

EXCELSIOR A.D., BEOGRAD

**Financial Statements
Year Ended December 31, 2021**

To be filled by legal entity - entrepreneur																							
Registration number	0	6	9	3	4	2	1	8	Activity code	5	5	1	0	TIN	1	0	0	2	7	9	5	2	2
Name: EXCELSIOR AD DHUT																							
Registered office: Kneza Miloša 5																							

BALANCE SHEET

on December 31, 2021

- in 000 RSD -

Group of accounts, account	ITEM	ADP	Note number	Amount		
				Current year	Previous year	
					Closing balance 20	Opening balance as at 1 January 20
1	2	3	4	5	6	7
	ASSETS					
00	A. SUBSCRIBED CAPITAL UNPAID	0001				
	B. PERMANENT ASSETS (0003 + 0009 + 0017 + 0018 + 0028)	0002		455.613	476.438	645.174
01	I. INTANGIBLE ASSETS (0004 + 0005 + 0006 + 0007 + 0008)	0003	5	3.860	4.576	4.999
010	1. Investment in development	0004	5			
011, 012 and 014	2. Concessions, patents, licenses, trademarks, service marks, software and other intangible assets	0005	5	3.860	4.576	4.999
013	3. Goodwill	0006				
015 and 016	4. Leased intangible assets and intangible assets under construction	0007				
017	5. Advances for intangible assets	0008				
02	II. IMMOVABLES, PLANTS AND EQUIPMENT (0010 + 0011 + 0012 + 0013 + 0014 + 0015 + 0016)	0009	5	451.753	471.862	640.175
020, 021 and 022	1. Land and buildings	0010	5	443.495	459.055	622.384
023	2. Plant and equipment	0011	5	8.085	12.634	17.618
024	3. Investment immovables	0012				
025 and 027	4. Leased immovables, plant and equipment and immovables, plant and equipment under construction	0013				
026 and 028	5. Other immovables, plant and equipment and investment in third-party immovables, plant and equipment	0014	5	111	111	111
029 (part)	6. Advances for immovables, plant and equipment - domestic	0015	5	62	62	62
029 (part)	7. Advances for immovables, plant and equipment - foreign	0016				
03	III. BIOLOGICAL RESOURCES	0017				
04 and 05	IV. LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (0019 + 0020 + 0021 + 0022 + 0023 + 0024 + 0025 + 0026 + 0027)	0018				

Group of accounts, account	ITEM	ADP	Note number	Amount		
				Current year	Previous year	
					Closing balance _____ 20	Opening balance as at 1 January 20
1	2	3	4	5	6	7
040 (part), 041 (part) and 042 (part)	1. Participation in equity of legal entities (except participation in equity valued by method of participation)	0019				
040 (part), 041 (part) and 042 (part)	2. Participation in equity valued by method of participation	0020				
043, 050 (part) and 051 (part)	3. Long-term investments in parent companies, subsidiaries and other associated companies and long-term receivables - domestic	0021				
044, 050 (part), 051 (part)	4. Long-term investments in parent companies, subsidiaries and other associated companies and long-term receivables - foreign	0022				
045 (part) and 053 (part)	5. Long-term investments (credits and loans) - domestic	0023				
045 (part) and 053 (part)	6. Long-term investments (credits and loans) - foreign	0024				
046	7. Long-term financial investments (securities valued through method of depreciation)	0025				
047	8. Treasury shares and redeemed own stakes	0026				
048, 052, 054, 055 and 056	9. Other long-term investments and other long-term receivables	0027				
28 (part), except 288	V. LONG-TERM ACCRUED EXPENSES	0028				
288	V. DEFERRED TAX ASSETS	0029	13	569		
	G. CURRENT ASSETS (0031 + 0037 + 0038 + 0044 + 0048 + 0057 + 0058)	0030		55.777	29.617	49.454
Class 1, except group 14	I. INVENTORIES (0032 + 0033 + 0034 + 0035 + 0036)	0031		2.488	493	443
10	1. Materials, spare parts, tools and small inventory	0032	7	894	377	327
11 and 12	2. Work in progress and finished products	0033				
13	3. Goods	0034				
150, 152 and 154	4. Advances paid for inventories and services - domestic	0035	7	1.594	116	116
151, 153 and 155	5. Advances paid for inventories and services - foreign	0036				
14	II. PERMANENT ASSETS HELD FOR SALE AND FOR DISCONTINUED OPERATIONS	0037				
20	III. RECEIVABLES FROM SALES (0039 + 0040 + 0041 + 0042 + 0043)	0038		4.336	2.764	5.456
204	1. Domestic trade receivables	0039	8	1.398	1.149	2.408
205	2. Foreign trade receivables	0040	8	2.938	680	2.112

Group of accounts, account	ITEM	ADP	Note number	Amount		
				Current year	Previous year	
					Closing balance 20	Opening balance as at 1 January 20
1	2	3	4	5	6	7
200 and 202	3. Receivables from domestic parent companies, subsidiaries and other associated companies	0041	8		705	706
201 and 203	4. Receivables from foreign parent companies, subsidiaries and other associated companies	0042	8		230	230
206	5. Other receivables from sales	0043				
21, 22 and 27	IV. OTHER SHORT-TERM RECEIVABLES (0045 + 0046 + 0047)	0044		5.128	4.982	9.026
21, 22 except 223 and 224 and 27	1. Other receivables	0045	11	2.258	2.375	5.789
223	2. Receivables from overpaid tax on profit	0046	11	2.870	2.607	3.237
224	3. Receivables from overpaid other taxes and contributions	0047				
23	V. SHORT-TERM FINANCIAL INVESTMENTS (0049 + 0050 + 0051 + 0052 + 0053 + 0054 + 0055 + 0056)	0048				
230	1. Short-term credits and investments - parent companies and subsidiaries	0049				
231	2. Short-term credits and investments – other associated companies	0050				
232, 234 (part)	3. Short-term credits, loans and investments - domestic	0051				
233, 234 (part)	4. Short-term credits, loans and investments - foreign	0052				
235	5. Shares valued through method of depreciation	0053				
236 (part)	6. Financial assets at fair value through profit and loss account	0054				
237	7. Treasury shares and redeemed own stakes	0055				
236 (part), 238 and 239	8. Other short-term financial investments	0056				
24	VI. CASH AND CASH EQUIVALENTS	0057	10	39.620	18.277	33.964
28 (part), except 288	VII. SHORT-TERM ACCRUED EXPENSES	0058	12	4.205	3.101	565
	D. TOTAL ASSETS = OPERATING ASSETS (0001 + 0002 + 0029 + 0030)	0059		511.959	506.055	694.628
88	D. OFF-BALANCE SHEET ASSETS	0060				
	EQUITY AND LIABILITIES					
	A. EQUITY (0402 + 0403 + 0404 + 0405 + 0406 - 0407 + 0408 + 0411 - 0412) ≥ 0	0401		221.989	207.466	378.055
30, except 306	I. CAPITAL	0402	14	63.859	63.859	63.859
31	II. SUBSCRIBED CAPITAL UNPAID	0403				

Group of accounts, account	ITEM	ADP	Note number	Amount		
				Current year	Previous year	
					Closing balance 20	Opening balance as at 1 January 20
1	2	3	4	5	6	7
306	III. SHARE PREMIUM	0404				
32	IV. RESERVES	0405				
330 and credit balance account of 331, 332, 333, 334, 335, 336 and 337	V. POSITIVE REVALUATION RESERVES AND UNREALIZED PROFIT FROM FINANCIAL ASSETS AND OTHER ELEMENTS OF OTHER COMPREHENSIVE INCOME	0406	14	267.960	267.960	411.955
debit balance accounts 331, 332, 333, 334, 335, 336 and 337	VI. UNREALIZED LOSSES FROM FINANCIAL ASSETS AND OTHER ELEMENTS OF OTHER COMPREHENSIVE INCOME	0407				
34	VII. RETAINED EARNINGS (0409 + 0410)	0408		46.645	32.122	32.122
340	1. Retained earnings from previous years	0409	14	32.122	32.122	32.122
341	2. Retained earnings for the current year	0410	14	14.523		
	VIII. PARTICIPATION WITHOUT CONTROL RIGHTS	0411				
35	IX. LOSS (0413 + 0414)	0412	14	156.475	156.475	129.881
350	1. Loss from previous years	0413	14	156.475	129.881	129.881
351	2. Loss for the current year	0414	14		26.594	
	B. LONG-TERM PROVISIONS AND LIABILITIES (0416 + 0420 + 0428)	0415		125.491	251.087	121.728
40	I. LONG-TERM PROVISIONS (0417 + 0418 + 0419)	0416	15	4.990	1.195	1.195
404	1. Provisions for compensations and other employment benefits	0417	15	670	670	670
400	2. Provisions for costs incurred during the warranty period	0418				
40, except 400 and 404	3. Other long-term provisions	0419	15	4.320	525	525
41	II. LONG-TERM LIABILITIES (0421 + 0422 + 0423 + 0424 + 0425 + 0426 + 0427)	0420		120.501	249.892	120.533
410	1. Debts convertible into equity	0421				
411 (part) and 412 (part)	2. Long-term credits and other long-term liabilities to parent companies, subsidiaries and other associated companies-domestic	0422	15	120.501	249.892	120.533
411 (part) and 412 (part)	3. Long-term credits and other long-term liabilities to parent companies, subsidiaries and other associated companies-foreign	0423				
414 and 416 (part)	4. Long-term credits, loans and leasing liabilities – domestic	0424				
415 and 416 (part)	5. Long-term credits, loans and leasing liabilities -foreign	0425				
413	6. Liabilities for issued securities	0426				
419	7. Other long-term liabilities	0427				

Group of accounts, account	ITEM	ADP	Note number	Amount		
				Current year	Previous year	
					Closing balance 20	Opening balance as at 1 January 20
1	2	3	4	5	6	7
49 (part), except 498 and 495 (part)	III. LONG-TERM DEFERRED EXPENSES	0428				
498	V. DEFERRED TAX LIABILITIES	0429	16	13.006	29.993	53.562
495 (part)	G. DEFERRED LONG-TERM INCOME AND DONATIONS RECEIVED	0430				
	D. SHORT-TERM PROVISIONS AND SHORT-TERM LIABILITIES (0432+ 0433 + 0441+ 0442 + 0449 + 0453 + 0454)	0431		151.473	17.509	141.283
467	I.SHORT-TERM PROVISIONS	0432				
42, except 427	II. SHORT-TERM FINANCIAL LIABILITIES (0434 + 0435 + 0436 + 0437 + 0438 + 0439 + 0440)	0433		129.356		129.386
420 (part) and 421 (part)	1.Liabilities from credits from parent company and subsidiaries and other associated companies - domestic	0434	17	129.356		129.386
420 (part) and 421 (part)	2. Liabilities from credits from parent company and subsidiaries and other associated companies - foreign	0435				
422 (part), 424 (part), 425 (part), and 429 (part)	3.Liabilities from credits and loans from legal entities which are not domestic banks	0436				
422 (part), 424 (part), 425 (part), and 429 (part)	4. Credit liabilities from domestic banks	0437				
423, 424 (part), 425 (part) and 429 (part)	5.Credits, loans and liabilities - foreign	0438				
426	6. Liabilities from short-term shares	0439				
428	7. Liabilities from financial derivatives	0440				
430	III. PREPAYMENTS, DEPOSITS AND GUARANTEES	0441	18	682		2.093
43, except 430	IV. OPERATING LIABILITIES (0443 + 0444 + 0445 + 0446 + 0447 + 0448)	0442		3.664	4.829	6.255
431 and 433	1. Trade payables - domestic parent company, subsidiaries and other associated companies	0443	18	170	131	290
432 and 434	2. Trade payables - foreign parent company, subsidiaries and other associated companies	0444				
435	3. Trade payables - domestic	0445	18	1.685	2.272	3.296
436	4. Trade payables - foreign	0446	18	282	895	1.100
439 (part)	5. Promissory note liabilities	0447				
439 (part)	6. Other operating liabilities	0448	18	1.527	1.531	1.569
44, 45, 46 except 467, 47 and 48	V. OTHER SHORT-TERM LIABILITIES (0450 + 0451 + 0452)	0449		16.235	11.912	3.549
44, 45 and 46 except 467	1.Other short-term liabilities	0450	19	15.824	11.683	2.196
47, 48 except 481	2. Liabilities for value added tax and other public revenues	0451	19	411	229	1.353
481	3. Liabilities for tax on profit	0452				
427	VI. LIABILITIES FOR ASSETS HELD FOR SALE AND FOR DISCONTINUED OPERATIONS	0453				
49 (part) except 498	VII. SHORT DEFERRED EXPENSES	0454	20	1.536	768	

Group of accounts, account	ITEM	ADP	Note number	Amount		
				Current year	Previous year	
					Closing balance _____ 20	Opening balance as at 1 January 20
1	2	3	4	5	6	7
	D. LOSS ABOVE EQUITY (0415 + 0429 + 0430 + 0431 - 0059) ≥ 0 = 0407 + 0412 - 0402 - 0403 - 0404 - 0405 - 0406 - 0408 - 0411) ≥ 0	0455				
	E. TOTAL EQUITY AND LIABILITIES (0401 + 0415 + 0429 + 0430 + 0431 - 0455)	0456		511.959	506.055	694.628
89	Z. OFF-BALANCE SHEET LIABILITIES	0457				

In _____ on _____ 20____	Legal representative _____ S.P.
-----------------------------	---------------------------------------

This form is mandatory pursuant to the Rulebook on the content and layout of financial statement forms for legal entities, cooperatives and entrepreneurs (RS Official Gazette No 89/2020).

To be filled by legal entity - entrepreneur

Registration number	0	6	9	3	4	2	1	8	Activity code	5	5	1	0	TIN	1	0	0	2	7	9	5	2	2
---------------------	---	---	---	---	---	---	---	---	---------------	---	---	---	---	-----	---	---	---	---	---	---	---	---	---

Name: EXCELSIOR AD DHUT

Registered office: Kneza Miloša 5

PROFIT AND LOSS ACCOUNT
for the period from January 1, 2021, to December 31, 2021

- in 000 RSD -

Group of accounts, account	ITEM	ADP	Note number	A m o u n t	
				Current year	Previous year
1	2	3	4	5	6
	A. OPERATING INCOME (1002 + 1005 + 1008 + 1009 – 1010 + 1011 + 1012)	1001		125.051	58.794
60	I. INCOME FROM GOODS SOLD (1003 + 1004)	1002			
600, 602 and 604	1. Goods sold - domestic	1003			
601, 603 and 605	2. Goods sold - foreign	1004			
61	II. INCOME FROM PRODUCTS SOLD AND SERVICES PROVIDED (1006 + 1007)	1005		112.479	47.778
610, 612 and 614	1. Products sold and services provided - domestic	1006	21	112.479	45.556
611, 613 and 614	2. Products sold and services provided - foreign	1007			2.222
62	III. REVENUE FROM UNDERTAKING FOR OWN PURPOSES	1008	21	102	41
630	IV. INCREASE IN INVENTORIES OF WORK IN PROGRESS AND UNFINISHED PRODUCTS AND FINISHED PRODUCTS	1009			
631	V. DECREASE IN INVENTORIES OF WORK IN PROGRESS AND UNFINISHED PRODUCTS AND FINISHED PRODUCTS	1010			
64 and 65	VI. OTHER OPERATING INCOME	1011	21	12.470	10.975
68, except 683, 685 and 686	VII. INCOME ON VALUE ADJUSTMENT OF ASSETS (EXCEPT FINANCIAL)	1012			
	B. OPERATING EXPENSES (1014 + 1015 + 1016 + 1020 + 1021 + 1022 + 1023 + 1024)	1013		120.984	99.528
50	I. COST OF GOODS SOLD	1014			
51	II. RAW MATERIAL COSTS, FUEL AND ENERGY COSTS	1015	23	22.257	12.350
52	III. SALARIES, WAGES AND OTHER PERSONAL INDEMNITIES (1017 + 1018 + 1019)	1016	24	36.461	35.121
520	1. Salaries and wages	1017	24	29.667	29.271
521	2. Tax costs, contribution costs and wages	1018	24	4.801	4.425
52 except 520 and 521	3. Other personal indemnities and fees	1019	24	1.993	1.425
540	IV. DEPRECIATION COSTS	1020	26	23.065	26.869
58, except 583, 585 and 586	V. EXPENSES ON VALUE ADJUSTMENT OF ASSETS (EXCEPT FINANCIAL)	1021			

Group of accounts, account	ITEM	ADP	Note number	A m o u n t	
				Current year	Previous year
1	2	3	4	5	6
53	VI. PRODUCTION SERVICES COSTS	1022	25	9.400	6.012
54, except 540	VII. PROVISION COSTS	1023	26	3.795	
55	VIII. INTANGIBLE COSTS	1024	27	26.006	19.176
	V. OPERATING PROFIT (1001 - 1013) ≥ 0	1025		4.067	
	G. OPERATING LOSS (1013 - 1001) ≥ 0	1026			40.734
	D. FINANCIAL INCOME (1028 + 1029 + 1030 + 1031)	1027		48	84
660 and 661	I. FINANCIAL INCOME FROM PARENT COMPANIES, SUBSIDIARIES AND OTHER ASSOCIATED COMPANIES	1028	28	47	
662	II. INCOME FROM INTEREST	1029			
663 and 664	III. POSITIVE EFFECTS ON EXCHANGE RATE AND EFFECTS OF FOREIGN CURRENCY CLAUSE	1030	28	1	42
665 and 669	IV. OTHER FINANCIAL INCOME	1031			42
	Đ. FINANCIAL EXPENSES (1033 + 1034 + 1035 + 1036)	1032		7.217	8.752
560 and 561	I. FINANCIAL EXPENSES FROM PARENT COMPANIES, SUBSIDIARIES AND OTHER ASSOCIATED COMPANIES	1033	29	3.555	8.677
562	II. INTEREST EXPENSES	1034	29	3.640	1
563 and 564	III. NEGATIVE EFFECTS ON EXCHANGE RATE AND EFFECTS OF FOREIGN CURRENCY CLAUSE	1035	29	22	74
565 and 569	IV. OTHER FINANCIAL EXPENSES	1036			
	E. PROFIT FROM FINANCING (1027 - 1032) ≥ 0	1037			
	Ž. LOSS FROM FINANCING (1032 - 1027) ≥ 0	1038		7.169	8.668
683, 685 and 686	Z. INCOME ON VALUE ADJUSTMENT OF FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT AND LOSS ACCOUNT	1039			
583, 585 and 586	I. EXPENSES ON VALUE ADJUSTMENT OF FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT AND LOSS ACCOUNT	1040	31	218	1.232
67	J. OTHER INCOME	1041	30	805	97
57	K. OTHER EXPENSES	1042	31	433	69
	L. TOTAL INCOME (1001 + 1027 + 1039 + 1041)	1043		125.904	58.975
	Lj. TOTAL EXPENSES (1013 + 1032 + 1040 + 1042)	1044		128.852	109.581
	M. PROFIT FROM REGULAR OPERATIONS BEFORE TAX (1043 - 1044) ≥ 0	1045			
	N. LOSS FROM REGULAR OPERATIONS BEFORE TAX (1044 - 1043) ≥ 0	1046		2.948	50.606
69-59	Nj. POSITIVE NET EFFECT OF RESULT ON PROFIT FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	1047	32		441

Group of accounts, account	ITEM	ADP	Note number	A m o u n t	
				Current year	Previous year
1	2	3	4	5	6
59-69	O. NEGATIVE NET EFFECT OF RESULT ON LOSS FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	1048	32	85	
	P. PROFIT BEFORE TAX (1045 - 1046 + 1047 - 1048) ≥ 0	1049			
	R. LOSS BEFORE TAX (1046 - 1045 + 1048 - 1047) ≥ 0	1050	33	3.033	50.165
	S. TAX ON PROFIT				
721	I. TAX EXPENSES FOR THE PERIOD	1051			
722 debit side of account	II. DEFERRED TAX EXPENSES OF A PERIOD	1052			
722 credit side of account	III. DEFERRED TAX INCOME OF A PERIOD	1053	33	17.556	23.571
723	T. PERSONAL INDEMNITIES PAID TO EMPLOYER	1054			
	C. NET PROFIT (1049 - 1050 - 1051 - 1052 + 1053 - 1054) ≥ 0	1055	33	14.523	
	U. NET LOSS (1050 - 1049 + 1051 + 1052 - 1053 + 1054) ≥ 0	1056	33		26.594
	I. NET PROFIT WHICH BELONGS TO PARTICIPATION WITHOUT CONTROL RIGHTS	1057			
	II. NET PROFIT WHICH BELONGS TO PARENT COMPANY	1058			
	III. NET LOSS WHICH BELONGS TO PARTICIPATION WITHOUT CONTROL RIGHTS	1059			
	IV. NET LOSS WHICH BELONGS TO PARENT COMPANY	1060			
	V. EARNINGS PER SHARE				
	1. BASIC EARNING PER SHARE	1061			
	2. DILUTED EARNING PER SHARE	1062			

In _____ on _____ 20____	Legal representative S.P.
---------------------------------	----------------------------------

This form is mandatory pursuant to the Rulebook on the content and layout of financial statement forms for legal entities, cooperatives and entrepreneurs (RS Official Gazette No 89/2020).

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***1. INCORPORATION AND ACTIVITY**

The Shareholding Company for Hotel, Hospitality and Tourist Services *Excelsior a.d., Beograd*, (hereinafter: the "Company") was founded on November 2, 1993.

Under the Agreement on the Acquisition of Socially-Owned Capital via Public Auction dated February 27, 2008, 70% of the socially-owned capital was sold to the entity "Eteria Ellinikon Ksenodohion Lampsa AE", Athens, Greece.

On April 24, 2017, the Company executed the Management Agreement with Orbis S.A., Warsaw, Poland, a licensed agent of Accor Group, France in Serbia. Under the said Agreement, Orbis S.A., Warsaw, Poland undertook to manage all the hotel activities under the protected Mercure brand and in conformity with all the brand standards for a period of ten years, commencing on September 1, 2017, when the hotel was reopened under the new name of the Mercure Belgrade Excelsior Hotel.

The primary business activity of the Company includes hotel, accommodation and tourist services. The Company's registered office is in Belgrade, at no. 5, Kneza Milosa Street.

The Company's tax identification number (fiscal code) is 100279522, and its corporate ID is 06934218.

Beogradsko Mešovito Preduzeće a.d. purchased all shares of Excelsior a.d as of January 8, 2020. As of December 25, 2020 the shares of Excelsior a.d was withdrawn from the Belgrade Stock Exchange listing.

As of December 31, 2021 the Company had 33 employees (December 31, 2020 - 32 employees).

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION**2.1. Basis of Preparation and Presentation of Financial Statements**

The Company's financial statements are prepared in accordance with the Law on Accounting (Official Gazette of RS, no. 73/2019, 44/2021) and other accounting regulations that apply in the Republic of Serbia.

The accompanying financial statements have been prepared, in all material aspects, in accordance with the International Financial Reporting Standards for Small and Medium-Sized Entities ("IFRS for SMEs"), Law on Accounting (Official Gazette of RS, no. 73/2019, 44/2021), the Rules on the Chart of Accounts and Contents of Accounts within the Chart of Accounts for Companies, Cooperatives and Entrepreneurs (Official Gazette of RS no. 89/2020) and other effective bylaws and regulations as well as in accordance with the selected and adopted accounting policies of the Company, established by the Rules on Accounting and Accounting Policies.

Consequently, in preparation of these financial statements the Company applies the IFRS that were effective for the year ending on December 31, 2021.

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)****2.1. Basis of Preparation and Presentation of the Financial Statements (Continued)**

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

In the preparation of the accompanying financial statements, the Company adhered to the accounting policies described in Note 3. In accordance with the Law on Accounting, the Company's financial statements are stated in thousands of dinars (RSD), dinar being the official reporting currency in the Republic of Serbia.

These financial statements are prepared for the purpose of compliance with legal requirements.

2.2. Going Concern

Ability of the Company to operate on a going concern basis depends on a continued financial support of the majority shareholder. The Company's management expects that the Company will continue to generate stable revenues and reduce costs in the forthcoming period, or that the increase in costs will be less than the increase in revenues. Furthermore, the Company expects that the Management Agreement executed with Orbis S.A., Warsaw, Poland, which will manage all the hotel activities under the protected brand Mercure, will contribute to the business stabilization and profitable operations. Accordingly, these financial statements have been prepared on a going concern basis, assuming that the Company will continue to operate in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company consistently applied the following accounting policies in all periods presented in these financial statements.

3.1. Income*Income from Service Sales and Rendering*

Income from service sales and rendering as well as revenues from sales of products and goods is recognized when the substantial risk and rewards associated with the right of ownership are transferred to the customer.

Income from service rendering is recognized in the period in which a relevant service is rendered and stated at the amounts invoiced net of approved discounts and value added tax.

Finance Income

Finance income includes interest income, foreign exchange gains and other finance income.

Interest income is recognized on an accrual basis in the income statement of the period it relates to.

Other Income

Other income includes: reversal of long-term provisions, surpluses and other income.

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.2. Expenses**

Expenses are recognized in the income statement as per “matching principle,” i.e. on an accrual basis and are determined for the period when incurred.

Operating Expenses

Operating expenses include costs incurred in generating sales revenues and comprise cost of commercial goods sold, cost of materials, fuel and energy, costs of gross wages and salaries, depreciation and amortization charge and services rendered by third parties. Operating expenses also include general expenditures such as rental costs, costs of marketing and advertising, insurance, bank charges, taxes payable and other costs incurred in the current accounting period.

Finance Expenses

Finance expenses encompass interest expenses, foreign exchange losses and other finance expenses. Interest expenses comprise interest accrued on borrowings, which is recorded within the income statement of the period it relates to as per the “matching principle.”

Other Expenses

Other expenses include costs of damages caused by hotel guests and miscellaneous other expenses.

3.3. Foreign Currency Translation

Transactions denominated in foreign currencies are translated into dinars at the official middle exchange rates as determined in the interbank foreign exchange market and effective at the date of each transaction.

Monetary assets, receivables and liabilities denominated in foreign currencies are translated into dinars by applying the official exchange rates as determined in the interbank foreign exchange market and prevailing at the balance sheet date. Non-monetary items are translated into dinars at the official middle exchange rate effective as at the transaction date.

Foreign exchange positive or negative effects arising upon the translation of transactions performed during the year, and assets and liabilities in foreign currencies as of the balance sheet date, are credited or charged to the income statement as foreign exchange gains or losses within the items of finance income or expenses.

Receivables with a currency clause index are translated into dinars at the middle exchange rate of the National Bank of Serbia effective as at the balance sheet date. Foreign exchange positive or negative effects arising thereof are stated in the income statement, as gains or losses on the risk hedges within other income or expenses.

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.4. Employee Benefits***Short-Term Employee Benefits - Taxes and Contributions Made to the Employee Social Security Funds*

In accordance with regulatory requirements effective in the Republic of Serbia, the Company is obligated to pay contributions to tax authorities and to various state social security funds, which guarantee social security insurance benefits to employees. These obligations involve the payment of taxes and contributions on behalf of the employee, by the employer, in an amount computed by applying the specific, legally prescribed rates. The Company is also legally obligated to withhold contributions from gross salaries to employees, and on behalf of its employees, to transfer the withheld portions directly to government funds. These taxes and contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

Long-Term Employee Benefits - Obligations for Retirement Benefits

Pursuant to the Collective Bargaining Agreement, the Company is obligated to pay retirement benefits in an amount equal to two gross average salaries of the vesting employee earned in the month preceding the month of retirement benefit payment, which cannot be lower than two average gross salaries paid in the Republic of Serbia in the month preceding the month of retirement benefit payment.

In the Company's assessment, the amount of liabilities for retirement benefits as of December 31, 2021, was provided for the aforesaid liabilities as at the reporting date.

Short-Term Compensated Absences

Accumulating compensated absences (annual vacation leaves) can be carried forward and used in future periods if the current period's entitlement is not used in full. Expenses for compensated absences are recognized at the amount the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date. In the case of non-accumulating compensated absences, an obligation or expense is recognized when the absences occur.

In the Company's assessment, the amount of liabilities for unused annual leaves as of December 31, 2021, was immaterial. Accordingly, the Company did not provide for the aforesaid liabilities as at the reporting date.

3.5. Income Taxes*Current Income Tax*

Current income tax is the amount calculated by applying the prescribed tax rate of 15% (2020: 15%) on the taxable income determined within the tax statement and reported in the annual corporate income tax return. The taxable base includes the profit before taxation shown in the statutory statement of income, as adjusted for differences that are specifically defined under statutory tax rules of the Republic of Serbia, less any prescribed tax credits.

The Corporate Income Tax Law of the Republic of Serbia does not envisage that any tax losses of the current period be used to recover taxes paid within a specific carryback period. However, current period tax losses may be used to reduce or eliminate taxes to be paid in future periods for duration of no longer than five ensuing years. Tax losses incurred before January 1, 2010, are available for carryforward for duration of ten ensuing years.

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.5. Income Taxes (continued)***Deferred Income Taxes*

Deferred income taxes are provided using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and tax credits and losses available for carryforward, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the tax loss/credits of the carryforwards can be utilized. Deferred tax assets and liabilities are determined at the tax rate expected to be applied in the period of the relevant asset realization/liability settlement. As of December 31, 2021, deferred tax assets and liabilities were provided at the rate of 15%.

Deferred income taxes are either charged or credited to the income statement, except in so far as they relate to items that are directly credited or charged to equity, in which case deferred taxes are also recognized under equity.

3.6. Intangible Assets

Intangible assets can be identified as non-monetary assets without physical features.

Intangible assets are recognized and amortized as such if they meet the requirements prescribed by IAS 38 "Intangible Assets" and have useful economic lives over a year. Unless an intangible asset fulfills the aforesaid criteria, it is recognized as an expense of the period in which the related investment was made.

Intangible assets are initially recognized at cost or purchase price. Subsequently, intangible assets are carried at cost decreased by any allowance for accumulated amortization and impairment losses.

Acquired software licenses are capitalized in the amount of expenses incurred in acquisition and placement into use and amortized over a period of ten years.

3.7. Property and Equipment

Items of property and equipment are initially recognized at cost or purchase price and carried at cost less allowance for accumulated depreciation and impairment losses, if any. Cost includes any costs directly attributable to the acquired assets.

Expenditure such as modification or adaptation to assets is recognized as an asset, when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Company and if reliably measured. Additions to the items of property and equipment during the year are stated at cost, which comprises the amount billed by suppliers increased by direct acquisition-related costs and any costs directly attributable to bringing the assets to working condition for their intended use. Gains on the sales of property and equipment are recognized as other income. Losses on the sales or disposal of property and equipment are included within other expenses.

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.7. Property and Equipment (Continued)**

Depreciation of property and equipment is computed on a straight-line basis by applying depreciation rates determined in such a manner that cost of property and equipment items is depreciated in equal annual amounts in order to fully write off the cost of the assets over their estimated useful lives. Depreciation of assets activated during the year commences upon the asset placement in use, i.e., in the month following the month in which the respective asset became available for its intended use.

The applied useful lives and depreciation rates in the current and previous accounting period are:

Asset	Useful life (years) 2021	Useful life (years) 2020
Buildings	33	33
Computer equipment	4.16	4.16
Motor vehicles	6.6	6.6
Furniture and other equipment	6.6	6.6

Calculation of depreciation for tax purposes is performed in accordance with the Corporate Income Tax Law of the Republic of Serbia, Rulebook on the manner of classification of assets by groups and the manner of determining of depreciation for tax purposes and Rulebook on depreciation of property, plant and equipment recognized for tax purposes, resulted in effects on current income tax expense, as well on deferred taxes.

3.8. Impairment of Assets

At each balance sheet date, the Company's management reviews the carrying amounts of the Company's tangibles in order to determine the indications of impairment loss. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. In cases where it is impossible to assess the recoverable amount of an individual asset, the Company assesses the recoverable value of the cash generating unit to which the asset belongs.

The recoverable amount of an asset is the higher of its costs to sell and its value in use. For the purpose of assessing value in use, estimated future cash flows are discounted to the present value by applying the discount rate prior to taxation reflecting the present market estimate of time value of cash and risks specifically related to the asset in question.

If the estimated recoverable amount of assets (or cash generating unit) is below their carrying value, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense of the current period under operating expenses, except in case of land and buildings that are not used as investment property which is stated at revalued amount in which case impairment loss is presented as a loss on revaluation of assets.

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.8. Impairment of Assets (Continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable value. However, this is performed so that the increased carrying amount does not exceed the carrying value that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years.

A reversal of an impairment loss is recognized as income immediately, unless the respective asset is carried at a revalued amount, in which instance, the reversal of the impairment loss is treated as a revaluation increase.

3.9. Inventories

Inventories are primarily stated at the lower of cost and net realizable value. The net realizable value is the price at which inventories may be realized throughout the normal course of business, after allowing for the costs of realization.

The cost of raw material is comprised of the amount billed by suppliers and is determined using the weighted-average cost method.

Inventories found to be damaged or of a substandard quality are written off in full. Impairment of inventories via impairment allowance accounts is performed for materials and raw materials.

3.10. Financial Instruments***Financial Assets***

The Company's business model reflects the manner in which the Company manages groups of its financial assets in order to achieve a certain business goal. This analysis entails judgments made based on all the relevant evidence. An entity's business model could be determined as groups of financial assets that are managed together to collect contractual cash flows and comprise of financial placements and receivables (trade receivables and other).

Financial assets and liabilities of the Company comprise of trade receivables, other short-term receivables, financial liabilities, trade payables and other operating liabilities.

The Company does not have financial assets and liabilities measured at fair value through profit or loss, nor financial assets measured at fair value through other comprehensive income.

Financial assets include current assets, unless their maturities are longer than 12 months from the balance sheet date, in which case they are classified as non-current assets.

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, or the Company neither transfer nor retains all the risks and rewards, but transfer the control over asset.

Write-off of receivables constitutes a derecognition of financial asset. Also, a renegotiation or other modification of the contractual cash flows of a financial assets result in derecognition of financial asset.

After initial recognition, financial assets are measured as follows:

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.10. Financial Instruments (Continued)*****Financial Assets (Continued)*****a) Accounts Receivable and Other Receivables**

The Company perform its operations under common contractual terms and such receivables are non-interest bearing receivables. Trade receivables and other receivables are measured at amortized cost.

Trade receivables are stated at their nominal value, net of allowance for impairment for expected credit losses. Impairment allowances are recorded under losses on the value adjustment of other assets at fair value through profit and loss within the income statement.

Income from reversal of provisions is recorded under gains on the value adjustment of other assets at fair value through profit and loss within the income statement.

b) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include balances on accounts held with commercial banks and other highly liquid financial assets with maturities of up to three months and that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial Liabilities

The management of the Company perform classification of financial liabilities at their initial recognition.

Financial liabilities comprise finance lease liabilities, trade payables and other operating liabilities.

Financial liabilities are initially recognized at fair value of consideration received. After initial recognition financial liabilities are stated at amortized cost by applying the effective interest rate.

Financial liabilities cease to be recognized when the Company fulfills the respective obligations, or when the contractual repayment obligation has either been cancelled or has expired.

In a case of change a current financial liability by another liability toward the same creditor, but under significant changes in contractual terms or contractual terms relating to the current financial liability has significantly changed, such change should be treated as cease of previous financial liability and recognition of new liability, while the difference between initial and new liability should be recorded within income statement.

Trade payables and other operating liabilities are subsequently measured at amortized cost, which is equal to their nominal value, as these are short-term liabilities.

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.11. Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4. SUMMARY OF THE KEY ACCOUNTING ESTIMATES

Presentation of the financial statements requires the Company's management to make the best estimates and reasonable assumptions that influence the assets and liabilities amounts, as well as the disclosure of contingent liabilities and receivables as of the date of preparation of the financial statements, and the income and expenses arising during the accounting period. These estimations and assumptions are based on information available as of the date of preparation of the financial statements. Actual results may vary from these estimates.

What follows are the key assumptions in respect of the future events and other sources of estimations, uncertainties as of the balance sheet date which represent risk from material adjustments to the amounts of balance sheet items in the following fiscal year.

4.1. Depreciation and Amortization Charge and Rates Applied

The calculation of depreciation and amortization, as well as depreciation and amortization rates are based on the economic useful lives of buildings, equipment and intangible assets. At least once a year, the Company assesses the economic useful lives based on the current estimates.

In addition, due to the significance of the non-current assets within the total assets of the Company, any change in the aforesaid assumptions may result in materially significant effects on the financial position and performance of the Company.

4.2. Allowance for Impairment of Receivables

Impairment allowance of bad and doubtful receivables is calculated based on estimated losses resulting from the inability of customers to settle the liabilities to the Company when due. The management estimates are based on the aging of trade receivables balance and historical write-off experience, customer credit-worthiness and changes in customer payment terms when evaluating the adequacy of the impairment allowance of doubtful receivables. This involves assumptions about future customer behavior and the resulting future collections. The management believes that no additional impairment allowance is required in excess of the allowance already recognized in these financial statements.

4.3. Provisions for Litigations

Generally, provisions are highly judgmental. The Company estimates the likelihood of unfavorable events happening as a result of past events and assesses the amount necessary to settle such liability. Although the Company acts prudently in making such estimates, given the great extent of uncertainty, in certain cases actual results may depart from these assessments.

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***4. SUMMARY OF THE KEY ACCOUNTING ESTIMATES (Continued)****4.4. Fair Value**

It is a policy of the Company to disclose the fair value information of those components of assets and liabilities for which published or quoted market prices are readily available, and of those for which the fair value may be materially different from their carrying amounts. In the Republic of Serbia, sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available. As a result, fair value cannot readily or reliably be determined in the absence of an active market.

The Company's management assesses its overall risk exposure, and in instances in which it estimates that the value of assets stated in its books may not have been realized, it recognizes a provision. In the opinion of management, the reported carrying amounts are the most valid and useful reporting values under the present market conditions.

Fair value of tangible assets

Fair values of tangible assets are estimated by qualified valuers. In the absence of current prices in an active market for similar properties, the Company considers information from a variety of sources, including:

- a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the management's plans and expectations regarding the market fluctuations, such as prices, number of overnight stays, average income per room, occupancy and the like, using discount rates that reflect current market assessments of the uncertainty as to the amount and timing of the cash flows.

The Company's management believes that the net carrying values correspond to the fair values of its property as of the balance sheet date.

4.5. FOREIGN EXCHANGE RATES

The official middle exchange rates for major currencies as of December 31, were as follows:

	31.12.2021	31.12.2020
EUR	117,5821	117,5802
USD	103,9262	95,6637
GBP	140,2626	130,3984
CHF	113,6388	108,4388

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***BALANCE SHEET****5. IMMOVABLES, PLANTS AND EQUIPMENT**

Description	Cost	Accumulated Depreciation	Net book value
Land	112.613		112.613
Buildings and equipment	746.645	407.505	339.140
Biological resources			
Total:	859.258	407.505	451.753

Intangible assets comprise of software:

Description	Cost	Accumulated Depreciation	Net book value
Software	7.415	3.555	3.860
Patents, licenses			
Other intangible assets			
Intangible assets in progress			
Advances for intangible assets			
Total:	7.415	3.555	3.860

STRUCTURE OF NET BOOK VALUE OF FIXED ASSETS

Description	Amount	Structure (%)
Land	112.613	25%
Buildings and equipment	339.140	75%
Total	451.753	100%

The equipment consists of hotel furniture, appliances, computer equipment, office furniture, etc.

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***MOVEMENTS ON FIXED ASSETS**

No.	Description	Land	Buildings	Equipment	Other Assets	Investments in Progress	Advances Paid	Total
I.	Cost							
1.	Balance at January 1, 2021	112.613	693.492	60.483	111		62	866.761
2.	Correction of errors and changes in accounting policies							
3.	Additions		2.015	225				2.240
4.	Disposals			(9.747)				(9.747)
5.	Transfer to assets held for sale							
6.	Revaluation							
7.	Other							
8.	Balance at December 31, 2021	112.613	695.507	50.961	111		62	859.254
II	ACCUMULATED DEPRECIATION							
1.	Balance at January 1, 2021		347.050	47.849				394.899
2.	Correction of errors and changes in accounting policies							
3.	Charge for the year		17.575	4.774				22.349
4.	Impairment losses							
5.	Disposals							
6.	Transfer to assets held for sale							
7.	Revaluation							
8.	Other			(9.747)				(9.747)
9.	Balance at December 31, 2021	112.613	364.625	42.876	111		62	
III	Net book value	112.613	330.882	8.085	111		62	451.753

6. LONG -TERM FINANCIAL INVESTMENTS

Description	2021	2020
Long-term loans to employees		
Total:	0	0

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***7. INVENTORIES**

The structure of inventories is as follows:

Description	2021	2020
Materials	894	377
Goods		
Work in progress		
Finished products		
Semi-finished products		
Advances paid for inventories	1.594	116
Allowance for impairment		
Total:	2.488	493

Advances paid for inventories comprise of advance payments to suppliers.

8. RECEIVABLES FROM SALES

Short-term receivables and investments refer to:

Description	2021	2020
Trade receivables - related parties		
Domestic trade receivables	1.398	1.149
Receivables from domestic parent company		705
Receivables from foreign parent company		230
Allowance for impairment of domestic trade receivables		
Foreign trade receivables	2.938	680
Total:	4.336	2.764

Confirmations of outstanding balances as of December 31, 2021 were sent to trade receivables.

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***9. SHORT – TERM FINANCIAL INVESTMENTS**

Short-term financial investments as of December 31, 2021

Description	2021	2020
Short-term investments-other related parties		
Short-term deposits in RSD		
Current maturity of long-term investments		
Short-term loans abroad		
Securities held up to maturity		
Securities held for trading		
Other short-term financial investments		
Impairment of financial investments		
Total:		

10. CASH AND CASH EQUIVALENTS

Description	2021	2020
Securities (cash equivalents)	0	0
Transit account	0	0
Current account in RSD	32.433	7.093
Cash in hand	0	0
Foreign currency account	7.187	11.184
Other cash	0	0
Total	39.620	18.277

Current accounts are held with Banca Intesa AD Beograd, OTP Banka AD Novi Sad and Halkbank AD Beograd.

11. OTHER SHORT-TERM RECIVABLES

Description	2021	2020
Receivables from funds	2.185	2.302
Deferred VAT	73	73
Receivables from the Government institutions and organizations	2.870	2.607
Total:	5.128	4.982

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***12. SHORT – TERM ACCRUED EXPENSES**

Description	2021	2020
Accruals	4.205	3.101
Total:	4.205	3.101

Accruals relate to prepaid insurance premiums and other prepaid expenses.

13. DEFERRED TAX ASSETS

Description	2021	2020
Deferred tax assets	569	
Total:	569	0

Deferred tax assets arose in connection with provisions for court cases.

14. EQUITY

The structure of equity is as follows:

Description	2021	2020
Share capital	63.859	63.859
Revaluation reserves	267.960	267.960
Retained earnings from previous years	32.122	32.122
Correction of errors and changes in accounting policies		
Adjustments on retained earnings from previous years		
Dividend payments		
Other increases		
Other decreases		
Net profit for the year	14.523	
Previous years losses	(156.475)	(129.881)
Net loss for the year		(26.594)
Balance as of December 31	221.989	207.466

15. LONG-TERM PROVISIONS AND LIABILITIES

Description	2021	2020
Provisions for retirement benefits	670	670
Long-term borrowings	120.501	249.892
Other long-term provisions	4.320	525
Total:	125.491	251.087

Other long-term provisions relate to provisions for litigations.

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***16. DEFERRED TAX LIABILITIES**

Description	2021	2020
Deferred tax liabilities	13.006	29.993
Total:	13.006	29.993

17. SHORT – TERM FINANCIAL LIABILITIES

Description	2021	2020
Short-term borrowings from the parent company and other related parties	129.356	0
Other short-term financial liabilities		
Total:	129.356	0

18. OPERATING LIABILITIES

Description	2021	2020
Advances received, deposits and security	682	
Trade payables - parent company and subsidiaries	170	131
Trade payables - other related parties		
Trade payables in the country	1.685	2.272
Trade payables abroad	282	895
Other operating liabilities		
Liabilities to importers		
Liabilities for export in favor of other legal entities		
Liabilities for consignment sales		
Other liabilities from specific operations	1.527	1.531
Total:	4.346	4.829

19. OTHER SHORT-TERM LIABILITIES

Description	2021	2020
Liabilities for value added tax	406	229
Liabilities for taxes and contributions	0	0
Liabilities for public duties	5	0
Liabilities for interest and financing costs	15.824	11.683
Total:	16.235	11.912

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***20. SHORT DEFERRED EXPENSES**

Description	2021	2020
Deferred expenses	1.536	768
Total:	1.536	768

Deferred expenses relate to prepaid expenses.

INCOME STATEMENT**21. OPERATING INCOME**

Description	2021	2020
Income from sales of goods to a parent company		
Income from sales of goods to a related party		
Income from sales of products and services on the domestic market	112.479	45.556
Income from sales of products and services on the foreign market		2.222
Own-work capitalized	102	41
Income from sales of products and services to other related parties		
Income from subsidies	7.294	8.740
Other operating income	5.176	2.235
Total:	125.051	58.794

22. COST OF GOODS SOLD

Description	2021	2020
Cost of goods sold		
Total:	0	0

23. RAW MATERIAL COSTS, FUEL AND ENERGY COSTS

Description	2021	2020
Cost of materials		3.795
Costs of other materials		1.789
Costs of fuel and energy	22.257	6.694
Write-off of tools and fixtures		72
Total:	22.257	12.350

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***24. SALARIES, WAGES AND OTHER PERSONAL INDEMNITIES**

Description	2021	2020
Employee gross salaries	29.667	29.271
Payroll taxes and contributions	4.801	4.425
Considerations payable to individuals per other contracts		0
Considerations payable per service contracts	689	38
Considerations payable to employees	1.240	1.387
Other staff costs	64	0
Total:	36.461	35.121

25. PRODUCTION SERVICES COSTS

Description	2021	2020
Costs from undertaking for own purposes	0	0
Transportation services	1.759	1.285
Postage services	0	0
Maintenance services	3.896	2.075
Rental costs	835	755
Marketing and advertising	67	59
Cost of other services	2.843	1.838
Total:	9.400	6.012

26. DEPRECIATION COSTS

Description	2021	2020
Depreciation of tools, fixtures		
Depreciation of buildings		
Depreciation of equipment	23.065	26.869
Provision charge	3.795	0
Total:	26.860	26.869

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***27. INTANGIBLE COSTS**

Description	2021	2020
Costs from undertaking for own purposes		
Transportation services		
Maintenance services		
Rental costs		
Costs of fairs		
Marketing and advertising		
Research expenses		
Costs of other operating services		
Costs of non-production services	6.711	7.005
Entertainment	876	733
Insurance premiums	1.177	2.944
Bank charges	5.395	2.544
Membership fees	155	129
Taxes	2.954	3.201
Contributions payable	0	0
Other non-material costs	8.738	2.620
Total:	26.006	19.176

28. FINANCIAL INCOME

Description	2021	2020
Finance income from parent company and subsidiaries	47	
Finance income from other related parties		
Interest income		
Foreign exchange gains	1	42
Positive currency clause effects		
Investment income		
Other finance income		42
Total:	48	84

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***29. FINANCIAL EXPENSES**

Description	2021	2020
Finance expenses from parent company and subsidiaries	3.555	8.677
Finance expenses from other related parties		
Interest expenses	3.640	1
Foreign exchange losses	22	74
Negative currency clause effects		
Investment expenses		
Other finance expenses		
Total:	7.217	8.752

30. OTHER INCOME

Description	2021	2020
Income from sale of intangible assets, property, plant and equipment		
Income from sale of biological assets		
Income from sale of equity investments and long-term		
Income from sale of materials		
Collection of receivables previously provided for		
Surpluses		
Income from damages		
Income based on the effects of contracted risk protection except for the currency clause		
Income from reduction of liabilities		
Write-off of long-term provisions		
Other income, elsewhere not specified	805	97
Income from value adjustment of biological assets		
Income from value adjustment of intangible assets		
Income from value adjustment of property, plant and equipment		
Income from value adjustment of long-term financial investments and securities held for sale		
Income from inventory value adjustment		
Income from value adjustment of receivables and short-term financial placements		
Income from value adjustment of other assets		
Total:	805	97

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***31. OTHER EXPENSES**

Description	2021	2020
Losses on sale of intangible assets, property, plant and equipment		
Losses on sale of biological assets		
Losses on sale of equity investments and securities		
Losses on sale of materials		
Shortages		
Expenses based on the effects of contracted risk		
Allowance for impairments of receivables	218	1.232
Expenses on disposal of inventories		
Other expenses, elsewhere not specified	433	69
Impairment of biological assets		
Impairment of intangible assets		
Impairment of property, plant and equipment		
Impairment of long-term financial investments		
Impairment of inventories		
Impairment of receivables and short-term financial placement		
Impairment of other assets		
Total:	651	1.301

32. POSITIVE/NEGATIVE NET EFFECT OF RESULT ON PROFIT FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS

Description	2021	2020
Positive net effect - corrections of errors from previous years		441
Negative net effect - corrections of errors from previous years	(85)	

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021***All amounts expressed in thousands of RSD, unless otherwise stated***33. NET PROFIT**

Description	2021	2020
Profit before tax		
Loss before tax	(3.033)	50.165
Profit from discontinued operations		
Loss from discontinued operations		
Income tax expense		
Deferred tax expense	17.556	23.571
Deferred tax income		
Personal indemnities paid to employer		
Net profit	14.523	
Net loss		26.59

Reconciliation of receivables and liabilities

The Company reconciled receivables and liabilities as of December 31, 2021.

34. LITIGATION

As of December 31, 2021, the Company was involved in several legal suits on different grounds. Based on the opinion of the Company's attorneys and the assessment of the management, the Company accrued a liability in the amount of RSD 4,320 thousand.

35. OFF- BALANCE SHEET ASSETS AND LIABILITIES

There is none.

36. GOING CONCERN

When evaluating the justification of the assumption of continuity of operations, the management took into account all available data regarding the foreseeable future, which includes at least twelve months from the date of the balance sheet, although it was not limited to that period only.

The management estimates that the Company is capable of continuing to operate for an indefinite period of time in accordance with the principle of going concern.

37 . EVENT AFTER THE REPORTING PERIOD

There was no event after the reporting period which needs to be disclosed.

In Belgrade March 25, 2022

Responsible person

APPENDIX 1

INCOME STATEMENT
Year Ended December 31, 2021
(Thousands of EUR)

	2021	2020
Operating income		
Sales of product and services to parent and related parties in domestic market	-	20
Sales of products and services to domestic customers	957	367
Sales of products and services to foreign customers	-	19
Income from premiums, subsidies, grants donations and similar	62	75
Other operating income	44	19
	<u>1,063</u>	<u>500</u>
Operating expenses		
Revenue from undertaking for own purposes	1	-
Cost of materials, fuel and energy	(189)	(104)
Staff costs	(310)	(299)
Cost of production services	(80)	(51)
Depreciation/amortization charge	(228)	(229)
Non-material costs	(221)	(163)
	<u>(1,027)</u>	<u>(846)</u>
Profit/(Loss) from operations	<u>36</u>	<u>(346)</u>
Finance income		
Interest income (from third parties)	-	-
Foreign exchange gains and positive currency clause effects (third parties)	-	1
	<u>-</u>	<u>1</u>
Finance expenses		
Finance expenses incurred with parent company and subsidiaries	(30)	(74)
Interest expenses (to third parties)	(31)	-
Foreign exchange losses and negative currency clause effects (to third parties)	-	(1)
	<u>(61)</u>	<u>(75)</u>
Loss from financing activities	<u>(61)</u>	<u>(74)</u>
Losses on value adjustment of other assets carried at fair value through profit and loss	(2)	(10)
Other income	7	1
Other expenses	(4)	(1)
Loss from continuing operations before taxes	<u>(24)</u>	<u>(430)</u>
Net profit/(losses) from discontinued operations, effects of changes in the accounting policies and prior years' error adjustment	(1)	4
Current income tax expense	-	-
Deferred tax benefits	149	200
NET PROFIT/(LOSS) FOR THE YEAR	<u>124</u>	<u>(226)</u>

Note:

In accordance with the majority shareholders requirements, the Company's financial statements prepared in accordance with the accounting regulations of the Republic of Serbia and presented in the Company's Serbian dinar (functional currency) were translated into EUR (presentation currency).

Translation of Income Statement for the years ended December 31, 2021 and 2020 was performed using the following average exchange rates:

- 2021: 117,5736
- 2020: 117,5780

APPENDIX 2

BALANCE SHEET
As of December 31, 2021
(Thousands of EUR)

	December 31, 2021	December 31, 2020
ASSETS		
Non-current assets	3,880	4,052
<i>Intangible assets</i>		
Concessions, patents, licenses, trademarks, software and other rights	33	39
<i>Property, plant and equipment</i>	3,842	4,013
Land	958	958
Buildings	2,813	2,946
Plant and equipment	69	107
Other property, plant and equipment	1	1
Advances paid for property, plant and equipment	1	1
Deferred tax assets	5	-
Current assets	474	252
<i>Inventories</i>	21	4
Materials, spare parts, small tools and fixtures	8	3
Advances paid for inventories and services	13	1
<i>Trade receivables</i>	37	24
Domestic – parent companies and subsidiaries	-	6
Foreign – other related parties	-	2
Domestic	12	10
Foreign	25	6
Other receivables	43	42
Cash and cash equivalents	337	155
VAT receivable	1	1
Prepayments	35	26
Total assets	4,354	4,304

(Continued)

BALANCE SHEET (Continued)
As of December 31, 2021
(Thousands of EUR)

	December 31, 2021	December 31, 2020
EQUITY AND LIABILITIES		
Equity	1,888	1,764
Share capital	786	786
Revaluation reserves	3,689	3,689
Prior years' accumulated losses	(1,053)	(827)
Current year profit/(loss)	124	(226)
Translation reserves	(1,658)	(1,658)
Non-current provisions and liabilities	1,067	2,135
Provisions for retirement and other employee benefits	6	6
Provisions for litigations	37	4
Long-term liabilities to parent and subsidiaries	1,024	2,125
Deferred tax liabilities	111	255
Current liabilities	1,288	149
Short-term financial liabilities		
Other short-term financial liabilities-related parties	1,100	-
Advances, deposits and retainers received	6	-
Trade payables	31	41
Domestic – parent company and subsidiaries	1	1
Domestic	14	19
Foreign	2	8
Other	13	13
Other current liabilities	135	99
Value added tax payable	3	2
Other taxes, contributions and duties payable	-	-
Accruals	13	7
Total equity and liabilities	4,354	4,304

Note:

In accordance with the majority shareholder requirements, the Company's financial statements prepared in accordance with the accounting regulations of the Republic of Serbia and presented in the Company's Serbian dinar (functional currency) were translated into EUR (presentation currency).

Translation of Balance Sheet as at December 31, 2021 and 2020 was performed using the following rates:

- Balance Sheet items at December 31, 2021 except for the share capital, revaluation reserves and net profit were translated using the closing rate: 117,5821
- Balance Sheet items at December 31, 2020 except for the share capital, revaluation reserves and net profit were translated using the closing rate: 117,5802
- Share capital at December 31, 2017 and December 31, 2016 was translated using the historical exchange rate: 81.2203
- Revaluation reserves at December 31, 2017 and December 31, 2016 were translated using the exchange rate at the date of revaluation of property, plant and equipment: 83.8286.
- Net loss for the years ended December 31, 2021 was translated using the average exchange rate 117.5736
- Net loss for the years ended December 31, 2020 was translated using the average exchange rate 117.5780