through other comprehensive income	3.404	(65)
<b>Total:</b>	<b>37.083</b>	<b>32.809</b>

	<b>Litigation</b>	<b>Provisions for dismantling costs</b>	<b>Total</b>
			<b>in BAM 000</b>
<b>Balance as at 1 January 2022</b>	<b>12.476</b>	<b>20.115</b>	<b>32.591</b>
Provisions during the year	27.372	21.795	49.167
Released provisions during the year	(621)	(5.513)	(6.134)
Provisions used during the year	(1.442)	-	(1.442)
<b>Balance as at 31 December 2022</b>	<b>37.785</b>	<b>36.397</b>	<b>74.182</b>

As at 31 December 2022, an estimate of the costs of dismantling thermal energy facilities was made in accordance with changes in the elements that affect the value of reserved funds (anticipated life of use of thermoblocks, price of removal of thermal energy facilities, discount rate, etc.). The total estimated present value of the liability as at 31 December 2022 is BAM 36.397 thousand.

<b>Provisions</b>	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
Current provisions	37.785	12.476
Non-current provisions	36.397	20.115
<b>Total provisions:</b>	<b>74.182</b>	<b>32.591</b>

## 28. Trade payables and contractual liabilities

<b>Trade payables and contractual liabilities</b>	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
Advances, deposits and security received	26.213	27.209
Suppliers – related legal entity	4.461	5.114
Domestic suppliers	42.176	27.529
International suppliers	3.926	2.485
<b>Total trade payables and contractual liabilities:</b>	<b>76.776</b>	<b>62.337</b>

## 29. Other liabilities and deferrals

<b>Other liabilities and deferrals</b>	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
Liabilities based on interest and financing costs	7.164	5.458
Dividend liabilities	836	804
VAT liabilities	3.060	8.749
Liabilities for hydro-accumulation	1.753	2.891
Other liabilities	388	579
<b>Total other liabilities:</b>	<b>13.201</b>	<b>18.481</b>
Pre-calculated expenses of the period	18.652	19.868
Accrued income for the next period	13.678	11.227
Other accruals and deferrals	57.749	26.896
<b>Total deferrals:</b>	<b>90.079</b>	<b>57.991</b>

## 30. Financial risk management

The Company is exposed to the following financial risks when using financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligation. Credit risk is caused exclusively by trade receivables and receivables from loans and advances.

### Liquidity risk

Liquidity risk implies that the Company will not be able to maintain sufficient cash in order to meet current liabilities. The Company is not significantly exposed to liquidity risk.

### Market risk

Market risk is the risk of changes in market prices such as foreign exchange rates, interest rates and capital which affects the Company's result and value of its financial instruments.

The Company's exposure to credit, interest rate and foreign exchange risk arises from the normal course of business.

### Credit risk

#### Credit risk exposure

The carrying amount of financial assets represents the maximum credit risk exposure, which at the reporting date is as follows:

	<b>31.12.2022</b> <b>in BAM 000</b>	<b>31.12.2021</b> <b>in BAM 000</b>
Given loans, deposits and receivables	497.478	362.505
Cash and cash equivalents	165.905	172.615
<b>TOTAL</b>	<b>663.383</b>	<b>535.120</b>

The maximum credit risk exposure for trade receivables by region is as follows at the reporting date:

	<b>31.12.2022</b> <b>in BAM 000</b>	<b>31.12.2021</b> <b>in BAM 000</b>
Domestic customers	109.432	124.663
International customers	19.744	5.113
<b>TOTAL</b>	<b>129.176</b>	<b>129.776</b>

The maximum credit risk exposure for trade receivables by customer type is as follows at the reporting date:

	<b>31.12.2022</b> <b>in BAM 000</b>	<b>31.12.2021</b> <b>in BAM 000</b>
Customers – legal entities	106.809	105.993
Households	22.367	23.783
<b>TOTAL</b>	<b>129.176</b>	<b>129.776</b>

The age structure of receivables that are not impaired at the reporting date is as follows:

	<b>31.12.2022</b> <b>in BAM 000</b>	<b>31.12.2021</b> <b>in BAM 000</b>
Past due and due up to 90 days	123.272	119.206
Due 91- 180 days	1.317	5.624
Due 91- 180 days	1.367	3.175
Older than 365 days	3.220	1.771
<b>TOTAL</b>	<b>129.176</b>	<b>129.776</b>

The movement in the value adjustment of receivables is as follows:

	<b>31.12.2022</b> <b>in BAM 000</b>
<b>As at 1 January 2022</b>	<b>40.321</b>
Impairment of receivables during the year	1.064
Collected, previously written off receivables during the year	(1.206)
Derecognition of previously written off receivables	(705)
<b>As at 31 December 2022</b>	<b>39.474</b>

## Liquidity risk

The ultimate responsibility for liquidity risk management lies with the Company's Management Board, which has established an appropriate framework for liquidity risk management in accordance with the Company's needs. The Company manages this risk by maintaining adequate reserves, loans from banks, as well as other sources of financing, constantly monitoring projected and actual cash flows and comparing the maturity profiles of financial assets and liabilities.

Contracted maturities of financial liabilities:

<b>31 December 2022</b>	<b>Carrying amount in BAM 000</b>	<b>Maturity up to 1 year in BAM 000</b>	<b>Maturity over 1 year in BAM 000</b>
Trade payables and other liabilities	77.173	77.173	-
Interest-bearing loans	242.442	47.521	194.921
<b>TOTAL</b>	<b>319.615</b>	<b>124.694</b>	<b>194.921</b>

<b>31 December 2021</b>	<b>Carrying amount in BAM 000</b>	<b>Maturity up to 1 year in BAM 000</b>	<b>Maturity over 1 year in BAM 000</b>
Trade payables and other liabilities	62.337	62.337	-
Interest-bearing loans	291.409	48.019	243.390
<b>TOTAL</b>	<b>353.746</b>	<b>110.356</b>	<b>243.390</b>

The age structure of trade payables at the reporting date is as follows:

	<b>31.12.2022</b> <b>in BAM 000</b>	<b>31.12.2021</b> <b>in BAM 000</b>
Up to 30 days	102.026	59.541
From 30 - 60 days	1.346	427
From 60 - 90 days	265	49
Over 90 days	4.030	1.254
<b>TOTAL</b>	<b>107.667</b>	<b>61.271</b>

The total amount of trade payables includes Other short-term accruals (account 49900070).

## Currency risk

### Currency risk exposure

The Company is exposed to currency risk when selling, purchasing, with interest-bearing loans and borrowings and receivables per given loans and other receivables denominated in a foreign currency. The currencies that expose the Company to this risk the most are XDR, YEN and CHF. The Company is not economically protected against this risk. The Convertible mark has been pegged to the Euro since its introduction as a currency in 2002, and the Management Board believes that the Company is not exposed to the risk of changes in the EUR exchange rate.

The Company's exposure to currency risk, expressed in functional currency, is as follows as at 31 December 2022:

<b>31 December 2022</b>	<b>XDR in BAM 000</b>	<b>YEN in BAM 000</b>
Trade payables and loans	(16.634)	(8.098)
<b>Total balance sheet exposure</b>	<b>(16.634)</b>	<b>(8.098)</b>

The Company's exposure to currency risk, expressed in functional currency, is as follows as at 31 December 2021:

<b>31 December 2021</b>	<b>XDR in BAM 000</b>	<b>YEN in BAM 000</b>
Trade payables and loans	(19.806)	(9.278)
<b>Total balance sheet exposure</b>	<b>(19.806)</b>	<b>(9.278)</b>

	<b>Average rate</b>		<b>Rate at the reporting date</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
EUR	1,95583	1,95583	1,95583	1,95583
XDR	2,48841	2,35783	2,45048	2,42030
YEN	0,01418	0,01507	0,01391	0,01499
CHF	1,96002	1,80891	1,98622	1,88732

### Sensitivity analysis

As there has been no fluctuation of the foreign currency EUR related to BAM since the introduction of BAM, the sensitivity analysis is not necessary for amounts denominated in EUR. A possible strengthening or weakening of XDR, YEN or CHF by 1% would result in an increase (decrease) in equity and profit as at 31 December for the amounts listed below. The analysis assumes that all other variables, primarily the amount of interest, remain unchanged.

<b>in BAM 000</b>	<b>Strengthening</b>	<b>Weakening</b>
<b>31 December 2022</b>		
XDR	(166)	166
YEN	(81)	81
<b>31 December 2021</b>		
XDR	(198)	198
YEN	(93)	93

### Interest rate risk

At the reporting date, the interest rate profile on the Company's financial instruments on which interest is accrued was as follows:

<b>Instruments with a fixed interest rate</b>	<b>2022 in BAM 000</b>	<b>2021 in BAM 000</b>
Financial assets	458.760	338.496
Financial liabilities	(77.173)	(62.337)
<b>TOTAL</b>	<b>381.587</b>	<b>276.159</b>
<b>Instruments with a variable interest rate</b>	<b>2022 in BAM 000</b>	<b>2021 in BAM 000</b>
Financial assets	-	-
Financial liabilities	(242.442)	(291.409)
<b>TOTAL</b>	<b>(242.442)</b>	<b>(291.409)</b>

### Sensitivity analysis for financial liabilities with a variable interest rate

A change in the interest rate by 100 basis points at the reporting date would increase/(decrease) equity and profit or loss for the values listed below. The calculation is based on the assumption that all other variables, especially foreign exchange rates, remain the same.

Interest rate risk in BAM 000	Profit or loss		Equity	
	100 bp increase	10 bp decrease	100 bp increase	10 bp decrease
<b>31 December 2022</b>				
Cash flow sensitivity analysis	(2.202)	2.602	(2.202)	2.602
<b>31 December 2021</b>				
Cash flow sensitivity analysis	(2.451)	2.854	(2.451)	2.854

### Capital management

For the purpose of monitoring capital, the Company uses the net debt to equity ratio. For this purpose, net debt is defined as total liabilities (which include interest-bearing loans and borrowings) plus the unaccounted proposed dividend, less cash and cash equivalents. Adjusted capital includes all components of equity except capital relating to reserves arising on mergers, less proposed dividends.

The Company's net debt to equity ratio at the end of the reporting period is shown in the table below:

	2022 in BAM 000	2021 in BAM 000
Total liabilities	606.450	563.686
Cash and cash equivalents	(165.905)	(172.615)
Net debt	440.545	391.071
Equity	3.002.092	3.001.654
<b>Net debt/Equity</b>	<b>0,1467</b>	<b>0,1303</b>

## 31. Contingent liabilities and commitments

As at 31 December 2022, the total estimated value of litigation against the Company amounts to BAM 205.856 thousand. This amount includes the disputes of the plaintiff "Jadran Kapital d.d." Split and others in the amount of BAM 125.000 thousand and the arbitration proceeding of the Consortium „Strabag AG“ Austria and „Končar d.d.“ Zagreb in the amount of BAM 20.077 thousand.

In the case of the plaintiff "Jadran Kapital d.d." Split and others, which refers to the rejection of the decisions of the Assembly of the Company, related to the conversion of previously given advances into loans, the plaintiff's claim was rejected in February 2023.

The arbitration proceedings were initiated by the consortium Strabag AG Austria and Končar d.d. Zagreb in February 2018, after which the procedure was in the standstill phase in order to try to resolve it peacefully and continue the implementation of the "HE Vranduk" project. After the impossibility of continuing the implementation of the project, the arbitration was continued and "JP Elektroprivreda BiH d.d." - Sarajevo sent a response to the lawsuit with a counter-lawsuit. The request from Strabag AG Austria and Končar d.d. Zagreb amounts to EUR 20.077 thousand, and refers to the damage caused by the non-performance of the contract, the return of the guarantee and the like. The request of "JP Elektroprivreda BiH d.d." - Sarajevo amounts to EUR 31.697 thousand, due to the non-implementation of the "HE Vranduk" project, lost profits, unproduced electricity and the like. The decision of the arbitration panel was made at the end of December 2021. Considering that the arbitration decision was made in



favor of the opposite party, in the period December 2021 - March 2022, activities were carried out to include independent expert opinions of legal experts from outside the Company. According to the legal team, this outcome and decision-making are the result of the fact that the Arbitration Tribunal failed to properly apply the imperative aspects of legislation of Bosnia and Herzegovina, such as the interpretation of contracts, freedom of contract and imperative norms in the invoicing process in business transactions. The Company decided to carry out an appropriate annulment procedure before a court in Belgium as well as a procedure to refuse to recognize the judgment before a court in Sarajevo. The hearing is scheduled for September 2023. In the name of this lawsuit, a provision was made on 31 December 2022 in the amount of BAM 24.527 thousand.

The Company's management regularly assesses and analyzes the risk of potential losses based on litigation and considers that the provisions made as at 31 December 2022 represent the best estimate. Accordingly, as at 31 December 2022, the Company recognized additional provisions based on litigation in the amount of BAM 27.785 thousand, therefore, total provisions based on litigation as at 31 December 2022 amount to BAM 37.785 thousand (see Note 27).

As at 31 December 2022, the Company has approved but not withdrawn credit funds in the amount of BAM 1.230.203 thousand: a loan from the Chinese bank CEXIM in the amount of BAM 1.200.866 thousand, for construction of block 7 in „TE Tuzla“ and an EIB loan for smart metrics for distributions in the amount of BAM 29.337 thousand.

In accordance with the loan agreement with the Chinese bank CEXIM, the Company is obliged to pay the bank a fee for taking over the financing obligation, calculated at the rate of 0,5% per annum on the undrawn loan amount, which is calculated daily from the effectiveness date (5 December 2019) until the last day of the availability period (5 years from the date of fulfilling the conditions for the first loan withdrawal). Payment of this fee shall be made in arrears, on the date corresponding to each interest payment date, from the date of fulfillment of the conditions for the first withdrawal of the loan or in case of loan termination, on the terminated loan amount at the time the termination becomes effective. By the end of the reporting period, the Company did not meet the conditions for the first withdrawal of the loan prescribed by the loan agreement, nor did the Bank send any calculation of the fee or notice of the calculated liability.

## **32. Environment protection**

The Company's main activity is the production and distribution of electricity, and control of the system for the electricity production. These activities may affect the environment in terms of emissions to land, water and air. The impact of the Company's activities on the environment is supervised by the Management Board and the bodies responsible for environmental protection.

In recent years, an environmental management system based on the principles applied in the European Union has been established in Bosnia and Herzegovina. So far, related legislation in Bosnia and Herzegovina has covered air, water and waste, while noise, chemicals and ionizing radiation have not been covered. When it comes to horizontal legislation, regulations are being drafted that regulate the procedure for issuing environmental permits.

Within the strategy framework of integration into the European Union, it is possible to introduce regulations on environmental protection that are applied in EU countries. The application of such regulations could affect the Company's future liabilities related to the allocation of funds for environmental protection, which the Company was not able to assess.

### 33. Transactions with related legal entities

#### Related parties under joint control - Companies controlled by the Government

The Company is in majority ownership of the Government of the Federation of Bosnia and Herzegovina. The following are significant transactions with companies controlled by the Government of the Federation of Bosnia and Herzegovina. These are „Željeznice Federacije Bosne i Hercegovine d.o.o.“ Sarajevo and „Elektroprenos BiH a.d.“ Banja Luka. Other transactions with companies controlled by the Government of the Federation of Bosnia and Herzegovina are not individually significant, they occur during regular operations and relate to overhead and utility services.

	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
<b>Receivables</b>		
Željeznice Federacije Bosne i Hercegovine d.o.o. Sarajevo	1.248	521
Elektroprenos BiH a.d. Banja Luka	9.657	4.865
	<b>10.905</b>	<b>5.386</b>
<b>Liabilities</b>		
Željeznice Federacije Bosne i Hercegovine d.o.o. Sarajevo	1.412	934
Elektroprenos BiH a.d. Banja Luka	9.562	9.538
	<b>10.974</b>	<b>10.472</b>
<b>Revenue</b>		
Željeznice Federacije Bosne i Hercegovine d.o.o. Sarajevo	5.873	5.547
Elektroprenos BiH a.d. Banja Luka	94	209
	<b>5.967</b>	<b>5.756</b>
<b>Expenses</b>		
Željeznice Federacije Bosne i Hercegovine d.o.o. Sarajevo	23.734	20.922
Elektroprenos BiH a.d. Banja Luka	52.478	52.816
	<b>76.212</b>	<b>73.738</b>

#### Related parties

The Company has acquired an interest in mines, as disclosed in Note 18 - Investments in subsidiaries, so that transactions from sales of electricity, coal purchases and advances are disclosed as transactions with related legal entities. Sales and purchases are realized at fair value, which is the value that related parties are willing to pay each other.

Transactions with related legal entities are as follows:

	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
<b>Assets</b>		
<b>Trade receivables and receivables for given advances</b>		
RMU Breza d.o.o.	736	1.114
RMU Kakanj d.o.o.	169	175
RMU Zenica d.o.o.	2.676	5.626
RMU Đurđevik d.o.o.	1.355	2.143
RU Kreka d.o.o.	8.481	10.633
RMU Abid Lolić d.o.o.	41	795

	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
RU Gračanica d.o.o.	33	33
Iskraemeco d.o.o.	11	13
Eldis Tehnika d.o.o.	158	1
TTU Energetik d.o.o.	41	42
<b>Total receivables</b>	<b>13.701</b>	<b>20.575</b>
<b>Given loans</b>		
RMU Breza d.o.o.	26.122	16.732
RMU Kakanj d.o.o.	16.162	8.950
RMU Zenica d.o.o.	84.633	60.305
RMU Đurđevik d.o.o.	12.907	12.400
RU Kreka d.o.o.	174.623	156.045
RMU Abid Lolić d.o.o.	18.690	15.204
<b>Total given loans</b>	<b>333.137</b>	<b>269.636</b>
<b>Liabilities</b>		
<b>Trade payables and other liabilities</b>		
RMU Breza d.o.o.	1.036	-
RMU Kakanj d.o.o.	1.329	2.881
RMU Zenica d.o.o.	8	28
RMU Đurđevik d.o.o.	519	167
RU Kreka d.o.o.	158	589
RMU Abid Lolić d.o.o.	84	146
RU Gračanica d.o.o.	445	348
Iskraemeco d.o.o.	333	470
Eldis Tehnika d.o.o.	478	1.594
TTU Energetik d.o.o.	107	47
<b>Total liabilities</b>	<b>4.497</b>	<b>6.270</b>

	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
<b>Revenue</b>		
RMU Breza d.o.o.	1.758	1.428
RMU Kakanj d.o.o.	1.699	1.366
RMU Zenica d.o.o.	2.607	1.856
RMU Đurđevik d.o.o.	2.815	2.096
RU Kreka d.o.o.	9.426	6.492
RMU Abid Lolić d.o.o.	643	486
RU Gračanica d.o.o.	307	286
Iskraemeco d.o.o.	66	75
Eldis Tehnika d.o.o.	40	5
TTU Energetik d.o.o.	176	282
<b>Total revenue</b>	<b>19.537</b>	<b>14.372</b>

	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
<b>Expenses</b>		
RMU Breza d.o.o.	31.139	18.777
RMU Kakanj d.o.o.	64.728	57.338
RMU Zenica d.o.o.	12.935	11.718
RMU Đurđevik d.o.o.	37.662	29.210
RU Kreka d.o.o.	53.935	47.019
RMU Abid Lolić d.o.o.	7.313	11.601
RU Gračanica d.o.o.	4.505	4.534
Iskraemeco d.o.o.	8.928	9.076
Eldis Tehnika d.o.o.	5.228	6.544
TTU Energetik d.o.o.	1.490	1.434
<b>Total expenses</b>	<b>227.863</b>	<b>197.251</b>

### Related parties – associates

A related party based on significant impact is „ETI d.o.o.“ Sarajevo (Note 19). The Company had the following related party transactions in the ordinary course of business:

	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
Receivables	2	2
Liabilities	91	6
Revenue	28	27
Expenses	79	713

### Related parties – compensations to members of the Management Board and Supervisory Board

The following compensations have been paid to members of the Management Board and Supervisory Board during the year:

	<b>31.12.2022 in BAM 000</b>	<b>31.12.2021 in BAM 000</b>
Payments to members of the Management Board	915	825
Payments to members of the Supervisory Board	194	195
<b>Total payments</b>	<b>1.109</b>	<b>1.020</b>

## 34. Significant accounting estimates and judgments

Estimates and judgments are evaluated on an ongoing basis and are based on expected future events that are believed to be reasonable under the circumstances.

The accounting estimates applied by the Company in accordance with its accounting policies are as follows:

### Impairment of investments in subsidiaries and associated legal entities

Impairment of investments in subsidiaries and associates is based on management's best estimate of the recoverable amount of subsidiaries. The recoverable amount is the higher of an asset's fair net selling value and value in use. At the reporting date, management impaired investments in coal mine subsidiaries

in the amount of BAM 55.158 thousand. Management believes that there is no impairment of investments in other subsidiaries and associated legal entities.

### Impairment of property, plant and equipment

At each reporting date, the Company assesses whether there are any internal or external indications of impairment of property, plant and equipment. If any such indication exists, management performs an impairment test for the cash-generating unit to which the indication relates. Management reviews all production subsidiaries as a single cash flow generating unit, since thermal power plants comprise basic (and majority) production, while hydropower plants cover a variable part of the electricity demand diagram. Therefore, the production of electricity is monitored by Management on a portfolio basis. Also, Management does not review distribution as a separate unit, since the Company's activities are regulated by legislation at the level of Bosnia and Herzegovina.

### Income tax

The calculation of income tax is realized based on the interpretation of the applicable tax legal provisions by the Company. The calculation of income tax specified in the income tax return and tax balance may be subject to review and approval by local tax authorities. The Company did not recognize deferred tax assets based on investment tax credits, using analogous interpretations and interpretations of IAS 12 "Income Taxes".

### Provisions for contingent liabilities

The Company recognizes provisions as a result of litigation initiated against the Company that is likely to result in an outflow of funds to settle the Company's receivables and if the amounts can be estimated reliably. In assessing the provision, the Company considers professional legal advice and considerations of the Management Board.

## 35. Ownership structure

The Company's ownership structure is as follows:

	31 December 2022		31 December 2021	
	No. of shares	% ownership	No. of shares	% ownership
Government of the Federation of Bosnia and Herzegovina	28.472.181	90,37 %	28.472.181	90,37 %
Various investors	3.034.360	9,63 %	3.034.360	9,63 %
<b>TOTAL</b>	<b>31.506.541</b>	<b>100 %</b>	<b>31.506.541</b>	<b>100 %</b>

## 36. Tax regulations

The Federation of Bosnia and Herzegovina currently has a number of laws regulating various taxes enacted by competent authorities. Taxes payable include value added tax, income tax and payroll taxes (social taxes), along with other taxes. Additionally, the laws regulating these taxes have not been applied for long, unlike developed market economies, while the regulations implementing these laws are often unclear or non-existent. Consequently, with regard to tax law related matters, the number of cases that can be used as an example is limited.

There are often differences in the opinion among state ministries and organizations regarding the legal interpretation of legal provisions which can lead to uncertainty and conflicts of interest. Tax returns together with other areas of legal regulation (for example, matters related to customs and foreign exchange control) are subject to review and control by several authorized bodies which are allowed by law to prescribe very strict penalties and default interest.

The interpretation of tax laws by tax authorities in relation to the Company's transactions and activities may differ from management's interpretation. As a result, transactions may be disputed by tax authorities and an additional amount of taxes, penalties and interest may be imposed on the Company. These facts make the tax risk in the Federation of Bosnia and Herzegovina more significant than in countries with a more developed tax system.

Additionally, the Company has significant transactions with related legal entities. Although the Company's management believes that the Company has sufficient and adequate supporting documentation regarding transfer pricing, there is an uncertainty that the requirements and interpretations of tax and other authorities differ from the management's interpretations. The Company's management believes that any different interpretations will not have material consequences on the Company's financial statements.

During 2022, the Company was subject to inspection by the Indirect Taxation Authority of Bosnia and Herzegovina according to the VAT report for the period from 1 May 2019 to 31 August 2022. The determined liabilities on these grounds are not materially significant. An appeal was filed against the delivered Decision of the BiH Indirect Taxation Authority.

During 2022, the Company was not subject to an inspection by the Tax Authority of the Federation of Bosnia and Herzegovina.

### **37. Post-reporting date events**

After 31 December 2022, the reporting date, until the approval of these separate financial statements, no events occurred which may cause an adjustment of these separate financial statements, nor events which are material for disclosure in these separate financial statements, except as noted below.

### **38. Reconciliation of receivables and liabilities**

The Company has reconciled its receivables and liabilities with balances as at 31 December 2022. During the reconciliation process with business partners, no material deviations in receivables and liabilities have been identified.

### **39. Approval of the financial statements**

The financial statements have been approved and signed by the Company's Management Board on 20 February 2023.

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Authorized representative