

Institute „Mihajlo Pupin“ Ltd, Belgrade

**Notes to the separate financial statements
for the year ended December 31st 2021**

**Notes to the financial statements
For the Year Ended December 31st 2021 and 2020**

1. Corporate Information

Institute "Mihajlo Pupin" Ltd, Belgrade (hereinafter referred to as: the "Company") was founded on January 29, 1959.

The Company operates in accordance with the Law on research and development activities ("RS Official Gazette", no. 110/05 and 50/06 - correction). The Company's activities are directed at research and development and production activities in the field of high technologies (telecommunications, electronics, production of computer equipment, integral parts and electronic devices, machine equipment, automatics, hydraulics and pneumatics).

The Company's core activity is based on realization of long-term contracts (projects) on joint ventures, where it takes part as the Parent Company together with certain subsidiaries. Projects are intended for known clients, by entering into appropriate contracts. Project realization is executed in phases and usually comprises a longer period (over a year).

On 17 April 2007, an Agreement on the state-owned stake in the assets used by the Company was entered into, between the Company and the Government of the Republic of Serbia. Pursuant to the aforementioned Agreement the Republic of Serbia takes over all founder's, i.e. managing rights, so the stake of state property in assets used by the Company amounts to 100%.

The Company is the sole owner of the following six subsidiaries (with 100% stake):

1. IMP "Automatika" Ltd, Belgrade;
2. IMP "Računarski sistemi" Ltd, Belgrade;
3. IMP "Telekomunikacije" Ltd, Belgrade;
4. IMP "Piezotehnologija" Ltd, Belgrade;
5. IMP "Poslovne usluge" Ltd, Belgrade; and
6. "Idvorski Laboratorije" Ltd, Belgrade with 75% interest in capital.

The company IMP "Računarstvo" Ltd, Belgrade, Tax identification number (TIN) 10008344, Company identification number (CIN) 17178326, was deleted from the Companies Register (Serbian Business Register Agency decision no. BD 26782/2012 dated 13 March 2012) and merged with the company IMP "Računarski sistemi" Ltd, Belgrade, TIN 100008336, CIN 17178318, pursuant to the decision of the Serbian Business Register Agency no. BD 26864/2012 dated 13 March 2012.

The company IMP – Naučnotehnološki park Ltd, Belgrade - in liquidation, Tax identification number (TIN) 104802558, Company identification number (CIN) 20232005, was deleted from the Companies Register (Serbian Business Register Agency decision no. BD 74902/2020 dated 19 October 2020).

The Company is domiciled in Belgrade, 15, Volgina Street.

The Company's identification number is 07014694, and its tax identification number is: 100008310. As of 31 December 2021 the Company had 161 employees (31 December 2020: 169 employees).

These financial statements are signed by Director at 28 February 2022. Financial statements can be altered after the fact by the companies Auditor according to the relevant regulations.

2. Basis for preparation and presentation of the financial statements and comparative data

(a) Basis for preparation of financial statements

The Company keeps records and prepares financial statements in accordance with the Law on Accounting of the Republic of Serbia ("Official Gazette of the RS", No. 73/2019 and 44/2021 - other law) and other applicable legislation in the Republic of Serbia.

In accordance with the Law on Accounting, large legal entities, legal entities that have the obligation to compile consolidated financial statements (parent legal entities), public companies, or companies preparing to become public in accordance with the Capital Market Law of the Republic of Serbia, regardless of size, apply International Financial Reporting Standards (IFRS) for the recognition, valuation, presentation and disclosure of positions in financial statements, the Serbian translation of which has been published by the Ministry of Finance.

Translation disclaimer: The English version is a translation of the original In Serbian for information purposes only. In case of discrepancy, the Serbian version will prevail

**Notes to the financial statements
For the Year Ended December 31st 2021 and 2020**

**2. Basis for preparation and presentation of the financial statements and comparative data
(Continued)**

(a) Basis for preparation of financial statements (Continued)

International Financial Reporting Standards published in Serbian by the Ministry of Finance include the Financial Reporting Conceptual Framework, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, as well as interpretations of standards issued by the IFRS Interpretations Committee, but does not include the basis for conclusions, illustrative examples, application guidelines, comments, dissenting opinions or other supporting materials except when they are explicitly included as an integral part of the standard or interpretation.

The translation of IFRS was determined by the Decision of the Minister of Finance on determining the translation of the Conceptual Framework for Financial Reporting and the basic texts of International Accounting Standards, ie International Financial Reporting Standards No. 401-00-4980 / 2019-16 of 21 November 2019, published in the Official RS Gazette no. 92 of 25 December 2019. Aforementioned translation of IFRS is applied from the financial statements prepared as of December 31, 2020.

New or amended IFRS and interpretations adopted by the decision of the Ministry of Finance of the Republic of Serbia on determining the translation of International Financial Reporting Standards published in the Official Gazette of the Republic of Serbia No. 123/2020 on October 13, 2020 are applied when preparing financial statements for annual periods ending on or after 31 December 2021.

In addition, the attached financial statements have been prepared in accordance with the requirements of the Rulebook on Chart of Accounts and Content of Accounts for companies, cooperatives and entrepreneurs (Official Gazette of RS, No. 89/2020) and the Rulebook on Content and Form of Financial Statements for companies, cooperatives and entrepreneurs (Official Gazette of RS, No. 89/2020). These regulations governing the presentation of financial statements take precedence over the requirements defined by IFRS published by the Ministry of Finance.

Due to the above deviations, these financial statements are not in accordance with IFRS.

The Company has prepared these financial statements on the basis of and in accordance with the requirements of the laws and regulations of the Republic of Serbia, where investments in subsidiaries are stated at cost less any impairment.

A detailed presentation of the financial position of the Company can be obtained by reviewing the consolidated financial statements, which, in accordance with the Law on Accounting, the Company is obliged to compile and submit to the Business Registers Agency by April 30 next year in relation to the year for which the financial statements are prepared.

The financial statements have been prepared under the principle of historical cost, unless otherwise stated in the accounting policies set out below.

In preparing these financial statements, the Company has applied the accounting policies set out in Note No. 3.

(b) Comparative data

Comparative figures and opening balances represent information contained in the financial statements for 2020. Company's financial statements have been subject to an independent audit and are presented in the Independent Auditor's Report 11 June 2021.

(c) The going concern concept

The accompanying financial statements have been prepared in accordance with the going concern principle.

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies in effect during the preparation of Financial Statements for the year ended on December 31st 2021 are, as follows:

3.1. Intangible Assets

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

Intangible assets with definite useful lives are amortized over the useful lives of such assets and tested for impairment if there is any indication that such assets may be impaired. Amortization of intangible assets is calculated using the straight-line method to allocate their cost over their estimated useful life.

Gains and losses arising from the disposal or sale of intangible assets are applied in the income statement in the period in which the intangible asset is disposed of or sold, in the amount of the difference between the cash inflow and the carrying amount of the asset.

3.2. Property, Plant and Equipment

Items of property, plant and equipment which fulfill the requirements to be recognized as assets are initially recognized at cost.

Cost includes expenditure that is directly attributable to the acquisition of the items, comprising the purchase price (import duties and VAT), all directly attributable costs of bringing the assets to the location and condition necessary to function in accordance with the management's expectations, the estimated cost of dismantling and removing the asset and restoring the site, as well as capitalized borrowing costs.

Subsequent to initial recognition as an asset, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying value of the replaced asset is derecognized.

All other repairs and maintenance costs are charged to the income statement during the period in which they are incurred.

Gains/losses from the disposal of property and equipment are recognized to the income statement of the period the asset was disposed or sold, in the amount of the difference between the net inflow and the carrying value of the asset.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost over their estimated useful life, as follows:

- Buildings	2,5-5%
- Machinery and equipment	6,67-20%
- Motor vehicles	20%
- Furniture, fitting and equipment	10-12,5%
- Computer equipment	25%

The estimated useful life of assets is reviewed periodically, and adjusted if necessary at each balance sheet date.

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Property, Plant and Equipment (Continued)

The estimated useful life of assets is reviewed periodically, and adjusted if necessary at each balance sheet date.

The calculation of the depreciation and amortization for tax purposes is determined by the Law on Corporate Income Tax of the Republic of Serbia ("RS Official Gazette", no. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2013, 108/2013, 68/2014 - other law and 142/2014, 91/2015 - authentic interpretation and 112/2015, 113/2017, 95/2018 and 86/2019) and the Rules on the Manner of Fixed Assets Classification in Groups and Depreciation for Tax Purposes ("RS Official Gazette", no. 116/2004, 99/2010, 104/2018 and 8/2019). Different depreciation methods used for the financial reporting purposes and the tax purposes give rise to deferred taxes (Note 20).

3.3. Investment Property

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation on investment property is calculated using the straight-line method to allocate their cost over their estimated useful life.

If indications of impairment of the investment property exist, the Company estimates recoverable amount as the higher of the value in use and fair value less cost to sell. Carrying value of the investment property is written-down to its recoverable amount and the loss is recognized in the current income statement.

Subsequent expenditures are capitalized only when it is probable that future economic benefits associated with them will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed as incurred.

3.4. Impairment of Non-financial Assets

For assets that have an indefinite useful life and are not subject to depreciation, check whether there was a decrease in their value is done annually. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.5. Investments in Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies, in order to generate benefits from their activities. It is considered that the control exists when the Company owns, directly or indirectly (through other subsidiaries) more than half of the voting rights.

Equity investments in subsidiaries are reported at the original acquisition cost less accumulated impairment losses (Note 21(i)).

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Financial Instruments

In accordance with IFRS 9, the Company classifies its financial assets in the following categories: those that are subsequently measured at fair value (either through other comprehensive income or income statement) and those that are measured at amortized cost. Classification is done on the basis:

- a) business model of the Company, for financial assets' management and
- b) the characteristics of the contractual cash flows of the financial asset.

A financial asset will be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model aimed at holding financial assets to collect contracted cash flows, and
- the terms of the financial asset contract on the specified dates cause cash flows that are solely repayment of principal and interest on the outstanding principal amount.

A financial asset will be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within the business model whose goal is achieved by collecting contractual cash flows and selling financial assets, and
- the terms of the financial asset contract on the specified dates cause cash flows that are solely repayments of principal and interest on the outstanding amount of principal.

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. Additionally, upon initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income, at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch that would otherwise have arisen.

Reclassification of financial instruments is performed only when the business model for portfolio management as a whole changes. Reclassification has a prospective effect and is performed from the beginning of the first reporting period after the change of the business model.

The company did not change its business model in the current or comparative period, so no reclassifications were made.

Business model assessment

The business model is assessed in order to determine whether an asset with exclusive payment of principal and interest is classified at amortized cost or fair value through other comprehensive income. The business model determines whether cash flows arise from the collection of contractual cash flows, the sale of financial assets, or both.

Offsetting financial instruments

Financial assets and liabilities are offset so that the net amount is shown in the balance sheet if and only if there is a current legal right to offset the recognized amounts and when there is an intention to settle on a net basis or simultaneous realization of assets and settlement of liabilities.

Upon initial recognition, the Company measures a financial asset at its fair value, which, in the case of financial assets not measured at fair value through profit or loss, is increased by transaction costs directly attributable to the acquisition of the financial asset. Transaction costs of financial assets measured at fair value through profit or loss are presented as expenses of the period in the income statement.

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Financial Instruments (Continued)

Offsetting financial instruments

Subsequent to initial recognition, provisions for expected credit losses are recognized for financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income, causing an immediate loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks, and other highly liquid short-term investments with a maturity of three months or less.

Cash and cash equivalents in accordance with the requirements of IFRS 9 are classified as financial assets measured at amortized cost because they are held to collect contractual cash flows, these cash flows representing only the payment of principal and interest and are not stated at fair value. through the income statement.

Trade and other receivables

Trade and other receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any expected loss.

Trade receivables represent the amounts owed by customers for products sold and goods or services rendered in the ordinary course of business. If collection is expected within a year or less (or during the regular operating cycle, if it lasts longer), it is classified as current assets. Otherwise, they are classified as fixed assets, ie. long-term receivables.

Trade and other payables

Trade payables arise when the counterparty has settled its contractual obligations, and are initially recognized at fair value, while subsequently measured at amortized cost, using the effective interest method.

Trade payables are liabilities paid for goods or services that are procured from suppliers in the ordinary course of business. These liabilities are classified as current liabilities if the payment is due within one year or less (or during the regular operating cycle if it lasts longer). Otherwise, they are classified as long-term liabilities.

Write-off

Write-off of financial assets is performed, in whole or in part, when the Company uses all collection possibilities and concludes that there are no reasonable expectations that the collection can be made, ie. when the Company has no reasonable expectation that it will recover all or part of the financial asset. A write-off is an event of derecognition.

The Company may write off funds that are still in the process of forced collection, where it attempts to collect the funds it claims, and where there is no reasonable expectation that collection will be made.

Recognition and derecognition

The purchase or sale of financial assets is recognized on the day of the transaction, ie on the day when the Company undertakes to purchase or sell the assets.

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Financial Instruments (Continued)

Derecognition of financial assets is terminated upon the expiration of the right to cash flows from financial assets, or upon their transfer, whereby the Company transfers substantially all risks and rewards of ownership. Also, a financial asset ceases to be recognized when subsequent changes in the contractual terms of the financial asset result in a significant change in the cash flows from the financial asset.

Financial liabilities are derecognised when the obligation specified in the contract is settled, canceled or expires.

Modification

When contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in derecognition of the financial asset in accordance with IFRS 9, the Company assesses whether the change in contracted cash flows is significant, taking into account the following factors: a significant change in the interest rate or an improvement in the terms of the loan, which significantly affect the credit risk associated with the asset, or a significant extension of the loan repayment period when the borrower has no financial difficulties.

If the changed conditions differ significantly, the cash flow rights from the original assets expire, and the Company ceases to recognize the original financial assets and recognizes the new asset at its fair value.

Any difference between the carrying amount of an asset that has been derecognised and the fair value of a new materially modified asset is recognized in the income statement, unless the substance of the difference relates to equity transactions with owners.

Impairment of financial resources

The Company estimates expected credit losses (ECL) in advance on financial assets measured at amortized cost and fair value through other results and recognizes net impairment losses at each reporting date.

ECL measurement reflects:

- impartial and probability-weighted amount determined by evaluating a range of possible outcomes,
- time value of money and
- reasonable and available information that is available without undue expense or effort at the reporting date of past events, current conditions and forecasts of future economic conditions.

Financial assets measured at amortized cost and contractual assets are presented in the balance sheet less expected credit losses. For financial assets measured at fair value through other comprehensive income, the expected credit loss is recognized in the income statement, and other changes in value are recognized in other comprehensive income.

Simplified approach to receivables impairment

The Company applies a simplified approach to trade receivables, contractual assets and lease receivables and measures provisions for losses in an amount equal to expected credit losses over the entire life cycle.

The Company uses a provisioning matrix when calculating expected credit losses based on trade receivables.

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Financial Instruments (Continued)

The Company uses historical credit losses (adjusted based on current data that can be observed to show the effects of current conditions and forecasts of future conditions) for trade receivables to estimate 12-month expected credit losses or expected credit losses over the entire life of financial assets, according to what is applicable.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

Impairment losses are reversed through the income statement if the amount of the impairment loss is reduced, and such a decrease can be attributed to an event occurring after the impairment was recognized.

3.7. Inventories

Cost of materials and goods comprises the purchase price increased by transport and other costs attributable to acquisition.

The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Inventory outflow is recorded using the weighted average cost method.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.8. Cash and cash Equivalents

Cash and cash equivalents include sight deposits in Dinars and foreign currency in banks, cash on hand, as well as highly liquid assets with the original maturities up to three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.9. Off-balance Sheet Items

Off-balance sheet assets/liabilities include: leased assets, excluding assets acquired on finance lease, goods on consignment, material received for processing and finishing and other assets not owned by the Company, as well as receivables/payables arising from collaterals, such as guarantees and other warranties.

3.10. Profit Distribution

Distribution of profit to the Company's shareholders is recognized as a liability in the period in which the shareholders approved the above mentioned distribution of profits.

3.11. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are recognized in the amounts representing the best estimate of the expenditure required to settle the present obligation on the balance sheet date (Note 10). The provision charge is recognized in the expenses of the period.

When the effect of the time value of money is significant, the amount of provision is the present value of the outflows required to settle the liabilities, arrived at using the pre-tax discount rate which reflects the current market estimate of the time value of money and risks related to the liability. When discounting is used, the carrying value of a provision is increased in each period, in order to reflect the time flow. This increase is stated as the borrowing cost. Provisions are reviewed as of each balance sheet date and adjusted in order to reflect the best possible present estimate.

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Provisions, Contingent Liabilities and Contingent Assets

Provisions

If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed and the gain is recognized to the income statement of the current period. Provisions cannot be used for covering the losses of the future periods.

Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

3.12. Employee Benefits

(a) Contributions for Social Security

In accordance with the regulations prevailing in the Republic of Serbia, the Company has an obligation to pay contributions to various state social security funds. These obligations involve the payment of contributions on behalf of the employee and by the employer, in an amount calculated by applying the specific, legally-prescribed rates. The Company is also legally obligated to withhold contributions from gross salaries to employees, and on their behalf to transfer the withheld portions directly to the appropriate state funds. The Company has no legal obligation to pay further benefits due to its employees by the state pension fund upon their retirement.

Tax and contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

(b) Retirement Benefits

The Company provides retirement benefits when retiring. The right to these benefits is usually conditional upon staying an employed person in service up to the age limit for retirement and achieving minimum length of service. Expected costs for these benefits are accumulated during the period of employment.

Retirement benefits on retirement are assessed annually by independent, qualified, actuaries, using the method of a projected credit unit. Costs of previously performed services are recognized in the income statement when they occur, while actuarial gains and losses are recognized in the statement of the remaining result and within equity.

3.13. Foreign Currency Translation

All assets and liabilities denominated in foreign currencies are translated into RSD counter value at the official exchange rates published by the National Bank of Serbia, prevailing at the reporting date (Note 43).

Foreign currency transactions are translated into the functional currency at the official exchange rates in effect at the date of each transaction.

Foreign exchange gains and losses arising upon settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies at the year-end, as well as positive and negative effects of contracted foreign currency clauses related to receivables and liabilities, are recognized in the income statement as a part of financial income (Note 13), i.e. financial expenses (Note 14).

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14. Revenue Recognition

(a) Sales revenue and provision of services

In accordance with IFRS 15, revenue from the sale of products and goods is recognized when the significant risks and rewards of ownership of the goods and goods have been transferred to the customer. Revenues from the sale of products and goods are stated at invoice value less approved discounts and value added tax.

Revenues from the provision of services are recognized in the accounting period in which the service was provided and are stated at invoice value less approved discounts and value added tax.

The Company recognizes revenue from the sale of products, goods and services when it performs a contractual obligation and when it performs a contractual obligation and when it transfers control of products, goods and services. In most contracts, control of products, goods or services passes to the customer at a certain point in time and the fee becomes unconditional.

Revenue is recognized in the amount of the entire transaction. The transaction price represents the amount of the fee that the Company expects to be entitled to in exchange for transferring control of the contracted goods or services to the customer, excluding amounts collected on behalf of third parties.

Revenue is recognized net of value added tax, refunds, rebates and other discounts.

Provide all necessary disclosures on income by type of income, based on which revenue is recognized, deliveries, what are the terms of crediting customers (payment currency), whether there are elements of financing, whether there are advance payments, etc.

The Company is considering whether there are other promises in the contract that represent special performance obligations to which part of the transaction price should be allocated. In determining the transaction price, the Company takes into account the effects of variable fees, the existence of significant financing components, non-monetary fees, as well as the fee paid to the buyer (if any).

Revenues from sales of services

Revenue from the provision of services is recognized in the accounting period in which the services are rendered.

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the Company. When the outcome of a transaction involving the provision of services cannot be measured reliably, revenue is recognized only to the extent of the recoverable eligible expenses recognized.

Variable fee

If the fee under the Agreement includes a variable amount, the Company estimates the amount of the fee to which it will be entitled in exchange for the transfer of the goods to the buyer. The variable remuneration is estimated at the time of concluding the contract and is limited until it becomes very probable that there will be no significant reversal in the amount of recognized cumulative income, when the uncertainty associated with the variable remuneration is subsequently resolved.

Contract acquisition costs

The Company has chosen to take advantage of practical relief for contract costs incurred in connection with contracts that have a depreciation period of less than one year. These costs are incurred as they are incurred.

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14. Revenue Recognition (Continued)

Discounts

The Company grants discounts and rebates to customers, both on invoices and subsequently approved. Discounts are treated as a variable fee and are assessed individually at the time of concluding the contract and re-assessed on the trade date. Discounts are calculated at the end of each reporting period.

(b) Interest Income

Interest income comes from interest on funds deposited with banks, as well as default interest charged to customers who are late in fulfilling their obligations, in accordance with the contractual provisions. Interest income is recognized in the period in which the Company obtains the right to receive interest.

(c) Rental Income

Rental income originates from the lease of properties and is accrued on a straight-line basis over the lease period.

(d) Dividend Income

Dividend income is recognized when the right to receive dividend is established.

3.15. Current and Deferred Income Taxes

The income tax for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity.

Current Income Tax

Current income tax is calculated and paid in accordance with the effective Law on Corporate Income Tax of the Republic of Serbia ("RS Official Gazette", no. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2013, 108/2013, 68/2014- other law and 142/2014, 91/2015 - authentic interpretation and 112/2015, 113/2017, 95/2018, 86/2019, 153/2020 and 118/2021) and relevant by-laws.

Income tax is calculated at the rate of 15% (2021: 15%) on the tax base reported in the annual corporate income tax return, and can be reduced by any applicable tax credits.

Pursuant to the Law on Amendments and Supplements to the Corporate Income Tax Law ("RS Official Gazette", no. 108/2013), starting from determining the income tax for 2014, the tax payers will no longer be able to use the tax incentive in the form of a tax credit for investment in fixed assets.

A tax payer that had qualified for the right to a tax incentive by 31 December 2013 may use that right until the expiration of the time limit prescribed by law (not more than ten years).

The tax regulations in the Republic of Serbia do not envisage that any tax losses of the current period can be used to recover taxes paid within a specific previous period. Losses of the current period may be transferred to the account of profit determined in the annual tax return from the future accounting periods, but not longer than five ensuing years.

Deferred Income Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15. Current and Deferred Income Taxes (Continued)

Deferred Income Tax (continued)

Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or settle deferred tax liabilities.

Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forwards of unused tax credits and unused tax losses can be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3.16. Related Party Disclosures

For the purpose of these financial statements related legal entities are those entities when one legal entity has a possibility to control another entity or has the right to govern the financial and business operations of the entity, as defined by IAS 24 "Related Party Disclosures".

Relations between the Company and its related parties are regulated at contractual basis and under market conditions. Outstanding balances of receivables and liabilities at the reporting date, as well as transactions occurred during the reporting periods with related parties are disclosed separately in notes to the financial statements (Note 40).

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

In the ordinary course of business, the Company is exposed to a different extent to a variety of financial risks: market risk, foreign exchange risk, credit risk and liquidity risk.

The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is performed by the financial department of the Company pursuant to accounting policies adopted by the General Meeting. There were no changes in the risk management policies during the year ended December 31st 2021.

4.1. Financial Risk Factors

(a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument shall be variable due to changes in market prices. Market risk includes three kinds of risks, as follows:

Foreign Exchange Risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to EUR. Foreign exchange risk arises from future commercial transactions, and recognized assets and liabilities in foreign currencies.

Management has set up a policy to manage its foreign exchange risk against its functional currency. The Company has receivables and liabilities denominated in foreign currencies, therefore timely matching of inflows and outflows in the same currency as a protection from currency risk has been maximized.

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (Continued)

4.1. Financial Risk Factors (Continued)

(a) Market Risk (Continued)

Management has set up a policy to manage its foreign exchange risk against its functional currency. The Company has receivables and liabilities denominated in foreign currencies, therefore timely matching of inflows and outflows in the same currency as a protection from currency risk has been maximized.

Price Risk

The Company is not significantly exposed to equity securities price risk because it does not have investments classified on the balance sheet either as available-for-sale or at fair value through profit or loss.

Interest Rate Risk

The risk of the fair value of the interest rate is very low and can possibly result from the finance lease.

The Company analyses its interest rate exposure on a dynamic basis, taking into consideration alternative resources of financing and refinancing, primarily for long-term borrowings as they represent the most sensitive interest-bearing position.

(b) Credit Risk

Credit risk is the risk that the credit beneficiaries will not be able to discharge their contractual obligations to the Company. Credit risk primarily arises with respect to trade receivables.

The Company's credit risk exposure arising from trade receivables mostly depends on individual characteristics of each individual customer. The Company does not have significant concentrations of credit risk because the majority of the Company's customers are state-owned companies.

In accordance with the adopted credit policy, the Company analyzes the credit worthiness of each individual customer before offering it the standard sales conditions.

Furthermore, for each customer, the credit limit is established, representing the maximum amount of a receivable before the approval of the General Manager is requested. For the customers whose credit rating does not meet the required conditions, sales is performed solely on the basis of advance payments.

(c) Liquidity Risk

Liquidity risk relates to the risk that the Company will face difficulties in settling its liabilities. The Company manages its assets and liabilities in such a way that it can fulfill its due obligations at all times, without the unacceptable losses and harming its reputation.

Cash flow planning is performed at the level of the Company's business activities and collectively for the Company as a whole.

The Company's Finance Department supervises the liquidity planning with respect to the Company's requirements, in order to secure that the Company always has sufficient amounts of cash to settle its operating needs, as well as to have free space in its undrawn credit arrangements.

The Company has appropriate amount of highly liquid assets (cash and cash equivalents), as well as continuous inflows from the goods sold and services rendered, which are used to settle the liabilities as they come due. The company does not use financial derivatives.

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (Continued)

4.1. Financial Risk Factors (Continued)

(c) Liquidity Risk (Continued)

The possible excess of cash from business activities, over the balance of the required amount of current assets, is invested in interest-bearing current accounts, deposits or securities held-for-trading, choosing instruments with the appropriate maturities or with sufficient liquidity which secures enough space, as determined by the above mentioned plan.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions relating to the future. The resulting accounting estimates shall rarely be equal to realized results, as a rule. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful Lives of Intangible Assets and Property, Plant and Equipment

Intangible assets and property, plant, and equipment are amortized or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness and adequate changes are made, if required. Changes to estimates can result in significant variations in the carrying value and amounts charged to the income statement in specific periods.

Impairment of Non-financial Assets

At each reporting date the Company's management reviews the carrying amounts of the Company's intangible assets and property, plant and equipment. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount. An impairment review requires management to make subjective judgments concerning the cash flows, growth rates and discount rates of the cash generating units under review.

Retirement Benefits to Employees

The costs of defined employee benefits payable upon the termination of employment, i.e., retirement in accordance with the legal requirements, are determined based on the actuarial valuation. The actuarial valuation includes an assessment of the discount rate, future movements in salaries, mortality rates and staff fluctuation rate. As these plans are long-term ones, significant uncertainties influence the outcome of the assessment. The actuarial valuation assumptions are disclosed in Note 29 to the financial statements.

Provisions for Litigation

The Company is subject to number of claims incidentals to the normal conduct of its business, relating to and including commercial and employment matters, which are handled and defended in the ordinary course of business. The Company routinely assesses the likelihood of any adverse judgments or outcomes to these matters as well as ranges of probable and reasonable estimated losses. Required provision may change in the future due to new developments and as additional information becomes available.

Matters that are either possible obligations or do not meet the recognition criteria for a provision are disclosed, unless the possibility of transferring economic benefits is remote.

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Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Deferred Tax Assets

Deferred tax assets are recognized for all tax losses to the extent to which taxable profit will be available against which the unused tax losses can be utilized. Significant estimate of the management is necessary to determine the amount of deferred tax assets which can be recognized, based on the period in which it was created and the amount of future taxable profits and the tax policy planning strategy.

6. REVENUES FROM SALES

Revenues from sales are related to:

	2021.	<i>in RSD 000</i> 2020.
Sales of products and services to parent and subsidiaries legal entities in the domestic market	212,873	213,649
Sales of finished goods and services rendered to domestic Customers	1,978,813	2,531,789
Sales of finished goods and services rendered to foreign Customers	181,146	412,329
Total	2,372,832	3,157,767

7. OTHER OPERATING INCOME

Other operating incomes are related to:

	2021.	<i>in RSD 000</i> 2020.
Income from premiums, subventions, donations, compensations and tax returns	0	0
Income from donations under specified conditions	433,523	379,661
Rental fees income	8,756	8,949
Total	442,279	388,610

8. MATERIAL COSTS

Costs of material are related to:

	2021.	<i>in RSD 000</i> 2019.
Material procurement cost	40,786	30,403
Cost of raw material	503,351	726,099
Cost of other material (overhead)	5,168	3,640
Cost of fuel and energy	12,893	10,855
Cost of spare parts	1,709	467
Cost of a one-time write-off of inventory and tools	1,134	1,335
Total	565,041	772,799

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

9. COSTS OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES

Costs of salaries, fringe benefits and other personal expenses are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Costs of salaries and fringe benefits (gross)	620,600	642,920
Taxes and contributions on salaries and benefits	92,775	93,207
The cost of compensation for services contract	177	650
Costs of remunerations according to author's contracts	1,990	922
Costs of salaries for temporary contracts	13,316	5,591
Compensations to individuals for other contracts	0	233
Costs of remuneration to members of Management Board and Supervisory Board	4,728	4,255
Other personal expenses remunerations	14,333	16,565
Total	747,919	764,343

10. COSTS OF DEPRECIATION AND PROVISIONS

Costs of depreciation and provisions are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Depreciation costs	34,026	30,585
Costs of provisions during the warranty period	20,894	101,721
Provisions for employee compensations and other benefits	3,386	2,667
Other provisions	4,071	11,448
Total	62,377	146,421

11. OTHER OPERATING EXPENSES

Other operating expenses are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Costs of services used in production process of own costs capitalized	1,299,399	1,629,611
Transport services costs	18,799	14,215
Maintenance costs	7,416	6,999
Rental costs	22	21
Fair costs	0	0
Advertising costs	157	646
Other non-production costs	32,968	40,631
Total	1,358,761	1,692,123

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

12. NON-PRODUCTION COSTS

Non-production costs are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Costs of non-production services	19,755	14,086
Representation costs	3,872	6,098
Costs of insurance premiums	3,448	3,913
Costs of payment operations	8,915	10,312
Costs of membership fees	1,842	1,834
Tax costs	9,829	10,409
Contribution costs	1,544	716
Other non-production costs	5,327	5,128
Total	54,532	52,496

13. FINANCIAL REVENUES

Finansijski prihodi se odnose na:

	<i>in RSD 000</i>	
	2021.	2020.
Financial income from parent and subsidiary companies	8,336	3,129
Financial income from other subsidiary companies	8	9
Income from interest (to third parties)	130	47
FX gains (to third parties)	0	433
Income from foreign currency clause (to third parties)	932	4,354
Other financial revenues	3,052	2,013
Total	12,458	9,985

14. FINANCIAL EXPENSES

Financial expenses are related to:

	<i>in RSD 000</i>	
	2021.	2019.
Cost of interest (to third parties)	5,334	5,028
FX losses (to third parties)	0	1,504
Expenses from foreign currency clause (to third parties)	3,158	7,099
Total	8,492	13,631

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

15. OTHER REVENUES

Other revenues are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Gains on sales of Intangible assets and property, plant and equipment	0	117
Collected written-off receivables	53,952	15,510
Revenues from the effects of hedging which do not fulfill the conditions to be set out in the framework of other comprehensive results	23	42
Income from reduction of liabilities	0	0
Income from abolishing of long-term and short-term provisions	487	20,613
Other income	7,415	1,641
Total	61,877	37,923

16. OTHER EXPENSES

Other expenses are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Losses on writing-offs and disposals of trade receivables and short-term financial investments	0	50
Other expenses	3,920	6,023
Losses on writing-offs and disposals short term financial investments	32,843	66,874
Total	36,763	72,947

**17. NEGATIVE NET EFFECT ON THE RESULT ON THE BASIS OF OPERATING LOSS
SUSPENSES**

Negative net effect on the result on the basis of operating losses that is suspended refers to:

	<i>in RSD 000</i>	
	2021.	2020.
Expenses based on corrections of errors from previous years that are not materially significant	11,885	21,881
Total	11,885	21,881

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

18. INCOME TAX

The basic components of income taxes are as follows:

	<i>in RSD 000</i>	
	2021.	2020.
Current income tax	17,680	13,091
Deferred tax income / expense for the period	(997)	(2,641)
Total	16,683	10,450

Harmonization of gross profit shown in the current income statement with the tax field from the tax balance sheet is shown in the following table:

	<i>in RSD 000</i>	
	2021.	2020.
Tax base	43,676	57,644
Current tax rate	15%	15%
Current income tax	6,551	8,647
Expenses not deductible for tax purposes	11,129	4,444
Harmonization at the consolidated balance	0	-
Tax exemptions after tax credit	0	-
Current income tax	17,680	13,091
Income tax expense (current tax + deferred tax rashod-deferred tax income)	16,683	10,450
The effective tax rate (income tax expense / profit before tax x 100)	38.20%	18.13%

Deferred income taxes

	<i>in RSD 000</i>			
	<i>Income statement</i>		<i>Balance sheet</i>	
	2021.	2020.	2021.	2020.
Deferred tax assets / liabilities				
Balance at beginning of year	2,641	(774)	1,414	(1,227)
Temporary differences between the carrying amounts of assets and their tax value	(1,644)	3,415	997	2,641
Balance at end of year	997	2,641	2,411	1,414

19. INTANGIBLE ASSETS

Intangibles are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Concession, patent, licence, trademarks and service marks	4,136	5,159
Total	4,136	5,159

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

19. INTANGIBLE ASSETS (Continued)

The trend in intangible assets during 2021 is presented in the following table:

	Concessions, patents, licences and similar rights	Intangible assets in preparation	Total
COST VALUE			
Balance as of January 1 st 2020	31,815	-	31,815
New procurement	1,610	-	1,610
Activation	0	-	0
Balance as of 31. December 2020.	33,425	-	33,425
New procurement	246	-	246
Balance as of 31. December 2021.	33,671	-	33,671
ACCUMULATED DEPRECIATION			
Balance as of January 1 st 2020	27,094	-	27,094
Current amortization (Note 10)	1,172	-	1,172
Balance as of 31. December 2020.	28,266	-	28,266
Current amortization (Note 10)	1,269	-	1,269
Balance as of 31. December 2021.	29,535	-	29,535
Current value			
- 31. december 2021.	4,136	-	4,136
- 31. december 2020.	5,159	-	5,159

20. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Buildings	132,236	144,881
Plant and equipment	53,583	53,513
Other property, plant and equipment	13,296	13,256
Total	199,115	211,650

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

20. PROPERTY, PLANT AND EQUIPMENT (Continued)

The trend of property, plant and equipment is presented in the following table:

	Buildings	Plant and equipment	Other equipment	PPE under construct ion	Total
COST VALUE					
Balance as of January 1 st 2020	639,148	218,700	13,243	0	871,091
Purchase during year	12,397	0	13	10,447	22,857
Transfer from PPE	0	10,447	0	(10,447)	0
Disposals	0	(2,485)	0	0	(2,485)
Balance as of December 31 st 2020	651,545	226,662	13,256	0	891,463
Cost value during the year	2,598	0	40	17,583	20,221
Transfer from PPE	0	17,583	0	(17,583)	0
Disposals	0	(2,672)	0	0	(2,672)
Balance as of December 31 st 2021	654,143	241,573	13,296	0	909,012
ACCUMULATED DEPRECIATION					
Balance as of January 1 st 2020	491,659	161,178	0	0	652,837
Amortization (Note 10)	15,005	15,579	0	0	30,584
Disposals	0	(3,608)	0	0	(3,608)
Balance as of December 31 st 2020	506,664	173,149	0	0	679,813
Amortization (Note 10)	15,243	18,783	0	0	34,026
Disposals	0	(3,942)	0	0	(3,942)
Balance as of December 31 st 2021	521,907	187,990	0	0	709,897
Undiscounted value:					
- December 31 st 2021	132,236	53,583	13,296	0	199,115
- December 31 st 2020	144,881	53,513	13,256	0	211,650

The purchase value of fully depreciated property, plant and equipment at 31 December 2021 is RSD 133,531 thousand.

The increase in the value of fixed assets in 2021 mainly relates to procurement of computer equipment in the amount of RSD 6,140 thousand, air conditioners in the amount of RSD 1,092 thousand, office furniture in the amount of RSD 852 thousand, electrical devices in the amount of RSD 1,986 thousand, telephones in the amount of RSD 414 thousand, equipment for scientific research in the amount of RSD 2,947 thousand, licenses in the amount of RSD 246 thousand and measuring instruments and devices in the amount of from RSD 2,586 thousand.

The company leases a certain number of cars through financial leasing. The current (unrecorded) value of equipment taken on lease as at 31 December 2021 is RSD 1,603 thousand.

Based on the assessment of the Company's management, there is no indication that the property, plant and equipment on the reporting date is impaired.

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

21. LONG TERM FINANCIAL INVESTMENTS

Long term financial investments are related to:

	2021.	2020.
	<i>in RSD 000</i>	
Investments in capital of parent companies and subsidiaries	63.814	63.814
Investments in capital of other associated companies	92	92
Investments in other legal entities and other securities able for sale	9,026	8,778
Other long term investments	1,299	1,431
Impairment of long-term financial investments	(13.226)	(13.226)
Balance as of December 31st	61,005	60,889

(i) Investments in capital of subsidiaries:

	2021.	2020.
In stakes	63.814	63.814
Less: Provisions	(7.100)	(7.100)
Balance as of December 31st	56.714	56.714

Equity investments in subsidiaries are related to the shares in the following Business Companies:

<u>Name and headquarters</u>	2021.	2020.
IMP-Automatika ltd.	32,668	32.668
IMP-Računarski sistemi ltd.	21,883	21.882
IMP-Telekomunikacije	1,029	1.029
Idvorski laboratorije ltd.	75	75
IMP-Poslovne usluge ltd.	1,059	1.059
IMP-Naučnotehnoški park ltd.	0	0
Balance as of December 31st	56,714	56.714

(ii) Equity investments in associated companies

	2021.	2020.
In stakes	92	92
Less: Provisions	0	0
Balance as of December 31st	92	92

Equity investments in associated companies relate to:

<u>Name and headquarters</u>	2021.	2020.	% učešća
Projekt inženjering ltd.	62	62	20
Elektronske transakcije ltd.	11	11	25
Servis inženjering IMP ltd.	9	9	20
Zero Waste ltd.	0	0	20
IMP-BEEL ltd.	10	10	20
Balance as of December 31st	92	92	

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

21. LONG TERM FINANCIAL INVESTMENTS (Continued)

(iii) *Equity investments in other legal entities and other securities available for sale*

	<u>2021.</u>	<u>2020.</u>
In stocks	9,026	8,778
Less: Provisions	<u>(6,126)</u>	<u>(6,126)</u>
Balance as of December 31st	<u>2,900</u>	<u>2,652</u>

Equity investments in other legal entities relate to:

<u>Name and headquarters</u>	<u>2021.</u>	<u>2020.</u>
Komercijalna banka a.d. Belgrade	<u>2,900</u>	<u>2,652</u>
Balance as of December 31st	<u>2,900</u>	<u>2,652</u>

The fair value of other investments that are traded in an active market is determined based on current market value at the time of conclusion of business on December 31st 2021.

(iv) *Other long term financial investments*

Other long-term financial investments include loans to employees for the purpose of purchasing, building apartments for the period of 20 years and an interest rate of 2% per year. The loans are revalued twice a year according to the growth of average monthly earnings without taxes and contributions.

22. INVENTORIES

Inventories are related to:

	<u>2021.</u>	<u>2020.</u>
		<i>in RSD 000</i>
Material	<u>206,188</u>	<u>60,052</u>
Balance as of December 31st	<u>206,188</u>	<u>60,052</u>

23. ADVANCES PAID

Advances paid are related to:

	<u>2021.</u>	<u>2020.</u>
		<i>u RSD 000</i>
Advances paid from one of mutual relations	22,504	35,944
Advances paid for services - domestic	86,129	57,898
Advances paid for services - foreign	16,809	18,637
Provisions for advances paid	<u>(2,241)</u>	<u>(2,241)</u>
Balance as of December 31st	<u>123,201</u>	<u>110,238</u>

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

23. ADVANCES PAID (Continued)

Receivables from paid advances reported at December 31st 2021 in the amount of RSD 125,442 thousand (without correction values claims) are not compliant with the debtors of RSD 124 thousand or 0.10% does not conform mentioned claims, and out of 39 clients, 2 are non-compliant, which is 5.13%

24. RECEIVABLES FROM SALES

Receivables from sales are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Trade receivables - parent companies and subsidiaries	107,027	70,172
Trade receivables - domestic	310,417	267,205
Trade receivables - foreign	120,377	71,583
Other receivables	(167,339)	(187,854)
Balance as of December 31st	370,482	221,106

Movements in allowance for impairment were as follows:

	<i>in RSD 000</i>	
	2021.	2020.
Balance at beginning of year	187,854	137,004
Charged during the year	(53,359)	(15,654)
Provisions during the year	32,844	66,504
Balance as of December 31st	167,339	187,854

Receivables from sales recorded at December 31st 2021 in the amount of RSD 537,821 thousand (excluding allowances for impairment) are not compliant with the debtors in the amount of RSD 60,505 thousand or 12.25% does not conform mentioned claims and out of 208 clients, 16 are non-compliant, which is 7.69%.

Concentration of credit risk with respect to receivables are not significant because the Company has a large number of unrelated customers with individually small amounts of debts. Accordingly, the Company does not consider it necessary to make additional provisions for credit risk exposure which exceeds formed allowance for impairment of receivables. Therefore the maximum exposure to credit risk at the reporting date is equal to the net book value of the receivables from the sale.

25. OTHER RECEIVABLES

Other receivables are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Receivables for interest and dividends	28,766	29,478
Receivables from employees	867	1,175
Receivables for compensations to be refunded	1,822	295
Receivables for prepaid taxes-other	243	320
Receivables for subscription on the basis of income tax	6,505	0
Other current receivables	44,078	31,917
Provisions for other receivables	(26,580)	(27,173)
Balance as of December 31st	69,503	61,643

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Current (business) accounts	120,653	240,390
Foreign exchange account	534,262	566,026
Other cash and cash equivalents	2,024	51,775
Balance as of December 31st	656,939	858,191

27. SHORT-TERM ACCRUED AND DEFERRED INCOME

Short-term accruals and deferrals relate to:

	<i>in RSD 000</i>	
	2021.	2020.
Prepaid expenses	4,417	6,428
Receivables for uninvoiced income	130,544	121,017
Other short-term accruals and deferrals	13,362	0
Balance as of December 31st	148,323	127,445

28. CAPITAL AND RESERVES

Capital and reserves are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Stakes in limited liability companies	475,634	475,634
Other capital	3,923	3,923
Actuarial gains and losses on defined benefit plans	(30,250)	(21,402)
Gains or losses on available-for-sale securities	(9,671)	(9,918)
Retained profit from previous years	122,337	98,740
Retained profit from current year	26,993	47,194
Balance as of December 31st	588,966	594,171

Shares in the company as a limited liability company in the amount of RSD thousand relate to:

	IN RSD 000	Participation in %
The state capital - Government of the Republic of Serbia	475.634	100,00
Total	475.634	100,00

With the Government of the Republic of Serbia April 17th 2007 the Agreement on the share of state ownership of the means used by the Company. In accordance with the Agreement the Republic of Serbia shall assume all the founding and management rights, while the share of state ownership of the means used by the Company is 100%.

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

28. CAPITAL AND RESERVES (Continued)

Decision of the Agency for Business Registers No. BD 19647/2014 of March 10th 2014 were executed reconciliation of the basic capital of the Company expressed in the Company to the amount of capital registered with the Register of Business Entities of the Agency for Business Registers and it amounted to RSD 413, 803 thousand on this day.

Decision No. 104241/2014 of December 12th 2014, increase of the capital of the Company in the amount of RSD 61,831 thousand, so that at December 31st 2014. on the amount of RSD 475,634 thousand.

The Company is in 2021 realized net profit of RSD 26,993 thousand.

29. LONG TERM PROVISIONS

Long-term provisions are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Provisions for costs incurred during the warranty period	90,389	106,013
Provisions for fees and other employee benefits	49,473	38,380
Balance as of December 31st	139,862	144,393

Provisions for the other employee benefits include provisions for redundancy which is measured at the present value of the expected future outflow, using the discount rate that reflects interest on high-quality paper of the values reported in the currency of benefits will be paid. Bearing in mind that in Serbia there is no active market for such bonds have been used in market rates of return on government bonds.

The principal actuarial assumptions used were as follows:

Serial Number	The assumptions used when making the calculation of provisions for severance pay upon retirement	2021.	2020.
1.	Discount rate	1,00%	1,00%
2.	The estimated rate of growth of average earnings	7,00%	6,00%
3.	Percentage fluctuation	3,12%	1,47%
4.	The amount of severance pay at the time of provisioning	285.936,00	252.603,00
5.	The amount of severance pay in the previous calculation	252.603,00	233.637,00
6.	Total number of employees as at 01. 01. current year	193	193
7.	Total number of employees who left the Company during the year	12	6
8.	Including number of retired workers who received severance pay upon retirement during the year	5	1
9.	The total number of new employees during the year	1	6
10.	Total number of employees at 31/12/2021	182	193
11.	Have there been changes in the general act in terms of provisions to which employees are entitled upon retirement compared to the previous period	No	
12.	Method of recognizing actuarial gains / losses	In its entirety in the period in which they arise	
13.	Have there been changes in the general act in terms of the recognition of provisions for retirement compared to the previous period	No	

The actuarial calculations were used mortality tables for the period 2010 - 2012.

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Notes to the financial statements
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30. LONG TERM LIABILITIES

Long term liabilities are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Long-term loans and borrowings in the country	99,032	106,932
Liabilities from financial leasing	0	1,223
Balance as of December 31st	99,032	108,155

INSTITUTE MIHAJLO PUPIN Ltd Belgrade has (part of) a loan with Raiffeisen Bank at EUR 501,290.28, with a currency clause and a grace period until 30.06.2022. year, one-month Euribor plus 1.95% interest.
 INSTITUTE MIHAJLO PUPIN Ltd Belgrade has (part of) a loan with Raiffeisen Bank at EUR 90,340.75, with a currency clause and a grace period until 30.06.2022. year, one-month Euribor plus 1.90% interest.
 INSTITUTE MIHAJLO PUPIN Ltd Belgrade has (part of) a loan with Raiffeisen Bank at EUR 421,083.85, with a currency clause and a grace period until 30.06.2022. year, one-month Euribor plus 1.90% interest.
 INSTITUTE MIHAJLO PUPIN Ltd Belgrade has (part of) a loan with Raiffeisen Bank at EUR 250,638.27, with a currency clause and a grace period until 30.06.2022. year, one-month Euribor plus 1.90% interest.

31. SHORT-TERM FINANCIAL LIABILITIES

Short-term financial liabilities are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Donations received for reimbursement of expenses	328	444
Donations received - projects in local currency RSD	0	2,555
Donations received - projects in foreign currency	74,402	197,889
Equipment donations received	1,124	1,257
Equipment donations received - SAP and NIP	18,752	22,499
Balance as of December 31st	94,606	224,644

32. SHORT-TERM FINANCIAL LIABILITIES

Short-term financial liabilities are related to:

	<i>in RSD 000</i>	
	2020.	2019.
Short term loans – domestic	0	0
The part of long-term loans and borrowings that matures up to one year	103,297	161,093
Part of other long-term liabilities maturing in one year	1,223	2,629
Other short-term financial liabilities	0	0
Balance as of December 31st	104,520	163,722

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

32. SHORT-TERM FINANCIAL LIABILITIES (Continued)

INSTITUTE MIHAJLO PUPIN DOO BELGRADE has (part Ilof) a loan with Raiffeisen Bank in the amount of EUR 501,290.28, with a currency clause and a grace period until June 30, 2022. year, one-month Euribor plus 1.95% interest.

INSTITUT MIHAJLO PUPIN DOO BELGRADE has (part of) a loan with Raiffeisen Bank in the amount of EUR 421,083.85, with a currency clause and a grace period until June 30, 2022. year, one-month Euribor plus 1.90% interest.

INSTITUTE MIHAJLO PUPIN DOO BELGRADE has (part of) a loan with Raiffeisen Bank in the amount of EUR 250,638.27, with a currency clause and a grace period until June 30, 2022. year, one-month Euribor plus 1.90% interest.

INSTITUTE MIHAJLO PUPIN DOO BELGRADE has (part of) a loan with Raiffeisen Bank in the amount of EUR 90,340.75, with a currency clause and a grace period until June 30, 2022. year, one-month Euribor plus 1.90% interest.

INSTITUTE MIHAJLO PUPIN DOO BELGRADE has (part of) a loan with Banca Intesa in the amount of EUR 353,300.00 with a currency clause and a grace period of 6 months. The loan was approved on July 1, 2020. year, quarterly Euribor plus 2.10% interest.

INSTITUT MIHAJLO PUPIN DOO BELGRADE has a loan from Credit Agricol in the amount of EUR 100,000.00, approved on January 20, 2020. year and repayment at once 30.09.2022. year, quarterly Euribor plus 2.10% interest.

INSTITUT MIHAJLO PUPIN DOO BELGRADE has a loan from Credit Agricol in the amount of EUR 220,000.00, approved on 14.05.2020. year and repayment at once 30.09.2022. year, quarterly Euribor plus 2.10% interest.

33. RECEIVED ADVANCES

Received advances are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Received advances, deposits and caution money	203,529	161,324
Balance as of December 31st	203,529	161,324

Liabilities for received advances, deposits and caution money reported on December 31st 2021 in the amount of RSD 203,529 thousand has not been reconciled with creditors in the amount of RSD 82,855 thousand or 40.69% does not conform to the above obligations and out of 15 clients, 4 are non-compliant, which is 26.67%.

34. TRADE PAYABLES

Trade payables are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Trade payables – parent and subsidiaries – domestic	171,461	47,060
Trade payables – domestic	174,353	178,110
Trade payables – foreign	175,346	616
Balance as of December 31st	521,160	225,786

Liabilities to suppliers, expressed on December 31, 2021 in the amount of RSD 521,160 thousand, were not reconciled with creditors in the amount of RSD 872 thousand, or 017% of the mentioned liabilities were not harmonized and out of 113 clients, 5 are non-compliant, which is 4.42%.

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

35. SHORT-TERM PROVISIONS

Liabilities for short - term provisions relate to:

	<i>in RSD 000</i>	
	2021.	2020.
Short-term provisions for the warranty period	12,794	11,631
Other short-term provisions	4,071	11,447
Balance as of December 31st	16,865	23,078

36. OTHER SHORT-TERMS LIABILITIES

Other short-terms liabilities are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Liabilities for net salaries and fringe benefits, except allowances to be refunded	33,968	33,747
Liabilities for taxes on salaries and fringe benefits charged to employees	4,431	4,373
Liabilities for contributions on salaries and fringe benefits charged to employees	8,954	8,696
Liabilities for taxes and contributions on salaries and fringe benefits charged to employer	7,267	7,276
Liabilities for refundable net fringe benefits	180	21
Liabilities for taxes and contributions on refundable fringe benefits charged to employees	74	8
Liabilities for taxes and contributions on refundable fringe benefits charged to employer	74	8
Liabilities for interests and finance costs	27	335
Liabilities to employees	9,356	8,463
Liabilities to members of Management Board and Supervisory Board	251	225
Liabilities to individuals for contracted fees	1,541	153
Other liabilities	55	55
Liabilities based on value added tax and other public revenues	1,007	542
Obaveze po osnovu poreza na dobitak	489	0
Balance as of December 31st	67,641	63,899

37. SHORT-TERM ACCRUED AND DEFERRED INCOME

Short-term accruals and deferrals relate to:

	<i>in RSD 000</i>	
	2021.	2020.
Other accruals and deferrals	5,254	8,892
Balance as of December 31st	5,254	8,892

Notes to the financial statements
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38. OFF-BALANCE SHEET EVIDENCE

Off-balance sheet are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Given sureties, guarantees and other rights	487,045	965,496
Assets other entities	3,573	3,573
Liabilities for given sureties, guarantees and other rights	(487,045)	(965,496)
Liabilities for assets in other entities	(3,573)	(3,573)
Balance as of December 31st	0	0

Guarantees in the amount of RSD 487,045 thousand at 31. December 2021 include guarantees of performance bonds issued to suppliers by banks.

39. COURT DISPUTES

Institute „Mihajlo Pupin“ Ltd Belgrad as a bankruptcy creditor

1. Bankruptcy estate Minel-contact networks of AD Belgrade in bankruptcy
Commercial Court in Belgrade 4.St. 133/2019 (formerly 45.St.4762/12)

Reported claim: **11,889,744.78 RSD.**

Recognized claim in full by the Conclusion of the Commercial Court in Belgrade dated April 25, 2013: **RSD 11,889,744.78.**

Date 03.06.2019. year, the court issued a decision suspending the bankruptcy proceedings against the bankruptcy debtor, and continuing against the bankruptcy estate. In the further procedure, the bankruptcy estate is cashed in and decisions on division are made. Date 11.09.2020 the amount of 354,383.33 RSD was paid to the Bankruptcy Trustee on the basis of partial division, settlement in 2.98%. The final collection will depend on the amount of the bankruptcy estate and the percentage of collection of creditors' claims by payment lines, the Institute is in the III payment line.

2. Telefonija AD Belgrade
Commercial Court in Belgrade 3.St.71 / 2014 (formerly 6.St.3715/2012)

Bankruptcy proceedings started from the beginning, the reorganization plan prepared in advance was put out of force.

Reported receivable in the amount of: **RSD 1,665,810.72 in the name of the principal debt**
RSD 2,217,719.75 in the name of statutory interest.

Recognized claim by the Conclusion of the Commercial Court in Belgrade dated March 24, 2015: **RSD 1,665,810.72** in the name of the principal debt and **RSD 1,915,113.60** in the name of the statutory interest rate

At the hearing held on October 19, 2015. The reorganization plan was not adopted and a decision on the bankruptcy of the debtor was made. Date 16.07.2019. An announcement on the public sale of the bankruptcy debtor's property was submitted to the Court on According to the information of the bankruptcy trustee, the real estate of the bankruptcy debtor in Cerska Street was sold to the mortgage creditor (bank). The stock of spare parts that are no longer in use, whose value is 18 million dinars, remains to be sold, and at this moment it is not possible to sell even for 300,000.00 dinars and several old cars. Since the property has already been sold, the bankruptcy debtor cannot be sold as a legal entity, so the bankruptcy estate will not be formed. From the remaining property and its sale, it is realistic to expect that the first payment order of creditors (unpaid salaries) will be partially settled, and it is not expected that there will be funds for the payment of commercial creditors from the third payment order, which includes the Institute.. Bankruptcy proceedings are still ongoing.

**Notes to the financial statements
For the Year Ended December 31st 2021 and 2020**

39. COURT DISPUTES (Continued)

**3. Bankruptcy estate - Partner inženjering ltd Belgrade
Commercial Court in Belgrade-8.St.255/2016 (formerly 9.St.4659/2010)**

Reported receivable in the amount of: **RSD 8,117,941.21 in the name of the principal debt
RSD 1,766,046.73 in the name of legal interest.**

Recognized claim in full by the Conclusion of the Commercial Court in Belgrade from March 29, 2011. The Commercial Court in Belgrade, after the sale of the bankruptcy debtor as a legal entity on 30.05.2016. suspended on 04.10.2016. bankruptcy over the bankruptcy debtor and continued the proceedings over the bankruptcy estate, new case 8. St.255 / 2016. According to the Main Division, the Institute as a bankruptcy creditor from the III payment order was collected in the percentage of 2.08% of the recognized claim, payment in the amount of 205,894.54 RSD on December 20, 2018. Bankruptcy proceedings against the bankruptcy estate are still ongoing, due to litigation. According to the latest notification of the bankruptcy trustee, the end of the bankruptcy is expected in the coming months, because there are almost no financial resources in the bankruptcy estate, and possibly some smaller inflows are expected. Therefore, there is little chance that there will be additional payments from the bankruptcy estate.

**4. Bankruptcy estate - GOŠA Factory of rail vehicles, passenger and special wagons LTD
Smederevska Palanka - in bankruptcy Commercial Court in Požarevac St.3/2020 (formerly 3.st.28/
2017)**

Reported claim: **RSD 89,280.00 in the name of the principal debt
RSD 58,070.75 in the name of statutory interest**

By the conclusion of the Commercial Court in Požarevac from September 26, 2018. year receivable recognized in full (147,350.75 RSD). Date 11/28/2019 year, the Court issued a decision which, due to the sale of the bankruptcy debtor as a legal entity on 12.11.2019. year, suspends the bankruptcy of the bankruptcy debtor, and continues over the bankruptcy estate, new case St.3 / 2020. According to the Main Division, the bankruptcy creditors of the 2nd and 3rd Payment Orders (3rd order - commercial creditors, in which the Institute is a group), were not paid, payment was made to priority creditors of the 1st order - salaries of employees in the amount of 49, 28% of recognized receivables.

Institute „Mihajlo Pupin“ Ltd Belgrad in the capacity of the defendant:

5. Mirković Mara from Belgrade - for the purpose of concluding a lease agreement for an indefinite period of time The Fourth Defendant Institute, now the Third Basic Court in Belgrade 5.P.12256/13

On 18 May 2017, the first-instance court again issued a Decision on the termination of the procedure, the second-instance court accepted the plaintiff's appeal, revoked the decision on the termination of the procedure and returned the case to the first-instance court for retrial.

In the continued procedure, all the proposed evidence was presented and the Institute submitted a request to terminate the procedure until the final conclusion of the procedure before the RGA-Real Estate Cadastre Service - New Belgrade Branch to correct the registration of the right to use the disputed apartment in favor of the Mihajlo Pupin Institute LLC Belgrade. The procedure was not terminated on January 24, 2021. year, the main hearing was concluded. The first-instance verdict is expected, the outcome of the dispute is extremely uncertain, because the court will ultimately decide on the legal issue - whether the right to use the apartment with one-time disposal has been exhausted or not, and will issue a first-instance verdict.

**6. Živković Mladen from Novi Sad for compensation of non-pecuniary damage RSD 227,543.00+spp
Institute of the second defendant, in addition to the Public Company Roads of Serbia, Basic Court
in Novi Sad P.10547/2021**

The subject of the dispute is the compensation of material damage caused due to the lowering of the toll ramp on the Prosecutor's vehicle, the Institute is the second defendant, the lawsuit is disputed in its entirety. As there was no adequate material evidence that the plaintiff was guilty of the damage to the vehicle, in order to reduce the costs of the procedure with a certain adoption judgment, the Institute concluded an Out-of-Court Settlement no. 1167 / 1-21 dated 27 May 2020, dated 31 May 2021. Payment was made after the conclusion of the settlement in the total amount of 291,393.86 dinars, as follows: 193,411.55 dinars to the

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**Notes to the financial statements
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39. COURT DISPUTES (Continued)

prosecutor Mladen Zivkovic (The prosecutor waived part of the claim and the legal default interest on the amount of damages starting from October 2, 2018. until payment) and RSD 97,982.31 to attorney Srdjan Popovic. After receiving the payment, the plaintiff withdrew the lawsuit on June 3, 2021, and the court on June 3, 2021. passed the Judgment on the basis of waiver of the claim, which ended the case.

7. Živković Mladen from Novi Sad for compensation of non-pecuniary damage RSD 93,000.00 + spp Institute second defendant, in addition to PE Roads of Serbia, Basic Court in Novi Sad P.12205/2019

The subject of the dispute is the compensation of non-material damage - the fear suffered due to the lowering of the toll ramp on the Prosecutor's vehicle, the Institute is the second defendant, the lawsuit is disputed in its entirety. Hearing scheduled for April 1, 2020. year was not held due to the state of emergency in the Republic of Serbia. As the expert neuropsychiatrist confirmed the merits of the claim in the Finding and Opinion, and the dispute for compensation of material damage to the plaintiff's vehicle ended with the conclusion of an out-of-court settlement, in order to reduce the costs of the procedure with a certain adoption verdict. 1446 / 1-21 dated 29 June 2021, dated 2 July 2021. Payment was made upon settlement in the total amount of 226,120.00 RSD, as follows: 156,120.00 RSD to attorney Srdjan Popovic and 70,000.00 RSD to prosecutor Mladen Zivkovic (the prosecutor waived part of the main claim in the amount of 23,000.00 RSD. On July 7, 2021, the plaintiff withdrew the lawsuit and on July 13, 2021, the court issued a Decision on the withdrawal of the lawsuit, which suspended the case.

Institute „Mihajlo Pupin“ Ltd Belgrad as an interlocutor on the side of the defendant JP Putevi Srbije (on the basis of the concluded Agreement on maintenance of the Toll Collection System on the highways of the Republic of Serbia):

8. Mladenović Maja from Novi Sad for compensation of non-pecuniary damage RSD 99,000.00 + spp defendant JP Putevi Srbije, Basic Court in Novi Sad P.10472/2021

The subject of the dispute is compensation for non-pecuniary damage - suffered fear of the plaintiff as a co-driver due to lowering the toll ramp on the vehicle in which she was a co-driver, the Institute was invited by the defendant - JP Putevi Srbije to intervene in the lawsuit as in the dispute under number 7 of this report, only refers to the co-driver and the identical findings and opinion of the neuropsychiatrist were submitted and there was no adequate material evidence that the driver was guilty of the case, in order to reduce the costs of proceedings with a certain adoption judgment. has, without interfering in the litigation and before the first hearing with the plaintiff, concluded the Extrajudicial Settlement no. 1439 / 1-21 dated 28 June 2021, dated 29 June 2021. payment was made upon settlement in the total amount of 117,360.00 RSD, namely: 56,000.00 RSD to the plaintiff Mladenović Maja (waived part of the claim in the amount of 29,000.00 RSD) and 45,360.00 RSD to the attorney Srdjan Popović. Upon receipt of the plaintiff's payment, he withdrew the lawsuit on June 30, 2021 (the submission was corrected by the correct marking of the defendant on July 1, 2021) and the court on July 1, 2021. rendered a Judgment based on the waiver of the claim, which ended the case.

9. Ivković Miloš and Ivković Ilić Dušica for non-pecuniary damage 99,000.00 RSD (40,000.00 RSD plaintiff and 59,000.00 RSD plaintiff) + spp, defendant JP Putevi Srbije, Basic Court in Nis, 24.P.2888/20

The Institute was summoned by the defendant, JP Putevi Srbije, as an intervener on the side of the defendant, which the Institute accepted and, as an entrant, completely disputed the plaintiffs' claim, accepting the lawsuit in the state it was in at the time of interference. He disputed the findings and opinions of a neuropsychiatric expert and submitted evidence to the court - a recording of the prosecutor's passage through the toll plaza, during which a ramp was lowered on the prosecutor's vehicle at the toll station in Nis on January 21, 2020. expertise, the passenger seat is empty, ie. that the plaintiff was not in the vehicle at the time of the accident, nor was a minor child in the back seat. The Institute compensated the plaintiff for material damage to the vehicle through the liability insurance policy with the company Dunav osiguranje ado Belgrade because it was determined that the ramp was lowered to the vehicle due to technical problems in the operation of the toll collection system, which is undisputed, but the right to compensation is disputed. non-pecuniary damage to the plaintiffs due to the fear suffered and that the wife of the plaintiff, also the plaintiff in this dispute and a minor child were in the vehicle at the time of the accident. On February 14, 2022, the main hearing was concluded and the first instance verdict is expected. The outcome of the dispute is uncertain, it will depend on the court's opinion on the evidence presented.

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Notes to the financial statements

For the Year Ended December 31st 2021 and 2020**39. COURT DISPUTES (Continued)****10. Company AMS OSIGURANJE a.d.o. Belgrade due to recourse debt RSD 21,883.20 + spp, Defendant JP Putevi Srbije, Commercial Court in Belgrade - 17.P.958/2021**

The institute was summoned by the defendant - PE Roads of Serbia, to a lawsuit for recourse debt, ie. recourse for paid compensation for damage due to the fall of the ramp at the toll station Rajla on April 29, 2018. on the insured's vehicle, include as an intervener, and how the recordings from the toll plazas of JP Puteva Srbije are kept, due to the volume of material, only 6 months, and the lack of evidence of guilt on the part of the insured for damages as a prerequisite for successful defense. further costs of the proceedings in which there is no prospect of success on the part of the defendant, the Institute concluded an Out-of-Court Settlement with the Prosecutor 453 / 1-21 on February 26, 2021, paid to the Prosecutor on March 11, 2021. the amount of RSD 33,214.90 (principal debt, statutory default interest and litigation costs), the plaintiff withdrew the lawsuit on March 17, 2021. year, and the Court on 02.04.2021.g. passed the Decision on the withdrawal of the lawsuit, which ended the procedure.

11. Company AMS OSIGURANJE a.d.o. Belgrade due to recourse debt RSD 72,114.20 + spp, Defendant JP Putevi Srbije, Commercial Court in Belgrade - 17.P.6963/2020

The institute was summoned by the defendant - PE Roads of Serbia, to a lawsuit for recourse debt, ie. recourse for paid compensation for damage due to the fall of the ramp at the toll station Batočina on 11.10.2017. on the insured's vehicle, included in the capacity of intervener, which was accepted by the Institute and intervened in the litigation in the condition in which it was at the time of interference. Due to the volume of material, the recordings from the toll plazas of JP Puteva Srbije are kept for only 6 months, and there is no evidence of guilt on the part of the insured for the damage as a precondition for successful defense, in order to reduce further costs. by the defendant, the Institute concluded an Out-of-Court Settlement with the Prosecutor 2876 / 1-21 on 13.12.2021, paid to the Prosecutor on 15.12.2021 the amount of RSD 125,341,050 (principal debt and costs of the litigation, while the plaintiff waived the request for payment of legal default interest on the amount of the principal debt starting from January 10, 2018 until the final payment), the Prosecutor withdrew the lawsuit on December 16, 2021. year, and the Court on 04.01.2022.g. passed the Decision on the withdrawal of the lawsuit, which ended the procedure.

12. Company AMS OSIGURANJE a.d.o. Belgrade due to recourse debt RSD 38,899.09 + spp, Defendant JP Putevi Srbije, Commercial Court in Belgrade - 17.P.961/2021

The institute was summoned by the defendant - PE Roads of Serbia, to a lawsuit for recourse debt, ie. recourse for paid compensation for damage due to the fall of the ramp at the toll station Nais on 27.09.2017. on the insured's vehicle, include as an intervener, and how the recordings from the toll plazas of JP Puteva Srbije are kept, due to the volume of material, only 6 months and the lack of evidence of guilt on the part of the insured for damages as a prerequisite for successful defense. costs of the procedure in which there is no prospect of success on the part of the defendant, the Institute concluded an Out-of-Court Settlement with the Prosecutor 454 / 1-21 on 28.22.2021, paid to the Prosecutor on 11.03.2021. the amount of RSD 61,827.24 (principal debt, statutory default interest and costs of litigation), the Prosecutor withdrew the lawsuit on March 17, 2021. year, and the Court on 02.04.2021.g. passed the Decision on the withdrawal of the lawsuit, which ended the procedure.

13. Dunav osiguranje ADO Beograd due to recourse debt RSD 37,072.00 + spp Defendant JP Putevi Srbije, Commercial Court in Belgrade - 17.P.4794/2021

The institute was summoned by the defendant - PE Roads of Serbia, to a lawsuit for recourse debt, ie. recourse for paid compensation for damage due to the fall of the ramp at the toll station Preljina on 17.08.2018. on the insured's vehicle, included as an intervener, and how the recordings from the toll plazas of JP Puteva Srbije are kept, due to the volume of material, only 6 months, and the lack of evidence for successful defense, in order to reduce further costs of the procedure, the Institute concluded .08.2021.g. no. 1767 / 1-21, paid to the Prosecutor on 13.08.2021 the amount of RSD 51,445.81 (principal debt, statutory default interest and costs of the proceedings), the Prosecutor withdrew the lawsuit on 28.08.2021. year, and the Court on 22.09.2021. passed the Decision on the withdrawal of the lawsuit, which ended the procedure.

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39. COURT DISPUTES (Continued)

14. Dunav osiguranje ADO Beograd due to recourse debt RSD 19,320.00 + spp
Defendant JP Putevi Srbije, Commercial Court in Belgrade - 2.PI.163/2021

The institute was summoned by the defendant - PE Roads of Serbia, to a lawsuit for recourse debt, ie. recourse for paid compensation for damage due to the fall of the ramp at the toll station Indjija on 01.04.2019. on the insured's vehicle, included as an intervener, and how the recordings from the toll plazas of JP Puteva Srbije are kept, due to the volume of material, only 6 months, and the lack of evidence for successful defense, in order to reduce further costs, the Institute concluded an out-of-court settlement 03.09.2021.g. no. 1985 / 1-21, paid to the Prosecutor on 06.09.2021. the amount of RSD 27,735.22 (principal debt, statutory default interest and costs of the proceedings), the Prosecutor withdrew the lawsuit on September 10, 2021. year, and the Court on 14.10.2021. passed the Decision on the withdrawal of the lawsuit, which ended the procedure.

15. Dragan Simić from Niš for damages RSD 105,178.00 + spp
Defendant PE Roads of Serbia, Basic Court in Nis - 11.P.416/2020

The Institute was summoned by the defendant - PE Roads of Serbia, to a lawsuit for damages due to the fall of the ramp at the toll station Nais on August 24, 2019. on the Prosecutor's vehicle, included as an intervener, and how the recordings from the toll plazas of JP Puteva Srbije are kept, due to the volume of material, only 6 months, and the lack of evidence for successful defense, in order to reduce further costs of the procedure. on 02/26/2021 year no. 455 / 1-21. Date 10.03.2021. The Institute paid the plaintiff the total amount of RSD 147,081.56 (the amount of RSD 105,178.00 to the plaintiff in the name of the principal debt because the plaintiff waived the part of the claim related to statutory default interest, and the attorney attorney the amount of RSD 41,903.56 in the name of total costs of the proceedings). The plaintiff was on March 17, 2021. withdrew the lawsuit, and the court on 10.05.2021.g. passed the Decision on the withdrawal of the lawsuit, which ended the procedure.

16. Andrija Momčilović from Leskovac for damages RSD 12,750.00 + spp
Defendant PE Roads of Serbia, Basic Court in Leskovac - 61.P.13450/2021

The Institute was summoned by the defendant - PE Roads of Serbia, to a lawsuit for damages due to the fall of the ramp at the toll station Nais on August 24, 2019. on the Prosecutor's vehicle, included as an intervener, and as it was obtained from JP Putevi Srbije on the basis of the recording of the plaintiff's vehicle passing through the toll plaza, it was determined that the plaintiff is not guilty of falling off the ramp because of a technical problem. reduction of further costs of the procedure, the Institute concluded an Out-of-Court Settlement with the Prosecutor on December 10, 2021. year no. 2848 / 1-21. Date 13.12.2021. The Institute paid the plaintiff the total amount of RSD 30,160.00 (the plaintiff the amount of RSD 12,750.00 in the name of the principal debt because the plaintiff waived the part of the claim relating to statutory default interest, and the attorney attorney the amount of RSD 17,410.00 in the name of total costs of the proceedings). The plaintiff was on 14.12.2021. submitted a submission to the court in which he waived the claim, and on December 16, 2021. rendered a Judgment on the basis of waiver of the claim, which ended the procedure.

17. 29. FEBRUARY DOO NOVI SAD for damages RSD 10,085.00 + spp
Defendant PE Roads of Serbia, Commercial Court in Novi Sad - 4.P.1180/2021

The Institute was summoned by the defendant - PE Roads of Serbia, to a lawsuit for damages due to the fall of the ramp at the toll station Stara Pazova on February 5, 2021. on the Prosecutor's vehicle, included as an intervener, and as it was determined from the log file that the Prosecutor was not guilty of the damage, in order to reduce further costs of the procedure, the Institute concluded an Out-of-Court Settlement with the Prosecutor on June 14, 2021. no. 1305 / 1-21, paid to the Prosecutor on June 16, 2021. the total amount of RSD 35,590.00 (RSD 10,085.00 to the plaintiff in the name of the principal debt because the plaintiff waived the part of the claim related to statutory default interest, and RSD 25,505.10 to the attorney in the name of the total costs of litigation), the plaintiff withdrew lawsuit on June 16, 2021, and the Court on June 17, 2021. passed the Decision on the withdrawal of the lawsuit, which ended the procedure.

**Notes to the financial statements
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39. COURT DISPUTES (Continued)

**18. Nataša Petrović from Čačak for damages RSD 50,000.00 + spp
Defendant JP Putevi Srbije, Basic Court in Čačak P.7097/21**

The Institute was summoned by the defendant - PE Roads of Serbia, to a lawsuit for damages due to the fall of the ramp at the toll station Preljina on August 28, 2021. on the Prosecutor's vehicle, include as an intervener. When the footage of the prosecutor's vehicle passing through the disputed toll station is received from the Public Company Roads of Serbia, a decision will be made on daljem toku postupka – ukoliko ima krivice na strani tužioca u nastanku štete, Institut će se upustiti u parnicu u svojstvu umešača na strani tuženog, ukoliko nema krivice – zaključuje se vansudsko poravnanje i isplatiti, na osnovu čega će tužilac povući tužbu.

**19. Nemanja Popović from Belgrade for damages RSD 82,500.00 + spp
Defendant JP Putevi Srbije, First Basic Court in Belgrade 81.P.48165/21**

The Institute is not an intervener in this dispute because the court did not make a decision on interference, but it submitted complete documentation to the defendant - JP Putevi Srbije on the refusal to pay damages here to the plaintiff by Dunav osiguranje ado Belgrade based on the policy of the Institute from the Public Company Roads of Serbia, it was determined that the driver - here the Prosecutor is guilty of the damage caused. The outcome of the dispute is uncertain.

**20. DELTAGRAF DOO SMEDEREVO for damages 160,000.00 dinars + spp.
Defendant JP Putevi Srbije, Commercial Court in Belgrade 2.P.2073/21**

The Institute is not involved in this dispute because the court did not make a decision on interference, but the defendant - JP Putevi Srbije submitted complete documentation on the refusal to pay damages here to the plaintiff by the Company Dunav osiguranje ado Beograd on the basis of the Institute's liability insurance policy because it is based on a recording obtained from the Public Company Roads of Serbia, it was determined that the driver - here the Prosecutor is guilty of the damage caused. Outcome the dispute is uncertain.

**21. Goran Savić from Novi Sad for damages RSD 151,870.15 + spp
Defendant JP Putevi Srbije, First Basic Court in Belgrade 15.P.58542/21**

The Institute was summoned by the defendant - PE Roads of Serbia, to a lawsuit for damages due to the fall of the ramp at the toll station Obrenovac on September 24, 2021. on the Prosecutor's vehicle, include as an intervener. As it was determined that there is no guilt on the part of the Prosecutor in causing the damage, by inspecting the recordings obtained from JP Putevi Srbije, an out-of-court settlement was concluded with the Prosecutor before the first hearing for the main hearing, no. 301 / 1-22 of 02.02.2022. year and paid on 03.02.2022.g. in the total amount of RSD 175,507.55 (RSD 151,870.15 principal debt to the Prosecutor who waived the claim for statutory default interest and RSD 23,637.40 costs of the proceedings to the attorney). The plaintiff withdrew the lawsuit on February 4, 2022. year and corrected the submission 08.02.2022. year, the Court ruled that the lawsuit was withdrawn on 17.02.2022, the case was terminated.

**22. Geodetic shop "Nikola" Veliko Gradište for damages 87,790.67 RSD + spp
Defendant JP Putevi Srbije, First Basic Court in Belgrade 52.P.16852/21**

The Institute was summoned by the defendant - PE Roads of Serbia, to a lawsuit for damages due to the fall of the ramp at the toll station Obrenovac on September 24, 2021. on the Prosecutor's vehicle, included in the capacity of an intervener, to which the Institute agreed, but based on the insight into the recording of the Prosecutor's passage through the Obrenovac toll station on February 17, 2020. it was determined that there is no guilt on the part of the Prosecutor in the occurrence of the damage, the Out-of-Court Settlement no. 302 / 1-22 dated 2 February 2022. year and paid on 03.02.2022.g. in the total amount of 112,702.30 RSD (main debt and costs of the procedure, the Prosecutor waived the request for statutory default interest). Although the Institute determined that the First Basic Court in Belgrade is not really competent to resolve this case because it is an entrepreneur and the competent commercial court in Belgrade, as it has not received the Decision on Interference and has not yet become a party to the proceedings, it has not objected. the case would be resolved as soon as possible without further costs. The plaintiff withdrew the lawsuit on February 4, 2022. year and the court is expected to issue a decision that the lawsuit was withdrawn when the case is completed.

Translation disclaimer: The English version is a translation of the original In Serbian for information purposes only. In case of discrepancy, the Serbian version will prevail

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

39. COURT DISPUTES (Continued)

23. DDOR NOVI SAD a.d.o. Novi Sad due to recourse debt 45,004.00 RSD + spp, defendant PE Roads of Serbia, Commercial Court in Novi Sad - 10.P.2902/2021

The institute was summoned by the defendant - PE Roads of Serbia, to a lawsuit for recourse debt, ie. recourse for paid compensation for damage due to the fall of the ramp at the toll station Pirot-West on 27.07.2020.g. per vehicle insured, included as an intervener, and how the recordings from the toll plazas of JP Puteva Srbije are kept, due to the volume of material, only 6 months, and the lack of evidence of guilt on the part of the insured for damages as a prerequisite for successful defense, in order to reduce further costs procedure in which there is no prospect of success on the part of the defendant, the Institute concluded an Out-of-Court Settlement with the Prosecutor 286 / 1-22 on 01.02.2022, paid to the Prosecutor on 02.02.2022. the amount of RSD 60,604.24 (principal debt and costs of litigation, the plaintiff waived the claim for statutory default interest), the plaintiff withdrew the lawsuit and waived the claim on 04.02.2022. year, and the Court on 10.02.2022.g. passed a Decision on the basis of renunciation, which ended the procedure.

40. TRANSACTIONS WITH RELATED PARTIES

In its regular business, the Company realizes business transactions with its dependent legal entities and other related parties.

(a) Income and expenses from sales / purchases of goods / services

The following transactions were conducted with related parties:

	2021.	2020.
(a) Sales of goods and services		
IMP-Automatika Ltd, Belgrade	189,032	196,642
IMP Automatika-Security Ltd, Belgrade	127	0
IMP Racunarski sistemi Ltd, Belgrade	16,957	11,849
IMP Telekomunikacije Ltd, Belgrade	5,509	4,170
Idvorski laboratorije Ltd, Belgrade	963	704
IMP Poslovne usluge Ltd, Belgrade	285	284
Total	212,873	213,649

Products and services are sold at prices and terms that would be available to third parties.

	2021.	2020.
(b) Procurement of goods and services		
IMP-Automatika Ltd, Belgrade	167,768	146,467
IMP Racunarski sistemi Ltd, Belgrade	385,375	719,890
IMP Telekomunikacije Ltd, Belgrade	200,556	57,707
Idvorski laboratorije Ltd, Belgrade	0	7
IMP Piezotehnologija Ltd, Belgrade	24	31
IMP Poslovne usluge Ltd, Belgrade	30,078	37,606
Total	783,801	961,708

Goods and services are purchased in accordance with the normal course of business.

For 2021 study was conducted on transfer pricing and consequently are made appropriate adjustments for tax purposes.

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

40. TRANSACTIONS WITH RELATED PARTIES (Continued)

(b) Balances receivable / payable at the end of the year arising from sales / purchases of goods / services

	2021.	2020.
Receivables from sales		
(Note 24)		
IMP-Automatika Ltd, Belgrade	75,837	39,269
IMP Racunarski sistemi Ltd, Belgrade	611	337
IMP Telekomunikacije Ltd, Belgrade	64	53
IMP Piezotehnologija Ltd, Belgrade	30,483	30,483
IMP Poslovne usluge Ltd, Belgrade	32	30
Less: Allowance for impairment	(54,593)	(54,593)
Total	52,434	15,579
Receivables from interest and dividend		
(Note 25)		
IMP-Automatika Ltd, Belgrade	22,464	39,464
IMP Poslovne usluge Ltd, Belgrade	6,000	39,464
Total	28,764	39,464
Short-term investments		
(Note 27)		
IMP Piezotehnologija Ltd, Belgrade	14,607	14,607
	14,607	14,607
Less: Allowance for impairment		
IMP Piezotehnologija Ltd, Belgrade	(14,607)	(14,607)
Total	0	0
Liabilities from business		
(Note 34)		
IMP-Automatika Ltd, Belgrade	23,725	4,130
IMP Racunarski sistemi Ltd, Belgrade	49,943	23,111
IMP Telekomunikacije Ltd, Belgrade	90,852	11,952
IMP Poslovne usluge Ltd, Belgrade	6,941	7,867
Total	171,461	47,060

41. FINANCIAL INSTRUMENTS

Capital Risk Management

The objective of capital management, the Company's ability to continue its operations for an indefinite period in the foreseeable future in order to preserve capital structure to reduce the cost of capital, and the owners provide a return on capital. The Company monitors capital based on the gearing ratio which is calculated as the ratio of net indebtedness of the Company and its total capital.

Persons who control the finances at the level of the Company's capital structure are examined annually.

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

41. FINANCIAL INSTRUMENTS (Continued)

Capital Risk Management (Continued)

Indicators indebtedness of the Company as at year end were as follows:

	<i>in RSD 000</i>	
	2020.	2019.
Debt a)	203,552	271,877
Cash and cash equivalents	(656,939)	(858,191)
Net debt	(453,387)	(586,314)
Equity b)	588,966	594,171
Debt equity ratio	0,77	0,99

a) Debt relates to long-term and short-term liabilities

b) Equity comprises founding capital, revaluation reserves, unrealized losses on securities available for sale and accumulated profit.

Significant accounting policies regarding financial instruments

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

Categories of financial instruments

	<i>in RSD 000</i>	
	2021.	2020.
Financial Assets		
Long term financial investments	61,005	60,889
Receivables from sales	370,482	221,106
Other receivables	69,503	55,138
Short-term financial investments	0	0
Cash and cash equivalents	656,939	858,191
	1.157,929	1,195,324
Financial Liabilities		
Long-term liabilities	(99,032)	(108,155)
Short-term financial liabilities	(104,520)	(163,722)
Trade payables without received advances	(521,160)	(225,786)
Other liabilities	(67,641)	(63,899)
	(792,353)	(561,562)

The main financial instruments of the Company are cash and cash equivalents, receivables, liabilities based on long-term and short-term loans, liabilities to suppliers and other liabilities whose basic names are financing the current operations of the Company. In normal business conditions the Company is exposed to the following risks.

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

41. FINANCIAL INSTRUMENTS (Continued)

Purpose of managing financial risks

Financial risks comprise market risk (currency risk and interest rate risk), credit risk and liquidity risk. Financial risks are recognized on timely basis and managed by decreasing of exposure of the Company to those risks. The Company doesn't use any hedge instruments in way to decrease exposure to financial risks because these instruments are not widely used and there is no active market for these instruments in the Republic of Serbia.

Market risk

The Company is exposed to financial risk from movements of currency exchange rates and interest rates.

Exposure to market risk is recognized through sensitivity analyses. There are no significant changes in the Company exposure, managing and measurement of market risk.

Currency risk

The Company is exposed to currency risk through trade payables which are nominated in foreign currency. The Company doesn't use any hedge instruments to manage currency risk because they are not adopted in business practice in Republic of Serbia.

The stability of economic environment in which the Company operates, is depending from government measures and law and legislation environment.

Book value of monetary assets and liabilities nominated in foreign currency at the date of reporting is following:

				IN RSD 000	
		Assets		Liabilities	
	December 31st 2021.	December 31st 2020.	December 31st 20210.	December 31st 2020.	
In currency	656,058	637,609	(378,898)	(272,493)	
	656,058	637,609	(378,898)	(272,493)	

The company is sensitive to changes in the exchange rate of the euro and the dollar (EUR and USD). The following table presents the details of the analysis of the Company's sensitivity to the increase and decrease of 10% of the dinar exchange rate in relation to the given foreign currencies. The sensitivity rate is used in the internal presentation of foreign exchange risk and represents management's assessment of reasonably expected changes in foreign exchange rates. The sensitivity analysis includes only outstanding receivables and liabilities denominated in foreign currencies and adjusts their translation at the end of the period for a change of 10% in foreign exchange rates. A positive number from the table indicates an increase in the results of the current period in cases of weakening of the dinar in relation to the currency in question. In the case of a 10% strengthening of the dinar against a foreign currency, the impact on the result of the current period would be the opposite of that expressed in the previous case. The main reason for this lies in the fact that the Company has a predominantly short position in foreign currency, and therefore liabilities in foreign currency are far greater than receivables in the same.

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

41. FINANCIAL INSTRUMENTS (Continued)

	IN RSD 000			
	December 31 st	December 31 st	December 31 st	December 31 st
	2021. +10%	2020. +10%	2021. -10%	2020. -10%
EUR	27,716	36,512	(27,716)	(36,512)
	<u>27,716</u>	<u>36,512</u>	<u>(27,716)</u>	<u>(36,512)</u>

Interest rate risk

The Company is exposed to fluctuations of interest rate on assets and liabilities for which interest rate is variable. This risk depends on the financial markets and the Company does not have available instruments that would mitigate its impact.

Book value of financial assets and liabilities at the end of reporting period is following:

	in RSD 000	
	2021.	2020.
Financial asset		
<i>Noninterest bearing</i>		
Long-term financial investments	61,005	60,889
Receivables from sales	370,482	221,106
Other receivables	69,503	55,138
Short-term financial investments	0	0
Cash and cash equivalents	656,939	858,191
	<u>1,157,929</u>	<u>1,195,324</u>
	<u>1,157,929</u>	<u>1,195,324</u>
Financial liabilities		
<i>Noninterest bearing</i>		
Trade payables without received advances	(521,160)	(225,786)
Other liabilities	(67,641)	(63,899)
	<u>(588,801)</u>	<u>(289,685)</u>
<i>Interest bearing</i>		
Long-term liabilities	(99,032)	(108,155)
Short-term financial liabilities	(104,520)	(163,722)
	<u>(203,552)</u>	<u>(271,877)</u>
Interest rate gap	<u>(203,552)</u>	<u>(271,877)</u>

Sensitivity analysis shows the following text are established based on the exposure to changes in interest rates for non-derivative instruments at balance sheet date. For variable rate obligations, the analysis was prepared assuming that the remaining amount of assets and liabilities at the balance was unchanged throughout the year. Increase or decrease of 1% is, by the management, assessment of reasonably possible changes in interest rates.

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

41. FINANCIAL INSTRUMENTS (CONTINUED)

	IN RSD 000	
	Increase of 1 percentage point 2021.	Decrease of 1 percentage point 2021.
	2020.	2020.
The result for the current year	(2,036)	2,036
	(2,719)	2,719

Credit risk

The Company is exposed to credit risk which presents a risk that debtor will not be able to pay his debts in full amount and on due date, which cause financial losses for the Company. Exposure of the Company to credit risk is limited by amount of trade receivables as of balance sheet date. Amount of trade receivables is made from numerous customers.

Liquidity risk

Final responsibility for managing of liquidity risk is on management of the Company who has established corresponding management system for the purpose of long term, medium term and short term financing as well as liquidity managing. The Company manages liquidity risk by maintaining cash reserves, tracking of estimated and realized cash flow as well as maintaining maturity relation between financial assets and liabilities.

Following table presents book and fair value of financial asset and liabilities as of 31st December 2021 and 31st December 2020.

	December 31 st 2021		December 31 st 2020	
	Book value	Fair value	Book value	Fair value
Financial asset				
Long-term financial investments	61,005	61,005	60,889	60,889
Trade receivables	370,482	370,482	221,106	221,106
Other receivables	69,503	69,503	55,138	55,138
Short-term financial investments	0	0	0	0
Cash and cash equivalents	656,939	656,939	858,191	858,191
	1,157,929	1,157,929	1,195,324	1,195,324
Financial liabilities				
Long-term liabilities	(99,032)	(99,032)	(108,155)	(108,155)
Short-term financial liabilities	(104,520)	(104,520)	(163,722)	(163,722)
Trade payables without received advances	(521,160)	(521,160)	(225,786)	(225,786)
Other liabilities	(67,641)	(67,641)	(63,899)	(63,899)
	(792,353)	(792,353)	(561,562)	(561,562)

Notes to the financial statements
For the Year Ended December 31st 2021 and 2020

41. FINANCIAL INSTRUMENTS (CONTINUED)

Assumptions for assessing current fair value of financial instruments

Having in mind that there is no sufficient market experience, stability and liquidity in buying and selling financial assets and liabilities, as well as lack of available market information that could be used for disclosing fair values of financial assets and liabilities, discounted cash flow method has been used for valuation. When applying this method, interest rates for similar financial instruments are used, in order to obtain relevant assessment of market value of financial instruments on the balance sheet day.

42. EVENTS OCCURRED AFTER THE BALANCE SHEET DATE

After the balance sheet date as of December 31, 2021, no significant changes have occurred in the Company that would have an impact on the Company's financial statements.

43. EXCHANGE RATES

Foreign exchange rates determined on interbank market of foreign currencies and applied for estimation of items in the balance sheet for some of the main currencies are as follows:

	IN RSD	
	December 31 th 2021.	December 31 th 2020.
EUR	117,5821	117,5802
USD	103,9262	95,6637
CHF	113,6388	108,4388

In Belgrade,

Date February 28th 2022

**Person responsible for preparing
the Financial Statement**

Ljiljana T. Bećić



Legal representative

Jane Kamenčević