

Institute „Mihajlo Pupin“Ltd, Belgrade

**Notes to the separate financial statements
for the year ended December 31st 2023**

**Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022**

1. Corporate Information

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

The company operates in accordance with the Law on Business Organizations ("Official Gazette of RS", no. 36/2011, 99/2011, 83/2014 - another law, 5/2015, 44/2018, 95/2018, 91/2019 and 109/2021) and the Law on Science and Research ("Official Gazette of RS", no. 49/2019). The company's activities are focused on scientific research and production in the field of high technology (telecommunications, electronics, production of computer equipment, components and electronic devices, machinery, automation, 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 appropriate contracts. Project realization is executed in phases and usually comprises a longer period (over a year).

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

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

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

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

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

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

As of 31 December 2023 the Company had 185 employees (31 December 2022: 188 employees).

These financial statements are signed by Director at February 29 2024. Financial statements can be altered after the fact by the companies Auditor according to the relevant regulations.

**Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022**

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

(a) Basis for preparation of financial statements

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

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

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

The translation of IFRS was determined by the Decision of the Minister of Finance on determining the translation of the Conceptual Framework for Financial Reporting and the basic texts of International Accounting Standards, i.e., 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. Translation of IFRS is applied from the financial statements prepared as of December 31, 2020.

New or amended IFRS and interpretations adopted by the decision of the Ministry of Finance of the Republic of Serbia on determining the translation of International Financial Reporting Standards published in the Official Gazette of the Republic of Serbia No. 123/2020 on October 13, 2020 are applied when preparing financial statements for annual periods ending on or after 31 December 2022.

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

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

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

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

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

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

**Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022**

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

(b) Comparative data

Comparative figures and opening balances represent information contained in the financial statements for 2022. Company's financial statements have been subject to an independent audit and are presented in the Independent Auditor's Report 23 March 2023.

(c) The going concern concept

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies in effect during the preparation of Financial Statements for the year ended on December 31st 2023 are, as follows:

3.1. Intangible Assets

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

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

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

3.2. Property, Plant and Equipment

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

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

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

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

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

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

**Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Property, Plant and Equipment (Continued)

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

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

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

The calculation of the depreciation and amortization for tax purposes is determined by the Law on Corporate Income Tax of the Republic of Serbia ("RS Official Gazette", no. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2013, 108/2013, 68/2014 - other law and 142/2014, 91/2015 - authentic interpretation and 112/2015, 113/2017, 95/2018 and 86/2019) and the Rules on the Manner of Fixed Assets Classification in Groups and Depreciation for Tax Purposes ("RS Official Gazette", no. 116/2004, 99/2010, 104/2018 and 8/2019). Different depreciation methods used for the financial reporting purposes and the tax purposes give raise 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 a recoverable amount as the higher of the value in use and fair value less cost to sell. Carrying value of the investment property is written-down to its recoverable amount and the loss is recognized in the current income statement.

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

3.4. Impairment of Non-financial Assets

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

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

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

**Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5. Investments in Subsidiaries

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

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

3.6. . Financial Instruments

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

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

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

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

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

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

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

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

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

Business model assessment

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

**Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Financial Instruments (Continued)

Offsetting financial instruments

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

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

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

Cash and cash equivalents

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

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

Trade and other receivables

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

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

Trade and other payables

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

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

Write-off

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

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

**Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Financial Instruments (Continued)

Recognition and derecognition

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

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

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

Modification

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

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

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

Impairment of financial resources

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

ECL measurement reflects:

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

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

Simplified approach to receivables impairment

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

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

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

**Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Financial Instruments (Continued)

Simplified approach to receivables impairment

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

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

3.7. Inventories

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

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

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

3.8. Cash and cash Equivalents

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

3.9. Off-balance Sheet Items

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

3.10. Profit Distribution

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

3.11. Provisions, Contigent Liabilities and Contigent Assets

Provisions

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

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

Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Contingent Liabilities and Contingent Assets

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

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

3.12. Employee Benefits

(a) Contributions for Social Security

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

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

(b) Retirement Benefits

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

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

3.13. Foreign Currency Translation

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

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

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

3.14. Revenue Recognition

(a) Sales revenue and provision of services

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

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

**Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14. Revenue Recognition

(a) Sales revenue and provision of services

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

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

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

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

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

Revenues from sales of services

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

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

Variable fee

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

Contract acquisition costs

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

Discounts

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

(b) Interest Income

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

**Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14. Revenue Recognition (Continued)

(c) Rental Income

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

(d) Dividend Income

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

3.15. Current and Deferred Income Taxes

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

Current Income Tax

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

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

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

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

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

Deferred Income Tax

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

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

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

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

Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16. Related Party Disclosures

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

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

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

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

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

Risk management is performed by the financial department of the Company pursuant to accounting policies adopted by the General Meeting. There were no changes in the risk management policies during the year ended December 31st 2023.

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.

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

Price Risk

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

Interest Rate Risk

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

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

**Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022**

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (Continued)

4.1. Financial Risk Factors (Continued)

(b) Credit Risk

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

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

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

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

(c) Liquidity Risk

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

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

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

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

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

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, 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.

**Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022**

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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 to determine the extent of the impairment loss.

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

Retirement Benefits to Employees

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

Provisions for Litigation

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

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

Deferred Tax Assets

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

Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022

6. REVENUES FROM SALES

Revenues from sales are related to:

	2023	<i>in RSD 000</i> 2022
Sales of products and services to parent and subsidiaries legal entities in the domestic market	264,499	222,245
Sales of finished goods and services rendered to domestic Customers	1,965,071	2,662,477
Sales of finished goods and services rendered to foreign Customers	58,155	211,301
Total	2,287,725	3,096,023

7. OTHER OPERATING INCOME

Other operating incomes are related to:

	2023	<i>in RSD 000</i> 2022
Income from premiums, subventions, donations, compensations and tax returns	0	0
Income from donations under specified conditions	440,230	432,749
Rental fees income	9,295	8,414
Total	449,525	441,163

8. MATERIAL COSTS

Costs of material are related to:

	2023	<i>in RSD 000</i> 2022
Material procurement cost	45,073	36,220
Cost of raw material	361,750	579,279
Cost of other material (overhead)	3,916	3,541
Cost of fuel and energy	16,088	14,822
Cost of spare parts	5,832	2,240
Cost of a one-time write-off of inventory and tools	741	982
Total	433,400	637,084

Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022

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>	
	2023	2022
Costs of salaries and fringe benefits (gross)	665,295	637,940
Taxes and contributions on salaries and benefits	91,370	91,606
The cost of compensation for services contract	2,546	2,284
Costs of remunerations according to author's contracts	6,502	675
Costs of salaries for temporary contracts	1,862	7,212
Compensations to individuals for other contracts	253	137
Costs of remuneration to members of Management Board and Supervisory Board	5,832	5,131
Other personal expenses remunerations	38,690	24,160
Total	812,350	769,145

10. COSTS OF DEPRECIATION AND PROVISIONS

Costs of depreciation and provisions are related to:

	<i>in RSD 000</i>	
	2023	2022
Depreciation costs	36,522	33,921
Costs of provisions during the warranty period	11,299	3,034
Provisions for employee compensations and other benefits	10,040	4,862
Other provisions	1,640	9,442
Total	59,501	51,259

11. OTHER OPERATING EXPENSES

Other operating expenses are related to:

	<i>in RSD 000</i>	
	2023	2022
Costs of services used in production process of own costs capitalized	1,208,501	1,811,495
Transport services costs	16,680	19,321
Maintenance costs	9,335	14,019
Rental costs	402	110
Fair costs	191	3,666
Advertising costs	246	474
Other non-production costs	96	0
Costs of services used in production process of own costs capitalized	36,044	32,445
Total	1,271,495	1,881,530

Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022

12. NON-PRODUCTION COSTS

Non-production costs are related to:

	<i>in RSD 000</i>	
	2023	2022
Costs of non-production services	22,567	17,581
Representation costs	12,143	7,794
Costs of insurance premiums	2,529	2,901
Costs of payment operations	13,346	11,316
Costs of membership fees	1,934	1,968
Tax costs	9,629	10,796
Contribution costs	187	790
Other non-production costs	11,049	13,000
Total	73,384	66,146

13. FINANCIAL REVENUES

Financial revenues are related to:

	<i>in RSD 000</i>	
	2023	2022
Financial income from parent and subsidiary companies	0	1,229
Financial income from other subsidiary companies	6	7
Income from interest (to third parties)	3,345	237
FX gains (to third parties)	992	1,226
Income from foreign currency clause (to third parties)	1,628	921
Other financial revenues	0	8,016
Total	5,971	11,636

14. FINANCIAL EXPENSES

Financial expenses are related to:

	<i>in RSD 000</i>	
	2023	2022
Cost of interest (to third parties)	22,089	4,796
FX losses (to third parties)	2,232	2,836
Expenses from foreign currency clause (to third parties)	377	5,782
Total	24,698	13,414

Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022

15. OTHER REVENUES

Other revenues are related to:

	<i>in RSD 000</i>	
	<u>2023</u>	<u>2022</u>
Gains on sales of Intangible assets and property, plant and equipment	586	298
Collected written-off receivables	25,405	0
Revenues from the effects of hedging which do not fulfil the conditions to be set out in the framework of other comprehensive results	103	61
Income from reduction of liabilities	0	0
Income from abolishing of long-term and short-term provisions	53,614	5,890
Other income	4,898	7,742
Total	<u>84,606</u>	<u>13,991</u>

16. OTHER EXPENSES

Other expenses are related to:

	<i>in RSD 000</i>	
	<u>2023</u>	<u>2022</u>
Losses on writing-offs and disposals of trade receivables and short-term financial investments	211	80
Losses on securities	0	5,028
Other expenses	8,406	6,035
Losses on writing-offs and disposals short term financial investments	67,298	87,128
Total	<u>75,915</u>	<u>98,271</u>

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

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

	<i>in RSD 000</i>	
	<u>2023</u>	<u>2022</u>
Expenses based on corrections of errors from previous years that are not materially significant	1,551	2,241
Total	<u>1,551</u>	<u>2,241</u>

Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022

18. INCOME TAX

The basic components of income taxes are as follows:

	2023	<i>in RSD 000</i> 2022
Current income tax	15,543	12,672
Deferred tax income / expense for the period	2,817	(282)
Total	18,360	12,390

Current income tax

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

	2023	<i>in RSD 000</i> 2022
Tax base	75,533	43,723
Current tax rate	15%	15%
Current income tax	11,330	6,558
Expenses not deductible for tax purposes	4,213	6,114
Harmonization at the consolidated balance	0	0
Tax exemptions after tax credit	0	0
Current income tax	15,543	12,672
Income tax expense (current tax + deferred tax revenue-deferred tax income)	18,360	12,390
The effective tax rate (income tax expense / profit before tax x 100)	24,30%	28,33%

Deferred income taxes

	<i>Income statement</i>		<i>in RSD 000</i> <i>Balance sheet</i>	
	2023	2022	2023	2022
Deferred tax assets / liabilities				
Balance at beginning of year	282	997	2,693	2,411
Temporary differences between the carrying amounts of assets and their tax value	(3,099)	(715)	(2,818)	282
Balance at end of year	(2,817)	282	(125)	2,693

19. INTANGIBLE ASSETS

Intangibles are related to:

	2023	<i>in RSD 000</i> 2022
Concession, patent, license, trademarks and service marks	2,886	3,985
Total	2,886	3,985

Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022

19. INTANGIBLE ASSETS (Continued)

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

	Concessions, patents, licenses and similar rights	Intangible assets in preparation	Total
COST VALUE			
Balance as of January 1st 2022	33,671	-	33,671
New procurement	1,172	-	1,172
Activation	-	-	-
Balance as of 31st December 2022	34,843	-	34,843
New procurement	147	-	147
Balance as of 31st December 2023	34,990	-	34,990
ACCUMULATED DEPRECIATION			
Balance as of January 1st 2022	29,535	-	29,535
Current amortization (Note 10)	1,323	-	1,323
Balance as of 31st December 2022	30,858	-	30,858
Current amortization (Note 10)	1,246	-	1,246
Balance as of 31st December 2023	32,104	-	32,104
Current value			
- 31st december 2023	2,886	-	2,886
- 31st december 2022	3,985	-	3,985

20. PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment are related to:

	2023	<i>in RSD 000</i> 2022
Buildings	105,015	117,806
Plant and equipment	69,619	59,916
Other property, plant and equipment	13,423	13,366
Total	188,057	191,088

Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022

20. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Buildings	Plant and equipment	Other equipment	PPE under construction	Total
COST VALUE					
Balance as of January 1st 2022	654,143	241,573	13,296	-	909,012
Purchase during year	844	-	70	23,689	24,603
Transfer from PPE	-	23,689	-	(23,689)	-
Disposals	-	(3,088)	-	-	(3,088)
Balance as of December 31st 2022	654,987	262,174	13,366	-	930,527
Cost value during the year	2,495	-	56	29,887	32,438
Transfer from PPE	-	29,887	-	(29,887)	-
Disposals	-	(10,362)	-	-	(10,362)
Balance as of December 31st 2023	657,482	281,699	13,422	-	952,603
ACCUMULATED DEPRECIATION					
Balance as of January 1st 2022	521,907	187,990	-	-	709,897
Amortization (Note 10)	15,274	18,647	-	-	33,921
Disposals	-	(4,379)	-	-	(4,379)
Balance as of December 31st 2022	537,181	202,258	-	-	739,439
Amortization (Note 10)	15,286	9,821	-	-	25,107
Disposals	-	-	-	-	-
Balance as of December 31st 2023	552,467	212,079	-	-	764,546
Undiscounted value:					
- December 31 st 2023	105,015	69,620	13,422	-	188,057
- December 31 st 2022	117,806	59,916	13,366	-	191,088

The purchase value of fully depreciated property, plant and equipment at 31 December 2023 is RSD 154,923 thousand.

The increase in the value of fixed assets in 2023 mainly relates to the implementation of SAP equipment and software in the amount of RSD 12,940 thousand, procurement of computer equipment in the amount of RSD 5,102 thousand, measurement instruments and devices in the amount of RSD 2,718 thousand, cars in the amount of RSD 5,663 thousand, licenses in the amount of RSD 147 thousand, water purification equipment in the amount of RSD 2,500 thousand, real estate in the amount of RSD 2,495 thousand, equipment for scientific research work in the amount of RSD 381 thousand, and mechanization in the amount of RSD 207 thousand.

The company purchases a certain number of cars through financial leasing. The current (unwritten) value of the equipment taken on lease as of December 31, 2023 is RSD 8,433 thousand.

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

Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022

21. LONG TERM FINANCIAL INVESTMENTS

Long term financial investments are related to:

	2023	<i>in RSD 000</i> 2022
Investments in capital of parent companies and subsidiaries	63.814	63.814
Investments in capital of other associated companies	92	92
Investments in other legal entities and other securities able for sale	6,116	6,116
Other long-term investments	1,216	1,198
Trade receivables long-term retention	17,168	18,365
Impairment of long-term financial investments	(13.216)	(13.216)
Balance as of December 31st	75,190	76,369

(i) Investments in capital of subsidiaries:

	2023	2022
In stakes	63,814	63,814
Less: Provisions	(7,100)	(7,100)
Balance as of December 31st	56,714	56,714

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

Name and headquarters	2023	2022
IMP-Automatika ltd.	32,668	32,668
IMP-Računarski sistemi ltd.	21,883	21,883
IMP-Telekomunikacije	1,029	1,029
Idvorski laboratorije ltd.	75	75
IMP-Poslovne usluge ltd.	1,059	1,059
Balance as of December 31st	56,714	56,714

(ii) Equity investments in associated companies

	2023	2022
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	2023	2022	% Participation
Projekt inženjering ltd.	62	62	20
Elektronske transakcije ltd.	11	11	25
Servis inženjering IMP ltd.	9	9	20
IMP-BEEL ltd.	10	10	20
Balance as of December 31st	92	92	

Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022

21. LONG TERM FINANCIAL INVESTMENTS (Continued)

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

	<u>2023</u>	<u>2022</u>
In stocks	6,116	6,116
Less: Provisions	<u>(6,116)</u>	<u>(6,126)</u>
Balance as of December 31st	<u>0</u>	<u>0</u>

Equity investments in other legal entities relate to:

<u>Name and headquarters</u>	<u>2023</u>	<u>2022</u>
Komercijalna banka a.d. Belgrade	<u>0</u>	<u>0</u>
Balance as of December 31st	<u>0</u>	<u>0</u>

The fair value of other investments that are traded in an active market is determined based on current market value at the time of conclusion of business on December 31st 2022.

(iv) *Other long term financial investments*

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

22. INVENTORIES

Inventories are related to:

	<u>2023</u>	<u>2022</u>
		<i>in RSD 000</i>
Material	<u>196,751</u>	<u>212,344</u>
Balance as of December 31st	<u>196,751</u>	<u>212,344</u>

23. ADVANCES PAID

Advances paid are related to:

	<u>2023</u>	<u>2022</u>
		<i>in RSD 000</i>
Advances paid from one of mutual relations	33,254	3,956
Advances paid for services - domestic	44,844	83,361
Advances paid for services - foreign	7,218	6,237
Provisions for advances paid	<u>(2,241)</u>	<u>(2,241)</u>
Balance as of December 31st	<u>83,075</u>	<u>91,313</u>

Receivables from paid advances reported on December 31st 2023 in the amount of 85,316 thousand (without correction values claims) are not compliant with the debtors of 261 thousand, or 0.31% of the mentioned receivables are not reconciled and out of 272 clients, a total of 97 are unreconciled, which is 35.66%.

Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022

24. RECEIVABLES FROM SALES

Receivables from sales are related to:

	2023	<i>in RSD 000</i> 2022
Trade receivables - parent companies and subsidiaries	137,310	121,529
Trade receivables - domestic	622,969	576,592
Trade receivables - foreign	192,819	198,593
Other receivables	(271,953)	(228,765)
Balance as of December 31st	681,145	667,949

Movements in allowance for impairment were as follows

	2023	<i>in RSD 000</i> 2022
Balance at beginning of year	228,765	167,339
Charged during the year	(24,110)	(25,702)
Provisions during the year	67,298	87,128
Balance as of December 31st	271,953	228,765

Receivables from sales recorded at December 31st 2023 in the amount of RSD 953,098 714 thousand (excluding allowances for impairment) are not compliant with the debtors in the amount of RSD 75,732 thousand or 7,95% does not conform mentioned claims and out of 294 clients, 92 are non-compliant which is 31,29%.

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

25. OTHER RECEIVABLES

Other receivables are related to:

	2023	<i>in RSD 000</i> 2022
Receivables for imports of dependent legal entities	59	59
Receivables for interest and dividends	205	9,769
Receivables from employees	2,272	492
Receivables for compensations to be refunded	2,688	3,358
Receivables for prepaid taxes-other	0	81
Receivables for subscription based on profit tax	0	3,534
Other short-term receivables	147,561	139,907
Value added tax	613	71,555
Provisions for other receivables	(25,989)	(27,284)
Balance as of December 31st	127,409	201,471

Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022

26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are related to:

	<i>in RSD 000</i>	
	2023	2022
Current (business) accounts	98,861	77,662
Foreign exchange account	580,643	550,164
Other cash and cash equivalents	3,293	1,764
Balance as of December 31st	682,797	629,590

27. SHORT-TERM ACCRUED AND DEFERRED INCOME

Short-term accruals and deferrals relate to:

	<i>in RSD 000</i>	
	2023	2022
Prepaid expenses	3,290	5,466
Receivables for uninvoiced income	65,213	114,048
Other short-term accruals and deferrals	2,753	13,844
Balance as of December 31st	71,256	133,358

28. CAPITAL AND RESERVES

Capital and reserves are related to:

	<i>in RSD 000</i>	
	2023	2022
Stakes in limited liability companies	475,634	475,634
Other capital	3,923	3,923
Actuarial gains and losses on defined benefit plans	(28,770)	(38,582)
Gains or losses on available-for-sale securities	0	0
Retained profit from previous years	168,656	152,989
Retained profit from current year	57,173	31,333
Balance as of December 31st	676,616	625,297

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

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

**Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022**

28. CAPITAL AND RESERVES (Continued)

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.

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. in the amount of RSD 475,634 thousand.

The Company is in 2023 realized net profit of RSD 57,173 thousand.

29. LONG TERM PROVISIONS

Long-term provisions are related to:

	<i>in RSD 000</i>	
	2023	2022
Long-term provisions are related to:	29,851	78,067
Long-term provisions are related to:	59,214	61,803
Balance as of December 31st	89,065	139,870

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

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

The principal actuarial assumptions used were as follows:

Serial Number	The assumptions used when making the calculation of provisions for severance pay upon retirement	2023	2022
1.	Discount rate	6,50%	5,00%
2.	The estimated rate of growth of average earnings	13,00%	12,00%
3.	Percentage fluctuation	4,82%	4,90%
4.	The amount of severance pays at the time of provisioning	371.913,00	324.003,00
5.	The amount of severance pays in the previous calculation	324.003,00	285.936,00
6.	Total number of employees as of 01. 01. current year	173	182
7.	Total number of employees who left the Company during the year	21	11
8.	Including number of retired workers who received severance pay upon retirement during the year	11	5
9.	The total number of new employees during the year	10	2
10.	Total number of employees at 31/12/2023	162	173
11.	Have there been changes in the general act in terms of provisions to which employees are entitled upon retirement compared to the previous period	No	
12.	Method of recognizing actuarial gains / losses	In its entirety in the period in which they arise	
13.	Have there been changes in the general act in terms of the recognition of provisions for retirement compared to the previous period	No	

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

30. LONG TERM LIABILITIES

Long term liabilities are related to:

	2023	<i>in RSD 000</i> 2022
Long-term loans and borrowings in the country	298,142	97,955
Liabilities from financial leasing	4,914	0
Balance as of December 31st	303,056	97,955

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

INSTITUTE MIHAJLO PUPIN Ltd Belgrade has (part of) a loan with Raiffeisen Bank at EUR 1.000.000,00, with a currency clause and a grace period until 01.07.2024 year, three-month month Euribor plus 2,55% interest.

And INSTITUTE MIHAJLO PUPIN Ltd Belgrade has (part of) a loan with Banca Intesa at EUR 2.000.000,00, with a currency clause and a grace period until 06.08.2024 year, three-month month Euribor plus 2,48% interest.

Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022

31. LONG-TERM ACCRUALS

Long term accruals are related to:

	<i>in RSD 000</i>	
	2023	2022
Income of the future period	10,374	0
Donations received for reimbursement of expenses	97	212
Donations received - projects in local currency RSD	1,069	0
Donations received - projects in foreign currency	30,535	47,324
Equipment donations received	858	991
Equipment donations received - SAP and NIP	11,261	15,007
Balance as of December 31st	54,194	63,534

32. SHORT-TERM FINANCIAL LIABILITIES

Short-term financial liabilities are related to:

	<i>in RSD 000</i>	
	2023	2022
Short term loans – domestic	100,000	100,000
The part of long-term loans and borrowings that matures up to one year	147,118	98,813
Part of other long-term liabilities maturing in one year	1,392	890
Other short-term financial liabilities	0	0
Balance as of December 31st	248,510	199,703

INSTITUTE MIHAJLO PUPIN Ltd. BELGRADE has (part of) a loan with Raiffeisen Bank in the amount of EUR 800.000.00, with a currency clause and a grace period until June 30, 2024. three-month Euribor plus 2,55% interest.

INSTITUTE MIHAJLO PUPIN Ltd. BELGRADE has (part of) a loan with Raiffeisen Bank in the amount of EUR 1.000.000.00, with a currency clause and a grace period until 01.07.2024, three-month Euribor plus 2,55% interest.

INSTITUTE MIHAJLO PUPIN Ltd. BELGRADE has (part of) a loan with Raiffeisen Bank in the amount of EUR 2.000.000.00, with a currency clause and a grace period until 06.08.2024, three-month Euribor plus 2,48% interest.

33. RECEIVED ADVANCES

Received advances are related to:

	<i>in RSD 000</i>	
	2023	2022
Received advances, deposits, and caution money	228,369	218,376
Balance as of December 31st	228,369	218,376

Liabilities for received advances, deposits and caution money reported on December 31st 2023 in the amount of RSD 228,369 were not reconciled with creditors in the amount of 121,787 thousand, which is 59,57%.

Notes to the financial statements
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34. TRADE PAYABLES

Trade payables are related to:

	<i>in RSD 000</i>	
	2023	2022
Trade payables – parent and subsidiaries – domestic	97,004	174,705
Trade payables – domestic	304,650	571,834
Trade payables – foreign	56,650	97,828
Balance as of December 31st	458,304	844,367

Liabilities to suppliers, expressed on December 31, 2023 in the amount of RSD 458,304 were not reconciled with creditors in the amount of RSD 5,024 44 thousand, or 1,10 of the mentioned liabilities were not harmonized and out of 618 clients, 346 are non-compliant, which is 55,99%.

35. SHORT-TERM PROVISIONS

Liabilities for short - term provisions relate to:

	<i>in RSD 000</i>	
	2023	2022
Short-term provisions for the warranty period	0	528
Other short-term provisions	1,640	9,442
Balance as of December 31st	1,640	9,970

36. OTHER SHORT-TERMS LIABILITIES

Other short-terms liabilities are related to:

	<i>in RSD 000</i>	
	2023	2022
Liabilities for net salaries and fringe benefits, except allowances to be refunded	34,832	33,171
Liabilities for taxes on salaries and fringe benefits charged to employees	4,526	4,321
Liabilities for contributions on salaries and fringe benefits charged to employees	9,502	9,063
Liabilities for taxes and contributions on salaries and fringe benefits charged to employer	7,237	6,900
Liabilities for refundable net fringe benefits	574	2
Liabilities for taxes and contributions on refundable fringe benefits charged to employees	233	1
Liabilities for taxes and contributions on refundable fringe benefits charged to employer	122	1
Liabilities for interests and finance costs	3,774	739
Liabilities to employees	21,433	12,646
Liabilities to members of Management Board and Supervisory Board	315	274
Liabilities to individuals for contracted fees	644	252
Other liabilities	55	52
Liabilities based on value added tax and other public revenues	17,301	1,223
Liabilities for income tax	2,847	0
Balance as of December 31st	103,395	68,645

**Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022**

37. SHORT-TERM ACCRUED AND DEFERRED INCOME

Short-term accruals and deferrals relate to:

	<i>in RSD 000</i>	
	2023	2022
Other accruals and deferrals	11,292	8,443
Balance as of December 31st	11,292	8,443

38. OFF-BALANCE SHEET EVIDENCE

Off-balance sheets are related to:

	<i>in RSD 000</i>	
	2023	2022
Given sureties, guarantees and other rights	735,847	802,498
Assets other entities	3,573	3,573
Liabilities for given sureties, guarantees and other rights	(735,847)	(802,498)
Liabilities for assets in other entities	(3,573)	(3,573)
Balance as of December 31st	0	0

Guarantees in the amount of RSD 735,847 thousand at 31. December 2023 includes guarantees of performance bonds issued to suppliers by banks.

39. COURT DISPUTES

Institute „Mihajlo Pupin“Ltd Belgrade as a bankruptcy creditor

1Telefonija AD Belgrade

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

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

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

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

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

**Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022**

39. COURT DISPUTES (Continued)

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

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

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

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

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

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

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

The appeal procedure is still ongoing.

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

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

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

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

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

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

The Institute was invited by the defendant, JP Putevi Srbije, to be an intervener on the side of the defendant, which the Institute accepted and, in its capacity as an intervenor, contested the claim of the plaintiffs in its entirety, accepting the litigation in the state in which it was at the time of the intervention. He contested the findings and opinions of the expert neuropsychiatrist and submitted evidence to the court - a video of the plaintiff's passing through the toll ramp, during which the ramp descended on the plaintiff's vehicle at the toll station in Nis on January 21, 2020, from which it can be seen that, contrary to the allegations in the lawsuit and expert opinion, the passenger seat is empty, i.e. that the plaintiff was not in the vehicle at the time of the accident, nor was there a minor child in the back seat. The Institute compensated the claimant through the liability insurance policy of the company Dunav osiguranje ado Belgrade for material damage to the vehicle because it was established that the ramp descended on the vehicle due to technical problems in the operation of the toll collection system, which is undisputed, but the right to compensation is disputed in this dispute non-material damages to the plaintiffs due to the fear suffered and that the plaintiff's wife, also the plaintiff in this dispute, and a minor child were in the vehicle at the time of the accident. On February 14, 2022. the main hearing was concluded and first-instance Verdict 24.P.2888/2020 dated 02.14.2022 was issued. in which he completely rejected the claim of the plaintiffs. Only the prosecutor Miloš Ivković filed an appeal against the verdict, which made the rejection verdict against the second plaintiff Ivković Ilić Dušica legally binding. The Institute filed a response to the appeal, refuting it on all grounds. The appeal will be decided by the High Court in Nis, a second-instance decision of the court is expected.

The appeal procedure is still ongoing.

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

The Institute is not an intervenor in this dispute because the court did not issue a ruling on interference, but it provided the defendant - JP Putevi Srbije with complete documentation on the refusal to pay damages to the plaintiff here by the Company Dunav osiguranje ado Belgrade on the basis of the Institute's liability insurance policy because based on the video obtained JP Putevi Srbije determined that the driver - here the Prosecutor is to blame for the damage caused. The court, by its first-instance verdict dated 06.04.2022. partially accepted the Plaintiff's claim in the amount of RSD 102,578.00 with statutory default interest starting from 04/06/2022. until the final payment and in the amount of RSD 95,452.00 for the costs of the procedure, and refused the remaining part of RSD 43,962.00 with the associated interest. Both the Prosecutor and the Defendant filed an appeal against the verdict.

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39. COURT DISPUTES (Continued)

The Commercial Appellate Court in Belgrade, by judgment Pž. No. 7597/22 of 06.04.2022, partially confirmed the first-instance judgment - partially granted the plaintiff's claim and ordered the Public Enterprise Roads of Serbia to pay the plaintiff RSD 102,578.00 with statutory default interest from 06.04.2022 until payment and procedural costs in the amount of RSD 95,452.00, and rejected part of the plaintiff's claim in the amount of RSD 43,962.00 with interest from 29.06.2019 until final payment, as well as statutory default interest on the amount of RSD 102,578.00 from 29.06.2019 until 05.04.2022. The defendant, Public Enterprise Roads of Serbia, on 13.03.2023, issued a book debt in the name of a recourse claim for the total amount paid under the aforementioned judgment, in the amount of RSD 213,682.98, which amount the Institute paid to the said public enterprise on 15.03.2023, thereby concluding the matter.

**7. 29.Februar Ltd. Novi Sad due to recourse debt RSD 60.602,00 + spp
defendant PE Roads of Serbia, Commercial Court in Novi Sad - 12.П.909/2022**

The Institute, on behalf of the defendant - Public Enterprise Roads of Serbia, was called to participate in a lawsuit for compensation due to the fall of the ramp at the toll station Kovilj on July 11, 2022, around 10:20 AM, onto the vehicle of the Plaintiff, as an intervenor, to which the Institute agreed. Upon reviewing the footage of the Plaintiff's vehicle passing through the disputed toll station, obtained from the Public Enterprise Roads of Serbia, it was determined that the cause of the ramp's fall was a technical issue in the operation of the toll payment system. In order to reduce further procedural costs, the Institute reached an out-of-court settlement with the Plaintiff on December 26, 2022, which was paid to the attorney's account on December 27, 2022, totaling RSD 100,602.00 (RSD 50,602.00 for compensation, RSD 9,240.00 for lost car days according to the expert's report, RSD 760.00 for obtaining an official note from the Ministry of Interior, and RSD 40,000.00 for litigation costs including RSD 9,000.00 for drafting the lawsuit, RSD 6,000.00 for attending the first adjourned hearing, and RSD 25,000.00 for expert examination report submitted with the lawsuit. The Plaintiff waived part of the claim related to statutory default interest as stated in the lawsuit. On December 28, 2022, the Plaintiff waived the entire claim and requested exemption from paying court fees as the waiver was made before the conclusion of the first main hearing, withdrew the lawsuit filed on June 16, 2021, and on January 11, 2023, the Court issued a judgment based on the waiver, thereby concluding the matter.

8. The Plaintiff, the company Dunav Osiguranje ADO Belgrade, filed a lawsuit for a regressive debt of RSD 63,457.00 against the Defendant, Public Enterprise Roads of Serbia, at the Commercial Court in Belgrade-2. PJ1.405/2022 (the case was transferred to civil case No. 10.P.56/2023 following the Defendant's objection).

The Institute, on behalf of the Defendant - Public Enterprise Roads of Serbia, was called to participate in the lawsuit for a regressive debt, specifically for the reimbursement of compensation paid for the damage caused by the fall of the ramp at the toll station Vrčin on May 31, 2021, onto the insured vehicle, as an intervenor, to which the Institute agreed. Due to the passage of time, Public Enterprise Roads of Serbia no longer had the disputed footage, resulting in insufficient evidence to determine the Plaintiff's liability for the vehicle damage. In order to reduce further procedural costs, the Institute reached an out-of-court settlement with the Plaintiff on January 24, 2023, which was paid on January 26, 2023, totaling RSD 74,763.79 (RSD 63,457.00 regressive debt, RSD 7,708.00 court fees for the lawsuit or issuing a payment order, and RSD 3,598.79 for statutory default interest as stated in the lawsuit). The Plaintiff withdrew the lawsuit and the entire claim on February 1, 2023 (exempting from paying court fees for the judgment), and on February 3, 2023, the Court issued a decision that the lawsuit was withdrawn, thereby concluding the matter.

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

The institute has been invited by the defendant - JP Putevi Srbije, to sue for damages due to the fall of the ramp at the Šimanovci toll station on June 20, 2021. around 1:25 p.m. to the Prosecutor's vehicle, including as an intervenor, to which the Institute agreed. As JP Putevi Srbije no longer had the contested recording due to the passage of time, which is why there was no adequate evidence on whether the plaintiff was guilty of damage to the vehicle, to reduce further costs of the procedure, the Institute sent the plaintiff on 10.02.2023. year, indicating that the lawsuit was filed with a non-jurisdictional court (for entrepreneurs from Šid, the Commercial Court in Sremska Mitrovica is competent) and that the amount of

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39. COURT DISPUTES (Continued)

the claim was stated incorrectly (the correct amount is RSD 36,770.00 + RSD 9,000.00 the cost of the procedure for filing a claim under AT) and demanding that the plaintiff waive the part of the claim that refers to the payment of the statutory default interest determined by the claim, because the settlement implies concessions on both sides. The plaintiff's attorney is sick at the time of writing this report, but he has confirmed that he accepts to conclude the out-of-court settlement as proposed, and after its conclusion the same will be paid, and the plaintiff will waive the claim in full before the first hearing for the main hearing and will claim exemption from payment of court fees on the suit and judgment.

10. The Plaintiff, Sava Neživotno Osiguranje ADO Belgrade, filed a lawsuit for a regressive debt of RSD 29,390.40 against the Defendant, Public Enterprise Roads of Serbia, at the Commercial Court in Belgrade - 37.P.320/2023 (previously 5. Pn.430/22).

The Institute was invited by the defendant - PE Roads of Serbia, to participate in a lawsuit for the regress debt, i.e. regress for the compensation paid for damages due to the ramp falling at the toll station for the exit to Novi Sad on August 23, 2020, on the insured vehicle. The Institute was invited to participate as an intervenor, but since PE Roads of Serbia no longer had the disputed footage due to the passage of time, there were no adequate evidence to determine whether the plaintiff was responsible for the damage to the vehicle. In order to reduce further procedural costs, the Institute reached an out-of-court settlement with the Plaintiff on January 27, 2023, No. 2013/1-23, which was paid on January 31, 2023, in the amount of RSD 48,159.19 (RSD 29,390.40 regress debt, RSD 4,104.79 for statutory interest determined by the lawsuit, and RSD 14,664.00 for court costs for AT and TT). The Plaintiff withdrew the lawsuit and the claim in its entirety on February 7, 2023, and the Court issued a Decision on the withdrawal of the lawsuit on February 24, 2023, thereby concluding the matter.

11. The Plaintiff: Company Dunav Osiguranje ADO Belgrade for the regressive debt of RSD 8,820.89 + SPP Defendant JP Putevi Srbije, Commercial Court in Belgrade-2. PL.245/2023 (the subject matter has passed to the litigation number 26.P.4681/2023 based on the defendant's objection)

The Institute, on behalf of the defendant - JP Putevi Srbije, was called to participate in the litigation for the regressive debt, i.e. reimbursement for the paid compensation for damages due to the ramp falling at the toll station Šimanovci on July 7, 2022, on the insured vehicle, as an intervenor, to which the Institute agreed. Since JP Putevi Srbije no longer had the disputed footage due to the passage of time, there was no adequate evidence as to whether the plaintiff was at fault for the vehicle damage. In order to reduce further procedural costs, the Institute reached an extrajudicial settlement with the Plaintiff on November 17, 2023, which was paid on November 20, 2023, in the amount of RSD 13,369.95 (RSD 8,820.89 regressive debt, RSD 3,900.00 court fees for the lawsuit i.e. for issuing of the payment order and RSD 649.06 for statutory interest determined by the lawsuit). The Plaintiff renounced the lawsuit and the claims in their entirety on November 29, 2023, and the Court issued a Judgment on December 5, 2023, based on the renunciation, thereby concluding the case.

12. The Plaintiff: Ivan Nikolić from Smederevska Palanka, represented by attorney Danilo Kolarević from Belgrade, for the compensation of 21,150.00 RSD + procedure costs Defendants: Public Enterprise Roads of Serbia, First Basic Court in Belgrade 55.P.937/2023

The Institute, on behalf of the defendant - Public Enterprise Roads of Serbia, was called to participate in the lawsuit for the compensation of damage to a vehicle due to the fall of a ramp at the toll station Vrčin on October 15, 2022, on the plaintiff's vehicle, as an intervenor, to which the Institute agreed. However, as the Public Enterprise Roads of Serbia no longer had the disputed footage due to the passage of time, there were no adequate evidence as to whether the plaintiff was responsible for the damage to the vehicle. To reduce further procedural costs, the Institute concluded an extrajudicial settlement with the Plaintiff on April 19, 2023, which was paid on April 21, 2023, in the amount of 21,150.00 RSD for the compensation of damages to the plaintiff and 9,000.00 RSD to the attorney as legal representative for filing the lawsuit. The Plaintiff waived the request for payment of statutory interest specified in the lawsuit. The Plaintiff waived the lawsuit and all claims on April 25, 2023, and the Court issued a Judgment on April 27, 2023, based on the waiver, thereby concluding the case.

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39. COURT DISPUTES (Continued)

13. The Plaintiff: The company Dunav osiguranje ADO Belgrade is seeking recovery of debt in the amount of RSD 64,350.89 + court fees from the defendant JP Putevi Srbije, Commercial Court in Belgrade-5. Case No. 286/2023 (the case has been transferred to civil case No. 3.P.5305/2023 based on the defendant's objection).

The defendant JP Putevi Srbije called upon the plaintiff to participate in the lawsuit for recovery of debt, specifically for reimbursement of the compensation paid for damages resulting from the fall of the ramp at the toll station Šimanovci on August 19, 2022, on the insured vehicle. The Institute, acting on behalf of the defendant JP Putevi Srbije, agreed to involve the plaintiff in the capacity of intervenor. Due to the passage of time, JP Putevi Srbije no longer had the disputed footage, which led to a lack of adequate evidence as to whether the plaintiff was responsible for the damage to the vehicle. In order to reduce further procedural costs, the Institute reached an extrajudicial settlement with the plaintiff on November 23, 2023, which was paid on November 24, 2023 in the amount of RSD 78,622.03 (RSD 64,350.89 for the recovery of debt, RSD 6,509.14 for statutory interest specified in the lawsuit, and RSD 7,762.00 for court fees for the lawsuit i.e. issuing the payment order). The plaintiff renounced the lawsuit and the claim in its entirety on November 29, 2023, and the Court issued a Judgment on December 4, 2023, based on the renunciation, thus ending the case.

14. Plaintiff: Insurance company DDOR NOVI SAD for the purpose of recovery debt in the amount of 36,000.00 RSD + court costs VS Defendant Public Enterprise Roads of Serbia, Commercial Court in Novi Sad 2.P.709/2023

The Institute, on behalf of the defendant - Public Enterprise Roads of Serbia, was called to participate in the lawsuit for recovery debt i.e. recovery for the paid compensation for damage due to the ramp falling at the toll station Vrčin on June 20, 2022, on the insured vehicle, in the capacity of intervenor, to which the Institute agreed. As Public Enterprise Roads of Serbia no longer had the disputed footage due to the passage of time, there were no adequate evidence as to whether the plaintiff was liable for the damage to the vehicle, in order to reduce further procedural costs, the Institute concluded an extrajudicial settlement with the Plaintiff on October 6, 2023, which was paid the same day in the amount of 47,154.08 RSD (36,000.00 RSD recovery debt, 2,154.08 RSD for statutory interest specified in the lawsuit, and 9,000.00 RSD for the composition of the lawsuit by the lawyer representing the Plaintiff). The Plaintiff renounced the lawsuit and the claim in its entirety on October 12, 2023, and the Court rendered a judgment on October 16, 2023, based on the renunciation, thereby concluding the case.

15. Plaintiff: Insurance company GENERALI OSIGURANJE SRBIJA for the recovery debt in the amount of RSD 51,356.35 + court costs Defendant: Public company Roads of Serbia, Commercial Court in Belgrade 3.P.181/2023 (after the objection against issuing a payment order was accepted, the case is registered under the business number 36.P.4147/2023)

The Institute, on behalf of the defendant - Public company Roads of Serbia, was called to join the lawsuit for recovery debt, i.e. recovery for the compensation paid for damage due to the ramp falling at the toll station Vrčin on June 29, 2020, on the insured vehicle, as an intervenor, to which the Institute agreed. Since the Public company Roads of Serbia no longer had the disputed recording due to the passage of time, there were no adequate evidence as to whether the plaintiff was liable for the damage to the vehicle. In order to reduce further proceedings costs, the Institute reached an out-of-court settlement with the Plaintiff on August 25, 2023, which was paid on September 5, 2023, in the amount of RSD 88,478.25 (RSD 51,356.35 recovery debt, RSD 16,639.90 for statutory interest determined by the lawsuit, and RSD 20,482.00 for the composition of the lawsuit by the attorney for legal fees and court fees for issuing a payment order). The Plaintiff withdrew the lawsuit and all claims on September 7, 2023, and the Court issued a Decision on September 25, 2023, stating that the lawsuit was withdrawn, thus concluding the case.

16. Regressive claim prior to filing a lawsuit against the Public Roads of Serbia - the claimant Insurance company GLOBOS INSURANCE SERBIA for the regressive debt of RSD 36,502.87 and the Company for graphic publishing activities BEOCOLP DOO BELGRADE for the claim on the basis of paid franchise of RSD 5,867.95.

The Institute, before filing a claim for damages against the Public Enterprise Roads of Serbia, was approached by GLOBOS INSURANCE from Belgrade for the payment of a subrogation claim for the compensation paid to the insured due to the ramp falling on the vehicle of the insured on August 7, 2022. The insured also sought reimbursement for the paid deductible (the insured's participation in the payment of compensation for damages under the vehicle insurance policy). Since the Public Enterprise Roads of

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39. COURT DISPUTES (Continued)

Serbia no longer had disputed footage due to the passage of time, there were no adequate evidence as to whether the plaintiff was responsible for the damage to the vehicle. To avoid legal costs entirely, as well as paying statutory default interest, the Institute concluded a triple Extrajudicial Settlement on number 2499/1-23 on November 2, 2023, and on December 26, 2023, the Institute paid GLOBOS INSURANCE from Belgrade an amount of RSD 36,502.87 and BEOKOLP an amount of RSD 5,867.95. The mentioned claimants waived any other claims based on the mentioned adverse event, thereby concluding the matter.

17. Regres demand before filing a lawsuit against the Public Enterprise Roads of Serbia - Applicant Insurance Company DDOR Novi Sad for a regressive debt of RSD 27,017.00.

Before filing a regressive lawsuit against the Public Enterprise Roads of Serbia, the Insurance Company DDOR Novi Sad turned to the Institute for the payment of a regressive request for the compensation paid to the insured due to the fall of a ramp on the highway on 04.11.2021. Since the Public Enterprise Roads of Serbia no longer had disputed footage due to the passage of time, and there were no adequate evidence as to whether the plaintiff was responsible for the damage to the vehicle, in order to avoid court costs altogether, the Institute reached an out-of-court settlement on 26.10.2023 and paid DDOR Novi Sad an amount of RSD 30,913.37 on 05.12.2023 (regressive claim of RSD 27,017.00 and RSD 3,896.37 for statutory late payment interest specified in the regressive request), and the applicant waived any other claims related to the mentioned harmful event, thus concluding the matter.

18. Prosecutor: Aleksandar Stjepanović from Belgrade, through lawyer Stijelja Miloš from Belgrade, for the compensation of damages in the amount of RSD 377,707.00 + court fees Defendants: Public Enterprise Roads of Serbia, First Basic Court in Belgrade 58.P.10631/2023

The Institute, on behalf of the defendant - Public Enterprise Roads of Serbia, was summoned to participate in the lawsuit for compensation of damage to the vehicle due to the ramp falling at the toll station in Šid on October 22, 2022. on the plaintiff's vehicle, to be involved as an intervenor, which the Institute agreed to. The first hearing for the main trial is scheduled for May 14, 2023. Before filing the lawsuit, the prosecutor contacted the MIHAJLO PUPIN INSTITUTE requesting compensation for damages due to the ramp falling on the mentioned toll station on his vehicle, through the Institute's liability insurance policy, however, his request was denied as it was established from the video footage obtained from the Public Enterprise Roads of Serbia that there was a red light on the display in front of the ramp which the prosecutor did not respect and continued moving, therefore the ramp fell on his vehicle because he was prohibited from further movement through the toll lane. The prospects of success in the dispute are uncertain considering the very diverse court practices in the matter of compensation for damages due to ramp falls at toll stations on user vehicles.

19. Plaintiff: MEDIAKTIVA DOO NIŠ by attorney Vladan Radić from Niš, for compensation of RSD 51,000.00 + expenses Defendant: JP Putevi Srbije, Commercial Court in Niš, 3.P.513/2023

The Institute, on behalf of the defendant - JP Putevi Srbije, was called to the lawsuit for compensation of damage to a vehicle due to the ramp falling at the toll station NIŠ ISTOK on 23.07.2023. on the plaintiff's vehicle, included as an intervenor, to which the Institute has agreed, although it was included in the lawsuit after 2 hearings have already been held, making it precluded from presenting new evidence. The lawsuit is ongoing, the next hearing is scheduled for 04.04.2024, and the prospects of success are uncertain considering the diverse court practice regarding compensation for damage due to ramp falls at toll stations on users' vehicles.

INSITUTE MIHAJLO PUPIN LTD BELGRADE, acting as plaintiff, represented by attorney Dusko Filipovic from Zemun:

20. Plaintiff: Institute Mihajlo Pupin Ltd. Belgrade for eviction from immovability Defendant: Gojko Drobnjaković from Belgrade (tenant of real estate) First Basic Court in Belgrade P.6076/22

On the 6th of May 2022, a lawsuit was filed for the eviction of the defendant tenant from the immovability at Valter Bogišića Street no. 3A, whose title holder of the right of use is Institute with a 1/1 ideal share, as well as for the handover of the mentioned immovability to the Institute. The case is in interruption pursuant to the Court Decision from the 10th of October 2022 due to the defendant's death on the 16th of September 2022. On the 10th of November 2022, after determining the fact that an inheritance procedure O.6244/2022

**Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022**

39. COURT DISPUTES (Continued)

has been initiated for the defendant before the First Basic Court in Belgrade, entrusted to the notary Miodrag Glišić, a submission was filed for the determination of the fact that the Institute is an interested party in that inheritance procedure, because only after the completion of the inheritance and determination of the plaintiff's heirs, can the interrupted litigation proceedings continue. The lawyer's report is attached to this report.

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

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

The lawyer's report is attached to this Report.

Procedures in misdemeanor court

22. The misdemeanor court in Belgrade 180. PR.41153/2023 Defendant legal entity INSTITUT MIHAJLO PUPIN DOO BELGRADE and Defendant responsible person in the legal entity - director, for the misdemeanor in the field of the Fire Protection Law, Applicant: Ministry of Interior of the Republic of Serbia, Sector for Emergency Situations, Administration for Emergency Situations in Belgrade.

On September 11, 2023, the written defense of the Defendant legal and responsible person was submitted to the court. The procedure is still ongoing. There are grounds for exemption from liability for both the Defendant legal entity and the Defendant responsible person in the legal entity.

Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022

40. TRANSACTIONS WITH RELATED PARTIES

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

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

The following transactions were conducted with related parties:

	<u>2023</u>	<u>2022</u>
(a) Sales of goods and services		
IMP-Automatika Ltd, Belgrade	233,707	181,072
IMP Automatika-Security Ltd, Belgrade	3,038	184
IMP Racunarski sistemi Ltd, Belgrade	19,688	34,420
IMP Telekomunikacije Ltd, Belgrade	6,521	5,188
Idvorski laboratorije Ltd, Belgrade	1,104	1,033
IMP – Piezotehnologija Ltd, Belgrade	43	0
IMP Poslovne usluge Ltd, Belgrade		
	<u>398</u>	<u>348</u>
Total	<u>264,499</u>	<u>222,245</u>

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

	<u>2023</u>	<u>2022</u>
(b) Procurement of goods and services		
IMP-Automatika Ltd, Belgrade	307,672	205,614
IMP Racunarski sistemi Ltd, Belgrade	331,281	488,261
IMP Telekomunikacije Ltd, Belgrade	187,880	115,335
Idvorski laboratorije Ltd, Belgrade	476	0
IMP Piezotehnologija Ltd, Belgrade	2,500	14
IMP Poslovne usluge Ltd, Belgrade	32,202	29,420
	<u>862,011</u>	<u>838,644</u>
Total	<u>862,011</u>	<u>838,644</u>

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

For 2023 a study was conducted on transfer pricing and consequently are made appropriate adjustments for tax purposes.

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

	<u>2023</u>	<u>2022</u>
Receivables from sales		
(Note 24)		
IMP-Automatika Ltd, Belgrade	106,063	89,867
IMP Racunarski sistemi Ltd, Belgrade	602	1,042
IMP Telekomunikacije Ltd, Belgrade	84	103
IMP Piezotehnologija Ltd, Belgrade	30,526	30,483
IMP Poslovne usluge Ltd, Belgrade	35	34
	<u>137,310</u>	<u>121,529</u>
Less: Allowance for impairment		
	<u>(30,483)</u>	<u>(54,593)</u>
Total	<u>106,827</u>	<u>66,936</u>

Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022

40. TRANSACTIONS WITH RELATED PARTIES
(Continued)

Receivables from interest and dividend
(Note 25)

IMP-Automatika Ltd, Belgrade	0	9,764
IMP Poslovne usluge Ltd, Belgrade	0	0
Total	0	9,764

Short-term financial investments

IMP – PIEZOTEHNOLOGIJA Ltd. Belgrade	14,607	14,607
IMP – AUTOMATIKA Ltd. Belgrade	66,000	66,000
	80,607	80,607
<i>Less: Allowance for impairment</i>		
IMP Piezotehnologija Ltd, Belgrade	(14,607)	(14,607)
Total	66,000	66,000

Liabilities from business
(Note 34)

IMP-Automatika Ltd, Belgrade	28,362	32,170
IMP Racunarski sistemi Ltd, Belgrade	55,374	122,917
IMP Telekomunikacije Ltd, Belgrade	682	15,529
IMP Poslovne usluge Ltd, Belgrade	12,586	4,089
Total	97,004	174,705

Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022

41. FINANCIAL INSTRUMENTS

Capital Risk Management

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

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

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

	<i>in RSD 000</i>	
	<u>2023</u>	<u>2022</u>
Debt a)	551,566	297,658
Cash and cash equivalents	<u>(682,797)</u>	<u>(629,590)</u>
Net debt	<u>(131,231)</u>	<u>(331,932)</u>
Equity b)	<u>676,616</u>	<u>625,297</u>
Debt equity ratio	<u>0,19</u>	<u>0,53</u>

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>	
	<u>2023</u>	<u>2022</u>
Financial Assets		
Long term financial investments	75,190	76,369
Receivables from sales	681,145	667,949
Other receivables	127,409	201,471
Short-term financial investments	66,000	66,000
Cash and cash equivalents	<u>682,797</u>	<u>629,590</u>
	<u>1,632,541</u>	<u>1,641,379</u>
Financial Liabilities		
Long-term liabilities	(303,056)	(97,955)
Short-term financial liabilities	(248,510)	(199,703)
Trade payables without received advances	(458,304)	(844,367)
Other liabilities	<u>(103,395)</u>	<u>(68,645)</u>
	<u>(1,113,265)</u>	<u>(1,210,670)</u>

Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022

41. FINANCIAL INSTRUMENTS (Continued)

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

Purpose of managing financial risks

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

Market risk

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

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

Currency risk

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

The stability of the economic environment in which the Company operates depends on government measures and law and legislation environment.

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

	Assets		Liabilities	
	December 31st 2023	December 31st 2022	December 31st 2023	December 31st 2022
In currency	773,462	748,757	(608,216)	(395,486)
	773,462	748,757	(608,216)	(395,486)

in RSD 000

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

Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022

41. FINANCIAL INSTRUMENTS (Continued)

	December 31 st 2023 +10%	December 31 st 2022 +10%	December 31 st 2023 -10%	<i>in RSD 000</i> December 31 st 2022 -10%
EUR	13,633	12,588	(13,633)	(12,588)
	13,633	12,588	(13,633)	(12,588)

Interest rate risk

The Company is exposed to fluctuations of the interest rate on assets and liabilities for which the 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> 2023	<i>in RSD 000</i> 2022
Financial asset		
<i>Noninterest bearing</i>		
Long-term financial investments	75,190	76,369
Receivables from sales	681,145	667,949
Other receivables	127,409	201,471
Short-term financial investments	66,000	66,000
Cash and cash equivalents	682,797	629,590
	1,632,541	1,641,379
	1,632,541	1,641,379
Financial liabilities		
<i>Noninterest bearing</i>		
Trade payables without received advances	(458,304)	(844,367)
Other liabilities	(103,395)	(68,645)
	(561,699)	(913,012)
<i>Interest bearing</i>		
Long-term liabilities	(303,056)	(97,955)
Short-term financial liabilities	(248,510)	(199,703)
	(551,566)	(297,658)
Interest rate gap	(551,566)	(297,658)

Sensitivity analysis shows the following text is 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. The increase or decrease of 1% is, by the management, assessment of changes in interest rates.

	<i>in RSD 000</i> Increase of 1 percentage point		<i>in RSD 000</i> Decrease of 1 percentage point	
	2023.	2022.	2023.	2022.
The result for the current year	(5,516)	(2,976)	5,516	2,976

Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022

41. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

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

Liquidity risk

Final responsibility for managing 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.

The following table presents book and fair value of financial asset and liabilities as of 31st December 2023 and 31st December 2022.

	December 31 st 2022		December 31 st 2021	
	Book value	Fair value	Book value	Fair value
Financial asset				
Long-term financial investments	75,190	75,190	76,369	76,369
Trade receivables	681,145	681,145	667,949	667,949
Other receivables	127,409	127,409	201,471	201,471
Short-term financial investments	66,000	66,000	66,000	66,000
Cash and cash equivalents	682,797	682,797	629,590	629,590
	1,632,541	1,632,541	1,641,379	1,641,379
Financial liabilities				
Long-term liabilities	(303,056)	(303,056)	(97,955)	(97,955)
Short-term financial liabilities	(248,510)	(248,510)	(199,703)	(199,703)
Trade payables without received advances	(458,304)	(458,304)	(844,367)	(844,367)
Other liabilities	(103,395)	(103,395)	(68,645)	(68,645)
	(1,113,265)	(1,113,265)	(1,210,670)	(1,210,670)

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, to obtain a relevant assessment of market value of financial instruments on the balance sheet day.

42. EVENTS OCCURRED AFTER THE BALANCE SHEET DATE

After the balance sheet date as of December 31, 2023, no significant changes have occurred in the Company that would have an impact on the Company's financial statements.

Notes to the financial statements
For the Year Ended December 31st, 2023 and 2022

43. EXCHANGE RATES

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

	December 31th 2023	In RSD December 31th 2022
EUR	117,1737	117,3224
USD	105,8671	110,1515
CHF	125,5343	119,2543

In Belgrade,

Date February 29th, 2024

**Person responsible for preparing
the Financial Statement**

Đurđević Vesna



Legal representative

[Signature]