

Annual Report 2020



Foreword

Dear partners, dear friends,

First of all, let me emphasize that 2020 was a year of unprecedented challenges. The Covid-19 crisis caused a seismic shift that has reshaped the global socio-economic and business landscape. The pandemic's tragic effects start with human lives and health and ripple out to schools and learning, economy, businesses and employment, and even beyond. At the same time, the energy sector continued to evolve through accelerated and irreversible implementation of the Green Energy Agenda, back-to-back with the digital revolution emerging from the overall decentralisation and democratisation of economy. In today's interconnected European market environment, this virtuous circle leads to rapid energy market transformation unlike anything seen in the past. The global markets for low-carbon technologies, electric vehicles, demand-side response, prosumers and clean energy are fast growing, supported by the rising stars of new digital era – smart technologies, business intelligence, block chain solutions and social media that are transforming businesses and sparking a new wave of wealth creation. The winners in this new carbon-free, eco-digital marketplace will be companies that challenge and restructure the conventional thinking on product innovation, customer engagement, corporate organization, strategy and business models.

In line with above mentioned, it is obvious that both executives and employees must be fully aware of the new challenges facing their companies and overall business environment as market momentum accelerates. Despite facing all these challenges during tough 2020, we in SEEPEX were fully able to deal with all



corresponding difficulties and even to additionally enhance our firm position in the SEE power exchange regional landscape, providing a relevant and reliable role model for all other neighbouring non-EU countries. In 2020, SEEPEX once again managed to achieve record trading volumes, as well as record-breaking financial performance. The trading volume in the day-ahead market segment in 2020 achieved 2.82 TWh, with the maximum monthly volume of 311.73 GWh recorded in October 2020 and maximum daily volume of 13.98 GWh recorded on October 2, 2020. It should be emphasized that these results and corresponding financial sustainability are achieved in an isolated mode, i.e. by operating the Serbian day-ahead market without market coupling in place and without any regulatory supportive measures introduced, which is an unprecedented situation and a unique positive example in the SEE region. At the end of 2020, there were 22 registered and active members providing robust, resilient and fully deconcentrated day-ahead market. Implementing the best European practice, both in the trading and the clearing & settlement business segment, SEEPEX continued to report record-breaking results for the fifth time in a row, asserting itself as the one of the most important players in the power spot playing field in the SEE region and a unique case of success among all neighbouring



WB6 countries. It should be noted that these excellent results were achieved through close cooperation with our shareholders, EMS and EPEX SPOT, and other main strategic partners, European Commodity Clearing AG (ECC) and EEX AG. In 2020, we also continued with already started R&D activities through SEEPEX's participation in the Europe-wide Horizon 2020 program, with the main aim to develop new innovative products to be offered to the Serbian and regional market community in the near future.

In summary, we can state that in 2020 we have again come closer to our long-term goal of developing SEEPEX into a strong and liquid regional marketplace, at the same time following the latest trends and best European practice in this field. In 2021, our focus will be on further growth in core markets, increasing the trading volume and number of members, as well as on enlarging the SEEPEX geographic scope through already started strategic cooperation with some of the most successful CEE power exchanges. We will continue to carefully control our costs, but also investing at the same time in strong commercial opportunities for further growth. Also, having in mind the above-mentioned paradigm shift in the overall energy sector and the upcoming Energy transition aimed at decentralisation, digitalisation and decarbonisation of the energy world, SEEPEX will put additional efforts to provide society with a comprehensive know-how and additional innovative products needed to support this transition and increase the accompanying social welfare.

In addition, on behalf of the Management I would like to thank our committed employees for their support and tireless dedication, which enabled us to successfully conclude the 2020 business and financial year. I would also like to thank our members and strategic partners. Your trust and commitment motivate us to continue in the same spirit and to move forward together, looking even further beyond the horizon for new challenges and successes.

Looking forward to the BlueSky and beyond!

Miloš Mladenović
Managing Director

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Foundation and Activity



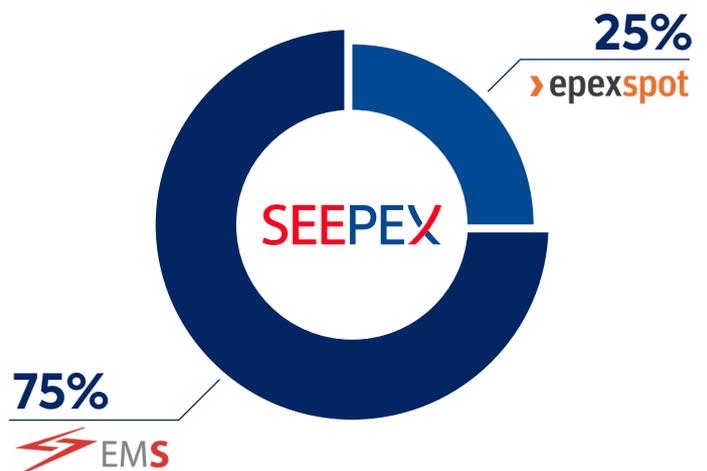
The Energy Law has defined the organized electricity market as an institutionally regulated relationship between the supply and the demand of participants on the electricity market, with predetermined standardized products and physical delivery, within the time frame “day ahead” and “intraday”, recognizing the management of the organized electricity market as one of its energy related activities.

Also, Article 179 of the Law prescribes the obligation of J.S.C. Elektromreža Srbije, as the operator of the transmission system, to establish an operator of the organized electricity market. The Government of the Republic of Serbia, at a session held on February 28, 2014, has adopted the Decision no. 3121864/2014, which officially accepts the Report on measures introduced in order to establish an organized electricity market in the Republic of Serbia, and recommends J.S.C. EMS to start the activities towards the establishment of the organized electricity market and the Market operator, with a 25% stake in the share capital of the newly established company owned by EPEX SPOT.

The implementation of this business model in Serbia required, among other things, harmonization of other primary and secondary legislation in the field of energy and financial legislation. In that context, the Serbian Government has adopted amendments and supplements to the Law on VAT (‘Official Gazette of RS’, no. 83/2015), which has brought substantial innovations regarding VAT related obligations in Serbia that directly affect the determination of tax debtor, registering a foreign entity for VAT, VAT exemption for import, etc. Also, the Ministry of Mining and Energy adopted a Regulation on the license for performing energy activities and certification (‘Official Gazette of RS’, no. 87/2015), which regulates the conditions of issuing and revoking licenses, enabling foreign entities to be registered and to obtain a license for conducting

energy activity of wholesale of electricity in the Republic of Serbia.

Since the function of clearing and the so-called “central contracting party” is practically nonexistent in Serbia at a satisfactory level, the Energy Law defines the possibility of clearing and financial settlement in an organized market being performed abroad, i.e. in a European country. As an important segment of the entire concept, the Energy Law (Article 181, Par. 3), defines that in such a case ‘all payments, collections and transfers on the basis of financial settlement between organized power market participants will be carried out in EUR. This enabled the implementation of the defined market model and participation of foreign companies on the power market in the Republic of Serbia, which was one of the preconditions for SEEPEX to start operating, i.e. for the start of functioning of the dayahead market. Pursuant to the above, after months of preparatory activities and obtaining the required approval of all relevant state authorities, SEEPEX was finally registered on July 14, 2015 as a joint stock company where J.S.C. EMS owns 75% of shares, while EPEX SPOT owns 25%. After the completed membership process for the members’ participation on SEEPEX, the first transactions on SEEPEX started on February 17, 2016.



Identity card of the Company



The company is registered in the Register of Companies at the Business Registers Agency of the Republic of Serbia as SEEPEX Akcionarsko društvo Beograd. Its registration number in the single taxpayers register is BD 61538/2015 of July 14, 2015 and BD 72365/2016 of September 12 (The second portion of payment).

Name of the joint stock company	SEEPEX akcionarsko društvo Beograd
Translation of the name of a foreign language	SEEPEX societe anonyme Belgrade – French language
The predominant business activity of the Company	Trade of electricity
The duration	Unlimited
Legal form	Joint stock company, nonpublic joint stock company
For the commitments of legal transactions towards third parties	Shall be liable with all its assets
Identification no, Agency for Business Registers	21121070
Tax Identification Number	109064704
Established	14/07/2015
Company headquarters	Belgrade, 412 Vojvode Stepe
Telephone - Switchboard	+381 11 3972941
Basic capital of the Company	Consists of pecuniary contributions: Subscribed RSD 240,000,000 Paid RSD 240,000,000 (1 st Payment 12/07/2015 (RSD 60,000,000), 2 nd Payment 31/08/2016 (RSD 60,000,000), 3 rd Payment 01/09/2017 (RSD 60,000,000) 4 th Payment 24/09/2018 (RSD 60,000,000))
Number of shares	240,000
Shareholders	J.S.C. Elektromreža Srbije Beograd 75% EPEX SPOT SE Paris 25%
The legal (statutory representatives)	Individual: Managing Director Miloš Mladenović, MSc Supervisory board: President and two members
Register founding agreements	Foundation Agreement of the company on July 8, 2015.

The company performs the activity of Organized market operation, which is an institutionally regulated relationship between the supply and demand of the participants on the organized electricity market, with predetermined standardized products of electricity and delivery within the time frame “day ahead” and “intraday” (“Market”). The company can perform all business activities for which the conditions laid down by the Law and other regulations were met, pursuant to the Decision of the Government of Serbia 05 no. 023 6656/20151 of June 18, 2015.

Role in the Wholesale Electricity Market



The core business of SEEPEX consists of operating an organized electricity market (power exchange) for Serbia.

It provides a market place where exchange members send their orders to buy or sell electricity inside the Serbian delivery area. The role of SEEPEX consists of matching these orders in a transparent manner, according to the public SEEPEX Market rules. As a result of the order matching, SEEPEX produces trades which are legally binding agreements to purchase or sell a determined quantity of electricity for the cleared price. This price is never higher than the purchase price fixed by the buyer or lower than the sale price offered by the seller.



The trades are transferred to the central counterparty, the European Commodity Clearing (ECC), which becomes the counterparty to the buyer and to the seller who do not know each other. ECC takes on the

obligations of the buyer to pay for the electricity to the seller, and of the seller to deliver the electricity to the buyer. It nominates the exchange of energy to the Transmission System Operator (EMS) and calls for the money pertaining to the trade from the buyer and hands it over to the seller. This process guarantees:

- fair and orderly execution of the orders of the exchange members,
- secure delivery and payment of the trades,
- anonymous transactions.

As an important information about this process, SEEPEX publishes the prices resulting from the trades. Since the trades result from an open and transparent competition between the orders of the exchange members, they reflect the best information available at the time on the market conditions inside Serbia and SEE region. They are the most reliable prices available for short-term electricity. These prices represent the reference prices for the Serbian wholesale market.

Management of the Company and Organizational Structure



Management of the Company is organized on the principle of two-tier management. The relevant bodies of the company are: The General Assembly – in charge of making decision in accordance with the Law on Companies, Managing Director – the legal representative of the company, Miloš Mladenović, MSc Electrical Engineering – Supervisory Board – in charge of making the key business decisions related to activities of the company.

SEEPEX organization also has the following exchange bodies:

- the Organized Market Committee
- the Market Surveillance Office.

The Organized Market Committee and the market Surveillance Office are two independent bodies that have been put in place in order to ensure the best governance rules.

The Organized Market Committee is a body elected from the Exchange Members which decides on the Rules and on general decisions

related to the Exchange. The composition of the Organized Market Committee reflects the diversity of economic and corporate profiles among the different categories of Exchange Members: power trading companies, suppliers, transmission system operator, producers and commercial consumers.

The current members of the Organized Market Committee are:

- Mr. Ivan Kalafatić, EFT trading
- Mr. Srđan Resavac, GENI
- Mrs. Anita Stanković, INTERENERGO
- Mr. David Žarković, ELEKTROPRIVREDA SRBIJE
- Mr. Viktor Varga, MVM
- Mrs. Jadranka Janjanin, ELEKTROMREŽA SRBIJE
- Mr. Ivan Ivanov, ALPIQ

The Market Surveillance Office monitors, as an independent body, the SEEPEX market and its Exchange Members on a daily basis. It continuously monitors the SEEPEX markets and checks that members comply with SEEPEX Market Rules. Market Surveillance acts as a central point of contact that cooperates with the national regulatory authority.

SEEPEX ORGANIZATIONAL STRUCTURE



Trading Procedures



Trading in electricity on SEEPEX takes place across 24 individual hours, for all 365 days of the year.

Trading in electricity on SEEPEX takes place across 24 individual hours, for all 365 days of the year. Trading takes place on all days from Monday till Sunday. Exchange members submit their buy and sell orders using the ETS platform from 45 days before to 10:15 on day D1. Order book gate closure time is 10:15 and results are published on the SEEPEX website by 10:30. Trading information is immediately sent to ECC for clearing purposes. Before 14:00 (D1) ECC submits the schedules to EMS as a firmed schedule.

In the auction process, all bids and offers for a delivery of power at a specific hour of the following day are collected and a single price for every hour in the day is calculated. This price is the optimal price for power, taking into account the characteristics of all orders submitted to the exchange for that specific

hour. The auction is the momentum of the spot power market, concentrating liquidity of the market at a specific time of the day and determining reference prices for a particular period.

At the moment SEEPEX offers are linear and block products. Linear offer contains up to 256 price/quantity combinations for each individual hour of the next day, where prices must be between 0 €/MWh and 3,000 €/MWh. The block offer that was introduced on SEEPEX on March 22, 2017 is a bid that connects more hours to the "all or nothing" principle, which means that the offer is accepted for all hours or is completely rejected. In the block it is possible to input different quantities of electricity for each hour of the block, with one price offered for the whole block.

SEEPEX CRUCIAL TRADING TIME POINTS



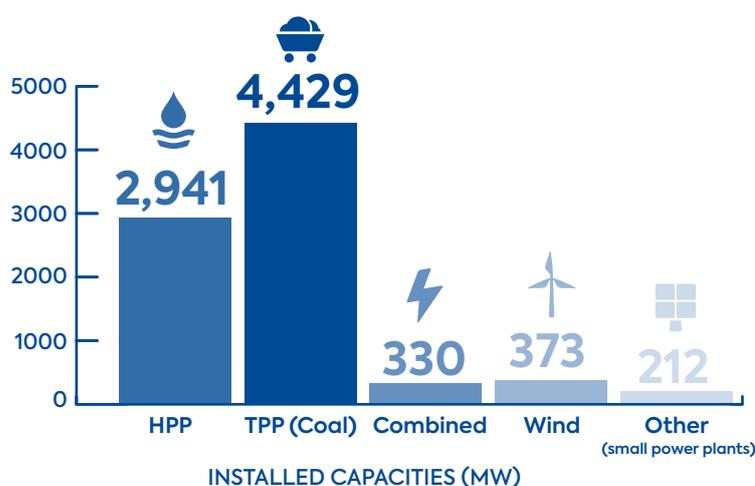
Price Thresholds for Second Auction*:

- Lower Threshold: 0.1 €/MWh
- Upper Threshold: 200 €/MWh

Generation and installed electricity capacity in Serbia



The total net installed generation capacity in Serbia for 2020 is 8,285 MW. The structure of the installed generation capacity is shown in the figure below:

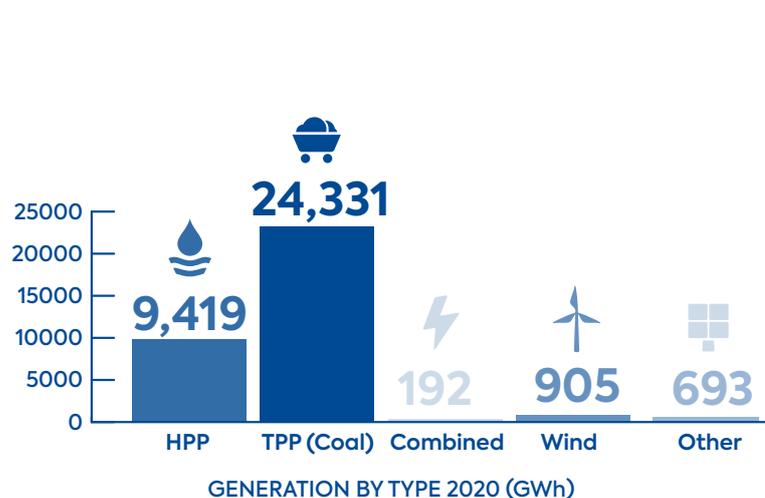


GENERATION TYPE	INSTALLED CAPACITIES (MW)	Share (%)
HPP	2,941	35.5
TPP (Coal)	4,429	53.4
Combined	330	4.0
Wind	373	4.5
Other (small power plants)	212	2.6
TOTAL	8,285	100

source: AERS

In 2020, it was produced 35.54 TWh of electricity, which is 2.03% more comparing to 2019. The figure below displays total electricity generated by different technologies in Serbia in year 2020.

The change of generated electricity in 2020 compared to 2019 is presented in the following table:



GENERATION TYPE	2019 (GWh)	2020 (GWh)	Change (%)
HPP	9,884	9,419	-4.7
TPP (Coal)	23,169	24,331	5.0
Combined	337	192	-43.0
Wind	830	905	9.0
Other (small power plants)	612	693	13.2
TOTAL	34,832	35,540	2.03

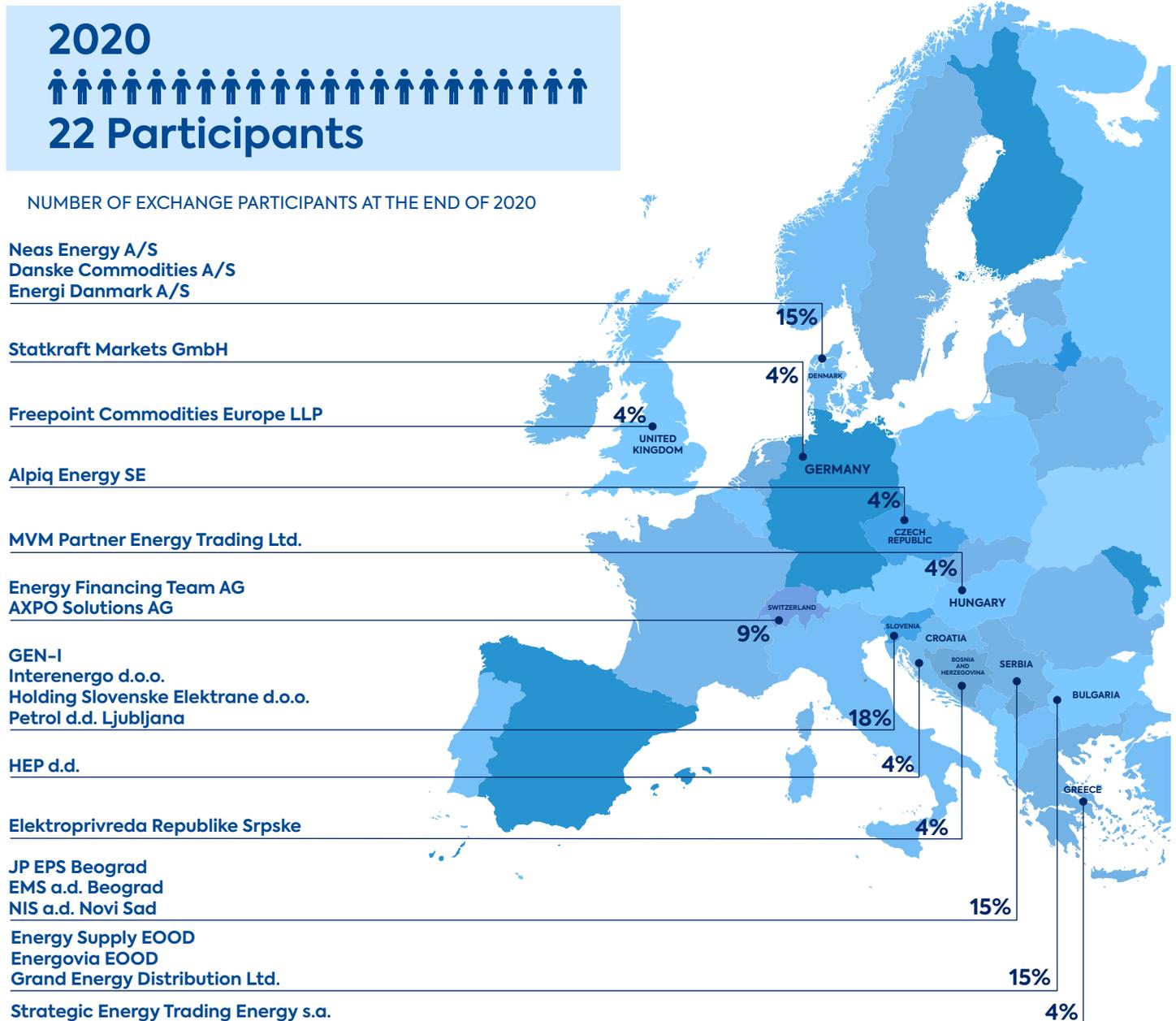
source: AERS

Membership

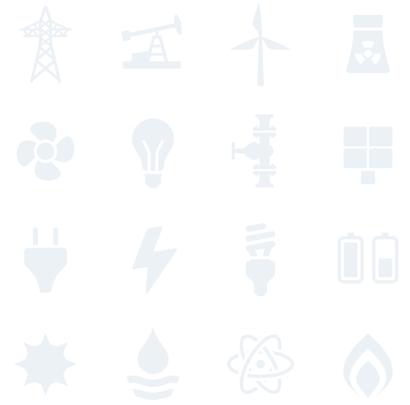


SEEPEx started its day-ahead market operation with 6 members on February 17 2016. A well-chosen and implemented business model and membership strategy have enabled SEEPEx to achieve continuous growth of new members. Increasing the number of members leads to higher liquidity, which again gives a good signal to new companies to access

SEEPEx. The following figures show the trend of increasing the number of participants. At the end of 2020, there were 22 exchange members from 12 countries active on SEEPEx. The composition of the members on the exchange is given in the following graph.



Prices and volumes trend on the SEEPEX spot market



The volume of electricity traded on SEEPEX day-ahead market in 2020 was 2,816,007.1 MWh. In comparison to 2019, SEEPEX traded volume in

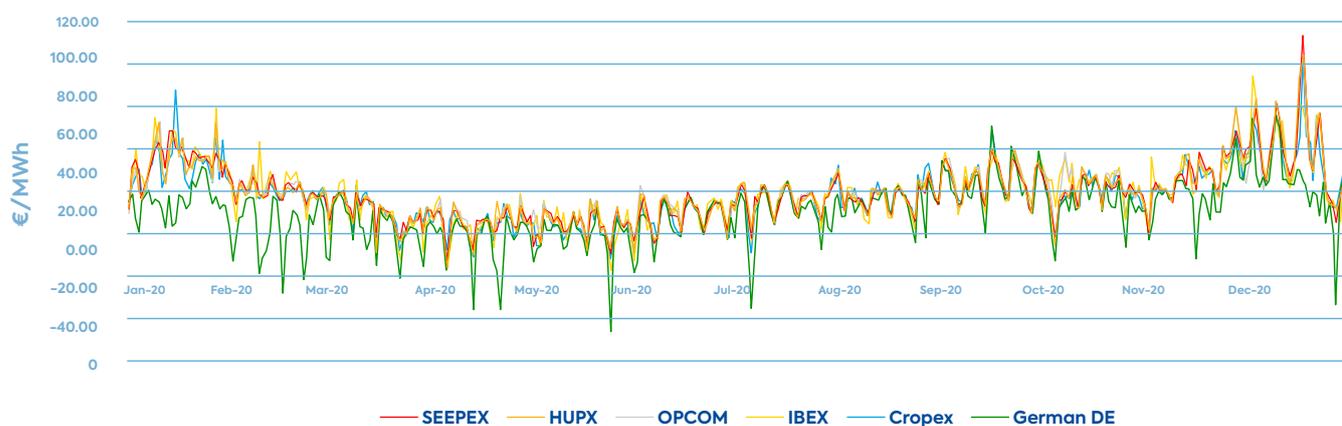
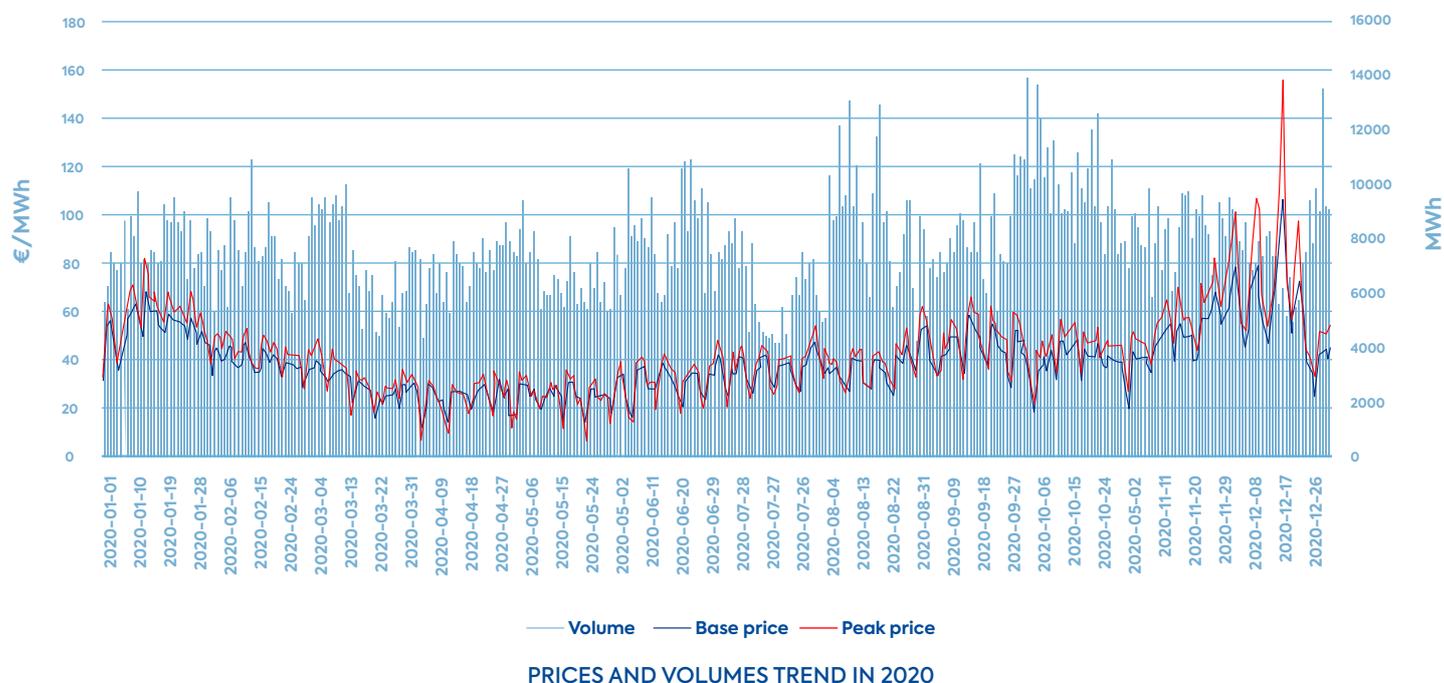
2020 increased by 11.38%. The average base price was 38.97 €/MWh, which is 22.95% lower compared to 2019.



2,816,007.1 MWh Trading volume in 2020	43.39 €/MWh Average peak price in 2020
38.97 €/MWh Average base price in 2020	311,732.7 MWh Highest monthly volume in 2020

The largest monthly trade volume of 311,732.7 MWh was registered in October 2020, while the daily maximum was reached on October 2, 2020 with 13,977.7 MWh. The smallest volume of monthly trade was in July and amounted to 191,179.4 MWh, which is higher for 13.15 % more comparing to the minimum monthly traded

volume in the previous year. The biggest hourly price was reached on December 17 at 5 pm and amounted to 165.58 €/MWh. In 2020, the average SEEPEX base price was 38.97 €/MWh, while the average SEEPEX peak price reached 43.39 €/MWh.



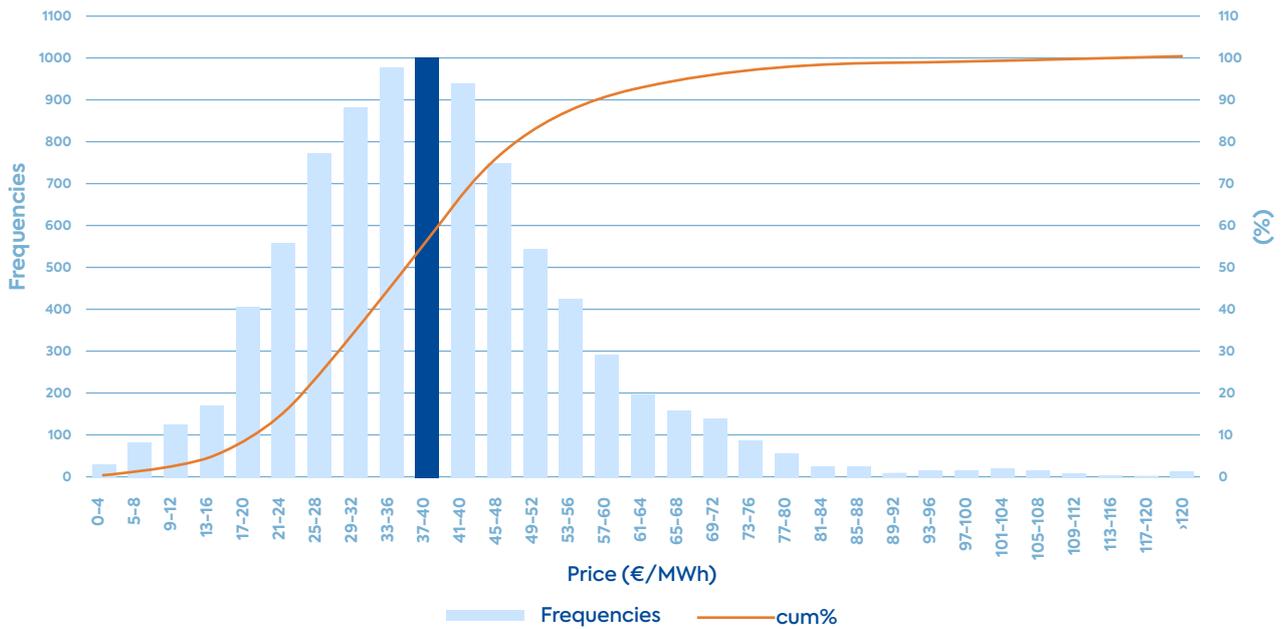
source: SEEPEX, HUPX, OPCOM, IBX, CROPEX, EPEX Spot

The monthly volumes recorded in 2019 and 2020 are shown in the table. A significant increase in trade can be noted in October of 2020 compared to 2019.

MONTHLY VOLUMES (GWh) 2019 AND 2020

		2019	2020	Change [%]
January	GWh	191.0	236.0	23.56
February	GWh	168.9	214.9	27.24
March	GWh	260.5	221.1	-15.12
April	GWh	190.7	203.9	6.92
May	GWh	261.6	205.9	-21.29
June	GWh	245.4	244.8	-0.24
July	GWh	224.4	191.2	-14.80
August	GWh	188.9	260.2	37.74
September	GWh	188.5	238.6	26.58
October	GWh	173.6	311.7	79.55
November	GWh	260.9	247.9	-4.98
December	GWh	218.7	239.6	9.56

A distribution of hourly price frequencies and the corresponding cumulative relative frequency distribution are shown in the figure below:



PRICE-FREQUENCIES AND CULMULATIVE CURVE

X-axis represents the hourly price intervals. Y-axis on the left-hand side shows how many times the hourly prices in specific intervals occurred (light blue bars). The mode of the distribution is the value that occurs most frequently, and in this case it is the interval 37-40 €/MWh, which is marked with dark blue color. In year 2020, the hourly prices took values from this interval as many as 1,002 times. The hourly price in Y2020 ranged from 0.93 €/MWh to 165.58 €/MWh, as shown in the following table:

YEARLY PRICES SPREAD AND AVERAGE VALUE

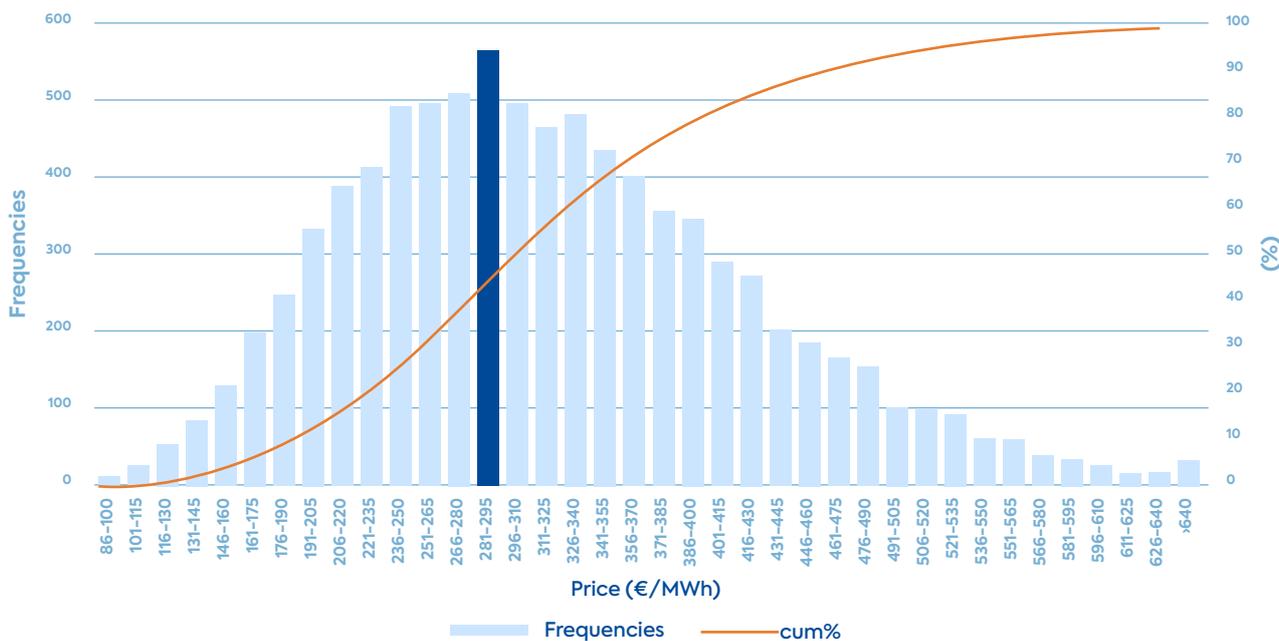
HOURLY PRICE €/MWh	DATE	HOUR
MIN	0.93	13/04/2020 4
MAX	165.58	17/12/2020 17
AVERAGE	39.01	

The orange curve in the figure represents the cumulative relative frequency distribution. This curve shows the relative frequency of hourly prices that are less than or equal to the upper limit of each interval. The value of 50% on this curve corresponds to the median. In Y2020, the median was 37.56 €/MWh – which means that 50% of the hourly prices lie below this point. The value of 25% corresponds to the lower quartile, whilst the value of 75% is known as the upper quartile. The lower quartile, the median and the upper quartile of hourly prices for Y2020 are given in the following table:

YEARLY PRICES QUARTILES

LOWER QUARTILE	MEDIAN	UPPER QUARTILE
28.16 €/MWh	37.55 €/MWh	47.14 €/MWh

50% of all hourly prices lie in the range between the lower and the upper quartile. It means that in 50% of time, the hourly prices were in the range between 28.16 €/MWh and 47.14 €/MWh. A distribution of traded hourly volume frequencies and the corresponding cumulative relative frequency distribution are shown in the figure below:



PRICE-FREQUENCIES AND CULMULATIVE CURVE

X-axis represents the hourly volume intervals. Y-axis on the left-hand side shows how many times the hourly volumes in specific intervals occurred (light blue bars). The mode of the distribution is the interval 281-295 MWh, which is marked with dark blue color. In Y2020, the frequency of hourly volumes from this interval was 564. The hourly volume in Y2020 ranged from 83.5 MWh to 892 MWh, as shown in the table below:

YEARLY TRADED VOLUMES SPREAD AND AVERAGE VALUE

HOURLY VOLUME (MWh)		DATE	HOUR
MIN	83.5	30/08/2020	24
MAX	892	01/10/2020	8
AVERAGE	320.58		

The orange curve in the figure represents the cumulative relative frequency distribution. In Y2020, the median of hourly traded volumes was 308.55 MWh – which means that 50% of the hourly volumes lie below this point. The lower quartile, the median and the upper quartile of hourly traded volumes in Y2020 are given in the following table:

YEARLY TRADED VOLUMES QUARTILES

LOWER QUARTILE	MEDIAN	UPPER QUARTILE
244.7 MWh	308.55 MWh	385.15 MWh

In 50% of time, the hourly traded volumes were in the range between 244.7 MWh and 385.15 MWh.

SEEPEX

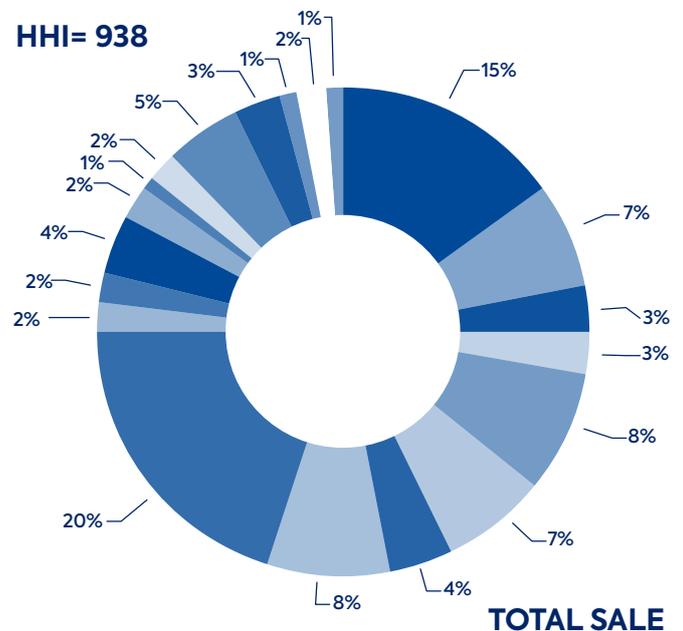
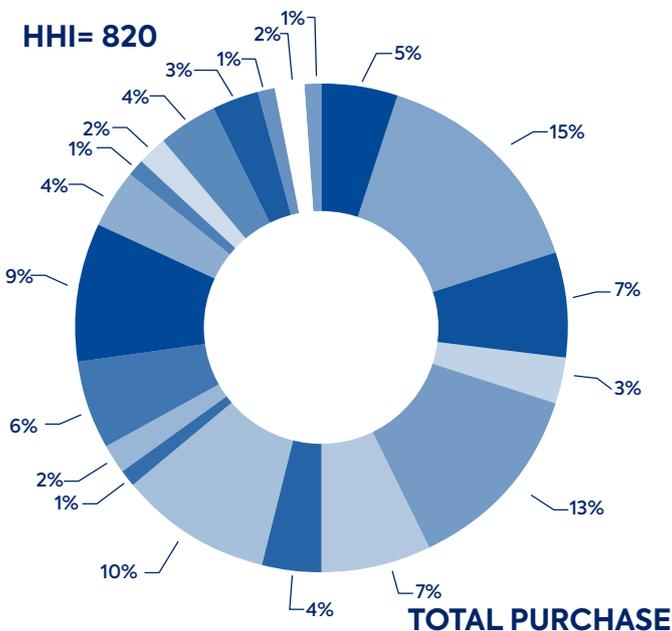
day-ahead key indicators



	2019	2020	Change [%]
Base price MAX (day) (€/MWh)	120.74	113.25	-6.20
Base price MIN (day) (€/MWh)	21.01	8.18	-61.07
Peake price MAX (day) (€/MWh)	143.5	155.62	8.45
Peake price MIN (day) (€/MWh)	22.72	6.32	-72.18
Average Base price (day) (€/MWh)	50.58	38.97	-22.95
Average peak price (day) (€/MWh)	56.79	43.39	-23.72
Price MAX (hourly) (€/MWh)	153.49	165.58	7.88

	2019	2020	Change [%]
Price MIN (hourly) (€/MWh)	0.53	0.93	75.47
Base volume MAX (day) (€/MWh)	13,483	13,977	3.66
Base volume MIN (day) (€/MWh)	3,518.8	3,739.0	6.26
Base volume (year) (GWh)	2,528.2	2,816.1	11.38
Average volume (MWh)	6,926.58	7,694.0	11.38
Volume MAX (hourly) (MWh)	772	892	15.54
Volume MIN (hourly) (MWh)	41.9	83.5	99.28

Herfindahl-Hirschman Index (HHI)



PERCENTAGE OF TRADE BY PARTICIPANT

The Herfindahl-Hirschman Index (HHI) is a common measure of market concentration and is used to determine market competitiveness. The HHI is calculated by squaring the market

share of each company competing on the market and then summing the resulting numbers. A market with an HHI of less than 1,500 is considered to be a competitive marketplace.

SEEPEX share in the Serbian market

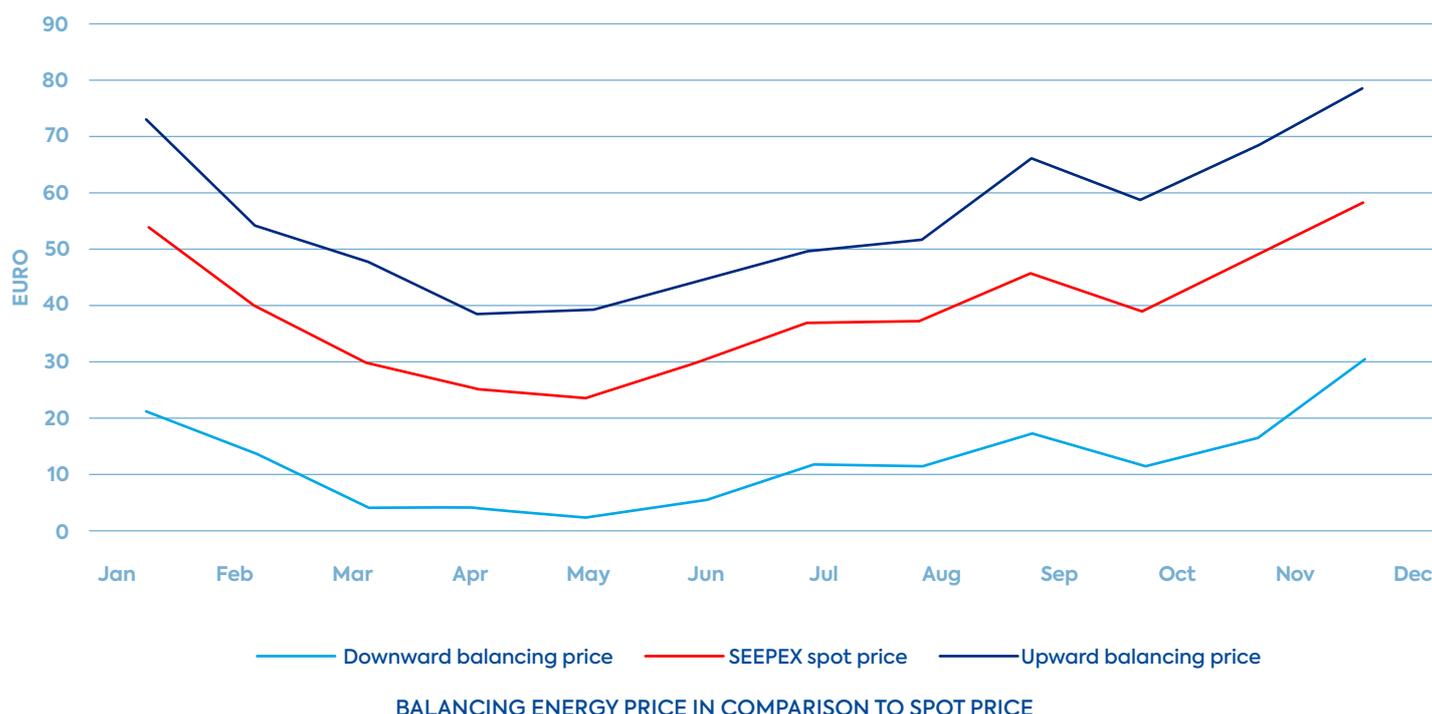


The total amount of electricity that was traded on SEEPEX in 2020 was 2,816 GWh. The share of electricity traded on the organized market in relation to gross consumption in Serbia (33,853 GWh) was 8.3%, while 21.2% is the share of the exchange in relation to the energy delivered to

end customers that are supplied on the free market (retail market). The share of the electricity traded on the power exchange compared to the volume traded in the internal wholesale market was 21.4 %.

The total amount of electricity traded on SEEPEX in 2020		
2,816 GWh		
GROSS CONSUMPTION IN SERBIA	ENERGY DELIVERED TO END CUSTOMERS (ON THE FREE MARKET)	INTERNAL TRANSACTIONS
33,583 GWh	13,305 GWh	26,272 GWh
8.3% Share in total consumption	21.2% Share in free market	21.4% Share in wholesale market

Balancing energy price in comparison to spot price is presented in the figure below.



Overview

The introduction of block products for trade on SEEPEX, was successfully made in March of 2017. Maximum block size was 10 MWh/h and some of the standard block orders included - Baseload (01-24h), Peakload (09-20h), OG-Peak 1 (01-08h), or custom blocks tailored by participants. This business decision, implemented according to members' needs, provided a sufficient liquidity increase, resulting in a total traded volume increase. In April 2018, the block bids size was increased from 10 MWh/h to 20 MWh/h, and in June 2020 from 20 MWh/h to 30 MWh/h. From June 3, 2019, when the first amount of energy was traded on the futures market until today, it is more than clear that cooperation with European Energy Exchange AG (EEX) has confirmed the best practice fully compliant with European Financial Regulation. The introduction of financial derivatives has improved the investment framework in the energy sector, providing

a more realistic reference price, and at the same time predicting the movement of electricity prices on the wholesale market over a longer period. Serbian Power Futures is a tool enabling the market participants to hedge price risks on the local power spot market. During 2020, weekly, monthly, quarterly, and annual futures products were traded on EEX for the Serbian market area. The volume of electricity traded on futures market for this area in 2020 was 260,655 MWh. Particularly, significant was the last quarter when it was traded 128,760 MWh. Compared to the previous year, there is an obvious increase in trade in these products, which makes an increasing contribution to the company's financial result, and it is expected a much larger contribution in the future.

Serbian power futures

June 3rd, 2019

Products: baseload - week, month, quarter, year



The cooperation fostered the development of the Serbian electricity market, which has seen strong growth in 2017 and particularly 2018. All market participants will benefit from the standard product setup which enables them to use Serbian Power Futures as a tool to hedge against price risks on the local power spot market, benefitting from high-level standards both in terms of derivatives trading and

clearing services. This important development, in addition to great importance for the overall investment framework providing the Serbian economy with the long-term reference price, will also provide SEEPEX additional liquidity and some new potential members which can benefit from this long-term hedging tool, currently not present in the SEE region.

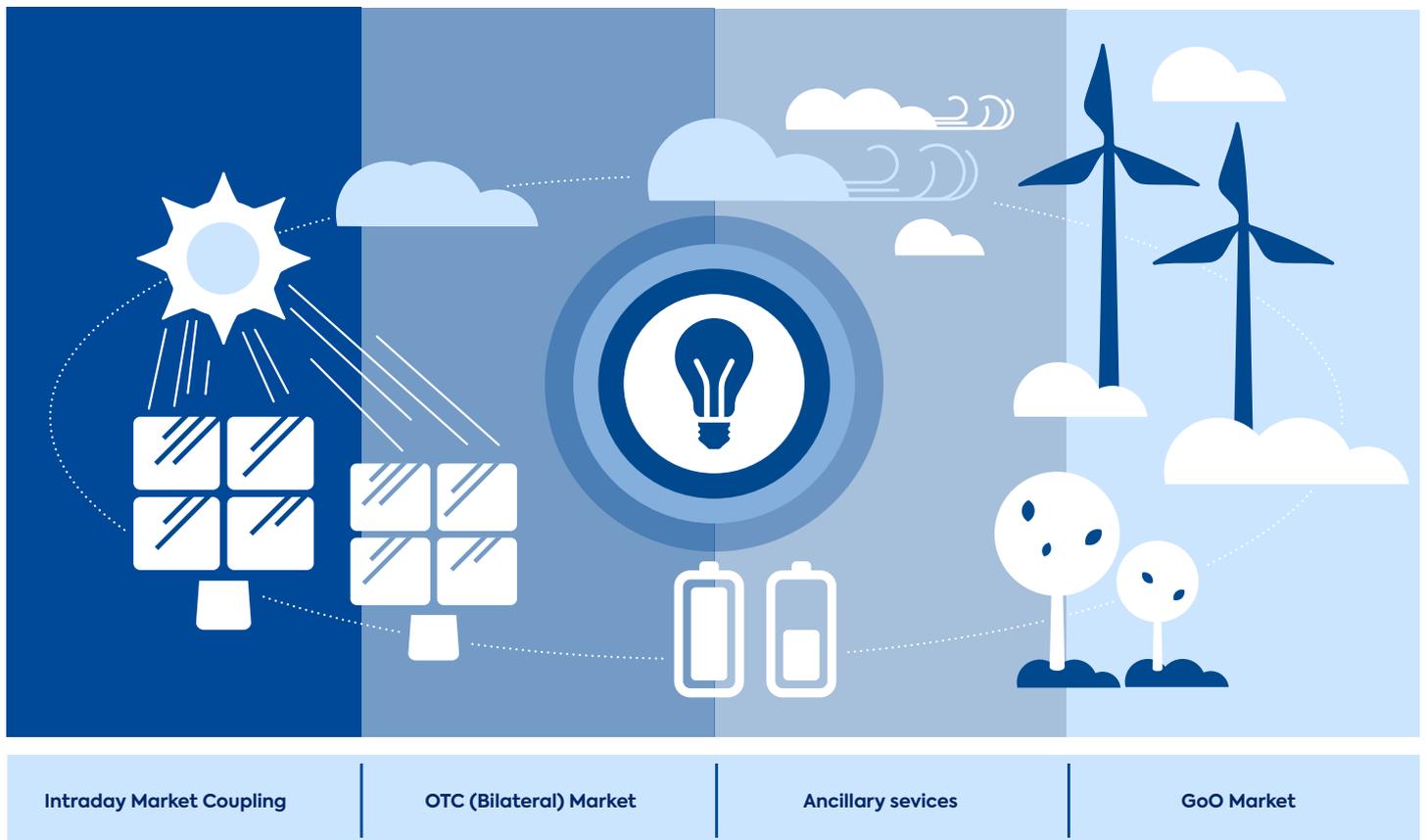
During 2019, SEEPEX took part in the Trinity project, in close cooperation with EPEXSPOT and other partners, i.e. members of the Trinity consortium. Trinity was a response to the call for proposals under the Horizon 2020 EU R&D program. The goal of the Trinity project was to develop solutions for increased regional cross-border cooperation in the transmission grid. Specifically, more cooperation between TSOs, energy producers and market participants, in particular at a regional level. The goal of the project is to harmonize cross-border services between EU and non-EU countries.

As one of the 19 companies in the consortium (that also includes NEMO's, TSO's, RSC's,

Research centers, RES and technology providers), SEEPEX took an active part in Trinity, by delivering some new market products that will help the integration of electricity markets in the SEE region. As an established power exchange, with lots of experience and good expertise in the field, SEEPEX, in cooperation with other partners in the consortium, will deliver tools that will try to enhance electricity trade in the SEE region - Intraday Market Coupling Module using Auction Algorithm, Regional Capacity Reserve Market platform, Bilateral Trading platform and Guarantees of Origin Market tool. The demonstration of these tools is planned for 2022 and 2023. Trinity project will last for 4 years.

SEEPEX

TRINITY



Regarding regional development and plans for 2021, SEEPEX is committed to continue with the ongoing market coupling projects (coupling with the MRC and AIMS coupling project within the WB6 initiative). The main obstacles for the implementation of these projects are the appointment of SEEPEX as a nominated electricity market operator (NEMO) in the Republic of Serbia and the transposition of the provisions of the CACM regulations into Serbian legislation. With the amendments to the Energy Law, as well as the adoption of the appropriate act of the Government, these obstacles will be removed during 2021, after which Serbia will be able to start the realization of these projects.

As it is well-known, one of the main benefits of the organized power market, in addition to the financial security and corresponding risk

mitigation, is fair and transparent price formation. From the very start of operation and sufficient liquidity obtained in the first few years, the SEEPEX day-ahead market price could be considered as a reference wholesale market price not only for the Serbian market area, but for the entire SEE region as well, providing also a good market place for additional arbitrage with the neighbouring EU markets (having in mind different GCT).

Independent auditors report





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TRANSLATION

Independent Auditor's Report

To the Owners of „Seepex” a.d., Beograd

Opinion

We have audited the accompanying financial statements of „Seepex” a.d., Beograd (the “Company”), which comprise:

— the balance sheet as at 31 December 2020;

and, for the period from 1 January to 31 December 2020:

- the income statement;
- the statement of other comprehensive income;
- the statement of changes in equity;
- the cash flow statement;

and

- notes, comprising a summary of significant accounting policies and other explanatory information

(the “financial statements”).

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the accounting regulations effective in the Republic of Serbia.

Basis for Opinion

We conducted our audit in accordance with the Law on Auditing of the Republic of Serbia and applicable auditing standards in the Republic of Serbia. Our responsibilities under those regulations are further described in the Auditor's Responsibility for the audit of the financial statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for

Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Serbia and we have fulfilled our other ethical 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 opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the accounting regulations effective in the Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law on Auditing of the Republic of Serbia and applicable auditing standards in the Republic of Serbia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law on Auditing of the Republic of Serbia and applicable auditing standards in the Republic of Serbia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not

- detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the

underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG d.o.o. Beograd

Signed on the Serbian original

Ivana Manigodić
Licensed Certified Auditor

Belgrade, 21 June 2021

*This is a translation of the original Independent Auditor's Report issued in the Serbian language.
All due care has been taken to produce a translation that is as faithful as possible to the original.
However, if any questions arise related to interpretation of the information
contained in the translation, the Serbian version of the document shall prevail.
We assume no responsibility for the correctness of the translation of the Company's financial statements.*

KPMG d.o.o. Beograd




Ivana Manigodić
Licensed Certified Auditor

Belgrade, 21 June 2021

