

**Institute „Mihajlo Pupin“ Ltd, Belgrade**

**Notes to the separate financial statements  
for the year ended December 31<sup>st</sup> 2022**

**Notes to the financial statements  
For the Year Ended December 31<sup>st</sup> 2022 and 2021**

**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 – Naučnotehnoški 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 2022 the Company had 154 employees (31 December 2021: 161 employees).

These financial statements are signed by Director at 28 February 2023. Financial statements can be altered after the fact by the companies Auditor according to the relevant regulations.

**Notes to the financial statements  
For the Year Ended December 31<sup>st</sup> 2022 and 2021**

**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.

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 2022.

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.

**Notes to the financial statements**  
**For the Year Ended December 31<sup>st</sup> 2022 and 2021**

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

**(b) Comparative data**

Comparative figures and opening balances represent information contained in the financial statements for 2021. Company's financial statements have been subject to an independent audit and are presented in the Independent Auditor's Report 24 March 2022.

**(c) The going concern concept**

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Significant accounting policies in effect during the preparation of Financial Statements for the year ended on December 31<sup>st</sup> 2022 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.

**Notes to the financial statements**  
**For the Year Ended December 31<sup>st</sup> 2022 and 2021**

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

**3.2. Property, Plant and Equipment (Continued)**

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.

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.

**Notes to the financial statements  
For the Year Ended December 31<sup>st</sup> 2022 and 2021**

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

**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)).

**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.

**Notes to the financial statements  
For the Year Ended December 31<sup>st</sup> 2022 and 2021**

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

**3.6. Financial Instruments (Continued)**

*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.

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.

**Notes to the financial statements  
For the Year Ended December 31<sup>st</sup> 2022 and 2021**

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

**3.6. Financial Instruments (Continued)**

*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.

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 31<sup>st</sup> 2022 and 2021**

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

**3.6. Financial Instruments (Continued)**

*Simplified approach to receivables impairment*

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.

**Notes to the financial statements**  
**For the Year Ended December 31<sup>st</sup> 2022 and 2021**

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

**3.11. Provisions, Contingent Liabilities and Contingent Assets (Continued)**

*Provisions*

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.

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 31<sup>st</sup> 2022 and 2021**

**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 31<sup>st</sup> 2022 and 2021**

**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 31<sup>st</sup> 2022 and 2021**

**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 31<sup>st</sup> 2022.

**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 31<sup>st</sup> 2022 and 2021**

**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.

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.

**Notes to the financial statements**  
**For the Year Ended December 31<sup>st</sup> 2022 and 2021**

**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.

***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.

**Notes to the financial statements**  
**For the Year Ended December 31<sup>st</sup> 2022 and 2021**

**6. REVENUES FROM SALES**

Revenues from sales are related to:

	<b>2022.</b>	<i>in RSD 000</i> <b>2021.</b>
Sales of products and services to parent and subsidiaries legal entities in the domestic market	222,245	212,873
Sales of finished goods and services rendered to domestic Customers	2,662,477	1,978,813
Sales of finished goods and services rendered to foreign Customers	211,301	181,146
<b>Total</b>	<b>3,096,023</b>	<b>2,372,832</b>

**7. OTHER OPERATING INCOME**

Other operating incomes are related to:

	<b>2022.</b>	<i>in RSD 000</i> <b>2021.</b>
Income from premiums, subventions, donations, compensations and tax returns	0	0
Income from donations under specified conditions	432,749	433,523
Rental fees income	8,414	8,756
<b>Total</b>	<b>441,163</b>	<b>442,279</b>

**8. MATERIAL COSTS**

Costs of material are related to:

	<b>2022.</b>	<i>in RSD 000</i> <b>2021.</b>
Material procurement cost	36,220	40,786
Cost of raw material	579,279	503,351
Cost of other material (overhead)	3,541	5,168
Cost of fuel and energy	14,822	12,893
Cost of spare parts	2,240	1,709
Cost of a one-time write-off of inventory and tools	982	1,134
<b>Total</b>	<b>637,084</b>	<b>565,041</b>



**Notes to the financial statements**  
**For the Year Ended December 31<sup>st</sup> 2022 and 2021**

**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>	
	<b>2022.</b>	<b>2021.</b>
Costs of salaries and fringe benefits (gross)	637,940	620,600
Taxes and contributions on salaries and benefits	91,606	92,775
The cost of compensation for services contract	2,284	177
Costs of remunerations according to author's contracts	675	1,990
Costs of salaries for temporary contracts	7,212	13,316
Compensations to individuals for other contracts	137	0
Costs of remuneration to members of Management Board and Supervisory Board	5,131	4,728
Other personal expenses remunerations	24,160	14,333
<b>Total</b>	<b>769,145</b>	<b>747,919</b>

**10. COSTS OF DEPRECIATION AND PROVISIONS**

Costs of depreciation and provisions are related to:

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Depreciation costs	33,921	34,026
Costs of provisions during the warranty period	3,034	20,894
Provisions for employee compensations and other benefits	4,862	3,386
Other provisions	9,442	4,071
<b>Total</b>	<b>51,259</b>	<b>62,377</b>

**11. OTHER OPERATING EXPENSES**

Other operating expenses are related to:

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Costs of services used in production process of own costs capitalized	1,811,495	1,299,399
Transport services costs	19,321	18,799
Maintenance costs	14,019	7,416
Rental costs	110	22
Fair costs	3,666	0
Advertising costs	474	157
Other non-production costs	32,445	32,968
<b>Total</b>	<b>1,881,530</b>	<b>1,358,761</b>

**Notes to the financial statements**  
**For the Year Ended December 31<sup>st</sup> 2022 and 2021**

**12. NON-PRODUCTION COSTS**

Non-production costs are related to:

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Costs of non-production services	17,581	19,755
Representation costs	7,794	3,872
Costs of insurance premiums	2,901	3,448
Costs of payment operations	11,316	8,915
Costs of membership fees	1,968	1,842
Tax costs	10,796	9,829
Contribution costs	790	1,544
Other non-production costs	13,000	5,327
<b>Total</b>	<b>66,146</b>	<b>54,532</b>

**13. FINANCIAL REVENUES**

Finansijski prihodi se odnose na:

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Financial income from parent and subsidiary companies	1,229	8,336
Financial income from other subsidiary companies	7	8
Income from interest (to third parties)	237	130
FX gains (to third parties)	1,226	0
Income from foreign currency clause (to third parties)	921	932
Other financial revenues	8,016	3,052
<b>Total</b>	<b>11,636</b>	<b>12,458</b>

**14. FINANCIAL EXPENSES**

Financial expenses are related to:

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Cost of interest (to third parties)	4,796	5,334
FX losses (to third parties)	2,836	0
Expenses from foreign currency clause (to third parties)	5,782	3,158
<b>Total</b>	<b>13,414</b>	<b>8,492</b>

**Notes to the financial statements**  
**For the Year Ended December 31<sup>st</sup> 2022 and 2021**

**15. OTHER REVENUES**

Other revenues are related to:

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Gains on sales of Intangible assets and property, plant and equipment	298	0
Collected written-off receivables	0	53,952
Revenues from the effects of hedging which do not fulfill the conditions to be set out in the framework of other comprehensive results	61	23
Income from reduction of liabilities	0	0
Income from abolishing of long-term and short-term provisions	5,890	487
Other income	7,742	7,415
<b>Total</b>	<b>13,991</b>	<b>61,877</b>

**16. OTHER EXPENSES**

Other expenses are related to:

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Losses on writing-offs and disposals of trade receivables and short-term financial investments	80	0
Losses on securities	5,028	0
Other expenses	6,035	3,920
Losses on writing-offs and disposals short term financial investments	87,128	32,843
<b>Total</b>	<b>98,271</b>	<b>36,763</b>

**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>	
	<b>2022.</b>	<b>2021.</b>
Expenses based on corrections of errors from previous years that are not materially significant	2,241	11,885
<b>Total</b>	<b>2,241</b>	<b>11,885</b>

**Notes to the financial statements**  
**For the Year Ended December 31<sup>st</sup> 2022 and 2021**

**18. INCOME TAX**

The basic components of income taxes are as follows:

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Current income tax	12,672	17,680
Deferred tax income / expense for the period	(282)	(997)
<b>Total</b>	<b>12,390</b>	<b>16,683</b>

**Current income tax**

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>	
	<b>2022.</b>	<b>2021.</b>
<b>Tax base</b>	<b>43,723</b>	<b>43,676</b>
Current tax rate	15%	15%
Current income tax	6,558	6,551
Expenses not deductible for tax purposes	6,114	11,129
Harmonization at the consolidated balance	0	0
Tax exemptions after tax credit	0	0
<b>Current income tax</b>	<b>12,672</b>	<b>17,680</b>
<b>Income tax expense (current tax + deferred tax rashod-deferred tax income)</b>	<b>12,390</b>	<b>16,683</b>
<b>The effective tax rate (income tax expense / profit before tax x 100)</b>	<b>28.33%</b>	<b>38.20%</b>

**Deferred income taxes**

	<i>in RSD 000</i>			
	<i>Income statement</i>		<i>Balance sheet</i>	
	<b>2022.</b>	<b>2021.</b>	<b>2022.</b>	<b>2021.</b>
<b>Deferred tax assets / liabilities</b>				
<b>Balance at beginning of year</b>	<b>997</b>	<b>2,641</b>	<b>2,411</b>	<b>1,414</b>
Temporary differences between the carrying amounts of assets and their tax value	(715)	(1,644)	282	997
<b>Balance at end of year</b>	<b>282</b>	<b>997</b>	<b>2,693</b>	<b>2,411</b>

**19. INTANGIBLE ASSETS**

Intangibles are related to:

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Concession, patent, licence, trademarks and service marks	3,985	4,136
<b>Total</b>	<b>3,985</b>	<b>4,136</b>

**Notes to the financial statements**  
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**19. INTANGIBLE ASSETS (Continued)**

The trend in intangible assets during 2022 is presented in the following table:

	<b>Concessions, patents, licences and similar rights</b>	<b>Intangible assets in preparation</b>	<b>Total</b>
<b>COST VALUE</b>			
<b>Balance as of January 1<sup>st</sup> 2021</b>	<b>33,425</b>	<b>0</b>	<b>33,425</b>
New procurement	246	0	246
Activation	0	0	0
<b>Balance as of 31. December 2021.</b>	<b>33,671</b>	<b>0</b>	<b>33,671</b>
New procurement	1,172	0	1,172
<b>Balance as of 31. December 2022.</b>	<b>34,843</b>	<b>0</b>	<b>34,843</b>
<b>ACCUMULATED DEPRECIATION</b>			
<b>Balance as of January 1<sup>st</sup> 2021</b>	<b>28,266</b>	<b>0</b>	<b>28,266</b>
Current amortization (Note 10)	1,269	0	1,269
<b>Balance as of 31. December 2021.</b>	<b>29,535</b>	<b>0</b>	<b>29,535</b>
Current amortization (Note 10)	1,323	0	1,323
<b>Balance as of 31. December 2022.</b>	<b>30,858</b>	<b>0</b>	<b>30,858</b>
<b>Current value</b>			
<b>- 31. december 2022.</b>	<b>3,985</b>	<b>0</b>	<b>3,985</b>
<b>- 31. december 2021.</b>	<b>4,136</b>	<b>0</b>	<b>4,136</b>

**20. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are related to:

	<b>2022.</b>	<i>in RSD 000</i> <b>2021.</b>
Buildings	117,806	132,236
Plant and equipment	59,916	53,583
Other property, plant and equipment	13,366	13,296
<b>Total</b>	<b>191,088</b>	<b>199,115</b>

**Notes to the financial statements**  
**For the Year Ended December 31<sup>st</sup> 2022 and 2021**

**20. PROPERTY, PLANT AND EQUIPMENT (Continued)**

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

	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Other equipment</b>	<b>PPE under construction</b>	<b>Total</b>
<b>COST VALUE</b>					
<b>Balance as of January 1<sup>st</sup> 2021</b>	<b>651,545</b>	<b>226,662</b>	<b>13,256</b>	<b>0</b>	<b>891,463</b>
Purchase during 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)
<b>Balance as of December 31<sup>st</sup> 2021</b>	<b>654,143</b>	<b>241,573</b>	<b>13,296</b>	<b>0</b>	<b>909,012</b>
Cost value during the year	844	0	70	23,689	24,603
Transfer from PPE	0	23,689	0	(23,689)	0
Disposals	0	(3,088)	0	0	(3,088)
<b>Balance as of December 31<sup>st</sup> 2022</b>	<b>654,987</b>	<b>262,174</b>	<b>13,366</b>	<b>0</b>	<b>930,527</b>
<b>ACCUMULATED DEPRECIATION</b>					
<b>Balance as of January 1<sup>st</sup> 2021</b>	<b>506,664</b>	<b>173,149</b>	<b>0</b>	<b>0</b>	<b>679,813</b>
Amortization (Note 10)	15,243	18,783	0	0	34,026
Disposals	0	(3,942)	0	0	(3,942)
<b>Balance as of December 31<sup>st</sup> 2021</b>	<b>521,907</b>	<b>187,990</b>	<b>0</b>	<b>0</b>	<b>709,897</b>
Amortization (Note 10)	15,274	18,647	0	0	33,921
Disposals	0	(4,379)	0	0	(4,379)
<b>Balance as of December 31<sup>st</sup> 2022</b>	<b>537,181</b>	<b>202,258</b>	<b>0</b>	<b>0</b>	<b>739,439</b>
<b>Undiscounted value:</b>					
- December 31 <sup>st</sup> 2022	<b>117,806</b>	<b>59,916</b>	<b>13,366</b>	<b>0</b>	<b>191,088</b>
- December 31 <sup>st</sup> 2021	<b>132,236</b>	<b>53,583</b>	<b>13,296</b>	<b>0</b>	<b>199,115</b>

The purchase value of fully depreciated property, plant and equipment at 31 December 2022 is RSD 150,591 thousand.

The increase in the value of fixed assets in 2022 mainly relates to procurement of computer equipment in the amount of RSD 10,486 thousand, office furniture in the amount of RSD 326 thousand, cars in amount of RSD 6,858 thousand, licenses in amount of RSD 1,207 thousand and measuring instruments and devices in the amount of from RSD 5,345 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 2022 is RSD 6,858 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 31<sup>st</sup> 2022 and 2021**

**21. LONG TERM FINANCIAL INVESTMENTS**

Long term financial investments are related to:

	2022.	2021.
	<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	6,116	9,026
Other long term investments	1,198	1,299
Trade receivables long-term retention	18,365	7,052
Impairment of long-term financial investments	(13,216)	(13,226)
<b>Balance as of December 31<sup>st</sup></b>	<b>76,369</b>	<b>68,057</b>

**(i) Investments in capital of subsidiaries:**

	2022.	2021.
In stakes	63,814	63,814
Less: Provisions	(7,100)	(7,100)
<b>Balance as of December 31<sup>st</sup></b>	<b>56,714</b>	<b>56,714</b>

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

<u>Name and headquarters</u>	2022.	2021.
IMP-Automatika ltd.	32,668	32,668
IMP-Računarski sistemi ltd.	21,883	21,883
IMP-Telekomunikacije	1,029	1,029
Idvorski laboratorije ltd.	75	75
IMP-Poslovne usluge ltd.	1,059	1,059
<b>Balance as of December 31<sup>st</sup></b>	<b>56,714</b>	<b>56,714</b>

**(ii) Equity investments in associated companies**

	2022.	2021.
In stakes	92	92
Less: Provisions	0	0
<b>Balance as of December 31<sup>st</sup></b>	<b>92</b>	<b>92</b>

Equity investments in associated companies relate to:

<u>Name and headquarters</u>	2022.	2021.	% Participation
Projekt inženjering ltd.	62	62	20
Elektronske transakcije ltd.	11	11	25
Servis inženjering IMP ltd.	9	9	20
IMP-BEEL ltd.	10	10	20
<b>Balance as of December 31<sup>st</sup></b>	<b>92</b>	<b>92</b>	

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**  
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**21. LONG TERM FINANCIAL INVESTMENTS (Continued)**

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

	<u>2022.</u>	<u>2021.</u>
In stocks	6,116	9,026
Less: Provisions	<u>(6,116)</u>	<u>(6,126)</u>
<b>Balance as of December 31<sup>st</sup></b>	<b><u>0</u></b>	<b><u>2,900</u></b>

Equity investments in other legal entities relate to:

<u>Name and headquarters</u>	<u>2022.</u>	<u>2021.</u>
Komercijalna banka a.d. Belgrade	<u>0</u>	<u>2,900</u>
<b>Balance as of December 31<sup>st</sup></b>	<b><u>0</u></b>	<b><u>2,900</u></b>

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 31<sup>st</sup> 2022.

(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>2022.</u>	<u>2021.</u>
		<i>in RSD 000</i>
Material	<u>212,344</u>	<u>206,188</u>
<b>Balance as of December 31<sup>st</sup></b>	<b><u>212,344</u></b>	<b><u>206,188</u></b>

**23. ADVANCES PAID**

Advances paid are related to:

	<u>2022.</u>	<u>2021.</u>
		<i>in RSD 000</i>
Advances paid from one of mutual relations	3,956	22,504
Advances paid for services - domestic	83,361	86,129
Advances paid for services - foreign	6,237	16,809
Provisions for advances paid	<u>(2,241)</u>	<u>(2,241)</u>
<b>Balance as of December 31<sup>st</sup></b>	<b><u>91,313</u></b>	<b><u>123,201</u></b>



**Notes to the financial statements**  
**For the Year Ended December 31<sup>st</sup> 2022 and 2021**

**23. ADVANCES PAID (Continued)**

Receivables from paid advances reported at December 31<sup>st</sup> 2022 in the amount of RSD 93,554 thousand (without correction values claims) are not compliant with the debtors of RSD 0 thousand or 0.00% does not conform mentioned claims, and out of 32 clients, 1 are non-compliant, which is 3.13%

**24. RECEIVABLES FROM SALES**

Receivables from sales are related to:

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Trade receivables - parent companies and subsidiaries	121,529	107,027
Trade receivables - domestic	576,592	239,788
Trade receivables - foreign	198,593	111,464
Other receivables	(228,765)	(167,339)
<b>Balance as of December 31<sup>st</sup></b>	<b>667,949</b>	<b>290,940</b>

Movements in allowance for impairment were as follows

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
<b>Balance at beginning of year</b>	<b>167,339</b>	<b>187,854</b>
Charged during the year	(25,702)	(53,359)
Provisions during the year	87,128	32,844
<b>Balance as of December 31<sup>st</sup></b>	<b>228,765</b>	<b>167,339</b>

Receivables from sales recorded at December 31<sup>st</sup> 2022 in the amount of RSD 896,714 thousand (excluding allowances for impairment) are not compliant with the debtors in the amount of RSD 395,943 thousand or 38,82% does not conform mentioned claims and out of 197 clients, 24 are non-compliant, which is 12,18%.

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>	
	<b>2022.</b>	<b>2021.</b>
Receivables for imports of dependent legal entities	59	59
Receivables for interest and dividends	9,769	28,766
Receivables from employees	492	867
Receivables for compensations to be refunded	3,358	1,822
Receivables for prepaid taxes-other	81	243
Receivables for subscription based on profit tax	3,534	0
Other short-term receivables	139,907	116,568
Value added tax	71,555	20,307
Provisions for other receivables	(27,284)	(26,639)
<b>Balance as of December 31<sup>st</sup></b>	<b>201,471</b>	<b>141,993</b>

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 31<sup>st</sup> 2022 and 2021**

**26. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are related to:

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Current (business) accounts	77,662	120,653
Foreign exchange account	550,164	534,262
Other cash and cash equivalents	1,764	2,024
<b>Balance as of December 31<sup>st</sup></b>	<b>629,590</b>	<b>656,939</b>

**27. SHORT-TERM ACCRUED AND DEFERRED INCOME**

Short-term accruals and deferrals relate to:

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Prepaid expenses	5,466	4,417
Receivables for uninvoiced income	114,048	130,544
Other short-term accruals and deferrals	13,844	13,362
<b>Balance as of December 31<sup>st</sup></b>	<b>133,358</b>	<b>148,323</b>

**28. CAPITAL AND RESERVES**

Capital and reserves are related to:

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Stakes in limited liability companies	475,634	475,634
Other capital	3,923	3,923
Actuarial gains and losses on defined benefit plans	(38,582)	(30,250)
Gains or losses on available-for-sale securities	0	(9,671)
Retained profit from previous years	152,989	122,337
Retained profit from current year	31,333	26,993
<b>Balance as of December 31<sup>st</sup></b>	<b>625,297</b>	<b>588,966</b>

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

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

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**28. CAPITAL AND RESERVES (Continued)**

With the Government of the Republic of Serbia April 17<sup>th</sup> 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%.

Decision of the Agency for Business Registers No. BD 19647/2014 of March 10<sup>th</sup> 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 12<sup>th</sup> 2014, increase of the capital of the Company in the amount of RSD 61,831 thousand, so that at December 31<sup>st</sup> 2014. on the amount of RSD 475,634 thousand.

The Company is in 2022 realized net profit of RSD 31,333 thousand.

**29. LONG TERM PROVISIONS**

Long-term provisions are related to:

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Long-term provisions are related to:	78,067	90,389
Long-term provisions are related to:	61,803	49,473
<b>Balance as of December 31<sup>st</sup></b>	<b>139,870</b>	<b>139,862</b>

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.

**Notes to the financial statements**  
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**29. LONG TERM PROVISIONS (Continued)**

The principal actuarial assumptions used were as follows:

Serial Number	The assumptions used when making the calculation of provisions for severance pay upon retirement	2022.	2021.
1.	Discount rate	5,00%	1,00%
2.	The estimated rate of growth of average earnings	12,00%	7,00%
3.	Percentage fluctuation	4,90%	3,12%
4.	The amount of severance pays at the time of provisioning	324.003,00	285.936,00
5.	The amount of severance pays in the previous calculation	285.936,00	252.603,00
6.	Total number of employees as at 01. 01. current year	182	193
7.	Total number of employees who left the Company during the year	11	12
8.	Including number of retired workers who received severance pay upon retirement during the year	5	5
9.	The total number of new employees during the year	2	1
10.	Total number of employees at 31/12/2022	173	182
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.

**30. LONG TERM LIABILITIES**

Long term liabilities are related to:

	2022.	2021.
	<i>in RSD 000</i>	
Long-term loans and borrowings in the country	97,955	99,032
Liabilities from financial leasing	0	0
<b>Balance as of December 31<sup>st</sup></b>	<b>97,955</b>	<b>99,032</b>

INSTITUTE MIHAJLO PUPIN Ltd Belgrade has (part of) a loan with Raiffeisen Bank at EUR 800.000,00, with a currency clause and a grace period until 30.06.2024 year, three-month month Euribor plus 2,55% interest.

**Notes to the financial statements**  
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**31. SHORT-TERM FINANCIAL LIABILITIES**

Short-term financial liabilities are related to:

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Donations received for reimbursement of expenses	212	328
Donations received - projects in local currency RSD	0	0
Donations received - projects in foreign currency	47,324	74,402
Equipment donations received	991	1,124
Equipment donations received - SAP and NIP	15,007	18,752
<b>Balance as of December 31<sup>st</sup></b>	<b>63,534</b>	<b>94,606</b>

**32. SHORT-TERM FINANCIAL LIABILITIES**

Short-term financial liabilities are related to:

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Short term loans – domestic	100,000	0
The part of long-term loans and borrowings that matures up to one year	98,813	103,297
Part of other long-term liabilities maturing in one year	890	1,223
Other short-term financial liabilities	0	0
<b>Balance as of December 31<sup>st</sup></b>	<b>199,703</b>	<b>104,520</b>

INSTITUTE MIHAJLO PUPIN Ltd. 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. one-month Euribor plus 1.95% interest.

INSTITUT MIHAJLO PUPIN Ltd. 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. one-month Euribor plus 1.90% interest.

INSTITUTE MIHAJLO PUPIN Ltd. 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. one-month Euribor plus 1.90% interest.

INSTITUTE MIHAJLO PUPIN Ltd. 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. one-month Euribor plus 1.90% interest.

NSTITUTE MIHAJLO PUPIN Ltd. BELGRADE has (part of) a loan with Raiffeisen Bank in the amount of EUR 800.000,00, , with a currency clause and a grace period until June 30, 2024. three-month Euribor plus 2,55% interest.

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**33. RECEIVED ADVANCES**

Received advances are related to:

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Received advances, deposits and caution money	218,376	203,529
<b>Balance as of December 31<sup>st</sup></b>	<b>218,376</b>	<b>203,529</b>

Liabilities for received advances, deposits and caution money reported on December 31<sup>st</sup> 2022 in the amount of RSD 218,376 has been reconciled.

**34. TRADE PAYABLES**

Trade payables are related to:

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Trade payables – parent and subsidiaries – domestic	174,705	171,461
Trade payables – domestic	571,834	174,353
Trade payables – foreign	97,828	175,346
<b>Balance as of December 31<sup>st</sup></b>	<b>844,367</b>	<b>521,160</b>

Liabilities to suppliers, expressed on December 31, 2022 in the amount of 844,367 thousand, were not reconciled with creditors in the amount of RSD 44 thousand, or 0,01% of the mentioned liabilities were not harmonized and out of 101 clients, 4 are non-compliant, which is 3,96%.

**35. SHORT-TERM PROVISIONS**

Liabilities for short - term provisions relate to:

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Short-term provisions for the warranty period	528	12,794
Other short-term provisions	9,442	4,071
<b>Balance as of December 31<sup>st</sup></b>	<b>9,970</b>	<b>16,865</b>

**Notes to the financial statements**  
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**36. OTHER SHORT-TERMS LIABILITIES**

Other short-terms liabilities are related to:

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Liabilities for net salaries and fringe benefits, except allowances to be refunded	33,171	33,968
Liabilities for taxes on salaries and fringe benefits charged to employees	4,321	4,431
Liabilities for contributions on salaries and fringe benefits charged to employees	9,063	8,954
Liabilities for taxes and contributions on salaries and fringe benefits charged to employer	6,900	7,267
Liabilities for refundable net fringe benefits	2	180
Liabilities for taxes and contributions on refundable fringe benefits charged to employees	1	74
Liabilities for taxes and contributions on refundable fringe benefits charged to employer	1	41
Liabilities for interests and finance costs	739	27
Liabilities to employees	12,646	9,356
Liabilities to members of Management Board and Supervisory Board	274	251
Liabilities to individuals for contracted fees	252	1,541
Other liabilities	52	55
Liabilities based on value added tax and other public revenues	1,223	1,007
Liabilities for income tax	0	489
<b>Balance as of December 31<sup>st</sup></b>	<b>68,645</b>	<b>67,641</b>

**37. SHORT-TERM ACCRUED AND DEFERRED INCOME**

Short-term accruals and deferrals relate to:

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Other accruals and deferrals	8,443	5,254
<b>Balance as of December 31<sup>st</sup></b>	<b>8,443</b>	<b>5,254</b>

**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>	
	<b>2022.</b>	<b>2021.</b>
Given sureties, guarantees and other rights	802,498	487,045
Assets other entities	3,573	3,573
Liabilities for given sureties, guarantees and other rights	(802,498)	(487,045)
Liabilities for assets in other entities	(3,573)	(3,573)
<b>Balance as of December 31<sup>st</sup></b>	<b>0</b>	<b>0</b>

Guarantees in the amount of RSD 802,498 thousand at 31. December 2022 include guarantees of performance bonds issued to suppliers by banks.

**39. COURT DISPUTES**

**Institute „Mihajlo Pupin“ Ltd Belgrad as a bankruptcy creditor**

**1. 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.

According to information from the Bankruptcy Administration, based on the Decision of the Commercial Court in Belgrade 3.St.71/2014 of 28.02.2020. by which the first partial part of the bankruptcy estate of the bankrupt debtor was determined, the claims of creditors of the first and second paid order were fully settled. In the following period, activities related to the monetization of the remaining property of the bankrupt debtor are forthcoming in order to determine, after cashing out and settlement of different creditors, the available partition for the payment of creditors of the III payment order, in which payment order is also the claim of Institut Mihajlo Pupin Ltd. Belgrade. The bankruptcy proceedings are still ongoing.

**2. . 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.



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**39. COURT DISPUTES (Continued)**

According to the notice of the bankruptcy trustee, the bankruptcy proceedings are nearing the end, there are no assets and financial resources, and the account of the bankrupt debtor has been blocked for a long period of time, continuously since 16.05.2022 which on 08.02.2023 is RSD 5,204,920.55. Liabilities significantly exceed potential income, so the conclusion of bankruptcy is expected in the following period.

**3. 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. receivable recognized in full. On the 12.11.2019 Court issued a decision which, due to the sale of the bankruptcy debtor as a legal entity 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.

According to the notice of the bankruptcy administrator, the key problem in this bankruptcy proceeding is the litigation proceedings with AD ŽELEZNICA SRBIJE and AD SRBIJA VOZ, for the purpose of collecting claims, as well as with the CITY OF BELGRADE regarding the ownership of business premises at Maleševska Street 28 A in Belgrade. According to the judgment of the Commercial Court of Appeal in Belgrade 12.Pž.10479/21 dated 07.12.2022. the legal proceedings with the CITY of BELGRADE have been legally concluded, legal conditions have been created for the monetization of the said property, which is expected in the 4th quarter of 2023.

After monetizing the assets and collecting the claims, the bankruptcy trustee will draw up a draft decision on the final division, and after the legal force of that decision, the available funds will be paid to the creditors in accordance with the Bankruptcy Law, which means that at the very end, if there are funds, the creditors from III will be charged payment order, in which group is the claim of the Institut Mihajlo Pupin Ltd. Belgrade.

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

**4. 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 Institut Mihajlo Pupin Ltd. Belgrade. The procedure was not terminated on January 24, 2021. The judgment was appealed by the plaintiff, the second defendant Directorate for Building Land and Construction of Belgrade and the fourth defendant Institut Mihajlo Pupin Ltd. Belgrade. The outcome of the dispute is uncertain, because the second-instance court will review the final appeals, among other things, on the legal question - whether the right to use the apartment has been exhausted by one-time disposal or not, and based on that, it will issue a second-instance decision by which it will either cancel the first-instance verdict and return it to the first-instance court for reconsideration, i.e. to judge himself or confirm the first-instance verdict or change it.

The appeal procedure is still ongoing.

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**39. COURT DISPUTES (Continued)**

**5. Prosecutor: Danijela Maksimović to establish the ownership of the apartment  
Higher Court in Belgrade 8.P.2248/2022 (previously at the Third Basic Court in Belgrade  
29.P.2769/2022)**

The plaintiff filed the lawsuit on April 13, 2022. to the Third Basic Court in Belgrade, case number 29.P.2769/22, for the purpose of determining the ownership of 1/1 of the apartment at Gandijeva 24/5, and the Third Basic Court in Belgrade, by Decision no. 29.P.2769/22 of 06.09.2022. declared that he was not really competent in the said dispute, because he determined that the value of the dispute is RSD 5,302,843.68, and not RSD 309,739.43 as determined by the lawsuit, and according to the value of the dispute, the High Court in Belgrade is competent for the same. The plaintiff's claim is unfounded because the plaintiff can only be the owner of 15% of the contested apartment based on inheritance from the deceased. Svetlana Maksimović's mother, who was found by the court to have 15% ownership of the disputed apartment, and the plaintiff cannot have more rights to the disputed apartment than her legal predecessor had, i.e. testator (the apartment was the property of the subsidiary company IMP – SENZORI I MERENJA Ltd. Belgrade after whose liquidation the apartment was owned by the founder of this company - Institut Mihajlo Pupin Ltd. Belgrade which was also registered with RGA-Real Estate Cadastre Service - New Belgrade Branch as the owner of the apartment).

It is expected that the High Court in Belgrade will schedule a preliminary hearing.

**INSTITUTE MIHAJLO PUPIN DOO BELGRADE IN THE CAPACITY OF INTERVENTOR ON THE SIDE  
OF THE DEFENDANT JP Putevi Srbije (on the basis of the concluded Agreement on the  
maintenance of the Toll Collection System on the highways of the Republic of Serbia)**

**6. Plaintiffs: Ivković Miloš and Ivković Ilić Dušica for non-material damage compensation RSD 99,000.00 (RSD 40,000.00 plaintiff and RSD 59,000.00 plaintiff) + spp, Defendants: JP Putevi Srbije, Basic Court in Niš, 24.P.2888/20**

The Institute was invited by the defendant, JP Putevi Srbije, to be an intervener on the side of the defendant, which the Institute accepted and, in its capacity as an intervenor, contested the claim of the plaintiffs in its entirety, accepting the litigation in the state in which it was at the time of the intervention. He contested the findings and opinions of the expert neuropsychiatrist and submitted evidence to the court - a video of the plaintiff's passing through the toll ramp, during which the ramp descended on the plaintiff's vehicle at the toll station in Nis on January 21, 2020, from which it can be seen that, contrary to the allegations in the lawsuit and expert opinion, the passenger seat is empty, i.e. that the plaintiff was not in the vehicle at the time of the accident, nor was there a minor child in the back seat. The Institute compensated the claimant through the liability insurance policy of the company Dunav osiguranje ado Belgrade for material damage to the vehicle because it was established that the ramp descended on the vehicle due to technical problems in the operation of the toll collection system, which is undisputed, but the right to compensation is disputed in this dispute non-material damages to the plaintiffs due to the fear suffered and that the plaintiff's wife, 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 first-instance Verdict 24.P.2888/2020 dated 02.14.2022 was issued. in which he completely rejected the claim of the plaintiffs. Only the prosecutor Miloš Ivković filed an appeal against the verdict, which made the rejection verdict against the second plaintiff Ivković Ilić Dušica legally binding. The Institute filed a response to the appeal, refuting it on all grounds. The appeal will be decided by the High Court in Nis, a second-instance decision of the court is expected.

The appeal procedure is still ongoing.

**7. 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 invited by the defendant - JP Putevi Srbije to sue for damages due to the fall of the ramp at the Preljina toll station on August 28, 2021. on the Prosecutor's vehicle, included as an intervener. As it was determined that there was no fault on the part of the Prosecutor in the occurrence of the damage, after reviewing the recordings obtained from JP Putevi Srbije, the Out-of-court settlement no. 791/1-22 of March 28, 2022. before the first hearing for the main hearing, which is scheduled for March 29, 2022. in order to reduce the costs of the procedure and after receiving the Institute's payment in the amount of RSD 71,900.00 on 28.03.2022.( main debt and the costs of the procedure, the plaintiff waived the demand for

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

the payment of statutory default interest), The plaintiff waived the claim, and the Basic Court in Čačak on March 29, 2022 rendered a Judgment based on the waiver of claim no. 9.P.7097/21.  
The case is closed.

**8. 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 was invited by the defendant - JP Putevi Srbije to sue for damages due to the fall of the ramp at the Preljina toll station on August 28, 2021. on the Prosecutor's vehicle, included as an intervener. As it was determined that there was no fault on the part of the Prosecutor in the occurrence of the damage, after reviewing the recordings obtained from JP Putevi Srbije, the Out-of-court settlement no. 354/1-22 of 07.02.2022. before the first hearing for the main hearing scheduled for March 29, 2022. no. 354/1-22 of 07.02.2022. which was paid on February 8, 2022. in the amount of RSD 96,700.00 (principal debt and costs of the procedure, the plaintiff waived the demand for statutory default interest). The prosecutor withdrew the lawsuit on February 11, 2022. and the Court on 14.04.2022. issued a Decision on the withdrawal of the lawsuit.

The case is closed.

**9. 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 an intervenor in this dispute because the court did not issue a ruling on interference, but it provided the defendant - JP Putevi Srbije with complete documentation on the refusal to pay damages to the plaintiff here by the Company Dunav osiguranje ado Belgrade on the basis of the Institute's liability insurance policy because based on the video obtained JP Putevi Srbije determined that the driver - here the Prosecutor is to blame for the damage caused. The court, by its first-instance verdict dated 06.04.2022. partially accepted the Plaintiff's claim in the amount of RSD 102,578.00 with statutory default interest starting from 04/06/2022. until the final payment and in the amount of RSD 95,452.00 for the costs of the procedure, and refused the remaining part of RSD 43,962.00 with the associated interest. Both the Prosecutor and the Defendant filed an appeal against the verdict, the second-instance decision is awaited. The appeal procedure is still ongoing. Although the Institute is not a party or intervener in this proceeding, the second-instance decision could return the case to the first-instance court for a new decision, when the Institute could, if the Defendant invites it to interfere, join the litigation at the stage in which it is in the capacity of an intervener.

**10. 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.

**11. 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

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**39. COURT DISPUTES (Continued)**

no. 302 / 1-22 dated 2 February 2022. year and paid on 03.02.2022. 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.

**12. 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. 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. passed a Decision on the basis of renunciation, which ended the procedure.

**13. Plaintiffs: MR PERCAN Ltd. VETERNIK and Lekić Miloš from Veternik for damages RSD 183,875.98 + spp, Defendants JP Putevi Srbije, Commercial Court in Sremska Mitrovica 3.P.60/2022**

The institute was invited by the defendant - JP Putevi Srbije to sue for damages due to the fall of the ramp at the Stara Pazova toll station on October 7, 2020. on the Plaintiff's vehicle, included as an intervenor, to which the Institute agreed, but as JP Putevi Srbije no longer had the contested recording due to the passage of time, which is why there was no adequate evidence as to whether the Plaintiff was guilty of damage to the vehicle, in order to reduce further costs of the procedure, the Institute concluded with the Prosecutors the Out-of-court settlement no. 1605/1-22 of June 30, 2022. which was paid on June 30, 2022. in the total amount of RSD 181,890.45 (first plaintiff, the amount of RSD 180,063.23 - principal debt, legal interest and costs of the procedure, to the second plaintiff, RSD 1,827.22, the cost of the rep. fee for the MUP Record, waived part of the claim) After receiving the payment, the plaintiffs waived their claim on July 1, 2022. and the Court on 07.07.2022. issued a Judgment on the basis of renunciation. The case is closed.

**14. Plaintiff: CVETKOVIĆ DOO NOVI SAD for damages RSD 161,847.00 + spp, Defendant JP Putevi Srbije, Commercial Court in Sremska Mitrovica 3.P.151/2022**

The institute was invited by the defendant - JP Putevi Srbije to sue for damages due to the fall of the ramp at the Stara Pazova toll station on March 10, 2022. on the Prosecutor's vehicle, included as an intervener, to which the Institute agreed, but as the first hearing for the main discussion had passed, the Institute was precluded from proposing evidence for the defense, which is why there was no chance of success in the dispute, in order to reduce further costs of the procedure, The Institute concluded with the Prosecutor the Out-of-court settlement no. 1982/1-22 of 15.08.2022. which was paid on August 16, 2022. in the total amount of RSD 227,184.35 (RSD 161,847.40 main debt, RSD 65,336.95 costs of the procedure, the plaintiff waived the demand for interest on the bond). The prosecutor on 18.08.2022. withdrew the lawsuit and the Court on 12.09.2022. issued a Decision by which he determined that the lawsuit was withdrawn. The case is closed.

**15. Plaintiff: Triglav osiguranje ADO Belgrade for recourse debt RSD 18,200.00 + spp Defendant JP Putevi Srbije, Commercial Court in Belgrade - 5.P.3537/2022**

The Institute was invited by the defendant - JP Putevi Srbije to enter into litigation for recourse debt, i.e. recourse for compensation paid due to the fall of the ramp at the Vrčin toll station on July 12, 2019. on the

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**39. COURT DISPUTES (Continued)**

insured's vehicle, including as an intervener. As JP Putevi Srbije no longer had the disputed video due to the passage of time, which is why there was no adequate evidence on whether the plaintiff was guilty of damage to the vehicle, in order to reduce further costs of the proceedings, the Institute concluded with the Prosecutor on 16.09.2022. year Out-of-court settlement no. 2246/1-22, which was paid on September 19, 2021. year in the amount of RSD 23,295.11 (RSD 18,200.00 compensation for damages + RSD 5,095.11 interest determined by the lawsuit). The plaintiff on 21.09.2022. renounced the claim in full before the first hearing for the main hearing and requested a corresponding exemption from paying the court fee for the claim and judgment. The court is on September 21, 2022. issued a Judgment on Renunciation. The case is closed.

**16. Plaintiff: Zlatiborski konaci Ltd. Pećinci for damages RSD 127,240.00 + spp Defendant JP Putevi Srbije, Commercial Court in Sremska Mitrovica - 2.P.160/2022**

The institute was invited by the defendant - JP Putevi Srbije to sue for damages due to the fall of the ramp at the Stara Pazova toll station on October 7, 2020. on the Plaintiff's vehicle, included as an intervenor, to which the Institute agreed, but as JP Putevi Srbije no longer had the contested recording due to the passage of time, which is why there was no adequate evidence as to whether the Plaintiff was guilty of damage to the vehicle, in order to reduce further costs of the procedure, the Institute concluded with the Prosecutors on 12.09.2022. Out-of-court settlement no. 2192/1-22, which was paid on September 13, 2022. in the total amount of RSD 142,240.00 (To the plaintiff RSD 127,240.00 in the name of compensation for damages, the plaintiff waived interest on the principal debt and the amount of RSD 15,000.00 for the costs of the procedure to the attorney). The plaintiff on 15.09.2022. waived the claim, and on September 19, 2022. year, the Court issued a Judgment based on the waiver, but as the waiver was made after the first hearing for the main hearing, it did not exempt the parties from court fees, so the Institute on 17.10.2022. year, in accordance with the provisions of Article 3 of the concluded settlement, made an additional payment to the attorney-at-law in the amount of RSD 27,997.00 in the name of owed court fees. The case is closed.

**17. Plaintiff: Company Dunav osiguranje ADO Belgrade for recourse debt RSD 194,820.00 + spp Defendant JP Putevi Srbije, Commercial Court in Belgrade - 6.P.3134/2022**

The Institute was invited by the defendant - JP Putevi Srbije to enter into litigation for recourse debt, i.e. recourse for compensation paid due to the fall of the ramp at the Merošina toll station on August 28, 2020. on the insured's vehicle, included as an intervener, but as JP Putevi Srbije no longer had the contested recording due to the passage of time, which is why there was no adequate evidence as to whether the plaintiff was guilty of the damage to the vehicle, in order to reduce further costs of the procedure, the Institute concluded an out-of-court settlement with the Prosecutor on September 15, 2022. no. 2263/1-22, which was paid on September 20, 2022. in the amount of RSD 227,029.37 (RSD 194,820.00 in the name of the recourse debt and RSD 32,209.37 in the name of the legal interest determined by the lawsuit). The plaintiff on 29.09.2022. in a submission before the first hearing for the main hearing, waived the claim in its entirety (exemption from paying the court fee for the claim and for the verdict), and the Court on 30.09.2022. issued a Judgment on the basis of renunciation. The case is closed.

**18. Plaintiff: PANTIĆ TRANSPORT DOO SIBNICA for damages 104,632.00 RSD + spp, Defendant JP Putevi Srbije, Commercial Court in Belgrade 25.P.4603/2022**

The Institute was invited by the defendant - JP Putevi Srbije to sue for damages due to the fall of the ramp at the Mali Požarevac toll station on September 5, 2022. on the Plaintiff's vehicle, including as an intervener, to which the Institute agreed. As the inspection of the footage of the Plaintiff's vehicle passing through the disputed toll station, obtained from JP Putevi Srbije, determined that the cause of the ramp fall was a technical problem in the operation of the toll collection system, in order to reduce further costs of the procedure, the Institute concluded with the Plaintiff the Out-of-court settlement no. 2815/1-22 of 15.11.2022. which was paid on November 15, 2022. in the total amount of RSD 113.63200 (RSD 89,632.00 compensation for damages, RSD 15,000.00 expert opinion costs submitted with the lawsuit and RSD 9,000.00 composition of the lawsuit according to AT, the plaintiff waived part of the claim for interest on the amount of damages compensation and expert opinion costs determined in the lawsuit). After receiving the

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**39. COURT DISPUTES (Continued)**

payment, the plaintiff waived the claim in its entirety on November 15, 2022. year and demanded that the Court, since the waiver of the claim was made before the first hearing for the main hearing, exempt from payment of court fees for the claim and judgment. The court is on 22.11.2022. issued a Judgment on the basis of renunciation.  
The case is closed.

**19. Plaintiff: SAVA NEZIVOTNO OSIGURANJE ADO Belgrade for recourse debt RSD 20,300.00 + spp  
Defendant JP Putevi Srbije, Commercial Court in Belgrade - 19.P.1368/2022**

The Institute was invited by the defendant - JP Putevi Srbije to enter into litigation for recourse debt, i.e. recourse for compensation paid due to the fall of the ramp at the Velika Plana toll station 13 days 08/22/2019. on the insured's vehicle, included as an intervener, but as JP Putevi Srbije no longer had the contested recording due to the passage of time, which is why there was no adequate evidence as to whether the plaintiff was guilty of the damage to the vehicle, in order to reduce further costs of the procedure, the Institute concluded an out-of-court settlement with the Prosecutor on May 4, 2022. year no. 1131/1-22, which was paid on May 5, 2022. in the amount of RSD 30,086.02 (RSD 20,300.00 recourse debt, RSD 4,668.20 in the name of legal interest determined by the lawsuit and RSD 5,118.00 litigation costs in the amount of the court fee for the lawsuit). The prosecutor on 06.05.2022. withdrew the lawsuit and claim in its entirety. The court is on 12.05.2022. issued a Decision on the withdrawal of the lawsuit.  
The case is closed.

**20. Plaintiff: MILOŠ PETROVIĆ from the village of Tulare for damages of RSD 16,700.00 + spp,  
Defendant JP Putevi Srbije, Basic Court in Niš 19.P.103/2022**

The institute was invited by the defendant - JP Putevi Srbije, to sue for damages due to the collapse of the ramp at the Leskovac Center toll station on August 27, 2022. on the Plaintiff's vehicle, including as an intervener, to which the Institute agreed. As a review of the recording of the Plaintiff's vehicle passing through the disputed toll station, obtained from JP Putevi Srbije, it was determined that there is no evidence that would guarantee success in the dispute, bearing in mind the value of the litigation, the fact that the competent court in Nis (travel expenses) and the uncertain outcome of the dispute, in order to reduce further costs of the procedure, the Institute concluded with the Plaintiff the Out-of-court settlement no. 1285/1-22 of 05/24/2022. which was paid on May 31, 2022. in the total amount of RSD 34,268.00 (RSD 16,700.00 compensation for damages to the plaintiff and RSD 17,568.00 to the attorney-at-law for the costs of the procedure, which include RSD 9,000.00 for the composition of the lawsuit and RSD 6,000.00 for access to I unmaintained court under AT and RSD 2,568.00 court fee for the lawsuit, The plaintiff waived part of the claim for the payment of interest determined by the claim). After receiving the payment, the plaintiff waived the claim in its entirety on June 1, 2022. and the Court on 03.06.2022. issued a Judgment on the basis of renunciation.  
The case is closed.

**21. Plaintiff: NEBOJŠA DMITROVIĆ from Gornji Milanovac for compensation of RSD 60,000.00 + spp,  
Defendant JP Putevi Srbije, Basic Court in Gornji Milanovac 5.P.21/2022**

The Institute was invited by the defendant - JP Putevi Srbije to sue for damages due to the fall of the ramp at the Takovo toll station on September 12, 2020. on the Plaintiff's vehicle, including as an intervener, to which the Institute agreed. As JP Putevi Srbije no longer had the disputed recording due to the passage of time, which is why there was no adequate evidence on whether the plaintiff was guilty of damage to the vehicle, in order to reduce further costs of the procedure, the Institute concluded an out-of-court settlement with the plaintiff on 05/10/2022. no. 1177/1-22, which was paid on May 11, 2022. in the total amount of RSD 58,300.00 (RSD 45,000.00 damages to the Plaintiff and RSD 13,300.00 to the attorney-in-fact for the costs of the proceedings, which include RSD 9,000.00 for the composition of the claim and RSD 4,300.00 for the court fee for the claim, the Plaintiff waived part of the claim for the payment of compensation for non-material damages). Upon receiving the payment, the plaintiff waived the claim in its entirety on May 12, 2022. and the Court on 13.05.2022. issued a Judgment on the basis of renunciation.  
The case is closed.

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**39. COURT DISPUTES (Continued)**

**22. 29. ΦEBRUAR Ltd. Novi Sad for damages RSD 60,602.00 + spp  
Defendant JP Putevi Srbije, Commercial Court in Novi Sad - 12.P.909/2022**

The institute was invited by the defendant - JP Putevi Srbije to sue for damages due to the fall of the ramp at the Kovilj toll station on July 11, 2022. around 10:20 a.m. to the Prosecutor's vehicle, including as an intervener, to which the Institute agreed. As the inspection of the footage of the Plaintiff's vehicle passing through the disputed toll station, obtained from JP Putevi Srbije, determined that the cause of the ramp fall was a technical problem in the operation of the toll collection system, in order to reduce further costs of the procedure, the Institute concluded with the Plaintiff on 26.12.2022. year Out-of-court settlement no. 3290/1-22, which was paid to the attorney's attorney's account, according to the power of attorney, on December 27, 2022. in the total amount of RSD 100,602.00 (RSD 50,602.00 in the name of compensation for damages, RSD 9,240.00 in the name of compensation for lost car days according to the opinion of the expert, RSD 760.00 in the name of the cost of obtaining the official note of the MUP and the amount of RSD 40,000.00 in the name of the costs of the litigation of the procedure, which include RSD 9,000.00 for the composition of the lawsuit, RSD 6,000.00 for access to 1 non-held hearing according to AT and RSD 25,000.00 for the cost of the expert opinion for the report submitted with the lawsuit, the plaintiff waived the part of the lawsuit claim that referred to the statutory default interest, determined by the lawsuit). The plaintiff on 28.12.2022. waived the claim in its entirety and requested exemption from paying court fees because the waiver was made before the end of the first hearing for the main hearing, withdrew the lawsuit on June 16, 2021, and the Court issued a Judgment on January 11, 2023 based on the waiver. The case was concluded in 2023.

**23. T Plaintiff: Company Dunav osiguranje ADO Beograd for recourse debt RSD 63,457.00 + spp  
Defendant JP Putevi Srbije, Commercial Court in Belgrade-2.PL.405/2022 (the case was transferred to litigation no. 10.P.56 /2023)**

The Institute was invited by the defendant - JP Putevi Srbije to enter into litigation for recourse debt, i.e. recourse for compensation paid due to the fall of the ramp at the Vrčin toll station on May 31, 2021. on the insured's vehicle, including as an intervener, to which the Institute agreed. As JP Putevi Srbije no longer had the contested recording due to the passage of time, which is why there was no adequate evidence on whether the plaintiff was guilty of damage to the vehicle, in order to reduce further costs of the procedure, the Institute agreed with the plaintiff on 01.24.2023. concluded the out-of-court settlement dated no. 176/1-23, which was paid on January 26, 2023. in the amount of RSD 74,763.79 (RSD 63,457.00 recourse debt, RSD 7,708.00 court fee for the lawsuit, i.e. for the issuance of a payment order and RSD 3,598.79 in the name of the legal interest determined by the lawsuit). The plaintiff on 01.02.2023. withdrew the lawsuit and claim in its entirety (exemption from payment of the court fee for the verdict), and the Court on 02.03.2023. issued a Decision that the lawsuit was withdrawn. The case was concluded in 2023.

**24. Plaintiff: BORIVOJ JANJIĆ PR MEAT PROCESSING AND CANNING TRADE AND SERVICES BUTCHER JANJIĆ ŠID, from Šid for compensation of damages RSD 49,270.00 + spp, Defendant JP Putevi Srbije, Basic Court in Šid 1.P.205/2022**

The institute has been invited by the defendant - JP Putevi Srbije, to sue for damages due to the fall of the ramp at the Šimanovci toll station on June 20, 2021. around 1:25 p.m. to the Prosecutor's vehicle, including as an intervener, to which the Institute agreed. As JP Putevi Srbije no longer had the contested recording due to the passage of time, which is why there was no adequate evidence on whether the plaintiff was guilty of damage to the vehicle, in order to reduce further costs of the procedure, the Institute sent the plaintiff on 10.02.2023. year, indicating that the lawsuit was actually filed with a non-jurisdictional court (for entrepreneurs from Šid, the Commercial Court in Sremska Mitrovica is competent) and that the amount of the claim was stated incorrectly (the correct amount is RSD 36,770.00 + RSD 9,000.00 the cost of the procedure for filing a claim under AT) and demanding that the plaintiff waive the part of the claim that refers to the payment of the statutory default interest determined by the claim, because the settlement implies concessions on both sides. The plaintiff's attorney is sick at the time of writing this report, but he has confirmed that he accepts to conclude the out-of-court settlement as proposed, and after its conclusion the same will be paid, and the plaintiff will waive the claim in full before the first hearing for the main hearing and will claim exemption from payment of court fees on the suit and judgment.



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**39. COURT DISPUTES (Continued)**

It is expected that the case will be resolved in a very short time, as stated, in 2023.

**INSTITUT MIHAJLO PUPIN Ltd. BELGRADE as the plaintiff, represented by lawyer Duško Filipović from Zemun:**

**25. Plaintiff: INSTITUT MIHAJLO PUPIN Ltd. BELGRADE for eviction from real estate Defendants: Gojko Drobnjaković from Belgrade (tenant of real estate) First Basic Court in Belgrade P.6076/22**

On May 6, 2022, a lawsuit was filed for the eviction of the Defendant tenant from the real estate in Valtazar Bogišića street no. 3A, whose registered holder of the right of use with 1/1 of the ideal share is the Institute, as well as for handing over the mentioned immovable property to the Institute. The case is in abeyance according to the Court Decision of 10.10.2022. due to the death of the Defendant on September 16, 2022. On 10.11.2022. after establishing the fact that probate proceedings O.6244/2022 were initiated against the Defendant before the First Basic Court in Belgrade, which was entrusted to notary public Miodrag Glišić, a submission was submitted to establish the fact that the Institute is an interested party in that probate proceeding, because after the end of the estate and the determination of the Plaintiff's heir, the civil proceedings can be continued. The lawyer's report is attached to this Report.

**26. Plaintiff: INSTITUT MIHAJLO PUPIN Ltd. BELGRADE for a debt in the amount of RSD 63,800.00 + spp Defendants: Gojko Drobnjaković from Belgrade (tenant of real estate) First Basic Court in Belgrade P.6063/22**

On 06.05.2022. In 2008, a debt lawsuit was filed against the Defendant lessee of real estate in Valtazar Bogišića street no. 3A, whose registered holder of the right of use with 1/1 ideal share is the Institute. The case is in abeyance according to the Court Decision of 10.10.2022. due to the death of the Defendant on September 16, 2022. On 10.11.2022. year, after establishing the fact that probate proceedings O.6244/2022 were initiated against the Defendant before the First Basic Court in Belgrade, which was entrusted to notary public Miodrag Glišić, a submission was submitted to establish the fact that the Institute is an interested party in that probate proceeding, because after the end of the estate and the determination of the Plaintiff's heir, the civil proceedings can be continued. The lawyer's report is attached to this Report.



**Notes to the financial statements**  
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**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:

	<u>2022.</u>	<u>2021.</u>
<b>(a) Sales of goods and services</b>		
IMP-Automatika Ltd, Belgrade	181,072	189,032
IMP Automatika-Security Ltd, Belgrade	184	127
IMP Racunarski sistemi Ltd, Belgrade	34,420	16,957
IMP Telekomunikacije Ltd, Belgrade	5,188	5,509
Idvorski laboratorije Ltd, Belgrade	1,033	963
IMP Poslovne usluge Ltd, Belgrade	348	285
<b>Total</b>	<u><b>222,245</b></u>	<u><b>212,873</b></u>

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

	<u>2022.</u>	<u>2021.</u>
<b>(b) Procurement of goods and services</b>		
IMP-Automatika Ltd, Belgrade	205,614	167,768
IMP Racunarski sistemi Ltd, Belgrade	488,261	385,375
IMP Telekomunikacije Ltd, Belgrade	115,335	200,556
Idvorski laboratorije Ltd, Belgrade	0	0
IMP Piezotehnologija Ltd, Belgrade	14	24
IMP Poslovne usluge Ltd, Belgrade	29,420	30,078
<b>Total</b>	<u><b>838,644</b></u>	<u><b>783,801</b></u>

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

For 2022 study was conducted on transfer pricing and consequently are made appropriate adjustments for tax purposes.

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**39. TRANSACTIONS WITH RELATED PARTIES (Continued)**

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

	<b>2022.</b>	<b>2021.</b>
<b>Receivables from sales</b>		
<b>(Note 24)</b>		
IMP-Automatika Ltd, Belgrade	89,867	75,837
IMP Racunarski sistemi Ltd, Belgrade	1,042	611
IMP Telekomunikacije Ltd, Belgrade	103	64
IMP Piezotehnologija Ltd, Belgrade	30,483	30,483
IMP Poslovne usluge Ltd, Belgrade	34	32
	<u>121,529</u>	<u>107,027</u>
Less: Allowance for impairment	<u>(54,593)</u>	<u>(54,593)</u>
<b>Total</b>	<u><b>66,936</b></u>	<u><b>52,434</b></u>
<b>Receivables from interest and dividend</b>		
<b>(Note 25)</b>		
IMP-Automatika Ltd, Belgrade	9,764	22,764
IMP Poslovne usluge Ltd, Belgrade	0	6,000
	<u>9,764</u>	<u>28,764</u>
<b>Total</b>	<u><b>9,764</b></u>	<u><b>28,764</b></u>
<b>Short-term financial investments</b>		
IMP – PIEZOTEHNOLOGIJA Ltd. Belgrade	14,607	14,607
IMP – AUTOMATIKA Ltd. Belgrade	66,000	0
	<u>80,607</u>	<u>14,607</u>
Less: Allowance for impairment	<u>(14,607)</u>	<u>(14,607)</u>
IMP Piezotehnologija Ltd, Belgrade		
<b>Total</b>	<u><b>66,000</b></u>	<u><b>0</b></u>
<b>Liabilities from business</b>		
<b>(Note 34)</b>		
IMP-Automatika Ltd, Belgrade	32,170	23,725
IMP Racunarski sistemi Ltd, Belgrade	122,917	49,943
IMP Telekomunikacije Ltd, Belgrade	15,529	90,852
IMP Poslovne usluge Ltd, Belgrade	4,089	6,941
	<u>174,705</u>	<u>171,461</u>
<b>Total</b>	<u><b>174,705</b></u>	<u><b>171,461</b></u>

**Notes to the financial statements**  
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**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.

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

	<i>in RSD 000</i>	
	<b>2022.</b>	<b>2021.</b>
Debt a)	297,658	203,552
Cash and cash equivalents	(629,590)	(656,939)
Net debt	(331,932)	(453,387)
Equity b)	625,297	588,966
<b>Debt equity ratio</b>	<b>0,53</b>	<b>0,77</b>

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>	
	<b>2022.</b>	<b>2021.</b>
<b>Financial Assets</b>		
Long term financial investments	76,369	68,057
Receivables from sales	667,949	290,940
Other receivables	201,471	141,993
Short-term financial investments	66,000	0
Cash and cash equivalents	629,590	656,939
	<b>1,641,379</b>	<b>1.157,929</b>
<b>Financial Liabilities</b>		
Long-term liabilities	(97,955)	(99,032)
Short-term financial liabilities	(199,703)	(104,520)
Trade payables without received advances	(844,367)	(521,160)
Other liabilities	(68,645)	(67,641)
	<b>(1,210,670)</b>	<b>(792,353)</b>

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 31<sup>st</sup> 2022 and 2021**

**41. FINANCIAL INSTRUMENTS (Continued)**

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.

**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 on 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	
	<b>Assets</b>	<b>Liabilities</b>	
	<b>December 31<sup>st</sup> 2022.</b>	<b>December 31<sup>st</sup> 2021.</b>	<b>December 31<sup>st</sup> 2022.</b>
			<b>December 31<sup>st</sup> 2021.</b>
	748,757	656,058	(395,486)
In currency			(378,898)
	<b>748,757</b>	<b>656,058</b>	<b>(395,486)</b>
			<b>(378,898)</b>

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 31<sup>st</sup> 2022 and 2021**

**41. FINANCIAL INSTRUMENTS (Continued)**

	December 31 <sup>st</sup> 2022. +10%	December 31 <sup>st</sup> 2021. +10%	December 31 <sup>st</sup> 2022. -10%	IN RSD 000 December 31 <sup>st</sup> 2021. -10%
EUR	12,588	27,716	(12,588)	(27,716)
	<u>12,588</u>	<u>27,716</u>	<u>(12,588)</u>	<u>(27,716)</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:

	2022.	2021.
	<i>in RSD 000</i>	
<b>Financial asset</b>		
<i>Noninterest bearing</i>		
Long-term financial investments	76,369	68,057
Receivables from sales	667,949	290,940
Other receivables	201,471	141,993
Short-term financial investments	66,000	0
Cash and cash equivalents	629,590	656,939
	<u>1,641,379</u>	<u>1,157,929</u>
	<u>1,641,379</u>	<u>1,157,929</u>
<b>Financial liabilities</b>		
<i>Noninterest bearing</i>		
Trade payables without received advances	(844,367)	(521,160)
Other liabilities	(68,645)	(67,641)
	<u>(913,012)</u>	<u>(588,801)</u>
<i>Interest bearing</i>		
Long-term liabilities	(97,955)	(99,032)
Short-term financial liabilities	(199,703)	(104,520)
	<u>(297,658)</u>	<u>(203,552)</u>
<b>Interest rate gap</b>	<u>(297,658)</u>	<u>(203,552)</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.

	Increase of 1 percentage point 2022.	2021.	Decrease of 1 percentage point 2022.	2021.
	<i>IN RSD 000</i>			
The result for the current year	(2,976)	(2,036)	2,976	2,036

**Notes to the financial statements**  
**For the Year Ended December 31<sup>st</sup> 2022 and 2021**

**41. FINANCIAL INSTRUMENTS (CONTINUED)**

**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 31<sup>st</sup> December 2022 and 31<sup>st</sup> December 2021.

	<b>December 31<sup>st</sup> 2022</b>		<b>December 31<sup>st</sup> 2021</b>	
	<b>Book value</b>	<b>Fair value</b>	<b>Book value</b>	<b>Fair value</b>
<b>Financial asset</b>				
Long-term financial investments	76,369	76,369	68,057	68,057
Trade receivables	667,949	667,949	290,940	290,940
Other receivables	201,471	201,471	141,993	141,993
Short-term financial investments	66,000	66,000	0	0
Cash and cash equivalents	629,590	629,590	656,939	656,939
	<b>1,641,379</b>	<b>1,641,379</b>	<b>1,157,929</b>	<b>1,157,929</b>
<b>Financial liabilities</b>				
Long-term liabilities	(97,955)	(97,955)	(99,032)	(99,032)
Short-term financial liabilities	(199,703)	(199,703)	(104,520)	(104,520)
Trade payables without received advances	(844,367)	(844,367)	(521,160)	(521,160)
Other liabilities	(68,645)	(68,645)	(67,641)	(67,641)
	<b>(1,210,670)</b>	<b>(1,210,670)</b>	<b>(792,353)</b>	<b>(792,353)</b>

*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.

**Notes to the financial statements**  
**For the Year Ended December 31<sup>st</sup> 2022 and 2021**

**42. EVENTS OCCURRED AFTER THE BALANCE SHEET DATE**

After the balance sheet date as of December 31, 2022, 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:

	<b>December 31<sup>th</sup> 2022</b>	<b>IN RSD December 31<sup>th</sup> 2021</b>
EUR	117,3224	117,5821
USD	110,1515	103,9262
CHF	119,2543	113,6388

In Belgrade,

Date February 28<sup>th</sup> 2023

**Person responsible for preparing  
the Financial Statement**

Slavenko Bećić



**Legal representative**

[Signature]