

Institute „Mihajlo Pupin“ Ltd, Belgrade

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

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

1. Corporate Information

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

The Company operates in accordance with the Law on research and development activities ("RS Official Gazette", no. 110/05 and 50/06 - correction, 18/2010 and 112/2015). 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).

The parent company has majority ownership and control of the subsidiaries listed in Note 2. 1. which are included in the consolidation (together hereinafter referred to as "Group").

The group is headquartered in Belgrade, Volgina street number 15.

On day December 31st 2021 the Group had 504 zaposlena (Decembar 31st 2020: 502 employees).

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of consolidation

The accompanying consolidated financial statements include the financial statements of the parent and the following subsidiaries as at and for the year ended December 31st 2021. (Hereinafter referred to as "Consolidated subsidiaries"):

1. <u>Name of company</u>	<u>% participation</u>
1. IMP "Automatika" Ltd, Belgrade	100%
2. IMP "Računarski sistemi" Ltd, Belgrade	100%
3. IMP "Telekomunikacije" Ltd, Belgrade	100%
4. IMP "Piezotehnologija" Ltd, Belgrade	100%
5. IMP "Poslovne usluge" Ltd, Belgrade	100%
6. Idivorski laboratorije" Ltd, Belgrade	75%

The company IMP – Naučnotehnološki park Ltd, Belgrade – in liquidation, TAX ID 104802558, registration number 20232005, was deleted from the Serbian Business Registers Agency (decision BD 74902/2020 of October 19, 2020).

All amounts of transactions arising from mutual business relations between the parent company and the aforementioned subsidiaries are eliminated on consolidation of financial statements.

The reporting period of the parent enterprise and subsidiaries Consolidated subsidiaries are the same.

The consolidated financial statements of the Group have been prepared using the uniform accounting policies for similar transactions and events, and these are consistently applied.

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1. Basis of consolidation (Continued)

IMP “Automatika” Ltd Belgrade, was established in Decision of July 14th 1997 under the number 14423/97 Fi as a legal entity wholly owned by the parent company. The main activity of the company is research and experimental development in technical and technological sciences.

IMP “Telekomunikacije” Ltd Belgrade, was established in Decision of July 14th 1997 under the number 14426/97 Fi as a legal entity wholly owned by the parent company. The main activity of the company is research and development in technical sciences.

IMP “Piezotehnologija” Ltd Belgrade, was established in Decision of July 14th 1997 under the number 14429/97 Fi as a legal entity wholly owned by the parent company. The main activity of the company is the production of electronic components.

IMP “Poslovne usluge” Ltd Belgrade, was established in Decision of July 14th 1997 under the number 14430/97 Fi as a legal entity wholly owned by the parent company. The main activity of the company accounting, control, etc..

IMP “Računarski sistemi” Ltd Belgrade, was established in Decision of July 14th 1997 under the number 14424/97 Fi as a legal entity wholly owned by the parent company. The main activity of the company is research and development in technical sciences.

IMP “Naučnotehnološki park” Ltd Belgrade, was established in Decision No.. BD 193877/06 20. December 2006. as a legal entity wholly owned by the parent company. The main activity of the company is research and experimental development in technical and technological sciences. The company has actually started its activity in 2007. year.

“Idvorski laboratorije” Ltd Belgrade, was established in Decision No. BD 69209/2013 June 24th 2013 as a legal entity with 75% ownership of the parent company, 20% owned by “IKT Mreže”, identification number 28019734, Kralja Milana 4/4, Belgrade and 5% ownership of Electrotechnical faculty, University of Belgrade, identification number 07032498, Bulevar Kralja Aleksandra 73, Belgrade. The main activity of the company is the technical testing and analysis.

The Management Board of the parent company, as a founder, on March 21st 2003 passed the Decision on the termination of operations of the subsidiary IMP “Mehatronika” Ltd Belgrade liquidation of summary procedure. The Commercial Court in Belgrade issued a decision on opening the liquidation procedure September 2nd 2003. A judgment of the same court No. XIII-ST-889/04 of April 2nd 2004 over the years of IMP “Mehatronika” Ltd Belgrade suspended the liquidation proceedings opened in 2003 and bankruptcy proceedings.

Assembly of the parent company, as a founder, July 15th 2009 adopted Decision 1401 / 1-09 on the cessation of operations of the subsidiary IMP “Senzori i merenja” Ltd Belgrade liquidation of summary procedure. Business Registers Agency (APR) adopted Decision No.. BD 129540/2009 of July 29th 2009 the opening of the liquidation proceedings.

Decision to initiate the process of status change of merger by IMP “Računarstvo” in IMP “Računarski sistemi” is the decision of the Assembly “Mihajlo Pupin” No.. 2299 / 1-11 of September 26th 2011 was signed between the IMP “Računarstvo” i IMP “Računarski sistemi”.

The company IMP – Naučnotehnološki park Ltd, Belgrade – in liquidation, TAX ID 104802558, registration number 20232005, was deleted from the Serbian Business Registers Agency (decision BD 74902/2020 of October 19th 2020).

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1. Basis of consolidation (continued)

The parent company has significantly participation in the following associates: “Servis inženjering” IMP Ltd (participation 20%), IMP “Projekt inženjering” Ltd (participation 20%), “Elektronske transakcije” IMP Ltd (participation 25%) and “IMP-BEEL” Ltd (participation 20%).

In 2013 the carrying amount of the equity of the associated companies “Jugea” Ltd Belgrade (participation 35%). The above mentioned company has not been translated into the Serbian Business Registers Agency. SERBIAN SOFTWARE CLUSTER ceased to exist with the establishment of the ICT NETWORK, CLUSTER Embedded.rs (12.5%) ceased to exist with the establishment of the ICT NETWORK, LOGISTIKA-IMP Ltd, Belgrade – in liquidation (20%), because on April 30th 2012, date of deletion from the Serbian Business Registers Agency and IMP - ZERO WASTE Ltd, Belgrade (20%), by Decision of the Serbian Business Registers Agency BD 859/2020 from January 13th 2020 the business name INSTITUTE MIHAJLO PUPIN Ltd, Belgrade (Zvezdara) is deleted.

In 2020, the listed associated companies were deleted from the business books of the INSTITUTE MIHAJLO PUPIN LTD BELGRADE.

Join entities not included in the accompanying consolidated financial statements for 2021 and 2020 year equity method, since mutual relations are immaterial compared to the amounts and transactions between the mother company and combining fresh surface of consolidated subsidiaries.

2.2. Basis of preparation and presentation of consolidated financial statements

The Group 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 2021.

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

2.2. Basis of preparation and presentation of consolidated financial statements (Continued)

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 Group 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.

2.3. Foreign currency conversion

All assets and liabilities in foreign means of payment are converted into their dinar equivalent on the reporting date using the official exchange rate of the National Bank of Serbia valid on that day (Note 40). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations at which the items are remeasured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement as part of finance income or expense.

2.4. Comparative data

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

2.5. The going concern concept

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

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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/losses from the disposal or sale of intangible assets are recognized to the Income statement in 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.

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 cost are charged to the income statement during the period in which they are incurred.

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

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

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

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

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Property, Plant and Equipment (Continued)

The 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, 86/2019, 153/2020 and 118/2021) 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

Assets that have an indefinite useful life are not subject to amortization are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

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

3.5. Investments in Subsidiaries

Equity investments in subsidiaries are reported at the original acquisition cost less accumulated impairment losses.

3.6. Financial Instruments

In accordance with IFRS 9, the Group 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.

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Financial Instruments (Continued)

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

Business model assessment

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

Offsetting financial instruments

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

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

Offsetting financial instruments

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

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Financial Instruments (Continued)

Cash and cash equivalents

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

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

Trade and other receivables

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

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

Trade and other payables

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

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

Write-off

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

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

Recognition and derecognition

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

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.

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Financial Instruments (Continued)

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

The Group 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.

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 RSD 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 29). The provision charge is recognized in the expenses of the period.

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

Provisions are reviewed as of each balance sheet date and adjusted in order to reflect the best possible present estimate.

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.

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12. Leases

Company as a Lessee

In accordance with IAS 17 - Leasing, leasing can be considered as:

- financial (capital) leasing,
- business (operational) leasing

At the time of concluding the lease agreement and the date of the obligation of the parties to comply with the main provisions of the lease agreement on that day, the lease is classified as either operating or financial leasing.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Whether the lease is financial or business depends on the essence of the transaction, and not on the form of the contract. Examples of situations that individually or together indicate the classification of leasing as financial are:

- a) the lease transfers the ownership of the asset to the lessee until the end of the lease term;
- b) the lessee has the option to purchase the asset at a price that is expected to be significantly lower than the fair value at the date the option can be exercised, and when it is reasonable to expect the option to be exercised at the inception;
- c) the duration of the lease covers most of the economic life of the asset, even if the ownership is not transferred;
- d) at the inception of the lease, the present value of the minimum lease payments is greater than or equal to the total fair value of the asset being leased; i
- e) the assets that are the subject of the lease are of a specific nature, so that without significant modifications they can be used only by the lessee.

When the company is a lessee, it recognizes a finance lease as an asset and a liability in its balance sheet, in an amount equal to the fair value of the leased assets at the inception of the lease.

In financial leasing, the legal form of the leasing contract stipulates that the lessee cannot acquire the right of ownership over the leased assets, but acquires economic benefits from the use of the leased assets.

Lease repayment is divided into interest and principal repayment according to calculated annuities. Interest expenses are charged to the expense of the period, ie they are recorded in the Income Statement.

The amount of depreciation of leased assets is systematically allocated to each accounting period during the expected useful life, in accordance with the depreciation policy adopted for the same depreciable assets owned by the company.

Leases of assets with which all benefits and risks associated with ownership are retained by the lessor, ie are not transferred to the lessee, are recorded as operating leases.

The payment of an operating lease is recognized as an expense in the income statement at the inception of the lease.

If the business lease agreement is terminated before the expiration of the lease period, any payments, penalties and penalties are recognized as an expense of the period in which the contract was terminated, in accordance with the provisions of the agreement.

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13. 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.

3.14. Foreign Currency Translation

(a) Functional and reporting currency

The items included in the Group's consolidated financial statements are measured and presented in dinars ("RSD"), which is the currency of the primary economic environment in which the Group operates (functional currency).

(b) Transactions and balances

All assets and liabilities in foreign currencies are translated into their dinar equivalent on the reporting date using the official exchange rate of the National Bank of Serbia valid on that date (Note 40).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or at which the items are remeasured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement as part of financial income (Note 13) and financial expenses (Note 14).

3.15. Revenue Recognition

(a) Sales of Products and Goods

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.

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

3.15. Revenue Recognition (Continued)

(a) Sales of Products and Goods (Continued)

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.

Give all the necessary disclosures about 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.

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.

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

3.15. Revenue Recognition (Continued)

(c) Interest Income

Interest income originates from interests accrued on deposits with banks and penalty interest accrued on default payments by the customers, in accordance with the contractual provisions. Interest income is recognized on an accrual basis.

(d) Rental Income

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

(e) Dividend Income

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

3.16. Recognition of expenses

Operating expenses include all costs incurred in connection with the realized operating income and relate to: costs of materials, energy and fuel, costs of salaries and compensation of salaries, depreciation, rental costs, other production services and other operating expenses.

Operating expenses also include general expenses such as marketing, representation, insurance, payment, taxes and other expenses incurred in the current accounting period.

Operating expenses are recorded in the income statement according to the principle of causality of income and expenses, in the amount actually incurred, in the accounting period to which they relate.

The costs of current maintenance and repairs of property, plant and equipment are recognized as an expense in the accounting period in which they are incurred in the amount actually incurred.

Lease costs are recognized in the income statement as incurred and in accordance with the relevant lease agreements.

Interest expenses are recorded in the income statement according to the principle of causality of income and expenses in the accounting period to which they relate.

3.17. 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.

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

3.17. Current and Deferred Income Taxes (Continued)

Current Income Tax (Continued)

A taxpayer 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.

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 the deferred income tax liability is settled.

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.

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

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

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

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

4.1. Financial Risk Factors

(a) Market Risk

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

Foreign Exchange Risk

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

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

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (Continued)

4.1. Financial Risk Factors (Continued)

(a) Market Risk (Continued)

Foreign Exchange Risk

The Group has receivables and liabilities in foreign currencies and the Group's management takes measures to maximize the matching of inflows and outflows in the same foreign currency to protect against changes in foreign exchange rates. On the other hand, the Group does not yet use hedging transactions, given the existing regulations and the underdeveloped financial market.

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

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

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

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

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (Continued)

4.1. Financial Risk Factors (Continued)

(c) Liquidity Risk (Continued)

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Useful Lives of Intangible Assets and Property, Plant and Equipment

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

Impairment of Non-financial Assets

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

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

Retirement Benefits to Employees

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

Provisions for Litigation

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

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Provisions for Litigation (Continued)

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

6. REVENUES FROM SALES

Revenues from sales are related to:

	2021.	<i>in RSD 000</i> 2020.
Sales of merchandise	4,178	2,133
Sales of finished goods and services rendered to domestic Customers	4,024,268	4,117,849
Sales of finished goods and services rendered to foreign Customers	263,809	473,351
Total	4,292,255	4,593,333

7. OTHER OPERATING INCOME

Other operating incomes are related to:

	2021.	<i>in RSD 000</i> 2020.
Income from premiums, subventions, donations, compensations and tax returns	0	0
Income from donations under specified conditions	435,307	381,687
Rental fees income	8,757	8,949
Total	444,064	390,636

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

8. MATERIAL COSTS

Costs of material are related to:

		<i>in RSD 000</i>
	2021.	2020.
Material procurement cost	49	27
Cost of raw material	872,890	1,096,889
Cost of other material (overhead)	11,623	10,396
Cost of fuel and energy	51,847	43,525
Cost of spare parts	15,807	4,427
Cost of a one-time write-off of inventory and tools	4,175	4,797
Total	956,391	1,160,061

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

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

		<i>in RSD 000</i>
	2021.	2020.
Costs of salaries and fringe benefits (gross)	1,433,317	1,444,231
Taxes and contributions on salaries and benefits	223,861	222,720
The cost of compensation for services contract	5,502	8,670
Costs of remunerations according to author's contracts	2,806	3,263
Costs of salaries for temporary contracts	21,291	12,187
Compensations to individuals for other contracts	2,625	3,520
Costs of remuneration to members of Management Board and Supervisory Board	4,728	4,255
Costs of hiring employees through agencies and cooperatives	615	0
Other personal expenses remunerations	64,609	64,934
Total	1,759,354	1,763,780

Gross income of direct management in 2021 amounts to RSD 126,184 thousand.

10. COSTS OF DEPRECIATION AND PROVISIONS

Costs of depreciation and provisions are related to:

		<i>in RSD 000</i>
	2021.	2020.
Depreciation costs	70,651	59,974
Costs of provisions during the warranty period	136,708	194,316
Provisions for employee compensations and other benefits	13,661	7,518
Other provisions	18,370	20,558
Total	239,390	282,366

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

11. OTHER OPERATING EXPENSES

Other operating expenses are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Costs of services used in production process of own costs capitalized	1,254,461	1,098,309
Transport services costs	17,425	18,929
Maintenance costs	27,201	27,395
Rental costs	5,347	11,117
Fair costs	0	0
Advertising costs	897	1,436
Research costs	859	0
Other non-production costs	23,942	16,280
Total	1,330,132	1,173,466

12. NON-PRODUCTION COSTS

Non-production costs are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Costs of non-production services	92,011	91,669
Representation costs	17,176	21,553
Costs of insurance premiums	10,918	9,805
Costs of payment operations	21,964	21,228
Costs of membership fees	3,611	3,171
Tax costs	22,170	11,303
Contribution costs	2,541	1,608
Other non-production costs	25,478	45,230
Total	195,869	205,567

13. FINANCIAL REVENUES

Financial revenues are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Financial income from parent and subsidiary companies	2,336	3,129
Financial income from other subsidiary companies	254	303
Income from interest (to third parties)	1,106	1,993
FX gains (to third parties)	0	1,045
Income from foreign currency clause (to third parties)	1,358	4,805
Other financial revenues	3,052	2,013
Total	8,106	13,288

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

14. FINANCIAL EXPENSES

Financial expenses are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Cost of interest (to third parties)	11,750	10,094
FX losses (to third parties)	1,463	1,925
Expenses from foreign currency clause (to third parties)	4,059	8,242
Total	17,272	20,261

15. OTHER REVENUES

Other revenues are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Gains on sales of Intangible assets and property, plant and equipment	1,062	874
Collected written-off receivables	63,131	54,321
Revenues from the effects of hedging which do not fulfill the conditions to be set out in the framework of other comprehensive results	771	690
Income from reduction of liabilities	11	781
Income from abolishing of long-term and short-term provisions	2,855	20,772
Other income	20,312	5,608
Total	88,142	83,046

16. OTHER EXPENSES

Other expenses are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Losses on writing-offs and disposals of Intangible assets and Property, plant and equipment	237	369
Costs of debt enforcement	0	0
Costs of forced collection	0	0
Other expenses	14,474	15,381
Total	14,711	15,750

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

17. LOSS FROM DISCONTINUED OPERATIONS

Profit from discontinued operations is related to:

	2021.	<i>in RSD 000</i> 2020.
Gains on the effects of changes in accounting policies which are not materially significant	23,876	35,655
Total	23,876	35,655

18. INCOME TAX

The basic components of income taxes are as follows:

	2021.	2020.
Current income tax	50,013	50,682
Deferred tax income / expense for the period	(607)	(4,273)
Total tax expense period	49,406	46,409

Current income tax

The reconciliation of gross profit shown in the current income statement with the tax profit from the tax balance is shown in the following table:

						in RSD
Name of company	Taxable profit	Loss	Tax base	Schedule of calculated tax	Deduction of calculated tax	Calculated tax
IMP – AUTOMATIKA	106.165.422	0	106.165.422	15.923.990	0	15.923.990
IMP AUTOMATIKA-SECURITY	2.596.769	0	2.596.769	390.098	0	390.098
IMP – RAČUNARSKI SISTEMI	67.760.381	0	67.760.381	10.162.546	0	10.162.546
IMP - TELEKOMUNIKACIJE	19.404.958	0	19.404.958	2.910.729	0	2.910.729
IDVORSKI LABORATORIJE	2.386.627	0	2.386.627	360.090	0	360.090
IMP – PIEZOTEHNOLOGIJA	1.470.639	0	1.470.639	220.055	0	220.055
INSTITUT MIHAJLO PUPIN	117.857.134	0	117.857.134	17.679.429	0	17.679.429
IMP – POSLOVNE USLUGE	15.774.937	0	15.774.937	2,365.593	0	2,365.593
Total	333.416.867	0	333.416.867	50,012.530	0	50,012.530

The effective tax rate in 2021 was 23,70% (2020: 13,79%).

For 2021, transfer price studies were performed, and adjustments were made on the basis of transfer prices in individual Tax Balances of the Companies within the Group.

Deferred tax liabilities and assets are recognized for the difference between current depreciation and amortization calculated for accounting and tax purposes due to the application of different depreciation rates in the financial statements and the tax balance sheet.

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

18. INCOME TAX (Continued)

The balance of deferred tax assets / liabilities as on the 31st of December is shown in the following table:

	<u>2021.</u>	<u>2020.</u>
Deferred tax assets	8,270	7,853
Deferred tax liabilities	<u>(27)</u>	<u>(217)</u>
Deferred tax liabilities, net	<u>8,243</u>	<u>7,636</u>

The balance of deferred tax assets / liabilities by companies in the Group as on the 31st of December 2021 and 2020 is shown in the following table:

	<u>2021.</u>	<u>2020.</u>
Deferred tax assets		
IMP – AUTOMATIKA Ltd	3,905	4,292
IMP AUTOMATIKA – SECURITY Ltd	33	0
IMP – RAČUNARSKI SISTEMI Ltd	366	772
IMP – TELEKOMUNIKACIJE Ltd	109	0
IDVORSKI LABORATORIJE Ltd	721	886
INSTITUT MIHAJLO PUPIN Ltd	2,411	1,414
IMP – POSLOVNE USLUGE Ltd	<u>725</u>	<u>489</u>
	<u>8,270</u>	<u>7,853</u>
Deferred tax liabilities		
IMP – TELEKOMUNIKACIJE Ltd	0	(205)
IMP – PIEZOTEHNOLOGIJA Ltd	<u>(27)</u>	<u>(12)</u>
	<u>(27)</u>	<u>(217)</u>
Deferred tax assets and liabilities, net	<u>8,243</u>	<u>7,636</u>

19. INTANGIBLE ASSETS

Intangibles are related to:

	<u>2021.</u>	<i>in RSD 000</i> <u>2020.</u>
Concession, patent, licence, and other similar rights	<u>6,053</u>	<u>7,156</u>
Total	<u>6,053</u>	<u>7,156</u>

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

19. INTANGIBLE ASSETS (Continued)

	Concessions, patents, licences and similar rights	Intangible assets in preparation	Total
COST VALUE			
Balance as of January 1st 2020	34,855	-	34,855
New procurement	2,052	-	2,052
Activation	-	-	-
Balance as of 31. December 2020	36,907	-	36,907
Procurement during the year	763	-	763
Balance as of 31. December 2021	37,670	-	37,670
ACCUMULATED DEPRECIATION			
Balance as of January 1st 2020	28,025	-	28,025
Amortization (Note 10)	1,726	-	1,726
Balance as of 31st December 2020	29,751	-	29,751
Amortization (Note 10)	1,866	-	1,866
Balance as of 31. December 2021	31,617	-	31,617
UNWRITTEN VALUE PER DAY:			
- Balance as of 31. December 2021	6,053	-	6,053
- Balance as of 31. December 2020	7,156	-	7,156

20. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are related to:

	2021.	<i>in RSD 000</i> 2020.
Buildings	132,236	144,881
Plant and equipment	135,251	148,454
Property, plant, equipment leased	23,488	0
Other property, plant and equipment	13,296	13,256
Advances for property, plant and equipment	0	0
Total	304,271	306,591

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

20. PROPERTY, PLANT AND EQUIPMENT (Continued)

The trend of property, plant and equipment during 2020 is presented in the following table:

	Buildings	Plant and equipment	Other equipment	Property, plant and equipment under construction	Advances	Total
COST VALUE						
Balance as of January 1 st 2020	639,148	561,633	13,243	0	0	1,214,024
Purchase during year	12,397	0	13	36,858	0	49,268
Transfer from PPE	0	36,858	0	(36,858)	0	0
Disposals	0	(10,773)	0	0	0	(10,773)
Balance as of December 31st 2020	651,545	587,718	13,256	0	0	1,252,519
Cost value during the year	2,598	0	40	63,973	1,666	68,277
Transfer from PPE	0	63,973	0	(63,973)	0	0
Disposals	0	(11,951)	0	0	0	(11,951)
Balance as of December 31st 2021	654,143	639,740	13,296	0	1,666	1,308,845
ACCUMULATED DEPRECIATION						
Balance as of January 1 st 2020	491,659	406,494	0	0	0	898,153
Amortization (Note 10)	15,005	44,363	0	0	0	59,368
Disposals	0	0	0	0	0	0
Balance as of December 31st 2020	0	(11,593)	0	0	0	(11,593)
ACCUMULATED DEPRECIATION	506,664	439,264	0	0	0	945,928
Amortization (Note 10)	15,243	53,515	0	0	0	68,758
Disposals	0	0	0	0	0	0
Balance as of December 31st 2021	0	(10,112)	0	0	0	(10,112)
Amortization (Note 10)	521,907	482,667	0	0	0	1,004,574
Undiscounted value:						
- December 31 st 2021	132,236	157,073	13,296	0	1,666	304,271
- December 31 st 2020	144,881	148,454	13,256	0	0	306,591

The purchase value of fully depreciated property, plant and equipment on the 31st of December 2021 is RSD 307,639 thousand.

The company leases a certain number of cars through financial leasing. The current (unrecorded) value of equipment taken on lease on the 31st of December 2021 is RSD 27,563 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 consolidated financial statements
for the year ended December 31st 2021 and 2020**

21. LONG TERM FINANCIAL INVESTMENTS

Long term financial investments are related to:

	2021.	<i>in RSD 000</i> 2020.
Investments in capital of parent companies and subsidiaries	92	92
Investments in other legal entities and other securities able for sale	2,900	2,652
Other long term investments	11,268	12,938
Balance as of December 31st	14,260	15,682

(i) Investments in capital of subsidiaries:

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

Equity investments in associated companies relate to:

Name and headquarters	2021.	2020.	% stakes
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
Balance as of December 31st	92	92	

(ii) Equity investments in associated companies

	2021.	2020.
In stakes	9,026	8,778
Less: Provisions	(6.126)	(6.126)
Balance as of December 31st	2,900	2,652

Equity investments in other legal entities relate to:

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

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

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

21. LONG TERM FINANCIAL INVESTMENTS (Continued)

(iii) Other long term financial investments

	2021.	2020.
Long-term deposit- operating lease	394	0
Receivables from employees – purchase of apartments	2,682	2,947
Receivables from employees - loans	8,456	10,360
Minus: Value adjustment	(264)	(369)
Balance as of December 31st	11,268	12,938

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.

Receivables from long-term housing loans are valued at the balance sheet date at amortized cost less any subsequent impairment, ie value adjustment for estimated non-collectibility of the financial instrument, based on discounting expected future cash flows using an interest rate of 1.00% per annum.

22. INVENTORIES

Inventories are related to:

	2021.	<i>in RSD 000</i> 2020.
Material	561,947	446,841
Merchandise in warehouse	1,268	1,317
Balance as of December 31st	563,215	448,158

23. ADVANCES PAID

Advances paid are related to:

	2021.	<i>in RSD 000</i> 2020.
Advances paid for services - domestic	464,440	433,253
Advances paid for services - foreign	18,005	19,233
Provisions for advances paid	(2,216)	(2,216)
Balance as of December 31st	480,229	450,270

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

24. RECEIVABLES FROM SALES

Receivables from sales are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Trade receivables - domestic	815,606	578,057
Trade receivables – foreign	150,772	96,794
Provisions for trade receivables	(208,814)	(187,542)
Balance as of December 31st	757,564	487,309

Movements in allowance for impairment were as follows:

	2021.	2020.
Balance at beginning of year	187,542	186,671
Collected during the year	84,403	55,757
Provisions during the year	(63,131)	(54,886)
Balance as of December 31st	208,814	187,542

Amounts charged to the allowance are written off when they are not expected to be collected.

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.

The Group owns bills of exchange as collateral.

25. OTHER RECEIVABLES

Other receivables are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Receivables for interest	87	171
Receivables from employees	2,547	2,474
Receivables for overpaid tax	270	320
Receivables for overpaid income tax	8,097	7,343
Receivables for other taxes and contributions prepaid	0	0
Receivables for compensations to be refunded	3,560	1,193
Other current receivables	5,762	145
VAT	21,989	88,945
Balance as of December 31st	42,312	100,591

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Current (business) accounts	555,320	867,950
The main cash register	0	11
Foreign exchange account	591,052	647,204
Other cash and cash equivalents	2,424	51,791
Balance as of December 31st	1,148,796	1,566,956

27. ASSETS FOR VAT AND OTHER PUBLIC REVENUE AND ACCURED

Short – term accrued related to:

	<i>in RSD 000</i>	
	2021.	2020.
Prepaid costs	14,116	14,569
Accrued income (uninvoiced income)	1,031,038	758,029
Other accruals	61,123	0
Balance as of December 31st	1,106,277	772,598

28. CAPITAL AND RESERVES

Capital and reserves are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Stakes in limited liability companies	475.659	475.659
Other capital	10.332	10.332
Legal reserves	2.997	2.997
Gains or losses on securities available for sale	(79,409)	(58,267)
Retained profit from previous years	1,021,038	729,126
Retained profit from current year	161,639	321,185
Balance as of December 31st	1,592,256	1,481,032

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

Decision of the Agency for Business Registers No. BD 19647/2014 of March 10th 2014 were executed reconciliation of the basic capital of the Company expressed in the Company to the amount of capital registered with the Register of Business Entities of the Agency for Business Registers and it amounted to RSD 413.803 thousand on this day.

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

28. CAPITAL AND RESERVES (Continued)

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

The Company is in 2021 realized net profit of RSD 161,639 thousand.

29. LONG TERM PROVISIONS

Long-term provisions are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Provisions for costs incurred during the warranty period	92,969	109,711
Provisions for fees and other employee benefits	121,282	90,369
Balance as of December 31st	214,251	200,080

(a) Provisions for costs within the warranty period

Provisions for costs within the warranty period are formed based on the assessment of the professional services of the Parent and Consolidated Subsidiaries and relate to provisions for contracts for completed projects, for which there is an obligation to service for spare parts, engineering, and other related costs.

(b) Employee benefits and other benefits

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 consolidated financial statements
for the year ended December 31st 2021 and 2020**

29.LONG-TERM PROVISIONS (Continued)

The principal actuarial assumptions used were as follows:

GROUP INSTITUTE “MIHAJLO PUPIN” L.t.d. BELGRADE

Serial no.	Pretpostavke korišćene prilikom izrade obračuna rezervisanja za otpremnine prilikom odlaska u penziju		2021. year						
1.	Discount rate		1,00%						
2.	Estimated growth rate of average earnings		7,00%						
3.	Percentage of fluctuation		3,12%						
4.	The amount of severance pay at the time of booking		285.936,00						
5.	The amount of seerance pay in the previous calculation		252.603,00						
	Companies in the Group	Automatika	Automatik a-Security	Računar- ski sistemi	Teleko- munika- cije	Idvorski labora- torije	Piezoteh- nologija	IMP	Poslovne usluge
6.	Total number of employees on 01.01. current year	183	0	72	25	5	7	193	48
7.	The total number of employees who left the company during the year	8	0	7	2	1	0	12	6
8.	Of that, the number of retired workers who were paid severance pay upon retirement during the year	2	0	5	1	0	0	5	5
9.	Total number of new employees during the yeat	20	8	9	4	1	1	1	5
10.	Total number of employees on 31.12. current year	195	8	74	27	4	8	182	47
11.	Were there any changes in the general act regarding the amount of provisions to witch employees are entitled when retiting in relation to the previous period		No						
12.	Method of recognizing actuarial gains/losses		Entirely in the period in which they arise						
13.	Where there any changes in the general act regarding the recognition of provisions upon retirement compared to the previous period		No						

Mortality tables for the period were used in the actuarial calculation 2010 – 2012.

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

30. LONG TERM LIABILITIES

Long term liabilities are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Liabilities from financial leasing	24,749	15,865
Long-term loans and borrowings in the country	150,297	173,914
Balance as of December 31st	175,046	189,779

Obligations from financial leasing related to leasing of cars from 5 to 6 years with an effective interest rate of 1,70 to 5,93% per year.

IMP – Automatika L.t.d. Belgrade has an obligation based on a loan with Raiffeisen Bank (part), in the amount of EUR 127,000.00 (currency clause), with a grace period until June 30th 2022 for a repayment period of 18 months and an interest rate of one month Euribor plus 1.90% .

IMP - Automatika L.t.d. Belgrade has an obligation based on a loan with Raiffeisen Bank (part), in the amount of EUR 427,000.00 (currency clause), with a grace period until June 3th 2022 (the loan was approved on May 25th 2019) for a repayment period of 18 months and interest of one-month Euribor plus 1.90%.

INSTITUTE MIHAJLO PUPIN Ltd Belgrade has (part of) a loan with Raiffeisen Bank at EUR 501.290,28, with a currency clause and a grace period until 30.06.2022. year, one-month Euribor plus 1.95% interest.

INSTITUTE MIHAJLO PUPIN Ltd Belgrade has (part of) a loan with Raiffeisen Bank at EUR 90.340,75, with a currency clause and a grace period until 30.06.2022. year, one-month Euribor plus 1.90% interest.

INSTITUTE MIHAJLO PUPIN Ltd Belgrade has (part of) a loan with Raiffeisen Bank at EUR 421.083,85, with a currency clause and a grace period until 30.06.2022. year, one-month Euribor plus 1.90% interest.

INSTITUTE MIHAJLO PUPIN Ltd Belgrade has (part of) a loan with Raiffeisen Bank at EUR 250.638,27, with a currency clause and a grace period until 30.06.2022. year, one-month Euribor plus 1.90% interest.

31. SHORT-TERM FINANCIAL LIABILITIES

Short-term financial liabilities are related to:

	<i>in RSD 000</i>	
	2021.	2020.
Short-term loans from parent companies and subsidiaries	0	0
Portion of the long-term liabilities that matures for less than a year	324,352	356,988
Other short-term financial liabilities	19,196	0
Balance as of December 31st	343,548	356,988

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

31. SHORT-TERM FINANCIAL LIABILITIES (Continued)

IMP Automatika Ltd, Belgrade has a credit in the amount of EUR 127.000,00 (currency clause) relating to a loan obtained from Raiffaiesen Bank (part) with a grace period until June 30th 2022 with 18 months repayment and the interest rate on this loan is a one-month euribor plus 1,90%.

IMP Automatika Ltd, Belgrade has a credit in the amount of EUR 427.000,00 (currency clause) relating to a loan obtained from Raiffaiesen Bank (part) with a grace period until June 30th 2022 (loan approved May 25, 2019) plus 18 months repayment and the interest rate on this loan is a one-month euribor plus 1,90%.

IMP Automatika Ltd, Belgrade has a credit in the amount of EUR 766.000,00 (currency clause) relating to a loan obtained from Banca Intesa approved on December 15th 2021 with the dynamics of repayment at once and interest on the three-month Euribor plus 2.20%.

IMP Automatika Ltd, Belgrade has a credit in the amount of EUR 510.000,00 (currency clause) relating to a loan obtained from Banca Intesa (part), approved on July 1st 2020. year, with a grace period of 3 months and 21 months of repayment and interest on the three-month Euribor plus 2.10%.

IMP Automatika Ltd, Belgrade has a credit in the amount of EUR 300.000,00 (currency clause) relating to a loan obtained from Banca Intesa (currency clause), with the dynamics of repayment at once (maturity September 20th 2022) and the interest rate on the three-month Euribor plus 1.75%

IMP Automatika Ltd, Belgrade has a credit in the amount of EUR 426,000.00 relating to a loan obtained from OTP bank, approved on May 12, 2020, with the dynamics of repayment at once (maturity September 1st 2022) and interest three-month Euribor plus 2.30%.

INSTITUTE MIHAJLO PUPIN LTD BELGRADE has (part of) a loan with Raiffeisen Bank at EUR 501,290,28, with a currency clause and a grace period until June 30th 2022 year, one-month Euribor plus 1.95% interest.

INSTITUTE 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 30th 2022. year, one-month Euribor plus 1.90% interest.

INSTITUTE MIHAJLO PUPIN LTD BELGRADE has (part of) a loan with Raiffeisen Bank at EUR 250,638,27, with a currency clause and a grace period until June 30th 2022. year, one-month Euribor plus 1.90% interest.

INSTITUTE MIHAJLO PUPIN LTD BELGRADE has (part of) a loan with Raiffeisen Bank at EUR 90,340,75, with a currency clause and a grace period until June 30th 2022. year, one-month Euribor plus 1.90% interest.

INSTITUTE MIHAJLO PUPIN Ltd Belgrade has (part of) a loan with Banca Intesa at EUR 353,300.00, with a currency clause and a grace period of 6 months. The loan was approved on July 1st 2020. year, three-month Euribor plus 2.10% interest.

INSTITUTE MIHAJLO PUPIN LTD BELGRADE has a loan with Credit Agricole in the amount of EUR 100.00.00, approved on January 20th 2020 with repayment at once on September 30th 2022. year, and three-month Euribor plus 2.10% interest.

INSTITUTE MIHAJLO PUPIN LTD BELGRADE has a loan with Credit Agricole in the amount of EUR 220.00.00, approved on May 14th 2020 and repayment at once on September 30th 2021. year, and three-month Euribor plus 2.10% interest.

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

32. RECEIVED ADVANCES

Received advances are related to:

	2021.	<i>in RSD 000</i> 2020.
Received advances, deposits and caution money	1,025,501	994,774
Balance as of December 31st	1,025,501	994,774

33. TRADE PAYABLES

Trade payables are related to:

	2021.	<i>in RSD 000</i> 2020.
Trade payables – domestic	370,944	321,424
Trade payables – foreign	181,655	4,782
Balance as of December 31st	552,599	326,206

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

34. OTHER SHORT-TERMS LIABILITIES

Other current liabilities are related to

		<i>in RSD 000</i>
	2021.	2020.
Obligations to the importer	0	0
Liabilities for net salaries and fringe benefits, except allowances to be refunded	85,315	77,659
Liabilities for taxes on salaries and fringe benefits charged to employees	11,016	9,916
Liabilities for contributions on salaries and fringe benefits charged to employees	23,113	20,864
Liabilities for taxes and contributions on salaries and fringe benefits charged to employer	18,759	17,459
Liabilities for refundable net fringe benefits	378	102
Liabilities for taxes and contributions on refundable fringe benefits charged to employees	153	41
Liabilities for taxes and contributions on refundable fringe benefits charged to employer	86	24
Liabilities for interests and finance costs	396	529
Liabilities for dividends	0	0
Liabilities for share in the profit	0	0
Liabilities to employees	70,633	63,905
Liabilities to members of Management Board and Supervisory Board	251	225
Liabilities to individuals for contracted fees	2,339	1,095
Liabilities for short-term provisions	158	159
Liabilities for VAT and other public revenues	53,929	45,179
Liabilities for income tax	5,814	6,300
Liabilities for taxes, customs, and other duties charged to costs	134	0
Liabilities for contributions charged to costs	201	79
Other liabilities for taxes, contributions and other duties	1,612	1,789
Balance as of December 31st	274,287	245,325

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

35. LIABILITIES FOR VALUE ADDED TAX AND OTHER PUBLIC REVENUES ACCRUALS AND DEFERRED INCOME

Accruals and deferred income are related to:

	2021.	<i>in RSD 000</i> 2020.
Accruals and deferred income	8,447	13,288
Balance as of December 31st	8,447	13,288

36. OFF-BALANCE SHEET EVIDENCE

Off-balance sheet are related to:

	2021.	<i>in RSD 000</i> 2020.
Off-Balance sheet assets	1,440,826	1,934,567
Off-Balance sheet liabilities	(1,440,826)	(1,934,567)
Balance as of December 31st	0	0

Guarantees in the amount of RSD 1,440,826 thousand at 31. December 2021 include guarantees of performance bonds issued to suppliers by banks.

37. COURT DISPUTES

INSTITUTE MIHAJLO PUPIN L.t.d. BELGRADE in the capacity of bankruptcy creditor:

**1. Minel-contact networks of AD Belgrade in bankruptcy
Commercial Court in Belgrade 45.St.4762 / 12 – now 4St.133/2019**

Reported claim. 11,889,744.78 RSD

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

Date 03.06.2019. the court issued a decision terminating the bankruptcy proceedings against the bankruptcy debtor, and continuing against the bankruptcy estate. In the further procedure, it is expected that the bankruptcy estate will be liquidated and a decision on division will be made. According to the finality of the court decision, the collection will depend on the amount of the bankruptcy estate and the percentage of collection of creditors' claims according to the payment lines, the Institute will be in the III payment line.

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

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

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

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

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

37. COURT DISPUTES (Continued)

2. Telefonija AD Belgrade

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

At the hearing held on October 19, 2015, the reorganization plan was not adopted and a decision on the bankruptcy of the debtor was made. On July 16, 2019, an announcement on the public sale of the bankruptcy debtor's property was submitted to the Court. During 2020, sales, liquidation of the bankruptcy estate, decision-making on division and payment of recognized receivables are expected. The collection will depend on the amount of the bankruptcy estate and the percentage of collection of creditors by payment lines. The institute will be in the third payment line.

3. Partner inženjering ltd Belgrade

**Commercial Court in Belgrade-now bankruptcy over the Bankruptcy estate 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. Decision of the Commercial Court in Belgrade on the suspension of bankruptcy over the bankruptcy debtor (bankruptcy debtor sold in the bankruptcy procedure on 30.05.2016.) And the continuation of the procedure over the bankruptcy estate **8. St.255 / 2016** of 04.10.2016. became final and enforceable, 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 20.12.2018. Bankruptcy was expected to end in 2019, but the Court has not yet ruled on the termination of the proceedings, so the proceedings are still ongoing.

**4. GOŠA Factory of rail vehicles, passenger and special wagons LTD Smederevska Palanka-
in bankruptcy Commercial Court in Požarevac 3.St.28 / 2017 – now St 3/2020**

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

The claim was reported on January 16, 2018. By the conclusion of the Commercial Court in Požarevac from September 26, 2018. year receivable recognized in full (147,350.75 RSD). Date 28.11.2019. The Court issued a decision terminating the bankruptcy of the bankruptcy debtor (due to the sale of the bankruptcy debtor as a legal entity on November 12, 2019), and continuing against the bankruptcy estate, case number St.3 / 2020. According to the Main Division, bankruptcy creditors of the 2nd and 3rd order (3rd order - commercial creditors, in which group the Institute is also included), were not paid, payment was made to priority creditors of the 1st order - employees' salaries in the amount of 49.28 % of recognized receivables. At this moment, the bankruptcy trustee for the bankruptcy estate is conducting 3 court proceedings, so that the bankruptcy proceedings will last until the final conclusion of all 3 litigation proceedings. If they are resolved in favor of the bankruptcy estate - there may be additional divisions.

INSTITUTE MIHAJLO PUPIN L.t.d. Belgrade in the capacity of defendant:

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

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

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

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

37. COURT DISPUTES (Continued)

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

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

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

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

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

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

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

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

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

37. COURT DISPUTES (Continued)

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

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

10. Company AMS OSIGURANJE a.d.o. Belgrade due to recourse debt RSD 21,883.20 + spp, Defendant JP Putevi Srbije, Commercial Court in Belgrade - 17.P.958/2021

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

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

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

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

The institute was summoned by the defendant - PE Roads of Serbia, to a lawsuit for recourse debt, ie. recourse for paid compensation for damage due to the fall of the ramp at the toll station Nais on 27.09.2017. on the insured's vehicle, include as an intervener, and how the recordings from the toll plazas of JP Puteva Srbije are kept, due to the volume of material, only 6 months and the lack of evidence of guilt on the part of the insured for damages as a prerequisite for successful defense. costs of the procedure in which there is no prospect of success on the part of the defendant, the Institute concluded an Out-of-Court Settlement

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

37. COURT DISPUTES (Continued)

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

with the Prosecutor 454 / 1-21 on 28.22.2021, paid to the Prosecutor on 11.03.2021. the amount of RSD 61,827.24 (principal debt, statutory default interest and costs of litigation), the Prosecutor withdrew the

lawsuit on March 17, 2021. year, and the Court on 02.04.2021.g. passed the Decision on the withdrawal of the lawsuit, which ended the procedure.

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

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

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

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

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

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

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

The Institute was summoned by the defendant - PE Roads of Serbia, to a lawsuit for damages due to the fall of the ramp at the toll station Nais on August 24, 2019. on the Prosecutor's vehicle, included as an intervener, and as it was obtained from JP Putevi Srbije on the basis of the recording of the plaintiff's vehicle passing through the toll plaza, it was determined that the plaintiff is not guilty of falling off the ramp because of a technical problem. reduction of further costs of the procedure, the Institute concluded an Out-of-Court

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

37. COURT DISPUTES (Continued)

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

Settlement with the Prosecutor on December 10, 2021. year no. 2848 / 1-21. Date 13.12.2021. The Institute paid the plaintiff the total amount of RSD 30,160.00 (the plaintiff the amount of RSD 12,750.00 in the name of the principal debt because the plaintiff waived the part of the claim relating to statutory default interest, and the attorney attorney the amount of RSD 17,410.00 in the name of total costs of the proceedings). The

plaintiff was on 14.12.2021. submitted a submission to the court in which he waived the claim, and on December 16, 2021. rendered a Judgment on the basis of waiver of the claim, which ended the procedure.

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

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

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

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

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

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

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

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

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

37. COURT DISPUTES (Continued)

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

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

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

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

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

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

38.FINANCIAL INSTRUMENTS

Capital Risk Management

The objective of capital management, the Groups'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 Group monitors capital based on the gearing ratio which is calculated as the ratio of net indebtedness of the Group and its total capital.

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

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

38. FINANCIAL INSTRUMENTS (Continued)

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

	<i>in RSD 000</i>	
	2021.	2020.
Debt a)	518,594	546,767
Cash and cash equivalents	(1,148,796)	(1,566,956)
Net debt	(630,202)	(1,020,189)
Equity b)	1,592,256	1,481,032
Debt equity ratio	0,40	0.69

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

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

Significant accounting policies regarding financial instruments

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

Categories of financial instruments

	<i>in RSD 000</i>	
	2021.	2020.
Financial Assets		
Long term financial investments	14,260	15,682
Receivables from sales	757,564	487,309
Short-term financial investments	0	0
Cash and cash equivalents	1,148,796	1,566,956
	1,920,620	2,069,947
Financial Liabilities		
Long-term liabilities	(175,046)	(189,779)
Short-term financial liabilities	(343,548)	(356,988)
Trade payables without received advances	(552,599)	(326,206)
	(1,071,193)	(872,973)

Basic financial instruments of the Company are cash and cash equivalents, trade receivables and trade payables with basic purpose to finance its current operations. 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

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

38. FINANCIAL INSTRUMENTS (Continued)

Purpose of managing financial risks (Continued)

those risks. The Company doesn't use any hedge instruments in way to decrease exposure to financial risks because these instruments are not widely used and there is no active market for these instruments in the Republic of Serbia.

Market risk

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

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

Currency risk

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

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

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

		in RSD 000	
	Assets		Liabilities
	December 31st 2021.	December 31st 2020.	December 31st 2021.
	December 31st 2020.		December 31st 2020.
EUR	744,248	743,998	(700,249)
	744,248	743,998	(700,249)
			(551,550)

The Company is sensitive on changes of exchange rate for EUR and USD. The following table reflects sensitivity analysis of the Company on increasing and decreasing of exchange rate for EUR. Sensitivity rate is used for disclosure of currency risk and reflects management estimation of reasonable expected fluctuations in foreign exchange rates. Sensitivity analysis includes only uncollected receivables and liabilities denominated in foreign currency and their adjustment for fluctuation foreign exchange rate of 10%. Positive number in the table reflects to increase of financial result for current year in cases when RSD increase in relation to foreign currency. In case when RSD fall for 10% in relation to foreign currency the effect on financial result will be opposite. In the case of strengthening RSD of 10% in relation to the foreign currency, the influence on the result of the current period would be contrary to that reported in the previous case. In the case of a 10% denomination in relation to a foreign currency, the impact on the outcome of the current period would be contrary to the one stated in the previous case. The main reason for this lies in the fact that a company has a predominantly short position in the currency, and therefore denominated in foreign currency far greater than those of the same.

		in RSD 000	
	December 31st 2021. +10%		December 31st 2020. +10%
	December 31st 2020.		December 31st 2021. (10%)
	December 31st 2021.	December 31st 2020.	December 31st 2020.
EUR	4,400	19,245	(4,400)
	4,400	19,245	(4,400)
			(19,245)

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

38. FINANCIAL INSTRUMENTS (Continued)

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:

	<i>in RSD 000</i>	
	2021.	2020.
Financial asset		
<i>Noninterest bearing</i>		
Long-term financial investments	11,268	12,938
Short-term financial investments	0	0
	11,268	12,938
<i>Interest bearing</i>		
Long-term financial investments	14,260	15,682
Receivables from sales	757,564	487,309
	1,148,796	1,566,956
	1,920,620	2,069,947
	1,931,888	2,082,885
Financial liabilities		
<i>Noninterest bearing</i>		
Trade payables without received advances	(552,599)	(326,206)
	(552,599)	(326,206)
<i>Interest bearing</i>		
Long-term liabilities	(175,046)	(189,779)
Short-term financial liabilities	(343,548)	(356,988)
	(518,594)	(546,767)
Interest rate gap	(507,326)	(533,829)

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

	<i>in RSD 000</i>			
	Increase of 1 percentage point		Decrease of 1 percentage point	
	2021.	2020.	2021.	2020.
The result for the year	(5,073)	(5,338)	5,073	5,338

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

38. 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 31st December 2020 and 31st December 2019.

	December 31st 2021		December 31st 2020	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Financial asset				
Long-term financial investments	14,260	14,260	15,682	15,682
Trade receivables	757,564	757,564	487,309	487,309
Short-term financial investments	0	0	0	0
Cash and cash equivalents	1,148,796	1,148,796	1,566,956	1,566,956
	<u>1,920,620</u>	<u>1,920,620</u>	<u>2,069,947</u>	<u>2,069,947</u>
Financial liabilities				
Long-term liabilities	(175,046)	(175,046)	(189,779)	(189,779)
Short-term financial liabilities	(343,548)	(343,548)	(356,988)	(356,988)
Trade payables without received advances	(552,599)	(552,599)	(326,206)	(326,206)
	<u>(1,071,193)</u>	<u>(1,071,193)</u>	<u>(872,973)</u>	<u>(872,973)</u>

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.

39. EVENTS OCCURRED AFTER THE BALANCE SHEET DATE

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

**Notes to consolidated financial statements
for the year ended December 31st 2021 and 2020**

40. EXCHANGE RATES

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

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

In Belgrade,

Date April 14th 2022

**Person responsible for preparing
the Financial Statement**

Ивановић Бета



Legal representative

Никола Поповић