ELEKTROPRIVREDA CRNE GORE a.d. Nikšić

Konsolidovani finansijski iskazi za 2020. godinu u skladu sa računovodstvenim propisima Crne Gore

i

Izvještaj nezavisnog revizora

BDO

CONTENT

Tel: +382 20 228 449
Fax: +382 20 228 449
www.bdo.co.me

Bulevar Svetog Petra Cetinjskog 149
81000 Podgorica
Crna Gora

INDEPENDENT AUDITOR'S REPORT

To the shareholders of the Electric Power Company of Montenegro, Nikšiÿ

Auditor's report on consolidated financial statements

Opinion with reservation

We have audited the accompanying consolidated financial statements of Elektroprivreda Crne Gore ad Nikšiÿ ("Parent Company") and its subsidiaries (collectively, the "Group"), which include the consolidated statement of financial position ("Balance Sheet"). as at 31 December 2020 and the consolidated statement of comprehensive income (hereinafter referred to as the income statement), the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that day, as well as the notes to the consolidated financial statements. statements that include a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly and objectively, in all material respects, the consolidated financial position of the Group as at 31 December 2020, as well as the consolidated results of operations and consolidated cash flows for the year then ended. in accordance with the accounting regulations in force in Montenegro and the accounting policies disclosed in Note 3 to the consolidated financial statements.

Basis for qualified opinion

As disclosed in Note 21 to the consolidated financial statements, as at 31 December 2020, property, plant and equipment stated at net present value of EUR 997,677,327 (31 December 2019: EUR 976,185,372) include total net assets. present value of EUR 35,589,488 (31 December 2019: EUR 36,352,148) without proper ownership documentation. Accordingly, we have not been able to determine whether certain adjustments would be necessary in relation to the balance of these assets as at 31 December 2020 and 31 December 2019, as well as the related items in the consolidated statement of comprehensive income. the result, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended.

We conducted our audit in accordance with the Law on Audit ("Official Gazette of Montenegro", No. 001/17) and International Standards on Auditing (ISA). Our responsibilities in accordance with these standards are described in more detail in the section of our report *Auditors' Responsibilities for the Audit of Consolidated Financial Statements.* We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* of the International Accounting Standards Board ("IESBA Code") and the ethical requirements relevant to our audit of the consolidated financial statements in Montenegro, and we have met our other ethical requirements. responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit issues

The key audit issues are those issues that, in our professional judgment, were of the utmost importance in our audit of the consolidated financial statements of the current period. These issues have been addressed in the context of the audit of the consolidated financial statements as a whole, as well as in the formation of our opinion on them and we do not express a specific opinion on these issues.

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of the Electric Power Company of Montenegro, Nikšiÿ

Auditor's Report on Consolidated Financial Statements (Continued)

Audit Key Issues (Continued)

We have identified the following key audit issues for communication in our Report:

Key audit issues	How we addressed the key audit issue
1. Revenue recognition (revenue recording accuracy), Note 7. with consolidated financial statements There is an inherent risk related to the accuracy of recognized revenue arising from the complexity of the	
Group's IT systems and sales procedures. The Group's accounting policies relating to the recognition of revenue are disclosed in Note 3.17.	We have provided an understanding of the revenue recognition process. We conducted tests of controls related to revenues from electricity sales, electricity distribution, coal sales and IT systems by verifying the design and effectiveness of relevant controls related to revenues from electricity sales. We have also conducted essential analytical procedures related to significant types of revenue, as well as specific procedures to ensure the accuracy and completeness of recognized revenue.
2. Provisions, Note 31 to the consolidated financial statements	
The stated key audit issue is We tested Provisions for litigation selected because it includes significant Groups recorded on the costs of current assessment [illegible] as well as significant estimates for recognition as costs in [illegible] in litigation. The Group's accounting policies relating to the recognition of Provisions are disclosed in Note 3.14.	Sending independent confirmations to the Group's external attorneys. Understanding the process related to the formation of these provisions and analysis with the Group's management and professional services.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for compiling and presenting these consolidated financial statements in accordance with the accounting regulations in force in Montenegro, as well as for those internal controls that it determines are necessary for the preparation of consolidated financial statements that do not contain material misstatements. actions or errors.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as appropriate, matters relating to continuing operations and applying the going concern basis as the accounting basis, unless management intends to liquidate The group either suspends business, or has no real option but to do so.

The persons charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of the Electric Power Company of Montenegro, Nikšiÿ

Auditor's Report on Consolidated Financial Statements (Continued)

Auditor's responsibilities for auditing consolidated financial statements

Our objective is to obtain reasonable assurance that the consolidated financial statements, taken as a whole, do not contain material misstatements resulting from criminal activity or error, and to issue an auditor's report containing our opinion. Reasonable assurance indicates a high level of assurance, but does not guarantee that an audit conducted in accordance with International Standards on Auditing will always reveal material misstatement, if any. False statements may result from a criminal act or error and are considered material if it can be reasonably expected that they will, individually or collectively, influence the economic decisions of users made on the basis of these consolidated financial statements.

As part of our audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism during our audit.

We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements as a result of a criminal act or error, design and perform audit procedures appropriate to those risks, and obtain sufficient adequate audit evidence to provide a basis for the auditor's opinion. The risk that material misstatements resulting from a criminal act will not be identified is greater than for erroneous statements resulting from an error, because a criminal act may involve association, falsification, willful misconduct, misrepresentation or circumvention of internal control.

- Gain an understanding of the internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not in order to express an opinion on the effectiveness of the Group's internal controls.
- We assess the adequacy of applied accounting policies and the extent to which management's reasonable estimates and related disclosures are reasonable.

- We conclude on the appropriateness of the application of the going concern basis as management's accounting basis and whether, based on the audit evidence collected, there is material uncertainty about events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. the principle of permanence. If we conclude that there is material uncertainty, we are required to draw attention in our auditor's report to the appropriate disclosures in the consolidated financial statements or, if such disclosures are not adequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may result in the Group ceasing to operate in accordance with the principle of continuity.
- We evaluate the overall presentation, structure and content of consolidated financial statements, including disclosures, and whether the consolidated financial statements present basic business changes and events in such a way as to achieve a fair presentation.
- We obtain sufficient adequate audit evidence regarding the entity's financial information or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for directing, overseeing and conducting the Group's audit. Also, we are solely responsible for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of the Electric Power Company of Montenegro, Nikšiÿ

Auditor's Report on Consolidated Financial Statements (Continued)

Auditor's Responsibilities for the Audit of Consolidated Financial Statements (Continued)

We disclose to those charged with governance, inter alia, the planned scope and timing of the audit and significant audit findings, including significant deficiencies in internal controls that we have identified during our audit.

We also provide a statement to those charged with governance that we comply with the relevant ethical requirements regarding independence and that we will inform them of any relationships and other matters that may reasonably be expected to affect our independence and, where possible, of related protection measures.

From the issues communicated to those charged with governance, we determine which issues were of the utmost importance in the audit of the consolidated financial statements for the current period and are therefore key audit issues. We describe these matters in our auditor's report unless the law or regulation precludes public disclosure of the matter or when, in extremely rare circumstances, we determine that the matter should not be included in the auditor's report because it is reasonable to expect greater adverse consequences. than the benefits of such communication.

Report on other legal and regulatory requirements The

Group's management is responsible for the preparation and accuracy of the attached annual Consolidated Management Report in accordance with the requirements of the Accounting Act. In accordance with the Audit Act, it is our responsibility to express an opinion on the compliance of the Group's Annual Consolidated Management Report for 2020 with the consolidated financial statements for that business year that were audited. Our actions in this regard were limited to assessing the compliance of the financial information contained in the annual Consolidated Management Report with the audited consolidated financial statements.

In our opinion, the financial information disclosed in the Group's Annual Consolidated Management Report for 2020 is consistent, on all material matters, with the Group's consolidated financial statements for 2020 which have been audited and prepared in accordance with the Accounting Act.

The audit engagement partner on the basis of which this independent auditor's report was compiled is Milovan Popoviÿ.

Podgorica, December 8, 2021

Društvo za reviziju BDO d.o.o. Podgorica

Milovan Popović
Certified auditor

CONSOLIDATED STATEMENT OF TOTAL RESULT (INCOME STATEMENT)
In the period from 1 January to 31 December 2020 In EUR

	Note	2020.	2019.
Sales revenue - net income	7	**294,192,866**	**307,204,066**
Revenues from activation of effects and goods	8	**3,080,064**	**3,645,904**
Other operating income a) Other		**13,618,580**	**7,747,107**
operating income b) Other operating income c)	9	2,716,260	1,555,876
Income from value adjustment of assets	10	10,858,186	5,491,658
		44,134	699,573
Operating costs		**(217,267,050)**	**(217,470,554)**
a) Cost of goods sold and material costs b) Other operating costs (depreciation, provisions and other operating expenses)	11	(95,797,090)	(107,248,584)
	12	(121,469,960)	(110,221,970)
Wage costs, wage compensation and other personal expenses		**(60,729,027)**	**(60,557,217)**
a) Net salary costs, salary compensation and personal expenses b)	13	(37,079,458)	(36,986,039)
Tax and contribution costs	14	*(23,649,569)*	*(23,571,178)*
1 / Tax expenses		(5,356,658)	(5,594,117)
2 / Costs of pension contributions		(11,340,215)	(10,838,158)
3 / Contribution costs		(6,952,696)	(7,138,903)
Expenses on the basis of value adjustment of assets (except financial)		**(174,572)**	**(3,146)**
a) Expenses based on value adjustment of current assets (except financial)		(174,572)	(3,146)
Other operating expenses		**(5,186,177)**	**(5,052,753)**
BUSINESS RESULT		**27,534,684**	**35,513,407**
Income from other financial investments and loans (interest, exchange rate differences and effects of contracted protection) b) Income from other financial investments and loans from unrelated legal entities		**1,436,672**	**2,013,433**
		1,436,672	2,013,433
Other income from interest, exchange rate differences and others effects of contracted protection		**6,950,132**	**3,926,650**
a) Financial income on the basis of current receivables from unrelated legal entities	15	6,950,132	3,926,650
12. Value adjustment of short-term financial assets and financial investments that are part of current assets		**(7,532,422)**	**3,129,172**
a) Revenues from value adjustments short-term financial assets and financial investments that are part of current assets b) Expenses based on value adjustment		3,037,886	433,821
short-term financial assets and financial investments that are part of current assets **13. Expenses on the basis of interest, exchange rate differences and other**	16	(10,570,308)	2,695,351
the effect of contracted protection		**(2,379,764)**	**(2,459,993)**
a) Expenses on the basis of interest, exchange rate differences and other effects of contracted protection on the basis of relations with unrelated persons	17	(2,379,764)	(2,459,993)
FINANCIAL RESULT		**(1,525,382)**	**6,618,887**

KONSOLIDOVANI ISKAZ O UKUPNOM REZULTATU (BILANS USPJEHA)
U periodu od 1. januara do 31. decembra 2020. godine
U EUR

	Napomena	2020.	2019.
III. Rezultat iz redovnog poslovanja prije oporezivanja		**26,009,302**	**42,132,294**
PORESKI RASHOD PERIODA	18	**(2,906,724)**	**(3,224,757)**
Tekući porez na dobit		(4,536,402)	(4,368,316)
Odloženi poreski prihodi/(rashodi)		1,629,678	1,143,559
15. Dobitak ili gubitak nakon oporezivanja		**23,102,578**	**38,907,537**
VI. BRUTO REZULTAT DRUGIH STAVKI REZULTATA /POVEZANIH SA KAPITALOM		**753,621**	**32,426**
Promjene aktuarskih dobitaka i gubitaka po osnovu planova definisanih naknada aktuarskih dobitaka (ili gubitaka) u vezi sa definisanim planovima penzionih naknada		753,621	32,426
VII. ODLOŽENI PORESKI RASHODI ILI PRIHODI PERIODA U VEZI SA DRUGIM STAVKAMA REZULTATA /POVEZANIM SA KAPITALOM/		-	-
VIII. NETO REZULTAT DRUGIH STAVKI REZULTATA /POVEZANIH SA KAPITALOM		753,621	32,426
IX. NETO SVEOBUHVATNI REZULTAT		**23,856,199**	**38,939,963**
Osnovna zarada po akciji	19	0.1953	0.3294
ZARADA PO AKCIJI		**0.1953**	**0.3294**
Broj akcija		118,132,402	118,132,402

Napomene na stranama od 11 do 55
čine sastavni dio ovih finansijskih iskaza

Priloženi konsolidovani finansijski iskazi su predloženi za usvajanje od strane Odbora direktora Društva dana 26.11.2021. godine i potpisani su u ime rukovodstva Matičnog Društva od strane:

Lice odgovorno za sastavljanje Finansijskih iskaza	Glavni finansijski direktor	Izvršni direktor
Vojka Ćalasan	Miro Vračar	Nikola Rovčanin

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
As at 31 December 2020 In EUR

	Note	31.12.2020.	31.12.2019.
ACTIVE			
Unpaid subscribed capital		**3,287**	**3,287**
Fixed assets		**1,021,380,734**	**1,013,170,469**
Intangible assets	***20***	***3,502,545***	***4,211,814***
Development investments		11,935	13,640
Concessions, patents, licenses and similar rights and other intangible investments		2,974,913	3,496,113
Advances for intangible assets and intangible assets in prepare		515,697	702,061
Real estate, existence and equipment	***21***	***997,677,327***	***976,185,372***
Land and buildings		511,737,805	503,732,493
Plant and equipment		419,371,625	408,762,094
Other built-in equipment, tools and equipment		*490,324*	*333,714*
Other unmentioned tangible fixed assets		490,324	333,714
Advances for real estate, plant, equipment and biological assets and real estate, plant, equipment and biological assets in preparation		66,077,573	63,357,071
Long-term financial investments and long-term receivables	***22***	***20,200,862***	***32,773,283***
Equity investments in legal entities (excluding subsidiaries)		4,483,878	4,453,946
Long-term loans to legal entities with equity participation (excluding subsidiaries)		7,663,703	8,283,872
Other long-term financial investments and receivables		8,053,281	20,035,465
Deferred tax assets		**486,880**	**374,238**
Working capital		**291,405,552**	**292,304,005**
Supplies	***23***	***18,945,914***	***21,066,064***
Material supplies		18,640,446	20,851,424
Advanced data		305,468	214,640
Short-term receivables	***24***	***99,566,130***	***96,162,138***
Trade receivables		76,767,209	77,084,706
Receivables from other related parties		1,402,962	2,093,009
Other claims		*21,395,959*	*16,984,423*
Value added tax receivables		3,677,338	3,089,419
Other unmentioned claims		17,718,621	13,895,004
Short-term financial investments		***142,920,393***	***149,887,832***
Repurchased treasury shares and repurchased treasury shares	25	76,992,779	76,992,779
Other short-term financial investments	26	65,927,614	72,895,053
Cash on accounts and in cash	**27**	**28,228,420**	**22,962,147**
Fixed assets intended for sale and business assets which has been suspended	28	1,744,695	2,225,824
Active accruals	**29**	**875,961**	**887,236**
TOTAL ASSETS		**1,314,152,414**	**1,306,739,235**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
As at 31 December 2020 In EUR

	Note	31.12.2020.	31.12.2019.
PASSIVE			
Capital		**1,073,682,259**	**1,050,305,543**
Share capital	30	769,927,930	769,927,930
Issue premium		57,632,973	57,632,973
reserves		***205,397,072***	***209,098,038***
Legal reserves			(354,174)
Statutory reserves		4,756	4,756
Other reserves		7,193	7,193
Positive revaluation reserves and unrealized gains on financial assets and other components of other comprehensive income		205,385,123	209,449,089
Negative revaluation reserves and unrealized losses on financial assets and other components of other comprehensive income			(8,826)
Retained earnings or loss		***34,239,916***	***8,096,825***
Retained earnings from previous years		61,335,965	20,980,843
Retained earnings for the current year		23,670,826	39,791,005
Loss of previous years		(50,198,629)	(51,791,552)
Loss for the current year		(568,246)	(883,471)
PARTICIPATION THAT DOES NOT PROVIDE CONTROL		6,484,368	5,549,777
Long-term provisions and long-term liabilities		**92,312,207**	**114,869,624**
Long-term provisions		***39,571,068***	***45,777,026***
Provisions for benefits and other employee benefits	31	12,536,956	13,483,874
Other long-term provisions	32	27,034,112	32,293,152
Long-term liabilities		***52,741,139***	***69,092,598***
Long-term loans	33	50,615,789	63,569,840
Other long-term liabilities		2,125,350	5,522,758
Deferred tax liabilities	**34**	**43,555,991**	**45,073,027**
Short-term provisions and short-term liabilities		**66,531,463**	**60,575,604**
Short-term provisions	**36**	3,390,246	2,127,054
Short-term liabilities		***63,141,217***	***58,448,550***
Liabilities based on loans from credit institutions	33	15,137,982	14,018,115
Advances received, deposits and bails		1,924,880	1,855,735
Liabilities to suppliers	35	28,470,175	28,754,071
Other operating liabilities and other current liabilities	*36*	*17,608,180*	*13,820,629*
Other operating liabilities		913,007	2,589,351
Other short-term liabilities		9,158,178	7,829,875
Liabilities based on value added tax and other public revenues		3,000,593	2,133,075
Profit tax liabilities		4,536,402	1,268,328
Accruals and deferrals	**37**	**38,070,494**	**35,915,437**
TOTAL LIABILITIES		**1,314,152,414**	**1,306,739,235**

The notes on pages 11 to 55 form an
integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY In the period from 1 January to 31 December 2020 in EUR

Description	Share capital	Issue premium	reserves	revaluation reservations	Retained earnings	Loss	Minority share	In total
Balance as at 1 January 2019	**855,285,366**	**33,507,979**	**(383,415)**	**216,572,012**	**61,099,939**	**(61,052,835)**	**5,982,700**	**1,111,011,746**
Net changes in 2019 - result of the current year	-	-	-	-	39,791,054	(450,593)	(432,923)	38,907,538
Covering the loss from the previous year	-	-	-	-	(4,632,541)	4,632,541	-	-
Net changes in 2019 - abolition of revaluation reserves and deferred tax based on the difference in depreciation	-	-	-	(6,671,166)	2,475,301	4,195,865		-
Net changes in 2019 - write-off and other	-	-	32,636	(452,030)	402,288	-	-	(17,106)
Dividend payment	-	-	-	-	(38,364,193)	-	-	(38,364,193)
Cancellation of own shares	(85,357,436)	-	-	-	-	-	-	(85,357,436)
Repurchased own shares	-	24,124,994	-	-	-	-	-	24,124,994
Balance as of December 31, 2019	**769,927,930**	**57,632,973**	**(350,779)**	**209,448,816**	**60,771,848**	**(52,675,022)**	**5,549,777**	**1,050,305,543**
Net changes in 2020 - result of the current year	-	-	-	-	22,446,428	(278,441)	934,591	23,102,578
Net changes in 2020 - abolition of revaluation reserves and deferred tax based on the difference in depreciation	-	-	-	(4,301,120)	2,103,165	2,197,955	-	-
Net change in 2020 - write-off and other	-	-	362,728	237,427	(314,650)	(11,367)	-	274,138
Balance as of December 31, 2020	**769,927,930**	**57,632,973**	**11,949**	**205,385,123**	**85,006,791**	**(50,766,875)**	**6,484,368**	**1,073,682,259**

The notes on pages 11 to 55 form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS In the period from 1 January to 31 December 2020 in EUR

	2020.	2019.
CASH FLOWS FROM OPERATING ACTIVITIES		
Result before tax	**26,009,302**	**42,132,295**
Depreciation	47,683,440	46,888,712
Change in inventory	2,120,150	3,359,893
Change in receivables	(2,816,073)	(9,071,634)
Change in liabilities to suppliers	(1,891,095)	(524,614)
Change of reservation	(4,942,765)	583,982
Interest paid	(3,123,271)	(2,473,734)
Income tax	(4,536,402)	
Payments based on other public revenues	867,518	(1,028,305)
Change in deferred taxes and other unmentioned items that have an impact on the cash flow from operating activities	2,691,430	(1,761,844)
Net cash flow from operating activities	**62,062,234**	**78,104,751**
CASH FLOWS FROM ACTIVITIES INVESTMENTS		
Sale of intangible assets, real estate, plant, equipment and biological assets	481,129	
Other financial investments (net inflows)	19,569,792	48,780,517
Purchase of intangible assets, real estate, plant, equipment and biological assets	(68,466,126)	(50,868,924)
Other financial investments (net outflows)	(29,932)	
Net cash flow from investing activities	**(48,445,137)**	**(2,088,407)**
CASH FLOWS FROM ACTIVITIES FINANCING		
Long-term and short-term loans (net inflows)	1,119,867	638,848
Other long-term and short-term liabilities	3,483,360	3,012,571
Repurchase of own shares and stakes		(52,867,784)
Long - term and short - term loans and other liabilities (net outflows)	(12,954,051)	(2,787,796)
Dividends paid		(38,274,193)
Net cash flow from financing activities	**(8,350,824)**	**(90,278,354)**
NET CASH FLOW	**5,266,273**	**(14,262,010)**
Cash at the beginning of the reporting period	22,962,147	37,224,157
CASH AT THE END OF THE REPORTING PERIOD (Note 27)	**28,228,420**	**22,962,147**

The notes on pages 11 to 55 form an integral part of these financial statements

1. BASIC INFORMATION

Elektroprivreda Crne Gore ad, Nikšiÿ (hereinafter "EPCG" or "Parent Company") is a vertically integrated company whose main activity is the production of electricity and electricity supply in Montenegro. In addition to the above, the Parent Company deals with the construction and maintenance of power facilities, design and supervision, as well as other activities prescribed by the Statute of EPCG.

The organizational structure of the Parent Company consists of the bodies of the Parent Company and organizational units (operational and functional units). EPCG has capacities for electricity production with a total gross installed capacity of 877.38 MW, of which 652.38 MW (74%) refers to hydropower plants "Peruÿica", "Piva" and other five small hydropower plants (HPP Podgor, Rijeka Mušovica, Rijeka Crnojeviÿa, Lijeva Rijeka and Savnik), and 225 MW (26%) at the thermal power plant "Pljevlja".

The Parent Company was established on 12 February 1999 in accordance with the Decision of the Government of Montenegro, No. 1001-2772 / 1 of 16 October 1998, on the program of ownership transformation and restructuring of the public electricity company into a joint stock company. Pursuant to the aforementioned decision, the capital of the Parent Company in the amount of EUR 991,884,419 was divided into 113,887,961 voting shares. The Government of Montenegro, which owned 70% of the Company, retained control of the Parent Company, while the remaining 30% belonged to the citizens of Montenegro and institutional shareholders.

The Parent Company was registered in the Central Register of Business Entities in Podgorica as a joint stock company (Reg. No. 4-0000330) on June 30, 2002.

During 2009, the parent company was recapitalized in the amount of EUR 87,628,158 on the basis of the Agreement on the sale of part of the shares concluded between the Government of Montenegro and the company A2A SpA - Italy on September 3, 2009, whereby the Parent Company changed the ownership structure as follows: the Government of Montenegro with a share of 55%, the company A2A SpA with a share of 43.7% and minority shareholders with a share of 1.3%. In accordance with the contract, A2A had the right to manage the Parent Company.

During 2014, the share capital was increased on the basis of the Agreement on the terms of conversion of the parent company's debt based on taxes and contributions to share capital in the amount of EUR 45 million, with the Ministry of Finance and the Ministry of Economy of Montenegro signed on February 21, 2014. The contract was concluded on the basis of Article 12 of the Law on Budget of Montenegro for 2014 (Official Gazette of Montenegro No. 61/2014). With this agreement, 5,883,737 shares were issued in favor of the Government of Montenegro, which increased the participation of the Government of Montenegro in the share capital of the Parent Company by 2.02% and amounts to 57.02%.

The agreement between the shareholders of A2A and the Government of Montenegro expired on June 30, 2017. In accordance with the possibility provided by the contract, A2A used the road option on July 1, 2017, as communicated to the Government of Montenegro on July 3, 2017. Accordingly, the Parent Company A2A transferred its right to manage the Parent Company to the Government of Montenegro effectively from July 20, 2017, when the key management appointed by A2A was dismissed.

At the XIV Extraordinary General Meeting of Shareholders of the Parent Company, held on June 23, 2016, the Decision on the establishment of the Limited Liability Company "Montenegrin Electricity Distribution System" Ltd., Podgorica (abbreviated CEDIS Ltd. Podgorica, hereinafter "CEDIS") was adopted to perform activities electricity distribution. In accordance with the mentioned decision, CEDIS is 100% owned by the Parent Company, based on a monetary contribution in the amount of EUR 8,500,000, and a non-monetary contribution in the amount of EUR 269,601,754. The non-monetary contribution included all assets related to the performance of distribution activities and which are stated in the financial statements of the Parent Company for 2015 at the fair value of EUR 269,601,754. In accordance with the above Decision, CEDIS was registered with the Central Register of Business Entities on June 30, 2016 under registration number no. 50766918 and started operating on July 1, 2016.

After the start of CEDIS, the Parent Company no longer performs electricity distribution operations.

1. BASIC INFORMATION (Continued)

On 30 December 2017, the General Meeting of Shareholders of EPCG passed a Decision on covering the accumulated loss of the Parent Company from the issue premium in the amount of EUR 8,613,641 and the share capital in the amount of EUR 148,373,499. On the same day, a decision was made to reduce the share capital of EPCG to cover the accumulated loss.

Pursuant to item 5 of the Decision on approving the contract for the sale of coal between the Parent Company and Rudnik uglja ad Pljevlja, from the XVII extraordinary session of the General Meeting held on February 1, 2018, the Decision what was the average share price of the Company as of January 31, 2018. On that occasion, 43,777 shares were repurchased in the total amount of EUR 192,177.

At the XIX Extraordinary General Meeting of Shareholders of the Parent Company held on March 28, 2018, the Decision on initiating the procedure of voluntary public offering for the takeover of the joint stock company Rudnik uglja ad Pljevlja was passed. According to the mentioned decision, the procedure of voluntary public offer for taking over 5,064,443 shares with voting rights of the joint stock company Rudnik uglja ad Pljevlja was initiated, which makes 100% of the shares of issuers with voting rights. The price of shares at which the takeover procedure was carried out is EUR 6.4 per share and was determined in accordance with Article 17, paragraph 4 of the Law on Takeover of Joint Stock Companies, a study on the assessment of the fair value of shares of Rudnik uglja ad
Pljevlja prepared by the certified auditor Deloitte doo Podgorica. On April 16, 2018, the Capital Market Commission issued a Decision approving the voluntary public takeover bid. On 15 June 2018, the Capital Market Commission issued a Decision on the completion of the public offer for the takeover of the joint stock company Rudnik uglja ad Pljevlja, whereby the Parent Company became the owner of 96.78% of the shares of Rudnik uglja ad Pljevlja, while on 19 July 2018 the Parent Company became the owner of 100% of the shares of Rudnik uglja ad Pljevlja.

At the XVI regular general meeting of shareholders of the Parent Company held on August 20, 2018, the Decision on approving the purchase of treasury shares was passed, according to which the Parent Company was approved to purchase 13,052,876 treasury shares from A2A SpA Bres shareholders at EUR 3.95754012 per share.

At the XVII Regular General Meeting of Shareholders of the Parent Company held on August 30, 2019, a Decision was made to approve the purchase of 11,813,238 treasury shares from the shareholders of A2A SpA Brescia at a price of EUR 4,4752828317 per share.

At the XVII regular General Meeting of Shareholders of the Parent Company held on August 30, 2019, a Decision was made to cancel 13,052,876 treasury shares with a nominal value of EUR 6.5175 per share.
At the same session, the Decision on the reduction of share capital by EUR 85,357,436 was passed, based on the cancellation of 13,096,653 treasury shares with a nominal value of EUR 6.5175 per share. 43,777 shares that were annulled by this Decision were acquired from dissenting shareholders by the Decision of the XVIII Extraordinary General Meeting of Shareholders held on August 23, 2018.

After the reduction, the capital of the Parent Company as of December 31, 2019 amounted to 769,927,930 and was divided into 118,132,402 voting shares with a nominal value of EUR 6.5175 per share.

The bodies of the Parent Company are:

- General Meeting of
Shareholders, - Board of
Directors, Executive
Director and - Secretary of the Company.

The parent company and its subsidiaries form the EPCG Group (hereinafter referred to as the "Group").

As at 31 December 2020, the Group has 3,190 employees (31 December 2019: 3,189 employees).

1. BASIC INFORMATION (Continued)

The headquarters of the Parent Company is in Ul. Vuka Karadžiÿa 2. Nikšiÿ, Montenegro.

The shares of the Parent Company are listed on Montenegroberzi ad, Podgorica.

The consolidated financial statements of the Parent Company were proposed for approval by the Board of Directors of the Parent Company at the meeting held on November 26, 2021. The Annual General Meeting of Shareholders, which is authorized to approve these financial statements, has the right to request changes before approval. Given that the majority shareholders have their representatives among the members of the Board of Directors of the Company, which proposes financial statements to the Assembly for approval, the probability of potential changes required by the Assembly is small and such changes have not occurred in the past.

Members of the Board of Directors of the Parent Company

As of December 31, 2020, the Board of Directors of the Parent Company consisted of the following members:

Name and surname	Position
Mr. ÿoko Krivokapiÿ Mr. Dr. Ranko Miloviÿ Mr. Nikola Vujoviÿ Mr. Samir Hodžiÿ Mr. Prof. dr Vladan Raduloviÿ Mr. Srÿan Spaiÿ Mr. Miloš Konatar	President Member Member Member Member Member Member

On the day of signing this report, the members of the Board of Directors of the parent company are:

Name and surname	Position
Mr. Milutin ÿukanoviÿ Mr. Rajko Radusinoviÿ Mrs. Mirjana ÿizmoviÿ Mr. Milun Bozovic Mr. Jovan Radoševiÿ Mr. Aleksandar Dožiÿ Mr. Nenad Markovic	President Member Member Member Member Member Member

2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1. Basis for compiling and presenting financial statements

The Group has the obligation to keep its own accounting records and compile financial statements in accordance with the Law on Accounting ("Official Gazette of Montenegro", No. 52/2016), ie on the basis of the Decision on Direct Application of International Accounting Standards ("IAS") in Montenegro. Gori ("Official Gazette of Montenegro", no. 69/2002). Accordingly, International Financial Reporting Standards ("IFRS") apply to financial statements covering the period beginning on or after 1 January 2003.

Financial statements are presented in the format prescribed by the Ordinance on the content and form of forms of financial statements for companies and other legal entities ("Official Gazette of Montenegro", No. 11/2020), which in some parts deviates from the presentation of certain balance sheet items as required. in accordance with IAS 1 - "Presentation of Financial Statements".

In addition, in accordance with the Law on Accounting, IAS and IFRS published by the International Accounting Standards Board must be translated by the relevant competent authority of Montenegro which has the right to translate and publish them, approved by the International Federation of Accountants (IFAC). Therefore, only IFRS and IAS officially translated, approved and published by the Institute of Certified Accountants of Montenegro can be applied.

The last official translation of International Accounting Standards was published on 31 December 2009 and includes only the basic text of the standard and interpretation and does not include the basis for conclusions, illustrative examples, application guidelines, comments, opinions and other explanatory material. Also, the above translation does not contain a translation of the Basis for the preparation and presentation of financial statements. The last translation of IFRS was published on 01.01.2013. years.
IFRS 16, which relates to leasing, has been translated and is in official application in Montenegro as of January 1, 2021. years.

Accordingly, and having in mind the effects that the above deviations of accounting regulations of Montenegro from IFRS and IAS may have on the presentation of financial statements of the Group, the attached financial statements differ in this part and deviate from IFRS and IAS.

In preparing these financial statements, the Group has applied the accounting policies set out in Note 3, which are based on the accounting and tax regulations of Montenegro.

On March 6, 2020, in the Official Gazette of Montenegro No. 11/2020, the "Rulebook on the chart of accounts and the content of accounts in the chart of accounts for legal entities registered for business activities and other legal entities" was published. and "Rulebook on the content and form of financial statements for companies and other legal entities."

The consolidated financial statements have been prepared under the historical cost convention, unless otherwise stated in the accounting policies.

2.2. Consolidation

Pursuant to the Law on Accounting ("Official Gazette of Montenegro", No. 52/2016), companies are obliged to compile, submit and publish individual and consolidated financial statements when they have control (parent legal entities) over one or more legal entities (dependent legal entities) in accordance with IAS. Consolidated financial statements are statements of the economic entity consisting of the parent and all dependent legal entities. In addition, in accordance with the Law on Accounting, large legal entities are required to compile, submit and publish an annual management report as well as a consolidated annual management report when they have control over one or more legal entities.

The accompanying financial statements represent the consolidated financial statements of the Group.

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

2.2. Consolidation (Continued)

The Parent Company also prepares consolidated financial statements, and related parties whose owner is EPCG his:

1. Montenegrin Electricity Distribution System Ltd. Podgorica (100%), 2. Zeta energy Ltd. Danilovgrad (51%), 3. EPCG Ltd. Belgrade (100%), 4. Rudnik Uglja ad Pljevlja (100%).

2.3. Official reporting currency

The consolidated financial statements are presented in euros (EUR) - the official currency of Montenegro and the reporting currency of the Group, and all reported figures are presented in euros (EUR), unless otherwise stated.

2.4. Comparative data

On March 6, 2020 in the Official Gazette of Montenegro no. 11/2020, a new "Rulebook on the chart of accounts and content of accounts in the chart of accounts for legal entities registered for business activities and other legal entities" was published. and other legal entities. " In accordance with the above, comparative information has been reclassified and presented in the prescribed form valid on the date of preparation of these financial statements.

2.5. Continuation of business

In the period from 1 January to 31 December 2020, the Group generated a net profit of EUR 23,102,578. As at 31 December 2020, the Company's current assets exceeded its short-term liabilities by EUR 228,264,335 (31 December 2019 increased by: EUR 233,855,455). The management of the Parent Company believes that the Group has adequate resources to continue operations in the foreseeable future. Accordingly, the accompanying consolidated financial statements of the Group have been prepared on a going concern basis.

The effects of the global crisis caused by the Covid-19 virus pandemic

The outbreak of the COVID-19 coronavirus epidemic in January 2020 and its global spread around the world led to the declaration of a global corona virus pandemic.

During 2020, as a result of the Covid-19 pandemic, the Group operated in a challenging economic environment. The new coronavirus has slowed the economy and negatively affected the energy sector, where electricity consumption has fallen and stock market trading has become unstable.

The impact of the pandemic on the Group's operations is reflected in the reduction in consumption caused mainly by the poor tourist season (7.02% lower revenues from distributive consumers compared to the previous year, or 9.21% compared to the plan). Also, the percentage of collection of receivables from distributive consumers decreased compared to the previous year and the plan (5.1% and 3.5%, respectively).
Other aspects of the business were not significantly affected by the pandemic.

The business results were also affected by the extremely bad hydrological situation in most of 2020.
Namely, the deficit of precipitation significantly affected the business result of the Parent Company. Despite the good readiness and stable functioning of production facilities, one of the main factors of the poorer result compared to the previous year is lower production due to poorer hydrology.

Operating income for 2020 amounted to EUR 294,192,866, which is 4% less than operating income of EUR 307,204,066 for 2019 (Note 7).

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

The management of the Parent Company is closely monitoring the development of the situation and based on the best available information so far, the management of the Parent Company believes that there is no need to make any adjustments in the financial statements for 2020. On July 30, 2020, the Parent Company signed an agreement on a framework credit line with the EBRD as potential support in the event of an escalation of the economic crisis caused by the epidemiological situation.

3. OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Intangible assets

Intangible assets are initially recognized at cost. After initial recognition, intangible assets are stated at fair value, based on periodic, in accordance with IAS at least three-year and at most five-year, valuations performed by independent appraisers, less subsequent amortization.

The increase in the carrying amount of intangible assets based on revaluation is recognized within equity in the revaluation reserve account. Decreases in book value that reduce previous increases in the value of the same assets are charged directly to revaluation reserves; all other reductions are charged to the income statement. Increases in the carrying amount of intangible assets that reverse previous impairments are recognized in the income statement.

Intangible assets are amortized over their estimated useful lives and are assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortization period as well as the amortization method of intangible assets with finite lives are reviewed at least at the end of each financial year.

The estimated useful life of intangible assets is 3 to 5 years.

Amortization of intangible assets is calculated using the straight-line method to allocate their cost or revalued amount over their estimated useful lives.

3.2. Property, plant and equipment

Property, plant and equipment are initially recognized at cost, net of accumulated impairment losses and accumulated impairment losses, if any.
The purchase value is the value according to the supplier's invoices, increased by the dependent costs and the costs of bringing the assets into a state of functional readiness.

Property, plant and equipment are subsequently stated at fair value, based on periodic, in accordance with IAS at least three-year and at most five-year, valuations performed by independent appraisers, less subsequent depreciation.

The increase in the carrying amount of property, plant and equipment based on revaluation is recognized within equity in the revaluation reserve account. Decreases in book value that reduce previous increases in the value of the same assets are charged directly to revaluation reserves; all other reductions are charged to the income statement. Increases in the carrying amount of assets that reverse previous impairments are recognized in the income statement.

For the Year Ended 31 December 2020 All amounts are expressed in EUR, unless otherwise stated

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Property, plant and equipment (Continued)

Revaluation reserves are transferred to retained earnings in two cases:

1) while the assets are still in use, in the amount of the difference between depreciation based on the revaluation book value of assets and depreciation based on the original cost of assets and

2) during the disposal of funds, in the total remaining amount.

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 amount of the replaced asset is derecognised. All other maintenance costs are charged to the income statement in the period in which they are incurred.

Land is not depreciated.

The accumulated allowance on the valuation date is eliminated against the gross carrying amount of the asset and the carrying amount is reduced to the amount of the revalued amount.

Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amount to their residual value over their estimated useful lives, as follows:

	Estimated shelf life	Depreciation rate (%)
Hydroelectric power plant construction part	40-100	1,00-2,50
Construction part of thermal power plants	40-80	1,25-2,50
Business buildings	45-60	1,67-2,22
Hydropower equipment	10-80	1,25-10,00
Thermal power plant equipment	10-50	2,00-10,00
Vehicles / vessels	8-25	4,00-12,50
Office and other equipment	5-40	2,50-20,00
Intangible assets	5-10	10,00-20,00

The asset's residual value and useful life are reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying amount of an asset is reduced immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined as the difference between the cash inflow and the carrying amount and are recognized in the income statement under "Other income / (expenses)".

3.3. Investment real estate

Investment property (investment property) is an investment in property held for the purpose of generating income by leasing or increasing market value, or both, and not for use or sale in the ordinary course of business.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3. Investment property (Continued)

Investment property is recognized as an asset when the following criteria are met:
- investment real estate must realize economic benefits; - investment property is used for lease and rent or is sold and make a profit;
- investment real estate is not intended for sale in the near future on a regular basis business; - cost can be measured reliably.

The initial recognition of investment property is at cost. The purchase value represents the purchase price and the directly related purchase costs.

Investment property is subsequently measured at its fair value as assessed by an independent appraiser, and the gain or loss arising from changes in fair value is recognized in profit or loss.

Gains or losses arising on the sale of investment property are recognized in the statement of comprehensive income as part of operating income or as part of operating expenses.

3.4. Fixed assets held for sale and assets of discontinued operations

The Group classifies fixed assets as held for sale when their carrying amount can be recovered principally through a sale transaction rather than through continuing use. Fixed assets held for sale must be available for immediate sale in their current condition only under conditions common to the sale of such assets and their sale must be highly probable.

Fixed assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The Group does not depreciate fixed assets while they are classified as property, plant and equipment held for sale.

3.5. Impairment of non-financial assets

Assets with an indefinite useful life are not subject to depreciation and are tested for impairment once a year. For assets that are subject to depreciation, impairment testing is performed when events or changed 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. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.6. Leasing

Determining whether an arrangement is a lease or contains a lease is based on the content of the arrangement on the date of its creation: whether the fulfillment of the arrangement depends on the use of a special asset or whether the arrangement contains the right to use that asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Leasing (Continued)

A finance lease that transfers substantially all the risks and rewards of ownership to the Group is capitalized at the inception of the lease at the fair value of the leased asset or at the present value of the minimum lease payments, whichever is lower. Minimum lease payments are divided into the financial cost and the reduction of the outstanding lease liability in order to achieve a constant periodic interest rate on the remaining balance of liabilities. The financial expense is recognized in the income statement.

Leased assets are depreciated over their useful lives. However, if it is not entirely certain that the Group will acquire ownership of an asset by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or the estimated useful life of the asset.

Operating lease receivables and liabilities are recognized as income and expense in the income statement over the term of the lease.

3.7. Loans and other long-term financial investments

3.7.1. Classification

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in any active market. They are included in current assets, unless their maturities are longer than 12 months after the balance sheet date. In that case, they are classified as long-term assets.

In the Group's consolidated balance sheet, loans and receivables include receivables, cash and cash equivalents and short-term financial investments in the balance sheet.

3.7.2. Recognition and measurement

Loans and receivables and held-to-maturity investments are stated at amortized cost using the effective interest method.

3.7.3. "Netting" financial instruments

Financial assets and liabilities are netted and stated in the net amount in the balance sheet when there is a legal basis to net the recognized amounts and the intention to settle on a net basis, to realize assets and settle liabilities at the same time. The legal right to netting (settlement) must not be conditioned by future events and must be enforceable in the ordinary course of business, in the event of delay in the fulfillment of obligations and in the event of bankruptcy of the company or the contracting party.

3.8. Equity investments of related legal entities and securities

3.8.1. Classification

a) Investments in subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies principally through the ownership of more than one half of the voting rights.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Equity investments in related legal entities and securities (Continued)

3.8.1.Classification (Continued)

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative assets that are classified in this category or are not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intent and ability to hold to maturity. In the event that the Group decides to sell a significant portion of the held-to-maturity financial assets, the entire category will be reclassified as available for sale. Held-to-maturity financial assets are classified as non-current assets unless the maturity is less than 12 months from the balance sheet date; they are then classified as current assets.

3.8.2. Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade date - the date on which the Group commits to purchase or sell the financial asset. Financial assets are initially recognized at fair value plus transaction costs. Financial assets are derecognised upon the expiration of the right to receive cash flows from the financial asset or if the right has been transferred and the Group has transferred substantially all the risks and rewards of ownership. Investments in subsidiaries and associates are accounted for at cost less impairment losses. When securities are classified as available-for-sale or impaired, accumulated fair value adjustments recognized in equity are included in the income statement as “gains or losses on investments in securities”.

The fair value of listed securities is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company determines the fair value using valuation techniques. These include the application of recent transactions between independent parties, reference to other instruments that are essentially the same, discounted cash flow analysis and the option of pricing models to make maximum use of market information while relying as little as possible on company-specific information.

3.8.3. Impairment of financial assets

a) Assets carried at amortized cost

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses occur only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (“incurring loss”) and when that incurring loss (ie incurring losses) affects the estimated future cash flows of a financial asset or group of financial assets that can be measured reliably.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8.3. Impairment of financial assets (Continued)

Criteria used by the Group to determine whether there is objective evidence of impairment loss include:

• Significant financial difficulties of the issuer or debtor; •
Breach of contract, such as late payment or non-payment of interest or principal; • The Group, for economic or legal reasons related to the financial difficulties of the borrower, grants to the borrower guarantees / benefits that it would not otherwise grant;
• Probability of bankruptcy or other financial reorganization of the debtor;
• Loss of an active financial market for that financial asset due to financial difficulties; or available data indicating that there is a measurable decrease in projected future cash flows from the portfolio of financial assets after their initial recognition, although this reduction cannot yet be linked to individual financial assets from the portfolio, including: 1) Adverse change in debtor creditworthiness; and 2) National or local economic circumstances that are interrelated with delays in the collection of portfolio receivables.

The Group first assesses whether there is objective evidence of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. The Group may measure impairment based on the fair value of a financial instrument using market prices that are available to the public.

If the amount of impairment loss decreases in the following period and the decrease can be objectively attributed to an event occurring after the impairment was recognized (eg an improvement in the debtor's creditworthiness), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

b) Assets classified as available for sale The Group

assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group uses the criteria set out in (a) above to assess the impairment of debt securities. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in fair value below its cost is considered an indication that their value has decreased. If any of this evidence exists for available-for-sale financial assets, the accumulated loss - determined as the difference between the acquisition cost and current fair value less any impairment loss previously recognized in the consolidated income statement - is transferred from capital and recognized in the consolidated income statement. Impairment losses on equity instruments recognized in the consolidated income statement cannot be reversed through the consolidated income statement.

If in the following period the fair value of debt securities classified as available for sale increases and that increase can be objectively attributed to an event occurring after the recognition of an impairment loss in the income statement, the impairment loss is reversed in the consolidated income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9. Derecognition of funds

A financial asset (or part of a financial asset or group of financial assets) is derecognised if:

- the right to cash inflow from that asset has expired; • the company retained the right to receive cash on the basis of the asset but undertook to make a payment on the basis of that asset in full without material delay to a third party under the transfer agreement; or

- the company has transferred the right to receive cash flows from the asset and (a) has transferred all risks and rewards of the asset, or (b) has neither transferred nor retained all of the risks and rewards of the asset but has transferred control of it. .

3.10. Supplies

Inventories are valued at the lower of cost and net realizable value. The cost price is determined using the weighted average cost method. The cost of materials includes cost and dependent costs. Net realizable value is the estimated selling price in the ordinary course of business, less the associated variable selling expenses.

By debiting other expenses, the value of inventories is adjusted in cases when it is assessed that it is necessary to reduce the value of inventories to their net realizable value. Damaged inventories and inventories that do not meet quality standards are written off.

3.11. Trade receivables

Trade receivables are amounts owed by customers for goods sold or services rendered in the ordinary course of business. If receivables are expected to be collected within a year or less (or within the regular business cycle if longer), trade receivables are classified as current. Otherwise, trade receivables are reported as long-term.
Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms.
Significant financial difficulties of the buyer, probability that the buyer will be liquidated or financially reorganized, failure or delay in payment (more than 180 days from the due date) are considered indicators that the value of receivables is impaired, which are further considered by management for individual receivables.

The amount of the provision is the difference between the carrying amount of the receivable and the present value of expected future cash flows discounted at the original effective interest rate. The carrying amount of the receivable is reduced through the use of an allowance account and the amount of the impairment is recognized in the consolidated income statement within 'other expenses'. When a receivable is uncollectible, it is written off against the allowance for impairment. Subsequent collection of amounts previously written off is recognized in the consolidated income statement within 'other income'.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12. Cash and cash equivalents

Cash and cash equivalents include: cash on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less and current account overdrafts. Current account overdrafts are included in current loan liabilities in the consolidated balance sheet.

The statement of cash flows under cash and cash equivalents includes cash on accounts with commercial banks and cash on deposit with commercial banks for up to three months, which can be quickly converted into known amounts of cash with negligible risk of change in value.

3.13. Financial liabilities

Financial liabilities are initially recognized at fair value, plus loans and borrowings for direct transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings.

All loans and borrowings are initially recognized at cost, which is the fair value of the consideration received less any costs associated with the loan. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated taking into account costs, as well as discounts and premiums when settling liabilities. Gains and losses are recognized in the consolidated income statement as income or expense when the liability is derecognised or impaired, as well as during the amortization process.

A financial liability is derecognised if the obligation has been discharged, the obligation has been discharged or the liability has expired. In the case where the existing financial obligation is replaced by another obligation to the same creditor but under significantly changed conditions or if the conditions of the existing obligation are significantly changed, such replacement or change of conditions is treated as derecognition of the original obligation with simultaneous recognition of the new obligation. the original and new values of the liability are recognized in the consolidated income statement.

3.14. Reservations

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; when it is more likely than not that an outflow of resources will be required to settle the obligation; when the amount of the liability can be estimated reliably. Provisions are not recognized for future operating losses.

When there are a number of similar liabilities, the probability that the settlement of liabilities will require an outflow of funds is determined at the level of these categories as a whole. A provision is recognized even when that probability is immeasurable in relation to any of the liabilities in the same category.

Provisions are measured at the present value of the expenditure required to settle the obligation, using a pre-tax discount rate that reflects current market assessments of the value for money and the risks associated with the obligation. An increase in the provision due to the expiration of time is expressed as interest expense.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15. Current and deferred tax

Tax expense for the period includes current and deferred tax. A tax liability is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case the tax liability is recognized in equity.

a) Current income tax

Profit tax is calculated and paid in accordance with the Law on Corporate Income Tax ("Official Gazette of Montenegro" No. 65/01, 12/02, 80/04, 40/08, 86/09, 40/11, 14 / 12, 61/13 and 55/16). The income tax rate is proportional and amounts to 9% of the tax base.

Taxable profit is determined based on the Group's profit shown in the consolidated income statement with the adjustment of income and expenses in accordance with the provisions of the Corporate Income Tax Act.

Tax regulations of Montenegro do not stipulate that tax losses from the current period can be used as a basis for refunds of taxes paid in previous periods. However, losses from the current period shown in the tax balance can be used to reduce the tax base of future accounting periods, but not longer than five years.

b) Deferred tax

Deferred income tax is provided using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if deferred income tax, provided it is not accounted for, arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. covers.

Deferred income tax is measured at the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply in the period in which the deferred tax assets are realized or the deferred tax liabilities settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are netted when there is a legal basis for netting current tax assets with current tax liabilities and when deferred tax assets and liabilities relate to income tax prescribed by the same tax authority to one or more taxpayers and when there is an intention to the accounts are settled on a net basis.

3.16. Employee benefits

a) Pension liabilities

In accordance with the regulations applicable in Montenegro, the Company is obliged to pay contributions to state funds that provide social security for employees. The Group allocates contributions to social pension funds on a mandatory basis. Once contributions have been paid, the Group has no further obligation to pay contributions. Contributions are recognized as an expense when employees are due to pay. Overpaid contributions are recognized as an asset in the amount that can be refunded or the amount by which future payments of liabilities are reduced.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16. Employee benefits (Continued)

b) Other employee benefits - retirement benefits and jubilee awards

In accordance with the Collective Agreements, the Parent Company and its subsidiaries are obliged to pay severance pay to employees upon retirement.

In addition, the Group pays out jubilee awards. The number of monthly salaries for jubilee awards is determined based on the number of years the employee has spent in the Group.

The defined liability for other employee benefits is estimated on an annual basis by independent, qualified actuaries, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the expected future cash payments using interest rates on high-quality bonds denominated in the currency in which the liabilities are paid and having a maturity that approximates the maturities of those liabilities. Actuarial gains and losses arising from experiential adjustments and changes in actuarial assumptions are charged or credited to income and / or other results over the expected average remaining working life of employees.

c) Termination benefits for termination of employment

Severance pay is paid when the employment is terminated before the date of regular retirement, or when the employee accepts the agreed termination of employment as redundancy in exchange for severance pay. The Parent Company recognizes severance pay upon termination of employment when it is evidently obligatory to: either terminate the employment relationship with the employee, in accordance with the adopted plan, without the possibility of resignation; or to provide severance pay for termination of employment as a result of an offer intended to encourage voluntary termination of employment in order to reduce the number of employees.
Severance payments that fall due more than 12 months after the balance sheet date are reduced to their present value.

d) Housing loans

Based on the Rulebook on Resolving the Housing Needs of EPCG Employees, which has been in force since March 2018, the funds for housing construction are distributed, as follows:

• on the basis of the purchase or construction of an apartment or family residential building, • on the basis of the allocation of an apartment under favorable conditions.

Employees have the right to solve their housing needs:

• who has not adequately resolved the housing need on the basis of employment or if his / her spouse has not resolved the housing need on the same basis
• who has at least 10 years of work experience in the Company

Employees who perform activities of special importance to the Parent Company (Executive Director, members of the Board of Directors, Secretary of the Company and members of the management of the Parent Company), have the right to solve housing needs based on the decision of the Board of Directors. the obligation to remain employed in 3,189 Parent Companies until the end of the period for which they were elected (Executive Director, Secretary of the Company and members of the Board of Directors), ie 10 years from the date of solving the housing need for members of the Company's management.

The credit obligation of employees (on the basis of funds allocated on the basis of purchase, ie construction of an apartment or family residential building) is determined by reducing the obligation by 3.4% of approved funds for each year of service, provided that the credit obligation cannot be less than 25% of the total amount of funds obtained on the basis of loans. The loan is granted with a repayment period of 20 years and an interest rate of 1.5% per annum on the remaining loan amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16. Employee benefits (Continued)

d) Housing loans (Continued)

At the written request of the employee, the repayment period of the loan obligation may be shorter than 20 years, with the same interest rate.

An employee who offers payment of the total or unpaid amount of the loan obligation on the basis of the granted loan, is entitled to an additional discount of 20% and is released from the obligation to pay interest, or the remaining part of the same.

3.17. Revenue recognition

Revenue includes the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of business. Revenue is stated without VAT, refunds, rebates and discounts, except for revenues from distributive consumers, which are shown at a discount.

The Group recognizes revenue when the amount of revenue can be measured reliably, when it is probable that future economic benefits associated with the item will flow to the Group and when the specific criteria for each of the Group's activities are met, as described below.

a) Revenue from the sale of electricity

Revenue from electricity sold is recognized when the Parent Company delivers electricity to the customer, even when the energy delivered has not yet been invoiced. Revenue from the sale of electricity to distribution customers in Montenegro depends on electricity prices determined on the market with certain legal restrictions, while revenue from the sale of electricity to direct customers and customers abroad is based on special contracts concluded with customers.

b) Revenue from the sale of services

Revenue from fixed service contracts is recognized in the period in which the service is rendered, using the straight-line method over the life of the contract.

c) Interest income

Interest income is recognized on a time proportion basis using the effective interest method. In the event of an impairment loss, the Parent Company reduces the carrying amount of the receivable to its recoverable amount, which is the estimated future cash flows discounted at the financial instrument's original effective interest rate, and continues to reflect changes in discount as interest income. Interest income on impaired loans is determined using the original effective interest method.

3.18. Subsidies

Government grants are recognized at fair value when there is reasonable assurance that the Group will comply with the conditions associated with it and that the grant will be received.

Government subsidies related to costs are accrued and recognized in the income statement over the period required to match the costs they compensate.

Subsidies related to the purchase of property, plant and equipment are included in other long-term liabilities and are recognized in the income statement using the straight-line method over the expected useful lives of the assets concerned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that requires a significant period of time to be ready for its intended use or sale (qualifying asset) are capitalized as part of the cost of the asset. The capitalization of borrowing costs continues until the day when the assets are ready for their intended use or sale.

The Group capitalizes borrowing costs that would have been avoided had no expense been incurred for the qualifying asset. Capitalized borrowing costs are calculated based on the Group's average cost of financing (the weighted average borrowing cost is applied to the cost of qualifying the asset), except to the extent that the funds are borrowed solely for the purpose of acquiring the qualifying asset.

When this occurs, the actual cost of borrowing, less any investment income under the temporary investment of those loans, is capitalized.

3.20. Foreign currency conversion

a) Functional currency and presentation currency

The items included in the Group's consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates (the “functional currency”). The consolidated financial statements of the Group have been prepared in the Euro, which is the functional currency and the presentation currency of the Group.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement. Foreign exchange gains and losses arising from loans, cash and cash equivalents are presented in the consolidated income statement within the item "Financial income / expenses".

3.21. Segment reporting

Business segments are reported in a manner consistent with internal reporting for the needs of the chief business decision maker. The chief business decision maker responsible for allocating resources and assessing the business results of business segments has been identified as the Board of Directors that makes strategic decisions.

4. KEY ACCOUNTING ESTIMATES AND JUDGMENTS

The presentation of financial statements requires the management of the Parent Company to use the best possible estimates, disclose potential receivables and liabilities at the date of preparation of financial statements, as well as income and expenses during the reporting period. These estimates and assumptions are based on information available at the date of preparation of the financial statements, and future actual results may differ from the estimated amounts. Accounting estimates and judgments are continually reviewed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The basic assumptions regarding future events and other significant sources of uncertainty in making estimates at the balance sheet date, which bear the risk with a possible outcome in material adjustments to the present value of assets and liabilities in the next financial year, are presented below:

4. KEY ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

a) Useful life of property, plant and equipment

Determining the useful life of property, plant and equipment is based on historical experience with similar means as well as a wide range of economic and industrial factors. The adequacy of the estimated useful lives is reviewed annually or when there are indications of significant changes in assumptions.

b) Impairment of property, plant and equipment

Impairment occurs when the present value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value is based on independent sales transactions of similar assets or observed market prices less the additional costs of disposing of the asset. The use value calculation is based on the discounted cash flow model.
The recoverable amount is most sensitive to changes in the discount rate used to discount cash flows, as well as to future cash flows expected and their growth rate used for extrapolation purposes.

c) Impairment of equity participation

Impairment of equity investments in subsidiaries is based on management's best estimate of the recoverable amount. The recoverable amount is the higher of an asset's value in use and its value in use. Additional information is disclosed in Note 22.

d) Income tax

The Parent Company is subject to the obligation to pay income tax in accordance with the tax regulations of Montenegro. Tax returns are subject to approval by the tax authorities, which have the right to perform subsequent controls of the taxpayer's records. The Group recognizes provisions based on reasonable estimates of the possible effects of issues arising from controls by tax authorities. The amount of such provisions is based on various factors such as the experience of previous audits by tax authorities and different interpretations of tax regulations by taxpayers and tax authorities. Such differences in interpretations may arise on the basis of various issues.

e) Liabilities for severance pay for retirement

The present value of post-employment benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions.
Assumptions used in determining net costs (income) for pensions include discount rate, wage movements, employee turnover, mortality tables. Any changes in these assumptions will affect the carrying amount of the pension liability.

The Group sets the appropriate discount rate at the end of each year. This is the interest rate that should be applied when determining the present value of expected future cash payments that are expected to be required in order to meet the obligations for severance pay for retirement. In determining the appropriate discount rate, the Group considers the interest rate on high-quality bonds denominated in the currency in which the retirement benefits will be paid and which have a maturity that is approximately equal to the maturities of the pension.

Additional information is disclosed in Note 31.

4. KEY ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

f) Liabilities for the forgiven part of the debt on the basis of housing loans

The present value of the Group's liabilities based on future impairments of employees' credit liabilities (approved in the process of resolving their housing needs) depends on a number of factors that are determined on an actuarial basis using various assumptions. Assumptions used in determining the net present value of these liabilities include the discount rate, wage movements, employee turnover, mortality tables. Any changes in these assumptions will affect the carrying amount of those liabilities.

The Group sets the appropriate discount rate at the end of each year. This is the interest rate that should be applied when determining the present value of expected future cash payments to address the housing needs of employees and the associated portion of the approved loan reduction. In addition to the standard actuarial assumptions used to determine post-employment retirement benefits, assumptions about the probability of taking a loan in relation to years of service are used to determine the present value of those liabilities. Additional information is disclosed in Note 31.

d) Litigation

The Group makes provisions for outflows that may arise from active litigation against the Group at the date of preparation of the financial statements and according to the expected outcome of individual litigation. If there is a greater than 50% probability that a litigation with a negative outcome will occur, the Group makes a provision up to the amount required to settle the obligation in full.
Although the Group adheres to the precautionary principle in its assessment, as there is a high degree of uncertainty, in some cases the actual results may deviate from these estimates. Note 32 discloses in more detail the circumstances surrounding the litigation against the Group as at 31 December 2020.

h) Provisions for the costs of reclamation of the ash and slag landfill

The parent company estimated the costs for recultivation of the ash and slag landfill. In determining the amount of the provision, the assumptions and estimates made relate to the cost of removal, the expectation and timing of the costs. Additional information is disclosed in Note 32.

i) Impairment of trade receivables and other receivables

The Group calculates the impairment of doubtful receivables based on estimated losses incurred because debtors are unable to make the required payments. In estimating the appropriate amount of impairment loss for doubtful receivables, the Group relies on the age of receivables, previous experience with write-offs, creditworthiness of customers and changes in payment terms. This requires estimates of future customer behavior and the resulting future cash charges. In the opinion of management, there are no additional provisions for impairment, which should be included in the Group's financial statements.

j) Impairment of available-for-sale financial assets

The Group is guided by the guidance in IAS 39 to determine when available-for-sale financial assets are impaired. This determination requires significant judgment. In making judgments, the Group considers, among other factors,: the duration and extent to which the fair value of the investment is less than the cost of the investment; the recipient's financial condition and prospects for completion in the near future, including factors such as industry and sector performance, changes in technology, and cash flows from operations and financing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended 31 December 2020 All amounts are expressed in EUR, unless otherwise stated

5. BUSINESS SEGMENTS

The Board of Directors of the Parent Company analyzes the business segments. As at 31 December 2020 and 31 December 2019, the Group's business activities were organized within one business segment - generation, distribution and supply of electricity, and coal production.

6. CAPITAL MANAGEMENT

The objective of capital management is to maintain the Group's ability to continue as a going concern for the foreseeable future, to provide shareholders with a return on profits and other stakeholders with benefits and to maintain an optimal capital structure to reduce capital costs.

In order to preserve or adjust the capital structure, the Group may adjust future dividend payments to shareholders, return capital to shareholders, issue new shares, or may sell funds to reduce debt.

The Group, like other companies operating within the same business, monitors capital based on the debt ratio. This ratio is calculated from the ratio of the Group's net debt to its total capital. Net debt is obtained when total loans (including short-term and long-term, as shown in the balance sheet) are reduced by cash and cash equivalents. Total capital is obtained when net debt is added to the capital, shown in the balance sheet.

As at 31 December 2020 and 2019, the Group's indebtedness ratio was as follows:

	31.12.2020.	**31.12.2019.**
Liabilities based on long-term and short-term loans - total (Note 33)	65,753,771	77,587,955
Minus: Cash on accounts and in cash (Note 27)	(28,228,420)	(22,962,147)
Net debt	**37,525,351**	**54,625,808**
Equity	1,073,682,259	1,050,305,543
Capital - total	**1,036,156,908**	**1,104,931,351**
Indebtedness ratio	***3.62%***	***4.94%***

7. SALES REVENUES - NET REVENUE

	2020.	**2019.**
Revenues from electricity sales - Households and other consumers	193,662,830	207,667,042
Revenues from sales of electricity - Exports	59,533,251	51,506,873
Revenues from sales of electricity in the country and direct consumers Revenues from connection	27,245,276	25,096,288
Revenues from sales based on the provision of ancillary services (secondary, tertiary regulation, ...)	7,300,096	7,477,845
	4,444,491	5,288,992
Revenues to cover transmission network losses	961,140	8,101,335
Other operating income	779,040	1,708,273
Revenues from sales of services to other persons	266,742	357,418
In total	**294,192,866**	**307,204,066**

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8. INCOME FROM ACTIVATION OF EFFECTS AND GOODS

	2020.	2019.
Revenues from the use of goods for materials	3,013,711	3,592,970
Revenues from the use of products for fixed assets	66,353	52,934
In total	**3,080,064**	**3,645,904**

9. OTHER INCOME FROM REGULAR OPERATIONS

	2020.	2019.
Other operating income	1,881,158	1,555,876
Revenues from sales of services on foreign markets	835,102	
In total	**2,716,260**	**1,555,876**

10. OTHER OPERATING INCOME

	2020.	2019.
Abolition of provisions for disputes	5,333,936	1,821,776
Other unmentioned income	3,408,178	2,182,791
Revenues from previous years	1,332,506	510,208
Income from cancellation of other long-term provisions	642,279	937,472
Profits from sale of inventories	91,746	28,880
Revenues from tax and contribution refunds	49,541	10,531
In total	**10,858,186**	**5,491,658**

11. PURCHASE VALUE OF GOODS SOLD AND MATERIAL COSTS

	2020.	2019.
Purchase value of imported electricity	41,456,258	50,929,202
Purchase value of electricity purchased in the country	35,307,778	37,474,880
Fuel and lubricant costs	6,079,515	7,859,697
Coal costs for TPP "Pljevlja"	5,341,495	3,110,321
Costs of raw materials and basic materials	3,676,249	3,551,172
Spare parts costs	2,714,910	3,335,125
Cost of goods sold - other	647,494	197,115
Costs of chemicals for TPP "Pljevlja"	393,732	272,801
Fuel oil costs for TPP "Pljevlja"	179,659	518,271
In total	**95,797,090**	**107,248,584**

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12. OTHER OPERATING EXPENSES (depreciation, provisions and other operating expenses)

	2020.	2019.
Depreciation costs of real estate, plant and equipment (Note 21)	46,585,581	45,609,447
Costs of fees for the use of the transmission network (Note 40)	20,527,549	19,396,397
Costs based on CO_2 emissions	8,784,998	
Tax expense	6,130,159	6,111,230
Maintenance costs	8,260,057	8,390,737
Other operating expenses	5,903,305	4,946,178
Expenses based on the contract for the provision of support service	1,641,700	1,503,054
Water usage fees	2,117,839	1,077,687
Fees and charges	1,656,239	661,101
Sponsorships	1,401,276	1,243,449
Cost of provisions for housing loans (Note 31)	2,906,982	2,731,477
Postal services - delivery of invoices	1,088,508	1,083,227
Insurance premiums	1,546,163	1,445,331
Reservation costs for litigation	149,311	2,988,578
Costs of excessively taken reactive energy	840,301	954,952
Court costs and fees for bailiffs	736,276	468,240
Advertising and propaganda costs	512,522	509,684
Amortization of intangible assets (Note 20)	1,097,858	1,128,381
Security of facilities	909,211	786,779
Costs of consulting and legal services	1,282,356	1,276,749
Costs of water and utilities	794,871	725,680
Costs of bank fees	368,444	253,065
Other postal services	764,515	863,566
License costs	710,182	584,771
Reservation costs for natural restoration wealth (Note 32)	264,836	191,129
Printing of electricity bills	166,610	202,515
Fees to market operators	245,567	576,886
Costs of compensation for losses in the transmission network (Note 40)	3,477,355	3,970,767
Buy	599,389	540,913
In total	**121,469,960**	**110,221,970**

13. NET EARNINGS, SALARIES AND PERSONAL EXPENSES

	2020.	2019.
Earnings and salary allowances	33,238,078	32,609,012
Costs of buying a job	1,700,790	2,324,179
Other personal expenses	1,523,445	898,292
Costs of assistance to employees and family members	311,732	543,990
Per diem expenses on a business trip	156,886	355,095
Employee transportation fee	148,527	255,471
In total	**37,079,458**	**36,986,039**

expressed in EUR, unless otherwise stated

14. TAX AND CONTRIBUTION COSTS

	2020.	2019.
Pension contributions	11,340,216	10,838,158
Other contributions	6,952,695	7,138,903
Taxes	5,356,658	5,594,117
In total	**23,649,569**	**23,571,178**

15. FINANCIAL INCOME BASED ON CURRENT RECEIVABLES FROM UNRELATED LEGAL ENTITIES

	2020.	2019.
Income from default interest	3,280,312	834,261
Interest income - households	2,335,811	2,114,526
Interest income - other consumption	1,280,442	965,644
Interest income - direct consumers	53,567	12,219
	6,950,132	**3,926,650**

16. EXPENSES ON THE BASIS OF VALUE ADJUSTMENT OF SHORT-TERM FINANCIAL ASSETS AND FINANCIAL INVESTMENTS WHICH ARE PART OF CURRENT ASSETS

	2020.	2019.
Expenses on the basis of adjustment of receivables from domestic customers - other consumption	4,407,101	579,991
Expenses on the basis of reconciliation of receivables from domestic customers-households	2,065,887	-
Expenses based on reconciliation of receivables from domestic customers - direct consumers	3,481,443	-
Expenditures on the basis of adjustment of housing loans	155,276	115,563
Other adjustment expenses	460,601	175,461
In total	**10,570,308**	**871,015**

17. EXPENSES ON THE BASIS OF INTEREST, EXCHANGE RATE DIFFERENCES AND OTHER EFFECTS OF CONTRACTED PROTECTION ON THE BASIS OF RELATIONS WITH UNRELATED PERSONS

	2020.	2019.
Interest expenses on loans	1,552,325	1,519,638
Other interest expenses	696,805	860,760
Default interest	107,405	9,646
Negative exchange rate differences	23,229	69,949
In total	**2,379,764**	**2,459,993**

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18. TAX EXPENDITURE OF THE PERIOD

	2020.	2019.
Calculate current tax during the year	4,536,402	4,368,317
Deferred tax income / (expense)	(1,629,678)	(1,143,560)
Total tax income of the period	**2,906,724**	**3,224,757**

19. EARNINGS PER SHARE

	2020.	2019.
Profit for the year	23,102,578	38,907,537
Weighted average number of shares	118,132,402	118,132,402
Earnings per share in EUR	**0.1956**	**0.3294**

20. INTANGIBLE INVESTMENTS

	NU concessions and licenses	in preparation	In total
Purchase value January			
1, 2019 Procurement	**17,549,630**	**735,481**	**18,285,111**
Expenditure Transfer from	154	953,472	953,626
investments in progress	(16,621)	-	(16,621)
Balance as of December 31, 2019	825,849	(961,592)	(135,743)
	18,359,012	**727,361**	**19,086,373**
	40,753	360,706	401,459
Procurement Transfer of	559,555	(559,555)	-
investments in progress Expenditure	(55)	-	(55)
Reclassification **Balance as at 31**	-	(12,815)	(12,815)
December 2020	**18,959,265**	**515,697**	**19,474,962**
Impairment 1 January			
2019 Expense Depreciation	**13,746,880**	-	13,746,880
(Note 12)	(16,621)	-	(16,621)
	1,144,749	-	1,144,749
Reclassification	(449)	-	(449)
Balance as at 31 December 2019	**14,874,559**	-	**14,874,559**
Depreciation (Note 12)	1,097,858	-	1,097,858
Balance as of December 31, 2020	**15,972,417**	-	**15,972,417**
Net present value: - December 31, 2020	**2,986,848**	**515,697**	**3,502,545**
- December 31, 2019	**3,484,453**	**727,361**	**4,211,814**

Amounts are expressed in EUR, unless otherwise stated

21. PROPERTY, PLANT AND EQUIPMENT

	Land	Construction	machinery and equipment	NPOs in preparation and advances	In total
Purchase value					
January 1, 2019 Procurement	**194,599,016** 30,562	**643,967,213** 97,142	**1,209,267,199** 909,154	**45,912,244**	**2,093,745,672**
	(313,680)	(4,220,069)	(7,934,325)	47,232,053	48,268,911
Expenses and disposals	885,784	2,021,389	26,969,721	-	(12,468,074)
Transfer from investments in progress	(98,489)	133,350	(35,161)	(29,787,225)	89,669
Reclassification **December 31, 2019**	**195,103,193**	**641,999,025**		-	(300)
			1,229,176,588	**63,357,072**	**2,129,635,878**
Procurement	-	2,902,586	-	60,940,030	63,842,616
Expenses and Disposals	(1,162,452)	(1,618,040)	(4,604,572)	-	(7,385,064)
Elimination of Impairment Change	-	2,475,576	-	-	2,475,576
of Advances Transfer from	-	-	-	4,218,250	4,218,250
Investments in Progress Reclassification	5,755,893	8,740,060	48,274,106	(62,437,179) (600)	332,881
December 31, 2020	98,489	-	(98,081)		(192)
	199,795,124	**654,499,207**	**1,272,748,041**	**66,077,573**	**2,193,119,944**
Impairment 1 January 2019					
Expenses and disposals	-	**330,673,579**	**791,041,541**	-	**1,121,715,120**
Depreciation (Note 12)	-	(6,810,139)	(7,198,586)	-	(-14,008,725)
	-	9,579,574	36,164,389	-	45,743,963
Reclassification	-	(73,289)	73,437	-	148
December 31, 2019	-	**333,369,725**	**820,080,781**	-	**1,153,450,506**
Expenses and disposals	-	(1,228,136)	(3,759,346)	-	(4,987,482)
Impairment of purchased infrastructure					
Depreciation (Note 12) **31 December 2020**	-	45,800	348,213	-	394,013
	-	10,369,137	36,216,443	-	46,585,581
	-	**342,556,526**	**852,886,091**	-	**1,195,442,617**
Net present value:					
- December 31, 2020	**199,795,124**	**311,942,681**	**419,861,950**	**66,077,573**	**997,677,327**
- December 31, 2019	**195,103,193**	**308,629,300**	**409,095,807**	**63,357,072**	**976,185,372**

All amounts are expressed in EUR, unless otherwise stated

21. PROPERTY, PLANT AND EQUIPMENT (Continued)

During 2020, as in previous years, the Group reconciled ownership certificates with data from the Register of Fixed Assets. Accordingly, the management determined that certain ownership documents are still missing. However, the Group has always used relevant assets recorded under Property, Plant and Equipment recorded in the fixed assets register and controlled the Group's inflows based on their use.

Accordingly, the management of the Parent Company and the subsidiary CEDIS are making significant efforts to obtain the necessary ownership documentation for assets whose current value as at 31 December 2020 is EUR 35,589,488 (31 December 2019: EUR 36,352,148).

The management of the Parent Company performed an analysis of the current economic situation and indicators of impairment of property, plant and equipment as of December 31, 2020 and in accordance with IAS 36 - 'Impairment of Assets' found that the indicators for impairment test are not met. test performed on December 31, 2018 on the basis of long-term plans concluded that there is no loss resulting from impairment.

22. LONG-TERM FINANCIAL INVESTMENTS

	31.12.2020.	31.12.2019.
Participation in the capital of other legal entities	4,483,879	4,453,946
Long-term loans to legal entities with equity participation (excluding subsidiaries)	7,663,703	8,283,872
Other long-term financial investments and receivables	8,053,280	20,035,465
Balance on	**20,200,862**	**32,773,283**

On August 7, 2019, the Board of Directors of the Parent Company made a Decision to increase the stake in the Electricity Exchange Ltd. Podgorica by EUR 30,000 so that the total stake in this company on 31.12.2019. is EUR 149,995.

On February 19, 2020, the Board of Directors of the Parent Company made a Decision to increase the shares in the Electricity Exchange Ltd. Podgorica by EUR 15,000. Also, on May 14, 2020, the Board of Directors of the Parent Company passed a Decision to increase the stake in the Electricity Exchange Ltd. Podgorica by EUR 15,000 so that the total stake in this company on 31.12.2020. is EUR 179,995.

expressed in EUR, unless otherwise stated

22. LONG-TERM FINANCIAL INVESTMENTS (Continued)

22.1. Participation in the capital of other legal entities

Equity investments of other legal entities as at 31 December 2020 and 31 December 2019 are presented in the following overview:

Company name	31. December 2020. gross	grandson	31. decembar 2019. gross	grandson	Participation%	Earth establishment
Prva Banka Crne Gore ad, - ordinary shares						
Prva Banka Crne Gore ad, - preferential	10,363,518	3,527,943	10,363,518	3,528,010	19.76%	Montenegro
shares Rekreaturs Belgrade Invest Bank						
Montenegro ad, Podgorica Societe Generale	3,000,063	775,486	3,000,063	775,486	100.00%	Montenegro
Montenegro ad, Podgorica Castelo	870,520	-	870,520	-	2.00%	Serbia
Montenegro ad, Pljevlja Novi Prvoborac ad,						
Herceg Novi Belgrade Bank Hotel Montel	112,484	-	112,484	-	1.53%	Montenegro
Glava Zete doo , Nikšiÿ Stock Exchange of Electricity						
Ltd. Podgorica Other legal entities Crnagoracoop in	-	-	-	-	0.20%	Montenegro
bankruptcy, Danilovgrad **Total** *Minus:* Impairment	29,018	-	29,018	-	1.50%	Montenegro
	1,008	-	1,008	-	1.80%	Montenegro
	558	-	558	-	-	Serbia
	175,679	-	175,679	-	25.00%	Montenegro
	179,995	179,995	149,995	149,995	33.33%	Montenegro
	455	455	455	455	-	-
	2,207	-	2,207	-	1.54%	Montenegro
	14,735,505	4,483,879	14,699,426	4,453,946		
	(10,251,626)		*(10,246,906)*			
	4,483,879		**4,453,946**			

22.2. Long - term loans to legal entities with equity participation (excluding subsidiaries legal entities)

Long-term loans to legal entities with equity participation (excluding subsidiaries) as at 31 December 2020 and 31 December 2019 are presented in the following overview:

	31.12.2020.	**31.12.2019.**
Subordinated debt to the First Bank	6,000,000	6,000,000
Loans transferred to CGES ad Part of the	2,476,828	3,096,997
loan maturing within one year	(813,125)	(813,125)
	1,663,703	2,283,872
Balance on	**7,663,703**	**8,283,872**

expressed in EUR, unless otherwise stated

22. LONG-TERM FINANCIAL INVESTMENTS (Continued)

22.3. Other long-term financial investments and receivables

Other long-term financial investments and receivables as at 31 December 2020 and 31 December 2019 are presented in the following overview:

	31.12.2020.	31.12.2019.
Long-term deposits	4,012,000	16,012,000
Loans to employees	4,041,280	4,023,465
Balance on	**8,053,280**	**20,035,465**

Long-term deposits

Long-term deposits with banks as at 31 December 2020 and 31 December 2019 are presented in the following overview:

	31.12.2020.	31.12.2019.
Erste banka ad, Podgorica First	-	8,000,000
bank of Montenegro ad, Podgorica Societe	4,012,000	4,012,000
Generale banka Montenegro ad, Podgorica	-	4,000,000
Balance on	**4,012,000**	**16,012,000**

Loans to employees

Loans granted to employees to address housing needs as at 31 December 2020 and 31 December 2019 are presented in the following overview:

	31.12.2020.	31.12.2019.
Loans to employees	5,370,841	5,176,688
Minus: Value adjustment	*(1,329,561)*	*(1,153,223)*
Balance on	**4,041,280**	**4,023,465**

Based on the Rulebook on solving the housing needs of employees in the Parent Company, the distribution of funds for housing construction is carried out, as follows:

• on the basis of the purchase or construction of an apartment or family residential building, • on the basis of improving housing conditions.

The credit obligation of employees (on the basis of funds allocated on the basis of purchase, ie construction of an apartment or family residential building) is determined by reducing the credit obligation by 3.4% for each year of total service, provided that the credit obligation cannot be less than 25% of the total amount of funds obtained on the basis of the loan.
The loan is granted with a repayment period of 20 years and an interest rate of 1.5% per annum on the remaining loan amount.

An employee who offers payment of the total amount of the granted loan within 1 year, is entitled to an additional discount of 20% and is released from the obligation to pay interest.

The fair value of housing loans is calculated at the end of each accounting period, so that cash flows based on the balance of the loan principal at the end of the year (31 December) are discounted at the market interest rate in the years the loans are granted. The effects of changes in the fair value of housing loans are recorded in the income statement in the position of financial income and expenses.

expressed in EUR, unless otherwise stated

23. INVENTORIES

Inventories as at 31 December 2020 and 31 December 2019 are presented in the following overview:

	31.12.2020.	31.12.2019.
Material	13,391,247	16,102,366
spare parts	9,211,458	8,619,766
Other supplies	799,241	760,355
Advances for supplies and services	305,468	214,639
Minus: Value adjustment	*(4,761,500)*	*(4,631,062)*
Balance on	**18,945,914**	**21,066,064**

Changes in the value adjustment of inventories for 2020 and 2019 are shown in the following table:

	31.12.2020.	31.12.2019.
Balance as of January 1	**4,631,062**	**4,965,337**
Impairment during the year	130,438	3,146
Cancellation of impairment		(337,421)
Balance on	**4,761,500**	**4,631,062**

expressed in EUR, unless otherwise stated

24. SHORT-TERM RECEIVABLES

Receivables as at 31 December 2020 and 31 December 2019 are presented in the following overview:

	31.12.2020.	31.12.2019.
Receivables from electricity sales: - receivables from households	122,194,388	119,055,035
Minus: Value adjustment	*(98,886,032)*	*(97,048,324)*
	23,308,356	**22,006,711**
- receivables from other consumers (legal entities)	56,164,294	51,016,866
Minus: Value adjustment	*(36,346,265)*	*(33,865,358)*
	19,818,029	**17,151,508**
- receivables from direct consumers	62,148,746	68,805,913
Minus: Value adjustment	*(43,424,587)*	*(46,418,008)*
	18,724,159	**22,387,905**
- claims for unauthorized consumption	18,418,867	17,493,809
Minus: Value adjustment	(17,256,907)	(16,944,477)
	1,161,960	**549,332**
- receivables for electricity export	9,113,246	6,877,946
Net receivables from electricity sales	**72,125,750**	**68,973,402**
Receivables for energy and services provided	2,398,836	6,346,813
Receivables from the state based on consumer subsidies	1,549,499	1,129,806
Other trade receivables	1,976,009	1,855,704
Impairment of other trade receivables	*(1,282,885)*	*(1,221,019)*
	4,641,459	**8,111,304**
IN TOTAL:	**76,767,209**	**77,084,706**
Receivables from other related parties	**1,402,962**	**2,093,009**
Interest receivables	8,615,038	6,439,054
Receivables from employees and for employees	2,033,030	1,692,972
Receivables from the state based on overpaid fees, taxes and contributions	14,238,076	13,534,925
Value added tax receivables	3,682,143	3,097,920
Other insignificant claims	700,208	427,849
Gross other receivables	**29,268,495**	**25,192,720**
Impairment of other receivables	(7,872,536)	(8,208,297)
Net other receivables	**21,395,959**	**16,984,423**
Balance of receivables per day	**99,566,130**	**96,162,138**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended 31 December 2020 All amounts are expressed in EUR, unless otherwise stated

24. SHORT-TERM RECEIVABLES (Continued)

Changes in the value adjustment of receivables for 2020 and 2019 are shown in the following table:

2020	Households	Other consumption	Direct Consumers	Unauthorized consumption	Total
Situation at the beginning of the year	**97,048,324**	**33,865,358**	**46,418,008**	**16,944,477**	**194,276,167**
Value adjustment during the year	2,151,176	4,341,165	3,725,049	312,430	10,529,820
Revocation of the correction during the year	(85,289)	-	(243,605)	-	(328,894)
Direct write-off	(228,179)	(1,860,258)	(6,474,865)	-	(8,563,302)
Balance at the end of the year	**98,886,032**	**36,346,265**	**43,424,587**	**17,256,907**	**195,913,791**

2019	Households	Other consumption	Direct Consumers	Unauthorized consumption	Total
Situation at the beginning of the year	**100,091,063**	**33,320,843**	**46,963,431**	**16,935,633**	**197,310,971**
Value adjustment during the year	-	545,783	36,525	8,844	591,152
Revocation of the correction during the year	(3,020,963)	-	(581,948)	-	(3,602,911)
Direct write-off	(21,776)	(1,268)	-	-	(23,045)
Balance at the end of the year	**97,048,324**	**33,865,358**	**46,418,008**	**16,944,477**	**194,276,167**

The age structure of trade receivables based on electricity sales was as follows:

	31.12.2020.	31.12.2019.
Up to 3 months	43,100,182	44,069,082
3 to 6 months	19,561,978	11,787,941
Over 6 months	9,463,590	13,116,379
Balance on	**72,125,750**	**68,973,402**

As at 31 December 2020, the Parent Company reported receivables from Kombinat Aluminijuma Podgorica (KAP) in the gross amount of EUR 43,651,999. Bankruptcy proceedings against KAP were initiated in 2013, and given that the amount of the creditor's claim significantly exceeds the value of his assets, and that the claims of the Parent Company are not secured, the Parent Company made a value adjustment of EUR 38,037,589. The unadjusted part of receivables from PAK in the amount of EUR 5,614,409 represents the amount of value added tax on uncollected receivables.

The effect of discounting was EUR 215,938 (31 December 2019: EUR 207,633).
The change in the effect of discounting is recorded in favor of the income statement for the current 2020 year.
The management of the Parent Company estimated that the VAT claim in the amount of 5,614,409 will be collected in the next 5 years, so a new discount on this claim was made accordingly. The result of the discount is a value adjustment of this receivable in the amount of EUR 999,774. The effect of the new discount has been debited to the income statement for 2020. The unadjusted part of receivables from PAK as of December 31, 2020, in the amount of EUR 4,614,635 represents the amount of discounted value added tax on uncollected receivables.

amounts are expressed in EUR, unless otherwise stated

24. SHORT-TERM RECEIVABLES (Continued)

As at 31 December 2020, the Parent Company reported gross receivables from Montenegrorobonus in the amount of EUR 11,385,254 on the basis of principal, 2,026,864 on the basis of interest, which totals 13,412,118. Based on publicly available data, the management of the Parent Company considered that there are indicators that indicate that it is necessary to maintain the impairment of part of this receivable in the amount of EUR 2,812,326.

The formation and cancellation of provisions for impairment losses are stated within other expenses / other income in the Income Statement. Amounts charged to the allowance are written off when they are not expected to be collected.

25. OWNED OWN SHARES

At the XVII Regular General Meeting of Shareholders of the Parent Company held on August 30, 2019, a Decision was made to approve the purchase of 11,813,238 treasury shares from the shareholders of A2A SpA Brescia at a price of EUR 4,4752828317 per share. The nominal value of these shares is EUR 6.5175, which is EUR 79.992,779.

26. OTHER SHORT-TERM FINANCIAL INVESTMENTS

Short-term financial investments as at 31 December 2020 and 31 December 2019 are presented in the following overview:

	31.12.2020.	31.12.2019.
Short-term placements	64,942,977	71,932,977
Current part of long-term loans granted to CGES ad -	813,124	813,124
Short-term loans other	1,196,012	1,173,451
Minus: Impairment Short-term	*(1,024,499)*	*(1,024,499)*
loans and other placements after impairment	171,513	148,952
In total	**65,927,614**	**72,895,053**

Short-term placements refer to time deposits placed with commercial banks with an initially agreed maturity of over three months. Time deposits are placed with the following banks:

	31.12.2020.	31.12.2019.
Prva banka Crne Gore ad, Podgorica	31,142,977	35,632,977
Hipotekarna banka Komercijalna banka	3,000,000	3,000,000
AD Podgorica Societe Generale banka	1,000,000	3,000,000
Montenegro AD, Podgorica Crnogorska komercijalna banka		14,500,000
AD, Podgorica Ziraat banka Addiko banka ad, Podgorica	6,500,000	
Erste banka ad, Podgorica	3,000,000	3,000,000
	2,000,000	7,000,000
	18,300,000	5,800,000
Balance on	**64,942,977**	**71,932,977**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended 31 December 2020 All amounts are expressed in EUR, unless otherwise stated

26. OTHER SHORT-TERM FINANCIAL INVESTMENTS (Continued)

An overview of the conditions and maturities of short-term financial investments as of December 31, 2020 and December 31, 2019 is given in the following table:

2020	Interest rate %	36 months	12 months	In total
Erste Bank	0.70-1.40 8,000,000 10,300,000 18,300,000 3,000,000 3,000,000			
Hipotekarna banka	1.10	-	1,000,000 1,000,000	
Komercijalna banka AD	1.70	-		
Montenegrin commercial bank				
AD, Podgorica Ziraat bank	0.85	-	6,500,000	6,500,000
Addiko bank Prva banka CG	1.75-1.90	-	3,000,000	3,000,000
	1.70	-	2,000,000	2,000,000
	1.35-1.95 4,000,000 27,142,977 31,142,977			
In total		**12,000,000 52,942,977 64,942,977**		

2019	Interest rate %	24 months	18 Months	12 Months	In total
First Banka	0.70-1.10	-	-	5,800,000 5,800,000	
First Bank of Montenegro	1.35-1.45 7,500,000 1.25-2.00		- 28,132,977 35,632,977		
Addiko Bank	1.15 0.60-0.70 0.80 1.50	-	5,000,000 2,000,000 7,000,000		
Zirat bank		-	-	3,000,000 3,000,000	
Societe Generale		-	- 14,500,000 14,500,000		
Mortgage Bank		-	-	3,000,000 3,000,000	
Komercijalna banka AD		-	-	3,000,000 3,000,000	
In total		**7,500,000 5,000,000 59,432,977 71,932,977**			

27. CASH ON ACCOUNTS AND IN CASH DESK

Cash on accounts and in cash on 31 December 2020 and 31 December 2019 are shown in the following overview:

	31.12.2020.	31.12.2019.
Current accounts	15,998,996	16,815,185
Foreign currency accounts	11,536,081	5,902,394
Other cash	686,699	238,727
Cashier	6,644	5,841
Balance on	**28,228,420**	**22,962,147**

28. FIXED ASSETS FOR SALE

	31.12.2020.	31.12.2019.
Fixed assets held for sale	1,744,695	2,225,824
Balance on	**1,744,695**	**2,225,824**

As at 31 December 2020, the Group reported fixed assets held for sale in the amount of EUR 1,744,695 (31 December 2019: EUR 2,225,824). These funds consist of 31 apartments in Podgorica and Niksic and two business premises in Niksic and Igalo.

expressed in EUR, unless otherwise stated

29. ACTIVE DEFERRED INCOME

Accruals and deferrals as at 31 December 2020 and 31 December 2019 are presented in the following overview:

	31.12.2020.	31.12.2019.
Active accruals	875,961	887,236
Balance on	**875,961**	**887,236**

30. CAPITAL

Share capital

The share capital structure of the Parent Company and shareholders as at 31 December 2020 and 31 December 2019 is as follows:

	Number of shares	% ownership	31.12.2020.
State of Montenegro	104,735,325	88.66	682,619,233
EPCG - own shares	11,813,238	10.00	76,992,779
Individuals	1,408,605	1.19	9,190,652
Legal entities	175,234	0.15	1,125,266
	118,132,402	**100**	**769,927,930**

The total approved number of ordinary shares as at 31 December 2020 was 118,132,402 at a nominal value of EUR 6.5175 per share. All issued shares are fully paid.

	Number of shares	% ownership	31.12.2019.
State of Montenegro	104,736,921	88.12	682,622,883
Individuals	1,412,584	1.19	9,206,516
EPCG - own shares	11,813,238	10.00	76,992,779
Legal entities	169,659	0.69	1,105,752
	118,132,402	**100**	**769,927,930**

The total approved number of ordinary shares as at 31 December 2019 was 118,132,402 at a nominal value of EUR 6.5175 per share. All issued shares are fully paid.

At the XX Extraordinary General Meeting of Shareholders held on December 27, 2019. The Decision on the payment of dividends in the gross amount of EUR 38,274,193 was passed on The gross value of the dividend per share was EUR 0.36.

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31. PROVISIONS FOR BENEFITS AND OTHER EMPLOYEE BENEFITS

Long-term provisions for employee benefits and benefits as at 31 December 2020 and 31 December 2019 are presented in the following overview:

	31.12.2020.	31.12.2019.
Provisions for severance pay upon retirement	6,151,098	7,754,385
Reservations for jubilee awards	856,625	1,120,285
Provisions for housing loans	5,529,233	4,609,204
Balance on	**12,536,956**	**13,483,874**

32. OTHER LONG-TERM PROVISIONS

Other long-term provisions as at 31 December 2020 and 31 December 2019 are presented in the following overview:

	31.12.2020.	31.12.2019.
Provisions for litigation	15,487,193	20,669,940
Reservation for the Ash and Slag Landfill - Pljevlja	8,397,210	8,171,860
Provisions for other probable costs	3,149,709	3,451,352
Balance on	**27,034,112**	**32,293,152**

Reservation for Ash and Slag Landfill

The Parent Company made a reservation for the reclamation of the land on which the ash and slag landfill is located, based on the assessment of the amount and dynamics of reclamation costs according to the Preliminary Design.

The amounts shown include provisions for certain litigation initiated against the Group. The outcome of these litigations will not lead to significant losses over the amount for which the provision was made as of December 31, 2020.

33. LONG-TERM LOANS

Long-term loans as at 31 December 2020 and 31 December 2019 are presented in the following overview:

	31.12.2020.	31.12.2019.
Total long-term loans	65,753,771	77,587,955
Minus: Part of long-term loans maturing in up to 1 year	(15,137,982)	(14,018,115)
Balance on	**50,615,789**	**63,569,840**

expressed in EUR, unless otherwise stated

33. LONG-TERM LOANS (CONTINUED)

An overview of long-term loans to creditors is presented in the following overview:

	31.12.2020.	31.12.2019.
IDA - World Bank		
Total long-term loans	1,203,030	1,810,343
Part of long-term loans maturing in up to 1 year	(531,098)	(554,440)
Part of long-term loans	**671,932**	**1,255,903**
EIB - European Investment Bank		
Total long-term loans	2,230,222	2,765,096
Part of long-term loans maturing in up to 1 year	(534,873)	(534,873)
Part of long-term loans	**1,695,349**	**2,230,223**
EBRD - European Bank for Reconstructrion and Development		
Total long-term loans	51,005,237	61,075,068
Part of long-term loans maturing in up to 1 year	(10,069,831)	(10,069,831)
Part of long-term loans	**40,935,406**	**51,005,237**
KfW		
Total long-term loans	5,848,286	5,236,436
Part of long-term loans maturing in up to 1 year	(2,999,998)	(1,675,155)
Part of long-term loans	**2,848,288**	**3,561,281**
KESH - Korporata elektroenergjitike Shquiptare SH.A Total long-term loans	717,008	746,463
Part of long-term loans maturing in a period of up to 1 year	(29,455)	(29,455)
Part of long-term loans	**687,553**	**717,008**
Natexis Banques Populaires		
Total long-term loans	2,174,747	3,021,851
Part of long-term loans maturing in up to 1 year	(847,104)	(847,104)
Part of long-term loans	**1,327,643**	**2,174,747**
International Bank for Reconstructrion and Development (DEAD)		
Total long-term loans	2,575,239	371,031
Part of long-term loans maturing in up to 1 year	(125,621)	(17,257)
Part of long-term loans	**2,449,618**	**353,774**
First Bank of Montenegro		
Total long-term loans	-	2,561,667
Part of long-term loans maturing in up to 1 year	-	(290,000)
Part of long-term loans	-	**2,271,667**
In total	**50,615,789**	**63,569,840**

33. LONG-TERM LOANS (Continued)

International Development Association – World Bank (IDA – World Bank)

Long-term liabilities to the *International Development Association* - *World Bank* (IDA - World Bank). in the amount of EUR 1,203,030 (2019: 1,810,343), consist of the following two loans:

1) The loan amounting to EUR 674,741 (2019: EUR 1,173,988) as of December 31, 2020 was used for urgent stabilization of electricity supply and was allocated to the Company's Directorate and CEDIS. It was approved on December 20, 2002.
The contract initially approved a loan in the amount of SDR 3,800,000. The maturity date is May 1, 2022. The loan is interest-free, and as a means of ensuring regular settlement of obligations, a guarantee was given by the Government of Montenegro.
2) The loan amounting to EUR 528,289 (2019: EUR 636,355) as of December 31, 2020, was used for the implementation of the Project "Improving the efficiency and reliability of the energy system of Montenegro through greater security of supply and greater integration into regional markets." The loan refers to HPP Peruÿica. The contract approved a loan in the amount of SDR 760,000 with a maturity date of May 15, 2027. The loan is interest-free, and as a means of ensuring regular settlement of obligations, a guarantee was given by the Government of Montenegro.

European Investment Bank (EIB)

The loan from the European Investment Bank (EIB), which amounted to EUR 2,230,222 (2019: EUR 2,765,096) as of December 31, 2020, was used for the reconstruction of the energy sector and was allocated to: FC Proizvodnja (HPP Piva and HPP Peruÿica ") And FC Prenos (CGES).
The loan was approved in August 2002 in the total amount of EUR 8,023,090 and was disbursed in 3 tranches. The first tranche was approved at a fixed interest rate of 4.62% and matures on April 30, 2024. The second tranche was approved at a fixed interest rate of 3.949% and matures on April 30, 2025. The third tranche was approved at a fixed interest rate of 4,603% and matures on October 31, 2025. A guarantee from the Government of Montenegro was given as a means of ensuring regular settlement of obligations.

When FC Prenos separated from the Parent Company in April 2009 as the company Crnogorski elektroprenosni sistem ad Podgorica (CGES), the loan was divided on the basis of the Sub-Loan Agreement and presented in the financial statements of the Parent Company and CGES according to purpose.
However, the Company remains the sole debtor to the creditor in the total amount of the loan. After the Company pays the amount of the due obligation to the creditor, CGES refunds to the Parent Company the percentage amount of the stated obligation defined by the Sub-Loan Agreement. The outstanding amount of the loan related to the Parent Company as at 31 December 2020 was 566,354 (2019: EUR 699,115), while the outstanding amount of the CGES part of the loan as at 31 December 2020 was EUR 1,663,868 (2019: EUR 2,065,981) .

European Bank for Reconstruction and Development (EBRD)

The loan from the European Bank for Reconstruction and Development (EBRD) as at 31 December 2020 amounted to EUR 51,005,237 (31 December 2019 - EUR 61,075,068) and consists of three tranches:

1) The Loan Agreement amounting to EUR 7,636,882 as at 31 December 2020 was signed with the EBRD on 25 November 2010 (Tranche I). The purpose of the loan is to finance the purchase and installation of devices for remote reading of electricity consumption. The loan was initially approved in the amount of EUR 35,000,000 and the Agreement defines a variable interest rate, 6 months Euribor + 3.5%.

33. LONG-TERM LOANS (Continued)

European Bank for Reconstruction and Development (EBRD) (Continued)

The loan has the following covenants: • consolidated debt to EBITDA ratio less than 4: 1; • ratio of current assets and current liabilities greater than 1.2: 1; • EBITDA to Interest Expenses ratio higher than 4: 1.

In 2020, the stated covenants from the Agreement were respected.

2) The Loan Agreement amounting to EUR 17,254,152 as at 31 December 2020 was signed with the EBRD on 1 April 2014 (Tranche II). The loan was initially approved in the amount of EUR 30,000,000, under the same contractual conditions as defined in the basic Agreement for Tranche I. The EBRD loan in its entirety (Tranche I and Tranche II) applies to FC Distribution (CEDIS).

On December 30, 2016, the Sub-Loan Agreement was concluded for the amount of unused funds of Tranche II of the loan. However, EPCG remains the sole debtor to the creditor in the total amount of the loan. After the Parent Company pays the amount of due obligations to the creditor, CEDIS refunds to the Parent Company the percentage amount of the stated obligation, defined by the Sub-Loan Agreement. The amount of debt related to CEDIS as at 31 December 2020 is EUR 3,869,749.

3) The loan from the European Bank for Reconstruction and Development (EBRD) as of December 31, 2020 was withdrawn in the amount of EUR 29,378,478, while during 2020 the EUR 3,264,275 Principal was disbursed. The loan agreement was signed with the EBRD on May 17, 2017. The purpose of the loan is to finance the purchase and installation of a device for remote reading of electricity consumption (phase III of the AMM project) and the total amount of the investment is estimated at EUR 39,000,000, of which EUR 32,000,000 is financed from the EBRD loan. The contract defines a variable interest rate of 6m Euribor + 3.75%.

Also, during the loan, the subsidiary CEDIS is obliged to pay interest on the undrawn part of the loan in the amount of 0.5. During 2020, there were no new withdrawals under the agreement with the EBRD.

The loan has the following covenants:
• consolidated debt to EBITDA ratio less than 3.5; • ratio of current assets and current liabilities higher than 1.2; • ratio of EBITDA and Interest Expenses higher than 3.5. Fpo

KfW

Total long-term liabilities to KfW as at 31 December 2020 amounted to EUR 5,848,286 (2019: EUR 5,236,436), of which the part of liabilities related to loans granted to the Company as at 31 December 2020 amounted to EUR 4,894,392 (2019 : EUR 3,900,984), and the part of liabilities related to loans transferred to CGES amounted to EUR 953,894 (2019: EUR 1,335,452) as of December 31, 2020. These liabilities consist of liabilities under the following KfW loans:

1) The loan from KfW which as at 31 December 2020 amounted to EUR 3,561,280 (2019 - EUR 5,061,280) refers to the Financing Agreement concluded between KfW and the Company in the amount of EUR 15,000,000, with a variable interest rate of 6 months Euribor - 1%. The loan was approved on the basis of the Protocol signed between the Government of Montenegro and the Government of the Federal Republic of Germany on September 25, 2008.
It is intended for the implementation of the Project "Filter replacement in TPP Pljevlja and expansion of TS Ribarevina and TS Podgorica 5". The loan was used by TPP Pljevlja in the amount of EUR 9.5 million, while the amount of EUR 5.3 million was used by FC Prenos (CGES) and FC Distribucija (CEDIS). A guarantee from the Government of Montenegro was given as a means of ensuring regular settlement of obligations.

33. LONG-TERM LOANS (Continued)

KfW (Continued)

When FC Prenos separated from the Parent Company as CGES in April 2009, the loan was divided on the basis of the Sub-Loan Agreement and presented in the financial statements of the Parent Company and CGES according to purpose. However, the Parent Company remains the sole debtor to the creditor in the total amount of the loan. After the Parent Company pays the amount of due obligations to the creditor, CGES refunds to the Parent Company the percentage amount of the stated obligation, defined by the Sub-Loan Agreement. The amount of debt related to CGES as of December 31, 2020 is EUR 953,894 (2019: EUR 1,335,452).

2) The loan from KfW which as at 31 December 2020 amounted to EUR 1,510,752 (2019: EUR 175,156) refers to the Financing Agreement concluded between KfW and the Company in the amount of EUR 16,000,000, with a variable interest rate of 6 months Euribor - 0.8%. It is intended for the implementation of the Project "Reconstruction / modernization of HPP Piva". The loan refers to HPP Piva and the loan funds have not yet been fully withdrawn and used. The deadline for withdrawal of funds is December 31, 2022. During 2020, EUR 2,835,596 was withdrawn, while the balance of total withdrawn funds as of December 31, 2020 is EUR 13,010,752 (not withdrawn EUR 2,989,248). As a means of ensuring regular settlement of the obligation, a guarantee was given by the Government of Montenegro, as well as 20 bills of exchange and 20 bill of exchange authorizations.

3) The loan from KfW which as at 31 December 2020 amounted to EUR 776,254 (2019: EUR 0) refers to the Financing Agreement concluded between KfW and the Company in the amount of EUR 33,000,000 with a variable interest rate ICAPEURO + 0.15%.
The loan was approved on September 18, 2019, it is intended for the rehabilitation of HPP Peruÿica (phase II) and the loan funds have not yet been fully withdrawn and used. The deadline for withdrawal of funds is November 30, 2024. As a means of ensuring regular settlement of the obligation, a guarantee was given by the Government of Montenegro, as well as 10 bills of exchange and 10 bill of exchange authorizations.

Albanian Power Corporation JSC (KESH)

Loan from the Electric Power Corporation of Shqiptare SH.A. (KESH) which as at 31 December 2020 amounted to EUR 717,008 (2019: EUR 746,463) was withdrawn in two tranches. The first tranche was withdrawn in the amount of EUR 893,740, with a fixed interest rate of 0.75% and matures on 31 December 2044. The second tranche amounts to EUR 8,900,500, with a variable interest rate: 6 months Euribor + 0.65% and matured on September 30, 2018. The loan was used to finance phases 3 and 4 of the 400 kV transmission network project between Podgorica and Tirana.

When FC Prenos separated from the Parent Company in April 2009 as the company Crnogorski elektroprenosni sistem ad Podgorica (CGES), the Sub-Credit Agreement of the Parent Company with CGES was concluded. However, although the total loan amount relates to CGES, EPCG remains the sole debtor to the creditor in the total loan amount. After the Parent Company pays the amount of due liabilities to the creditor, CGES refunds the Parent Company the total amount of the stated due liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended 31 December 2020 All amounts are expressed in EUR, unless otherwise stated

33. LONG-TERM LOANS (Continued)

Natexis Banques Popularies

The loan from Natexis Banques Popularies from France, which amounted to EUR 2,174,747 as at 31 December 2020 (2019: EUR 3,021,851), has a maturity date of 31 December 2024 and is payable in quarterly annuities. It was approved for the needs of renovation and expansion of the electricity distribution network in the total amount of EUR 8,471,132. The loan has a fixed interest rate of 0.9%. Applies entirely to FC Distribution (CEDIS). As a means of ensuring regular settlement of the obligation, a guarantee was given by the Government of Montenegro, as well as 20 bills of exchange and 20 bill of exchange authorizations.

International Bank for Reconstruction and Development (IBRD)

The loan with the International Bank for Reconstruction and Development (IBRD) as of December 31, 2020 amounts to EUR 2,575,239 (2019: EUR 371,031). The agreement was concluded between the Ministry of Finance, the Ministry of Sustainable Development and Tourism and the Parent Company and refers to the use of IBRD loan funds from the Agreement concluded by the Government of Montenegro with IBRD to finance remediation of Pljevlja in the total amount of EUR 4,550,000. 20 bills of exchange and 20 bill of exchange authorizations were given as a means of ensuring regular settlement of obligations.

The Group has the following unused credit lines by type of interest rate:

	31.12.2020.	31.12.2019.
Variable interest rate	89,766,228	45,164,378
Fixed interest rate		
Balance on	**89,766,228**	**45,164,378**

An overview of long-term loans by type of interest rates is presented in the following overview:

	31.12.2020.	31.12.2019.
Variable interest rate	50,615,789	63,569,840
Fixed interest rate	15,137,982	14,018,115
Balance on	**65,753,771**	**77,587,955**

34. DEFERRED TAX LIABILITIES

Deferred tax liabilities as at 31 December 2020 and 31 December 2019 are presented in the following overview:

	31.12.2020.	31.12.2019.
Deferred tax liabilities based on the difference in the calculation of depreciation for accounting and tax purposes	25,199,589	26,716,625
Deferred tax liability due to revaluation of assets	18,356,402	18,356,402
Balance on	**43,555,991**	**45,073,027**

expressed in EUR, unless otherwise stated

35. LIABILITIES TO SUPPLIERS

	31.12.2020.	31.12.2019.
Liabilities to suppliers in the country	21,976,750	23,343,521
Liabilities to suppliers abroad	6,493,425	5,410,550
Balance on	**28,470,175**	**28,754,071**

36. OTHER OPERATING LIABILITIES, OTHER CURRENT LIABILITIES, AND SHORT-TERM PROVISIONS

Other operating liabilities, other current liabilities and short-term provisions as at 31 December 2020 and 31 December 2019 are presented in the following overview:

	31.12.2020.	31.12.2019.
Liabilities to employees	7,861,757	6,484,507
Profit tax liabilities	4,536,402	1,268,328
Provisions for unused vacation days	1,736,455	1,425,122
Provisions for severance pay - short-term part	1,490,797	701,932
Liabilities based on value added tax and other public revenues	3,000,593	2,133,075
Other operating liabilities	913,007	2,589,351
Interest payable	562,733	507,312
Other tax and contribution obligations	27,745	41,476
Provisions for jubilee awards - short-term part	162,994	
Liabilities to shareholders	7,287	15,009
Other short-term liabilities not mentioned	698,656	781,571
Balance on	**20,998,426**	**15,947,683**

37. ACCRUED AND DEFERRED INCOME

Accruals and deferrals as at 31 December 2020 and 31 December 2019 are presented in the following overview:

	31.12.2020.	31.12.2019.
Deferred income from donations	7,495,425	7,822,498
Other accrued liabilities	30,182,424	27,585,144
Deferred income from receivables for interest	392,645	507,795
Balance on	**38,070,494**	**35,915,437**

The amount of EUR 7,495,425 as at 31 December 2020 (EUR 7,822,498 as at 31 December 2019) relates to deferred income from donations received.

38. CONTINGENT LIABILITIES

Several lawsuits and administrative disputes are pending against the Group, the total value of which as at 31 December 2020 amounted to EUR 21,430,727 (31 December 2019 EUR 18,071,968), excluding the effects of default interest. It is not anticipated that any material liabilities will arise from contingent liabilities other than those for which a provision has been made.

The Group has contingent liabilities for bank and other guarantees and other issues arising from ordinary activities. In the ordinary course of business, the Parent Company issued guarantees to third parties in the amount of EUR 1,685,800 (2019: EUR 1,183,800).

Based on the existing regulations related to environmental protection, the Group has stated a provision for costs that will be incurred in connection with the reclamation of the landfill of the Pljevlja thermal power plant. However, the regulations on environmental protection in Montenegro are constantly being improved and obligations may arise in the coming period as a result of changes in legislation.

39. TAX RISKS

In different circumstances, tax authorities may have different approaches to certain issues and may impose additional tax liabilities along with subsequent default interest and penalties. The Company's management believes that the tax liabilities recorded in the accompanying financial statements are properly stated.

40. TRANSACTIONS WITH RELATED LEGAL ENTITIES

In preparing these consolidated financial statements, legal entities are treated as related if one legal entity has the ability to control another legal entity or has a significant influence on the financial and operational decisions of another entity. When considering all possible types of relations between related legal entities, attention is focused on the essence of the relationship, and not only on the legal form.

Related legal entities may enter into transactions that may not be performed by unrelated parties and transactions with related legal entities may be performed under different conditions and in different amounts compared to the same transactions with unrelated legal entities.

The nature of the relationship between those related parties with which the Company has entered into large-scale transactions or with which it has a significant outstanding balance as at 31 December 2020 is shown in the table below. Transactions with related legal entities were performed during the ordinary course of business or under normal market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended 31 December 2020 All amounts are expressed in EUR, unless otherwise stated

40. TRANSACTIONS WITH RELATED LEGAL ENTITIES (Continued)

Balances and transactions with related legal entities of the Company on the day and for the year ended 31 December 2020 and 31 December 2019 are as follows:

	31.12.2020.	31.12.2019.
Receivables, financial investments and equity investments		
Electricity sales - CGES ad, Podgorica - Prva Banka Crne Gore	1,451,193	2,093,009
ad, Podgorica	15,446	22,551
	1,466,639	**2,115,560**
Short-term investments, loans and cash		
- Prva Banka Crne Gore ad, Podgorica - CGES	16,530,571	20,485,737
ad, Podgorica	813,124	813,124
	17,343,695	**21,298,861**
Equity investments of related legal entities		
- Prva Banka Crne Gore ad, Podgorica - Berza	4,302,525	4,302,525
elektrijne energije doo, Podgorica	179,995	149,995
	4,482,520	**4,452,520**
Other long-term financial investments		
- Prva Banka Crne Gore ad, Podgorica - CGES	4,012,000	4,012,000
ad, Podgorica	1,663,703	2,283,872
Subordinated loan - Prva Banka Crne Gore ad, Podgorica	6,000,000	6,000,000
	11,675,703	**12,295,872**
Total balance per day	**34,968,557**	**40,162,813**

	31.12.2020.	31.12.2019.
Liabilities and accrued liabilities		
Procurement of goods and services - CGES ad, Podgorica	1,606,581	2,040,532
Total balance per day	**1,606,581**	**2,040,532**

expressed in EUR, unless otherwise stated

40. TRANSACTIONS WITH RELATED LEGAL ENTITIES (Continued)

	2020.	2019.
Income		
Electricity sales - CGES ad, Podgorica - Prva Banka Crne	5,429,556	13,400,406
Gore ad, Podgorica	132,241	189,065
Interest income on deposits and other long-term placements - Prva Banka Crne Gore ad, Podgorica - CGES ad, Podgorica	682,232	724,969
	89,115	110,346
In total	**6,333,144**	**14,424,786**

	2020.	2019.
Expenses		
Procurement of goods and services - CGES ad, Podgorica	12,541,859	12,160,938
In total	**12,541,859**	**12,160,938**

Receivables from related legal entities mainly arise from sales transactions and fall due within 30 days from the date of sale.

As at 31 December 2020, the Group made time deposits with Prva Banka in the amount of EUR 31,142,977 for a period shorter than one year and a deposit in the amount of EUR 4,012,000 for a period longer than one year. In addition, the Parent Company had deposited cash and cash equivalents with Prva Banka in the amount of EUR 897,595 and granted a subordinated loan in the amount of EUR 6,000,000 as at 31 December 2020. The interest rate varies from 0.70% -6.28% depending on the maturity of the deposit or subordinated loan.

Liabilities to related legal entities mainly arise from procurement transactions and fall due within 30 days from the date of purchase.

Compensation to key management

Key management consists of the Executive Director, Chief Financial Officer, Director of the Human Resources Directorate, directors of functional and organizational units and members of the Board of Directors, Directors of the Operational Directorate and the Directorate for Development, Network Access and TIS, Heads of Regulatory Relations, Government Institutions, and users of the distribution system, the Sector for Economic Affairs, the Sector for Legal Affairs, the Sector for Commercial Affairs, the Sector for Protection and Services and the Sector for Human Resources, General Affairs and Corporate Communications. Remuneration paid or payable to key management personnel based on employee services is shown in the table below:

	2020.	2019.
Wages and other short-term employee benefits	1,492,216	1,566,290
In total	**1,492,216**	**1,566,290**

40. EVENTS AFTER THE REPORTING PERIOD DATE

An Extraordinary General Meeting of Shareholders of the Parent Company was scheduled for February 11, 2021, which was held on March 16, 2021 with the following agenda:

1. Decision on dismissal of the members of the Board of Directors of Elektroprivreda Crne Gore AD Nikšiÿ

2. Decision on election of members of the Board of Directors of Elektroprivreda Crne Gore AD Nikšiÿ

At the mentioned session, a new convocation of the Board of Directors of the Parent Company was appointed in the following composition:

1. Milutin Djukanovic; 2. Rajko Radusinovic; 3. Mirjana Cizmovic; 4. Milun Bozovic; 5. Jovan Radosevic; 6. Aleksandar Dozic; 7. Nenad Markovic.

The new convocation of the Board of Directors appointed Nikola Rovÿanin as the Executive Director and Miro Vraÿar as the Chief Financial Officer.

During 2021, the profit of the Parent Company was distributed, so in accordance with the Decision on dividend payment, the shareholders of the Parent Company were paid a gross dividend in the amount of EUR 30,815,337.

On December 7, 2021, an open public procurement procedure was published. Valuation of the Company's plant and equipment in accordance with IAS 16, IAS 36 and IAS 38 and IFRS 13.

Also, in 2021, there was an unpredictable increase in imported electricity prices, as a result of enormously changed circumstances in the electricity market. Due to the above, there was uncertainty about the signing of a new contract for the supply of electricity with Uniprom.

CONSOLIDATED REPORT

MANAGEMENT OF ELECTRIC POWER INDUSTRY OF MONTENEGRO AD NIKŠIÿ

FOR 2020

Niksic, June 2021

SADR Ž AJ

1. ABOUT THE COMPANY

Elektroprivreda Crne Gore AD Nikšiÿ (hereinafter "EPCG" or "Parent Company") is a vertically integrated Parent Company whose main activity is the production of electricity and electricity supply in Montenegro. In addition to the above, the Parent Company is engaged in the construction and maintenance of power facilities, purchase and sale of electricity, design and supervision, as well as other activities prescribed

Statute of EPCG.

EPCG is registered as:

- Company at the Tax Administration - Central Register of Business Entities under no. 40000330/064,
- issuer of securities with the Capital Market Commission,
- Holder of two licenses for performing electric power activity at the Regulatory energy agencies:
  - o E-001 - for electricity production and
  - o E-021 - for electricity supply.

The bodies of the Society are:

- General Meeting of Shareholders,
- Board of Directors,
- Executive Director and
- Secretary of the Society.

The parent company has the capacity to produce electricity with a total gross installed capacity of 877.38 MW, of which:

- 342 MW - HE Piva
- 307 MW - HPP Peruÿica
- 225 MW - TPP Pljevlja
- 3.38 MW - sHPP (Rijeka Mušoviÿa, Šavnik, Lijeva Rijeka, Podgor and Rijeka Crnojeviÿa)

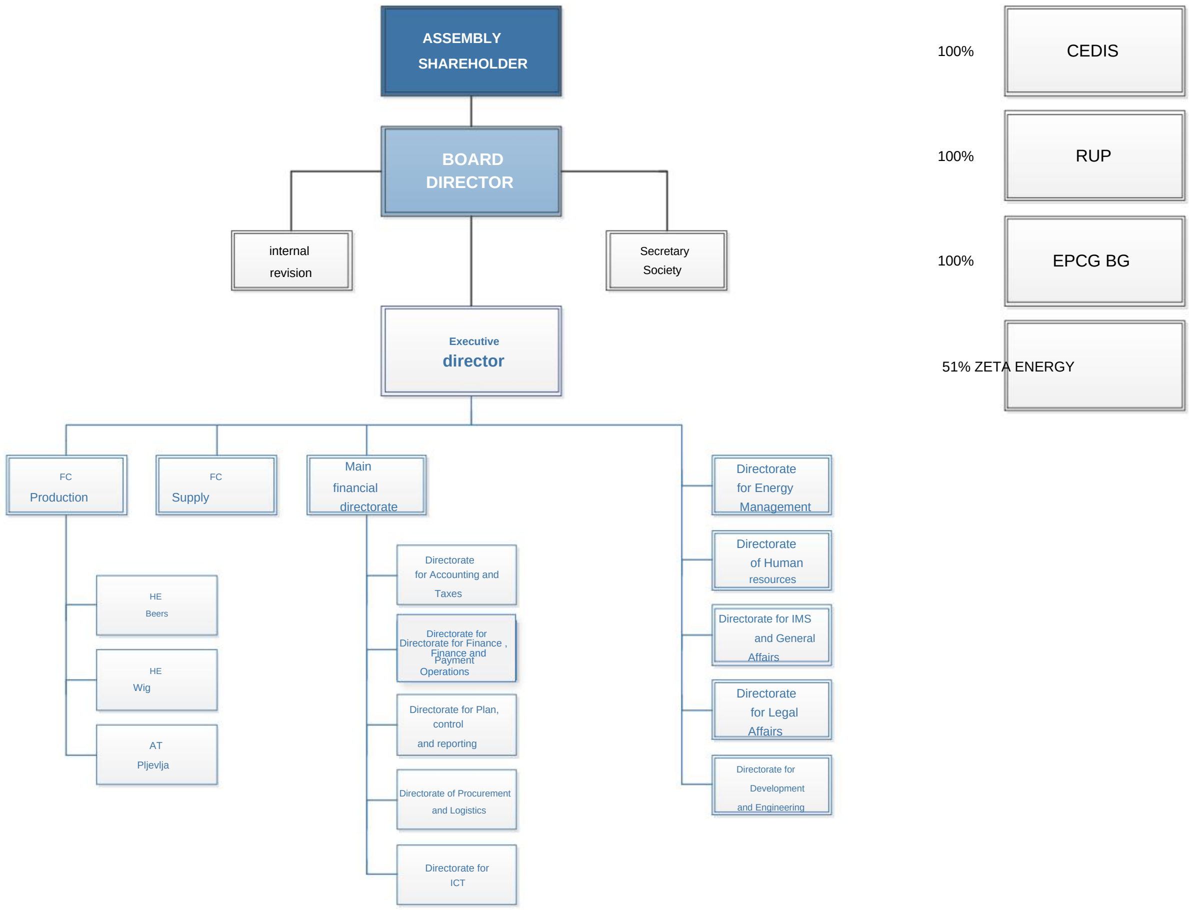
EPCG's activities are performed in a way that ensures orderly and quality electricity supply and meeting the needs of Montenegrin consumers, business profitability, management efficiency and good business relationships with all partners.

1.1. Organizational structure

The organizational structure of the Company consists of the Company's bodies and organizational units (operational and functional units). The organizational chart of the Company is given below, with the exception of companies majority owned by EPCG (Crnogorski elektrodistributivni sistem doo, Podgorica - 100%, Rudnik Uglja AD Pljevlja - 100%, EPCG doo Belgrade - 100% and Zeta energy doo Danilovgrad - 51%).

EPCG - ORGANIZATIONAL SCHEME

EPCG BRANCHES



1.2. Mission, vision and general goals

EPCG's **vision** is a leading role in the economic development of Montenegro, competitiveness in the European market and active participation in new market challenges through investment in people, green energy, new technologies and capacities, maintenance and optimal use of resources.

EPCG's **mission** is reliable and quality production, supply and trade of electricity while fully meeting the requirements and needs of our customers and others stakeholders, improving environmental care and a high level of social responsibilities. Improving business while respecting and applying the highest professional and ethical standards, responsible behavior in performing activities in accordance with applicable regulations, respecting and ensuring trust both within EPCG and in the wider business environment.

The **general goals** of EPCG are:

- Safe and reliable supply of electricity to consumers,
- Reliable and efficient production,
- Increasing business efficiency and effectiveness,
- Satisfied customer,
- Increasing energy efficiency in all segments of production,
- Efficient energy management - electricity trade and management resources,
- Attractive employer for accumulation of human resources,
- Meeting environmental standards,
- Meeting the standards of safety and health at work,
- Entering foreign markets.

1.3. Corporate governance

The International Finance Group within the World Bank Group defines Corporate Governance as the relationship between different stakeholders in relation to company control.
First of all, corporate governance deals with the relationship between the company's owners - shareholders and those who manage the company's business - the administration hired by shareholders to run the company.

The Company's corporate governance rules are based on the relevant legal framework, the Company's Articles of Association and internal procedures.

1.3.1. General Meeting of Shareholders

The General Meeting of Shareholders is the highest body of the Company. Some of the exclusive rights of the General Meeting of Shareholders, pursuant to the Company's Articles of Association, are to: adopt the Articles of Association, amend and dismiss members of the Board of Directors, elect and dismiss the Auditor, elect and dismiss the liquidator, of 10% of the share capital of the Company, adopts the annual financial statements and reports on the operations of the Company, as well as all other rights pursuant to the Statute of EPCG.

The Statute of EPCG also defines the obligations of the General Meeting of Shareholders, as well as all relevant actions under its jurisdiction.

In 2020, two sessions of the Shareholders' Assembly were held, the first on February 28, 2020. and another 31.07.2020.

At the XXI Extraordinary General Meeting of Shareholders of the Company, held on February 28, 2020, the following decisions were made:

- on dismissal of members of the Board of Directors of Elektroprivreda Crne Gore AD Nikšiÿ
- on election of members of the Board of Directors of Elektroprivreda Crne Gore AD Nikšiÿ

At the XVIII regular General Meeting of Shareholders of the Company, held on 31.07.2020. the following decisions were made:

- on the adoption of the financial statements of Elektroprivreda Crne Gore AD Nikšiÿ for 2019
- on the adoption of consolidated financial statements of Elektroprivreda Crne Gore AD Nikšiÿ for 2019
- on the adoption of the business report of Elektroprivreda Crne Gore AD Nikšiÿ for 2019. year
- on the distribution of profits shown on 31.12.2019. years
- on the election of the auditor of Elektroprivreda Crne Gore AD Nikšiÿ
- on dismissal of members of the Board of Directors of Elektroprivreda Crne Gore AD Nikšiÿ
- on election of members of the Board of Directors of Elektroprivreda Crne Gore AD Nikšiÿ

1.3.2. Board of Directors

The Board of Directors is the body of management and administration of the Parent Company whose decisions are executed by the Executive Director, the Secretary of the Company and the Executive Managers. The Board of Directors is a collective body of seven members and is chaired by the President. The members are elected by the Assembly of Shareholders, and the tasks and duties of this body are defined by the Statute of EPCG.

In 2020, the Board of Directors held ten meetings.

At the time of compiling the Management Report, the Board of Directors is composed of the following:

Milutin ÿukanoviÿ, President - He was born on September 22, 1963. in Nikšiÿ, where he finished primary and secondary school. He graduated from the Faculty of Electrical Engineering in Podgorica. From 1992 to 2012 he was employed in Elektroprivreda AD Nikšiÿ, in the following positions: IS programmer (1992-1995), IS Service Designer (1995-1996), IS Service Specialist Designer
2006), Head of the Design and Programming Service (2006-2010), Head of the Sector for Development and Implementation of Business Solutions (2010-2012) and Coordinator for the Introduction of a New Billing System (2011-2012). He was a member of the Parliament of Montenegro from 2012 to 2020. From 2012 to 2016, he was a member of the Committee on Economy, Budget and Finance and a member of the Commission for the Control of Privatization Procedures, as well as a member of the Administrative Board from 2016 to 2020. He was the president of the Democratic Front Parliamentary Club from 2015 to 2020. From 2003 to 2011, he was the president of OO Nikšiÿ of the New Serbian Democracy, and since 2009 he has been the president of the Executive Board of the New Serbian Democracy, where he was also a member of the presidency. He was a councilor in the Municipal Assembly of Nikšiÿ in two convocations. He knows SQL Oracle navigator, Visual Fox Pro, Visual Basic, Clipper and Mat Lab.

dr Mirjana ÿizmoviÿ, member - she was born on September 26, 1980. in Nikšiÿ, where she finished primary and secondary school. She graduated from the Faculty of Economics in Podgorica, and received her master's degree from the Faculty of Economics in Belgrade, majoring in actuarial science. She received her PhD in Belgrade in 2016 on the topic of Economic Growth and the Exchange Rate. After that, she underwent three postdoctoral studies: As a winner of the national scholarship for excellence of the Ministry of Science of Montenegro, she was in postdoctoral studies in France, at the Institut Supérieur d'Economie et Management, Université Nice Sophia Antipolis, Nice, during 2016-2017. She completed her second postdoctoral research studies in Italy at the Universitá Politecnica delle Marche, Department of Economic and Social Studies, 2017-2018. As the winner of the Fulbright Scholarship in 2020, she attended postdoctoral training in America at City College of New York. He works as an assistant professor at the Faculty of Economics and Business of the Mediterranean University in the field of quantitative methods in economics, economic analysis and international finance. He also works as an econometric researcher on an international research project in the field of excise policy funded by the University of Illinois Chicago and the Bloomberg Philanthropies Foundation (2018-2022), and as an external consultant econometrician for International Labor Organization (ILO) projects. He has been the director of the NGO Institute for Socio-Economic Research since 2014. Among other things, she was engaged as: a lecturer at the EU Business School, Genève, Switzerland, at the MBA studies in 2018; consultant on the Land Administration and Management Project - LAMP, funded by the World Bank (2010-2013); consultant economist and head of the office for the project Investing in the administration of the pension system -

PSAIP, funded by the World Bank (2009-2010); EBRD-funded feasibility study consultant; Adviser at the Central Bank of Montenegro in the Sector for International Cooperation (2004-2006). He is the author and co-author of a number of scientific papers published in renowned international journals and co-author of the monograph Introduction to the theory, analysis and measurement of economic growth.

Rajko Radusinoviÿ, Radusinoviÿ Rajko was born in Cetinje on September 27, 1952. years. He graduated, as the only archer in his generation, from the Gymnasium in Cetinje in 1971, and in the same year he enrolled at the Faculty of Electrical Engineering in Podgorica, Department of Energy, in Podgorica. After graduating, he got a job in the Electrical Industry OBOD, where he worked as a responsible designer in the Sector for Development and Investment, and then as the head of the Energy Sector. He passed the professional exam for responsible designer and responsible supervisory body in Zagreb. During the expansion period, EI OBOD (1980s) as a designer or supervisory body realized, among other things, the following projects whose investor was EI OBOD: Construction of 10 kV switchyard and dispatch center from which the operation of power plants was managed and monitored substation at the Upper Oboda Complex; Fridge factory on the upper Obod complex (the first new factory realized according to the Main project of electrical installations which was completely done by an engineer employed in Obod); Reconstruction of electrical installations of the Washing Machine Factory; Construction of the Customs warehouse and the associated 10 / 0.4 kV substation; Construction of a catering restaurant and a guest restaurant on the upper Oboda complex; Reconstruction of the OBOD Administrative Building; Construction of the Residential Complex in IV Proleterska and Peka Pavloviÿa Streets with over 100 housing units; Reconstruction of the Boiler House on the upper OBOD complex. School 1984/85. and 1985/86. He taught professional subjects for free at the Secondary Electrical Engineering School, where he also built a modern electrical laboratory at the time. When EI OBOD actually stopped working at the beginning of the nineties, it moved to EPCG - Elektrodistribucija Cetinje to the position of technical director.
In the midst of the most severe sanctions and hyperinflation, he and his associates, in almost impossible conditions, managed to keep the Cetinje power system in operation. The family company DOO RAJRAD . years. As a consultant to renowned world organizations Swiss Development and Cooperation (SDC) - Switzerland, International Relief and Development (IRD)

- USAID, HELP - Germany, Camp Dresser and McKee (CDM) - USAID, Abu Dhabi Development Fund - UAE, KfW - Germany, UNDP - Podgorica, DAHLEM - Germany, FICHTNER - Germany, Beohidro-Hidroinženjering - Belgrade-Ljubljana, contributed to the implementation of dozens of projects in Montenegro (schools, hospitals, housing estates, substations, transmission lines, LV networks, public lighting, water and sewage pumping stations, water treatment plants, etc.). He was a member of the working team for the revision of the Spatial-Urban Plan of the capital Cetinje for part of the power industry and the working team for the development of the Local Energy Plan of the Capital, two fundamental documents for planning the development of the Capital. As a designer and supervisory body, he donated a dozen projects to his hometown. He was elected on behalf of 575 electrical engineers in 2016 as a member of the Management Board of the Chamber of Engineers of Montenegro. He is a member of the Board of Directors of the Montenegrin Center for Energy Efficiency, as well as the Board of Directors of the Association for Occupational Safety and Health of Montenegro. He has: License for design and construction no. UPI 107 / 7-3611 / 2 issued by MORiT VCG, License for revision of project documentation and supervision no. UPI 107 / 7-3612 / 2 issued by MORiT VCG, License for design and construction of complex power engineering facilities no. 310-1372 / 2018-2 issued by the Minist

ekonomije VCG, License for project audit and supervision over the construction of complex power facilities no. 310-1371 / 2018 issued by the Ministry of Economy of VCG
License for occupational safety and testing of electrical and lightning protection installations no. 1-2456 issued by the Ministry of Labor of VCG and the License for performing energy audits of facilities issued by ENSI, GTZ and VCG. He is the president of the Cetinje Central Office and the vice-president of the EUO and ES MCP.

Aleksandar Dožiÿ, member - He was born on August 5, 1966. in Kolašin, where he finished elementary school. He finished high school in mechanical engineering in Podgorica, where he graduated from the Faculty of Mechanical Engineering. He is the owner of a company that, among other things, deals with the maintenance and overhaul of factory plants, overhaul of construction machinery and internal transport machinery, production of vertical traffic signals and services in civil engineering. He has won two awards in mechanical engineering for innovating technological processes. In his work so far, he has performed, among other things, the following tasks: Director of the company JP Komunalno Kolašin; Manager of the AMD Kolašin car base - AMSCG; President of the Municipal Assembly of Kolasin; Advisor to the President of the Municipality of Kolašin; Secretary in the municipality of Kolasin. There are many projects in the realization of which he participated: regional water supply, rehabilitation of highways, tunnels, bridges, reconstruction of railway infrastructure, construction of highways ... He achieved successful cooperation with Pora, Strabag, Integral, Euroasfalt, Kombinat Aluminijuma Podgorica ...

He technologically and organizationally designed the production of finished products in the field of metal processing.

Nenad Markovic, member - He was born on December 19, 1955. years. He graduated from the Faculty of Law in Podgorica. He worked in the construction company AD Crna Gora Nikšiÿ (1981-1997), AD Crna Gora - Engineering Nikšiÿ (1997 - 2009) and in LD Gradnja DOO Nikšiÿ, where he is still employed.
He is the head of the legal and human resources department. He worked on advocacy, drafting normative acts, personnel affairs and was the executive director of a joint stock company.

Milun Božoviÿ, member - He was born on April 26, 1957. years in Niksic. He finished elementary school in Vidrovan, high school in Nikšiÿ, and the Faculty of Mechanical Engineering, majoring in production engineering, in Titograd.
During the study, he was the president of the Material Commission of the Faculty of Mechanical Engineering, a member of the University Material Commission, the president of the Youth Organizations of the Faculty of Mechanical Engineering, then a member of the Action Conference of SK University Veljko Vlahovic and a scholarship holder Boris Kidric. Since 1981, Boris Kidriÿ has worked at the ironworks as the Chief of Mechanical Maintenance of Cranes.
In GRO Montenegro, he performed the duties of the director of OOUR traffic and overhaul, in two terms he was a member of the Business Board as an assistant for mechanization. At IMO, Metalac worked as an independent designer - technologist and technical director. Since March 1992, in the company Crnagoraput AD, which has been a part of the construction concern STRABAG since 2006, he has been the head of the section for road maintenance Nikšiÿ. Since 2018, he has been performing the duties of the head of the maintenance of all state roads, and he is still in that position today.

In several terms, he performed the duties of a court expert in the field of mechanical engineering, and he was also the president of the Management Board of the company Social Standard and a member of the Management Board of Autoprevozno Nikšiÿ. Awards and recognitions: More recognized innovations on cranes; Winner of the May Day Award of the Chamber of Commerce of Montenegro; More recognitions for humanitarian work.

Jovan Radoševiÿ, member - He was born in 1966 in Pljevlja, where he finished primary and secondary school. He graduated from the Faculty of Mechanical Engineering in Podgorica, and in 1997 he acquired the title of welding engineer in accordance with the recommendations of the European Federation and the International Institute for welding in Belgrade. From 1993 until today, he spent his working life in EPCG AD Nikšiÿ, as a shift engineer (1993-2001), chief engineer for analysis and control of production processes (2001-2014) and chief engineer of production processes (since 2014). .

1.3.3. Audit Committee and Internal Audit Team

The Audit Committee and the Internal Audit Team were formed to perform control activities in the Parent Company.

The Audit Board, in accordance with the powers established by the Law on Accounting and the Law on audit, oversees the process of financial reporting, internal control and legal and ethical management of the Parent Company. At the time of writing the Management Report, the members of the Audit Committee of EPCG are Milan Lakiÿeviÿ, President, Renata Milutinoviÿ, member and Anÿela Raiÿeviÿ, member.

The Internal Audit Team, in accordance with the law, performs independent and objective activities in order to improve the operations of the Parent Company through a systematic approach to assessing and improving the efficiency of the risk management process and control of corporate governance. The structure and composition of the Internal Audit Team is determined by the Board of Directors.

1.4. Capital and ownership structure of the Parent Company

The registered share capital of EPCG amounts **to € 769,927,930** and is divided into **118,132,402 shares.** The nominal value of the share is **€ 6.5175.**

The following overview shows the registered ownership structure of capital with nominal and percentage data on participation in the capital of EPCG:

Table no. 1: Capital structure of EPCG as of 31.12.2020.

EPCG CAPITAL STRUCTURE AS OF 31.12.2020.				
SHAREHOLDERS	NUMBER OF SHARES	NOMINAL VALUE OF ACTION	TOTAL ACTION VALUE (€)	PARTICIPATION IN CAPITAL
State of Montenegro	104.735.325	6,5175	682.612.481	88,66%
Elektroprivreda Crne Gore AD Nikšiÿ Other	11.813.238	6,5175	76.992.779	10,00%
legal entities Natural persons	32.887	6,5175	214.341	0,03%
	1.408.605	6,5175	9.180.583	1,19%
Collective custody accounts	142.347	6,5175	927.747	0,12%
IN TOTAL	**118.132.402**		**769.927.930**	**100,00%**

Parent company on 31.12.2020. owns a total of 11,813,238 own shares.
Namely, at the XVII regular General Meeting of Shareholders of the Company held on August 30, 2019, the same decision approved that Elektroprivreda Crne Gore AD Nikšiÿ buy 11,813,238 own shares from the shareholders of A2A SpA Breša at a price of € 4,4752828317 per share.

Pursuant to the Law on Companies ("Official Gazette of Montenegro" No. 65/2020), Article 230, paragraph 1, own shares acquired by the Parent Company in accordance with Article 226 of this Law must be disposed of within three years from the date of acquisition.

1.5. Important events in the Parent Society

In June 2020, the company signed an Agreement on the implementation of the project of ecological reconstruction of Unit I TPP "Pljevlja" with the selected contractor - the consortium DEC INTERNATIONAL - BEMAX - BBSOLAR - PERMONTE. With the realization of this project, while respecting the strictest emission limit values, Montenegro will become the first country in the region to carry out a complete technical and environmental rehabilitation of a facility nearly 40 years old.
The preparation of the Main Design and the ecological reconstruction will be carried out in accordance with the conceptual design and with full respect for the study on environmental protection prepared by the reference company Steag Energy Services Gmbh from Germany. This project, worth more than 54m euros, will be predominantly funded by EPCG from its own resources.

Within the project of reconstruction and modernization of HPP "Peruÿica" after the international tender procedure announced on May 20, 2020 in accordance with the procedures of the German Development Bank, Elektroprivreda Crne Gore signed two contracts worth 10 million euros (including VAT) for the need for revitalization of the construction part of the system of HPP "Peruÿica" and providing the services of a professional consultant and FIDIC Engineer with the companies BEMAX doo from Podgorica and Energoprojekt Hidroinženjering AD from Belgrade.
Revitalization works are planned in order to use the facilities in accordance with the existing routes, with the planned modernization of the technical and operational characteristics of the facilities. The reconstructed Opaÿica canal will enable uninterrupted operation of the power plant with installed power after the installation of the eighth unit, using water only from the Slano reservoir.

EPCG is 25.11.2020. signed an agreement on the capital reconstruction of the third unit in HPP "Piva" with a consortium of reference companies, Litostroj Power Ljubljana and Elektroremont from Subotica. The value of works that include the complete reconstruction and repair of hydro-mechanical and electrical equipment on the third generator of the hydropower plant is 2,249,915.14 euros. In this way, with the overhaul of HPP "Piva", the working life of the power plant will be significantly extended and maximum operational readiness will be provided. According to the agreement on the capital reconstruction of the A3 unit, the approximate start of works is planned for April 1, and the completion by December 1, 2021.

1.6. Share of EPCG in dependent legal entities

The parent company is 13.01.2009. was founded by the subsidiary EPCG doo, Belgrade - Republic of Serbia (hereinafter EPCG Belgrade), whose main activity is electricity trade. EPCG's share in the capital of EPCG Belgrade is 100%.

The parent company is 25.06.2010. founded a subsidiary together with Nort-Trondelag Elektristetverk Holding AS called Zeta Energy doo, Danilovgrad (hereinafter "Zeta Energy") whose main activity is the production of electricity from renewable sources. EPCG's share in the capital of Zeta Energy is 51%.

At the XIV Extraordinary General Meeting of Shareholders of the Parent Company, held on June 23, 2016, the Decision on the establishment of the Limited Liability Company "Montenegrin Electricity Distribution System", Podgorica (hereinafter CEDIS) for the purpose of electricity distribution was adopted. EPCG's share in the capital of CEDIS is 100%.

At the XIX Extraordinary General Meeting of Shareholders of the Parent Company on March 28, 2018. The Decision on initiating the procedure of voluntary public offer for the takeover of Rudnik uglja AD Pljevlja (No. 10-00-13052 of March 29, 2018) was passed, pursuant to which the EPCG concluded on July 18, 2018. acquired ownership of all shares of that company. EPCG's share in the capital of Rudnik uglja AD Pljevlja is 100%.

2. PRODUCTION CAPACITIES AND ELECTRICITY SUPPLY ENERGY

The strength of any power system is based on the construction and capacity of production facilities, which are primarily expected to provide sufficient amounts of electricity, which is becoming an increasingly difficult task. Today, when the need for energy sources is growing, it is not necessary to prove that the production of electricity is essential not only for the stability of the electricity system, but is a necessary precondition for economic development.

2.1. Production capacities

The strength of our power system is based on the capacities of the production plants of HPP Peruÿica, HPP Piva and TPP Pljevlja.

HPP Peruÿica is the oldest large hydroelectric power plant in Montenegro, put into operation in 1960. It is named after the Peruÿica spring, which springs near the hydroelectric power plant. It is located on the territory of the municipality of Nikšiÿ, in the northern part of the Bjelopavliÿka plain, while small hydroelectric power plants are located on the territories of the municipalities of Kolašin, Podgorica, Cetinje and Šavnik. Its gross installed capacity is **307 MW.** In 2020, the production of HPP Peruÿica amounted to 672 GWh, while small hydropower plants owned by EPCG produced 2 GWh in the same period.

HPP Piva, an accumulation dam with one of the largest concrete arch dams in the world, has been in operation since 1976. Its main activity is the production of electricity in peak mode, because it has the ability to quickly start and synchronize with the 220 kV transmission network. It is located in a mountain massif in the northwest of Montenegro.
Due to the specific topographic characteristics of the terrain, the complete plant was built below the surface of the earth. Its gross installed capacity is **342 MW.** In 2020, the production of HPP Piva amounted to 657 GWh.

TPP Pljevlja is the first Montenegrin condensing thermal power plant, which started operating in 1982. The location of the thermal power plant is on the fourth kilometer of the road Pljevlja - ÿurÿeviÿa Tara - Frog. The thermal power plant is supplied with water for cooling and other needs from the "Otiloviÿi" reservoir, which is located on the river ÿehotina and is about 8 km away from the thermal power plant with which it is connected by an asphalt road. The gross installed capacity of TPP Pljevlja is **225 MW.** In 2020, the production of TPP Pljevlja amounted to 1,487 GWh.

2.2. Electricity supply

Number of customers in Montenegro on 31.12.2020. is **404,787 ,** of which 364,733 customers in the category "households" and 40,054 in the category of other consumption (110 kV - 6; 35 kV - 35; 10 kV - 562, 0.4 kV - 39,447 and ZDS - 4) .

2.2.1. Golden Team Project

The "Golden Team" project was launched in August 2012 with the aim of increasing the number of customers who regularly pay their electricity bills. As a result of the project, the number of regular customers from the "household" category is as of December 31, 2020. amounted **to 200,127,** 4,690 less compared to the same period last year.

From 01/01/2018 EPCG increased the percentage of discounts for members of the Golden Team to 13% on the price of active electricity, instead of the previous 10%. Also, in the same period, the calculation of a 3% discount on the price of active electricity began with regular customers from the category of other distribution customers, except for small customers in accordance with Article 196 of the Energy Law.

Within the project "Golden Team", in 2020, two prize games were realized: "Golden Team: Energy that Moves" and "Golden Team: Energy that Moves II". The first prize game was realized in January, with a total prize fund in the amount of € 24,221.27, while the second was realized in June with a total prize fund in the amount of € 25,990.65. The right to participate in both prize games had all customers from the category "Households" who on 31.01.2020. and 30.06.2020. they had no debts to EPCG.

3. ACHIEVEMENT OF ELECTRICITY BALANCE

3.1. Production of electricity

The total electricity production of power plants belonging to the Electric Power Industry of Montenegro in 2020 amounted to **2,819.2 GWh,** of which TPP Pljevlja produced 52.76%, large hydropower plants a total of 47.16%, and small HPPs 0.08%.

HPP "Peruÿica" achieved production of **672.1 GWh,** which is 247.9 GWh or 26.9% less than planned, and 29.4% less than production in 2019.

HPP "Piva" achieved production of **657.3 GWh,** or 92.7 GWh or 12.4% less than planned, and 1.2% less than production in 2019.

EPCG's small hydropower plants produced a total of **2.3 GWh,** 1.7 GWh less than planned.

TPP "Pljevlja" achieved production of **1,487.5 GWh,** which is 170.5 more than planned GWh or by 12.9%, and compared to last year by about 7.0%.

In total, the highest monthly production was 350.2 GWh in December, and the lowest in May was 34.7 GWh.

3.1.1. Accumulations and inflows

In the accumulations of HPP "Peruÿica", at the beginning of the year there were **190 GWh ,** ie. 27% more than planned. Due to the extremely large amount of precipitation at the end of 2019, the reservoirs were full. At the end of the year, there were 124 GWh in the accumulations of HPP "Peruÿica" or 18% less than planned.

At HPP "Piva", the state of accumulation at the beginning of the year was **254 GWh,** which was about 95% more than planned, and at the end of the year **134 GWh,** or 3% more than planned. HPP "Piva" operated with average monthly elevations of 646.28 m above sea level in December (lowest), up to 674.04 mnm in June (highest), and the average annual elevation was 664.16 mnm. The average annual inflow was 41.65 m3 / s, which is about 43% less than planned.

3.1.2. Power plant readiness

HPP "Peruÿica" was out of operation in 2020 from August 3 to September 1 due to the overhaul and total shutdown of the power plant. Due to the protection, the generators were idle for a total of 10.3 hours, and due to failures for a total of 1,124.4 hours, which slightly affected the reliability of the power plant. Due to the works on the A6 unit, pipeline 3 was emptied in a short period of time, which made it impossible to use the A7 unit in that period.

HPP "Piva" in 2020 due to the annual overhaul was in total suspension for 8 days - from 3 to 11 October. The overhaul of Unit 2, which began in 2019, was completed on October 4, 2020. This extension of the overhaul was not foreseen in the Balance Sheet for 2020. The units were out of order for 45.1 hours, overhauled for 5,958.5 hours and maintained for 27 hours.

TPP "Pljevlja" was out of operation, due to the annual overhaul of 1,565 hours and due to breakdowns for 25 hours.

Individually, power plants achieved the following availability and reliability coefficients:

Table no. 2: Coefficients of availability and reliability of power plants in 2020

Power plant	Availability ratio 82.2% 77.1%	Reliability coefficient
HPP Peruÿica	81.9%	97,8%
HE Piva		99,8%
TPP Pljevlja		99,7%

3.2. Electricity consumption by EPCG customers

The total supply of electricity to customers of FC Snapdijevanja EPCG in 2020 amounted to **2,242.7 GWh.** Of that, 110 kV customers took over about 56.1 GWh, while 1.3 GWh was delivered to ZDS Uniprom. A total of 2,185.2 GWh was delivered to the customers of FC Supply at 35, 10 and 0.4 kV.

The largest monthly delivery of EPCG to FC Snabdijevanje consumers was in January 231.3 GWh, and the lowest in June 159.5 GWh.

Structure of realized electricity supply to FC Snabdijevanje customers in 2020:

- **27.4 GWh** or 72.8% of the plan was delivered for Željezara - Toš ÿelik ,
- **12.3 GWh** or 56.6% of the plan was delivered for the Railway Infrastructure of Montenegro ,
- **7.9 GWh** or 85.3% of the plan for own needs of TPP "Pljevlja" and **8.6 GWh** was delivered for other customers supplied on the 110 kV network , ie 31.5% more than planned,
- **2,185.2 GWh** was delivered to the customers of FC Supply on the distribution network , which is 9.1% less than planned and 6.7% less than in 2019.

3.3. Procurement and delivery of electricity

3.3.1. Purchase from renewable sources from COTEE

404.8 GWh or 2% more than planned was taken over from COTEE on the basis of the corresponding part of the production of eligible producers .

3.3.2. DPTS with Elektroprivreda Republike Srpske

Based on the contract on DPTS with Elektroprivreda Republike Srpske, for the purpose of supplying border areas, in 2020 a total of **6.4 GWh was taken over.**

Delivery to Elektroprivreda Republike Srpske on the basis of the DPTS contract on supplying border areas amounted to **6.6 GWh.**

3.3.3. Shopping

Through the so-called **636.0 GWh** was purchased for long-term trade , and 420.0 GWh for short-term and operating trade . A total of 1,056.1 GWh was purchased.

Based on the derogation settlement agreement, **6.0 GWh was taken over from CEDIS. 9.7 GWh** (3.1 GWh from "Zeta Energy") was taken from the producers in trial operation .

3.3.4. Sales

In 2020, sales amounted to a total of **1,128.7 GWh.** Of that, 584.9 GWh for long-term trade and 543.8 GWh for short-term trade.

572.6 **GWh** were sold to Uniprom (for Kombinat aluminijuma), 323.4 GWh to **CEDIS** to cover losses on the distribution network , **19.2.4 GWh** to CGES to cover losses on the transmission network **GWh,** while an additional **11.5 GWh** was delivered to CEDIS under the Derogation Settlement Agreement .

3.3.5. Other

34.3 GWh was taken over from CGES on the basis of the Agreement on the provision of ancillary services , and **30.6 GWh** on the basis of the compensation program .

Under the Ancillary Services Agreement, **12.4 GWh** for tertiary and secondary regulation and **36.1 GWh** under the compensation program were delivered to CGES.

3.4. Tabular overview of EPCG's electricity balance

Below is a tabular overview of the realization of the electricity balance of EPCG for 2020.

Table no. 3: Overview of the realization of the electricity balance of EPCG for 2020

ACHIEVEMENT OF ELECTRICITY BALANCE (GWh)	Realization 2020	Plan 2020	*Realization / Realization plan*	2019	*2020/ 2019*
1. PRODUCTION	3.233,6	3.387,0	*95%*	3.266,8	*99%*
1.1. Production of EPCG power plants	**2.819,2**	2.991,0	*94%*	3.011,2	*94%*
1.1.1. Production of hydroelectric power	**1.331,7**	1.674,0	*80%*	1.621,1	*82%*
plants - *HPP "Peruÿica"*	**672,1**	920,0	*73%*	952,0	*71%*
- HE "Piva"	**657,3**	750,0	*88%*	665,1	*99%*
- Male HE EPCG	**2,3**	4,0	*58%*	4,0	*57%*
1.1.2. Production of TPP "Pljevlja"	**1.487,5**	1.317,0	*113%*	1.390,1	*107%*
1.2. Purchase of production	**414,5**	396,0	*105%*	255,6	*162%*
1.2.1. From SHPP "Zeta Energy"	**3,1**	0,0		0,2	*1930%*
1.2.2. Associated part of privileged sources 1.2.3. From	**404,8**	396,0	*102%*	253,6	*160%*
new sources in trial work	**6,6**	0,0		1,9	*355%*
2. PURCHASE	1.133,3	468,6	*242%*	1.200,1	*94%*
2.1. Purchase on the electricity market 2.2. EDF under	**1.056,1**	462,5	*228%*	1.139,5	*93%*
the DPTS Agreement 2.3. CGES -terc. and sec.	**6,4**	6,1	*104%*	6,5	*98%*
regulation 2.4. CGES - compensation programs 2.5.	**34,3**	0,0		30,1	*114%*
CEDIS - imbalance	**30,6**	0,0		12,5	*245%*
	6,0	0,0		11,6	*52%*
3. AVAILABLE FOR SALE (1 + 2)	4.366,9	3.855,6	*113%*	4.466,9	*98%*
4. SALES	4.366,9	3.855,6	*113%*	4.466,9	*98%*
4.1. Sales on the electricity market 4.2. EDF under	**1.128,7**	1.369,4	*82%*	880,8	*128%*
the DPTS Agreement 4.3. CGES - tertiary and second.	**6,6**	6,1	*108%*	7,2	*92%*
regulation 4.4. CGES - compensation programs 4.5.	**12,4**	0,0		33,8	*37%*
Uniprom 4.6. CEDIS - for losses *	**36,1**	0,0		21,1	*171%*
	572,6	0,0		560,6	*102%*
	323,4	0,0		363,1	*89%*
4.7. CEDIS - debauching	**11,5**	0,0		4,6	*250%*
4.8. CGES - for losses 4.9.	**19,2**	0,0		129,8	*0%*
The rest	**13,9**	0,0		50,2	*0%*
4.10. Sales to customers FC Supply	**2.242,7**	2.480,1	*90%*	2.415,7	*93%*
4.10.1. 110 kV customers -	**56,1**	75,1	*75%*	74,4	*75%*
Željezara - Railway	27,4	37,6	*73%*	34,6	*79%*
infrastructure - TPP Pljevlja for own	12,3	21,7	*57%*	20,7	*59%*
needs - Other clients at 110 kV	7,9	9,2	*85%*	9,2	*86%*
	8,6	6,5	*132%*	9,9	*86%*
4.10.2. ZDS Uniprom	**1,3**	0,0		0,0	
4.10.3. Buyers at 35, 10 and 0.4 kV	**2.185,2**	2.405,0	*91%*	2.341,3	*93%*

* Delivery according to the timetable (basic contract)

4. COLLECTION OF RECEIVABLES FOR DELIVERED ELECTRICITY ENERGY

The total gross invoiced sales by suppliers (including VAT) for direct and distributive customers in 2020, the invoice January-December 2020, amounted to **€ 241,712,049,** of which € 3,467,967 for direct customers, and for distributive € 238,244,082.
The rest of the sales revenue is invoiced by the Energy Management Directorate.

Out of the total invoiced sales by suppliers in 2020 and outstanding receivables from previous years, a total of **€ 230,324,858** was collected with a collection rate of 95.29% compared to the total invoiced sales in 2020. € 2,552,350 was collected from direct customers and a collection rate of 73.60% was achieved, and € 227,772,507 was collected from distribution customers with a collection rate of 95.60%.

5. PERSONNEL POLICY OF EPCG GROUP

In 2020, in the EPCG group, which consists of EPCG, CEDIS, Coal Mine AD "Pljevlja", Zeta Energy and EPCG Belgrade, the total number of employees employed on 31.12.2020. is 3,190. The following is a tabular overview of the structure of hired workers

Table no. 4: Structure of hired employees of EPCG group as of 31.12.2020.

EPCG GROUP	**Number of employees hired**
EPCG	940
CEDIS	1.375
Coal Mine AD "Pljevlja Zeta Energy	854
EPCG Belgrade **TOTAL EPCG**	19
GROUP	2
	3.190

By continuously investing in the development of human resources, EPCG strives to ensure the readiness of employees to respond to the challenges of everyday business, while contributing to its improvement.

In 2020, the parent company paid special attention to the training and education of employees, even in the specific conditions of the pandemic, adapting and using new technological opportunities as well as purchasing professional literature and paying membership fees to employees within professional organizations.

6. OCCUPATIONAL HEALTH AND SAFETY AND ENVIRONMENTAL PROTECTION

All activities in the field of occupational health and safety, protection and rescue and environmental protection are implemented according to the requirements of the Law on Occupational Safety and Health, the Law on Protection and Rescue, the Law on Environment, bylaws in these areas and other relevant regulations in Montenegro and internal company acts regulating these areas.

6.1. Occupational health and safety in EPCG

During 2020, the following was done in the field of drafting normative and systemic acts of the Parent Company:

The identification of changes in the Act on the organization of EPCG and the act on job systematization related to HPP "Peruÿica" and which require innovation of the Act on risk assessment for jobs in HPP "Peruÿica" was identified. During 2021, it is planned to examine the working environment and examine a significant number of means for work, so changes in these segments will also require the innovation of the Act. Also, the Risk Assessment Act for HPP "Piva" was revised in the part related to the recommendation of the Certification Body for IMS, which referred to the situation that would arise from the spillage of diesel fuel from the tank of diesel generators, given that the fuel is present in larger quantities.

The Risk Assessment Acts, inter alia, identify all hazards and hazards present in the EPCG work environment, define risk levels for safety and health of employees in all workplaces in the Parent Company and define action plans to prevent, eliminate and reduce risk levels. to the lowest possible level.

As part of the Integrated Management System (IMS) Implementation Project in EPCG in accordance with ISO 9001, ISO 14001 and ISO 45001 standards, ZZNR experts and protection and rescue experts and officers from all organizational units were actively involved in the audit of one issue documented procedures through which the basic processes that take place in the field of ZZNR and the field of protection and rescue are described. In the mentioned activities, five procedures were subject to revision with the following designations: IMS.PR12, IMS.PR13, IMS.PR14, IMS.PR20 and IMS PR.21.

During 2020, in accordance with the provisions of normative acts (external and internal), employees were trained for safe work. Training and proficiency testing were performed by experts in the field of ZZNR from EPCG employees, according to the Training Program from 2012, and based on the Authorization received by EPCG from the Ministry of Labor and Social Welfare of Montenegro issued on 20.03.2020. years. Total number of employees in the Company who are trained for safe work during 2020 is 113.

Medical examinations were organized in accordance with the Risk Assessment Act. Periodic health examinations are organized once a year. If necessary, previous health examinations are performed, as well as extraordinary specialist examinations. Total number of EPCG employees who performed health examination during 2020 is 475, observed by type of examination: preliminary examination - 46, periodic examination - 415, sanitary examination - 10 and extraordinary examination - 1.

During 2020, in accordance with the Law on Occupational Health and Safety, standards, technical regulations, manufacturer's instructions, provisions of the Ordinance on periodic inspections and testing of work equipment and internal acts of the Parent Company, work equipment was tested to determine whether the necessary measures for safe and secure work have been applied to them.

During 2020, three injuries occurred at work in EPCG, eleven less than in 2019, when there were fourteen.

6.2. Environmental protection in EPCG

In order to protect the environment, EPCG continuously invests in the development and modernization of equipment in order to contribute to the reduction of harmful substances, adequate treatment of waste and wastewater, as well as land remediation.

During 2020, the following was done in the field of drafting and amending normative and systemic acts of the Parent Company:

- Six changes in the procedures of the ZŠS system,
- Annual environmental monitoring plan,
- Action plan of the EPCG environmental protection program,
- Environmental monitoring report,
- Proposed remediation measures and environmental monitoring program after the implementation of remediation measures in the rivers Vezišnica and ÿehotina. The research on the scale and consequences of the accident on the rivers Vezišnica and ÿehotina (caused by the activation of the drainage valve on the return water line from the Landfill "Maljevac") required for this document was conducted by the Center for Ecotoxicological Research of Montenegro (CETI) in cooperation with the Faculty of Science. Department of Biology.

During 2020, cooperation with state institutions continued through the submission of requested data. Also, participation in other activities should be singled out
preparation of the plan for the period 2021-2025, visits to power plants in accordance with the Procedure of internal control and supervision in the field of environmental protection, delivery of waste from all parts of the Company, etc.

6.3. Environmental protection at CEDIS

In accordance with the legal regulations, the following activities are performed in the field of environment in CEDIS: waste management, radiation and safety at work.

As the original producer of waste, CEDIS treats it in accordance with the Waste Management Plan, adopted by the Company, for the period 2020 - 2023, and approved by the Agency for Nature and Environmental Protection. During 2020, CEDIS handed over a total of 360.87 T of hazardous waste and 310.54 T of non-hazardous waste to authorized legal entities.

In 2020, for the first three months, the Waste Management Plan was adopted, which was adopted for the period 2017-2020. It was valid until March 2020, after which the Waste Management Plan for the period 2020-2023 is in force.

For the purpose of temporary disposal of hazardous waste, the Company leased a storage space in Bar. The company made a decision on the construction of its own warehouse for the disposal of hazardous waste. Based on the Main Design, a technical specification has been prepared for the selection of a contractor for the construction of the storage facility, which will meet all the envisaged standards for the storage of hazardous waste. The estimated value of the construction of the warehouse is EUR 677,996. Due to restrictions caused by COVID 19, the construction of the warehouse is currently postponed.

CEDIS is a partner of "Comprehensive environmentally friendly management of waste containing PCBs in Montenegro", which relates to the safe management of equipment and waste containing PCBs.
This project will be implemented in cooperation with the Ministry of Capital Investments (formerly the Ministry of Sustainable Development and Tourism), and it was developed by UNDP. The goal of the project is to, by the end of 2021, remove waste and equipment containing PCBs from use, decontaminate or export it as waste to destruction facilities.
Pursuant to the Contract for testing the content of pyralene in the system, which refers to the sampling and testing of oil by the screening method, which is
The company concluded with the company "Rade Konÿar" from Skopje in 2020 (contract on oil sampling by screening method from transformers from STS), a total of 147 samples were tested.

The Center for Ecotoxicological Tests performed 161 oil sampling from transformers with TS. Through the Project "Comprehensive environmentally friendly waste management containing PCBs in Montenegro", so far, oil from 5046 transformers has been sampled and analyzed. For the needs of the Agency for Nature and Environmental Protection, as well as local government bodies and the Statistical Office, the company prepared an annual report on waste.

In accordance with the Law on Protection against Non-Ionizing Radiation ("Official Gazette of Montenegro" No. 35/13) and the Rulebook on Types of Significant Significant Sources of Non-Ionizing Radiation for which a Study is Prepared ("Official Gazette of Montenegro", No. 42/15) , The company is recognized as the owner of existing sources of non-ionizing radiation. 16 The law defines the obligation to prepare a study on the use of non-ionizing radiation sources, which is carried out by the Agency, for which a tender has not yet been announced, and the owners of non-ionizing radiation sources are obliged to finance the study. In 2020, measurements were performed at four locations. All previous measurements, including measurements from previous years, have shown that the level of non-ionizing radiation is within the allowable values.

In accordance with the obligations arising from the Law on Protection and Health at Work, the requirements of the system management for safety and health at work, the requirements of the OHSAS 18001: 2007 standard (MEST OHSAS 18001: 2010) for the scope of certification Electricity distribution and solutions
Ministry of Labor and Social Welfare, number: 170-86 / 18-3 from 18.12.2018. year, the Company performs the following tasks in the field of protection and health at work from Art. 40 and 43 of the Law on Occupational Safety and Health:

- Examination of working environment conditions (noise, lighting and microclimate);
- Drafting an act on risk assessment, with a proposal of measures for their elimination;

- Periodic inspections and tests of means of work, electrical and other installations and means and equipment of personal protection at work;
- Revision (assessment) of technical documentation from the aspect of application of protection measures, technical regulations and standards, in order to determine the protection of employees in facilities for which technical documentation has been prepared, for work processes that will be performed in them;
- Training and checking the competence for safe work of employees;
- And other tasks from Article 40 of the Law on Occupational Safety and Health.

In order to protect the health of employees from the disease caused by the Covid-19 virus, significant activities and measures have been taken to prevent the health of employees. During this period, all measures of the National Coordinating Body were complied with, and in addition to the organization of work adjusted to this situation, masks, hand sanitizers and gloves were continuously provided to employees. A contract has been concluded with the health institution, in order to enable the employees to be checked for the presence of the virus, in cases of symptoms. Preventive disinfection of all business premises was performed, as well as disinfection of the premises where the employee was staying when the presence of the virus was confirmed. The Company has taken measures to prevent, reduce and eliminate the level of risk, in accordance with the Act on Risk Assessment. A new Risk Assessment Act was adopted, training for safe work of 519 employees was realized, health examinations were organized for 879 employees, of which 11 employees were declared incapable of work. Accreditation of the Laboratory for Tests in the Field of Occupational Safety, in accordance with the ISO 17025 standard, was initiated, which independently tested 7,756 personal protective equipment, of which 92.5% passed the test and issued 32 expert findings and 40 findings for testing equipment. , electrical and lightning installations and working environment conditions.

6.4. Environmental protection in the RUP

During the exploitation, the Company applies the measures determined by the Study on Environmental Impact Assessment of Coal Exploitation at the Potrlica Mine, mining projects and plans, as follows:

- Water protection measures
  - o Controlled drainage from the water reservoir, natural sedimentation in the sedimentation tank before discharge into the natural recipient and maintenance of the mentioned infrastructures for drainage of water from PK “Potrlica”;
  - o Maintenance and regular operation of oil and grease precipitators and separators in workshops, services and processing plants;
  - o Collection of used oils and disposal by an authorized company for waste collection or treatment Hemosan - Bar;
  - o Purification of sanitary and fecal waters, ie connection to public sewage.
- Air protection measures
  - o Measures to protect against the emission of dust from open areas in the area of the mining complex relate to the spraying and wetting of these areas, as well as the establishment and development of early vegetation;

  - o It has been implemented to reduce dust removal in the internal landfill sprinkler project on landfill sites;
  - o In order to protect against the separation of dust during the transport of coal and overburden by road, especially if it is done near residential buildings, the following is done:
    - ÿ covering the box of the truck during transport,
    - ÿ speed limit of the vehicle,
    - ÿ wetting roads with water,
    - ÿ Asphalting or the use of other compact materials to cover main roads at the mine and access roads to settlements.
  - o To prevent emissions of gases released during coal combustion, measures are applied to prevent possible self-ignition of coal;
  - o Regular maintenance of drive circuits as well as arrangement of landfills and warehouses;
  - o Maintenance of mechanization and control of correct combustion of fuel in SUS engines;
  - o Use of fuels that meet the requirements of EURO V;
  - o Air quality monitoring.
- Land protection measures
  - o Terrain design successively during discovery disposal;
  - o Removal and separation of humus and its use for reclamation during mining progress;
  - o Partial and partial reclamation of vacated areas;
  - o Maintenance and regular cleaning of drive circuits, plateaus and coal dumps;
  - o Solid waste disposal.
- Noise protection measures
  - o Reduction of the number of vehicles and machines active on the site;
  - o Ensuring regular vehicle maintenance and periodic assessment of sound levels prescribed for each machine, e.g. by measuring noise at precisely defined reference distances;
  - o Ensuring that noisy vehicles are located as far away from the settlement as possible;
  - o Maintenance of road surface to reduce noise;
  - o Shutting down idle machines wherever possible and preventing excessive touring;
  - o Ensuring that drivers are aware that noise can cause disturbance and disturbance to the local population, as well as that drivers show due respect and consideration when arriving and leaving the site (eg without unnecessary use of the siren);
  - o Application of appropriate control;
  - o Reduction of work in the early morning and late evening hours;
  - o Maintaining good communication with the surrounding population.
- Monitoring and quality control of individual segments of the environment:
  - o Establishment of a network of measuring points for measuring immission in order to monitor the situation air pollution in this area;

- Air quality control by measuring emissions of harmful substances (dust, gases) - point sources;
- Measurement of emissions of individual diffusion sources (landfills, dumps, etc.) by immission methods;
- Orientation measurements of specific pollution indicators for the purpose of determination the need to monitor them;
- Continuous monitoring of quantities and quality of water discharged into the recipient;
- Water quality control in reservoirs created by RUP activities;
- Influence of individual interventions on water regime and quality;
- Soil pollution testing;
- Pedological examinations of land in order to conduct better reclamation;
- Noise level measurement,
- Testing and measuring working environment conditions, physical, chemical, biological harmfulness and radiation as well as microclimatic conditions;
- Visual and technical observation (auscultation), which gives priority to correctness and timely detection and elimination of technical deficiencies and disturbances.

7. RISK MANAGEMENT

The parent company is continuously working on improvement in the field of risk management in order to provide additional guarantees for achieving strategic and operational goals through timely identification and prevention of risks, defining effective measures and ensuring maximum efficiency of risk management measures. EPCG management and all employees are committed to continuous improvement of the integrated management system (IMS) through continuous improvement of the quality of our products and services, environmental protection and occupational health in accordance with IS0 9001: 2015, ISO 14001: 2015 and ISO 45001 : 2018 in the field of electricity generation, electricity supply; buying and selling electricity; construction and maintenance of electric power facilities and design and supervision within the activities defined by the Company's Articles of Association.

EPCG is certified according to the requirements of international standards IS0 9001: 2015, ISO 14001: 2015 and ISO 45001: 2018, which are valid from 23.11.2019. to 11/22/2022 years.

7.1. Objectives and methods of financial risk management

The Company's operations are exposed to various financial risks such as: market risk (which includes currency risk, interest rate risk, cash flow risk and price risk), liquidity risk, cash flow risk and price risk. Risk management in the Company is aimed at striving to minimize potential negative impacts on the Company's financial operations in a situation of unpredictability of financial markets.

7.2. Information on exposure to price risks, credit risks, risks liquidity and cash flow risks

The parent company is exposed to the risk of changes in electricity prices in both domestic and foreign markets, ie. stock market. Given that EPCG is an active participant in the regional electricity market, both as a buyer and as a seller, changes in prices can and do affect current business. Some of these risks are eliminated through the conclusion of long-term contracts for electricity trade. The new legislation implies that from 01.01.2017. the price of electricity for distributive consumers is formed on the basis of the market price from the reference stock exchange, with certain restrictions. Considering the price of electricity on the reference stock exchange, which is higher than prescribed for last year, there is currently no risk of a reduction in the price of electricity for distributive consumers in 2021.

Given that certain EPCG credit arrangements are linked to a variable interest rate and EURIBOR, there is a certain interest rate risk in terms of borrowing from banks and other financial institutions. The parent company analyzes the exposure to interest rate risk on a dynamic basis, taking into account alternative sources of financing and refinancing, primarily for long-term liabilities, and takes appropriate measures to secure loans from banks under more favorable conditions. EPCG is not exposed to interest rate risk from the aspect of cash placement, bearing in mind that the contracts define fixed interest rates.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, receivables from legal entities and individuals, including outstanding receivables and commitments. In order to ensure the collection of receivables, EPCG continuously applies coercive collection measures. Also, by organizing prize games and
by encouraging regular payers through a discount policy, the Parent Company seeks to take positive measures to improve the collection of receivables.

Prudent liquidity risk management involves maintaining a sufficient amount of cash and traded securities, as well as providing adequate sources of funding through appropriate amounts of credit liabilities. The projection of total cash flows is performed at the level of the Company, which continuously monitors liquidity in order to provide sufficient cash for business needs.

7.3. Objectives and policies in financial risk management, risks and business uncertainties

Risk management is the responsibility of the Company's management. We are continuously working on creating and improving a risk register that will greatly help reduce business uncertainty.

7.4. The impact of the COVID-19 pandemic on the operations of the Parent Company

During 2020, as a result of the Covid-19 pandemic, EPCG operated in a challenging economic environment. The new coronavirus has slowed the economy and negatively affected the energy sector, where there has been a drop in electricity consumption, a drop in billing and instability in stock trading.

There was a decline in the consumption of distributive consumers compared to the plan and performance last year, primarily due to the extremely bad tourist season and the small number of tourist nights. Namely, during 2020, distribution consumption amounted to 2,185 GWh, which is 7% less than consumption in 2019. The pandemic also had an impact on the decline in annual collection by 3.5% compared to the plan and 5.1% compared to last year.

Despite the expected results, EPCG, as a socially responsible company, and due to the negative impact of the pandemic in this period, additionally subsidized almost 20,000 households, beneficiaries of the right to electricity subsidy, in the amount of 1.55 million euros.

In terms of safety at work and compliance with measures in the workplace in accordance with legislation and recommendations of competent authorities, EPCG in 2020 provided sufficient disinfectants, protective masks and other equipment for employees in the company to maintain continuity of work on the premises Society.

7.5. Internal control and risk management system in the EPCG group

The Board of Directors of EPCG, among other things, is responsible for performing the activities of founders in subsidiaries in accordance with the Statute of EPCG. As the majority owner of CEDIS, Rudnik uglja AD Pljevlja, Zete Energy and EPCG Belgrade, EPCG has established a system of internal control over the work of these companies in order to be efficient.

The risk management system within EPCG has already been described in points 7.1., 7.2. and 7.3. As part of their own Management Reports for 2020, CEDIS and RUP addressed topics related to risk management with special emphasis on financial and operational risks.

8. CORPORATE PHILANTHROPY AND SPONSORSHIPS

As part of its public relations activities, EPCG implements sponsorships and donations (corporate philanthropy) in order to contribute to improving the quality of life of citizens, both at the national and local levels. For its activities in this field, EPCG also received two prestigious awards: a special recognition within the Iskra Philanthropy Award, which aims to recognize and publicly highlight companies and individuals whose material and financial support set an example to others and set standards for We should strive when it comes to investing in the common good, as well as the award for social responsibility of the Chamber of Commerce of Montenegro. The NGO "Ozon" awarded EPCG the "Green Star" award.

8.1. Corporate philanthropy

During 2020, EPCG realized significant donations, of which we will single out only the most important:

- EPCG directed significant donations to the field of health: 18,000 euros were donated to the General Hospital Bijelo Polje, 50,000 euros to the General Hospital Nikšiÿ, 240,000 euros to the Clinical Center of Montenegro, 19,500 euros to the PHI Health Center Nikšiÿ, 1,000 euros to the Institute for Children's Diseases,
- EPCG donation was also received by several educational institutions: Radojica Peroviÿ Elementary School, 9 May Elementary School, Ratko Žariÿ Elementary School, Luka Simonoviÿ Elementary School, Faculty of Electrical Engineering, Podgorica,
- In cooperation with the municipality of Pljevlja, textbooks for students of the first five grades of primary schools from the territory of the municipality of Pljevlja were procured and donated. EPCG set aside 15,000 euros for the purchase of textbooks,
- Employees of EPCG and the trade union jointly paid about 100,000 euros to the National Coordination Body for Combating Infectious Diseases,
- The Municipality of Nikšiÿ was donated about 190,000 euros for a joint action of revitalization of the area around Lake Krupac,
- The amount of EUR 15,000 was donated to the Red Cross of Montenegro,
- EUR 7,000 was donated to the Center for Social Work in Nikšiÿ,

- Part of the donations is directed to the non-governmental sector, and among others they were supported in projects: NGO Center for Sustainable Development Police, Association of the Blind and Visually Impaired of Montenegro, Ecological Movement Ozone, NU Roma Heart, Beekeeping Organization Nikšiÿ, Association of Youth with Disabilities Nikšiÿ, Association of Pensioners Nikšiÿ, Association of Economists and Managers of Montenegro,
- JU Zahumlje from Nikšiÿ donated 7,000 euros,
- Traditionally, EPCG is a sponsor of the EPCG Voluntary Blood Donors Club, one of the best and most active voluntary blood donor clubs in the country,
- For the needs of the treatment of the employee's child, Sara Tonÿiÿ, 20,000 euros were donated.

Due to the COVID-19 pandemic, EPCG decided to calculate subsidies for consumers, beneficiaries and vulnerable customers in the same amount provided by the Government of Montenegro, and for this purpose EPCG allocated about 1,550,000 euros from its funds.

Through effective PR and marketing tools, sponsorships in the field of sports and culture, as well as socially responsible activities, we contribute significantly to strengthening the image of our company.

8.2. Sponsorships

During 2020, EPCG, in accordance with its commitment to focus on national federations in the field of sports, realized three strategic sports sponsorships, the Swimming and Water Polo Federation of Montenegro, the Basketball Federation of Montenegro and the Handball Federation of Montenegro.

EPCG is also a sponsor of the Student Sports Federation of Montenegro as the umbrella institution of student sports in the country. Also, in order to contribute to the development of sports at the local level, EPCG was a sponsor of the football and basketball club Sutjeska from Nikšiÿ, Swimming water polo club Nikšiÿ and chess club Elektroprivreda.

In the field of culture, due to the COVID-19 pandemic, traditional events sponsored by EPCG have not been realized, or have been realized on a smaller scale. Sponsorships of the music event "Party bus" held in Nikšiÿ, the Festival of Alternative Theater, as well as support for cultural and artistic programs of the Capital were realized.

9. CAPITAL INVESTMENTS IN EPCG GROUP

In 2020, total capital investments in the EPCG Group amounted **to € 65,542,539.18.** Most of the investments were related to CEDIS projects € 37,259,944.16 and EPCG in the amount of € 21,748,080.34.

The following is a tabular overview of the EPCG Group's capital investments.

Table no. 5: Overview of capital investments in EPCG Group (€)

OVERVIEW OF CAPITAL INVESTMENTS IN EPCG GROUP (€)			
PART OF EPCG GROUP	2020	2019	ÿ (2020-2019)
DEPARTMENT OF DEVELOPMENT AND ENGINEERING	5.880.554,49	4.785.410,31	1.095.144,18
HPP Peruÿica	2.783.239,22	1.670.745,20	1.112.494,02
HE Piva	2.205.284,49	866.437,77	1.338.846,72
TPP Pljevlja	9.838.796,40	893.798,46	8.944.997,94
Directorate of FC Production	1.802,48	132,00	1.670,48
FC PRODUCTION	14.829.122,59	3.431.113,43	11.398.009,16
FC SUPPLY	120.729,16	507.512,33	(386.783,17)
DIRECTORATE OF THE COMPANY	917.674,10	625.685,13	291.988,97
TOTAL EPCG	**21.748.080,34**	**9.349.721,20**	**12.398.359,14**
CEDIS	37.259.944,16	33.591.098,52	3.668.845,64
ZETA ENERGY	1.603.549,68	3.294.875,78	(1.691.326,10)
EPCG BELGRADE	-	-	-
COAL MINE "PLJEVLJA"	4.930.965,00	3.637.234,00	1.293.731,00
TOTAL EPCG GROUP	**65.542.539,18**	**49.872.929,50**	**15.669.609,68**

10. FINANCIAL STATEMENTS AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF BUSINESS

10.1. Income statement

Table no. 6: Consolidated Statement of Total Results for 2020

CONSOLIDATED STATEMENT OF RESULTS / INCOME STATEMENT / EPCG FOR 2020	2020.	2019.
1. Revenues from sales - net income 2.	294.192.866	307.204.066
Change in the value of inventories of finished products and work in	-	-
progress 3. Revenues from activation of products and goods 4. Other		
operating revenues a) Other operating revenues b) Other operating revenues	3.080.064	3.645.904
c) Operating revenues value adjustment of assets 5. Operating costs a) Cost	13.618.580	7.747.107
of goods sold and material costs b) Other operating costs (depreciation,	2.716.260	1.555.876
provisions and other operating expenses)	10.858.186	5.491.658
	44.134	699.573
	(217.267.050)	(217.470.554)
	(95.797.090)	(107.248.584)
	(121.469.960)	(110.221.970)
6. Wage costs, wage compensation and other personal expenses	(60.729.027)	(60.557.217)
a) Net wage costs, wage compensation and personal expenses b)	(37.079.458)	(36.986.039)
Tax and contribution costs	(23.649.569)	(23.571.178)
7. Expenses based on value adjustment of assets (except financial)	(174.572)	(3.146)
8. Other operating expenses AND	(5.186.177)	(5.052.753)
OPERATING RESULT	27.534.684	35.513.407
9. Income from equity participation	-	9.625
10. Income from other financial investments and loans (interest, exchange	1.436.672	2.013.433
rate differences and effects of contracted protection)		
11. Other income from interest, exchange rate differences and other	6.950.132	3.926.650
effects of contracted protection 12. Value adjustment of short-term		
financial assets and financial investments that are part of current assets	(7.532.422)	3.129.172
13. Expenses from interest, exchange rate differences and other effects		
of contracted protection II FINANCIAL RESULT	(2.379.764)	(2.459.993)
	(1.525.382)	6.618.887
III RESULT FROM REGULAR OPERATIONS BEFORE TAX	26.009.302	42.132.294
IV NET RESULT OF DISCONTINUED OPERATIONS	-	-
V RESULT BEFORE TAX	26.009.302	42.132.294
14. Tax expense for the period	(2.906.724)	(3.224.757)
a) Current income tax b)	(4.536.402)	(4.368.316)
Deferred tax expense or income for the period	1.629.678	1.143.559
15. PROFIT OR LOSS AFTER TAX	23.102.578	38.907.537
VI GROSS RESULT OF OTHER RESULTS ITEMS / RELATED TO CAPITAL / 753,621 h) Changes in		32.426
actuarial gains and losses on plans		
defined benefit benefits (or losses) in connection with defined benefit plans	753.621	32.426
VII DEFERRED TAX EXPENSES OR INCOME FOR THE PERIOD RELATED	-	-
WITH OTHER ITEMS OF RESULTS / RELATED TO		
VIII NET RESULT OF OTHER RESULTS / RELATED ITEMS	753.621	32.426
WITH CAPITAL /		
IX NET COMPREHENSIVE RESULT	23.856.199	38.939.963

The total business result in 2020 amounted **to € 27,534,684** and is lower by € 7,978,723 compared to 2019. The achieved net result of the EPCG Group in 2020 amounts **to € 23,102,578,** while in 2019 it amounted to € 38,907,537. The realized profit in 2020 is lower than the previous year, primarily due to lower production of HPP "Peruÿica" due to unfavorable hydrology compared to 2019. Also, EPCG had additional costs with the inclusion of new environmental taxes at the state and local levels. In 2020, the Parent Company had an expenditure on CO2 emission loans in the amount of EUR 8.78 million, as well as the costs of excise duty on coal in the amount of EUR 4.61 million.

10.2. Balance Sheet

The following two pages provide an overview of the Statement of Financial Position of the EPCG Group as at 31 December 2020. years.

Table no. 7: Consolidated statement of financial position of EPCG as of 31.12.2020. - asset review

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF EPCG AS OF 31.12.2020. - ASSETS OVERVIEW	31.12.2020.	31.12.2019.
A. UNPAID SUBSCRIBED CAPITAL	**3.287**	**3.287**
B. FIXED ASSETS	**1.021.380.734**	**1.013.170.469**
AND INTANGIBLE INVESTMENTS	3.502.545	4.211.814
1. Investments in	11.935	13.640
development 2. Concessions, patents, licenses and similar rights and other intangible investments	2.974.913	3.496.113
3. Goodwill	·	·
4. Advances for intangible and intangible assets in preparation *II REAL ESTATE, PLANT,*	515.697	702.061
EQUIPMENT AND BIOLOGICAL ASSETS 1. Land and facilities 2. Plant and equipment 3. Other	997.677.327	976.185.372
installed equipment, tools and equipment	511.737.805	503.732.493
	419.371.624	408.762.094
	490.324	333.714
3.1. Investment real estate	·	·
3.2. Biological agents	·	·
3.3. Other tangible fixed assets not mentioned 4. Advances for real	490.324	333.714
estate, plant, equipment and biological assets and real estate, plant, equipment and		
biological assets in preparation *III LONG-TERM FINANCIAL INVESTMENTS AND LONG-*	66.077.574	63.357.071
TERM RECEIVABLES 1. Equity investments of dependent legal entities 2. Long-term loans to parent	20.200.862	32.773.283
and subsidiary legal entities 3. Equity investments in legal entities (except dependent legal entities)	·	·
	·	·
	4.483.879	4.453.946
4. Long-term loans to legal entities in which there is a share in the capital (except for dependent legal entities) 7,663,703 5. Participations		8.283.872
in capital that are valued by the method of participation 6. Long-term financial investments (given loans and securities)	·	·
	·	·
7. Other long-term financial investments and receivables **C. DEFERRED**	8.053.280	20.035.465
TAX ASSETS	**486.880**	**374.238**
D. CURRENT ASSETS	**291.405.552**	**292.304.005**
AND INVENTORIES	18.945.914	21.066.064
1. Stocks of materials (materials for production, spare parts, small inventory and car tires) 18,640,446 2. Incomplete production 3.		20.851.424
Finished products and goods	·	·
	·	·
4. Advanced data	305.468	214.640
II SHORT-TERM RECEIVABLES 1. Receivables	99.566.130	96.162.138
from customers 2. Receivables from parent	76.767.209	77.084.706
and dependent legal entities 3. Receivables from other related parties	·	·
4. Other receivables 4.1. Receivables for overpaid income tax 4.2.	1.402.962	2.093.009
Value added tax receivables 4.3. Other unmentioned receivables *III*	21.395.959	16.984.423
SHORT-TERM FINANCIAL INVESTMENTS 1. Participation in the	·	·
capital of dependent legal entities intended for trading 2. Repurchased own	3.677.338	3.089.419
shares and repurchased own shares 3. Other short-term financial investments	17.718.621	13.895.004
IV CASH IN ACCOUNTS AND IN CASH	142.920.393	149.887.832
	·	·
	76.992.779	76.992.779
	65.927.614	72.895.053
	28.228.420	22.962.147
V FIXED ASSETS FOR SALE AND OPERATING ASSETS WHICH HAS BEEN SUSPENDED	1.744.695	2.225.824
E. ACTIVE DEFERRED INCOME	**875.961**	**887.236**
F. TOTAL ASSETS	**1.314.152.414**	**1.306.739.235**

Table no. 8: Consolidated statement of financial position of EPCG as of 31.12.2020. - review of liabilities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF EPCG AS OF 31.12.2020. - LIABILITIES OVERVIEW		
	31.12.2020.	**31.12.2019.**
A. CAPITAL	**1.073.682.259**	**1.050.305.543**
AND SHARE CAPITAL	769.927.930	769.927.930
Exchange rate differences	(8.627)	(8.554)
II UNPAID SUBSCRIBED CAPITAL	-	-
III ISSUANCE PREMIUM	57.632.973	57.632.973
IV RESERVES	205.405.699	209.106.592
1. Legal reserves	-	(354.174)
2. Statutory reserves	4.756	4.756
3. Other reserves 4.	7.193	7.193
Positive revaluation reserves and unrealized gains on financial assets and other components of other comprehensive 5. Negative revaluation reserves and unrealized losses on	205.393.750	209.457.643
financial assets and other components of other comprehensive	-	(8.826)
V RETAINED EARNINGS OR LOSSES	34.239.916	8.096.825
1. Retained earnings of previous years 2. Retained	61.335.965	20.980.843
earnings of current year 3. Loss of previous years 4.	23.670.826	39.791.005
Loss of previous years 4. Loss of current year *VIII*	(50.198.629)	(51.791.552)
PARTICIPATION NOT PROVIDING CONTROL **B.**	(568.246)	(883.471)
LONG-TERM PROVISIONS AND LONG-TERM LIABILITIES	6.484.368	5.549.777
AND LONG-TERM RESERVES 2. RESERVES AND RESERVES for costs	**92.312.207**	**114.869.624**
within the warranty period 3. Other long-term provisions *II LONG-TERM*	39.571.068	45.777.026
LIABILITIES 1. Long-term loans 2. Other long-term liabilities **C. DEFERRED**	12.536.956	13.483.874
TAX LIABILITIES D. LONG-TERM DEFERRED INCOME AND DONATIONS	-	-
RECEIVED 1. SHORT- *TERM RESERVES* Liabilities on the basis of loans	27.034.112	32.293.152
and credits from persons other than credit institutions 2. Liabilities on the	52.741.139	69.092.598
basis of loans from credit institutions 3. Received advances, deposits and	50.615.790	63.569.840
sureties 4. Liabilities to suppliers 5. Liabilities under bills of exchange 6.	2.125.349	5.522.758
Liabilities to parent and dependent legal entities 7. Liabilities to other related	**43.555.991**	**45.073.027**
parties 8. Other operating liabilities and other short-term o baveze 8.1. Other	-	-
operating liabilities 8.2. Other short-term liabilities	**66.531.463**	**60.575.604**
	3.390.246	2.127.054
	63.141.217	58.448.550
	-	-
	15.137.982	14.018.115
	1.924.880	1.855.735
	28.470.175	28.754.071
	-	-
	-	-
	-	-
	17.608.180	13.820.629
	913.007	2.589.351
	9.158.178	7.829.875
8.3. Liabilities based on value added tax and other public revenues 8.4. Profit tax liabilities	3.000.593	2.133.075
8.5. Liabilities based on assets held for sale and assets		
	4.536.402	1.268.328
	-	-
business that has been suspended **F.**		
ACCRUED AND DEFERRED INCOME	**38.070.494**	**35.915.437**
G. TOTAL LIABILITIES	**1.314.152.414**	**1.306.739.235**

10.3. Ratio indicators

Ratio analysis is the basic instrument for assessing the financial position and potential of the Group. The following is a table of individual indicators for the EPCG Group in 2020 and comparative data for 2019 and they are adjusted in accordance with the new forms of financial statements and the Rulebook on the chart of accounts and the content of accounts in the chart of accounts for legal entities registered to perform economic activities and other legal entities ("Official Gazette of Montenegro", No. 011/20 of March 6, 2020)

Table no. 9: Current liquidity ratio

RACIO INDICATORS OF EPCG GROUP		
br. DESCRIPTION	31.12.2020.	31.12.2019.
1 Cash equivalents and cash (€)	28.228.420	22.962.147
2 Short-term liabilities (€)	63.141.217	58.448.550
Current ratio (1/2)	**0,45**	**0,39**

Table no. 10: Current ratio

RACIO INDICATORS OF EPCG GROUP		
br. DESCRIPTION	31.12.2020.	31.12.2019.
1 Working capital (€)	291.405.552	292.304.005
2 Short-term liabilities (€)	63.141.217	58.448.550
Current ratio (1/2)	**4,62**	**5,00**

Table no. 11: Accelerated liquidity ratio

RACIO INDICATORS OF EPCG GROUP		
br. DESCRIPTION	31.12.2020.	31.12.2019.
1 Short-term receivables, placements and cash (€)	270.714.943	269.012.117
2 Short-term liabilities (€)	63.141.217	58.448.550
Accelerated liquidity ratio (1/2)	**4,29**	**4,60**

Table no. 12: Indebtedness ratio

RACIO INDICATORS OF EPCG GROUP		
br. DESCRIPTION	31.12.2020.	31.12.2019.
1 Total liabilities (€)	159.438.347	172.614.175
2 Total assets (€)	1.314.152.414	1.306.739.235
Indebtedness ratio (1/2)	**0,12**	**0,13**

Table no. 13: Financial leverage ratio

RACIO INDICATORS OF EPCG GROUP			
br.	DESCRIPTION	31.12.2020.	31.12.2019.
1	Total liabilities (€)	159.438.347	172.614.175
2	Total capital (€)	1.073.682.259	1.050.305.543
	Financial leverage ratio (1/2)	**0,15**	**0,16**

Table no. 14: Economics of overall business

RACIO INDICATORS OF EPCG GROUP			
br.	DESCRIPTION	31.12.2020.	31.12.2019.
1	Total revenue (€)	316.198.250	320.900.881
2	Total expenses (€)	293.269.012	282.414.491
	Economics of total business (1/2)	**1,08**	**1,14**

Table no. 15: Economics of regular business

RACIO INDICATORS OF EPCG GROUP			
br.	DESCRIPTION	31.12.2020.	31.12.2019.
1	Operating income (€)	307.811.446	314.951.173
2	Operating expenses (€)	283.356.826	283.083.670
	Economics of regular business (1/2)	**1,09**	**1,11**

Table no. 16: Organic composition of funds

RACIO INDICATORS OF EPCG GROUP			
br.	DESCRIPTION	31.12.2020.	31.12.2019.
1	Fixed assets (€)	1.001.179.872	980.397.186
2	Working capital (€)	291.405.552	292.304.005
	Organic composition of funds (1/2)	**3,44**	**3,35**

Table no. 17: Coefficient of financial stability

RACIO INDICATORS OF EPCG GROUP			
br.	DESCRIPTION	31.12.2020.	31.12.2019.
1	Long-term tied funds (€)	1.017.878.189	1.008.958.655
2	Capital (€)	1.073.682.259	1.050.305.543
3	Long-term liabilities (€)	52.741.139	69.092.598
	Financial stability ratio 1 / (2 + 3)	**0,90**	**0,90**

11. FURTHER DEVELOPMENT

The primary goals on which the Parent Company will be based in the coming period are the Ecological Reconstruction of TPP "Pljevlja" - Block I and the continuation of the reconstruction and modernization of existing power plants (HPP "Piva" and HPP "Perućica") which will extend their life and investments in new energy sources, all in order to ensure the energy stability of Montenegro.

In 2021, it is planned to start the realization of the WPP Gvozd project, which will complete the portfolio of electricity production of EPCG and contribute to a significant increase in production from renewable sources. The course of the realization of the project for the construction of the CoE Briska Gora and its financing depends on further negotiations with the Finnish representatives who have been identified as potential strategic partners.

Also, a phase reclamation of the landfill "Maljevac" is planned for the needs of TPP "Pljevlja", which would contribute to the continuation of its use in accordance with legal regulations and industry standards.

Within HPP "Piva", after successful overhauls of units A1 and A2, overhaul of units A3 is planned. They will enable reliable production of electricity in HPP "Piva" in the years to come.

CEDIS's long- term strategic commitments should be realized through:

- Significant increase in MV and HV network automation
- Unique and transparent concept of distribution network management in CEDIS
- The concept of intelligent network management, which should enable unified supervision and management of the entire distribution network under the jurisdiction of the DSO, as well as the establishment of a single system for monitoring, managing, analyzing, optimizing, planning and reporting on work / outages of complete DM Management System; ADMS)

- System for control of taken over electricity and system for monitoring its quality.
- Modern telecommunication system based on Ethernet technology for remote control and monitoring of HV and MV facilities in the distribution network, in order to improve telecommunications and control systems
- Modern ICT system for reliable data exchange between control centers and its integration into the CEDIS telecommunications system
- TS 35 / 10kV with modern equipment and reduced costs of their maintenance. Reconstruction of EEE
- Creating preconditions for increasing reliability
- Creating preconditions for reducing electricity losses.

The SCADA project aims to improve the applied business model of the electricity distribution company, in a way that its integration into a single ICT infrastructure ensures the integration of independent entities. That process will result in better utilization of existing resources, reduction of electricity losses, as well as shortening the duration of failures.

In the coming period, the **coal mine** plans to carry out activities in the following directions:

- In the direction of further optimization of business and reduction of production costs.
- In the direction of expanding the range of coal sales and raising the overall quality of products.
- In the direction of optimizing the common costs within the EPCG group, given the change ownership structures.
- In the direction of expanding the total range of products and services that the company has the opportunity to offer.

BDO d.o.o. Podgorica
Bulevar Svetog Petra Cetinjskog 149
81000 Podgorica
Montenegro
Tel: +382 20 228 449
Fax: +382 20 228 449

www.bdo.co.me