

## ENERGOPROJEKT HOLDING CO.

**BALANCE SHEET**  
**on December 31, 2007**

in 000 RSD

Group accounts account	POSITION	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	<b>ASSETS</b>				
	<b>NON-CURRENT ASSETS (002+003+004+005+009)</b>	001		<b>4,441,004</b>	<b>5,564,759</b>
00	I. UNPAID SUBSCRIBED CAPITAL	002			
012	II. GOODWILL	003			
01 w/out 012	III. INTANGIBLE ASSETS	004		288	439
	IV. PROPERTY, PLANT, EQUIPMENT AND BIOLOGICAL ASSETS (006+007+008)	005		307,054	1,453,642
020,022,023, 026,027(part), 028(part),029	1. Property, plant and equipment	006		307,054	1,453,642
024,027(part) 028(part)	2. Investment property	007			
021,025,027 (part) and 028(part)	3. Biological assets	008			
	V. LONG-TERM FINANCIAL INVESTMENTS (010+011)	009		<b>4,133,662</b>	<b>4,110,678</b>
030 to 032 039(part)	1. Equity share	010		4,069,372	4,051,944
033 to 038, 039(part) less 037	2. Other long-term financial investments	011		64,290	58,734
	<b>B. CURRENT ASSETS (013+014+015+021)</b>	012		<b>3,026,579</b>	<b>445,381</b>
10 to 13,15	I. INVENTORIES	013		1,305,087	1,153
	II. NON-CURRENT ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS	014			
14	III. SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH (016+017+018+019+020)	015		1,721,492	444,228
20, 21 and 22, except 223	1.Receivables	016		387,003	275,132
223	2.Receivables for overpaid income tax	017		<b>33,829</b>	
23 less 237	3.Short-term financial investments	018		428,953	58,573
24	5.Cash equivalents and cash	019		629,350	102,617
27 and 28 except 288	4.VAT and accruals	020		242,357	7,906
288	IV.DEFERRED TAX ASSETS	021			
	<b>B. OPERATING ASSETS (001+012)</b>	022		<b>7,467,583</b>	<b>6,010,140</b>
29	<b>G. LOSS OVER CAPITAL</b>	023			
	<b>D. TOTAL ASSETS (022+023)</b>	024		<b>7,467,583</b>	<b>6,010,140</b>
88	<b>D. OFF-BALANCE SHEET ITEMS</b>	025		<b>5,977,899</b>	

Group accounts, account	POSITION	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	<b>CAPITAL AND LIABILITIES</b>				
	<b>A. CAPITAL (102+103+104+105+106-107-108)</b>	101		<b>5,372,447</b>	<b>5,282,795</b>
30	I. ISSUED AND OTHER CAPITAL	102		3,093,363	3,093,363
31	II. UNPAID SUBSCRIBED CAPITAL	103			
32	III. RESERVES	104		1,636,403	1,623,447
33	IV. REVALUATION RESERVES	105		125,868	122,397
34	V. RETAINED EARNINGS	106		516,813	443,588
35	VI. LOSS	107			
037 and 237	VII. REDEEMED OWN SHARES	108			
	<b>B. NON-CURRENT PROVISIONS AND LIABILITIES (110+111+114+121)</b>	109		<b>2,095,136</b>	<b>727,345</b>
40	I. NON-CURRENT PROVISIONS	110		262,831	260,000
41	II. NON-CURRENT LIABILITIES (112+113)	111		9,754	400,381
414, 415	1. Long-term credits	112			
41 w/out 414 and 415	2. Other non-current liabilities	113		9,754	400,381
	III. CURRENT LIABILITIES (115+116+117+118+119+120)	114		1,814,415	66,964
42, except 427	1. Short-term financial liabilities	115		416,111	1,978
427	2. Liabilities from assets held for sale and assets from discontinued operations	116			
43 and 44	3. Liabilities from business operations	117		1,360,328	30,655
45, 46 and 49 except 498	4. Other short-term liabilities and accruals	118		28,780	24,714
47 and 48, except 481	5. VAT and other public liabilities	119		4,868	1,355
481	6. Income tax liabilities	120		<b>4,328</b>	<b>8,262</b>
498	IV. DEFERRED TAX LIABILITIES	121		8,136	
	<b>B. TOTAL CAPITAL AND LIABILITIES (101+109)</b>	122		<b>7,467,583</b>	<b>6,010,140</b>
89	<b>G. OFF-BALANCE SHEET ITEMS</b>	123		<b>5,977,899</b>	

CEO  
Vladan Pirivatrić, B.Sc.Eng.

**INCOME STATEMENT**  
for the period January 1 to December 31, 2007

in 000 RSD

Group account account	P O S I T I O N	EDP	Amount		
			Note no.	Current year	Previous years
1	2	3	4	5	6
	<b>A. BUSINESS REVENUE AND EXPENSES</b>				
	<b>I. BUSINESS REVENUE (202+203+204-205+206)</b>	<b>201</b>		<b>1,734,647</b>	<b>787,680</b>
60 and 61	1. Sale revenue	202		444,643	227,544
62	2. Revenue from undertaking of outputs and goods for own purposes	203			
630	3. Increase of inventories	204		1,289,303	
631	4. Decrease of inventories	205			
64 and 65	5. Other business revenue	206		701	560,136
	<b>II. BUSINESS EXPENSES (208 to 212)</b>	<b>207</b>		<b>1,540,454</b>	<b>518,878</b>
50	1. Cost value of sold goods	208			
51	2. Cost of material	209		5,379	7,745
52	3. Staff costs	210		158,042	125,167
54	4. Depreciation and provisions costs	211		12,476	272,197
53 and 55	5. Other business expenses	212		1,364,557	113,769
	<b>III. PROFIT FROM OPERATIONS (201 - 207)</b>	<b>213</b>		<b>194,193</b>	<b>268,802</b>
	<b>IV. LOSS FROM OPERATIONS (207 - 201)</b>	<b>214</b>		-	-
66	V. FINANCIAL REVENUE	215		181,175	81,803
56	VI. FINANCIAL EXPENSES	216		36,655	40,927
67, 68	VII. OTHER REVENUE	217		37,119	6,619
57, 58	VIII. OTHER EXPENSES	218		63,515	31,220
	<b>IX. PROFIT FROM OPERATIONS BEFORE TAX (213-214+215-216+217-218)</b>	<b>219</b>		<b>312,317</b>	<b>285,077</b>
	<b>X. LOSS FROM OPERATIONS BEFORE TAX (214-213-215+216-217+218)</b>	<b>220</b>		-	-
69-59	XI. NET PROFIT FROM DISCONTINUED OPERATIONS	221			
59-69	XII. NET LOSS FROM DISCONTINUED OPERATIONS	222			
	<b>B. PROFIT BEFORE TAX (219-220+221-222)</b>	<b>223</b>		<b>312,317</b>	<b>285,077</b>
	<b>V. LOSS BEFORE TAX (220-219+222-221)</b>	<b>224</b>		-	-
	<b>G. INCOME TAX</b>				
721	1. Tax expenses for the period	225		18,108	25,968
722	2. Deferred tax expenses for the period	226		103	
722	3. Deferred tax revenues for the period	227			
<b>723</b>	<b>D. EMPLOYER'S EARNINGS PAID</b>	<b>228</b>			
	<b>Đ. NET PROFIT (223-224-225-226+227-228)</b>	<b>229</b>		<b>294,106</b>	<b>259,109</b>
	<b>E. NET LOSS (224-223+225+226-227+228)</b>	<b>230</b>		-	-
	<b>Ž. NET PROFIT BELONGING TO MINORITY INVESTORS</b>	<b>231</b>			
	<b>Z. NET PROFIT BELONGING TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	<b>232</b>			
	<b>I. EARNINGS PER SHARE</b>				
	1. Basic earnings per share	233			
	2. Deceased (diluted) earnings per share	234			
	<b>Total revenue (201+215+217+221)</b>			<b>1,952,941</b>	<b>876,102</b>
	<b>Total expenses (207+216+218+222)</b>			<b>1,640,624</b>	<b>591,025</b>
	<b>Gross results</b>			<b>312,317</b>	<b>285,077</b>

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## ENERGOPROJEKT HOLDING CO.

**CASH FLOW STATEMENT**  
for the period January 1st to December 31st 2007

in 000 RSD

Position	EDP	Amount	
		Current year	Previous year
1	2	3	4
<b>A. CASH FLOW FROM BUSINESS ACTIVITIES</b>			
<b>I. Cash flow from business activities (1 to 3)</b>	301	<b>1,358,285</b>	<b>469,956</b>
1. Sale and received advance payments	302	1,351,294	465,124
2. Received interests from business activities	303	4,801	2,294
3. Other cash flow from regular operations	304	2,190	2,538
<b>II. Cash outflow from business activities (1 to 5)</b>	305	<b>768,136</b>	<b>1,012,113</b>
1. Cash to suppliers and advances paid	306	294,061	667,974
2. Staff costs	307	148,412	130,917
3. Interests paid	308	13,623	19,353
4. Income tax	309	83,270	27,965
5. Other public duties	310	228,770	165,904
<b>III. Net cash flow from business activities (I-II)</b>	311	<b>590,149</b>	-
<b>IV. Net cash outflow from business activities (II-I)</b>	312	-	<b>542,157</b>
<b>B. CASH FLOW FROM INVESTMENTS</b>			
<b>I. Cash flow from investments (1 to 5)</b>	313	<b>110,970</b>	<b>66,565</b>
1. Sale of shares and stakes (net inflow)	314	36,901	64
2. Sale of intangible assets, property, plant, equipment and biological assets	315		16,421
3. Other financial investments (net inflow)	316		2,682
4. Interests received from investments	317		
5. Dividends received	318	74,069	47,398
<b>II. Cash outflow from investments (1 to 3)</b>	319	<b>417,835</b>	<b>60,177</b>
1. Acquisition of shares and stakes (net outflow)	320		
2. Acquisition of intangible assets, property, plant, equipment and biological assets	321	3,606	3,062
3. Other financial investments (net outflow)	322	414,229	57,115
<b>III. Net cash flow from investments (I-II)</b>	323	-	<b>6,388</b>
<b>IV. Net cash outflow from investments (II-I)</b>	324	<b>306,865</b>	-
<b>V. CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>I. Cash flow from financing activities (1 to 3)</b>	325	<b>414,630</b>	<b>372,341</b>
1. Increase of capital assets	326		372,327
2. Long-term and short-term credits (net inflow)	327	414,630	
3. Other long-term and short-term liabilities	328		14
<b>II. Cash outflow from financing activities (1 to 4)</b>	329	<b>175,194</b>	<b>108,621</b>
1. Acquisition of own shares and stakes	330		
Long and short-term credits and other liabilities (net outflow)	331		102,429
3. Finance leasing	332	1,899	3,416
4. Dividends paid	333	173,295	2,776
<b>III. Net cash flow from financing activities (I-II)</b>	334	<b>239,436</b>	<b>263,720</b>
<b>IV. Net cash outflow from financing activities (II-I)</b>	335	-	-
<b>G. TOTAL CASH FLOW (301+313+325)</b>	336	<b>1,883,885</b>	<b>908,862</b>
<b>D. TOTAL CASH OUTFLOW (305+319+329)</b>	337	<b>1,361,165</b>	<b>1,180,911</b>
<b>DJ. NET CASH FLOW (336-337)</b>	338	<b>522,720</b>	-
<b>E. NET CASH OUTFLOW (337-336)</b>	339	-	<b>272,049</b>
<b>Z. CASH AT THE BEGINNING OF THE ACCOUNTING PERIOD</b>	340	<b>102,617</b>	<b>362,145</b>
<b>Z. GAINS ON EXCHANGE</b>	341	<b>28,894</b>	<b>31,970</b>
<b>I. LOSS ON EXCHANGE</b>	342	<b>24,881</b>	<b>19,449</b>
<b>J. CASH AT THE END OF THE ACCOUNTING PERIOD</b> ( 338-339+340+341-342)	343	<b>629,350</b>	<b>102,617</b>

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## ENERGOPROJEKT HOLDING CO.

**STATEMENT OF CHANGES IN CAPITAL**  
for the period January 1 to December 31, 2007

in 000 RSD

No.	DESCRIPTION	EDP	Issued capital (group 30 without 309)	EDP	Other capital (m 309)	EDP	Unpaid sub-scribed capital (group 331)	EDP	Emission premium (m 320)	EDP	Reserves (m 321, 322)	EDP	Revaluation reserves (group 33)	EDP	Undis-tributed profit (group 34)	EDP	Loss to the capital value (group 35)	EDP	Redeemed own shares and stakes (m 037, 237)	EDP	Total (quant. 2+3+4+5+6+7+8-9-10)	EDP	Loss above capital (group 29)
		1	2	3	4	5	6	7	8	9	10	11	12										
1	Balance on January 1, 2006	401	1,990,633	414	27,013	427		440		453	27,485	466	80,635	479	184,479	492	-	505	12,539	518	2,297,706	531	-
2	Correction of materially significant errors and changes in accounting policies in the previous year - increase	402		415		428		441		454		467		480		493		506		519	-	532	
3	Correction of materially significant errors and changes in accounting policies in the previous year - decrease	403		416		429		442		455		468		481		494		507		520	-	533	
4	Corrected initial balance on January 1, of the previous year 2006 (no.1+2-3)	404	1,990,633	417	27,013	430	-	443	-	456	27,485	469	80,635	482	184,479	495	-	508	12,539	521	2,297,706	534	-
5	Total increase in the previous year	405	1,075,717	418		431		444	1,611,408	457		470	52,776	483	259,109	496		509	9,554	522	2,989,456	535	
6	Total decrease in the previous year	406		419		432		445	15,446	458		471	11,014	484		497		510	22,093	523	4,367	536	
7	Balance on December 31, 2006 (no.4+5-6)	407	3,066,350	420	27,013	433	-	446	1,595,962	459	27,485	472	122,397	485	443,588	498	-	511	-	524	5,282,795	537	
8	Correction of materially significant errors and changes in accounting policies in the previous year - increase	408		421		434		447		460		473		486		499		512		525	-	538	
9	Correction of materially significant errors and changes in accounting policies in the previous year - decrease	409		422		435		448		461		474		487		500		513		526	-	539	
10	Corrected initial balance on January 1, of the current year 2007 (no.7+8-9)	410	3,066,350	423	27,013	436	-	449	1,595,962	462	27,485	475	122,397	488	443,588	501	-	514	-	527	5,282,795	540	-
11	Total increase in the current year	411		424	165	437		450		463	12,956	476	78,882	489	294,106	502		515		528	386,109	541	
12	Total decrease in the current year	412	165	425		438		451		464		477	75,411	490	220,881	503		516		529	296,457	542	
13	Balance on December 31, 2007 (no. 10+11-12)	413	3,066,185	426	27,178	439	-	452	1,595,962	465	40,441	478	125,868	491	516,813	504	-	517	-	530	5,372,447	543	-

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**STATISTICAL ANNEX**  
**for the year 2007**

**AND GENERAL DATA ON THE LEGAL ENTITY, I.E. ENTREPRENEUR**

DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4
1. Number of business months (designation from 1 to 12 )	601	12	12
2. Size designation (from 1 to 3)	602	3	3
3. Ownership designation (from 1 to 5)	603	2	2
4. Number of foreign (legal or physical) entities with equity share	604		
5. Average number of employees based on the balance at the end of each month (whole number)	605	78	71

**II GROSS CHANGES OF INTANGIBLE ASSETS AND REAL PROPERTY, PLANT, EQUIPMENT AND BIOLOGICAL ASSETS**

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Gross	Correction of value	Net
					(col.4-5)
1	2	3	4	5	6
o1	<b>1.Intangible assets</b>				
	1.1. Balance at the beginning of the year	606	<b>811</b>	<b>372</b>	<b>439</b>
	1.2. Increase (acquisitions) during the year	607			
	1.3. Decrease (sale, removal from inventory and impairment) during the year	608			151
	1.4.Revaluation during the year	609			
	1.5.Balance at the end of the year (606+607-608+609)	610	<b>811</b>	<b>523</b>	<b>288</b>
o2	<b>2. Real property, plant, equipment and biological assets</b>				
	2.1. Balance at the beginning of the year	611	<b>1,766,874</b>	<b>313,232</b>	<b>1,453,642</b>
	2.2. Increase (acquisitions) during the year	612	4,051		4,051
	2.3. Decrease (sale, removal from inventory and ensuring) during the year	613	1,167,176		1,150,639
	2.4. Revaluation during the year	614			
	2.5. Balance at the end of the year ( 611+612-613+614)	615	<b>603,749</b>	<b>296,695</b>	<b>307,054</b>

**III STRUCTURE OF INVENTORIES**

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
10	1. Inventories	616		
11	2. Unfinished production	617	1,289,303	
12	3. Finished products	618		
13	4. Goods	619		
14	5. Non-current assets held for sale	620		
15	6. Advances given	621	15,784	1,153
	<b>7.TOTAL (616+617+618+619+620+621=013 )</b>	<b>622</b>	<b>1,305,087</b>	<b>1,153</b>

#### IV STRUCTURE OF CAPITAL ASSETS

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
300	1. Share capital	623	3,066,185	3,066,350
	in it: foreign capital	624		
301	2. Share of limited liability company	625		
	in it: foreign capital	626		
302	3. Shares of members of partnership and limited-partnership company	627		
	in it: foreign capital	628		
303	4. State-owned capital	629		
304	5. Socially-owned capital	630		
305	6. Cooperative shares	631		
309	7. Other capital shares	632	27,178	27,013
30	<b>TOTAL: ( 623+625+627+629+630+631+632=102)</b>	<b>633</b>	<b>3,093,363</b>	<b>3,093,363</b>

#### V EQUITY STRUCTURE

Number of shares as a whole number

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
	<b>1. Ordinary shares</b>			
	1.1. Number of ordinary shares	634	8,760,529	8,761,000
part 300	1.2. Nominal value of ordinary shares - total	635	3,066,185	3,066,350
	<b>2. Priority shares</b>			
	2.1. Number of priority shares	636		
part 300	2.2. Nominal value of priority shares - total	637		
300	<b>3. TOAL - nominal value of shares ( 635+637= 623)</b>	<b>638</b>	<b>3,066,185</b>	<b>3,066,350</b>

#### VI RECEIVABLES AND LIABILITIES

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
20	1. Sale receivables (balance at the end of the year 639 ≤ 016)	639	274,810	244,587
43	2. Liabilities from operations (balance at the end of the year 640 ≤ 117)	640	1,160,138	27,633
part 228	3. Receivables during the year from insurance companies for damages (debt turnover without initial balance)	641		
27	4. VAT paid during acquisition of goods and services (debt turnover without initial balance)	642	43,907	22,666
43	5. Business liabilities (receivables turnover without initial balance)	643	1,306,490	446,893
450	6. Liabilities for net income and income compensations (receivables turnover without initial balance)	644	81,438	62,494
451	7. Liabilities for salaries tax and salaries compensations paid by employees (receivables turnover without initial balance)	645	12,531	11,986
452	8. Liabilities for contributions on salaries and salaries compensations paid by employees (receivables turnover without initial balance)	646	16,247	12,734
461,462 and 723	9. Liabilities for dividends, profit share and employer's personal earnings (receivables turnover without initial balance)	647	175,211	
465	10. Liabilities toward physical entities for compensations per contracts (receivables turnover without initial balance)	648	2,310	1,915
47	11. VAT collected during sale of products, goods and services (receivables turnover without initial balance)	649	222,481	62,508
	<b>12. Control summary (639 to 649)</b>	<b>650</b>	<b>3,295,563</b>	<b>893,416</b>

## VII OTHER EXPENSES AND EXPENDITURES

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	DEP designation	Current year	Previous year
1	2	3	4	5
513	1. Fuel and energy costs	651	2,108	3,374
520	2. Salaries and salaries compensations (gross)	652	106,667	86,537
521	3. Tax expenses and contributions on salaries and salaries compensations paid by employer	653	17,892	12,714
522,523,524 and 525	4. Expenses for compensations to physical entities (gross) based on contracts	654	3,727	3,077
526	5. Expenses of compensations to BoD & Supervision Board members (gross)	655	17,368	13,147
529	6. Other personal expenses and compensations	656	12,389	9,681
53	7. Expenses of production services	657	1,312,216	20,513
533, part 540 and part 525	8. Lease expenses	658	212	1,953
part 533, part 540 & part 525	9. Expenses of land lease	659		
536,537	10. Expenses of research and development	660		
540	11. Depreciation expenses	661	12,040	12,197
552	12. Expenses of insurance premiums	662	676	469
553	13. Payroll expenses	663	3,586	6,953
554	14. Membership fees	664	615	440
555	15. Tax expenses	665	8,298	22,865
556	16. Contributions	666		23,864
562	17. Interests	667	11,775	21,291
part 560, part 561 and 562	18. Interests expenses and a part of financial expenses	668	11,775	21,478
part 560, part 561 and part 562	19. Interests expenses per credits and banks and dfo	669	11,764	17,437
part 579	20. Expenses for humanitarian, cultural, health, educational, scientific and religious purposes, for protection of the Environment and sports	670	2,088	5,384
	<b>21. Control summary (from 651 to 670)</b>	<b>671</b>	<b>1,535,196</b>	<b>283,374</b>

## VIII OTHER REVENUE

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
60	1. Goods sale revenue	672		
640	2. Revenue from premiums, subsidies, dotations, recourses, compensations and tax duties returns	673		
641	3. Revenue from conditioned donations	674		
part 650	4. Revenue from land lease	675		
651	5. Membership revenue	676		
part 660, part 661, 662	6. Interests revenue	677	4,798	2,260
part 660, part 661, and part 662	7. Revenue from interests per accounts and deposits in banks and other financial organizations	678	4,798	2,260
part 660, part 661 and part 669	8. Revenue from dividends and profit share	679	145,473	47,398
	<b>9. Control summary (from 672 to 679 )</b>	<b>680</b>	<b>155,069</b>	<b>51,918</b>

**IX OTHER DATA**

Amounts in 000 RSD

DESCRIPTION	EDP. designation	Current year	Previous year
1	2	3	4
1. Liabilities for accises (according to annual accises calculation)	681		
2. Calculated custom duties and other import duties (total annual amount according to calculation)	682		
3. Capital subsidies and other state subsidies for construction and acquisition of capital assets and intangible assets	683		
4. State allocations for premiums, recourses and covering of current operating expenses	684		
5. Other state allocations	685		
6. Received donations from abroad and other non-returnable assets in money or nature from foreign legal and physical entities	686		
7. Personal income of entrepreneurs from net profit (filled in by entrepreneurs only)	687		
<b>8. Control summary (from 681 to 687)</b>	<b>688</b>	<b>0</b>	<b>0</b>

CEO  
Vladan Pirivatrić, B.Sc.Eng.

**"ENERGOPROJEKT HOLDING" CO. BELGRADE**

**NOTES TO THE  
FINANCIAL STATEMENTS FOR THE YEAR 2007**

## 1. BASIC DATA ABOUT THE COMPANY

Energoprojekt Holding Co., Belgrade (in further text: the Company) is an open shareholding company for holding operations of joint ownership.

The Company was adjusted to the Law on Companies (Official Gazette of RS no. 125/2004) by adoption of the Decision on Adjustment to the Law on Companies and the Articles of Association at the General Shareholders` Meeting held on September 28, 2006.

The Company was registered and transferred into the Registry of the Business Registers Agency, with the Decision BD 8020/2005, from May 20, 2005, from the court registry of the Commercial Court in Belgrade, with previous registration on the registry sheet no. 1-2511-00.

With the Decision of the Commercial Court in Belgrade VIII Fi 8390/99, from June 30, 2000, the Company was adjusted to the Law on Companies (Official Gazette of FRY 29/96), the Law on Classification of Activities (Official Gazette of FRY 31/96) concerning its name, activities, capital assets and bodies, changed its name into Energoprojekt Holding Shareholding Company for Holding Operations, from Energoprojekt Holding Shareholding Company of Joint Ownership for Founding, Funding and Management of Other Companies, up till then registered with the Decision of the same court with the Decision FI 5843/91 from June 13, 1991.

Legal predecessor of Energoprojekt Holding Shareholding Company of Joint Ownership is the Energoprojekt Holding Corporation, registered in the Registry of the District Commercial Court in Belgrade, with the Decision Fi 423 from January 12, 1990, organized per the previous Law on Companies (Official Gazette of SFRY 77/88, 40/89, 46/90 and 60/91) by adoption of the Self-Management Agreement on changes in organization of the previous Complex Organization of Associated Labor Energoprojekt and the associated Work Organizations, at the referendum held on December 8, 1989.

Energoprojekt Holding Co., Belgrade, is a parent company which, with 11 (eleven) dependent companies (10 shareholding companies and 1 limited liability company), in which its equity share is over 50%, as well as 2 (two) associated companies (1 limited liability company and 1 shareholding company), in which its equity share is 50% and less, makes a group of companies with the short name Energoprojekt Group.

	Names of dependent companies	% share of the Holding in the equity of dependent companies
1	EP-Visokogradnja a.d.	92.39
2	EP-Niskogradnja a.d.	93.32
3	EP-Oprema a.d.	67.87
4	EP-Hidroinženjering a.d.	94.84
5	EP-Urbanizam i arhitektura a.d.	94.40
6	EP-Promet d.o.o.	100.00
7	EP-Energodata a.d.	95.05

“ENERGOPROJEKT HOLDING” CO., BELGRADE  
NOTES TO THE FINANCIAL STATEMENTS

8	EP-Industrija a.d.	62.77
9	EP-Entel a.d.	86.26
10	EP-Garant a.d.o.	64.13
11	EP-Ingraf a.d.	100.00

	Names of associated companies	% share of the Holding in the equity of associated companies
1	Enjub d.o.o.	50.00
2	Energobroker a.d.	28.60

In accordance with provisions of Article 7 of the Law on Accounting and Auditing, the Company is classified in the business year 2007 as a large legal entity.

Seat of the Company is at the address Bulevar Mihaila Pupina 12, 11070 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 2007 was: 79 employees (in the year 2006: 71 employees).

Shares of the Company are traded at the listing A of the Belgrade Stock Exchange.

Financial statements of the Company have been approved by the Board of Directors at the 11th meeting held on February 25, 2008.

## **2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS**

Financial statements which we are reporting have been prepared in accordance with the *Law on Accounting and Auditing* („Official Gazette of RS“ 46/2006) and the regulations adopted based on that law, with implementation of accounting policies stated in Note 4 to these statements and the generally adopted practice in the Republic of Serbia.

Financial statements of the Company are presented in the format regulated by the Rules on the content and form of templates of financial statements for companies, collectives, other legal entities and entrepreneurs („Official Gazette of RS“, no. 114/06).

## 2.1. Functional and currency for presentation

Amounts in financial statements are stated in thousands of Dinars (RSD). RSD is the functional and the currency for presentation (reporting currency) of the Company. All transactions performed in currencies which are not the functional currency are treated as transactions in foreign currencies.

Amounts in financial statements are stated in thousands of RSD, i.e., in the functional currency, which is a domicile currency, valid on the day of the balance – December 31, 2007.

Comparative data are presented in thousands of RSD valid on December 31, 2006.

Official medium exchange rates of the National Bank of Serbia (NBS) applied for exchange rates of monetary funds and liabilities were as follows:

	Dec 31, 2007	Dec 31, 2006
EUR	79.2362	79.0000
USD	53.7267	59.9757

## 3. ESTIMATES AND ASSESSMENTS OF THE MANAGEMENT

Preparation of financial statements in accordance with IAS and ISFS requires the management to make estimates, assessments and assumptions which are reflected in the reported amounts of the assets, liabilities, income and expenditures. Realized results may differ from the estimates.

Based on financial statements of Energoprojekt Promet d.o.o., competent bodies of the Company have estimated and adopted the decision on correction of value of the equity share, receivables and financial investments of the Company in the total amount of RSD 60,842 thousand, stated in Note 14 (position "Impairment of long-term financial investments and other securities available for sale" and a part of the position "Impairment of receivables and short-term financial investments") and Notes 25 and 26.

## 4. REVIEW OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Rules for estimation – principal assumptions

Financial statements are prepared according to the principle of occurrence of a business event (principle of causality) and the principle of continuity.

According to the principle of occurrence of a business event, effects of business changes and other events are recognized at the moment of occurrence (not when cash or its equivalent is received or paid). Financial statements prepared on the principle of occurrence of a business event (except

for the Report on Cash Flow) provide information not only on business changes in the previous period, which include payment and receipt of cash, but also on liabilities for payment of cash in the future period and on resources which present cash to be received in the future period.

Financial statements are prepared under the assumption that the Company shall operate in the indefinite period of time and that it shall continue to operate in the foreseeable future as well.

### **(b) Recognition of elements of financial statements**

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 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 reasonably 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 assets derives from the financial concept of equity. Preserving of financial assets 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 of exchange rate differences**

Monetary assets 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 revenues or expenses for the given period.

Calculation of monetary assets and liabilities with the agreed protection through currency clause is done according to the exchange rate valid on the day of the balance sheet, where the effect is accounted in the income statement as financial income, i.e. expense.

#### **(d) Sale income**

Sale income is stated in the amount of the invoiced realization, i.e., sale made until the end of the accounting period, provided that that day debtor-creditor relations occurred and such an invoice was delivered. Income is measured per fair value of the received compensation or receivables, taking into account the amount of all trade discounts and quantity rebates which the Company approved. Difference between the fair value and the nominal amount of compensation is recognized as interest income. Sale income is recognized when all requirements are satisfied:

- The Company has transferred all significant risks and benefits from ownership to the buyer;
- Management of the Company does not hold or influence the management in the degree usually linked with ownership, or control of sold products and goods;
- When it is possible to reliably measure the sale income;
- When it is probable that a business change shall be accompanied with a flow of economic benefits for the Company, and
- When expenses which were incurred or shall be incurred in connection with the business change may be reliably measured.

Income from services is stated proportionally to the degree of completeness of the service on the date of the balance sheet.

#### **(e) Operating expenses**

Total operating expenses consist of: cost value of sold goods, expenses of materials, salaries and other personal expenses, depreciation and provisions expenses, expenses of production services and intangible expenses.

Principal elements and principles of recognition of expenses are:

- Expenses are recognized, i.e., recorded and stated when decrease of future economic benefits, linked with decrease of assets or increase of liabilities, may reliably be measured;
- Expenses are recognized based on the direct link of expenses with the income (principle of causality);
- When it is expected that economic benefits shall flow in during several accounting periods, and the link with the income may be established in a broader sense or indirectly, expenses are recognized through the procedure of systemic and reasonable allocation;

- Expenses are recognized when they do not bring about any economic benefits, or when and up to the amount up to which future economic benefits do not satisfy the requirements or have stopped satisfying the requirements for recognition in the balance sheet as an asset;
- Expenses are recognized in cases when a liability occurs without a simultaneous recognition of assets.

#### **(f) Gain and loss**

Gain presents an increase of economic benefits, and includes income which occurs in case of a sale of non-current assets per value larger than its accounting value, then unrealized gains based on sale of market securities (in case when valuation of securities is done per their market value), as well as gains occurring during increase of the accounting value of non-current assets because of cease of the effect of requirements on decrease of their value.

Loss occurs based on: sale of assets per prices lower than their accounting value; removal from inventory of unwritten-off capital assets; damages which may be compensated totally or partly from insurance companies; implementation of the principle of imparity (decrease of value of assets).

#### **(g) Financial gain and loss**

Financial gain and loss include: income and expenses from interests, income and expenses from exchange rate differences, income and expenses from the relation with the parent, dependent and other associated legal entities and other financial income and expenses.

Income from dividends is recognized as income in the year when the right is established for their payment.

#### **(h) Income tax**

Income tax is the amount calculated and paid in accordance with Republican regulations. Tax liability is calculated per rate of 10% of taxable income (in 2006: 10%). Taxable income is determined in the tax balance by adjustment of the income stated in the income statement, made in accordance with the accounting regulations, for certain expenses and income, in accordance with tax regulations. Accounting tax is decreased by tax easements (investments in capital assets in own registered activity and other easements in accordance with tax regulations, for which the Company satisfies requirements).

### **(i) Deferred income tax**

Deferred income tax is reserved in full amount, using the method of liabilities, for temporary differences which occur between the tax basis for the assets and liabilities and their accounting amounts in financial statements.

The amount of deferred income tax is determined based on effective legal tax rates.

Deferred income tax assets are recognized up to the scope in which it is probable that future taxable income, in relation to which temporary differences may be applied, is available. Offsetting of deferred tax assets and liabilities is allowed.

For the first time the Company applies IAS 12 which regulates temporary differences and accounted deferred tax liabilities/assets from 2004. Temporary differences are the result of different bases for calculation of depreciation for accounting and tax purposes, in accordance with valid legal regulations. By implementation of the said standard, deferred tax liabilities were determined in the amount of RSD 8,136 thousand (Note 44), decrease of revaluation reserves of real property in the amount of RSD 4,787 thousand (Note 32), and by deferred tax expense of previous periods, in the amount of RSD 3,246 thousand, the amount of undistributed profit was decreased (Note 33) and the amount was established of the current deferred tax expense in the offset amount of RSD 103 thousand (Note 16).

### **(j) Income of employees**

#### **/i/ Contributions for pension insurance and other compensations**

The Company pays contributions to the Pension Fund of the Republic of Serbia on behalf of its employees. All employees are members of the said Pension Fund. All contributions for the mandatory pension insurance are recognized as expense and liability at the moment of accounting. Companies within the Group do not have their pension plan, or a plan of compensations upon termination of employment, and, accordingly, no liabilities for pensions.

#### **/ii/ Contributions for health insurance**

The Company accounts and settles contributions for health insurance, which at the moment of accounting are recognized as expense and liability.

#### **/iii/ Severance pay for retirement**

The Company pays to employees severance pay for retirement in the triple amount of the salary they realized for the month preceding the month in which severance pay is paid (in accordance with provisions defined in the Individual

Collective Agreement), or in the amount defined by the Labor Law, if that is more favorable for employees.

For the first time the Company implements IAS 19; present value of liabilities based on severance pay for retirement is classified to expenses for 2007, in the amount of RSD 436 thousand (Note 11), expenses for previous years in the amount of RSD 3,896 thousand (Note 33) and provisions are made for future payment of severance pays in the amount of RSD 2,831 thousand (Note 36).

### **/iiii/ Severance pay for mutually agreed termination of employment**

Severance pay is also paid in case of a mutually agreed termination of employment, i.e., in case when the employer and the employee conclude an agreement on termination of employment in replacement for a severance pay, on which decision is previously made by the Employer's competent body.

### **(k) Intangible assets, real property, plant, equipment, biological assets and investment real property**

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

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

Real property, plant and equipment are tangible assets:

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

Real property, plant and equipment are recognized as assets:

- When it is probable that future economic benefits based on them shall flow into the Company; and
- When procurement or cost value of the asset may reliably be measured;

Procurement of intangible assets, plant and equipment during the year is recorded per procurement value. Procurement value consists of the invoice value of procured goods, plus all dependent expenses of procurement and all expenses of bringing into the functional condition. Cost value of the said assets in own production consists of direct expenses and the belonging indirect expenses, which relate to that investment.

Procurement value, or cost value, also includes borrowing expenses which may be directly attributed to acquisition, construction or making of assets which are brought into a condition for use in accordance with IAS and ISFS.

Later expense relating to the already recognized intangible assets, real property, plant and equipment, is attributed to the stated amount of the assets, if it is probable that inflow of future economic benefits shall be larger than the originally estimated return rates of the assets.

Later expense is treated as additional investment, if:

- Useful lifetime is extended, including increase of capacity;
- Significant promotion of the product's quality is achieved; and
- Operating expenses are significantly lower in comparison to expenses before investment.

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

After they are recognized as assets, real property, plant and equipment are stated per procurement or cost value, less total amount of calculated depreciation and total amount of loss because of impairment.

Intangible investment, real property, plant and equipment stop being stated in the balance sheet, after estrangement, or when assets are permanently withdrawn from use and when from their estrangement no future economic benefits are expected.

Gain or loss deriving from removal from inventory or estrangement are determined as a difference between the estimated net sale income and the stated amount of the asset, and recognized as income or expense in the income statement.

**Investment real property** is real property (land, construction facility, or both, which the Company, as the owner or a leaseholder, based on financial leasing (long term lease) holds for the purpose of realizing income from real property (by leasing), or for the purpose of increasing the value of the property, or both, not for production or supply 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 great degree independent from other property held by the Company.

Initial measuring of investment property during acquiring (procurement) is done per procurement value or cost value. In initial measuring, dependent expenses of procurement are included in the procurement value or cost value.

Later expenses relating to the already recognized investment property are attributed to the stated amount of that investment property if it is probable that inflow of future economic benefits shall be larger than the originally estimated return rate of that investment property. All other later expenses are

recognized as expenditures for the period in which they occurred.

After initial recognition, investment property is measured per its fair value. Fair value is measured as the most probable price which can realistically be obtained at the market, on the date of the balance sheet, in accordance with the definition of fair value. That is the best price which the seller may realistically obtain.

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

## **(I) Depreciation**

Basis for depreciation of intangible assets consists of procurement value or cost value after deduction of their remaining value.

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

- 1) There is a contractual obligation of a third entity to buy off that asset at the end of its remaining useful life, or
- 2) There is an active market for that asset, where the remaining value can be determined, and that market shall continue to the end of the useful life of the asset.

For financial statements, intangible assets are written off through proportional depreciation rate within five years, except for investments whose useful life is determined with a contract, when writing off is done in deadlines deriving from the contract.

Goodwill is not depreciated, but it is mandatory before preparation of financial statements to perform the impairment test in accordance with IAS.

For intangible assets with unlimited lifetime depreciation is not accounted.

Accounting of depreciation of intangible assets is done from the beginning of the following month in relation to the month when intangible assets were put in use.

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

Internally occurred goodwill is not recognized as intangible assets.

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

After initial recognition, real property, plant and equipment are stated per procurement value or cost value, less total amount of accounted depreciation

and total amount of loss because of impairment.

Basis for depreciation of real property, plant and equipment consists of procurement value or cost value, after deduction of the remaining value of assets.

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

For financial statements, depreciation is accounted with the proportional method during estimated useful lifetime of the asset. The estimated useful lifetime of the asset is reviewed if needed, and if expectations significantly differ from previous estimates, depreciation rates are adjusted for the current and future periods.

For preparing of tax balance, real property, plant and equipment are classified and depreciated per rates in accordance with tax laws.

Accounting of depreciation begins from the following month in relation to the month in which capital assets were put in use.

Implemented depreciation rates are as follows:

	(%)
Construction facilities	1.3-15.0
Drive equipment	5.0-25.0
Computers and belonging equipment	20.0
Vehicles	12.5-16.0
Intangible assets`	20.0

### **(m) Financial investments**

Financial investments present funds which are during initial recognition measured per their procurement value, which presents fair value of compensation given for them. Transaction expenses are included in initial measuring of all funds.

For measuring of a financial asset after initial recognition, funds are classified into four categories:

- (a) Funds held for trading, initially recognized per fair value through gain or loss;
- (b) Investments held until maturity;
- (c) Loans and receivables deriving from the company which are not held for trading, and
- (d) Funds available for sale.

Funds are classified as funds available for sale if they do not belong totally to either of the other three above stated categories of funds.

Funds are classified as funds held for trading, not as funds available for sale, if they are part of the portfolio of similar assets for which there is a template of trading for realization of gain from short-term fluctuation of prices of dealers` margin.

After initial recognition, the company measures funds (including derivatives which are assets) per their fair value, without any impairment for transaction expenses that may arise during sale or other estrangement, except for:

- Loans and receivables and investments which are held until due which are measured per depreciated price, by implementation of the method of effective interest rate;
- Investments in proprietary securities which are not traded on active market and whose fair value cannot reliably be measured, which are measured per procurement price.

In the Republic of Serbia there is no sufficient market experience, stability and liquidity for purchase and sale of funds, and official market information are not always available. Therefore, fair value most often is not possible to be determined reliably in conditions of nonexistence of an active market, as the ISFS require.

Recognized gain or loss deriving from a change in fair value of a fund or a liability (which is not a part of protection relations) initially recognized per fair value through gain or loss, is recognized as gain or loss in the income statement, and for financial property available for sale on revaluation reserves.

### **(n) Inventories**

Stocks of materials, spare parts, inventories and goods are estimated per procurement value. Procurement value consists of net invoice value and dependent procurement expenses. Dependent expenses imply all direct expenses in the procedure of procurement until storing, including the belonging expenses of own transport, loading and unloading, up to the level of the market price of such a service.

Accounting of spent stocks of materials is done with the method of pondered average price.

### **(o) Short term receivables and investments**

Short-term receivables include receivables from buyers – dependent and other associated legal entities and other buyers at home and abroad on the basis of sale of products, goods and services.

Short-term investments include credits, stocks and bonds and other short-term investments which are due, i.e., which are to be sold up to one year from the day of commitment, i.e., balance.

Short-term receivables from buyers are measured per value from the original invoice. If the value in the invoice is stated in foreign currency, translation into the reporting currency is made per medium exchange rate valid on the day of transaction. Changes in currency exchange rates from the date of transaction until the date of collection of receivables are stated as exchange rate differences in income or expenses. Receivables stated in foreign currency on the day of the balance are calculated according to the valid exchange rate, and exchange rate differences are recognized as income or expense for the period.

Short-term financial investments which are not held for trading are measured per depreciated value, not taking into account intention of the company to hold them until maturity.

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

Writing off of short-term receivables and investments for which there is a probability of non-collection is done with indirect writing off, while in cases when impossibility of collection is certain and documented, writing off, in total or partly, is done with direct writing off.

Probability of impossibility of collection is determined in each concrete case based on documented reasons (bankruptcy, i.e., liquidation of the debtor, over indebtedness, estrangement of property, forced settlement, out-of-court settlement, expiration, court decision, administrative body act, as well as in other cases for which the companies own credible documents on impossibility of collection.)

### **(p) Cash and cash equivalents**

Cash and cash equivalents include: money in treasury, deposits at sight in banks, other short-term highly liquid investments which may quickly turn into known cash amounts and which are not under a significant risk of change of value and overdraft on current account. Overdrafts on current accounts are included in the balance sheet as debts for credits within current liabilities, as short-term liabilities.

### **(r) Leases**

Leases in which the leaseholder keeps a significant part of the risk and use from ownership are classified as business leases. Payments made based on business leases are included in the income statement on a proportional basis during the period of the lease.

### **(s) Liabilities based on financial leasing**

Leasing is qualified as financial in case when significant risks and uses which derive from ownership of the object of lease are transferred to the buyer, where formal ownership does not have to be transferred.

Liability based on financial leasing is stated on the day of the balance in value decreased by the interest contained in the lease (present value of the lease payment minimum). Interest is allocated to accounting periods during the lease, in accordance with the plan of payment.

Liabilities based on financial leasing are not calculated as active time accruals liabilities for undue interest, per the plan of payment.

### **(t) Potential assets and contingencies**

Contingencies are disclosed, but are not recognized, except in cases when outflow of resources is probable and when provisions are recognized in financial statements.

Existence of a potential asset is not disclosed, except if inflow of economic benefits is probable. If realization of income is almost certain, an asset may be recognized in financial statements.

### **(u) Borrowing expenses**

Borrowing expenses are interests, commissions and other expenses occurring in the company in connection with borrowing of funds in accordance with IAS and ISFS.

Borrowing expenses which may be directly attributed to acquisition, construction or making of an asset which is brought in condition for use, are included in procurement value or cost price of the asset.

Other borrowing costs are recognized as expenses for the period in which they occurred.

### **(v) Impairment of assets**

If during the year there is impairment of assets, Board of Directors of the company, based on explained proposal of the General Manager/C.E.O. of the company, determines if there are indicators that there was an impairment of assets in accordance with IAS, as well as if there were indicators that decrease occurred of the previously recognized impairment of the assets.

In case of existence of the indicators, the Board of Directors of the Holding makes a decision on the amount of impairment, or the amount by which

previously recognized impairments should be abolished.

At the end of the year, the Board of Directors of the Holding, based on explained proposal of the General Manager and the inventory commission, makes a decision on the amount of impairment, or the amount for which previously recognized impairment should be abolished.

### **(w) Financial liabilities**

Financial liabilities are considered long-term liabilities (liabilities toward associated legal entities and legal entities with mutual share, long-term credits, liabilities per long-term securities and other long-term liabilities), short-term financial liabilities (liabilities toward associated legal entities and legal entities with mutual share, short-term credits and other short-term liabilities), short-term liabilities from operations (suppliers and other liabilities from operations) and other short-term liabilities.

Short-term liabilities are considered liabilities which are due within a year, from the date of commitment, i.e., date of the annual balance.

Long-term liabilities are considered liabilities which are due for payment in the period longer than a year from the date of making of financial statements.

A part of long-term liabilities which are due for payment in the period shorter than a year from the date of making of financial statements are stated as short-term liabilities.

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

Decrease of liabilities based on the law, out-of-court settlements and similar, is done through direct writing off.

### **(x) Long-term provisions**

Long-term provisions are recognized when:

1. The Company has a liability (legal or real) which is a result of a past event,
2. There is a probability that outflow of resources shall be needed for settlement of liabilities, and
3. Amount of the liability may reliably be estimated.

If these terms are not fulfilled, provisions are not recognized.

Long-term provisions include provisions for expenses within the warranty period, provisions for expenses of renewal of natural resources, provisions for securities and deposits kept, provisions for restructuring of the company,

provisions for compensations and other benefits for employees and other long-term provisions for covering of liabilities (legal or real), deriving from past events, for which it is probable they shall cause outflow of resources which contain economic benefits, for their settlement and which can be reliably estimated (for example, litigations in process), as well as provisions for issued guarantees and other warranties.

Long-term provisions for expenses and risks are followed by types, and their decreasing i.e., abolishing is done in favor of income.

Provisions are not recognized for future operating losses.

Provisions differ from other liabilities because of the uncertainty concerning the date of occurrence, or amounts of future expenses needed for settlement.

Measuring of provisions is done in the amount of expected expenses for settlement of liabilities.

Provisions are reviewed on the day of each balance sheet and corrected to reflect the best present estimate. If it is no more probable that outflow of resources shall be needed for settlement of liability, provisions are abolished.

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

### **(y) Effects of changes in accounting policies, changes in accounting estimates and mistakes from previous periods**

Correction of later established materially significant mistakes is the one which has such a significant impact on financial statements for one or more previous periods that those financial statements may no longer be considered reliable on the day of their issuing.

Correction of materially significant mistakes from previous periods is done through correction of initial balance of undistributed profit or loss from previous years.

Materially significant effects of changes in accounting policies and later established mistakes are corrected retroactively with adjustment of comparable data in financial statements, except if it is practically unfeasible (then a change of accounting policy is implemented prospectively). Each correction deriving from it is stated as correction of the amount of undistributed profit at the beginning of the period.

### **(z) Foreign currency exchange rates**

Official exchange rates of currencies which are significant for operations of the Company and which were used for calculation of foreign currency positions in

financial statements into RSD, were as follows:

	in RSD	
	<u>2007</u>	<u>2006</u>
EUR	79.2362 RSD	79.0000 RSD
USD	53.7267 RSD	59.9757 RSD
GBP	107.3080 RSD	117.8577 RSD
CHF	47.8422 RSD	49.1569 RSD
RUB	43.8132 RSD	2.2735 RSD
LYD	2.1933 RSD	46.6489 RSD

## **5. FINANCIAL RISK MANAGEMENT**

### **5.1. Factors of financial risk**

Operations of the Company are exposed to various financial risks: market risk (which includes risk from changes in foreign currency exchange rates, risk of changes in fair value, risk of changes of interest rates and risk of prices), credit risk and risk of liquidity. Risk management in the Company is oriented toward attempting, in a situation of unpredictability of financial markets, to reduce potential negative impacts to financial operations of the Company to a minimum. The Company uses derived financial instruments in order to protect itself from some forms of risks.

Risk management is performed by the Financial Department of the Company based on policies approved by the Board of Directors. Financial Department of the Company identifies and estimates financial risks and defines ways for protection from risks closely cooperating with business units of the Company.

Risk management is performed based on policies of the Board of Directors, which include fields such as: foreign currency risk, interest risk, use of financial instruments and investing of surplus of liquid assets.

#### **(a) Market risk**

##### **/i/ Foreign currency risk**

The Company operates in international framework and is exposed to a foreign currency exchange rate risk, which derives from operation with different currencies, primarily EUR and USD. The risk derives from future trade transactions, recognized assets and liabilities and net investments in operations abroad.

##### **/ii/ Change of fair value risk**

The Company in its portfolio has stocks and bonds available for sale per fair value. Bearing in mind the "shallow" market and possibilities of significant oscillations on the stock market, there is a risk from a change of fair value.

**/iii/ Change of interest rates risk**

The Company gets indebted at the financial market per changeable interest rates, linked with Euribor, Belibor and the Referent interest rate of NBS to repo transactions. In the aim of avoiding/limiting the risk of significant changes at financial markets, the Company gets indebted for shorter time periods, insisting on lower margin of banks with a mandatory clause on the possibility of early return of credits without additional penalties.

**(b) Credit risk**

The Company has no credit risk. The Company has a policy which limits exposure to credit risks toward each individual financial institution.

**(c) Liquidity risk**

Careful management of liquidity risk implies maintenance of a sufficient cash amount and securities intended for sale, as well as ensuring of adequate sources of funds because of the dynamic nature of operations of the Company. The Company attempts to maintain the flexibility of funding through collection from buyers and investing of free monetary assets.

**6. SALE REVENUE**

<u>Domestic market</u>	2007	
2006	(RSD.000)	(RSD.000)
Revenue from sale of services to dependent legal entities	247,694	217,371
Revenue from sale of services to other associated legal entities		
Revenue from sale of services at the domestic market	196,949	1,848
<b><u>TOTAL</u></b>	<b>444,643</b>	<b>219,219</b>
<u>Foreign markets</u>		
Revenue from sale of services to dependent legal entities		8,325
<b><u>TOTAL</u></b>		<b>8,325</b>
<b><u>TOTAL</u></b>	<b>444,643</b>	<b>227,544</b>

Revenue from sale of services to dependent legal entities at domestic market is based on rendering of Company`s services based on contracts approved and adopted by the Board of Directors of the Company and Boards of Directors of dependent companies, in accordance with the Articles of Association of the Company and Articles of Association of dependent companies.

Revenue from sale of services at the domestic market relates to the revenue from realization of the Sale Contract for the building in construction, in the amount of RSD 196,693 thousand (Note 18), and revenue from commission for sale of air tickets, in the amount of RSD 256 thousand.

## 7. REVENUE FROM INCREASE/DECREASE OF VALUE OF INVENTORIES OF PRODUCTS AND SERVICES

	<u>2007</u> RSD 000	<u>2006</u> RSD 000
Unfinished production on December 31	1,289,303	
<b>Total</b>	<b>1,289,303</b>	<b>0</b>
Less		
Unfinished production January 1		
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<u><u>1,289,303</u></u>	<u><u>0</u></u>

Revenue from increase of value of inventories of products and services relates to realization of the Sale Contract for the building in construction (Note 18)

## 8. OTHER BUSINESS REVENUES

	<u>2007</u> RSD 000	<u>2006</u> RSD 000
Lease income	453	1,426
Other business revenues	248	558,710
<b>Total</b>	<b>701</b>	<b>560,136</b>

## 9. EXPENSES FOR MATERIALS

	<u>2007</u> RSD 000	<u>2006</u> RSD 000
Expenses for materials for making	40	
Expenses for other materials (overhead)	3,231	4,371
Expenses for fuel and energy	2,108	3,374
<b>Total</b>	<b>5,379</b>	<b>7,745</b>

## 10. EXPENSES FOR SALARIES, COMPENSATIONS & OTHER PERSONAL EXPENSES

	2007 RSD 000	2006 RSD 000
Expenses for salaries and compensations (gross)	106,667	86,537
Expenses for taxes and contributions on salaries and compensations paid by employer	17,892	12,714
Expenses for compensation per temporary service contracts	3,063	3,003
Expenses for compensations per copyright contracts	198	74
Expenses for compensations per contracts on temporary and occasional	465	
Expenses for compensations to members of the BoD and Supervisory	17,368	13,147
Other personal expenses and compensations	12,389	9,692
<b>Total</b>	<b>158,042</b>	<b>125,167</b>

## 11. EXPENSES OF DEPRECIATION AND PROVISIONS

	2007 RSD 000	2006 RSD 000
Expenses of depreciation of real property, plant and equipment	12,040	12,197
Provisions for compensations and other employees` benefits	436	
Other long-term provisions		260,000
<b>Total</b>	<b>12,476</b>	<b>272,197</b>

Expenses of depreciation in the current year, in the amount of RSD 12,040 thousand (in 2006: RSD 12,197 thousand) relate to Depreciation of real property, plant and equipment, in accordance with Note 4(I).

Expenses of provisions for compensations and other benefits of employees in the amount of RSD 436 thousand relate to first implementation of IAS 19 in accordance with Note 4. j(///).

## OTHER OPERATING EXPENSES

	<b>2007</b>	<b>2006</b>
	<u>RSD 000</u>	<u>RSD 000</u>
<b><u>Production services expenses</u></b>		
Expenses of services for making of products and services	1,289,095	
Expenses of transport services	4,503	4,157
Expenses of maintenance services	12,659	10,877
Lease expenses	212	1,953
Expenses of fairs		
Expenses of advertising and propaganda	1,619	754
Research expenses		
Expenses of development which are not capitalized		
Expenses of other services	4,128	2,772
<b>Total</b>	<b><u>1,312,216</u></b>	<b><u>20,513</u></b>
<b><u>Intangible expenses</u></b>		
Expenses of non-production services	21,641	23,973
Entertainment expenses	6,134	4,228
Expenses of insurance premium	676	469
Expenses of payment operations	3,586	6,953
Membership expenses	615	440
Tax expenses	8,298	22,864
Contributions expenses		23,864
Other intangible expenses	11,391	10,465
<b>Total</b>	<b><u>52,341</u></b>	<b><u>93,256</u></b>
<b>Grand total</b>	<b><u><u>1,364,557</u></u></b>	<b><u><u>113,769</u></u></b>

Expenses of services on making of products and services, in the amount of RSD 1,289,095 thousand, and insurance premium expenses, in the amount of RSD 208 thousand, relate to expenses of realization of the Sale Contract for the building in construction (Note 18).

### 13. FINANCIAL REVENUES AND EXPENSES

	2007 RSD 000	2006 RSD 000
<b><u>Financial revenues</u></b>		
Financial revenues from the parent and dependent legal entities	125,705	47,398
Financial revenues from other associated legal entities	19,681	
Revenue from interests	4,798	2,260
Positive exchange rate differences	24,387	30,011
Revenue based on effects of currency clause	4,497	1,959
Revenue from profit share in dependent legal entities and joint investments accounted by the method of share		
Other financial revenue	2,107	175
<b>Total</b>	<b><u>181,175</u></b>	<b><u>81,803</u></b>
<b><u>Financial expenses</u></b>		
Financial expenses from relations with the parent and dependent legal entities		187
Financial expenses from relations with other associated legal entities		
Expenses of interests	11,775	21,291
Negative exchange rate differences	24,290	19,417
Expenses based on effects of the currency clause	590	32
Expenses from share in loss of dependent legal entities and joint investments accounted by the method od share		
Other financial expenses		
<b>Total</b>	<b><u>36,655</u></b>	<b><u>40,927</u></b>

The Company has realized financial revenue from share in profit of dependent companies (dividend payments) in the amount of RSD 125,705 thousand, as follows: from Energoprojekt Visokogradnja a.d. RSD 77,067 thousand, from Energoprojekt Garant a.d.o. RSD 21,178 thousand, from Energoprojekt Hidroinženjering a.d. RSD 12,922 thousand, from Energoprojekt Oprema a.d. RSD 4,772 thousand, from Energoprojekt Industrija a.d. RSD 2,477, Energoprojekt Entel a.d. RSD 7,289 thousand.

**14. OTHER REVENUES AND EXPENSES, REVENUE FROM ADJUSTMENT OF VALUE OF ASSETS AND EXPENSES BASED ON IMPAIRMENT OF ASSETS**

**15.**

<b><u>Other revenue and revenue from adjustment of value of assets</u></b>	<b>2007</b> RSD 000	<b>2006</b> RSD 000
Gain from sale of intangible assets, real property, plant and equipment		3,460
Gain from sale of share and long-term securities	35,005	14
Gain from sale of materials		
Surpluses		
Collected written-off receivables		
Revenue from effects of contracted protection against risks	89	
Revenue from decrease of liabilities	1,854	2,814
Revenue from abolishing of long-term provisions		
Other not mentioned revenues	171	331
Revenues from adjustment of value of intangible assets		
Revenues from adjustment of value of real property, plant and equipment		
Revenue from adjustment of value of long-term financial investments and securities available for sale		
Revenue from adjustment of value of inventories		
Revenue from adjustment of value of receivables and short-term financial investments		
Revenue from adjustment of value of other assets		
<b>Total</b>	<b><u>37,119</u></b>	<b><u>6,619</u></b>

  

<b><u>Other expenses and expenses for impairment of assets</u></b>	<b>2007</b> RSD 000	<b>2006</b> RSD 000
Loss based on removal from inventory and sale of intangible assets, real property, plant and equipment	221	20
Loss based on sale of equity share and securities		
Loss from sale of materials		
Shortages	135	6
Expenses based on effects of contracted protection against risks	54	
Expenses based on direct writing off of receivables		87
Other not mentioned expenses	2,098	5,550
Impairment of intangible assets		
Impairment of real property, plant and equipment		
Impairment of long-term financial investments and other securities available for sale	11,503	12,802
Impairment of inventories of materials and goods		
Impairment of receivables and short-term financial investments	49,504	12,755
Impairment of other assets		
<b>Total</b>	<b><u>63,515</u></b>	<b><u>31,220</u></b>

## 15. GAIN/LOSS FROM DISCONTINUED OPERATIONS

	<b>2007</b>	<b>2006</b>
	<u>RSD 000</u>	<u>RSD 000</u>
Gain from discontinued operations		
Revenue, effects of changes in accounting policies and correction of mistakes from previous years		
Loss from discontinued operations		
Expenses, effects of change of accounting policies and corrections of mistakes from previous years		
<b>Total</b>	<b>0</b>	<b>0</b>

## 16. INCOME TAX

	<b>2007</b>	<b>2006</b>
	<u>RSD 000</u>	<u>RSD 000</u>
<b>Financial results in the income statement (gain/loss before tax)</b>	<u>312,317</u>	<u>285,077</u>
Net capital gains (loss)	(35,005)	(3,532)
Business gain (loss)	277,312	281,545
Adjustment and correction of expenses in the tax balance	19,533	281,687
Adjustment and correction of income in the tax balance		
Taxable operating profit		
Reduction by the amount of loss from previous years		
Capital gain	35,005	3,532
Reduction by the amount of capital loss from previous years		
<b>Tax basis</b>	<u>331,850</u>	<u>566,764</u>
Reduction by revenue from dividends and equity share in profit of resident payers	145,386	47,398
<b>Reduced tax base (Form PB-1)</b>	<u>186,464</u>	<u>519,366</u>
<b>Calculated tax (10% from reduced tax basis)</b>	<u>18,646</u>	<u>51,937</u>
Reduction of calculated tax based on tax incentives and exemption	539	25,969
<b>INCOME TAX (Form PDP)</b>	<u>18,108</u>	<u>25,968</u>
<b>Tax expenses of the period</b>		
<b>Deferred tax expenses for the period</b>	103	
<b>Deferred tax revenue for the period</b>		

Calculation of income tax is done per rate of 10% in accordance with tax regulations, separately for business and capital sub-balance. Adjustment is made of certain positions of revenues and expenses, and tax basis is reduced by losses of previous years and revenues from dividends and share in profit with legal entities residents. Accounted tax is reduced by tax exemption based on tax incentives (for employing of new workers, investment in capital assets, etc.)

Capital gain in the amount of RSD 35,005 thousand relates to sale of 291 shares of Jubmes banka a.d. at the secondary Stocks and Bonds market.

Deferred tax expenses is the result of the first implementation of MRS 12 (Note 4, (i)).

## 17. INCOME PER SHARE

Principal income per share is calculated by dividing the gain intended for ordinary shareholders with the average pondered number of ordinary shares in emission during the year, which does not include ordinary shares which the Company (Companies within the Group) have bought off and which are held as own shares.

	<b><u>2007</u></b>	<b><u>2006</u></b>
Gain intended for ordinary shareholders (net profit)	294,105,716	259,108,612
Average pondered number of ordinary shares in emission	8,760,529	5,667,410
Basic income per share (RSD per share)	33.57	45.72

In 2007 there was no increase/decrease in number of shares of the Company (Note 29).

## 18. CONTRACTS ON CONSTRUCTION

Revenue from contracts on construction per fixed price is recognized per the method of percentages of completion, contracted activities on the balance sheet.

Degree of completion of contracts is calculated through proportion between arisen contractual expenses for executed work up to the given date according to last estimated total contracted expenses.

The Company has signed a sale contract for construction of a business building of class "A" in Block 26, Bay I, on October 12, 2007 (operative from November 09, 2007) with "Blue Center d.o.o" for the amount of EUR 61.63 mil, plus VAT, which amounts to EUR 72.72 mil. Deadline for realization of the Contract is 24 months, i.e., November 9, 2009.

Collection of the sale price is in advance in three installments: the first of EUR 12.00 mil + VAT (paid within a month from signing of the contract), the second of EUR 43.63 mil + VAT (during 19 months - period of construction in accordance with the dynamics of construction) and the third installment of EUR 6.00 mil + VAT after registering the building in the cadastre.

Mortgage was registered for the building as security for payment by the Buyer in the amount of paid funds. Guarantee was issued for good completion of works in the contractor domain in the amount of EUR 2.00 mil.

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	<u>RSD 000</u>	<u>Note no.</u>
<b>Revenue from increase of value of inventories of products and services</b>	<u>1,289,303</u>	7
<b>Revenue recognized as revenue for the given period</b>	<u>196,693</u>	6
<b>Degree of completion of the contract</b>	<u>30.43%</u>	
<b>Expenses arisen in the given period</b>	<u>1,289,303</u>	12
<b>Received advance payments</b>	<u>950,834</u>	41
<b>Guarantee deposit</b>	<u>0</u>	
<b>Uninvoiced contractual revenue</b>	<u>196,693</u>	28
<b>Unfinished production on December 31, 2007</b>	<u>1,289,303</u>	24

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## 19. INTANGIBLE INVESTMENTS

<u>Cost value</u>	RSD 000	RSD 000	RSD 000	RSD 000	RSD 000	RSD 000	RSD 000
<b>Balance 1.1.2007</b>				<b>811</b>			<b>811</b>
Correction of initial balance							0
New acquisitions							0
Transfer from/to							0
Estrangement & removal fm inventory							0
Revaluation - estimate							0
Other							0
<b>Balance 31.12.2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>811</b>	<b>0</b>	<b>0</b>	<b>811</b>
<b>Correction of value</b>							
<b>Balance 1.1.2007</b>				<b>372</b>			<b>372</b>
Correction of initial balance							0
Depreciation for 2007				151			151
Estrangement & removal fm inventory							0
Impairments							0
Revaluation - estimate							0
Other							0
<b>Balance 31.12.2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>523</b>	<b>0</b>	<b>0</b>	<b>523</b>
<b>Unwritten-off value</b>							
<b>31.12.2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>288</b>	<b>0</b>	<b>0</b>	<b>288</b>
<b>31.12.2006</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>439</b>	<b>0</b>	<b>0</b>	<b>439</b>

## 20. REAL PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTY

<u>Cost value</u>	Land	Construction facilities	Plant and equipment	Investment property	Capital assets in preparation	Advance payment for cap. assets	Total
	RSD 000	RSD 000	RSD 000	RSD 000	RSD 000	RSD 000	RSD 000
<b>Balance 1.1.2007</b>		<b>548,530</b>	<b>53,556</b>		<b>1,138,546</b>	<b>171</b>	<b>1,740,803</b>
Correction of initial balance							0
Transfer from one form into another					(1,141,944)	(2,545)	(1,144,489)
New acquisitions			3,427		4,051	2,545	10,023
Estrangement & removal fm inventory			(2,588)				(2,588)
Exchange rate differences							0
Other, estimate of values							0
<b>Balance on 31.12.2007</b>	<b>0</b>	<b>548,530</b>	<b>54,395</b>	<b>0</b>	<b>653</b>	<b>171</b>	<b>603,749</b>
<b>Correction of value</b>							
<b>Balance on 1.1.2007</b>		<b>251,133</b>	<b>36,028</b>				<b>287,161</b>
Correction of initial balance							0
Depreciation for 2007		7,156	4,733				11,889
Estrangement & removal fm inventory			(2,355)				(2,355)
Impairments							0
Revaluation - estimate							0
Other							0
<b>Balance on 31.12.2007</b>	<b>0</b>	<b>258,289</b>	<b>38,406</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>296,695</b>
<b>Unwritten-off value</b>							
<b>31.12.2007</b>	<b>0</b>	<b>290,241</b>	<b>15,989</b>	<b>0</b>	<b>653</b>	<b>171</b>	<b>307,054</b>
<b>31.12.2006</b>	<b>0</b>	<b>297,397</b>	<b>17,528</b>	<b>0</b>	<b>1,138,546</b>	<b>171</b>	<b>1,453,642</b>

The Company has transferred investments kept on capital assets in preparation, in the amount of RSD 1,138,517 thousand, to expenses for

services on making of products and services based on the sale contract for the building in construction (Note 18).

## 21. LEASED EQUIPMENT

		RSD 000	
<u>Leasing</u>			
	2007		2006
<u>Grupe sredstava</u>	<u>Net accounting value</u>	<u>Groups of assets</u>	<u>Net accounting value</u>
Cars	6,133	Cars	7,673
xerox machine	395	Xerox machine	467
Other		Other	
<b>Total</b>	<b>6,528</b>		<b>8,140</b>

## 22. EQUITY SHARE

Equity shares present long-term financial investments in shares and equity in dependent and associated companies, banks and insurance companies (securities available for sale).

Equity share in dependent and associated companies are valued per the method per which the Company states its investment per cost value. The Company recognizes revenue only in the degree in which it receives its part from distribution of undistributed net income of the user of investment, which occurs after the day when the Company acquired it. A part from the distribution, which is received in the amount higher than such income, is considered a return of investment and is stated as decrease of the cost value of the investment.

Equity share in other legal entities and securities available for sale are valued per their market (fair) value.

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Equity share relate to shares (equity) in:

<b>DEPENDENT LEGAL ENTITY</b>		<b>2007</b>	<b>2006</b>
<b>Company</b>	<b>% share</b>	<b>Present value</b>	<b>Present value</b>
EP Visokogradnja a.d.	92.39%	1,704,254	1,704,254
EP Niskogradnja a.d.	93.32%	855,506	855,506
EP Oprema a.d.	67.87%	121,316	121,316
EP Hidroinzenjering a.d.	94.84%	399,230	399,230
EP Urbanizam i arh. a.d.	94.40%	146,455	146,455
EP Promet d.o.o.	100.00%	295	11,799
EP Energodata a.d.	95.05%	164,016	164,016
EP Industrija a.d.	62.77%	61,209	61,208
EP Entel a.d.	86.26%	216,422	216,422
EP Garant a.d.o.	64.13%	186,567	165,389
EP Ingraf a.d.	100.00%	25,575	25,575
Inec Eng. Ltd.	100.00%	68,999	75,782
Encom GmbH	100.00%	4,051	4,039
<b>Total</b>		<b>3,953,895</b>	<b>3,950,991</b>

**OTHER ASSOCIATED LEGAL ENTITIES**

<b>Company</b>	<b>% share</b>	<b>Present value</b>	<b>Present value</b>
Enjub d.o.o.	50.00%	13,550	13,550
Energobroker a.d.	26.60%	4,371	4,371
Energo Ghana Ltd.	80.00%	4,829	5,391
United Cons.Botswana	100.00%	3,152	3,518
Zecco Zambia	100.00%	577	645
<b>Total</b>		<b>26,479</b>	<b>27,475</b>

**OTHER LEGAL ENTITIES AND OTHER SECURITIES INTENDED FOR SALE**

<b>Company</b>	<b>Present value</b>	<b>Present value</b>
Dunav a.d.o	4,638	4,242
Jubmes banka a.d.	68,907	58,879
Hypo Alpe-Adria bank	3,564	3,010
Hipotekarna banka Podg.	11,889	7,347
<b>Total</b>	<b>88,998</b>	<b>73,478</b>

**TOTAL** **4,069,372** **4,051,944**

### 23. OTHER LONG-TERM FINANCIAL INVESTMENTS

Other long-term financial investments relate to:

	<u>2007</u> RSD 000	<u>2006</u> RSD 000
a) Given long-term credits		
at home		
abroad		
<b>Total</b>	-	-
b) Bonds of hard currency savings		
c) Housing credits to employees	1,543	1,618
d) Given long-term loans to dependent companies	62,747	57,116
<b>Total</b>	<u>64,290</u>	<u>58,734</u>

### 24. INVENTORIES

	<u>2007</u> RSD 000	<u>2006</u> RSD 000
Material, spare parts, tools and inventories		
Unfinished production	1,289,303	
Finished products		
Goods		
Non-current assets intended for sale		
Given advance payments	15,784	1,153
<b>Total</b>	<u>1,305,087</u>	<u>1,153</u>

Unfinished production in the amount of RSD 1,289,303 thousand relates to realization of the contracts on sale of the building in construction (Note 18)



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The Company has unadjusted internal relations with Energoprojekt Energodata a.d. and Energoprojekt Visokogradnja a.d. which date from earlier periods.

## 26.SHORT-TERM FINANCIAL INVESTMENTS

Short-term financial investments include

	Curren- cy	Interest %	2007 RSD 000	2006 RSD 000
<b><u>Short-term credits and investments – parent, dependent and other associated legal entities</u></b>				
Dependent legal entities			105,057	52,273
Other associated legal entities				
Current maturity of long-term credits				
Less: Correction of value			(38,251)	
<b>Total</b>			<b>66,806</b>	<b>52,273</b>
<b><u>Short-term credits at home</u></b>				
Credits given to employees			26	26
Current maturity of long-term credits			59	
Less: Correction of value				
<b>Total</b>			<b>85</b>	<b>26</b>
<b><u>Short-term credits abroad</u></b>				
Given credits				
Current maturity of long-term credits				
Less: Correction of value				
<b>Total</b>			-	-
<b><u>Securities held until due</u></b>				
Less: Correction of value				
<b>Total</b>			-	-
<b><u>Securities traded</u></b>				
Dependent legal entities - Energodata a.d.				750
Other legal entities - Stankom banka				25
Less: Correction of value				
<b>Total</b>			-	<b>775</b>
<b><u>Other short-term financial investments</u></b>				
Alpha bank a.d.-short fixed term foreign currency deposits			356,563	5,499
Other			5,499	
Less: Correction of vaue				
<b>Total</b>			<b>362,062</b>	<b>5,499</b>
<b>Total</b>			<b>428,953</b>	<b>58,573</b>

## 27. CASH EQUIVALENTS AND CASH

	2007 RSD 000	2006 RSD 000
<b><u>In RSD</u></b>		
Current accounts	3,729	28,322
Treasury	3	147
Securities		12,000
Short fixed term deposits		
Other		
<b>Total</b>	<b>3,732</b>	<b>40,469</b>
<b><u>In foreign currency</u></b>		
Foreign currency accounts	625,526	62,121
Treasury	92	27
Letters of credit		
Other		
Funds whose use is limited or value decreased		
<b>Total</b>	<b>625,618</b>	<b>62,148</b>
<b>Total</b>	<b>629,350</b>	<b>102,617</b>

Funds of the Company in foreign currency are short fixed deposited per rates of 5.9% p.a. and 5.21% for EUR and 5.4% p.a. for USD.

## 28. VALUE ADDED TAX AND ACTIVE TIME ACCRUALS

	2007 RSD 000	2006 RSD 000
<b><u>Value added tax</u></b>	27,120	780
<b><u>Active time accruals</u></b>		
Expenses paid in advance	465	807
Uninvoiced receivables for unaccounted income	196,693	
Accrual expenses for liabilities		
Other active time accruals	18,079	6,319
<b>Total</b>	<b>215,237</b>	<b>7,126</b>
<b>Total</b>	<b>242,357</b>	<b>7,906</b>

Receivables for uninvoiced income in the amount of RSD 196,693 thousand relate to realization of the sale contract for the building in construction (Note 18)

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## 29. CAPITAL ASSETS

Capital assets include the following capital forms:

	<u>2007</u> RSD 000	<u>2006</u> RSD 000
Share capital		
ordinary shares	3,066,185	3,066,350
preferential shares		
<b>Capital assets</b>	<u>3,066,185</u>	<u>3,066,350</u>
Other capital assets	27,178	27,013
<b>Total capital assets and other capital</b>	<u><b>3,093,363</b></u>	<u><b>3,093,363</b></u>

According to the records of the Central Registry of Stocks and Bonds, registered balance of ownership of the Company's shares on December 31, 2007 was as follows:

	no. of shares	% of total emission
<b>Shares owned by physical entities</b>	<b>2,816,751</b>	<b>32.15%</b>
<b>Shares owned by legal entities</b>	<b>4,250,669</b>	<b>48.52%</b>
- Share and PIO Fund	2,938,735	33.55%
- Other legal entities	1,311,934	14.98%
<b>Summary (custody) account</b>	<b>1,693,109</b>	<b>19.33%</b>
<b>Total number of shares</b>	<b>8,760,529</b>	<b>100%</b>

Number of shareholders with equity share	number of entities			number of shares			% of total emission		
	domestic	foreign	total	domestic	foreign	total	domestic	foreign	total
to 5%	8,102	237	8,339	4,171,619	745,036	4,916,655	47.62%	8.50%	56.12%
from 5% to 10%	2	1	3	1,270,955	458,479	1,729,434	14.51%	5.23%	19.74%
over 10% to 25%	1	0	1	2,114,440	0	2,114,440	24.14%	0%	24.14%
over 25% to 33%	0	0	0	0	0	0	0%	0%	0%
over 33% to 50%	0	0	0	0	0	0	0%	0%	0%
over 50% to 66%	0	0	0	0	0	0	0%	0%	0%
over 66% to 75%	0	0	0	0	0	0	0%	0%	0%
over 75%	0	0	0	0	0	0	0%	0%	0%
<b>Total number of shares</b>	<b>8,105</b>	<b>238</b>	<b>8,343</b>	<b>7,557,014</b>	<b>1,203,515</b>	<b>8,760,529</b>	<b>86.26%</b>	<b>13.74%</b>	<b>100.00%</b>

List of first 10 shareholders per number of shares:

Name	no. of shares	% of total emission	Type of entity
Share fund of the Republic of Serbia	2,114,440	24.14%	Legal domestic
PIO fund of the Republic of Serbia	824,295	9.41%	Legal domestic
ZB Invest d.o.o.	458,479	5.23%	Legal foreign
Hypo custody 4	446,615	5.10%	Legal foreign
East capital asset manag.	311,651	3.56%	Legal foreign
Privredna banka Zagreb d.d.	237,030	2.71%	Legal foreign
Raiffeisen zentralbank	232,088	2.65%	Legal foreign
IBT	146,409	1.67%	Legal foreign
Custody account	142,455	1.63%	Custody
Gustavus Capital Asset mngt.	113,216	1.29%	Legal foreign
Erste&Steiermarkische bank d.d.	107,342	1.23%	Legal foreign

Structure of the share capital on 31.12.2006 was:

- Share capital	5,822,637
- Share fund	2,114,068
- PIO	824,295
<u>T o t a l</u>	<u>8,761,000</u>

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Based on the decision of the Ministry of Economy number 160-023-02-00096/2006-07, made on March 9, 2007, the number of shares on the date of submitting of the report on conversion was 8,760,529 pcs of ordinary shares, with registering on December 29, 2006. The difference of 471 shares is the result of the fact that shareholders had not transferred shares from conversion to the Company, of which the Company was not aware at the moment of preparing of the report for 2006.

Share capital consists of 8,760,529 ordinary shares, of individual nominal value of RSD 350, i.e., individual accounting value of RSD 612.81.

Share capital – ordinary shares include founding and during operations emitted shares with the right of management, right on participation in profit of the shareholding company and apart of the bankrupt`s estate in accordance with the Memorandum of Association, i.e., decision on emission of shares.

Adjustment with the Central Registry of Stocks and Bonds was done.

In 2007 shares of the Company were listed at the listing "A" of the Belgrade Stock Exchange.

### **30. OTHER CAPITAL ASSETS**

Other capital assets were made by over-accounting of sources of nonoperational assets in 2005.

### **31. PROVISIONS**

Provisions include the following forms of provisions:

	<b>2007</b>	<b>2006</b>
	<u>RSD 000</u>	<u>RSD 000</u>
Emission premium	1,595,962	1,595,962
Mandatory provisions	23,185	23,185
Statutory and other provisions	17,256	4,300
<b>Total</b>	<b><u>1,636,403</u></b>	<b><u>1,623,447</u></b>

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

Mandatory provisions had to be formed by 2004, by bringing each year from the profit at least 5% in, until the provisions reach at least 10% of capital assets.

Memorandum of Association of the Company defines Statutory provisions whose amount is decided by the General Shareholders` Meeting at proposal of the Board of Directors, which may not be smaller than 5% of the realized net profit.

### 32. REVALUATION RESERVES

Revaluation reserves include:

	<b>2007</b>	<b>2006</b>
	<u>RSD 000</u>	<u>RSD 000</u>
Revaluation reserves based on adjustment of fair value - real property	43,080	47,867
Revaluation reserves based on adjustment of fair value - Securities	75,734	59,709
Exchange rate difference from equity share of dependent companies abroad	7,054	14,821
<b>Total</b>	<b><u>125,868</u></b>	<b><u>122,397</u></b>

Changes in revaluation reserves for real property in the amount of RSD 4,787 thousand relate to first implementation of IAS 12 (note 4,(i)).

Changes in revaluation reserves based on adjustment of fair value of securities relate to adjustment of fair value with the market value of securities at the secondary market of securities on the last trading day in 2007.

### 33. UNDISTRIBUTED PROFIT

Undistributed profit relates to:

	<b>2007</b>	<b>2006</b>
	<u>RSD 000</u>	<u>RSD 000</u>
Undistributed profit of earlier years	443,588	184,479
Correction of profit based on materially significant mistakes		
Correction of profit based on changes of accounting policies		
Correction of profit based on acquiring and sale of own shares		
Correction of profit based on realized revaluation reserves		
Correction of profit based on income tax	(25,573)	
Correction of profit based on intangible assets		
Correction of profit based on revaluation of equity share in banks		
Correction of profit based on accumulated revaluation reserves		
Correction of profit based on revaluation income		
Correction of profit based on goodwill		
Correction of profit based on first implementation of IAS 19	(3,896)	
Correction of profit based on first implementation of IAS 12	(3,246)	
Profit distribution (dividends)	(175,211)	
Profit distribution in statutory reserves	(12,955)	
Next year's profit	294,106	259,109
<b>Total</b>	<b><u>516,813</u></b>	<b><u>443,588</u></b>

Correction of profit based on income tax, in the amount of RSD 25,573 thousand, relates to correction of income tax for 2006, based on concluding of the sale contract for the building in construction in Block 26, Bay I. The subject building in construction was the basis for use of tax credit, and by concluding of the said contract that right was lost.

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Distribution of undistributed profit on December 31, 2006 (current profit for 2006) was done in accordance with the Decisions of the General Shareholders` meeting from the XXXI meeting within the framework of item 6 of the agenda, held on June 27, 2007, as follows:

	<u>2007</u> RSD 000	<u>2006</u> RSD 000
to dividends	175,211	
to share in profit of employees		
to capital assets		
to reserves	12,955	
covering of losses		
other	70,943	184,479
<b>Total</b>	<u><u>259,109</u></u>	<u><u>184,479</u></u>

Dividend for 2006 was paid during 2007 in the amount of RSD 20 per share (in 2006 no decision was made on payment of dividend for 2005).

### 34. LOSS

Loss presents correction of value of capital and relates to:

	<u>2007</u> RSD 000	<u>2006</u> RSD 000
Loss of previous years	0	0
Loss of the current year		
<b>Total</b>	<u><u>0</u></u>	<u><u>0</u></u>

### 35. REDEEMED OWN SHARES

The Company does not redeemed own shares, i.e., does not dispose of own shares.

### 36. LONG-TERM PROVISIONS

Long-term provisions are recognized when:

- The company has an obligation (legal or real) which is the result of a past event;
- It is probable that outflow of resources which contains economic benefits shall be needed for settlement of the liability; and
- Amount of the liability may reliably be measured.

Long-term provisions include:

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	<u>2007</u>	<u>2006</u>
	RSD 000	RSD 000
Provisions for expenses with the warranty period		
Provisions for kept securities and deposits		
Provisions for expenses of restructuring		
Provisions for compensations and other benefits for employees	2,831	
Other long-term provisions	260,000	260,000
<b>Total</b>	<b><u>262,831</u></b>	<b><u>260,000</u></b>

Provisions for compensations and other benefits for employees, in the amount of RSD 2,831 thousand, were made in accordance with the first implementation of IAS 19 (note 4, *j (iii)*).

### 37. LONG-TERM CREDITS

Liabilities per long-term credits are due in a deadline longer than a year from the day of commitment, i.e., from the day of the annual balance sheet.

The Company does not have long-term credits.

### 38. OTHER LONG-TERM LIABILITIES

Other long-term liabilities relate to:

	<u>2007</u>	<u>2006</u>
	RSD 000	RSD 000
Liabilities which can be converted into capital		
Liabilities toward parent and dependent legal entities	7,278	395,730
Liabilities toward other associated legal entities		
Liabilities per emitted stocks in the period longer than a year		
Liabilities based on long-term financial leasing	2,476	4,651
Other long-term liabilities		
<b>Total</b>	<b><u>9,754</u></b>	<b><u>400,381</u></b>

Decrease of liabilities toward dependent companies occurred based on termination of the contract on construction of the facility in Block 26, Bay I, with Energoprojekt Visokogradnja a.d. and concluding of the new contract on the same basis. Based on the said contract, a part of the liability was settled, in the amount of RSD 195,730 thousand, while the rest, in the amount of RSD 200,000 thousand, was transferred to short-term liabilities (Note 41)

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### 39. LIABILITIES BASED ON LONG-TERM LEASE

	<u>RSD 000</u>		<u>RSD 000</u>	
	<b>2007</b>		<b>2006</b>	
	<b>Future minimal payment of the lease</b>	<b>Interest</b>	<b>Future minimal payments of the lease</b>	<b>Interest</b>
Up to one year	1,481	421	1,418	559
Between one and five years	2,476	350	3,931	719
Longer than five years				
<b>Total</b>	<b>3,957</b>	<b>771</b>	<b>5,349</b>	<b>1,278</b>
		0		0

### 40. SHORT-TERM FINANCIAL LIABILITIES

Short-term financial liabilities:

	Interest	<b>2007</b>	<b>2006</b>
Currency	%	<u>RSD 000</u>	<u>RSD 000</u>
<b><u>Short-term credits at home</u></b>			
	<i>6 months</i>		
	<i>Belibor+</i>		
<i>Hypo Alpe-Adria Bank AD</i>	<i>1.5% p.a.</i>	34,628	
	<i>Ref. int.</i>		
	<i>St.NBS.+0,8 %</i>		
<i>Alpha Bank</i>	<i>p.a.</i>	300,000	
	<i>1 months</i>		
	<i>Belibor+ 2%</i>		
<i>Unicredit Bank</i>	<i>p.a.</i>	80,002	
Other			
Current maturity of long-term credits			
<b>Total</b>		<b>414,630</b>	<b>0</b>
<b><u>Other short-term financial liabilities</u></b>			
Liabilities per short-term securities			
Other short-term financial liabilities			
Liabilities for non-current assets and assets from discontinued operations intended for sale			
A part of other long-term liabilities which are due up to one year -Raiffeisen leasing			
		1,481	1,978
<b>Total</b>		<b>1,481</b>	<b>1,978</b>
<b>Total</b>		<b>416,111</b>	<b>1,978</b>

## 41. OPERATING LIABILITIES

	<b>2007</b>	<b>2006</b>
	<u>RSD 000</u>	<u>RSD 000</u>
<b><u>Operating liabilities</u></b>		
Received advance payments, deposits and securities	950,834	
Suppliers-parent and dependent legal entities	396,409	6,582
Suppliers-other associated legal entities	151	131
Suppliers at home	8,790	16,591
Suppliers abroad	3,954	4,329
Other operating liabilities		
<b>Total</b>	<b><u>1,360,138</u></b>	<b><u>27,633</u></b>
<b><u>Liabilities from specific operations</u></b>		
Liabilities toward importers		
Liabilities based on export on behalf of others		
Liabilities based on consignment and sale on commission		
Other liabilities from specific operations	190	3,022
<b>Total</b>	<b><u>190</u></b>	<b><u>3,022</u></b>
<b>Total</b>	<b><u>1,360,328</u></b>	<b><u>30,655</u></b>

Received advance payment in the amount of RSD 950,834 thousand relates to the collected advance payment per the sale contract for a building in construction (Note 18).

The largest part of the amount of RSD 396,409 thousand at position Suppliers – parent and dependent companies, relates to Energoprojekt Visokogradnja a.d., out of which the amount of RSD 200,000 thousand relates to transfer from long-term liabilities (Note 38), while the amount of RSD 167,860 thousand relates to the liability per I Progress Certificate from December 2007 for construction of the building in Block 26, Bay I.

Geographic distribution of suppliers is as follows:

	<b>2007</b>	<b>2006</b>
	<u>RSD 000</u>	<u>RSD 000</u>
<b><u>Suppliers at home</u></b>		
Beograd	407,826	26,899
Less: Correction of value		
<b>Total</b>	<b><u>407,826</u></b>	<b><u>26,899</u></b>
<b><u>Suppliers abroad</u></b>		
Europe-dependent legal entities	1,428	1,447
Africa-other legal entities	51	2,309
Less: Correction of value		
<b>Total</b>	<b><u>1,479</u></b>	<b><u>3,756</u></b>
<b>Total</b>	<b><u>409,305</u></b>	<b><u>30,655</u></b>

#### 42. LIABILITIES BASED ON VAT AND OTHER PUBLIC REVENUES

	2007 RSD 000	2006 RSD 000
<b><u>Liabilities for VAT</u></b>	<b>2,124</b>	<b>651</b>
<b><u>Liabilities for other taxes, contributions and other duties</u></b>		
Liabilities for excise		
Liabilities for tax from results	4,328	8,262
Liabilities for taxes, custom and other duties for procuremet or expenses	21	16
Other liabilities for taxes, contributions and other duties	2,723	688
<b>Total</b>	<b>7,072</b>	<b>8,966</b>
<b>Total</b>	<b>9,196</b>	<b>9,617</b>

#### 43. OTHER SHORT-TERM LIABILITIES AND PASSIVE TIME ACCRUALS

	2007 RSD 000	2006 RSD 000
<b><u>Liabilities for salaries and compensations</u></b>	13,185	10,097
<b><u>Other liabilities</u></b>		
Liabilities for interests and expenses of funding	276	2,125
Liabilities for dividends	4,500	2,585
Liabilities for share in profit	4,309	4,309
Liabilities toward employees	3,724	117
Liabilities toward members of BoD and Supervising board	1,053	947
Liabilities toward physical entities for compensations per contracts	1,264	52
Other liabilities	396	465
<b>Total</b>	<b>28,707</b>	<b>20,697</b>
<b><u>Passive time accruals</u></b>		
Expenses accounted in advance	28	4,017
Accounting income of future period		
Accrued		
Deferred income and received donations		
Accrued income based on receivables		
Deferred tax liabilities		
Other passive time accruals	45	
<b>Total</b>	<b>73</b>	<b>4,017</b>
<b>Total</b>	<b>28,780</b>	<b>24,714</b>

#### 44. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets are amounts of income tax which may be compensated in future periods, which relate to deductible temporary differences, unused tax losses and credits transferred in advance. They are recognized in the degree in which it is probable that future taxable profit shall be realized.

Deferred tax liabilities are amounts of income tax which shall be paid in future period based on taxable temporary differences.

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	2007 RSD 000	2006 RSD 000
Deferred tax assets	0	0
Deferred tax liabilities	8,136	
<b>Net tax assets/liabilities</b>	<b>8,136</b>	<b>0</b>

Deferred tax liability in the amount of RSD 8,136 thousand relates to deferred tax liability determined based on taxable temporary differences between the amount of the accounting value of real property and equipment and their tax basis in the period from January 1, 2004 till December 31, 2006, in the amount of RSD 3,246 thousand, and deferred tax liability, determined based on temporary difference which is the result of revaluation of real property, in the amount of RSD 4,787 thousand, and the offset amount between the current deferred tax liability in the amount of RSD 294 thousand, and the current deferred tax assets in the amount of RSD 191 thousand. Deferred tax assets in the amount of RSD 191 thousand relates to deductible temporary differences between the amount of the accounting value of equipment and their tax basis.

#### 45. LITIGATIONS

No	Claimant	Defendant	Basis	Litigation value	Court	Expected outcome
1.	Jovanović Vlada	EP Holding a.d.	Income payment	1,292 USD 27,000 RSD	5 <sup>th</sup> Municipal Court	First instance procedure, unfounded
2.	Dir. for construction land	EP Holding a.d. (EP Oprema a.d.)	Compensation for HAYATT	15,459,728 .80 RSD	Commercial Court	In the procedure of settlement
3.	EP Holding a.d. and Visokogradnja a.d.	City of Belgrade, RS, Beo.arena, Dir. for construction land	Debt	8,399,218. 81 USA \$	Commercial Court	Win
4.	EP Oprema a.d. Holding a.d.	Belgrade arena	debt	4,817,705. 05 RSD	Commercial Court	Win
5.	Dragoljub Bakić	EP Holding a.d. & Urbanizam i arhitektura a.d.	Contributions for PIO	389,382.87 RSD	IV municipal court	Unfounded
6.	EP Holding a.d. & GP Napred	Limes	Voting of registry of change of the founder		Commercial Court	Uncertain

#### **46. OFF-BALANCE SHEET ASSETS AND LIABILITIES**

Off-balance sheet assets and liabilities of the Company in the amount of RSD 5,977,899 thousand relate to guarantees per issued guarantees and approved credit lines based on credits and guarantees for dependent companies, in the amount of RSD 4,038,675 thousand (based on issued guarantees the Company has concluded contracts with dependent companies for which it guarantees and from the same it has received appropriate funds for security), mortgage on the building in construction in the amount of RSD 1,188,543 thousand (Note 18) and the right on use of the city construction land in the amount of RSD 750,681 thousand.

#### **47. EVENTS AFTER THE BALANCE SHEET**

After the balance sheet there were no events which would significantly impact the credibility of the stated financial statements.

In Belgrade,  
February 25, 2008

Person responsible for  
preparing of the statements

C.E.O.