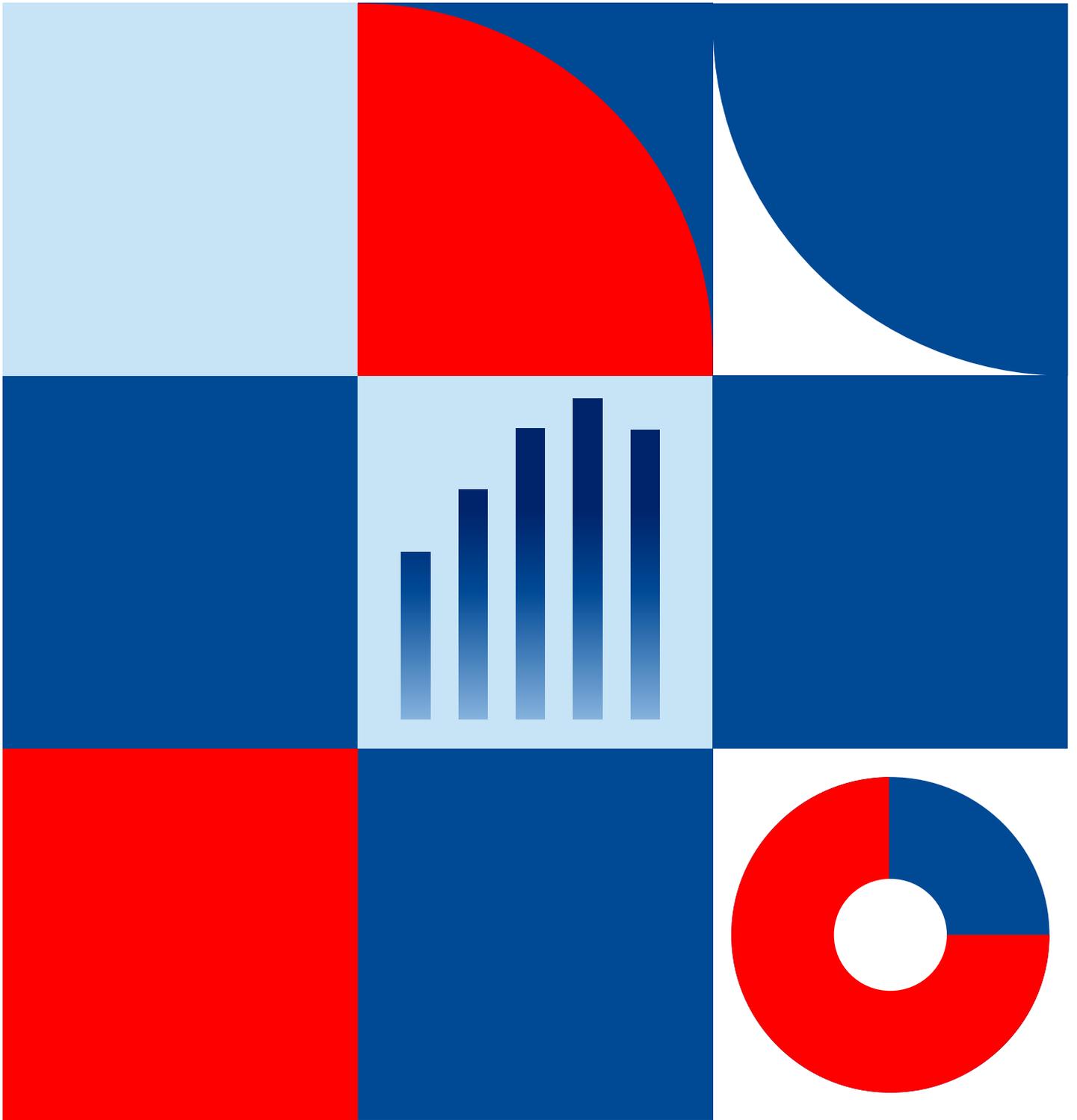


Annual Report 2022



Foreword

Dear partners and friends,

I am very proud to present SEEPEX Annual report of 2022. It was a year of many challenges mostly linked with the unprecedented price volatility and increase in overall energy costs, but also a year of impressive achievement for the whole SEEPEX team I am proud to lead. All these crises also had a major impact on SEEPEX business result, but despite all these obstacles we mastered the past year and, at the same time, achieved strategically important successes.

There are several highlights from the past year for me. Despite a difficult market and regulatory environment, especially related to already mentioned global energy crisis and significant local and regional challenges linked with the volatile prices and affected liquidity, we were fully able to deal with the corresponding challenges and to enhance our firm front-runner position in the SEE power exchange regional landscape. In 2022, SEEPEX managed to achieve stable and resilient trading volumes, as well as record-breaking financial performance. The trading volume in the day-ahead market segment in 2022 achieved 3.2 TWh, with the maximum monthly volume of 316.2 GWh recorded in April 2022 and average DAM base price of 276.65 EUR/MWh (242% increase compared with 2021). At the end of 2022, there were 28 registered and active members providing robust, resilient, and fully deconcentrated day-ahead market. In 2022, we have 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. As a result of all these efforts, 2022 was also the best financial year in the Company's 7-year history. Implementing the best European practice, both in the trading and the clearing & settlement business segment, SEEPEX continued to report record-breaking results for the seventh 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 neighboring WB6 countries. It should be emphasized also that all 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.

Beside these impressive achievements related to day-to-day operation, the main SEEPEX suc-

cess in 2022 is related to the finalization of strategic BlueSky project (in cooperation with SEEPEX shareholders and corresponding Slovenian partners), i.e. establishment of the Alpine-Adriatic Danube Power Exchange – ADEX, the first regional power exchange for Central and South-Eastern Europe. It is very well-known that trading community seeks harmonized solutions and standardized products via various markets in the region, and ADEX delivers such evolution. It represents a one-stop-shop solution for market participants by utilizing various synergies within the group, such as a harmonized IT trading infrastructure and common clearing solution, as well as single membership and simplified administrative framework.

In summary, we can state that in 2022 we have again come closer to our long-term goal of developing SEEPEX into a strong and liquid regional power spot commodity exchange. In 2023, our focus will again be on further growth in core markets, through implementation/go-live of long-awaited Serbian Intraday market and increasing the DAM trading volume and number of members, while concurrently accessing and improving new business fields – especially related to continuation of our R&D activities and already launched financial derivatives. Additional important pillars in 2023 is to enlarge initial geographic scope of ADEX through strategic cooperation with other neighboring CEE power exchanges, with the main goal to finalize ongoing and mature cooperation with respective Hungarian partners (MAVIR and HUPX). In addition, we will also continue to work on revival of the Serbian DAM Market coupling projects, with the main focus on joint efforts with the main Serbian stakeholders (Ministry, Regulators, EMS) related to the full transposition of the relevant EU market framework into national legislation as a mandatory prerequisite.

Finally, on behalf of the SEEPEX management I would like to sincerely thank our employees for their support and commitment, as well as to our

members and strategic partners helping us to achieve our goals and strategic vision. The list of challenges for 2023 is long – but so is our list of solutions. I am convinced that we together have the knowledge and creativity to deal with all these challenges and to provide reliable and cost-effective marketplace for both trading community and overall economy.

That's why I look forward to 2023 with excitement and optimism,

Miloš Mladenović
Managing Director



Annual Report 2022

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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 in 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 (EMS), 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 with 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.

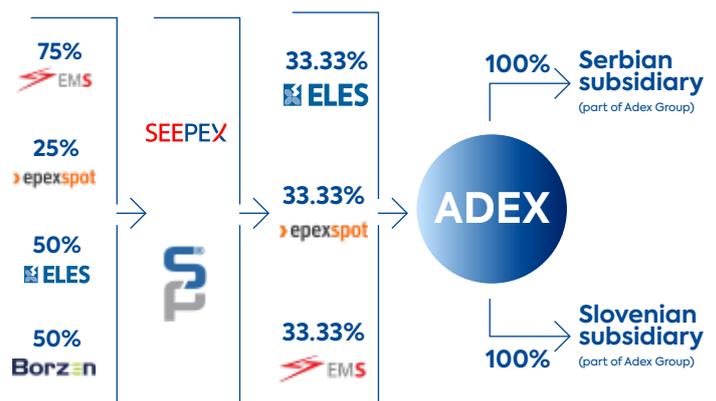
Since the function of clearing and the so-called “central counterparty” is practically nonexistent in Serbia at a satisfactory level, the Energy Law defines a possibility of clearing and financial settlement in an organized market being performed abroad, i.e. in a European country. As an important segment 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 day-ahead market. Pursuant to the above, after months of preparatory activities and obtaining the required approvals 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 company owns 25%. After the completed membership process for the members’ participation on SEEPEX, the first transactions on SEEPEX started on February 17, 2016.

On June 16, 2022, the Government of the Republic of Serbia has officially designated SEEPEX a.d. Belgrade (SEEPEX) as the Serbian Nominated Electricity Market Operator (NEMO).

Alpine-Adriatic Danube Power Exchange - ADEX, the first regional power exchange for Central and South-Eastern Europe, was officially established on 23 December 2022 in Ljubljana via formal signature of its founding members ELES, EMS, and EPEX SPOT, which all hold equal shares portion. ADEX was established in the way of corporate merging between BSP SouthPool and SEEPEX, with the company’s headquarters in Ljubljana and main permanent offices in Ljubljana and Belgrade. The newly founded ADEX will offer harmonized one-stop-shop spot power trading services in Slovenia and Serbia, with the ambition to extend business to other countries in the Central and South-Eastern European (CSEE) region.

ADEX GROUP OWNERSHIP STRUCTURE



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).

The logo for SEEPEX, with 'SEE' in red and 'PEX' in blue, followed by a red diagonal slash.

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% Individual: Managing Director Miloš Mladenović, MSc
The legal (statutory representatives)	ADEX Group d.o.o. 100% (since 23rd Dec 2023) Supervisory board: President and two members 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 performs all business activities defined in the Energy Law, pursuant to the Decision of the Government of Serbia 05 no. 023 6656/20151 of June 18, 2015.

Role in the Wholesale Electricity Market

SEEPEX's core business is operating the organized electricity market in Serbia.

SEEPEX provides a market place where exchange members send their orders to buy or sell electricity within 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 provides transactions 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 on anonymous basis. 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 Serbian 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.



Trading Procedures

Electricity trading on SEEPEX takes place across 24 individual hours, for all 365 days of the year.

Electricity trading on SEEPEX takes place across 24 individual hours, 7 days a week, 365 days a 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 D-1. 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 (D-1) ECC submits the schedules to EMS as a firmed schedule.

In the auction process, all bids and offers for a delivery of energy 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 energy, 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 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 0.00 €/MWh and 4,000.00 €/MWh (maximum clearing price was changed from 3,000.00 €/MWh to 4,000.00 €/MWh on 10th May 2022). The block offer that was introduced on SEEPEX on March 22, 2017 is a bid that connects more hours taking "All or Nothing", which means that the offer is accepted for all hours or it is completely rejected. It is possible to input different quantities of electricity for each hour of the block, with one price offered for the whole block. Curtailable block was introduced on 15th December 2021, offering a new functionality, allowing market participants to define a Minimum Acceptance Ratio (MAR) above which a block order is accepted.

SEEPEX CRUCIAL TRADING TIME POINTS

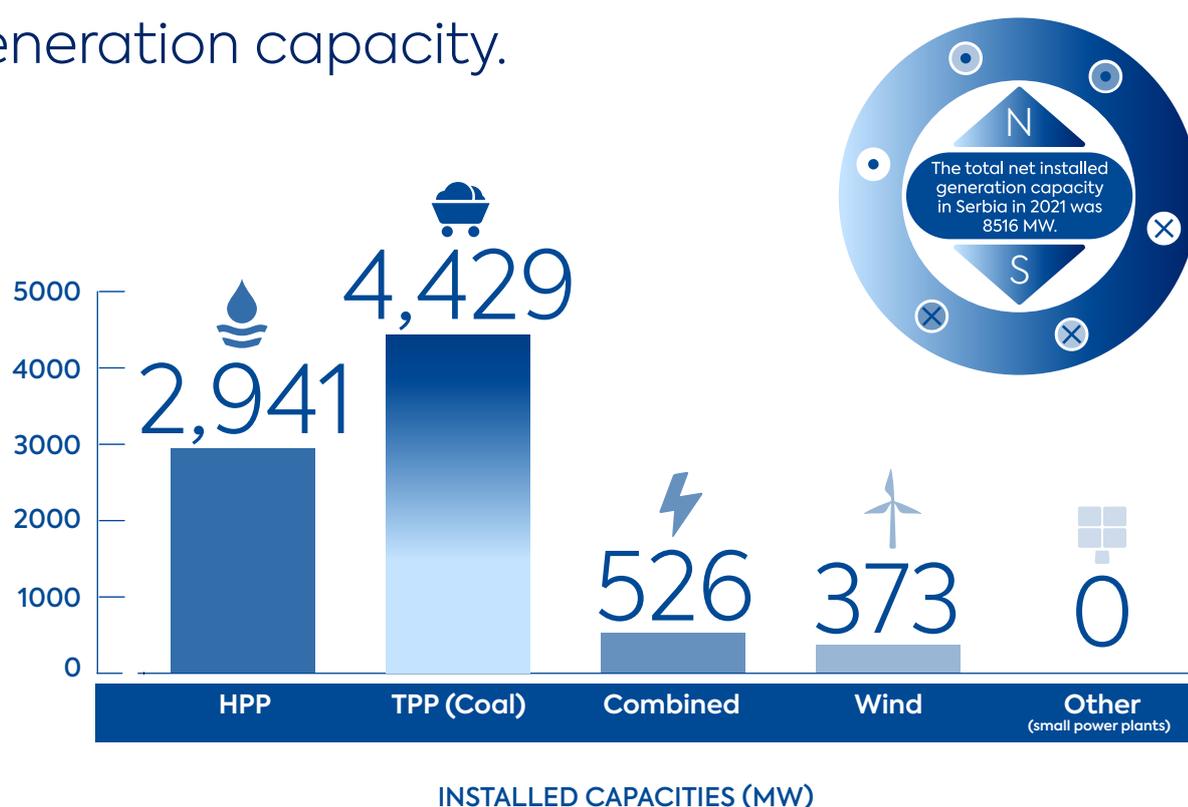


Price Thresholds for Second Auction*:

- Lower Threshold: 0.1 €/MWh
- Upper Threshold: 1,000 €/MWh - valid until 6th December 2022
- Upper Threshold: 2,400 €/MWh - valid from 7th December 2022
- Upper Threshold: 500 €/MWh - valid from 6th October 2021 until 21st December 2021
- Upper Threshold: 1,000 €/MWh - valid from 22nd December 2021

Production, consumption and installed capacity of electricity in Serbia

The structure of the installed generation capacity.



The installed capacity for all generation types and its share in Serbian generation mix is presented in the following table.

INSTALLED CAPACITIES (MW) AND SHARE

GENERATION TYPE	INSTALLED CAPACITIES (MW)	Share (%)
HPP	2,941	35.57
TPP (Coal)	4,429	53.56
Combined	526	6.36
Wind	373	4.51
Other (small power plants)	0	0
TOTAL	8,269	100.00

source: AERS

Installed production capacity

In 2022, it was produced 33,112 GWh of electricity, which is 7.13% less comparing to 2021. The figure below shows total electricity generated by different technologies in Serbia in year 2022.



GENERATION BY TYPE 2022 (GWh)

The change of generated electricity in 2022 compared to 2021 is presented in the following table:

GENERATION TYPE	2021 (GWh)	2022 (GWh)	Change (%)
🔥 HPP	11,587	8,893	-23.25
🚂 TPP (Coal)	21,537	21,413	-0.58
⚡ Combined	630	1,058	67.94
🌬 Wind	1,004	876	-12.75
🏢 Other (small power plants)	898	872	-2.90
TOTAL	35,656	33,112	-7.13

source: AERS

Membership

SEEPEx started its day-ahead market operation with 6 members on February 17 2016. A well-chosen 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, in turn, gives a good signal to new companies to access SEEPEx.

At the end of 2022, there were 28 exchange members from 13 countries active on SEEPEx, total 4 more members comparing to 2021. The composition of the members on the exchange is given in the following table and graph.

2022
28 Participants



NUMBER OF EXCHANGE PARTICIPANTS AT THE END OF 2022

Centrica Energy Trading A/S
Danske Commodities A/S
Energi Danmark A/S
MFT Energy A/S

Statkraft Markets GmbH

EDF Trading LTD
Freepoint Commodities Europe LLP

Alpiq Energy SE

Enerjisa Europe KFT
MVM Partner ZRT

Axpo Solutions AG
Energy Financing Team AG

Enel Global trading SpA

GEN-I DOO
Holding Slovenske Elektrarne DOO
Interenergo DOO
Petrol DD

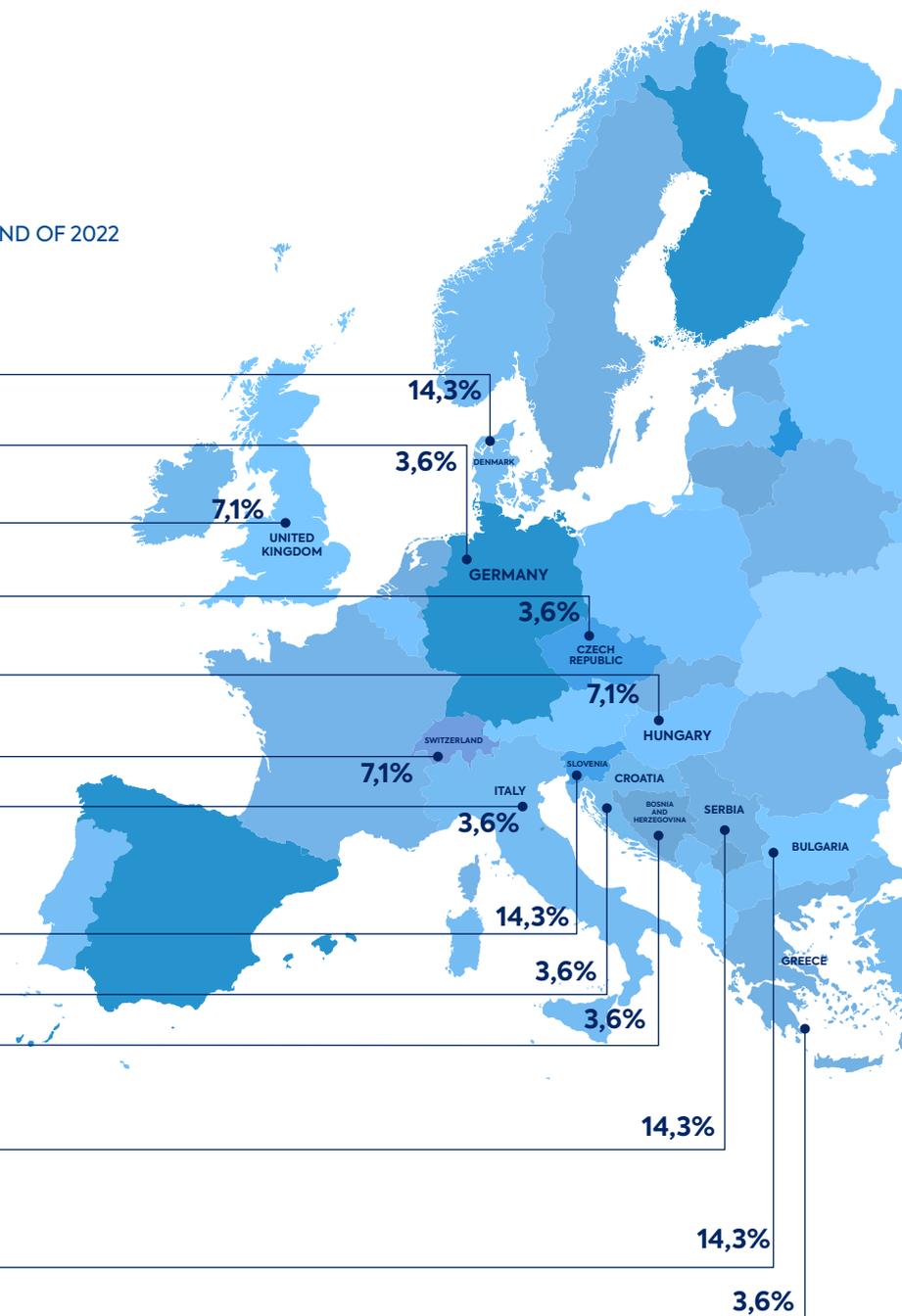
Hrvatska elektroprivreda DD

Elektroprivreda Republike Srpske MH

EMS AD beograd
JP EPS Beograd
NIS AD
EPCG DOO

Energovia EOOD
Axpo Bulgaria EAD
Nomad Energy Trading LTD
KER Toki Power AD

Strategic Energy Trading Energy SA



Prices and volumes trend on the SEEPEX spot market

The volume of electricity traded on SEEPEX day-ahead market in 2022 was 3,205,501.1 MWh. In comparison to 2021, SEEPEX traded volume decreased by 3.02%.

The average base price was 273.65 €/MWh, which is 140% higher compared to 2021.



3,205,501.1 MWh

Trading volume in 2022

316,224.0 MWh

Highest monthly volume in 2022

293.15 €/MWh

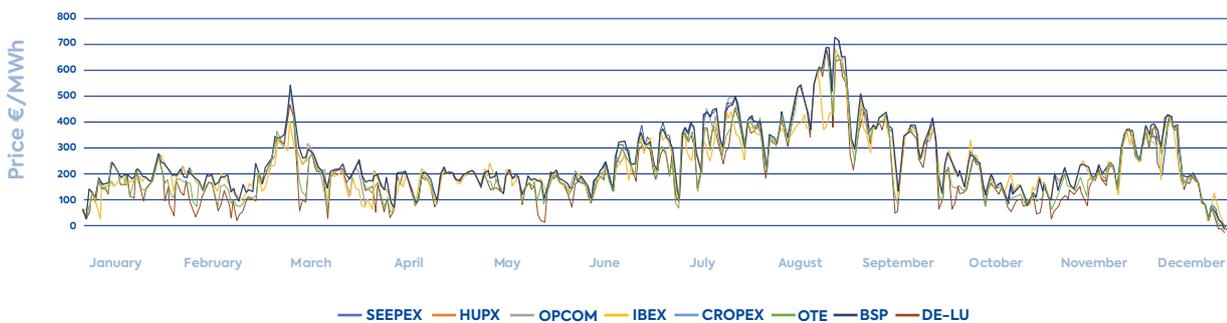
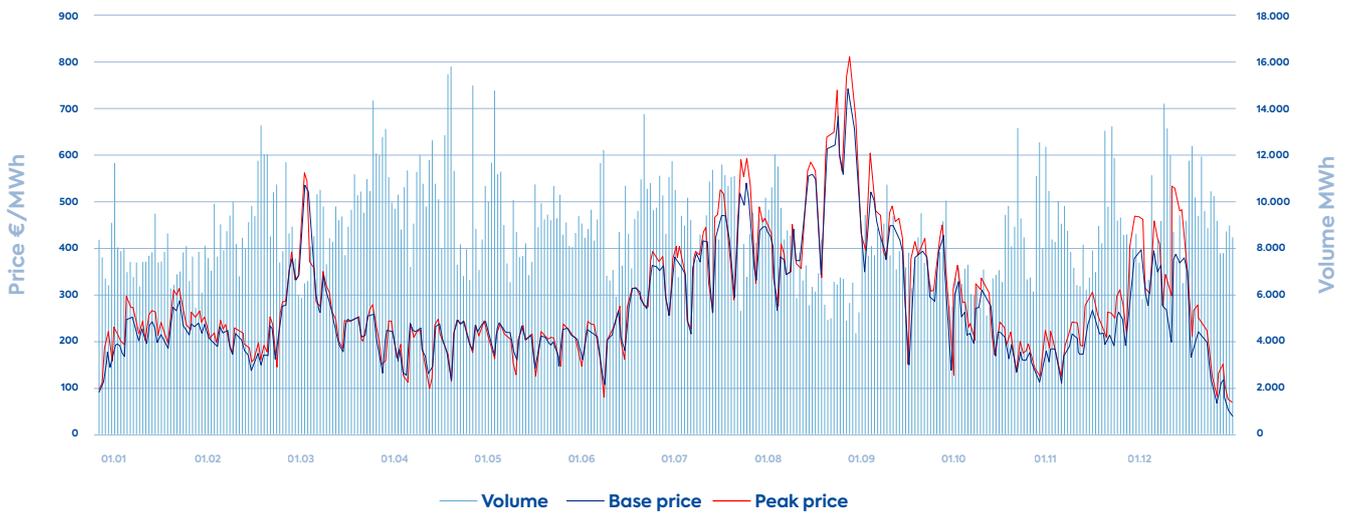
Average peak price in 2022

273.65 €/MWh

Average base price in 2022

The highest monthly trade volume of 316,224.0 MWh was registered in April 2022, while the daily maximum was reached on 24th April 2022 with 15,849.6 MWh. The lowest monthly trade volume was recorded on 1st September 2022 and amounted to 4,371 MWh. The highest hourly price of 889.52€/MWh was recorded on 30th August at 20th hour. In 2022, the average SEEPEX base price was 273.65€/MWh, while the average SEEPEX peak price reached 293.15 €/MWh.

PRICES AND VOLUMES TREND IN 2022



SEEPEX PRICES COMPARED TO NEIGHBORING EXCHANGES

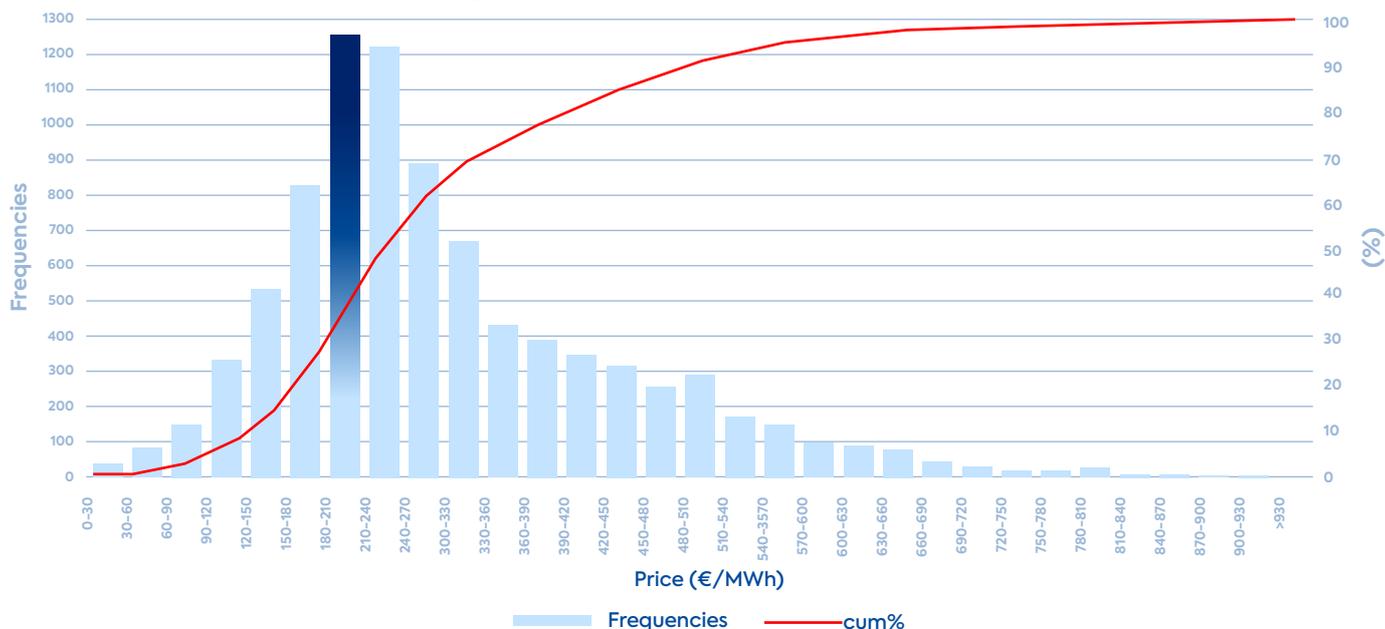
source: SEEPEX, HUPX, OPCOM, IBEX, CROPEX, OTE, BSP, DE-LU

The monthly volumes recorded in 2021 and 2022 are presented in the table below. In comparison to 2021, a significant decrease in the traded volume can be noted in the first quarter of 2022, while significant increase in the traded volume can be noted in the second quarter of 2022. The traded volume in the third and the fourth quarter of 2022 remained moreless the same as in 2021.

MONTHLY VOLUMES (GWh) 2021 AND 2022

		2021	2022	Change [%]
January	GWh	350.5	237.2	-32.33
February	GWh	383.7	251.5	-34.45
March	GWh	325.1	285.8	-12.09
April	GWh	223.9	316.2	41.22
May	GWh	276.3	294.4	6.55
June	GWh	206.4	276.0	33.72
July	GWh	272.9	290.4	6.41
August	GWh	249.9	231.9	-7.20
September	GWh	243.0	234.7	-3.42
October	GWh	222.3	230.0	3.46
November	GWh	258.7	267.3	3.32
December	GWh	292.7	290.2	-0.85

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 (180-210) €/MWh, which is marked with dark blue color. In year 2022, the hourly prices took values from this interval as many as 1253 times. Second most frequent interval is right beside the most frequent interval, and it is the interval (210-240) €/MWh, from which hourly price took values 1222 times. The hourly price in 2022 ranged from 0.98 €/MWh to 889.52 €/MWh, as shown in the following table:

YEARLY PRICES SPREAD AND AVERAGE VALUE

HOURLY PRICE €/MWh	DATE	HOUR
MIN	0.98	31/12/2022
MAX	889.52	30/08/2022
AVERAGE	273.65	

The red 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 2022, the median was 239.09€/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.

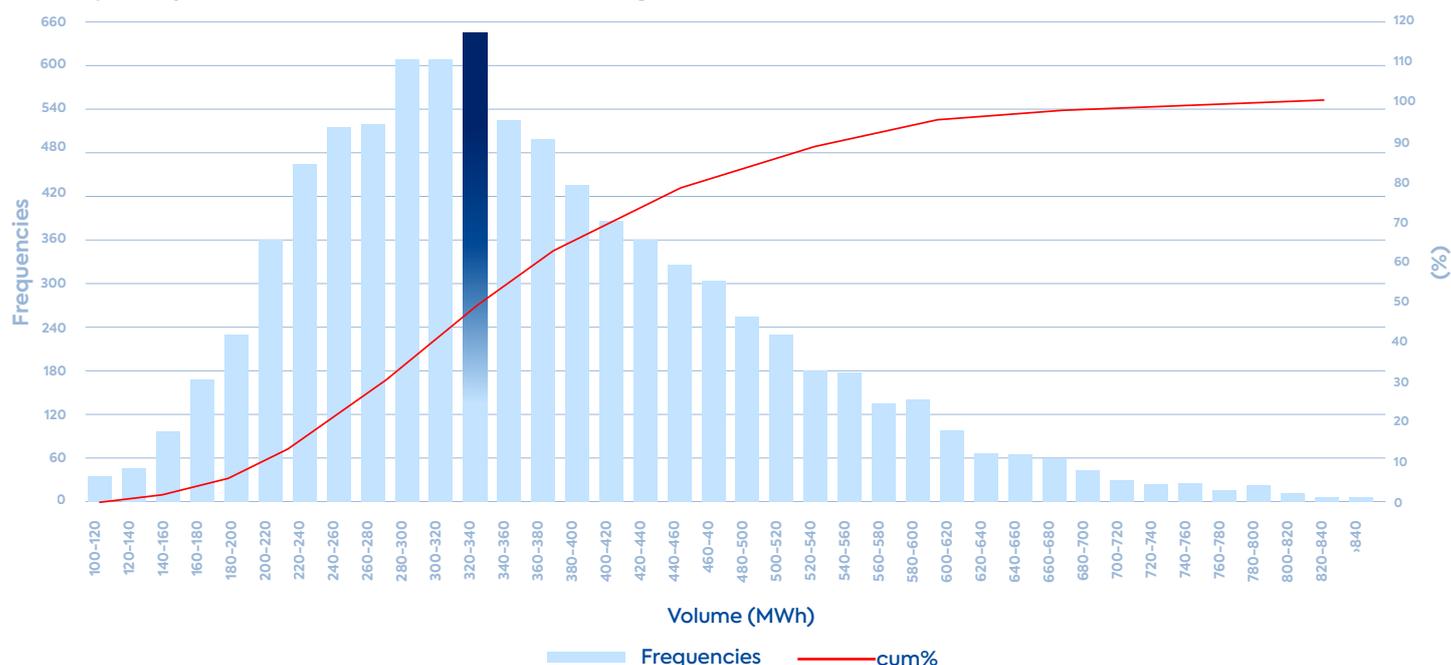
The lower quartile, the median and the upper quartile of hourly prices for 2022 are given in the following table:

YEARLY PRICES QUARTILES

LOWER QUARTILE	MEDIAN	UPPER QUARTILE
186.11 €/MWh	239.09 €/MWh	341.54 €/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 186.11 €/MWh and 341.54 €/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 in the interval (320-340) MWh, which is marked with dark blue color. In 2022, the frequency of hourly volumes from this interval was 645. The hourly volume in 2022 ranged from 74.0 MWh to 875.9 MWh, as shown in the table below:

YEARLY TRADED VOLUMES SPREAD AND AVERAGE VALUE

HOURLY VOLUME (MWh)	DATE	HOUR
MIN	74.0	09/10/2022
MAX	875.9	01/05/2022
AVERAGE	365.9	

The red curve in the figure represents the cumulative relative frequency distribution. In 2022, the median of hourly traded volumes was 343.0 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 2021 are given in the following table:

YEARLY TRADED VOLUMES QUARTILES

LOWER QUARTILE	MEDIAN	UPPER QUARTILE
270.2 MWh	343 MWh	444.0 MWh

In 50% of time, the hourly traded volumes were in the range between 270.2 MWh and 444.0 MWh.

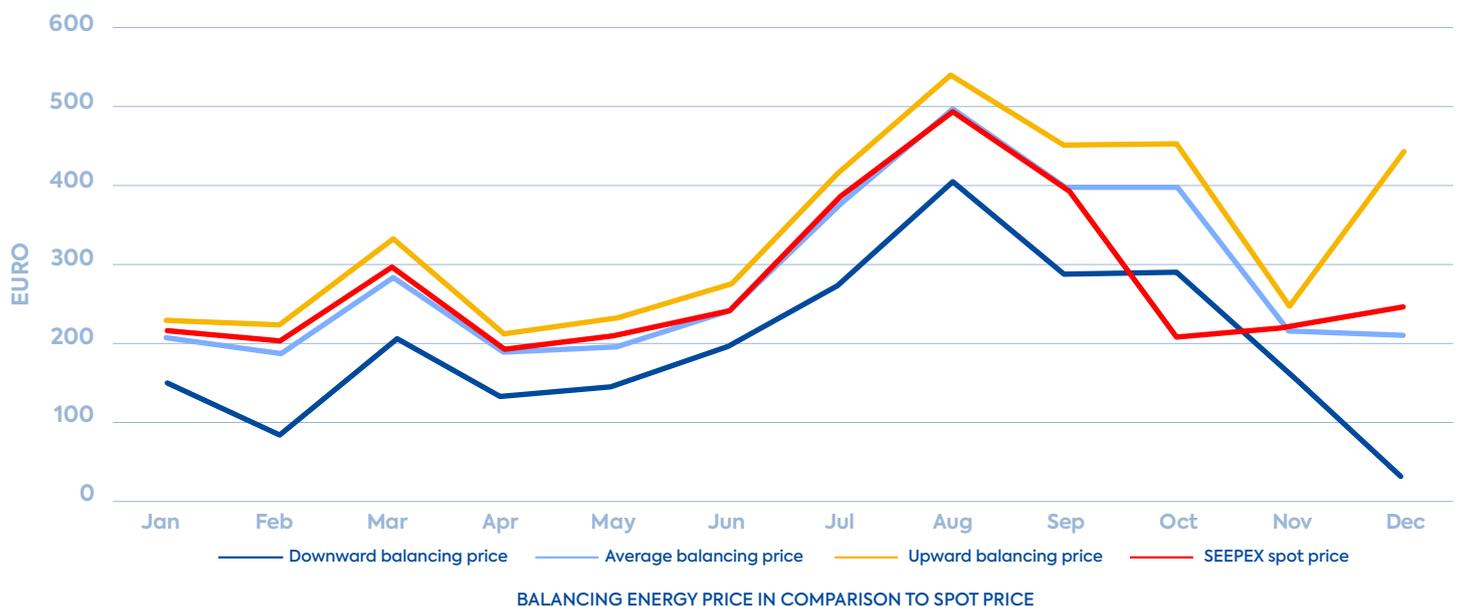
SEEPEX share in the Serbian market

The total amount of electricity that was traded on SEEPEX in 2022 was 3,206 GWh. The share of electricity traded on the organized-market in relation to gross consumption in Serbia (34,789 GWh) was 9.22%, while 20.55% was 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 power exchange on the entire wholesale market, which includes bilateral and organized market, was 34.63%.



Balancing energy price in comparison to spot price



Overview

On June 16, 2022, the Government of the Republic of Serbia has officially designated SEEPEX a.d. Belgrade (SEEPEX) as the Serbian Nominated Electricity Market Operator (NEMO). NEMO designation procedure was performed in accordance with the Serbian Energy Law and corresponding by-law - Regulation on the market coupling of organized day-ahead and intraday electricity markets, and it is fully harmonized with the corresponding provisions of Commission Regulation (EU) 2015/1222, establishing the Guidelines on Capacity Allocation and Congestion Management (CACM regulation). The Governmental decision on the SEEPEX designation as a NEMO is published on the SEEPEX website. This will provide a necessary legal and regulatory framework, in order to begin with day-ahead market coupling projects with the neighboring EU partners (TSO's and NEMO's), as well as to initiate new day-ahead and intraday market coupling projects on all other borders.

Regulatory transposition of the set of ENTSO-E Network Codes including CACM GL in the WB6 region was done by the EnC Ministerial Council in December 2022. This process was driven by the Energy Community Secretariat in close cooperation with the European Commission, with the aim to transpose the full Network Codes package in the WB6 region and ensure both full harmonization of the legal/regulatory framework with EU rules and reciprocity in the relationship between WB6 and EU stakeholders. Serbia is obliged to transpose a set of Network Codes including CACM GL into the national legislation by the end of 2023. It is already confirmed several times by the European Commission that this step will be enough to officially kick-off the process of full integration of local electricity DA/ID markets with the neighbouring EU markets via ongoing SDAC and SIDC initiatives.

In 2022, SEEPEX achieved a smaller trading volume compared to the previous year. Having in mind that the global energy crisis has shaken the world, leading to a large jump in the prices of all energy sources, including the price of electricity, which from an average value of around 50 €/MWh reached as high as 889 €/MWh

recorded in August 2022, and having in mind that the situation in Ukraine hit the markets in Europe very hard, the recorded result is realistic and expected. In any case, despite the great challenges during 2022, SEEPEX has continued the trend of successful development in business activities and number of members, with ensured financial sustainability.

The introduction of block products for trade on SEEPEX, was successfully made in March 2017. Maximum block size was 10 MWh. Blocks are custom-tailored and defined by the participants themselves. 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 to 20 MWh, and at the end of 2019, the procedure of increasing the size of the block bids to 30 MWh was initiated by the Organized Market Committee. Further improvements in the services provided by SEEPEX, considering block products, was introduction of curtailable blocks in December 2021.

From 3rd June 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.

The volume of electricity traded on futures market for this area in 2022 was 98.760,00 MWh. The energy crisis has led to a decrease in trade on derivatives markets throughout Europe and thus in Serbia as well. Recovery of this market is expected in the future.

Serbian power futures 2022

98,760.00 MWh

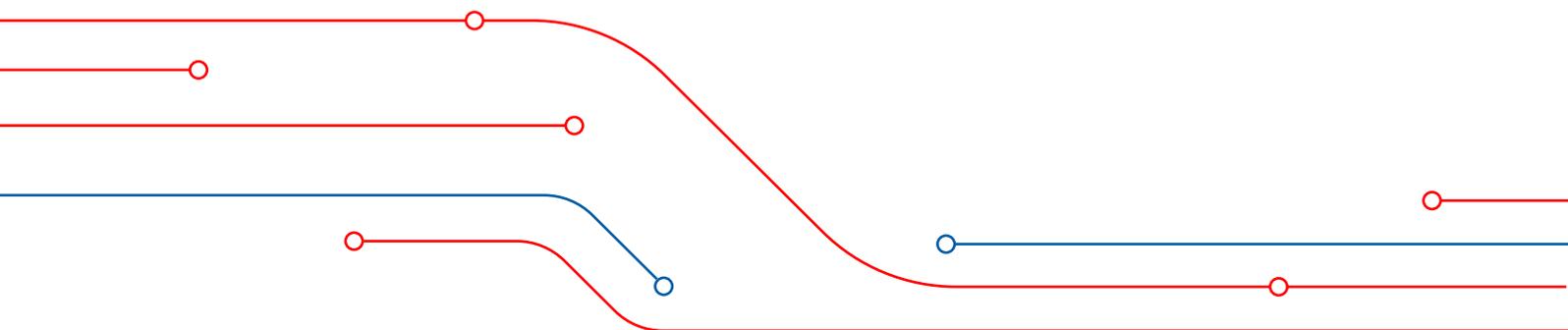
Products: baseload - week, month, quarter, year



SERBIAN FUTURES for 2023



FUTURES FOR 2023 DURING 2022, COMPARING TO SEEPEx AVERAGE SPOT PRICE FOR 2022

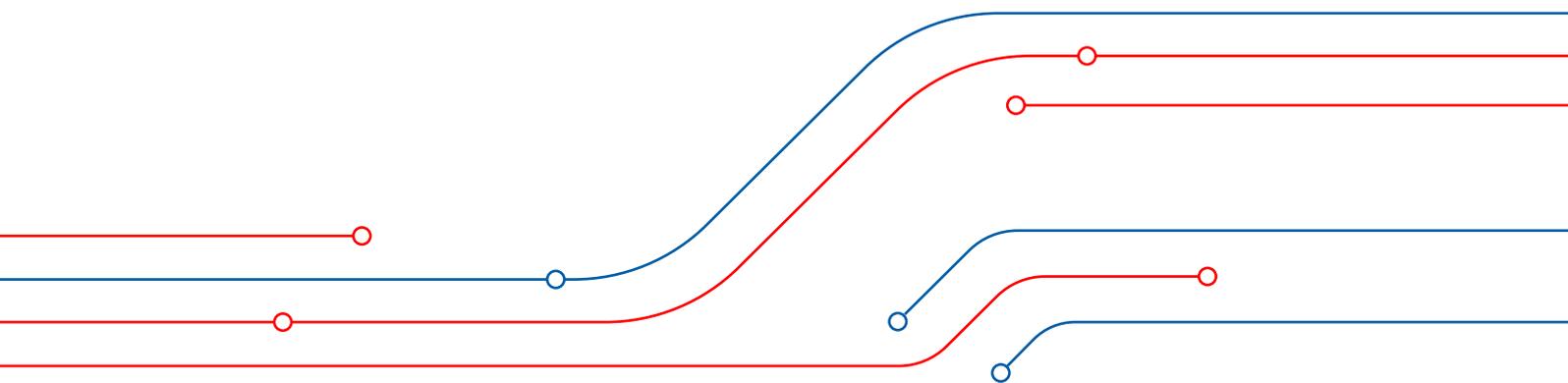


During 2019, SEEPEX took part in the Trinity project, in close cooperation with EPEXSPOT and other partners, i.e. members of the Trinity consortium. Trinity was a response to the call for proposals under the Horizon 2020 EU R&D program. The goal of the Trinity project is to develop solutions for increased regional cross-border cooperation in the transmission grid. Specifically, the project addresses the need for more cooperation between TSOs, energy producers and market participants, in particular at a regional level. The ultimate 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 NEMOs, TSOs, RSCs, Research centers, RES and technology providers), SEEPEX takes an active part in Trinity, by delivering 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 the aim of which is 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. Demonstration of these tools started in 2022 and it is also foreseen for 2023. Trinity project will last for 4 years and year 2023. is the last in this project.

According to the feedback of SEEPEX members and considering also planned significant increase of RES capacities in Serbia, implementation of SEEPEX intraday products is recognized as a high priority. SEEPEX Intraday Project started in 2022 and is currently ongoing. Realisation of this project is being done with Slovenian power exchange BSP (responsible for hosting and administering Deutsche Boerse's trading platform M7) and European Commodity Clearing (responsible for clearing and settlement services). Deployment of the project is expected in the third quarter of 2023.

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 marketplace for additional arbitrage with the neighboring 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 financial statements of Seepex a.d. Beograd (the "Company"), which comprise:

- the balance sheet as at 31 December 2022;
- the income statement for the period from 1 January to 31 December 2022; 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 2022, and of its financial performance 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

Vladimir Savković
Licensed Certified Auditor

Belgrade, 24 April 2023

*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

Vladimir Savković

Vladimir Savković
Licensed Certified Auditor



Belgrade, 24 April 2023

