

**Separate Financial
Statements for the Year
ended 31 December 2021
and Independent Auditor's
Report**

JP Elektroprivreda BiH d.d. Sarajevo

TABLE OF CONTENTS

Independent Auditor's Report	1
Separate statement of comprehensive income for the period 01.01.2021 - 31.12.2021	6
Separate statement of financial position as at 31.12.2021	7
Separate statement of cash flows for the period 01.01.2021 - 31.12.2021.....	8
Separate statement of changes in equity for the period 01.01.2021 - 31.12.2021	9
1. General information about the Company.....	10
2. Basis of preparation and presentation of financial statements	11
3. Significant accounting policies.....	12
4. Key accounting estimates and assumptions.....	21
5. Sales revenue	21
6. Other operating income	22
7. Raw materials costs and cost of goods sold.....	22
8. Employee benefits.....	23
9. Depreciation and amortization.....	23
10. Other operating expenses	24
11. Income tax.....	24
12. Property, plant, equipment	25
13. Intangible assets.....	25
14. Advances given	26
15. Investments in associates	26
16. Investments in subsidiaries	27
17. Given loans and deposits	28
18. Trade receivables and other receivables.....	29
19. Inventories.....	30
20. Cash and cash equivalents	30
21. Equity	30
22. Loans and borrowings	31
23. Deferred income.....	31
24. Employee benefits.....	32
25. Provisions.....	32
26. Trade payables and other liabilities	33
27. Deferred items.....	33
28. Financial risk management.....	33
29. Contingent liabilities and commitments	37
30. Environment protection.....	38
31. Transactions with related legal entities.....	39
32. Significant accounting estimates and judgments.....	42
33. Ownership structure	42
34. Tax regulations.....	42
35. Post-reporting date events	43
36. Impact of COVID on the Company's business.....	44
37. Reconciliation of receivables and liabilities.....	44
38. Approval of the financial statements.....	44

Independent Auditor's Report

Grant Thornton d.o.o. Banja Luka

Vase Pelagića 2/IV
78 000 Banja Luka
Republika Srpska
Bosna i Hercegovina

T +387 51 211 509; +387 51 211 294
F +387 51 211 501
E office@ba.gt.com
www.grantthornton.ba

Public Enterprise "JP Elektroprivreda BiH d.d." - Sarajevo Qualified 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 2021, 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 financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters disclosed in the Basis for qualified opinion section, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Basis for qualified opinion

1. As disclosed in Note 12 to the separate financial statements, property, plant and equipment are stated in the amount of BAM 2.322.402 thousand as at 31 December 2021. This amount includes property, plant and equipment in preparation in the amount of BAM 191.457 thousand. As at 31 December 2021, the Company conducted an impairment test of assets, according to which the Company is considered as a whole in accordance with the provisions of the International Accounting Standard 36 "Impairment of Assets", that is, all production subsidiaries as an individual unit that generate cash inflows, since the thermal power plants comprise the basic (and majority) production, while the hydropower plants cover a variable part of the electricity demand diagram. Also, according to the current organization of the electricity market, the Company's Management does consider the distribution activity as a separate unit. According to the conducted test, there are no indications of impairment of assets.

By conducting audit procedures, we determined that investments in progress in the amount of BAM 162.194 thousand have been initiated before 2021, while investments in the amount of BAM 29.263 thousand date from 2021. The most significant share in investments which started before 2021 refers to capital investments in the amount of BAM 129.857 thousand. The continuation of activities for capital investments does not depend only on the Company.

By conducting the impairment test in accordance with the requirements of International Accounting Standard 36 "Impairment of Assets", the Company did not test investments in progress for impairment and the presentation of assets at their recoverable amount, which may result in assets and the result of the current period being overrated.

2. As disclosed in Note 16 to the separate financial statements, the Company stated investments in subsidiaries in the amount of BAM 426.960 thousand as at 31 December 2021. Investments are initially recognized at cost of their acquisition. As at 31 December 2021, the Company did not conduct an impairment test in accordance with the requirements of International Accounting Standard 36 "Impairment of Assets", despite the existence of objective indications of impairment of these investments. According to the information we received from the Company, the Procurement Plan for 2022 envisages the procurement of consulting services for the assessment of the value of investments in coal mine subsidiaries. Due to the complexity of this matter, we were not able to make our own estimates and determine the amount of necessary adjustments to the recorded balance of these investments as at 31 December 2021 with reasonable certainty, or effect on the Company's results of operations and financial position as at and for the year ended 31 December 2021.

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 qualified opinion.

Emphasis of matter

1. As disclosed in Note 29 to the separate financial statements, the value of litigation in which the Company is a defendant is stated in the amount of BAM 210.347 thousand as at 31 December 2021. 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 Flats Jadran d.d. Split in the amount of BAM 125.000 thousand. The total amount of provisions is BAM 12.476 thousand as at 31 December 2021, 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.

In addition to the matters described in the Basis for qualified opinion section, we have determined that the matters listed below will be key audit matters to be communicated in our report.

1. Key audit matter	Applied audit procedures
<p>Recognition of revenue from sales of electricity (see Note 5)</p> <p>Revenue from sales of electricity in the amount of BAM 1.021.347 thousand refer 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 recognition of revenues 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, except for this described in the Basis for qualified opinion section.

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.

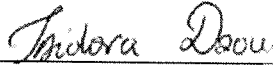
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

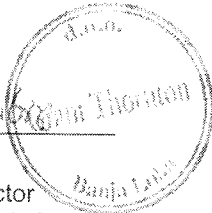
From the matters communicated with those charged with governance, we are required to determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore key audit matters. We are required to describe these matters in our

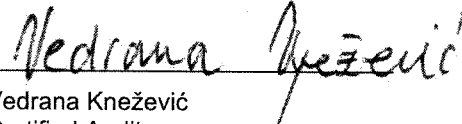
auditor's report unless law or regulation preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter that has not otherwise been publicly disclosed should not be communicated in our report in view of the significance of the adverse consequences that 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.

Grant Thornton d.o.o. Banja Luka
Banja Luka, 26 May 2022


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 01.01.2021 - 31.12.2021

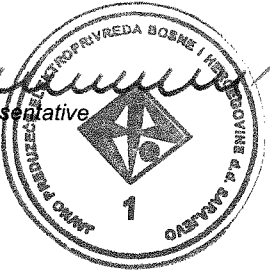
Item	Note	2021 in BAM 000	2020 in BAM 000
Sales revenue	5	1.096.972	1.035.773
Other operating income	6	19.946	16.254
Total operating income		1.116.918	1.052.027
Raw materials costs and cost of goods sold	7	542.658	515.969
Employee benefits	8	177.377	178.517
Own work capitalized	8	(2.044)	(2.624)
Depreciation and amortization	9	156.202	144.650
Other operating expenses	10	230.493	207.494
Total operating expenses		1.104.686	1.044.006
Operating result		12.232	8.021
Financial income		6.553	6.060
Financial expenses		(4.783)	(3.540)
Net financial result		1.770	2.520
Result before taxes		14.002	10.541
Income tax	11	1.676	3.292
- Current income tax liability		3.145	-
- Deferred tax assets / income		(1.469)	-
Result of the year		12.326	7.249
Other comprehensive loss			
Actuarial gains/(losses)		65	2.269
Total comprehensive profit for the year		12.391	9.518

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 25 February 2022.

Signed on behalf of the Company:

[Signature]
Authorized representative



Licensed person
CERTIFICIRANI RAČUNOVODA
[Signature]
Mensuda Vuk
Broj: CR-4675/5

Separate statement of financial position as at 31.12.2021

Item	Note	31.12.2021 in BAM 000	31.12.2020 in BAM 000
Non-current assets			
Property, plant, equipment	12	2.322.402	2.389.970
Intangible assets	13	10.896	11.866
Advances given	14	218.236	224.748
Investments in associates	15	1.950	1.950
Investments in subsidiaries	16	426.960	414.803
Given loans and deposits	17	93.681	63.823
Other long-term receivables		6.647	9.484
		3.080.772	3.116.644
Current assets			
Given loans and deposits	17	115.008	52.396
Trade receivables and other receivables	18	141.672	153.724
Receivables for overpaid income tax and other taxes		1.952	6.776
Advances	14	3.411	81.473
Inventories	19	42.935	65.163
Cash and cash equivalents	20	172.616	128.003
Prepaid expenses		6.974	6.634
		484.568	494.169
TOTAL ASSETS		3.565.340	3.610.813
Equity and reserves			
Equity	21		
Share capital		2.236.964	2.236.964
Legal reserves		70.473	67.974
Other reserves		508.664	508.664
Retained earnings		185.553	180.412
		3.001.654	2.994.014
Liabilities			
Long-term liabilities			
Loans and borrowings	22	243.481	258.308
Deferred income	23	67.977	71.985
Employee benefits	24	32.809	33.471
Provisions	25	20.115	18.625
		364.382	382.389
Current liabilities			
Loans and borrowings	22	48.019	36.617
Trade payables and other liabilities	26	80.818	111.429
Provisions	25	12.476	23.543
Deferred items	27	57.991	62.821
		199.304	234.410
TOTAL EQUITY AND LIABILITIES		3.565.340	3.610.813

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

Separate statement of cash flows for the period 01.01.2021 - 31.12.2021

Item	2021 in BAM 000	2020 in BAM 000
Cash flows from operating activities		
Net profit for the year	12.325	7.249
Adjustments for:		
Depreciation and amortization	156.202	144.650
Interest income and other financial income	(6.553)	(6.060)
Interest expenses and other financial expenses	4.783	3.540
Income from write-off of liabilities	(4.366)	(3.425)
Net loss on disposal of fixed assets	1.621	3.756
Changes in provisions, net	(9.577)	7.870
Changes in employee benefits, net	(662)	1.847
Write-off of inventories	2.306	852
Net loss / (profit) from write-off of doubtful and bad receivables	69.804	58.663
	225.883	218.942
Changes in:		
- trade receivables	(2.573)	(10.672)
- inventories	19.922	16.912
- advances	(24.070)	(23.379)
- other receivables	6.722	(5.561)
- other long-term liabilities	(4.008)	(9.690)
- trade payables	(41.251)	35.699
- other liabilities	5.724	4.607
- deferred income	(3.972)	(5.996)
Net cash flows from operating activities	182.377	220.862
Investing activities		
Acquisition of property, plant and equipment	(88.481)	(393.031)
Increase in shares in subsidiaries	(12.157)	(12.431)
Increase in deposits and given loans	(90.888)	(63.565)
Repayment of deposits and given loans	60.631	92.366
Interest charged	6.553	6.060
Net cash flows from investing activities	(124.342)	(376.601)
Financing activities		
Repayment of received loans	(49.538)	(32.591)
Loan withdrawals	45.638	202.546
Interest paid	(4.783)	(3.540)
Dividends paid	(4.739)	(2.470)
Net cash flows from financing activities	(13.422)	163.945
Net increase/(decrease) of cash and cash equivalents	44.613	8.206
Cash and cash equivalents as at 1 January	128.003	119.797
Cash and cash equivalents as at 31 December	172.616	128.003

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

Separate statement of changes in equity for the period 01.01.2021 - 31.12.2021

(in BAM 000)

	Share capital	Legal reserves	Other reserves	Retained earnings	Total
Balance as at 01.01.2020	2.236.964	41.783	508.664	199.574	2.986.985
Profit for the year	-	-	-	7.249	7.249
Other comprehensive loss	-	-	-	2.269	2.269
Total comprehensive income	-	-	-	9.518	9.518
Transactions with owners recorded directly in equity					
Contributions and distribution to owners					
Transfers	-	26.191	-	(26.191)	-
Dividends	-	-	-	(2.489)	(2.489)
Balance as at 31.12.2020/ 01.01.2021	2.236.964	67.974	508.664	180.412	2.994.014
Profit for the year	-	-	-	12.325	12.325
Other comprehensive loss	-	-	-	65	65
Total comprehensive income	-	-	-	12.390	12.390
Transactions with owners recorded directly in equity					
Contributions and distribution to owners					
Transfers	-	2.499	-	(2.499)	-
Dividends	-	-	-	(4.750)	(4.750)
Balance as at 31.12.2021	2.236.964	70.473	508.664	185.553	3.001.654

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.

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 2.556 shareholders (as at 30 November 2021).

The Company's Supervisory Board:

- Izet Žigić, chairperson
- Milenko Obad, member
- Selvedin Subašić, member,
- Izudin Džafić, member until 10 February 2021,

JP Elektroprivreda BiH d.d. Sarajevo

Notes to the separate financial statements as at 31 December 2021

- Admir Softić, member as of 11 February 2021,
- Muhidin Zametica, member as of 11 February 2021,
- Safet Isić – member,
- Ramiz Kikanović, member until 10 February 2021,
- Hasen Mašović.

The Company's Management Board:

- Admir Anđelija - 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
- Haris Jahić, member until 11 February 2021
- Fikreta Bešović, member until 11 February 2021
- Mustafa Šakić, member as of 12 February 2021
- Ismeta Jakupović-Divković, member as of 12 February 2021.

As at 31 December 2021, the Company had 4.113 employees (as at 31 December 2020: 4.230 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 2021 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 25 February 2022.

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 32.

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
Long-term assets	
Long-term given loans	Held for collection
Short-term assets	
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
--------------------------------	--------------

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 to 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 and distribution 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:

Amendments to IAS 39 Financial Instruments: Recognition and Measurement;
Amendments to IAS 1 Presentation of Financial Statements;
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
Amendments to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021;
Amendments to IFRS 4 Extension of the Temporary Exemption from Applying IFRS 9.

The adoption of these standards and amendments did not lead to material changes in the Company's 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:

Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures, by Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments, deferred indefinitely until the research project on the equity method is finalized.

Amendments to IAS 1 - Presentation of Financial Statements – Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2022).

Amendments to IFRS 3 - Business Combinations – Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022).

Amendments to IAS 16 - Property, Plant and Equipment – Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022).

Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022).

Amendments to various standards based on „Annual Improvements (2018 - 2020 cycle) from the project of improvements of IFRS (IFRS 1 – First-time Adoption of International Financial Reporting Standards, IFRS 9 – Financial instruments, IAS 41 - Agriculture) primarily with the aim of eliminating inconsistencies and clarifying formulations, effective for annual periods beginning on or after 1 January 2022.

IFRS 17 Insurance Contracts including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023).

Amendments to IFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9 (the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 has been deferred to 1 January 2023).

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 2021 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 4.455 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

Sales revenue	2021 in BAM 000	2020 in BAM 000
Sales of electricity on the domestic market	980.668	941.852
Sales of electricity on the international market	40.679	42.644
Connection fees	21.473	17.788
Technological steam and thermal energy	13.837	12.864
Services and other revenue	40.315	20.625
Total sales revenue:	1.096.972	1.035.773

6. Other operating income

Other operating income	2021 in BAM 000	2020 in BAM 000
Rental income	1.464	1.505
Donations	6.837	6.479
Gains from sales of tangible assets	314	1.231
Sales of material	1.072	710
Surplus	2.310	39
Collected written-off receivables	1.083	1.471
Insurance charges	148	220
Penalty proceeds	415	346
Actuarial gains	638	176
Reversal of long-term provisions	2.119	625
Other operating income	3.546	3.452
Total other operating income:	19.946	16.254

7. Raw materials costs and cost of goods sold

Raw materials costs and cost of goods sold	2021 in BAM 000	2020 in BAM 000
Cost of goods sold	181.032	126.336
Utilized coal	289.720	314.599
Coal delivery and analysis	22.193	25.697
Utilized maintenance material	6.511	6.356
Utilized fuel	6.843	6.243
Other raw materials and material	36.359	36.738
Raw materials costs and cost of goods sold:	542.658	515.969

8. Employee benefits

Employee benefits	2021 in BAM 000	2020 in BAM 000
Net salaries and other employee expenses	120.326	120.813
Mandatory social benefits and contributions	55.616	56.052
Ongoing labor costs	1.435	1.652
Total employee costs	177.377	178.517
Own work capitalized	(2.044)	(2.624)
Employee costs recognized in the statement of comprehensive income	175.333	175.893
Total employee benefits:	175.333	175.893

9. Depreciation and amortization

Depreciation and amortization	2021 in BAM 000	2020 in BAM 000
Depreciation of property, plant and equipment	153.984	142.469
Amortization of intangible assets	2.218	2.181
Total depreciation and amortization:	156.202	144.650

In the branch of „HE na Neretvi“, a functional method of calculating depreciation for 2021 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

Other operating expenses	2021 in BAM 000	2020 in BAM 000
Services for production and processing of own goods and services	3.061	2.679
Transportation services	44.970	43.623
Payment transactions	3.093	1.343
Maintenance	20.693	20.476
Rent	227	252
Non-production services	3.271	3.038
Representation	115	117
Expenses/gains from impairment of assets	3.927	4.608
Membership contributions	6.977	5.873
Taxes, fees and charges	46.972	36.769
Postal and telecommunications services	6.803	6.701
Expenses and losses on inventories of materials and goods and other expenses	3.968	6.451
Expenses based on allowance and write-off of receivables	6.621	7.520
Value adjustment of given advances (Note 17)	64.265	52.614
Insurance premiums	2.078	1.830
Trade fairs, advertising, sponsorships and research	298	149
Other production service costs	504	419
Provisions	9.722	11.003
Actuarial losses	-	6
Other expenses and losses	77	395
Other intangible costs	323	289
Expenses based on corrections of errors from previous years	2.528	1.339
Total other operating expenses:	230.493	207.494

11. Income tax

Income tax	2021 in BAM 000	2020 in BAM 000
Accounting profit before tax	14.002	10.541
Income tax at the rate of 10%	1.400	1.541
Non-tax deductible expenses	9.889	20.848
Non-taxable income	(1.482)	(1.135)
Reconciliation of taxable income	9.041	2.669
Income tax	3.145	3.292
Effective income tax rate	22,46%	31,23%

In the tax balance sheet, the Company stated the calculated income tax in the amount of BAM 3.145 thousand. During 2021, the Company paid advance payments based on income tax for 2020 in the amount of BAM 1.613 thousand. The total amount of paid income tax advances until 31 December 2021 amounts to BAM 3.146 thousand (as at 31 December 2020: BAM 1,532 thousand). The offset of the tax credit and the calculated profit tax for 2021 was realized as at 31 December 2021.

12. Property, plant, equipment

in BAM 000	Land	Buildings	Plant and equipment	Assets in preparation	Total
C O S T					
Balance as at 01.01.2020	87.311	4.199.694	3.386.350	176.532	7.849.887
Acquisitions (additions)	-	-	-	202.813	202.813
Disposals and write-offs	(2.668)	(8.058)	(11.963)	-	(22.689)
Transfers (activation in use)	112	32.590	19.216	(52.146)	(228)
Other	(2)	(2.442)	2.466	(549)	(527)
Balance as at 31.12.2020	84.753	4.221.784	3.396.069	326.650	8.029.256
Transfer to other parts	-	-	(294)	-	(294)
Transfer from other parts	-	-	294	-	294
Balance as at 31.12.2020/01.01.2021	84.753	4.221.784	3.396.069	326.650	8.029.256
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
Other	-	-	-	(1.122)	(1.122)
Balance as at 31.12.2021	84.832	4.271.939	3.544.025	191.457	8.092.253
A C C U M U L A T E D D E P R E C I A T I O N					
Balance as at 01.01.2020	-	2.797.877	2.717.749	-	5.515.626
Depreciation	-	74.000	70.430	-	144.430
Disposals, write-offs and other	-	(9.749)	(11.021)	-	(20.770)
Balance as at 31.12.2020	-	2.862.128	2.777.157	-	5.639.285
Transfer to other parts	-	-	(307)	-	(307)
Transfer from other parts	-	-	307	-	307
Balance as at 31.12.2020/01.01.2021	-	2.862.128	2.777.157	-	5.639.285
Depreciation	-	77.994	75.991	-	153.985
Disposals, write-offs and other	-	(4.464)	(18.955)	-	(23.419)
Balance as at 31.12.2021	-	2.935.658	2.834.193	-	5.769.851
Present value as at 31.12.2020	84.753	1.359.656	618.911	326.650	2.389.970
Present value as at 31.12.2021	84.832	1.336.281	709.832	191.457	2.322.402

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

13. Intangible assets

in BAM 000	Patents, licenses and concessions	Current investments	Software and other intangible assets	Total
C O S T				
Balance as at 01.01.2020	28.831	78	12.111	41.020
Acquisitions	-	460	-	460
Disposals and write-offs	(3)	-	(98)	(101)
Transfers	22	(100)	305	227
Balance as at 31.12.2020	28.850	438	12.318	41.606
Acquisitions	-	126	-	126
Disposals and write-offs	(20)	-	(412)	(432)
Transfers	1.055	(1.576)	521	-

in BAM 000	Patents, licenses and concessions	Current investments	Software and other intangible assets	Total
COST				
Other	-	1.123	-	1.123
Balance as at 31.12.2021	29.885	111	12.427	42.423
ACCUMULATED AMORTIZATION				
Balance as at 01.01.2020	20.825	-	6.835	27.660
Amortization	1.243	-	938	2.181
Disposal	(3)	-	(98)	(101)
Balance as at 31.12.2020	22.065	-	7.675	29.740
Amortization	1.254	-	965	2.219
Disposal	(20)	-	(412)	(432)
Balance as at 31.12.2021	23.299	-	8.228	31.527
Present value as at 31.12.2020	6.785	438	4.643	11.866
Present value as at 31.12.2021	6.586	111	4.199	10.896

14. Advances given

Advances given	2021 in BAM 000	2020 in BAM 000
Advances given to subsidiaries	2.590	205.498
Advances given to third parties	256.682	263.626
VAT included in the amount of given advances	(37.625)	(65.033)
Value adjustment of given advances	-	(97.870)
Total advances given:	221.647	306.221

During 2021, the Company signed six contracts with related legal entities - mines, which are the basis for the conversion of paid and unjustified advances into long-term borrowings in the total amount of BAM 195.442 thousand (see Note 17).

15. Investments in associates

The Company's share in associates is as follows:

Associate	Reporting date	Business activity	Ownership	31.12.2021 in BAM 000	31.12.2020 in BAM 000
ETI d.o.o. Sarajevo	31 December 2021	Fuse production	49%	1.950	1.950

16. Investments in subsidiaries

Subsidiary	Business activity	Ownership	31.12.2021 in BAM 000	31.12.2020 in BAM 000
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%	38.999	38.995
RU Kreka d.o.o.	Coal exploitation	100%	125.556	117.510
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
Total investments in mines:			409.640	401.590

During 2021, the Company realized a recapitalization of mines in the amount of BAM 8.050 thousand. The following is an overview of recapitalization:

Subsidiary	Business activity	Recapitalization 2021 in BAM 000
RMU Đurđevik d.o.o.	Coal exploitation	4
RU Kreka d.o.o.	Coal exploitation	8.046
Total recapitalization:		8.050

Other subsidiaries of the Company:

Subsidiary	Business activity	Ownership	31.12.2021 in BAM 000	31.12.2020 in BAM 000
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	-
Total investments in other subsidiaries:			17.320	13.213

In 2021, the Company established a new subsidiary with limited liability "GEOLP d.o.o." Kakanj, with a basic capital in the amount of BAM 4.107 thousand. The company's activities are geological research, testing, design and protection.

As at 31 December 2021, total investments in subsidiaries amount to BAM 426.960 thousand.

17. Given loans and deposits

Given loans and deposits	31.12.2021. u 000 KM	31.12.2020. u 000 KM
Long-term portion		
Long-term time deposits	1	63.566
Loans to subsidiaries - mines		
Loans created by converting previously given advances	195.442	-
<i>Value adjustment of loans (older than 365 days)</i>	<i>(162.135)</i>	-
VAT on previously given advances (long-term portion)	13.464	-
<i>Value adjustment of receivables based on VAT in previously given advances (IFRS 9)</i>	<i>(720)</i>	-
Loans granted during 2021	51.771	-
<i>Value adjustment of loans (IFRS 9)</i>	<i>(4.290)</i>	-
<i>Total loans to subsidiaries – mines</i>	<i>93.532</i>	-
Long-term loans to employees	140	248
Other receivables	8	9
Total long-term portion	93.681	63.823
Short-term portion		
Short-term investments	810	809
Short-term time deposits	102.681	48.896
Short-term portion of long-term loans to subsidiaries	-	1.288
Short-term portion of VAT on previously given advances to subsidiaries	8.959	-
Short-term portion of long-term loans to employees	133	215
Other receivables	3.746	2.877
<i>Value adjustment of other receivables</i>	<i>(1.321)</i>	<i>(1.689)</i>
Total short-term portion	115.008	52.396
Total given loans and deposits:	208.689	116.219

As at 31 December 2021, time deposits in the amount of BAM 102.682 thousand (as at 31 December 2020 in the amount of BAM 112.460 thousand) refer to cash deposits with eight banks in the country.

As disclosed in Note 14, the Company signed individual contracts with subsidiaries - mines in 2021, on the basis of which the payment of paid but unjustified advances into long-term borrowings was performed. The basic elements of individual contracts are the following: interest rate of 1,5% per annum, repayment periods of 72, 120 and 240 months, which do not include a grace period of 24 months (except for "RU Kreka"). The balance of receivables on this basis as at 31 December 2021 amounts to BAM 195.442 thousand, out of which the amount BAM 162.135 thousand is older than one year. The total amount of these receivables older than one year was adjusted through the expenses of the period in this and previous periods. At the expense of the result of the current period, the Company recorded the

amount of BAM 64.265 thousand, and in previous periods the value of advances was reduced in the total amount of BAM 97.870 thousand.

Also, for the value of VAT on previously given advances in the amount of BAM 32.870 thousand, the Company made a payment to the Indirect Taxation Authority in the VAT return for May 2021. At the same time, the subsidiaries - mines stated a claim from the Indirect Taxation Authority for this amount. Based on the signed Agreements on the manner of VAT refund based on the conversion of paid but unjustified advances into long-term borrowings, a part of VAT is refunded monthly from subsidiaries - mines to the parent company in the amount of monthly VAT liability (this amount is reduced by invoice payment for delivered coal). The balance of VAT receivables in previously given advances as at 31 December 2021 amounts to BAM 22.423 thousand. In accordance with the requirements of IFRS 9, the Company has reduced this receivable in the amount of BAM 720 thousand.

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. dated 25 May 2021 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 a 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 2021 amounts to BAM 51.771 thousand. In accordance with the requirements of IFRS 9, the Company has reduced this receivable in the amount of BAM 4.290 thousand.

18. Trade receivables and other receivables

Trade receivables and other receivables	31.12.2021 in BAM 000	31.12.2020 in BAM 000
Customers – related legal entities	3.511	1.643
Domestic customers	161.473	162.145
International customers	5.113	6.172
<i>Value adjustment of trade receivables</i>	<i>(40.321)</i>	<i>(42.758)</i>
Receivables from employees	79	91
Receivables from state bodies and institutions	683	912
Other short-term receivables	6.466	19.824
<i>Value adjustment of other short-term receivables</i>	<i>(2.644)</i>	<i>(2.732)</i>
VAT receivables	7.312	8.427
Total trade receivables and other receivables:	141.672	153.724

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

19. Inventories

Inventories	31.12.2021 in BAM 000	31.12.2020 in BAM 000
Raw materials and material	48.207	69.129
Spare parts	19.134	18.960
Car tires and packaging	544	581
Tools and small supplies	9.657	9.678
<i>Write downs of raw materials, material, spare parts and supplies</i>	<i>(34.610)</i>	<i>(33.189)</i>
Goods in social standard	3	4
Total inventories:	42.935	65.163

20. Cash and cash equivalents

Cash and cash equivalents	31.12.2021 in BAM 000	31.12.2020 in BAM 000
Transaction account – domestic currency	136.714	79.778
Transaction account – foreign currency	34.744	47.460
Cash on hand	1.158	765
Total cash and cash equivalents:	172.616	128.003

21. Equity

Equity	31.12.2021 in BAM 000	31.12.2020 in BAM 000
Share capital	2.236.964	2.236.964
Statutory and other reserves	579.137	576.638
Accumulated (retained) earnings	173.228	173.163
Profit for the reporting year	12.325	7.249
Total equity:	3.001.654	2.994.014

The authorized and issued share capital consists of 31.506.541 ordinary shares (as at 31 December 2020 the same amount of ordinary shares). The nominal value is BAM 71 per share (as at 31 December 2020 the same value per share). During 2021, dividends were paid in the amount of BAM 4.739 thousand (during 2020 in the amount of BAM 2.470 thousand).

On 30 July 2021, the Company's Assembly passed a Decision on the distribution of profit realized in 2019 and 2020. The profit in 2019 in the amount of BAM 20.124 thousand as is being distributed in

JP Elektroprivreda BiH d.d. Sarajevo
Notes to the separate financial statements as at 31 December 2021

accordance with the Decision to retained earnings, while the profit in 2020 in the amount BAM 7.249 thousand is being distributed as follows: reserve fund in the amount of BAM 2.499 thousand and dividends in the amount of BAM 4.750 thousand.

The Company credited actuarial gains in the amount of BAM 65 thousand to the accumulated profit in 2021.

22. Loans and borrowings

Loans and borrowings	31.12.2021 in BAM 000	31.12.2020 in BAM 000
Non-current loans and borrowings		
Long-term loans with domestic banks	70.640	98.895
Long-term international loans	172.750	159.236
Other long-term liabilities	91	177
Total non-current loans and borrowings	243.481	258.308
Current loans and borrowings		
Short-term portion of long-term loans with domestic banks	28.256	28.256
Short-term portion of long-term international loans	19.708	8.272
Short-term portion of other long-term liabilities	55	89
Total current loans and borrowings	48.019	36.617
Total loans and borrowings:	291.500	294.925

Loans and borrowings	Maturity up to 1 year in BAM 000	Maturity over 1 year in BAM 000
Loans in BAM	28.257	70.639
Loans in XDR	2.886	16.920
Loans in EUR	16.280	147.093
Loans in YEN	541	8.737
Other loans	55	92
Total loans and borrowings:	48.019	243.481

23. Deferred income

Deferred income	31.12.2021 in BAM 000	31.12.2020 in BAM 000
Deferred income for donated funds	67.183	71.192
Deferred income for donated inventories	90	101
Deferred income for donated cash	740	692
Total deferred income	68.013	71.985

24. Employee benefits

	Severance pay and jubilee awards in BAM 000
Balance as at 1 January 2021	33.471
Provisions during the year	1.435
Changes in provisions during the year	134
Provisions used during the year	(2.231)
Balance as at 31 December 2021	32.809

Liabilities for employee benefits are calculated as follows:

	31.12.2021 in BAM 000	31.12.2020 in BAM 000
Opening balance for liabilities	33.471	35.318
Interest expense	837	883
Current labor costs	1.435	1.652
Premium paid	(2.231)	(1.943)
Actuarial losses/(gains) recognized in profit or loss	(638)	(170)
Actuarial losses recognized in other comprehensive income	(65)	(2.269)
Total:	32.809	33.471

25. Provisions

	Litigation in BAM 000	Provisions for dismantling costs in BAM 000	Total in BAM 000
Balance as at 1 January 2021	23.543	18.625	42.168
Provisions during the year	5.491	1.490	6.981
Released provisions during the year	(2.129)	-	(2.129)
Provisions used during the year	(14.429)	-	(14.429)
Balance as at 31 December 2021	12.476	20.115	32.951

Provisions	31.12.2021 in BAM 000	31.12.2020 in BAM 000
Current provisions	12.476	23.543
Non-current provisions	20.115	18.625
Total provisions:	32.951	42.168

JP Elektroprivreda BiH d.d. Sarajevo
Notes to the separate financial statements as at 31 December 2021

Provisions used during the year based on litigation relate mostly to the lawsuit of the City of Mostar on the basis of the amount of compensation in accordance with the law on allocation and directing part of the company's income generated by using hydro-accumulation facilities with interest.

With regards to the verdict against the Company in favor of the City of Mostar, a distraint was made by Intesa SanPaolo Bank in the amount of BAM 14.286 thousand. Payment to the City of Mostar was made in April 2021 and the return of distrained funds was made in June 2021.

26. Trade payables and other liabilities

Trade payables and other liabilities	31.12.2021 in BAM 000	31.12.2020 in BAM 000
Advances, deposits and security received	27.210	21.267
Suppliers – related legal entity	5.114	6.359
Domestic suppliers	27.529	29.267
International suppliers	2.485	40.754
Other operating liabilities	95	110
Liabilities based on salaries, compensations and other employee benefits	2	-
Liabilities based on interest and financing costs	5.458	3.455
Dividend liabilities	804	792
Liabilities for compensation members of boards, commissions and liabilities for compensation taxes and contributions	19	20
Liabilities to individuals for compensations per contracts and liabilities for compensation taxes and contributions	13	17
VAT liabilities	8.749	4.060
Income tax liabilities	-	3.292
Liabilities for other contributions and compensations	450	411
Liabilities for hydro-accumulation	2.890	1.625
Total trade payables and other liabilities:	80.818	111.429

27. Deferred items

Deferred items	31.12.2021 in BAM 000	31.12.2020 in BAM 000
Pre-calculated expenses of the period	19.868	18.085
Accrued income for the next period	11.227	11.227
Other accruals and deferrals	26.896	33.509
Total deferred items:	57.991	62.821

28. 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:

	31.12.2021	31.12.2020
	in BAM 000	in BAM 000
Given loans, deposits and receivables	357.008	279.429
Cash and cash equivalents	172.616	128.003
TOTAL	529.624	407.432

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

	31.12.2021	31.12.2020
	in BAM 000	in BAM 000
Domestic customers	126.747	123.135
International customers	5.113	6.172
TOTAL	131.860	129.307

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

	31.12.2021	31.12.2020
	in BAM 000	in BAM 000
Customers – legal entities	108.368	104.644
Households	23.492	24.663
TOTAL	131.860	129.307

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

	31.12.2021	31.12.2020
	in BAM 000	in BAM 000
Past due and due up to 90 days	120.211	123.131
Due 91- 180 days	6.250	3.376
Due 91- 180 days	3.628	2.580

	31.12.2021 in BAM 000	31.12.2020 in BAM 000
Older than 365 days	1.771	220
TOTAL	131.860	129.307

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

	31.12.2020 in BAM 000
As at 1 January 2021	42.758
Impairment of receivables during the year	1.340
Collected, previously written off receivables during the year	(1.271)
Derecognition of previously written off receivables	(2.506)
As at 31 December 2021	40.321

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:

31 December 2021	Carrying amount in BAM 000	Maturity up to 1 year in BAM 000	Maturity over 1 year in BAM 000
Trade payables and other liabilities	130.060	130.060	-
Interest-bearing loans and borrowings	291.500	48.019	243.481
TOTAL	421.560	178.079	243.481

31 December 2020	Carrying amount in BAM 000	Maturity up to 1 year in BAM 000	Maturity over 1 year in BAM 000
Trade payables and other liabilities	170.189	170.189	-
Interest-bearing loans and borrowings	294.925	36.617	258.308
TOTAL	465.114	206.806	258.308

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

	31.12.2021 in BAM 000	31.12.2020 in BAM 000
Up to 30 days	59.541	71.065
From 30 - 60 days	427	29.534
From 60 - 90 days	49	2.829
Over 90 days	1.254	5.432
TOTAL	61.271	108.860

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 2021:

31 December 2021	XDR u 000 KM	YEN u 000 KM
Trade payables, loans and borrowings	(19.806)	(9.278)
Total balance sheet exposure	(19.806)	(9.278)

The Company's exposure to currency risk, expressed in functional currency, is as follows as at 31 December 2020:

31 December 2020	XDR u 000 KM	YEN u 000 KM
Trade payables, loans and borrowings	(21.666)	(10.125)
Total balance sheet exposure	(21.666)	(10.125)

	Average rate		Rate at the reporting date	
	2021	2020	2021	2020
EUR	1,95583	1,95583	1,95583	1,95583
XDR	2,35783	2,30986	2,42030	2,31540
YEN	0,01507	0,01607	0,01499	0,01545
CHF	1,80891	1,82741	1,88732	1,80145

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.

in BAM 000	Strengthening	Weakening
31 December 2021		
XDR	(198)	198
YEN	(93)	93
31 December 2020		
XDR	(216)	216
YEN	(101)	101

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:

Instruments with a fixed interest rate	2021 in BAM 000	2020 in BAM 000
Financial assets	186.986	126.582
Financial liabilities	(27.526)	(25.893)
TOTAL	159.460	100.689
Instruments with a variable interest rate	2021 in BAM 000	2020 in BAM 000
Financial assets	-	-
Financial liabilities	(263.828)	(269.032)
TOTAL	(263.828)	(269.032)

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
31 December 2021				
Cash flow sensitivity analysis	(2.451)	2.854	(2.451)	2.854
31 December 2020				
Cash flow sensitivity analysis	(1.591)	2.039	(1.591)	2.039

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:

	2021 in BAM 000	2020 in BAM 000
Total liabilities	291.500	294.925
Cash and cash equivalents	(172.616)	(128.002)
Net debt	118.885	166.923
Equity	3.001.654	2.994.014
Net debt/Equity	0,0396	0,0557

29. Contingent liabilities and commitments

As at 31 December 2021, the total estimated value of litigation against the Company amounts to BAM 210.347 thousand. This amount includes the litigation with „Elektrobosna Jajce“ in the amount of BAM 6.118 thousand (in a resting state as of 2004) and the arbitration proceeding of the Consortium „Strabag AG“ Austria and „Končar d.d.“ Zagreb (from 2018) in the amount of BAM 39.267 thousand.

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. The Company received the Decision on 31 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. As the mentioned procedures postpone the possibility of execution of the given Decision during 2022, and at the same time leave the possibility that it will not be executed in the end, the Company did not make a provision on this basis.

From other litigation in which the Company is the defendant, according to the amount of the claim, the litigation of the plaintiff JADRAN KAPITAL d.d. Split and STANOVI JADRAN d.d. Split stand out, which refers to the refutation of the decisions of the Assembly of the Company, related to the conversion of previously given advances into borrowings. The Company did not reserve funds for this litigation, because the response to the lawsuit has just been submitted, that is, the lawsuit is in its initial phase.

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 2021 represent the best estimate. Accordingly, as at 31 December 2021, the Company recognized additional provisions based on litigation in the amount of BAM 5.491 thousand, therefore, total provisions based on litigation as at 31 December 2021 amount to BAM 12.476 thousand (see Note 25).

As at 31 December 2021, the Company has approved but not withdrawn credit funds in the amount of BAM 1.288.878 thousand, out of which most refer to the loan from the Chinese bank CEXIM in the amount of BAM 1.200.866 thousand, for construction of block 7 in „TE Tuzla“.

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.

30. 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.

31. 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.

	31.12.2021 in BAM 000	31.12.2020 in BAM 000
Receivables		
Željeznice Federacije Bosne i Hercegovine d.o.o. Sarajevo	521	534
Elektroprenos BiH a.d. Banja Luka	4.865	4.866
	5.386	5.400
Liabilities		
Željeznice Federacije Bosne i Hercegovine d.o.o. Sarajevo	934	1.257
Elektroprenos BiH a.d. Banja Luka	9.538	9.439
	10.472	10.696
Revenue		
Željeznice Federacije Bosne i Hercegovine d.o.o. Sarajevo	5.547	5.048
Elektroprenos BiH a.d. Banja Luka	209	110
	5.756	5.158
Expenses		
Željeznice Federacije Bosne i Hercegovine d.o.o. Sarajevo	20.922	24.547
Elektroprenos BiH a.d. Banja Luka	52.816	51.055
	73.738	75.602

Related parties

The Company has acquired an interest in mines, as disclosed in Note 16 - 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:

	31.12.2021 in BAM 000	31.12.2020 in BAM 000
Assets		
Trade receivables and receivables for given advances		
RMU Breza d.o.o.	1.114	11.547
RMU Kakanj d.o.o.	175	155
RMU Zenica d.o.o.	5.626	43.769
RMU Đurđevik d.o.o.	2.143	6.059
RU Kreka d.o.o.	10.633	132.337
RMU Abid Lolić d.o.o.	795	11.947
RU Gračanica d.o.o.	33	34
Iskraemeco d.o.o.	13	12
Eldis Tehnika d.o.o.	1	886
TTU Energetik d.o.o.	42	398
Total receivables	20.575	207.144
Given loans		
RMU Breza d.o.o.	16.471	338
RMU Kakanj d.o.o.	8.950	138
RMU Zenica d.o.o.	56.821	155
RMU Đurđevik d.o.o.	12.400	6
RU Kreka d.o.o.	151.557	494
RMU Abid Lolić d.o.o.	14.479	157
Total given loans	260.678	1.288
Liabilities		
Trade payables and other liabilities		
RMU Breza d.o.o.	-	96
RMU Kakanj d.o.o.	2.881	1.541
RMU Zenica d.o.o.	28	331
RMU Đurđevik d.o.o.	167	221
RU Kreka d.o.o.	589	1.099
RMU Abid Lolić d.o.o.	146	582
RU Gračanica d.o.o.	348	348
Iskraemeco d.o.o.	470	701
Eldis Tehnika d.o.o.	1.594	1.904
TTU Energetik d.o.o.	47	367
Total liabilities	6.270	7.190

	31.12.2021 in BAM 000	31.12.2020 in BAM 000
Revenue		
RMU Breza d.o.o.	1.428	1.382
RMU Kakanj d.o.o.	1.366	1.389
RMU Zenica d.o.o.	1.856	1.691
RMU Đurđevik d.o.o.	2.096	1.894

	31.12.2021 in BAM 000	31.12.2020 in BAM 000
RU Kreka d.o.o.	6.492	6.079
RMU Abid Lolić d.o.o.	486	466
RU Gračanica d.o.o.	286	344
Iskraemeco d.o.o.	75	71
Eldis Tehnika d.o.o.	5	5
TTU Energetik d.o.o.	282	222
Total revenue	14.372	13.543
Expenses		
RMU Breza d.o.o.	18.777	27.341
RMU Kakanj d.o.o.	57.338	65.053
RMU Zenica d.o.o.	11.718	15.759
RMU Đurđevik d.o.o.	29.210	36.542
RU Kreka d.o.o.	47.019	59.470
RMU Abid Lolić d.o.o.	11.601	13.232
RU Gračanica d.o.o.	4.534	5.800
Iskraemeco d.o.o.	9.076	9.587
Eldis Tehnika d.o.o.	6.544	6.707
TTU Energetik d.o.o.	1.434	2.182
Total expenses	197.251	241.673

Related parties – associates

A related party based on significant impact is „ETI d.o.o.“ Sarajevo (Note 15). The Company had the following related party transactions in the ordinary course of business:

	31.12.2021 in BAM 000	31.12.2020 in BAM 000
Receivables	2	2
Liabilities	6	-
Revenue	27	27
Expenses	713	21

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:

	31.12.2021 in BAM 000	31.12.2020 in BAM 000
Payments to members of the Management Board	825	791
Payments to members of the Supervisory Board	195	141
Total payments	1.020	932

32. 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 associates

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 believes that there is no impairment of investments in subsidiaries and associates.

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.

33. Ownership structure

The Company's ownership structure is as follows:

	31 December 2021		31 December 2020	
	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 %
TOTAL	31.506.541	100 %	31.506.541	100 %

34. 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 2021, the Company was not subject to an inspection by the Indirect Taxation Authority and Tax Authority of the Federation of Bosnia and Herzegovina (FBiH).

35. Post-reporting date events

After 31 December 2021, 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.

In the Official Gazette of FBiH number: 1/22 dated 5 January 2022, the Law on Amendments to the Law on Electricity in the Federation of Bosnia and Herzegovina has been published:

In the Law on Electricity in the Federation of Bosnia and Herzegovina ("Official Gazette of the Federation of BiH", No. 66/13, 94/15 and 54/19), a new Article 16a is added after Article 16. which reads:
"Notwithstanding paragraph (2) of Article 16 of the Law, if there is a disturbance in the electricity market by increasing the price of electricity supply for a qualified customer by more than 20% compared to the previous year, the Federation Government has the obligation to limit the increase in the price of electricity supply to a maximum of 20% by a special decision, where the same applies, for contracts with an annual duration or longer."

The House of Peoples of the FBiH Parliament held its 10th extraordinary session on 24 March 2022 and made a decision on the extension of work of Block 4 in the branch of "TE Tuzla" and Block 5 in the branch of "TE Kakanj" until 1 January 2028.

The growth trend of market prices of electricity from 2021 continued, when the prices of energy sources and various other goods increased all over the world. At the beginning of 2022, prices varied considerably when a new intensive growth in the prices of electricity, gas and petroleum products happened, when at the end of February and the beginning of March 2022, record high levels of market prices were achieved for deliveries in 2022 and beyond.

Rising energy prices open up opportunities for the Company to achieve higher sales prices and earnings, especially in trade. On the other hand, the growth of prices in market and public supply is quite limited due to economic, social and political circumstances, and it is to be expected that the future level of energy sales prices will remain significantly below the current market.

36. Impact of COVID on the Company's business

The Covid-19 pandemic affected the Company's business in 2021 differently and to a considerable extent, and had a variety of direct and indirect impacts.

Movements in electricity prices in regional markets were largely determined by the impact of the pandemic, but there were other circumstances that influenced the movement of energy prices. The geopolitical and energy crisis and the logistical and transport problems (which are largely the result of the pandemic) can be highlighted. As of June 2021, the growth of energy prices started, which, with considerable oscillations, continued until the end of the year. In the months when the Company had production resources (water accumulations, coal stocks, plant-ready plants) at its disposal, significant positive effects of price growth were achieved. However, there was a period when energy had to be bought and then the growth of prices had a negative impact through increased prices and procurement costs (especially in the III quarter).

During the second half of the year, inflationary trends were present throughout Europe (and beyond), which was reflected in the cost aspect of the Company's operations.


In the case of the Company, there was no receipt of state aid and/or subsidies related to the Covid-19 pandemic.

37. Reconciliation of receivables and liabilities

The Company has reconciled its receivables and liabilities with balances as at 31 December 2021. During the reconciliation process with business partners, no material deviations in receivables and liabilities have been identified.

38. Approval of the financial statements

The financial statements have been approved and signed by the Company's Management Board on 25 February 2022.


Authorized representative

