

ENERGOPROJEKT HOLDING a.d.
Statement of Income
for the period from 01 January to the 30 June 2007

Group accounts, account	ITEM	EDP	Note	(RSD000)	
				Current year	Previous year
	Operating revenues and expenses				
	Operating revenues	201			-
60 & 61	Sales of goods and services rendered	202	4	123,892	
62	Income from undertaking of outputs and goods for own purposes	203			
630	Increase of inventories	204			
631	Decrease in inventories	205			
64 & 65	Other operating incomes	206	5	48	
	Operating expenses	207		112,143	
50	Purchase value of goods sold	208			
51	Cost of material	209	6	2,532	
52	Staff costs	210	7	72,572	
54	Costs of depreciation and provisions	211	8	6,059	
53 & 55	Other operating expenses	212	9	30,980	
	Profit from operations	213		11,797	
	Loss from operations	214			
66	Financial revenues	215	10	112,440	
56	Financial expenses	216	10	3,949	
67 & 68	Other revenues	217	11	24,088	
57 & 58	Other expenses	218	11	455	
	Profit from ordinary activities before taxation	219		143,921	
	Loss from ordinary activities before taxation	220			
69-59	Net profit of discontinued operations	221			
69-59	Net loss of discontinued operations	222			
	Profit before tax	223		143,921	
	Loss before tax	224			
	Income tax				
	Income tax expense for the period	225		23,474	
	Deferred income tax expense for the period	226			
	Deferred income tax revenue for the period	227			
	Personal earnings of the employer	228			
	Net profit	229		120,447	
	Net loss	230			
	Net profit attributable to minority interest	231			
	Net profit attributable to equity holders of the parent	232			
	EARNINGS PER SHARE				
	Basic earnings per share	233			
	Diluted earnings per share	234			

ENERGOPROJEKT HOLDING a.d.

**Balance Sheet
as at June 30, 2007 year**

Group accounts, account	ITEM	EDP	Note	(RSD000)	
				Current year	Previous year
	A S S E T S				
	NON-CURRENT ASSETS	001		5,656,886	
00	Unpaid subscribed capital	002			
	Goodwill	003			
01 without 012	Intangible assets	004	12	362	
	Property, plant, equipment and biological assets	005		1,449,055	
020,022,023,026,027, (part),028(part),029	Property, plant and equipment	006	12	1,449,055	
024, 027(part) & 028(part)	Investment property	007			
021,025,027,(part) & 028 (part)	Biological assets	008			
	Long term financial investments	009		4,207,469	
030 to 032,039(part)	Equity investments	010	13	4,148,759	
033 to 038, 039(part) less 037	Other long term financial investments	011	14	58,710	
	CURRENT ASSETS	012		526,589	
10 to 13,15	Inventories	013	15	1,987	
14	Non-current assets held for sale and discontinued operations	014			
	Short term receivables, investments and cash	015		524,602	
20,21&22 except 223	Receivables	016	16	371,860	
223	Receivables for prepaid income tax	017			
23 less 237	Short term financial investments	018	17	85,379	
24	Cash equivalents and cash	019	18	59,496	
27 & 28 less 288	VAT and accruals	020	19	7,867	
288	Deferred tax assets	021			
	OPERATING ASSETS	022		6,183,475	
29	LOSS OVER CAPITAL	023			
	TOTAL ASSETS	024		6,183,475	
88	OFF-BALANCE SHEET ITEMS	025			

ENERGOPROJEKT HOLDING a.d.

**Balance Sheet
as at june 30, 2007 year-Continued**

Group accounts, account	ITEM	EDP	Note	(RSD000)	
				Current year	Previous year
	CAPITAL AND LIABILITIES				
	CAPITAL	101		5,303,268	
30	Issued and other capital	102	20	3,093,363	
31	Unpaid subscribed capital	103			
32	Reserves	104	21	1,636,403	
33	Revaluation reserves	105	22	197,694	
34	Retained earnings	106	23	375,908	
35	Loss	107			
37 & 237	Redeemed own shares	108			
	NON CURRENT PROVISIONS AND LIABILITIES	109		880,207	
40	Non current provisions	110		260,000	
41	Non-current liabilities	111		331,270	
414,415	Long term loans	112			
41 excl. 414&415	Other	113	24	331,207	
	CURRENT LIABILITIES	114		288,937	
42 excl. 427	Short term financial liabilities	115	25	60,397	
427	Liabilities from assets held for sale and discontinued operations	116			
43 and 44	Liabilities from business operations	117	26	24,450	
45, 46 & 49 except 498	VAT and other public liabilities	118	28	196,425	
47&48 exc. 481	Other short term liabilities and accruals	119	27	3,753	
481	Liabilities for income tax	120	27	3,912	
498	DEFERRED TAX LIABILITIES	121			
	TOTAL CAPITAL AND LIABILITIES	122		6,183,475	
89	OFF-BALANCE SHEET ITEMS	123			

ENERGOPROJEKT HOLDING a.d.

Cash Flow Statement
for the period from 01 January to the 30 June 2007

	June 30, 2 0 0 7	(RSD000) 2 0 0 6
CASH FLOWS FROM OPERATING ACTIVITIES		
Inflows	182,532	
Selling and cash receipts from customers	180,939	
Interest receipts from operations	1,100	
Other receipts from operations	493	
Outflows	283,849	
Cash paid to suppliers and paid advances	160,976	
Staff costs	71,153	
Interest paid	3,521	
Income taxes paid	27,884	
Other public duties	20,315	
<i>Net cash (used in)/provided by from operating activities</i>	(101,317)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Inflows	25,459	
Net proceeds from disposal of shares and stakes (net inflows)	25,372	
Proceeds from sale of intangible assets, property, plants, equipment and biological assets		
Other financial investments (net inflows)		
Interest received		
Dividend received	87	
Outflows	28,139	
Purchase of shares and stakes (net outflows)		
Purchase of intangible assets, property, plants, equipment and biological assets	1,333	
Net outflow from other financial investments	26,806	
Interest paid		
<i>Net cash (used in)/provided by investing activities</i>	(2,680)	

ENERGOPROJEKT HOLDING a.d.

Cash Flow Statement
for the period from 01 January to the 30 June 2007 - Continued

	June 30, 2007	(RSD000) 2006
CASH FLOWS FROM FINANCING ACTIVITIES		
Inflows	59,415	
Proceeds from issuance of capital		
Net proceeds from long term and short term loans (net inflows)	59,415	
Other long and short term liabilities		
Outflows	1,195	
Outflow from the purchase of own shares and stakes		
Net outflow from long and short term loans and other liabilities (net outflows)		
Payment of finance lease liabilities	995	
Dividends paid	200	
<i>Net cash (used in)/provided by investing activities</i>	58,220	
Total increase in cash	267,406	
Total decrease in cash	313,183	
Net increase in cash		
Net decrease in cash	45,777	
Cash at beginning of period	102,617	
Gains on exchange	4,846	
Losses on exchange	2,190	
Cash at end of period	59,496	

ENERGOPROJEKT HOLDING a.d.
Statement of Changes in Capital
for the period from 01 January to the 30 June 2007

	Issued capital	Other capital	Unpaid subscribed capital	Share issue premium	Reserves	Revaluation reserves	Undistributed profit	Loss to the capital value	Redemption of own shares	Total	Loss to the capital value
Balance as of 1 January 2006.	1,990,633	27,013			27,485	80,635	184,479		12,539	2,297,706	
Correction of fundamental error and changes in accounting policy in prior years - increasing											
Correction of fundamental error and changes in accounting policy in prior years - decreasing											
Restated opening balance as of 1 January 2006	1,990,633	27,013			27,485	80,635	184,479		12,539	2,297,706	
Prior years increasing - total	1,075,717			1,611,408		52,776	259,109		9,554	2,989,456	
Prior years decreasing - total				15,446		11,014			22,093	4,367	
Balance as of 31 December 2006	3,066,350	27,013		1,595,962	27,485	122,397	443,588			5,282,795	
Correction of fundamental error and changes in accounting policy in prior years - increasing											
Correction of fundamental error and changes in accounting policy in prior years - decreasing											
Restated opening balance as of 1 January 2006	3,066,350	27,013		1,595,962	27,485	122,397	443,588			5,282,795	
Current year increasing - total					12,956	86,437	450,498			549,891	
Current year decreasing - total						11,140	518,278			529,418	
Balance as of 31 December 2006	3,066,350	27,013		1,595,962	40,441	197,694	375,808			5,303,268	

ENERGOPROJEKT HOLDING Co.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTES TO FINANCIAL STATEMENTS FOR JUNE 30, 2007

ENERGOPROJEKT HOLDING Co.

1. BASIC DATA ABOUT THE COMPANY

Energoprojekt Holding Co., Belgrade, (in further text: the Company) is a shareholding company of joint ownership.

The Company was founded in 1991, when “Energoprojekt Holding Corporation” for studies, research, design engineering, construction, equipment and programming of investment facilities and systems, changed its status and was organized as “Energoprojekt Holding” shareholding company of joint ownership for founding, funding and management of other companies, with the Decision of the District Commercial Court in Belgrade no. Fi 5843/91, from June 13, 1991.

With the decision of the Commercial Court in Belgrade no. VIII.Fi 8390/99 from June 30, 2000, it changed its name into “Energoprojekt Holding” shareholding company for holding operations. Apart from harmonizing with the Law on Companies, with this Decision activity of the company was broadened to include:

- holding operations;
- retail and wholesale trade in domestic and foreign trade;
- execution of investment works;
- research and mediation;
- manufacture in several industry branches, etc.

Energoprojekt Holding Co., Belgrade, is a parent company which with 11 (eleven) dependent shareholding companies and 2 (two) shareholding companies - associated legal entities, in which equity share is 50% and smaller, makes a group of companies with the short name: Energoprojekt Group.

	Name of dependent company	% share of the Holding in the equity of dependent companies
1	EP-Visokogradnja	92.39
2	EP-Niskogradnja	93.32
3	EP-Oprema	67.87
4	EP-Hidroinzenjering	94.84
5	EP-Urbanizam i arhitektura	94.40
6	EP-Promet	100.00
7	EP-Energodata	95.05
8	EP-Industrija	62.77
9	EP-Entel	86.26
10	EP-Garant	64.13
11	EP-Ingraf	100.00

	Name of the associated company	% share of the Holding in the equity of associated companies
1	Enjub	50.00
2	Energobroker	28.60

The Company, in accordance with provisions of Article 7 of the Law on Accounting and Auditing has been classified in the business year 2006 as a large legal entity.

Seat of the Company is in Bulevar Mihajla Pupina 12, 11070 Novi Beograd

Tax identification number of the Company is: 100001513

Statistical number of the Company is: 07023014

Activity code of the Company is: 110620

Average number of employees in the business year 2006 was: 71 employees (in 2005: 76 employees).

2. BASIS FOR MAKING AND PREPARATION OF FINANCIAL STATEMENTS

Financial statements are made in accordance with the *Law on Accounting and Auditing* and the regulations adopted based on this Law, with implementation of accounting policies given in Note 3 to the Statements.

Amounts in financial statements are presented in thousands RSD, i.e., in functional currency which is a domicile currency of the Republic of Serbia, valid on the day of the balance sheet – December 31, 2006.

Financial statements of the Company are presented in format regulated by the Regulations on contents and form of financial statements for companies, cooperatives, other legal entities and entrepreneurs (“Official Gazette of RS”, no.114/06).

3. REVIEW OF PRINCIPAL ACCOUNTING POLICIES

(a) Valuation principles – basic assumptions

Financial statements are prepared on the principle of occurrence of business events (principle of causality) and principle of continuity.

According to the principle of occurrence of business events, factors of business changes and other events are recognized at the moment of their occurrence (not when cash or its equivalent is received or paid). Financial statements prepared on the principle of occurrence of business events (except for Cash Flow Statement) provide information not only about business changes in the previous period, which include payment and receipt of cash, but also about liabilities for cash payment in future and about assets which present cash to be received in future.

Financial statements are prepared on the assumption that the Company shall operate for an indefinite period of time, and that it shall continue operation in the foreseeable future.

(b) Recognition of financial statements` elements

An asset is recognized in the balance sheet when it is probable that the Company shall have future economic benefits and when the asset has a purchase value, or cost price, or a value which can reliably be measured.

A liability is recognized in the balance sheet when it is probable that outflow of assets, which contain economic benefits, shall result from settling of present liabilities and when the amount of the liability which is to be settled can reliably be measured.

Revenue is recognized in the balance sheet when increase of future economic benefits is linked with the increase of assets or decrease of liabilities which can realizably be measured, i.e., recognition of revenue occurs simultaneously with recognition of increase of assets or decrease of liabilities.

Expenses are recognized in the income statement when decrease of future economic benefits, which is linked with decrease of assets or increase of liabilities, can reliably be measured, i.e., recognition of expenses occurs simultaneously with recognition of increase of liabilities or decrease of assets.

Equity is stated in accordance with the financial concept of capital as invested money or invested purchase power, and presents net assets of the Company. The concept of preserving of financial capital derives from the financial concept of equity. Preserving of financial capital is measured in nominal monetary units - RSD. According to this concept, income is earned only if financial (or monetary) amount of net assets at the end of the period exceeds the financial (or monetary) amount of net assets at the beginning of the period, after inclusion of all distributions to, or contributions from owners during the year.

(c) Calculation of foreign currencies and accounting treatment of exchange rate differences

Money, receivables and liabilities in foreign currencies are calculated in their RSD counter value per the exchange rate valid on the day of the balance sheet. Positive and negative exchange rate differences deriving from this are expressed as revenue or expenses for the given period.

(d) Revenue and expenses

Revenue includes:

- a) Revenue from regular activities of the Holding as follows:
 - Revenue from rendered services and from sale of products and goods, which are recognized after service is rendered and goods delivered, in accordance with the agreed terms of sale.
 - Revenue from rendered services are recognized proportionally to the degree of completeness of the service on the day of the balance sheet. Revenue includes revenue from premiums, subsidies and grants, rents, interest rates, etc.,
 - Revenue from sale of intangible investments, capital assets, equity shares, material, positive exchange rate differences...
- b) Extraordinary revenue – which is not linked with the regular activity, but are results of unforeseeable events (compensation of damages caused by natural disasters...).

Expenses include:

- a) Expenses from regular activities:
 - Expenses of material, earnings, depreciation...
 - Loss- from sale of non-current assets, sale of material, negative exchange rate differences, etc.
- b) Extraordinary expenses – resulting from unforeseeable, extraordinary events which occur rarely and are not connected with regular activities of the Holding.

(e) Income tax

Income tax is the amount calculated and paid in accordance with Republican regulations. Tax liability is calculated per rate of 10.00 % of taxable income. Taxable income is determined in tax balance by harmonization of the income stated in the balance sheet, which is made in accordance with International Accounting Standards and accounting regulations, for certain expenses and revenue in accordance with tax regulations.

(f) Intangible assets, buildings, plant, equipment and biological assets

Intangible assets are determinable non-monetary assets without a physical content, which the Company may control and from which inflow of future economic benefits is expected.

Intangible assets include: goodwill, licences, concessions, logos, seals, accounting software, franchises, investment in development of manufacture of new products, processes and devices, copyrights, investment in others` buildings, plant and equipment, etc.

Buildings, plant and equipment are tangible assets:

- which the Company keeps for use in manufacture or for delivery of goods or rendering of services, for renting to other entities, or for administrative purposes;
- for which it is expected to be used longer than one accounting period;

Buildings, plant and equipment are recognized as assets:

- when it is probable that future economic benefits shall flow into the Company based on these assets; and
- when purchase value or cost price of the assets can reliably be measured;

Purchase of intangible assets, buildings, plant and equipment during a year are recorded per purchase value. Purchase value is the invoice value of purchased assets increased by all relative expenses of purchase and all expenses of bringing into condition of functional readiness. Cost price of self-produced said assets includes direct expenses and the belonging indirect expenses which relate to the assets.

Purchase value or cost price also includes all renting expenses which may be directly attributed to acquiring, construction, or making of assets which are being enabled for use in accordance with the International Accounting Standards and the International Financial Statements Standards.

Subsequent expenses which relate to the already recognized intangible assets, buildings, plants and equipment are attributed to the stated amount of the assets, if it is probable that future economic benefits shall be larger than the originally estimated rate of revenue from the assets. Subsequent expenses are treated as additional investment, if:

- useful lifetime is prolonged, including increase of capacity;
- significant improvement of the product quality is achieved; and
- operating expenses are significantly decreased in comparison to expenses before investment.

All other subsequent expenses (expenses of servicing, technical maintenance, smaller repairs, etc.) are recognized as expenses for the periods in which they occurred.

After they are recognized as assets, buildings, plant and equipment are expressed per purchase value or per cost value reduced by the total amount of accounted depreciation and total amount of loss because of devalorization.

Intangible assets, buildings, plant and equipment cease to be stated in balance sheets after devalorization or when assets are permanently withdrawn from use and when from its exclusion no future economic benefits are expected.

Gains or loss resulting from removal from inventory or exclusion are determined as a difference between the estimated net revenue from sales and the stated amount of assets, and are recognized in income statement as revenue or expenses.

Investment property is property (land, building, or both) owned by owner or lease-holder on the basis of financial lease (long-term lease), for the purpose of obtaining of revenue from renting of property (lease) or for increasing the value of property, or both, not for its use for manufacturing or purchase of goods, or rendering of services, or for administrative operations, or sale within the framework of regular operations. Accordingly, investment property creates cash flows which are in a large degree independent from other property held by the Company.

Initial measuring of investment property during acquiring (purchase) is done per purchase value or cost price. In initial measuring, purchase-relative expenses are included in purchase value or cost price.

Subsequent expenses relating to the already recognized investment property are attributed to the stated amount of the investment property if it is probable that future economic benefits shall be larger than the originally estimated revenue rates from the investment property. All other subsequent expenses are recognized as expenses for the period in which they occurred.

After initial recognition, investment properties are measured according to their fair value. Fair value is measured as the most probable price which may realistically be obtained at the market on the day of the balance sheet, in accordance with the definition of fair value. That is the best price the seller could realistically obtain.

Gain or loss resulting from a change of fair value of the investment property is included in the net profit or net loss for the period in which it occurred.

(g) Depreciation

➤ Base for depreciation of intangible assets includes purchase value or cost price after deduction of their remaining value.

Remaining value of intangible assets is considered equal to zero, except when:

- 1) There is a contractual obligation of a third party to buy off the asset at the end of its remaining lifetime, or
- 2) There is an active market for the asset at which the remaining value can be determined and the market shall remain active at the end of the asset's lifetime.

For financial statements, intangible assets are written-off through proportional depreciation rate within five years, except for assets whose period of use is determined with a contract, when writing-off is done in deadlines defined in the contract.

Goodwill is not depreciated, but it is mandatory, before making of financial statements, to perform a devalorization test in accordance with the International Accounting Standards.

For making of tax balance sheet, depreciation of intangible assets is done according to valid legal regulations.

Internally occurred goodwill is not recognized as intangible asset.

➤ After initial recognition, buildings, plant and equipment are stated per purchase value or per cost price reduced by the total amount of accounted depreciation and total amount of loss because of devalorization.

Base for depreciation of buildings, plant and equipment consists of purchase value or cost price after deduction of the remaining value of the assets.

Buildings, plant and equipment are depreciated on systematic basis during the useful lifetime of the assets.

For financial statements, depreciation is accounted with the proportional method during the estimated useful lifetime of the asset. Estimated useful lifetime of the asset is, as needed, reviewed and if the expectations significantly differ from the previous estimate, depreciation rates are adjusted for the current and future periods. These estimates are made by expert commission formed by the C.E.O. upon proposal of the competent manager for finance of the Holding.

For tax balance sheet, buildings, plant and equipment are classified and depreciated per rates which are in accordance with the tax laws.

Accounting of depreciation begins from the following month in comparison to the month in which capital asset is put in use.

Depreciation rates, determined based on the estimated useful lifetime are:

	(%)
Buildings	1.30-15.00
Computers and the belonging equipment	20.00
Vehicles	15.50
Intangible assets	20.00

(h) Non-current financial investments

Non-current financial investments include investments in non-current financial assets, such as equity shares in dependent, other associated and other legal entities and other stocks and bonds available for sale, loans which are due more than one year from the day of commitment, i.e., from the date of the balance sheet, long-term stocks and bonds which are held until due, redeemed own shares and other non-current investments.

Non-current investments are financial assets which during initial recognition are measured per their purchase value.

After initial recognition, non-current financial investments are valued per fair value.

In the Republic of Serbia there is no sufficient market experience, stability and solvency for purchase and sale of financial assets, and official market information are not always available. Therefore, it is not possible to reliably determine fair value in conditions of absence of an active market, as the International Financial Statements Standards require.

In individual financial statements, investments in dependent and associated companies and joint ventures are recorded in accounting per purchase value.

Stocks and bonds available for sale are initially valued according to purchase value, and on the day of the balance sheet subsequently they are valued according to market (fair) value. Stocks and bonds for which there is no active market are stated per reimbursable value.

(i) Inventories

Inventories of material, spare parts and goods are valued per purchase value. Purchase value consists of net invoice value and relative purchase costs. Relative purchase costs imply all direct expenses in the purchase procedure to stocking, including the belonging expenses of own transport, loading and unloading, up to the level of the market price of such services.

Accounting of spent material inventories is done by the method of pondered average price.

(j) Current receivables and investments

Current receivables include receivables from buyers – dependent and other associated legal entities and other buyers at home and abroad, per the basis of sale of products, goods and services.

Current investments include loans, stocks and bonds, and other current investments with due date, i.e., sale up to one year from the day of commitment, i.e. from the day of the balance sheet.

Current receivables from buyers are measured per value from the original invoice. If the value in the invoice is stated in foreign currency, calculation is done into the statement currency per medium exchange rate valid on the day of transaction. Changes in exchange rate from the date of transaction up to the day of collection of receivables are stated as exchange rate differences in favor of revenue or on burden of expenses. Receivables stated in foreign currency on the day of the balance sheet are calculated per valid exchange rate, and exchange rate differences are recognized as revenue or expenses for the period.

Current financial investments which are not held for the purpose of trading are measured per depreciated value, not taking into account the intention of the Holding to hold them until due.

If there is a probability that Holding shall not be able to collect all amounts due (capital sum and interest) according to agreed terms for the given loans, receivables or investments held until due which are stated per depreciated value, loss has occurred because of devalorization or uncollected receivables.

Writing-off of current receivables or investments for which there is a probability of non-collection is done through direct writing-off, while in cases when impossibility of collection is certain and documented, writing-off, in whole or partially, is done through direct writing-off.

Probability of impossibility of collection is determined in each concrete case based on documented reasons (bankruptcy, i.e. liquidation of debtors, over-indebtedness, estrangement of property, forced

settlement, extrajudicial settlement, expiration, court decision, act of a managerial body, as well as in other cases for which Holding has a credible documentation on impossibility of collection.)

(k) Expenses of borrowings

Expenses of borrowings are interests, commissions and other expenses which occur in the Holding in connection with borrowing of financial assets in accordance with the International Accounting Standards and the International Financial Statements Standards.

Expenses of borrowings which can be indirectly attributed to acquiring, construction or making of assets which are being enabled for use, are included in purchase value or cost price of the assets.

Other expenses of borrowings are recognized as expenses for the period in which they occurred.

(l) Devalorization of assets

If during a year assets are devalorized, Board of Directors of the Company, based on explained proposal of the C.E.O., determines if there are indicators that assets are devalorized according to the International Accounting Standards, as well as if there are indicators that previously recognized devalorization of the assets has decreased.

In case of existence of these indicators, Board of Directors of the Holding makes a decision on the amount of devalorization or the amount for which previously recognized devalorization should be void.

At the end of the year, Board of Directors of the Holding, based on explained proposal of the C.E.O. and the inventory commission, makes a decision on the amount of devalorization of the assets or the amount for which previously recognized devalorization should be void.

(lj) Financial liabilities

Financial liabilities are non-current liabilities (liabilities per associated legal entities with mutual equity share, long-term loans, liabilities per long-term stocks and bonds and other non-current liabilities), current financial liabilities (liabilities toward associated legal entities and legal entities with mutual equity share, short-term loans and other current financial liabilities), current liabilities from operations (suppliers and other liabilities from operations) and other current liabilities.

Current liabilities are considered liabilities which are due within one year from the day of commitment, i.e., from the day of the annual balance sheet.

A part of non-current liabilities which are due in the period shorter than one year from the day of making of financial statements is stated as current liabilities.

In initial recognition, the Company measures financial liabilities per their purchase value, which implies fair value of compensation received for it. Transaction expenses are included in initial measuring of all financial liabilities.

Reduction of liabilities based on the Law, extrajudicial settlement, etc. is done through direct writing-off.

(m) Non-current provisions

Non-current provisions are recognized when:

1. The Company has a liability (legal or real) which occurred as the result of a previous event,
2. There is a probability that outflow of assets shall be necessary for settling of liabilities, and
3. Amount of the liability may reliably be estimated.

If these conditions are not fulfilled provisions are not recognized.

Provisions differ from other liabilities because of the presence of uncertainty concerning the time of occurrence or amount of future expenses necessary for settling.

Measuring of provisions is done in the amount of expected expenses for settling of liabilities and represents the best estimate of expenses necessary for settling of the present liability on the day of the balance sheet.

Provisions are reviewed on the day of each balance sheet and corrected so as to reflect the best present estimate. If it is no more probable that outflow of assets shall be necessary for settling of liability, provisions are void.

Decision on individual provisions is made by the Board of Directors of the Holding.

(n) Misstatements

Misstatements are those which have such a significant influence on financial statements for one or more previous periods that financial statements can no more be considered reliable on the day of their issuing.

Correction of misstatements from previous periods is done through correction of the initial balance of undistributed profit or loss from previous years.

Financial statements, including comparative information for previous periods, are presented as if misstatements were corrected for the period when they were made.

(nj) Exchange rates

Official exchange rates which are of importance for operations of the Company and which were used for calculation of currency positions of the Financial Statement and the Income Statement of the Company into RSD were as follows:

	In RSD	
	<u>June 30, 2007</u>	<u>Dec 31, 2006</u>
EUR	79.0254	79.0000
USD	58.7812	59.9757
GBP	117.6498	117.8577
CHF	47.6919	49.1569
RUB	2.2731	2.2735
LYD	45.3179	46.6489

4. SALES REVENUE

	June 30, 2007 (RSD 000)	2 0 0 6. (RSD 000)
<u>Domestic market</u>		
Revenue from sale of services to dependent legal entities	123,779	217,371
Revenue from sale of services to other associated legal entities		
Revenue from sale of services at domestic market	113	1,848
Total	123,892	219,219
<u>Foreign markets</u>		
Revenue from sale of services to dependent legal entities abroad - Encom		8,325
Total		8,325
Grand Total	123,892	227,544

5. OTHER OPERATING REVENUE

	June 30, 2007 (RSD 000)	2 0 0 6. (RSD 000)
Revenue from lease	48	1,426
Other operating revenue		558,710
Total	48	560,136

6. MATERIAL COSTS

	June 30,2007 (RSD 000)	2 0 0 6 (RSD 000)
Costs of material for make	50	
Costs of other material (overhead)	1,747	4,371
Costs of fuel and energy	735	3,374
Total	2,532	7,745

7. STAFF COSTS

	June 30, 07 (RSD 000)	2 0 0 6 (RSD 000)
Salaries and rewards (gross)	50,534	86,537
Income and rewards taxes and contributions charged to employer	9,506	12,714
Costs of rewards per agreements of service	584	3,003
Costs of rewards per authors` fees	50	74
Costs of rewards to members of BoD and Supervisory Board	8,572	13,147
Other staff costs	3,326	9,692
Total	72,572	125,167

8. DEPRECIATION AND PROVISION EXPENSES

Depreciation expenses in the current year in the amount of RSD 6,059 thousand relate to: depreciation of buildings, plant, equipment, investment property and intangible investments in accordance with Note 3 (g).

	June 30, 07 (RSD 000)	2 0 0 6 (RSD 000)
Depreciation expenses	6,059	12,197
Other non-current provisions		260,000
Total	6,059	272,197

9. OTHER OPERATING EXPENSES

	June 30, 07 (RSD 000)	2 0 0 6 (RSD 000)
<u>Expenses of manufacturing services</u>		
Expenses of transportation services	2,074	4,157
Expenses of maintenance services	6,418	10,877
Expenses of leases	212	1,953
Expenses of fairs		
Expenses of advertisement and propaganda	490	754
Expenses of research		
Expenses of other services	1,595	2,772
Total	10,789	20,513
<u>Intangible expenses</u>		
Expenses of non-manufacturing services	7,983	23,973
Expenses of entertainment allowance	1,199	4,228
Expenses of insurance premiums	306	469
Expenses of payment operations	999	6,953
Expenses of membership fees	334	440
Expenses of taxes	4,308	22,864
Expenses of contributions		23,864
Other intangible expenses	5,062	10,465
Total	20,191	93,256
Grand total	30,980	113,769

10. FINANCIAL REVENUES AND EXPENSES

	June 30, 07 (RSD 000)	2 0 0 6 (RSD 000)
<u>Financial revenue</u>		
Revenue from share in profit (dividends) of parent and dependent legal entities at home –EP	104,380	47,398
Financial revenue from other associated legal entities – Company abroad -Encom		

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Revenue from interests	1,107	2,260
Positive exchange rate differences	1,624	30,011
Revenue based on effects of the currency clause	3,222	1,959
Other financial revenue	2,107	175
Total	112,440	81,803

Financial expenses

Financial expenses from relations with the parent and dependent legal entities		187
Expenses of interests	1,760	21,291
Negative exchange rate differences	2,166	19,417
Expenses based on effects of the currency clause	23	32
Other financial expenses		
Total	3,949	40,927

11. OTHER REVENUE AND EXPENSES

	June 30, 07 (RSD 000)	2 0 0 6 (RSD 000)
<u>Other revenue</u>		
Revenue from sale of buildings, plant, equipment and intangible assets		3,460
Revenue from sale of shares and long-term stocks and bonds	24,088	14
Collected written-off receivables		
Revenue from decrease of liabilities		2,814
Other non-mentioned revenue		331
Revenue from adjustment of value of long-term financial investments and stocks and bonds available for further sale		
Revenue from adjustment of value of receivables and short-term financial investments		
Total	24,088	6,619

Other expenses

Loss based on removal from inventory and sale of intangible assets, buildings, plant and equipment		20
Loss based on sale of equity share and stocks and bonds		
Deficits		6
Expenses based on direct writing-off of receivables		87
Other non-mentioned expenses	455	5,550
Devalorization of short-term financial investments and other stocks and bonds available for sale		12,802
Devalorization of receivables and short-term financial investments		12,755
Total	455	31,220

12. INTANGIBLE ASSETS, BUILDINGS, PLANT, EQUIPMENT AND BIOLOGICAL ASSETS

(RSD 000)

	Land and buildings	Equipment	Leased equipment	Investment property	Intangible assets	Buildings, capital assets and investment property
	1	2	3	4	5	6=1+2+3+4
Purchase value						
Balance at the beginning of the year	548,530	43,116	10,440		811	602,086
Correction of the initial balance						
New purchases		1,160				1,160
- Sale, removal from inventory, deficit						
Other						
Balance at the end of the year	548,530	44,276	10,440		811	603,246
Correction of the value						
Balance at the beginning of the year	251,133	33,729	2,300		372	287,162
Correction of the initial balance						
Depreciation June 30, 2007	3,578	1,745	659		77	5,982
- Sale, removal from inventory, deficit						
Other						
Revaluation- estimate						
Balance at the end of the year	254,711	35,474	2,959		449	293,144
Non written-off value June 30, 2007	293,819	8,802	7,481		362	310,102

June 30, 2007 2006
(RSD 000) (RSD 000)

Intangible investments	439
Total	439

Buildings, plant, equipment and biological assets

Buildings, plant, equipment and investment property	310,102	314,924
Buildings, plant and equipment in preparation	1,138,546	1,138,547
Advance payments for capital assets	407	171
Total	1,449,055	1,453,642

13. EQUITY INVESTMENT

Equity investments are non-current financial investments in shares and equity of companies, banks and insurance companies.

They are stated:

According to the method of purchase value, according to which investor states his investment per purchase value. Investor recognizes the revenue only in the degree in which he receives his share from distribution of undistributed net profit of the investment beneficiary, which is obtained after the day when the investor acquired it. Share from distribution which is received in the amount higher than such gain is considered as investment return and is stated as decrease of the purchase value of the investment.

Equity investments relate to equity shares in:

	% shares	June 30, 2007 (RSD 000)	2 0 0 6 (RSD 000)
<u>Dependent legal entities</u>			
At home		3,892,348	3,871,170
Abroad -IC Inec and Encom		79,689	79,821
Total		3,972,037	3,950,991
<u>Other associated legal entities</u>			
At home		17,921	17,921
Abroad		9,363	9,554
Total		27,284	27,475
<u>Other legal entities and other stocks and bonds available for sale</u>			
Insurance company “Dunav”		7,454	4,242
Banks		141,984	69,236
Total		149,438	73,478
Grand total		4,148,759	4,051,944

Equity investments in other legal entities whose shares are traded at the Stock Exchange, i.e., whose fair value it was possible to determine on June 30, 2007.

1. Jubmes banka a.d. Beograd, in which Energoprojekt Holding Co. has 970 shares, price per share at Belgrade Stock Exchange was RSD 116,000,
2. Insurance company “Dunav osiguranje” AD, in which Energoprojekt Holding Co. has 527 shares, price per share at Belgrade stock Exchange amounted to RSD 14,144,
3. Hipotekarna banka a.d. Podgorica, in which Energoprojekt Holding Co. has 124 shares, price per share at Montenegrin Stock Exchange amounted to EUR 1,630,
4. Hypo Alpe-Adria-Bank a.d., in which Energoprojekt Holding Co. has 396 shares, price per share at Belgrade Stock Exchange amounted to RSD 9,000.

In accordance with the International Accounting Standards, changes in fair value are stated within revaluation reserves, which is the case of Jubmes banka a.d.: amount of RSD 73,494 thousand, Insurance company “Dunav osiguranje” AD: amount of RSD 3,212 thousand, with Hipotekarna banka a.d. Podgorica amount of RSD 8,623 thousand and with Hypo Alpe-Adria-Bank a.d. amount of RSD 554 thousand.

14. OTHER LONG-TERM FINANCIAL INVESTMENTS

Other long-term financial investments relate to:

	June 30, 2007 (RSD 000)	2 0 0 6 (RSD 000)
Long-term loans at home given to employees	1,594	1,618
Other long-term investments	57,115	57,116
Total	58,710	58,734
Minus: Correction of value		
Total	58,710	58,734

15. INVENTORIES

	June 30, 2007 (RSD 000)	2 0 0 6 (RSD 000)
Advance payments	11,917	11,083
Total	11,917	11,083
Minus: Correction of value	9,930	9,930
Total	1,987	1,153

16. RECEIVABLES

	June 30, 2007 (RSD 000)	2 0 0 6 (RSD 000)
<u>Receivables based on sales</u>		
Buyers-dependent legal entities		
At home	238,625	227,262
Abroad -IC Encom	16,877	16,871
Buyers – other associated legal entities (abroad)	88	90
Buyers at home	81	364
Minus: Correction of value		
Total	255,671	244,587
<u>Receivables from specific projects</u>		
Receivables from dependent legal entities	44,408	42,601
At home	43,726	41,910
Abroad -IC Encom	682	691
Receivables from other associated legal entities	4,832	4,934
At home	370	397
Abroad	4,453	4,537
Receivables from other legal entities	9	11
Minus: Correction of value	19,216	19,432
Total	30,024	28,114
<u>Other receivables</u>		

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Receivables for contracted interest on fixed-term deposit-Alpha Bank A.D.	36	29
Receivables for dividends from associated legal entities	83,202	
Receivables from employees	1,645	1,681
Receivables from governmental bodies and organizations	1,282	722
Minus: Correction of value		
Total	86,165	2,432
Total	371,860	275,133

Geographic schedule of receivables from buyers based on sale is as follows:

	June 30, 2007 (RSD 000)	2 0 0 6 (RSD 000)
<u>Buyers at home</u>		
Belgrade	238,706	227,626
Minus: Correction of value		
Total	238,706	227,626
<u>Buyers abroad</u>		
Europe-dependent legal entities -IC Encom	16,877	16,871
Africa-other associated legal entities	88	90
Minus: Correction of value		
Total	16,965	16,961
Total	255,671	244,587

There are unharmonized data for Receivables from buyers – of parent and dependent legal entities.

17. SHORT-TERM FINANCIAL BORROWINGS

Short-term financial borrowings include:

	Currency	Interest rate	June 30, 2007 (RSD 000)	2 0 0 6 (RSD 000)
<u>Short-term loans and investments – parent, dependent and other associated legal entities</u>				
Dependent legal entities			79,079	52,273
Other associated legal entities - Epstan				
Minus: Correction of value				
Total			79,079	52,273
<u>Short-term loans at home</u>				
Loans given to employees			26	26
Minus: Correction of value				
Total			26	26
<u>Stocks and bonds which are traded</u>				
Dependent legal entities			750	750

Other legal entities -Stankom banka	25	25
Minus: Correction of value		
Total	775	775
Other short-term financial investments	5,499	5,499
Total	85,379	58,573

18. CASH EQUIVALENTS AND CASH

	June 30, 2007 (RSD 000)	2 0 0 6 (RSD 000)
<u>In RSD:</u>		
Current accounts	1,770	28,322
Treasury	81	147
Total	1,851	28,469
<u>In foreign currency:</u>		
Foreign currency accounts	57,618	62,121
Treasury	27	27
Total	57,645	62,148
<u>Other non-monetary assets</u>		
Fixed-term deposit		12,000
Total		12,000
Grand total	59,496	102,617

19. VAT AND ACTIVE ACCRUALS

	June 30, 2007 (RSD 000)	2 0 0 6 (RSD 000)
<u>Value Added Tax</u>	648	780
<u>Active accruals</u>		
Expenses paid in advance	233	807
Other active accruals	6,986	6,319
Total	7,219	7,126
Grand total	7,867	7,906

20. ISSUED AND OTHER CAPITAL

Issued and other capital includes the following forms of capital:

	June 30, 2007	2 0 0 6
	% (RSD 000)	(RSD 000)
Share capital		
- ordinary shares	3,066,350	3,066,350
- preferential shares		
Socially-owned capital		
Issued capital	3,066,350	3,066,350
Other capital	27,013	27,013
Issued and other capital	3,093,363	3,093,363

Share capital – ordinary shares include founding and shares emitted during operations with the right of management, right on share in profit of the shareholding company and right on a part of the bankruptcy mass in accordance with the Memorandum of Association, i.e., decision on emission of shares.

At XXVII General Shareholders` Meeting of the shareholding company Energoprojekt Holding Co., held on July 26, 2005, decision was made on distribution of shares without a public tender for the purpose of replacement of existing shares because of change of their nominal value. With this decision new nominal value per share was determined of RSD 350 (instead of RSD 60 as it initially was).

At the XXVIII General Shareholders` Meeting of the shareholding company Energoprojekt Holding Co., held on July 11, 2006, decision was made on amendments and supplements to the decision on increase of the issued capital through distribution of shares without a public tender so it reads:

“For the purpose of increase of the issued capital, 2,715,216 shares are emitted.

Out of the total number of shares from paragraph 1 of this article, 400,000 shares are intended for professional investors, and 3,315,216 shares is intended for the existing shareholders of dependent companies of the Energoprojekt Group.

Nominal value of one share is RSD 350.

Amount of issued capital from the increase is RSD 1,300,325,600.

Market value of shares emitted in accordance with this decision is RSD 860.

Emission price of shares emitted in accordance with this Decision is RSD 860.

Professional investors shall pay the shares they acquire per this decision in cash.

Existing shareholders shall pay the shares they acquire per this decision with shares they own in dependent companies of Energoprojekt Group for the shares of Energoprojekt Holding.

Conversion from the previous paragraph of this article shall be done through implementation of the conversion factor one (1), so that for one (1) share of a dependent company of Energoprojekt Group one (1) share of Energoprojekt Holding shall be obtained.”

After conversion of shares, Commission for stocks and bonds issued a decision on approval of issuing of stocks and bonds without a public tender, no. 4/0-06-2967/11-06, from December 28, 2006, according to which:

- 3,074,474 shares were distributed of nominal value of RSD 350 (400,000 shares – professional investors, and 2,674,474 shares were converted by existing shareholders). Subject shares are registered in the Central Registry of stocks and bonds and cannot be a subject of public tender at the organized market for at least twelve months from the day of their issuing.

Structure of the issued capital on December 31, 2006 is as follows:

- Share capital	5,822,637 shares,
- Share fund	2,114,068 shares,
- PIO Fund	824,295 shares,
which makes a total of	8,761,000 shares.

21. RESERVES

Reserves include the following forms of reserves:

	June 30, 2007 (RSD 000)	2 0 0 6 (RSD 000)
Emission premium	1,595,962	1,595,962
Mandatory reserves	23,185	23,185
Statutory and other reserves	17,256	4,300
Total	1,636,403	1,623,447

Emission premium represents a positive difference between the achieved sale value of shares and their nominal value.

Mandatory reserves have been formed in accordance with the Law on Companies which was in effect until November 30, 2004, when the Law on Companies came into effect. Each year at least 5% were put in from gains, until reserves achieve the proportion defined in the Articles of Association in relation to the issued capital, and at least 10% of the issued capital.

Statutory and other reserves are not reserves which are formed in accordance with the Articles of Association and other documents of the Company.

22. REVALUATION RESERVES

Revaluation reserves include positive effects of changes of fair value:

	June 30,2007 (RSD 000)	2 0 0 6 (RSD 000)
(1) Buildings	47,867	47,867
(2) Equity investment in other legal entities	135,329	59,709
(3) Exchange rate differences from equity investments	14,498	14,821
Total	197,694	122,397

23. UNDISTRIBUTED PROFIT

Undistributed profit relates to:

	June 30, 2007	2 0 0 6
	RSD 000	RSD 000
Profit in previous years	443,588	184,479
Correction of profit of previous years – per the basis of misstatements		
Correction of profit of previous years – per the basis of income tax		
Correction of profit of previous years – per the basis of revaluation of equity investments in banks		
Correction of profit of previous years – per the basis of accumulated revaluation reserves		
Correction of profit of previous years – per the basis of goodwill		
Correction of profit of previous years – per the basis of other	(188,227)	
Profit of the current year	120,447	259,109
Total	375,808	443,588

24. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities relate to:

	June 30, 2007	2 0 0 6
	(RSD 000)	(RSD 000)
Liabilities toward dependent legal entities at home – Energoprojekt Visokogradnja	326,644	395,730
Other non-current liabilities – Financial leasing	4,626	4,651
Total	331,270	400,381

25. CURRENT FINANCIAL LIABILITIES

Current financial liabilities include:

	Curren Interest rate	June 30,07	2 0 0 6
	cy	(RSD 000)	(RSD 000)
<u>Short-term loans from dependent legal entities</u>			
EP-Hidroinzenjering	RSD %	12,000	
Total		12,000	
<u>Short-term loans at home</u>			
Alpha bank, Belgrade	EUR Per month Euribor+c.r. +2,5p.marg.	47,415	
Total		47,415	
<u>A part of other non-current liabilities which are due up to one year</u>			
Financial leasing		982	1,978
Total		982	1,978
Grand total		60,397	1,978

26. LIABILITIES FROM OPERATIONS

	June 30, 07 (RSD 000)	2 0 0 6 (RSD 000)
<u>Liabilities from operations</u>		
Received advance payments, deposits and securities	421	
Suppliers – dependent legal entities	8,709	6,582
At home	7,261	5,134
Abroad - IC Inec and Encom	1,448	1,448
Suppliers – other associated legal entities	180	131
At home	125	74
Abroad	55	57
Suppliers at home	9,363	16,591
Suppliers other legal entities abroad	4,265	4,329
Other liabilities from operations – at home		
Total	22,938	27,633
<u>Liabilities from specific projects</u>		
Liabilities toward dependent and other associated legal entities	1,512	3,022
Total	1,512	3,022
Grand total	24,450	30,655

Geographic distribution of suppliers is as follows:

	June 30, 07 (RSD 000)	2 0 0 6 (RSD 000)
<u>Suppliers at home</u>		
Belgrade (mostly)	22,202	26,899
Minus: Correction of value		
Total	22,202	26,899
<u>Suppliers abroad</u>		
Europe-dependent legal entities	1,448	1,447
Africa-other legal entities	800	2,309
Minus: Correction of value		
Total	2,248	3,756
Grand total	24,450	30,655

27. LIABILITIES BASED ON VAT AND OTHER PUBLIC REVENUES

	June 30,07 (RSD 000)	2 0 0 6. (RSD 000)
<u>Liabilities for value added tax</u>	2,968	651
<u>Liabilities for other taxes, contributions and other duties</u>		

Liabilities for turnover tax and excises		
Liabilities for tax from results	3,912	8,262
Liabilities for taxes, custom and other duties from purchase or on burden of expenses	16	16
Other liabilities for taxes, contributions and other duties	769	688
Total	4,697	8,966
Grand total	7,665	9,617

28. OTHER CURRENT LIABILITIES AND ACCRUALS

	June 30,07 (RSD 000)	2 0 0 6 (RSD 000)
<u>Liabilities for salaries and rewards</u>	11,732	10,097
<u>Other liabilities</u>		
Liabilities based on interests	364	2,125
Liabilities for dividends	177,595	2,585
Liabilities for share in profit	4,309	4,309
Liabilities toward employees	321	117
Liabilities toward members of BoD and Supervisory Board	1,008	947
Liabilities toward physical entities for rewards per contracts	149	52
Other liabilities	430	465
Total	184,176	20,697
<u>Passive accruals</u>		
Expenses accounted in advance	517	4,017
Accounted expenses of future period		
Total	517	4,017
Grand total	196,425	24,714

29. EVENTS AFTER THE BALANCE SHEET

After the balance sheet there were no events which could significantly affect the truthfulness of the financial statements.

In Belgrade,
August 3, 2007

C.E.O.

Person in charge of preparation
of the statement

