

Annual Report
Energoprojekt Holding plc
2012

Pursuant to Article 50 and 51 of the Capital Market Law („Official Gazette of the Republic of Serbia“ No. 31/2011) and Article 3 of the Regulation of the Form, Contents and Manner of Publication of Annual, Semi-Annual and Quarterly Financial Statements submitted by public companies („Official Gazette of the Republic of Serbia“ No. 14/2012), **Energoprojekt Holding plc from Belgrade, ID No: 07023014 publishes:**

ANNUAL REPORT 2012

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1. FINANCIAL STATEMENTS ENERGOPROJEKT HOLDING PLC FOR 2012
(Balance sheet, Income statement, Cash flow statement, Statement of Changes in Equity, Statistical annex, Notes to the Financial Statements)

ENERGOPROJEKT HOLDING PLC.

BALANCE SHEET
on December 31, 2012

in 000 RSD

Group accounts account	POSITION	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A. NON-CURRENT ASSETS (002+003+004+005+009)	001	-	7,373,270	6,083,468
00	I. UNPAID SUBSCRIBED CAPITAL	002	-	-	-
012	II. GOODWILL	003	-	-	-
01 w/out 012	III. INTANGIBLE ASSETS	004	10.1.	9,416	10,139
	IV. PROPERTY, PLANT, EQUIPMENT AND BIOLOGICAL ASSETS (006+007+008)	005	-	1,190,309	815,502
020,022,023, 026,027(part), 028(part),029	1. Property, plant and equipment	006	10.2.	587,697	318,804
024,027(part) 028(part)	2. Investment property	007	10.3.	602,612	496,698
021,025,027 (part) and 028(part)	3. Biological assets	008	-	-	-
	V. LONG-TERM FINANCIAL INVESTMENTS (010+011)	009	-	6,173,545	5,257,827
030 to 032, 039(part)	1. Equity investments	010	10.4.	5,377,018	4,455,931
033 to 038, 039(part) less 037	2. Other long-term financial investments	011	10.4.	796,527	801,896
	B. CURRENT ASSETS (013+014+015)	012	-	1,179,044	1,861,181
10 to 13,15	I. INVENTORIES	013	10.5.	99,508	707
	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	-	1,079,536	1,860,474
20, 21 and 22, except 223	1. Receivables	016	10.6.	272,450	560,254
223	2. Receivables for prepaid income tax	017	10.6.	-	3,784
23 less 237	3. Short-term financial investments	018	10.7.	420,314	1,053,269
24	5. Cash equivalents and cash	019	10.8.	333,972	239,998
27 and 28 except 288	4. VAT and accruals	020	10.9.	52,800	3,169
288	C. DEFERRED TAX ASSETS	021	-	-	-
	D. OPERATING ASSETS (001+012+021)	022	-	8,552,314	7,944,649
29	E. LOSS OVER CAPITAL	023	-	-	-
	F. TOTAL ASSETS (022+023)	024	-	8,552,314	7,944,649
88	G. OFF-BALANCE SHEET ITEMS	025	10.25.	8,760,429	9,665,845

Group accounts, account	POSITION	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	EQUITY AND LIABILITIES				
	A. EQUITY (102+103+104+105+106-107+108-109-110)	101	-	7,665,770	7,167,219
30	I. SHARE AND OTHER CAPITAL	102	10.11.	5,095,322	4,855,761
31	II. UNPAID SUBSCRIBED CAPITAL	103	-	-	-
32	III. RESERVES	104	10.12.	1,735,366	1,735,366
330 i 331	IV. REVALUATION RESERVES	105	10.13.	43,080	43,080
332	V. UNREALIZED GAINS BASED ON SECURITIES AVAILABLE FOR SALE	106	-	8,134	9,875
333	V. UNREALIZED LOSSES BASED ON SECURITIES AVAILABLE FOR SALE	107	-	5,860	3,170
34	VII. RETAINED EARNINGS	108	10.14.	789,728	526,307
35	VIII. LOSS	109	-	-	-
037 and 237	IX. REDEEMED OWN SHARES	110	-	-	-
	B. LONG-TERM PROVISIONS AND LIABILITIES (112+113+116)	111	-	867,886	767,837
40	I. LONG-TERM PROVISIONS	112	10.15.	265,017	264,863
41	II. LONG-TERM LIABILITIES (114+115)	113	-	194,624	84,500
414, 415	1. Long-term loans	114	10.16.	194,624	84,033
41 w/out 414 and 415	2. Other long-term liabilities	115	10.17.	-	467
	III. CURRENT LIABILITIES (117+118+119+120+121+122)	116	-	408,245	418,474
42, except 427	1. Short-term financial liabilities	117	10.19.	295,035	360,950
427	2. Liabilities from assets held for sale and assets from discontinued operations	118	-	-	-
43 and 44	3. Liabilities from business operations/Accounts payable/Trade ar	119	10.20.	61,331	21,158
45 i 46	4. Other short-term liabilities	120	10.21.	39,045	31,254
47, 48 except 481 and 49 except 498	5. VAT and other public duties and accruals	121	10.22.	4,321	4,620
481	6. Income tax liabilities	122	10.22.	8,513	492
498	C. DEFERRED TAX LIABILITIES	123	10.23.	18,658	9,593
	D. TOTAL EQUITY AND LIABILITIES (101+111+123)	124	-	8,552,314	7,944,649
89	E. OFF-BALANCE SHEET ITEMS	125	10.25.	8,760,429	9,665,845

In Belgrade,

date 20.02.2013.

Person responsible for
preparation of financial
statements

Legal representative



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ENERGOPROJEKT HOLDING PLC.

INCOME STATEMENT

for the period January 1 to December 31, 2012

in 000 RSD

Group accounts, account	POSITION	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A. OPERATING INCOME AND EXPENSES				
	I. OPERATING INCOME (202+203+204-205+206)	201	-	476,714	375,566
60 and 61	1. Sales	202	9.1.	451,099	352,420
62	2. Income from undertaking of outputs and goods for own purposes	203	9.2.	482	598
630	3. Increase of inventories	204	-	-	-
631	4. Decrease of inventories	205	-	-	-
64 and 65	5. Other operating income	206	9.3.	25,133	22,548
	II. OPERATING EXPENSES (208 to 212)	207	-	423,681	362,054
50	1. Cost of goods sold	208	-	-	-
51	2. Material costs	209	9.4.	23,429	20,576
52	3. Staff costs	210	9.5.	194,170	181,495
54	4. Depreciation, amortization and provisions	211	9.6.;9.7.	13,458	20,592
53 and 55	5. Other operating expenses	212	9.8.;9.9.	192,624	139,391
	III. PROFIT FROM OPERATIONS (201 - 207)	213	-	53,033	13,512
	IV. LOSS FROM OPERATIONS (207 - 201)	214	-	-	-
66	V. FINANCIAL INCOME	215	9.10.	567,842	427,440
56	VI. FINANCIAL EXPENSES	216	9.11.	62,957	77,382
67, 68	VII. OTHER REVENUE	217	9.12.	2,421	77,834
57, 58	VIII. OTHER EXPENSES	218	9.13.	17,654	139,370
	IX. PROFIT FROM OPERATIONS BEFORE TAX (213-214+215-216+217-218)	219	-	542,685	302,034
	X. LOSS FROM OPERATIONS BEFORE TAX (214-213-215+216-217+218)	220	-	-	-
69-59	XI. NET PROFIT FROM DISCONTINUED OPERATIONS	221	-	-	-
59-69	XII. NET LOSS FROM DISCONTINUED OPERATIONS	222	9.13.	941	3,259
	B. PROFIT BEFORE TAX (219-220+221-222)	223	9.14.	541,744	298,775
	V. LOSS BEFORE TAX (220-219+222-221)	224	-	-	-
	G. INCOME TAX				
721	1. Tax expenses for the period	225	9.15.	27,823	20,873
722	2. Deferred tax expenses for the period	226	9.15.	9,065	277
722	3. Deferred tax income for the period	227	-	-	-
723	D. EMPLOYER'S EARNINGS PAID	228	-	-	-
	Đ. NET PROFIT (223-224-225-226+227-228)	229	9.15.	504,856	277,625
	E. NET LOSS (224-223+225+226-227+228)	230	-	-	-
	Ž. NET PROFIT BELONGING TO MINORITY INVESTORS	231	-	-	-
	Z. NET PROFIT BELONGING TO EQUITY HOLDERS OF THE PARENT COMPANY	232	-	-	-
	I. EARNINGS PER SHARE				
	1. Basic earnings per share	233	-	-	-
	2. Diluted earnings per share	234	-	-	-
	Total income (201+215+217+221)			1,046,977	880,840
	Total expenses (207+216+218+222)			505,233	582,065
	Gross results			541,744	298,775

In Belgrade,

date 20.02.2013.

Person responsible for
preparation of financial
statements

Legal representative



CASH FLOW STATEMENT
for the period January 1 to December 31, 2012

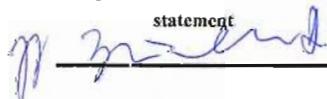
in 000 RSD

Position	EDP	Amount	
		Current year	Previous year
I	2	3	4
A. CASH FLOW FROM OPERATING ACTIVITIES			
I. Cash inflows from operating activities (1 to 3)	301	859,539	900,305
1. Sales and cash receipts from customers	302	858,729	897,749
2. Interest receipts from operating activities	303	-	-
3. Other receipts from operating activities	304	810	2,556
II. Cash outflows from operating activities (1 to 5)	305	532,210	583,401
1. Payments and prepayments to suppliers	306	263,980	248,963
2. Salaries, benefits and other staff costs paid	307	181,392	182,355
3. Interest paid	308	3,958	10,558
4. Income tax paid	309	16,024	76,550
5. Other public duties payable	310	66,856	64,975
III. Net cash provided from operating activities (I-II)	311	327,329	316,904
IV. Net cash used in operating activities (II-I)	312	-	-
B. CASH FLOW FROM INVESTING ACTIVITIES			
I. Cash inflows from investing activities (1 to 5)	313	1,188,689	474,244
1. Sale of shares and equity investments (net inflows)	314	0	-
2. Sale of intangible assets, property, plant, equipment and biological assets	315	-	173,503
3. Other financial investments (net inflows)	316	864,337	-
4. Interests received from investments	317	69,163	24,807
5. Dividends received	318	255,189	275,934
II. Cash outflows from investing activities (1 to 3)	319	1,417,178	1,128,066
1. Purchises of shares (net outflows)	320	-	229,070
2. Purchises of intangible assets, property, plant, equipment and biological assets	321	1,417,178	517,318
3. Other financial investments (net outflows)	322	-	381,678
III. Net cash provided from investing activities (I-II)	323	-	-
IV. Net cash used in investing activities (II-I)	324	228,489	653,822
V. CASH FLOWS FROM FINANCING ACTIVITIES			
I. Cash inflows from financing activities (1 to 3)	325	-	112,756
1. Increase of treasury shares	326	-	770
2. Long-term and short-term loans (net inflows)	327	-	111,986
3. Other long-term and short-term liabilities	328	-	-
II. Cash outflows from financing activities (1 to 4)	329	9,975	4,901
1. Purchase of own shares and stakes	330	-	-
2. Long-term and short-term loans and other liabilities (net outflows)	331	6,447	-
3. Finance lease payments	332	3,159	4,900
4. Dividends paid	333	369	1
III. Net cash provided from financing activities (I-II)	334	-	107,855
IV. Net cash used in financing activities (II-I)	335	9,975	-
G. TOTAL CASH INFLOWS (301+313+325)	336	2,048,228	1,487,305
D. TOTAL CASH OUTFLOWS (305+319+329)	337	1,959,363	1,716,368
DJ. NET CASH INFLOWS (336-337)	338	88,865	-
E. NET CASH OUTFLOW (337-336)	339	-	229,063
Z. CASH AT BEGINNING OF PERIOD	340	239,998	469,938
Z. GAINS ON EXCHANGE	341	5,109	-
I. LOSSES ON EXCHANGE	342	-	877
J. CASH AT THE END OF PERIOD (338-339+340+341-342)	343	333,972	239,998

In Belgrade,

date 20.02.2013.

Person responsible for
preparation of financial
statement




Legal representative



STATEMENT OF CHANGES IN CAPITAL
for the period January 1 to December 31, 2012

No.	DESCRIPTION	in 000 RSD																									
		EDP	Issued capital (group 30 without 309)	EDP	Other capital (account 409)	EDP	Unpaid subscribed capital (group 31)	EDP	Emission premium (account 320)	EDP	Reserves (account 321, 322)	EDP	Revaluation reserves (group 330,331)	EDP	Unrealized gains based on securities available for sale (account 332)	EDP	Unrealized losses based on securities available for sale (account 333)	EDP	Unattributed profit (group 34)	EDP	Loss to the capital value (group 35)	EDP	Retained own shares and stakes (account 097, 217)	EDP	Total (quant 2-3+4-5-6-7+8-9-10+11-12)	EDP	Loss above capital (group 29)
		2		3		4		5		6		7		8		9		10		11		12		13		14	
1	Balance as at January 1, of the previous year.	-401	4,165,896	414	27,178	-427	-	1,600,056	453	102,923	466	-43,080	-479	15,902	492	2,008	943,386	518	-	531	341	-	6,896,012	557	-		
2	Correction of material significant errors and changes in accounting policies in the previous year - increase	-402	-	-415	-	-428	-	-	-454	-	-467	-	-480	-	-493	-	-506	-	-	-	-	-	-	-	-558	-	
3	Correction of material significant errors and changes in accounting policies in the previous year - decrease	-403	-	-416	-	-429	-	-	-455	-	-468	-	-481	-	-494	-	-507	-	-	-	-	-	-	-	-	-559	-
4	Corrected opening balance as at January 1, of the previous year (no. 1+2-3)	-404	4,165,896	-417	27,178	-430	-	1,600,056	456	102,923	469	-43,080	-482	15,902	495	2,008	943,386	521	-	534	341	-	6,896,012	560	-		
5	Total increase in the previous year	-405	662,747	-418	-	-431	-	434	457	31,958	470	-483	-496	3,971	498	1,189	509	-	-	-	-	-	-	-	-545	-	
6	Total decrease in the previous year	-406	-	-419	-	-432	-	-5	-458	-	-471	-	-484	-	-497	-	-510	-	-	-	-	-	-	-	-549	-	
7	Balance on December 31, of the previous year (no. 4+5-6)	-407	4,828,583	-420	27,178	-433	-	1,600,485	459	134,881	472	-43,080	-485	9,875	498	3,170	511	526,307	524	-	537	-	7,167,219	563	-		
8	Correction of material significant errors and changes in accounting policies in the previous year - increase	-408	-	-421	-	-434	-	-	-460	-	-473	-	-486	-	-499	-	-512	-	-	-	-	-	-	-	-564	-	
9	Correction of material significant errors and changes in accounting policies in the previous year - decrease	-409	-	-422	-	-435	-	-	-461	-	-474	-	-487	-	-500	-	-513	-	-	-	-	-	-	-	-	-565	-
10	Corrected opening balance as at January 1, of the current year (no. 7+8-9)	-410	4,828,583	-423	27,178	-436	-	1,600,485	462	134,881	475	-43,080	-488	9,875	501	3,170	514	526,307	527	-	540	-	7,167,219	566	-		
11	Total increase in the current year	-411	239,561	-424	-	-437	-	-463	-	476	-	-489	-	1,215	502	2,690	515	792,481	528	-	541	-	1,070,607	567	-		
12	Total decrease in the current year	-412	-	-425	-	-438	-	-464	-	-477	-	-490	-	-2,956	-503	-	-516	-	-	-	-	-	-	-	-568	-	
13	Balance as at December 31, of the current year (no. 10+11-12)	-413	5,068,144	-426	27,178	-439	-	1,600,485	465	134,881	478	-43,080	-491	8,134	504	5,860	517	789,728	530	-	542	-	7,665,770	569	-		

In Belgrade, date 20.07.2013.

Person responsible for preparation of financial statements

Legal representative

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STATISTICAL ANNEX
for the period January 1 to December 31, **2012**

GENERAL INFORMATION ON THE LEGAL ENTITY, I.E. ENTERPRENEUR

DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4
1. Number of months of operations (designation from 1 to 12)	601	12	12
2. Code identifying the company's size (from 1 to 3)	602	2	2
3. Code identifying the company's ownership structure (from 1 to 5)	603	2	2
4. Number of foreign (legal or physical) entities, holding a share in capital	604	-	-
5. Average number of employees based on the balance at the end of each month (whole number)	605	70	74

II GROSS CHANGES OF INTANGIBLE ASSETS, 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
01	1. Intangible assets				
	1.1. Balance at the beginning of the year	606	11,582	1,443	10,139
	1.2. Increase (purchases) during the year	607	-	-	-
	1.3. Decrease (sale, removal from inventory and impairment) during the year	608	419	-	723
	1.4. Revaluation during the year	609	-	-	-
	1.5. Balance at the end of the year (606+607-608+609)	610	11,163	1,747	9,416
02	2. Property, plant, equipment and biological assets				
	2.1. Balance at the beginning of the year	611	1,175,761	360,259	815,502
	2.2. Increase (purchases) during the year	612	500,017	-	500,017
	2.3. Decrease (sale, removal from inventory and ensuring) during the year	613	16,209	-	125,210
	2.4. Revaluation during the year	614	-	-	-
	2.5. Balance at the end of the year (611+612-613+614)	615	1,659,569	469,260	1,190,309

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. Stock of material	616	-	-
11	2. Work in progress	617	-	-
12	3. Finished products	618	-	-
13	4. Merchandise	619	-	-
14	5. Non-current assets held for sale	620	-	-
15	6. Prepayments	621	99,508	707
	7. TOTAL (616+617+618+619+620+621=013)	622	99,508	707

IV STRUCTURE OF CAPITAL

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
300	1. Share capital	623	5,068,144	4,828,583
	in it: foreign capital	624	-	-
301	2. Stakes of a limited liability company	625	-	-
	in it: foreign capital	626	-	-
302	3. Stakes 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	27,178
30	TOTAL: (623+625+627+629+630+631+632=102)	633	5,095,322	4,855,761

V SHARE CAPITAL 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
	1. Ordinary shares			
	1.1. Number of ordinary shares	634	9,937,538	9,467,810
part 300	1.2. Nominal value of ordinary shares - total	635	5,068,144	4,828,583
	2. Priority shares			
	2.1. Number of priority shares	636	-	-
part 300	2.2. Nominal value of priority shares - total	637	-	-
300	3. TOTAL - nominal value of shares (635+637= 623)	638	5,068,144	4,828,583

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	236,979	426,209
43	2. Liabilities from operations (balance at the end of the year 640 ≤ 117)	640	60,995	20,352
part 228	3. Receivables during the year from insurance companies for damages (debt turnover less opening balance)	641	-	-
	4. VAT - previous tax (annual amount as per tax declaration)	642	27,969	20,918
27				
43	5. Payables from operations (credit turnover less opening balance)	643	1,615,076	251,136
	6. Liabilities for net salaries and salaries compensations (credit turnover less opening balance)	644	111,833	94,314
450				
	7. Liabilities for salaries tax and salaries compensations paid by employees (receivables turnover less opening balance)	645	17,084	14,700
451				
	8. Liabilities for contributions on salaries and salaries compensations paid by employees (receivables turnover without initial balance)	646	19,966	19,887
452				
461,462 and 723	9. Liabilities for dividends, share in profit and employer's personal earnings (credit turnover less opening balance)	647	1,829	-
	10. Liabilities toward physical entities for compensations per contracts (credit turnover less opening balance)	648	2,300	1,456
465				
	11. VAT liability (annual amount as per tax declarations)	649	82,779	68,781
47				
	12. Control summary (from 639 to 649)	650	2,176,810	917,753

VII OTHER COSTS AND EXPENSES

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
513	1. Fuel and energy costs	651	17,053	11,406
520	2. Salaries and salaries compensations (gross)	652	148,872	128,896
521	3. Tax expenses and contributions on salaries and salaries compensations paid by employer	653	19,966	19,883
522,523,524 and 525	4. Expenses for compensations to physical entities (gross) based on contracts	654	3,508	2,480
526	5. Expenses of compensations to BoD & Supervision Board members (gross)	655	12,601	24,571
529	6. Other personal expenses and compensations	656	9,223	5,665
53	7. Production services costs	657	104,494	83,385
533, part 540 and part 525	8. Rental costs	658	866	1,513
part 533, part 540 & part 525	9. Rental costs/land	659	-	-
536,537	10. Research and development costs	660	-	-
540	11. Depreciation costs	661	10,841	19,209
552	12. Insurance premium costs	662	770	958
553	13. Payment operations costs	663	4,873	2,507
554	14. Membership fees	664	1,245	943
555	15. Taxes	665	10,157	10,233
556	16. Contributions	666	-	-
562	17. Interests	667	19,383	25,121
part 560, part 561 and 562	18. Interests expenses and a part of financial expenses	668	19,383	25,121
part 560, part 561 and part 562	19. Interests expenses on bank loans and loans from other financial organizations	669	4,229	11,523
part 579	20. Costs for humanitarian, cultural, health, educational, scientific and religious purposes, environmental protection and sports purposes	670	139	246
	21. Control summary (from 651 to 670)	671	387,603	374,360

VIII OTHER INCOME

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
60	1. Sales	672	-	-
640	2. Income from premiums, subsidies, donations, recourses, compensations and tax returns	673	-	-
641	3. Income from conditioned donations	674	-	-
part 650	4. Income from land-rental fees	675	-	-
651	5. Membership fees	676	-	-
part 660, part 661, 662	6. Interests income	677	98,220	109,041
part 660, part 661, and part 662	7. Income from interests per accounts and deposits in banks and other financial organizations	678	8,734	10,245
part 660, part 661 and part 669	8. Income from dividends and share in profit	679	257,234	276,715
	9. Control summary (from 672 to 679)	680	364,188	396,001

IX OTHER DATA

Amounts in 000 RSD

DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4
1. Liabilities for excises (according to annual excises calculation)	681	-	-
2. Calculated custom duties and other import duties (total annual amount according to calculation)	682	-	-
3. Capital subsidies and other government subsidies for the construction and purchase of fixed assets and intangible assets	683	-	-
4. Government grants for premiums, recourses and covering of current operating costs	684	-	-
5. Other government grants	685	-	-
6. Foreign donations and other non-returnable funds in cash or nature from foreign legal and physical entities	686	-	-
7. Personal earnings of the entrepreneur from net profit (filled in by entrepreneurs only)	687	-	-
8. Control summary (from 681 to 687)	688	-	-

X ACCRUED ADVERSE NET EFFECTS OF CONTRACTUAL CURRENCY CLAUSE AND GAINS AND LOSSES ARISING ON THE TRANSLATION OF FOREIGN CURRENCY

Amounts in 000 RSD

DESCRIPTION	EDP code	Current year	Previous year
1	2	3	4
1. Opening balance of the accrued net effect of the contractual currency clause	689	-	-
2. Accrued net effect of the contractual currency clause	690	-	-
3. Proportional part of the cancelled accrued net effect	691	-	-
4. Remaining amount of the accrued net effect of the contractual currency clause (no. 1 + no. 2 - no.3)	692	-	-
5. Opening balance of the accrued net effect of gains/losses arising on the translation of foreign currency	693	-	-
6. Accrued net effect of gains/losses arising on the translation of foreign currency	694	-	-
7. Proportional part of the cancelled accrued net effect of gains/losses	695	-	-
8. Remaining amount of the accrued net effect of gains/losses (no. 5 + no. 6. - no. 7)	696	-	-

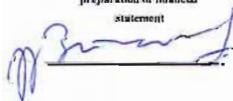
XI ACCRUED POSITIVE NET EFFECTS OF CONTRACTUAL CURRENCY CLAUSE AND GAINS AND LOSSES ARISING ON THE TRANSLATION OF FOREIGN CURRENCY

Amounts in 000 RSD

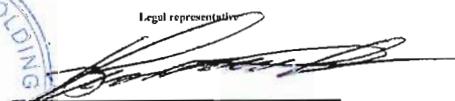
DESCRIPTION	EDP code	Current year	Previous year
1	2	3	4
1. Opening balance of the accrued net effect of the contractual currency clause	697	-	-
2. Accrued net effect of the contractual currency clause	698	-	-
3. Proportional part of the cancelled accrued net effect	699	-	-
4. Remaining amount of the accrued net effect of the contractual currency clause (no. 1 + no. 2 - no.3)	700	-	-
5. Opening balance of the accrued net effect of gains/losses	701	-	-
6. Accrued net effect of gains/losses arising on the translation of foreign currency	702	-	-
7. Proportional part of the cancelled accrued net effect of gains/losses	703	-	-
8. Remaining amount of the accrued net effect of gains/losses (no. 5 + no. 6. - no. 7)	704	-	-

In Belgrade,

date 20.02.2013.

Person responsible for
preparation of financial
statement



Legal representative



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR 2012**

Belgrade, 2013

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1. COMPANY BACKGROUND

Energoprojekt Holding plc., Beograd (hereinafter: the Company) is an open joint stock company for holding operations with a mixed ownership structure.

The Company harmonized its operations with the Companies Law (RS Official Gazette No. 36/2011 and 99/2012) based on the Resolution of Compliance with the Companies Law and the Articles of Association adopted by the General Meeting on 16/03/2012 and the Articles of Association adopted by the General Meeting on 12.01.2012.

During the process of harmonization with the Companies Law, Energoprojekt Holding plc's data has been changed and registered with the Serbian Business Registers Agency by registering the Memorandum of Association and the Articles of Association based on the Decision of the Serbian Business Registers Agency BD 49189/2012 of 18.04.2012, including registration of new bodies of the Company, members of the Executive Board and the chairman and members of the Supervisory Board.

By adopting and registering the Decision on the harmonization of the Memorandum and Articles of Association of Energoprojekt Holding plc. adopted in compliance with provisions of the new Companies Law, the Decision on the harmonization with the Companies Law and Articles of Association from 2006 will cease to apply.

The Company originally registered with the Commercial Court of Belgrade in registry inserts number 1-2511-00, and later re-registered with the Serbian Business Registers Agency with Decision BD 8020/2005 of 20/05/2005.

Based on the Decision No. VIII Fi 8390/99 issued 30/06/2000 by the Commercial Court of Belgrade, the Company harmonized its operations with the Companies Law (FRY Official Gazette No. 29/96), the Law on Business Classification (FRY Official Gazette No. 31/96) in respect of the company name, registered business, equity and management, and changed its name from “Energoprojekt Holding share based company in mixed ownership for incorporating, financing and managing other companies”, at the time registered by Decision No. FI 5843/91 of 13/06/1991 of the same court, to “Energoprojekt Holding joint stock company for holding operations”.

The legal predecessor of Energoprojekt Holding share based company in mixed ownership is Energoprojekt Holding Corporation, registered with the District Court of Belgrade by Decision No. Fi 423 of 12/01/1990, a company that was organized under the previous Companies Law (SFRY Official Gazette No. 77/88, 40/89, 46/90 and 60/91) through adoption of the Self-Management Agreement for Organizational

Changes in the Composite Organization of Associated Labour “Energoprojekt“ and the associated workers’ organizations, as it was styled at the time, at a referendum held 08/12/1989.

Basic data on the Company

<i>Head office</i>	Belgrade, Bulevar Mihaila Pupina 12
<i>Registration number</i>	07023014
<i>Registered business code and name of the activity</i>	6420 (74150 and 110620) - holding company
<i>Tax registration number</i>	100001513

According to the registration in the Serbian Business Registers Agency, **Company's main activity** is the activity of holding companies (6420).

The Company is the parent company that forms with its ten subsidiaries and one affiliated company a **group of companies referred to as The Energoprojekt Group**:

- Energoprojekt Visokogradnja plc,
- Energoprojekt Niskogradnja plc,
- Energoprojekt Oprema plc,
- Energoprojekt Hidroinženjering plc,
- Energoprojekt Urbanizam i arhitektura plc,
- Energoprojekt Energodata plc,
- Energoprojekt Industrija plc,
- Energoprojekt Entel plc,
- Energoprojekt Garant a.d.o,
- Energoprojekt Promet ltd. and
- Enjub ltd.

The following table contains data on the ownership share in these subsidiaries and affiliated companies.

<i>Equity investments in subsidiaries</i>	
<i>Subsidiary</i>	<i>% ownership</i>
Energoprojekt Visokogradnja plc.	92,39
Energoprojekt Niskogradnja plc.	93,32
Energoprojekt Oprema plc.	67,87
Energoprojekt Hidroinženjering plc.	94,84
Energoprojekt Urbanizam i arhitektura plc.	94,40
Energoprojekt Energodata plc.	96,43
Energoprojekt Industrija plc.	62,77
Energoprojekt Entel plc.	86,26
Energoprojekt Garant plc.	92,94
Energoprojekt Promet ltd.	100,00

Ownership share of the Company in the affiliated company is indicated in the following table.

<i>Equity investments in affiliated companies</i>	
<i>Affiliated company</i>	<i>% ownership</i>
Enjub ltd.	50,00

The Company is, according to criteria defined by the Law on accounting and auditing, classified as a **middle-sized legal entity**.

The **average number of employees** in the Company, based on the balance at the end of each month, is as follows:

- 2012: 70 employees and
- 2011: 74 employees.

The company's shares are Prime-listed on the Belgrade Stock Exchange.

Annual financial statements that are the subject of these Notes are **separate financial statements** of the Company, approved by the Supervisory Board of the Company on 25.02.2013.

Approved financial statements may subsequently be modified pursuant to the legislation in force.

2. MANAGEMENT STRUCTURE

The key management of the Company in 2012 included the following persons:

- Vladimir Milovanović - General Manager;
- Dr Dimitraki Zipovski - Executive Manager for finances, accounting and plan;
- Zoran Radosavljević - Executive Manager for corporate projects, development and quality;
- Mr Zoran Jovanović - Executive Manager for legal affairs and
- Dragan Tadić - Executive Manager for „Real Estate“ projects.

3. OWNERSHIP STRUCTURE

According to records of the Central Securities Depository, the ownership structure of Energoprojekt Holding plc. shares on 31.12.2012 is presented in the Notes 10.11.

4. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

In the Republic of Serbia, the **Law on Accounting and Auditing** (RS Official Gazette 46/2006,111/09 and 99/2011) is the main legal document that deals with various issues related to accounting activities.

Financial statements of the Company were prepared and presented according to the provision of the Law on Accounting and Auditing that determines that legal entities shall maintain business books, recognize and value assets, liabilities, revenues and expenses; prepare, present, deliver and publish financial statements, according to:

- Legislation,
- Professional regulations and
- Internal regulations.

Legislation means laws and subordinate legislation adopted for the implementation of the law.

In the preparation of financial statements of the Company, the following laws and subordinate legislation were considered:

- The Law on Accounting and Auditing (RS Official Gazette No. 46/2006, 111/2009 and 99/2011);
- Legal Entities Income Tax Law (RS Official Gazette No. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011 and 119/2012);
- The VAT Law (RS Official Gazette No. 84/2004, 86/2004, 61/2005, 61/2007 and 93/2012);
- Regulation of the Form and Contents of Financial Statements submitted by companies, cooperatives, other legal entities and entrepreneurs (RS Official Gazette No. 114/2006, 5/2007, 119/2008, 2/2010, 101/12 and 118/12);
- Regulation on the Chart of Accounts and Contents of Accounts in the Chart of Accounts for companies, cooperatives, other legal entities and entrepreneurs (RS Official Gazette No. 114/2006, 119/2008, 9/2009, 4/2010, 3/2011 and 101/2012);
- Regulation on supplements and amendments to the Regulation on the Chart of Accounts for companies, cooperatives, other legal entities and entrepreneurs (RS Official Gazette No. 114/2006, 119/2008, 9/2009, 4/2010 i 3/2011 and 101/2012);
- Regulation on the Content of the Income Statement and other Income Tax related issues (legal entities) (RS Official Gazette No. 99/2010, 8/2011, 13/2012 and 8/2013);
- Regulation on the Content of the Tax Return for the Calculation of Income Tax for Legal Entities (RS Official Gazette No. 99/2010 i 8/2013);
- Regulation on the Classification of Fixed Assets into Groups and Determination of depreciation for tax purposes (RS Official Gazette No. 116/2004 and 99/2010).

Professional regulations refer first of all to:

- The Framework for the preparation and presentation of financial statements (hereinafter referred to as: the Framework),
- International Accounting Standards (hereinafter referred to as: the IAS),
- International Financial Reporting Standards (hereinafter referred to as: the IFRS) and
- Interpretations adopted by the Committee for the interpretation of international financial reporting.

Please note that, in specific cases, not all respective IAS/IFRS provisions and Interpretations were considered in the preparation of financial statements. This is due to partial non-compliance between the legislation and professional regulations. Therefore, since the legislation is primary in this context, some aspects of financial statements are not in compliance with professional regulations.

Accounting regulations of the Republic of Serbia and presented financial statements of the Company do not comply with IFRS with regard to the following:

- In the Republic of Serbia, financial statements are prepared in the form prescribed by the Regulation of the Form and Contents of Financial Statements submitted by companies, cooperatives, other legal entities and entrepreneurs (RS Official Gazette No. 114/2006, 5/2007, 119/2008, 2/2010, 101/12 and 118/12), which is not in compliance with the presentation and titles of specific financial statements for general purpose and the presentation of certain figures in the statement as prescribed by the revised IAS 1 – „Presentation of financial statements“ and
- Off-balance sheet assets and liabilities are presented on the balance sheet, yet these items, according to professional regulations, do not represent either assets nor liabilities of the Company

Besides the above mentioned, variations are possible also due to the time difference between the publishing date of Standards and Interpretations that are subject to continuous changes and the implementation date of these Standards and Interpretations in the Republic of Serbia. For example, deviations from the professional regulation occur when published Standards and Interpretations that entered into force, have not been officially translated and adopted in the Republic of Serbia or if published Standards and Interpretations have not yet entered into force or in other cases where the Company has no scope of influence.

The Regulation on Accounting and Accounting policies of the Company, adopted on 22.10.2012 by the Executive Board and the Regulation on the amendment of the Regulation on Accounting and Accounting policies of the Company No. 10 of 21.01.2013 were used in the preparation of financial statements as a legal document that represents **internal regulations of the Company**. Other internal documents were also used, such as, for example, the Collective agreement.

Financial statements of the Company for 2012 are disclosed in the form and content as prescribed by the Regulation of the Form and Contents of Financial Statements submitted by companies, cooperatives, other legal entities and entrepreneurs. This Regulation prescribes, among other things, the content of items in the forms: Balance sheet, Profit and Loss account, Cash flow statement, Report on changes in equity capital, Note to the financial statements and Statistical annex, for companies, cooperatives, other legal entities and entrepreneurs that have double entry accounting.

The Regulation prescribes also that data in the Balance sheet, Profit and Loss account, Cash flow statement, Report on changes in equity capital, and Statistical Annex are

entered in thousand of dinars and that the number of employees is expressed as a whole number, as applied in these Notes.

5. ACCOUNTING PRINCIPLES

The following principles were applied in the preparation of financial statements:

- The Going concern principle
- The Consistency principle,
- The Prudence principle,
- The Substance over form principle,
- The Accrual principle
- The Item by item assessment principle.

Considering the **Going concern principle**, financial statements are prepared under the assumption that the proprietary position, financial position and business results of the Company as well as the economic policy of the country and of the environment, enable the Company to operate for an unlimited period.

The Consistency principle means that assets and changes in assets, liabilities, capital, income, expenses and business results are valued in the same manner over a longer period. If, for example changes are implemented, due to compliance with the legislation and professional regulations, reasoning for the change must be provided and the effects are disclosed according to the professional regulations concerning the change in valuation methods.

The Prudence principle means applying a certain level of caution when preparing financial statements of the Company so that the property and revenues are not overstated and obligations and expenses are not understated. The Prudence principle should not imply conscious, unrealistic decrease in revenues and capital of the Company or conscious, unrealistic increase of expenses and liabilities of the Company. Namely, the framework for the preparation and presentation of financial statements clearly states that the Prudence principle should not result in the forming of substantial hidden reserves, deliberate reduction of property of revenues, or deliberate exaggeration of liabilities or expenses causing the financial statements to become impartial and therefore unreliable.

The **Substance over form principle** means that, when recording the company's transactions, and consequently in preparing the financial reports, the accounting treatment should be based on the substance of the transactions and their economic reality and not just their legal form.

Considering the **Accrual principle**, recognition of effects of transactions and other events in the Company is not related to the point in time when cash or cash equivalents are received or paid based on these transactions or event, yet to the point in time when they occurred. This approach provides that the users of financial reports are informed not only about past transactions of the Company that resulted in payments or reception of cash, but also about liabilities of the Company to pay cash in the future and resources that represent cash to be received by the Company in the future.

In other words, the **Accrual principle provides** information on past transactions and other events in the manner most useful to users for reaching economy-related decisions.

The **Item by item assessment principle** means that possible group valuations of various balance items (for example, property or liabilities) for the purpose of rationalization, derive from separate valuation of items.

6. CORRECTION OF ERRORS FROM PRIOR PERIODS, MATERIAL ERRORS AND CORRECTION OF THE OPENING BALANCE

Errors from prior periods represent omitted or false data presented in financial statements of the Company for one or several periods as a result of misuse or lack of use of reliable information, which were available when the financial statements for respective periods were approved for issue and which were expected to be obtained and taken into consideration upon preparation and presentation of the respective financial statements.

A materially significant error, discovered in the current period that refers to a previous period is an error that has significant influence on financial statements for one or several prior periods and due to which these financial statements cannot be considered anymore as reliable.

Materially significant errors are corrected retroactively in the first series of financial statements approved for publishing after these errors have been discovered, by correcting comparative data for presented prior period(s) when errors occurred or if the error occurred prior to the earliest presented prior period, opening balances for assets, liabilities and capital for the earliest presented prior period will be corrected. Page 18

If it is practically impossible to establish the effect of an error from a certain period by comparing information for one or several presented prior periods, the Company will

correct opening balances for assets, liabilities and capital for the earliest period that can be corrected retroactively (may be also the current period).

Subsequently *confirmed errors that are not materially significant* are corrected against expenses or in favor of revenues for the period in which they were identified.

The materiality of an error is valued pursuant to provisions of the Framework for the preparation and presentation of financial reports that state that materiality may imply that omission or false accounting entries may affect economic decisions of users adopted based on financial statements. Materially significant errors are valued pursuant to relevant provisions from the Framework for the preparation and presentation of financial statements. Materiality is defined in the Company with respect to the significance of the error considering total revenues. A materially significant error is an error that for itself or together with other errors **exceeds 1,5% of the total income in the previous year**.

7. OVERVIEW OF PRINCIPAL ACCOUNTING POLICIES

Principal accounting policies that are applied in the preparation of these financial statements are presented herein. These policies are consistently applied to all included years, unless otherwise stated.

Important accounting policies applied to financial statements that are subject of these Notes and presented in the following text, are based, first of all, on the Regulation on accounting and accounting policies of the Company. If certain accounting aspects are not clearly defined in the Regulation, applied accounting policies are based on the legislation, professional and internal regulations in force.

In accordance with IAS 21, the RSD represents **functional and reporting currency** in financial statements of the Company. Besides data for the current year, financial statements of the Company contain data from financial statements from 2011 as **comparative data**.

In the preparation of financial statements, relevant provisions IAS 10 were considered. They refer to events that occur between the balance sheet date and the date financial statements were authorized for issue. More precisely, **for effects of the event that provide evidence on circumstances at the balance sheet date**, already recognized amounts in financial statements of the Company were corrected in order to mirror corrected events after the balance sheet date; and **for effects of the event that provide evidence on circumstances after the balance sheet date**, no adjustments of recognized

amounts were applied. If there were any, these Notes will disclose the nature of events and the valuation of their financial effects.

7.1. Valuation

The Company has to use the best possible valuations and reasonable assumptions in the preparation and presentation of financial statements according to professional regulations and legislation in force in the Republic of Serbia. Though, actual future results may vary, valuations and assumptions are based on information available at the balance sheet date.

The most important valuations refer to the impairment of financial and non-financial assets and definition of assumptions, necessary for actuarial calculation of long-term compensations to employees based on the retirement bonus.

The business policy of the Company is to disclose information on the **fair value** of assets and liabilities, if the fair value varies significantly from the accounting value. In the Republic of Serbia, a reliable valuation of the fair value of assets and liabilities presents a common problem due to an insufficiently developed financial market, lack of stability and liquidity in sales and purchases of, for example, financial assets and liabilities, and sometimes unavailability of market information. The society does not neglect these problems and the management performs continuous valuations, considering the risks. If it is established that the recoverable (fair or value in use) value of assets in business books of the Company was overstated, the adjustment of value is applied.

7.2. Effects of foreign exchange rates

Transactions in foreign currency, upon initial recognition, are registered in dinar counter value by applying the official middle exchange rate on the translation date.

According to provisions of IAS 21 – Changes in foreign exchange rates, monetary items in foreign currency (assets, receivables and liabilities in foreign currency) are recalculated at each balance sheet date by applying the valid exchange rate or the official middle exchange rate at the balance sheet date.

Gain/losses arising on the translation of foreign currency (apart from those related to monetary items as part of net investments of the Company in foreign business, included

pursuant to IAS 21) are recognized as revenues or expenses of the Company for the period in which they occurred.

Official middle exchange rates of the National Bank of Serbia, at the balance sheet date, for foreign currencies used for the recalculation of monetary items in dinar counter value, are presented in the following table.

Official NBS middle exchange rates

<i>Currency</i>	<i>31.12.2012</i>	<i>31.12.2011</i>
	<i>Amount in dinar</i>	
1 EUR	113,7183	104,6409
1 USD	86,1763	80,8662

7.3. Revenues

Revenues comprise income from economic benefits in the respective period that lead to the increase in capital, other than the increase that relate to investments from existing equity holders, and are measured according to the fair value of received or claimed benefits.

Revenues include: operating revenues, financial revenues and other revenues (including also revenues from the property value adjustment).

The most important **Operating revenues** are sales revenues for the sale of goods, products and services and other revenues, such as: income from own products/merchandise, increase of inventories and work in progress for unfinished and finished products and unfinished services (if, in the course of the year, there were reductions of inventories, the reduction amount is deducted from the total operating revenues) and other operating revenues.

Revenues from services pursuant to IAS 18 – Revenue, *revenues from a specific transaction are recognized by reference to the stage of completion of the transaction at the balance sheet date.* The transaction result may be reliably valuated: if the revenue amount may be reliably measured, if the level of completion of the transaction at the balance sheet date may be reliably measured and if transaction-related expenses and transaction completion expenses may be reliably measured.

Financial revenues include financial revenues from subsidiaries and other related parties, gains arising on the translation of foreign currency, income from interest and other forms of financial revenues.

Other revenues include, besides income, *profit* that may or may not arise from usual activities of the Company. Profit includes, for example, revenue from PPE sales; at a greater value as the accounting value at the moment of sale.

7.4. Expenses

Expenses are the outflow of economic benefits in the respective period that result in the decrease of the capital of the Company, excluding the reduction that refers to the allocation of profit to owners or reduction that resulted from partial withdrawal of capital from operations by the owner. Expenses include outflow of assets, impairment of assets or increase of liabilities.

Expenses include operating expenses, financial expenses and other expenses (including impairment-related expenses).

Operating expenses include: purchase price, material used, gross salaries, producing costs, non-material costs, depreciation and provisions, etc.

Financial expenses include financial expenses arising from relation with subsidiaries, gains arising on the translation of foreign currency, interest-related expenses and other financial expenses.

Other expenses include losses that may or may not arise from usual activities of the Company. Losses (for example, shortages or losses that result from the sale of assets at a less value than the accounting value) represent a decrease of economic benefits and, as such, do not vary from other expenses.

7.5. Interest and other borrowing costs

The borrowing costs include interests and other costs that arose in the company related to the borrowing of funds in accordance with IAS/IFRS.

Based on relevant provisions IAS 23 – Borrowing costs, borrowings are recognized as expenses at the moment of occurrence, unless they are directly attributed to the

acquisition, construction or production of a certain asset (asset that needs significant time to be brought to working condition for its intended use or sale), in which case the interest and other borrowing costs are capitalized as a part of the purchase price (cost price) of that asset.

7.6. Income tax

The income tax is registered as a summary of:

- The current tax and
- The deferred tax.

The current tax is the amount of obligation for the payable (recoverable) income tax that refers to the taxable income (tax loss) for the respective period. In other words, the current tax is payable income tax defined in the tax return pursuant to tax regulations.

The deferred tax includes:

- Deferred tax assets or
- Deferred tax liabilities.

Deferred tax is recorded in books pursuant to respective provisions IAS 12 – Income taxes that specify that deferred tax assets and liabilities should not be discounted.

Deferred tax assets include income tax, recoverable in future periods in respect of:

- deductible temporary differences,
- unused tax losses transferred to the following period and
- unused tax credit transferred to the following period.

For assets subject to depreciation, deferred tax assets are recognized for all **deductible temporary differences** between the accounting value of assets that are subject to depreciation and their tax base (values allocated to these assets for tax purposes). Deductible temporary differences exist if the accounting value of assets is less than their tax base. In that case, deferred tax assets are recognized, if it is estimated that there will be a taxable income in future periods for which the Company may use deferred tax assets.

A deferred tax asset based on **unused tax losses** is recognized only if the management assesses that the Company will generate taxable income in future periods that may be reduced based on unused tax losses.

A deferred tax asset based on **unused tax credit** for investments in fixed assets is recognized only up to the amount for which a taxable income in the tax balance will be realized in future periods or calculated income tax for reducing which the unused tax credit may be used.

Deferred tax assets may be recognized on other grounds for which the Company assesses income tax will be recoverable in future (for example, for provisions for non-due retirement bonus, specified pursuant to provisions IAS 19).

Deferred tax liabilities include income taxes payable in future periods against deductible temporary differences.

With respect to assets that are subject to depreciation, deferred tax liabilities are recognized always if there is a deductible temporary difference between the accounting value of assets that are subject to depreciation and their tax base. Deductible temporary difference occurs if the accounting value is greater than its tax base.

A deductible temporary difference is stated at the balance sheet date by applying the prescribed tax rate of the income tax to the amount of the deductible temporary difference.

Deferred tax liabilities may be recognized on other grounds for which the Company assesses income tax will be recoverable in future against taxable temporary differences.

7.7. Intangible investments

Intangible investments (assets) are assets without physical substance that may be identified, such as: licenses, concession, copyrights, investment in other properties, trademarks, etc. The property fulfils criteria to be identified if: it is detachable or it can be detached from the Company and sold, transferred, licensed, rented or traded, separately or with a related contract, property or liability; or that derives from contractual and other legal rights, regardless if these rights are transferable or separable from the Company or other rights or obligations.

To recognize an intangible investment, it is necessary to comply with IAS 38 – Intangible assets:

- that it is likely that future economic benefits, attributable to assets, will flow to the Company;

- that the Company has control over the asset and
- that the purchase price (cost price) may be reliably measured.

Accounting recognition of internally generated intangibles is dependent upon an assessment of whether they are created:

- in the research phase, or
- in the development phase.

Intangible assets from *research or research phase of an internal project*, will not be recognized as intangible investment. Expenditure-related to research or the research phase for internal project are recognized as expenses in the period of occurrence.

The cost price of an internally generated intangible asset that derives from research activities (or the research phase of an internal project) includes all directly attributable expenses necessary to create, produce and prepare the asset for the use as intended by the Company.

An investment property should be measured initially at its cost.

Intangible investment is measured subsequently, after initial recognition, at its cost, reduced by accumulated depreciation and losses from the decrease in value (pursuant to provisions IAS 36 – Impairment of assets).

Depreciation of intangible assets is conditioned by the valuation if the useful life is:

- unlimited or
- limited.

Intangible assets are not subject to depreciation, if it is estimated that the useful life is unlimited or if, after analysis of all relevant factors, the ending of the period during which the intangible asset is expected to generate net cash flows for the Company cannot be predicted.

7.8. Property, plants and equipment

Property, plant and equipment are tangible assets: used in the production, supply of goods and services, for rental to others or for administrative purpose; expected to be used for more than one period.

The general principle for the recognition of property, plants and equipment is not applied only if assets of lesser value, that are registered as inventory items, have to be recognized (for example, spare parts and servicing equipment). The total value of an asset is transferred to current expenses when the item is first put in service.

Property, plant and equipment are tangible assets: if it is probable that future economic benefits associated with the item will flow to the entity; and if the purchase price (cost price) of the item can be reliably measured.

Property, plant and equipment should be measured initially at the purchase price (cost price) that includes: the purchase price and all related transaction costs, meaning all directly attributable costs of bringing the asset to working condition for its intended use.

Property, plants and equipment are measured subsequently at its cost reduced by accumulated depreciation and losses from the decrease in value (pursuant to IAS 36).

7.9. Finance lease

A lease is an agreement in which the lessor transfers the right to use the lease object to the lessee for a predefined time period in exchange for a single payment or series of payments.

In case of a **financial lease**, pursuant to IAS 17 – Leases, the lessee performs **initial measurement** of the lease by recognizing it as an asset and liability in the balance sheet, according to amounts that equal to the fair value of the asset-lease object at the begin of the lease duration or according to the present value of minimum payments for the lease, if it is lesser. Fair value is the amount for which a leasing object can be exchanged between knowledgeable, willing parties in an arm's length transaction.

In the calculation of the present value of minimum payments for the lease, the discount rate is generally defined based on the interest rate included in the lease. If the interest rate cannot be determined, the incremental interest rate on the debt amount is used as the discount rate or the expected interest rate the Company would pay in case of borrowed assets under similar conditions and similar guarantees for the purchase of the asset as the lease object. All initial direct expenses of the lessee are added to the amount that was recognized as the asset.

In case of **subsequent measurement**, the minimum lease payments should be divided between financial expenses and the reduction of outstanding obligations. The financial expenditure is allocated to period during the leasing term and a constant periodic interest rate is applied to the outstanding balance.

7.10. Depreciation of intangible assets, property, plants and equipment

The asset value (non-material assets, property, plants and equipment) is allocated by **depreciation** to period during its useful life.

The lifetime of an asset is determined by applying the time method, so that the lifetime of the asset may be understood as a time period when the asset is at Company's disposal for use.

The amount to be depreciated or the purchase price or another amount that replaces the value in financial statements of the Company, reduced by the residual value (remaining value) is systematically allocated during the lifetime of the asset.

The residual value is the evaluated amount that the Company would have received today, if it had disposed an asset, after the reduction of the estimated disposal costs and under the assumption that the asset is at the end of its lifetime and in a condition as expected at the end of a lifetime.

The depreciation of the asset acquired in a financial lease agreement is calculated in the same way as for other assets, unless if it is unknown when the Company will become the owner of the asset in case that the asset is depreciated in total prior to the end of the lease agreement and its lifetime.

The depreciation is performed by the **linear write-off** (proportional method), the **calculation of depreciation starts** when the asset becomes available for use or when it is at the location and ready-for-use as foreseen by the Company.

The depreciation is not calculated for assets that do not lose value over time (such as artwork) or assets with unlimited life expectancy.

Assets depreciation calculation is performed for tax balance purposes according to the relevant regulations.

7.11. Decrease in the value of intangible assets, property, plants and equipment

At each balance sheet date, competent persons, from the Company or external, check if there are indications that the accounting value of an asset (intangible asset, property, plant and equipment) is decreased or if the accounting value exceeds the recoverable amount for this asset.

If there are indications that there is a decrease in value, valuation of recoverable amount is performed pursuant to IAS 36.

Recoverable amount is a greater value than:

- The fair value, reduced by the cost of sales and
- The use value.

The fair value reduced by the cost of sale is the expected net selling price of that asset or the amount that may be achieved in the sale of an asset as an independent transaction between knowledgeable, willing parties, minus disposal costs.

The use value is the present value of estimated future cash flows expected to occur from the continuous use of the property during its lifetime and sale at the end of that period. The discount rate used to determine the present value reflects current market estimations of the time value of money as well as the risks, characteristic for that asset.

The recoverable amount is estimated for each asset separately or, if possible, for the unit that generates cash related to that asset. The unit that generates cash is the smallest recognizable group of assets that generates cash flows, mostly independent from the cash flow related to other assets of groups of assets.

If it has been established that the value is decreased, the accounting value is reduced to the recoverable amount. The loss due to the decrease is indicated as follows:

- If the revaluation reserves were previously created for that asset, the loss is indicated by decreasing revaluation reserves, and
- If the revaluation reserves were not previously created for that asset, the loss is indicated as expenses for the respective period.

7.12. Investment property

Investment property is a property held by the owner or the lessee in the financial lease in order to receive income from rentals or increase in capital value, or both, and not:

- To use it in the production, acquisition of goods and services or for administration purposes; or
- Sale within the scope of usual business activities.

The investment property is recognized, pursuant to IAS 40 – Investment property, as an asset: if there is a chance that the Company may have economic benefit in the future from that investment property; and if its purchase price (cost price) may be reliably measured.

An **investment property should be measured initially** at its cost. Related expenses are included in the price.

Subsequent expenditure related to already recognized investment property is attributed to the expressed amount of the investment property if it can be recognized as a fixed asset or if the duration of the expenditure is longer than one calculation period, if it is likely that future economic benefits related to that expenditure will flow to the Company and if the purchase price (cost price) of that expenditure can be reliably measured.

After initial recognition, the **subsequent measurement of the investment property** is performed according to the fair value, meaning its market value or most probable value that can be achieved on the market at the balance sheet date.

The change in the fair value of an investment property in a specific period is included in the result of the period when the increase/decrease has occurred.

Investment properties are not subject to the calculation of depreciation nor to the valuation of the decrease in value of the property.

7.13. Inventories

Inventories are assets: kept for sale in the usual line of activities, assets in production, but intended for sale; or primary and secondary materials used in the production or provision of services.

Inventories include: primary and secondary materials (including spare parts, tools and stock) used in the production, unfinished products that are being produced, finished products manufactured by the Company and goods.

Inventories are (pursuant to IAS 2 - Inventories) **measured** at lower value:

- The purchase price (cost price) and
- Net realizable value.

The purchase price (cost price) includes all:

- Purchase expenses,
- Conversion expenses and
- Other costs incurred in bringing the inventories to their present location and condition.

Purchase costs as basis for the valuation of inventories of goods, include the cost price, import duties and other fiscal expenditure (apart from those that can be recovered from tax authorities, such as, added value tax that can be deducted as previous tax), transportation costs, manipulation costs and other costs that are directly attributable to the purchase costs. Discounts, rebates and other similar items are deducted upon definition of the purchase costs.

The *valuation of material inventories spent* is performed by applying the **weighted average cost formulas**.

In the recognition of assets of lower value (for example small inventory items), upon its use, the entire value (100% write-off) is transferred to expenses of the respective period.

Conversion costs and other costs incurred in bringing the inventories to their present location and condition are important in the valuation of inventories of unfinished products and finished products. These costs include: direct labor costs, direct material costs and indirect costs, or general production costs.

Net realizable value is the valuated price of sale within regular business activities reduced by completion costs and valuated costs necessary for the realization of the sale. The valuation of the net realizable value is performed based on the most reliable evidence available at the time of valuation with regard amounts that may be achieved.

The amount of any write-off of inventories to the net realizable value and all losses of inventories are recognized as expenses for the period when the write-off or loss occurred.

7.14. Fixed assets intended for sale

The Company recognizes and expresses a fixed asset (or available group) as an **asset intended for sale**, if its accounting value may be recovered through a sale transaction and not further use. To fulfill this requirement:

- The asset may be available for immediate sale in the present condition, solely under usual conditions for the sale of such property (or disposal group); and
- The sale of the asset must be very possible.

The fixed asset that was recognized as an asset intended for sale is **measured** (expressed) at a lower value than:

- The accounting value and
- The fair value reduced by the costs of sale.

The accounting value is the present (non write off) value stated in business books of the Company.

The fair value is the amount at which the asset may be traded between informed and willing parties in an independent transaction or the market value on the date of sale.

Costs of sale are costs directly attributable to the sale of assets.

Fixed assets intended for sale are not depreciated.

Written-off assets, as well as assets with an insignificant non write off value will not be recognized as assets intended for sale.

7.15. Financial instruments

Financial instruments include financial assets and liabilities recorded in the balance sheet of the Company as of the moment when the Company becomes legally bound by the financial instrument and till the loss of control over rights that derive from that financial asset (by realization, activation, assignment, etc.), or by settlement, cancellation or activation of the financial liability.

Financial assets and liabilities pursuant to IAS 32, may have many manifestations, such as: cash, instrument of equity of another entity, contractual right to collect cash or another financial asset or trade in financial assets and liabilities with another entity, potentially favorable to the Company, contractual right to give cash or another financial

asset to another entity, or the right to trade financial assets or liabilities with another entity under potentially unfavorable conditions to the Company, etc.

Disclosure of financial instrument and related accounting records is stipulated by the classification performed by the Company according to the features of financial instruments.

The management of the Company may classify each financial instrument in one of four possible types of financial instruments as specified in IAS 39:

- Financial asset or liability at fair value through the profit and loss account,
- held-to-maturity investments,
- Loans and receivables and
- available-for-sale financial assets.

A Financial asset or liability at fair value through the profit and loss account includes financial assets and liabilities whose changes in fair value are recorded as revenues or expenses in the balance sheet.

A Financial asset or liability classified in this category has to fulfill any of the following conditions:

- classified as held for trading or
- after initial recognition, it will be classified and stated as a financial asset (obligation) through the profit and loss account

A financial asset of liability is classified as held for trading, if: it was acquired or created for sale or repurchase in the nearest future, a part of portfolio of identified financial instruments managed jointly and for which there is proof of recent short-term revenue model or derivate (apart from derivatives as a hedging instrument).

The Company may indicate that a financial instrument is disclosed through the profit and loss account only if relevant information is obtained, since the inconsistency of measurement or recognition that would occur in the measurement of assets or liabilities or recognition of gains or losses is eliminated or considerably prevented; or a group of financial assets, liabilities or both is managed and performances valued based on the fair value in accordance with the risk management strategy or investment management strategy and the information on the group is internally collected accordingly and presented to the key management of the Company.

Held-to-maturity investments are non-derivative financial assets with fixed or identifiable payments and fixed maturity that the Company intends and may hold to maturity, excluding those marked by the Company at fair value through the profit and loss account after initial recognition or those marked as available-for-sale and those defined as loans and receivables.

Loans and receivables are non-derivative financial assets of the Company with fixed or identifiable payments that do not have a quoted market price, unless:

- if the Company intends to sell them immediately or in short-term and that would be classified, in such case, as assets held for trading,
- assets marked at fair value through the profit and loss account after initial recognition and
- assets classified as available-for-sale because the total initial investment cannot be recovered

Available-for-sale financial assets are non-derivative financial assets marked as available-for-sale and not classified in any previously defined type of financial instruments.

Upon **initial measurement** of a financial instrument the Company performs the measurement at fair value increased by transaction costs that may be directly attributed to the acquisition or issuance of financial assets or liabilities, if the financial instrument was not marked for measurement at fair value with changes of fair value through the profit and loss account.

Subsequent measurement of financial instruments is performed at fair values, without deducting transaction costs that may arise from the sale or disposal of the instrument, the following financial assets excluded:

- loans and receivables, measured at amortized cost using the effective interest method;
- investments held-to-maturity, measured at amortized cost using the effective interest method; and
- investments in capital instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and it is measured at cost.

The fair value of assets is the amount at which the asset can be traded for or liability settled between informed and willing parties as an independent transaction. If there is an active market for the financial instrument, the fair value is determined according to information obtained from that market; if there is no active market, the fair value is

determined using valuation techniques specified in IAS 39. Positive (adverse) effects of the change of fair value are expressed as gain (loss) in the period of change, for financial instruments at fair value through the profit and loss account. Available-for-sale financial instruments are expressed within unrealized gain/losses based on available-for-sale securities up to the sales date, when the effect are transferred to gains (losses). An exception of the above are expenses related to permanent depreciation and gains (losses) in foreign currency that are recognized immediately as gain (losses) for financial instruments classified as available-for-sale.

Amortized cost is the present value of all expected future made or received cash payments during the expected life expectancy of a financial instrument. The discount method with the effective interest rate is applied in the calculation of the amortized cost of a financial instrument. Gains/losses from changes in the depreciated value of financial instruments are recognized as of the moment when the financial instrument is no longer recognized, unless a decrease in value was performed, in that case the loss is recognized immediately.

7.16. Cash and cash equivalents

The most liquid forms of financial assets of the Company are **cash and cash equivalents**, valued at nominal or fair value. Cash and cash equivalents consist of: petty cash, deposits with banks, etc, and highly liquidity investments with short maturity period which may be transferred into cash that are not under the influence of significant risk of value changes.

7.17. Short term receivables

Short term receivables comprise receivables from related legal persons (subsidiaries and affiliates) as well as receivables from other legal and physical persons in the country and abroad in the moment of sold products, goods and performed services; expected to be realized within 12 months from the balance sheet date. *Short term trade receivables* are measured by the cost stated in the issued invoice. If the cost on the invoice is stated in the foreign currency, translation to the functional currency is done by applying the average exchange rate ruling on the date of transaction. Changes in exchange rate from the date of transaction to the collection date are stated as gains and losses from exchange posted in the favor of revenues or against expenses. Receivables stated in the foreign currency as at the balance sheet date are translated by the ruling average exchange rate and gains and losses arose are booked as revenue or expense for that period.

At the balance sheet date, the Company performs an assessment of debt collection ability for all receivables or if receivables have a decrease in value.

In the assessment of the decrease in value, the Company has endured losses due to the decrease in value if there is objective proof (for example, large financial difficulties of the debtor, unusual breach of contract by the debtor, potential bankruptcy of the debtor, etc) to support the decrease in value as a result of an event that took place after the initial recognition of assets and the respective loss affects estimated future cash flows from financial assets or group of financial assets that may be reliably valued. If there is no evidence, valuers will use their experience and sound judgment in the valuation of the collectibility of receivables.

If there is a decrease in value of short-term receivables, the following steps are taken:

- indirect write-off or
- direct write-off.

Indirect write-off from buyers, against expenses of the Company, is performed on the value adjustment account. The decision on indirect write-off (value adjustment) of receivables from buyers on the value adjustment account, upon proposal by the inventory committee is adopted by the Executive Board of the Company.

Direct write-off from buyers is applied if there is no probability of recovery and this is supported by respective documentation (for example, the Company failed to collect receivables in court). The decision on direct write-off from buyers, after consideration and proposal by the inventory committee or professional services in the course of the year, is adopted by the Executive Board of the Company.

The indirect and direct write-off of receivables is applied only based on relevant circumstances and the balance sheet. Expected losses from future events, or events after the balance sheet date, regardless how probable, are not recognizable, but disclosed in Notes to financial statements.

7.18. Financial investments

Short term investments refer to loans, securities and other short term investments with maturity date of one year from the balance sheet date.

Short-term financial investments include a part of granted long-term loans that are expected to be recovered within one year from the balance sheet date.

Long-term financial investments include investments in long-term financial assets, such as long-term loans, securities and other long-term financial investments with maturity date over one year from the balance sheet date.

The classification performed by the management of the Company according to the features of the financial investment (financial assets or liability at fair value through the profit and loss account, held-to-maturity investments, loans and receivables and available-for-sale financial assets) is relevant for subsequent measurement of long-term financial investments.

7.19. Liabilities

A liability is a result of past transactions or events and the settlement of the liability implies usually a loss of economic benefits of the Company to comply with other party's request.

In the **valuation of liabilities** pursuant to the Framework for the preparation and presentation of financial statements, the liability is stated in the balance sheet: if there is a probability that an outflow of resources with economic benefits will result in the settlement of present liabilities and the settlement amount may be reliably measured. The prudence principle is applied. This means applying caution in the valuation to prevent overstatement of the property and revenues and understatement of liabilities and expenses. The prudence principle should not result in forming of substantial hidden reserves (for example, as a result of deliberate overstatement of liabilities or expenses), the financial statements to become impartial and therefore unreliable.

Liabilities include: long-term liabilities (liabilities to subsidiaries and other related parties; long-term loans and other long-term liabilities); short-term liabilities (liabilities to subsidiaries and other related parties, short-term loans and part of long-term loans and liabilities with one-year maturity and other short-term financial liabilities), short-term liabilities from operations (suppliers and other liabilities from operations) and other short-term liabilities.

Short-term liabilities are liabilities expected to be settled within one year from the balance sheet date including the part of *long-term liabilities* and long-term liabilities are liabilities expected to be settled over a longer period.

Decrease of liability upon court order, out-of-court settlement etc. is applied by direct write-off.

7.20. Provisions, contingent liability and contingent asset

A provision, **according to IAS 37 - Provisions, contingent liability and contingent assets**, means a liability of uncertain due date or amount.

The Company recognizes provisions only if the following conditions are met:

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

The essence of provisions is to form provisions only for liabilities from past events that exist independently from future events. Therefore, provisions are not recognized for future operating losses.

For purposes of recognition of provisions, it is considered as probable that the requested settlement of Company's liabilities will cause an outflow of resources representing an economic benefit when it is more probable than not that an outflow of resources will occur, or when the probability that settlement of these obligations by the Company will cause an outflow of resources, is greater than the probability that it will not.

Long term provisions consist of: provisions for costs during the warranty period, provisions for recovery of natural resources, provisions for retained deposits and caution money, provisions for restructuring costs, provisions for fees and other employee benefits and other long term provisions (for example, for losses expected in lawsuits).

In the measurement of provisions, the amount recognized as provision is the best valuation of Company's expenditure requested to settle a present liability at the balance sheet date. In other words, it is the amount the Company has to pay at the balance sheet date to settle liabilities or to transfer liabilities to third parties.

Long term provision for expenses and risks are tracked by sorts, they are examined at each balance sheet date and corrected to reflect the best present valuation. If it is no

longer probable that an outflow of resources will be required to settle the obligation, the provision is cancelled. Their reduction/cancellation is credited as income.

When the performance of the time value of money is significant, the provision amount represents the present value of expenditure expected to settle the obligation. Discount rates are used in the calculation of the present value or pre-tax rates that reflect current market valuations of the time value and liability-related risks.

Contingent liability is: possible liability that arises from past events and may be confirmed only if one or several uncertain future events, that are not entirely in the scope of influence of the Company, occur or not; and a present liability that arises from past events, yet not recognized, because it is not probable that an outflow of resources that represents economic benefit of the Company will be required to settle the obligation or because the amount of liability cannot be reliably valued.

A contingent liability is not recognized in financial statements of the Company, but is disclosed in case that the outflow of economic benefit is possible and this possibility is not very small.

A contingent liability is permanently revalued (at least at the balance sheet date). If the outflow of economic benefits based on contingent liabilities becomes possible, provisions and expenses are recognized in financial statements of the Company for the period when the change occurred (unless in rare cases when a reliable valuation is not possible).

A contingent asset is an asset that may arise from past events and its existence will be confirmed only if one or several future events, which are not entirely in the scope of influence of the Company, occur.

A contingent asset is not recognized in financial statements of the Company, but is disclosed in case that the outflow of economic benefit is possible.

Contingent assets are permanently revalued (at least at the balance sheet date) to ensure that financial statements reflect the development of the event. If it is certain that the outflow of economic benefit based on contingent assets, related asset and revenue are recognized in financial statements of the Company for the period when they occurred.

7.21. Employee benefits

The following Company's liabilities related to employee benefits shall be disclosed:

- taxes and compulsory social security contributions
- retirement bonus.

In terms of **taxes and compulsory social security contributions**, the Company shall, according to regulations applied in the Republic of Serbia, pay for contributions to various public funds for social security. These liabilities include contributions paid by employees and contributions paid by the employer in amounts calculated according to prescribed rates. The Company has legal obligation to suspend calculated contributions from gross earnings of employees and to transfer the amount on their behalf to public funds.

Contributions paid by employees and contributions paid by the employer are recorded as expenses of the Company for the respective period. The company, upon retirement of employees, keeps no obligation to pay them any benefits.

For the valuation of provisions based on contributions and other employee benefits, relevant provisions of the **IAS 19 – Employee benefits** are applied. Provisions for contributions and other employee benefits include, for example: provisions for non-due retirement benefits upon regular retirement and provisions for retirement bonus paid by the Company upon termination of employment prior to the retirement date or paid upon decision of the employee to take voluntary redundancy in exchange for those benefits.

In the valuation of liabilities upon employment termination and pursuant to respective IAS 19 provisions, the discount rate is determined according to the market yield at the balance sheet date for high yield corporate bonds.

Alternatively, also specified in IAS 19, as long as there is no developed market for corporate bonds in the Republic of Serbia, market yields for government bonds will be used for the valuation of liabilities of the Company upon employment termination (at the balance sheet date). The value date and deadline for corporate or government bonds should be in accordance with the value date and deadline for obligations related to the income after employment termination.

If the Company, for the valuation of obligations upon employment termination and due to undeveloped market for government bonds, uses the government bond yield as reference with maturity date shorter than the estimated maturity of payments based on

respective income, the discount rate is defined by valuating the reference securities yield for longer periods.

Retirement bonus is paid by the Company to employees in the amount of three times the monthly salary of the month preceding the month of payment (according to terms and conditions specified in the Separate collective agreement) or in the amount prescribed by the Labour law if this is more favorable to the employee.

8. FINANCIAL RISKS AND FINANCIAL RISK MANAGEMENT IN THE COMPANY

Uncertainty in future events is one of basic specificities of business operations under market conditions in an economic environment that is characterized by several possible or potential outcomes. Unpredictability of future events is one of basic particularities of operating in an open market environment characterized by several possible or potential outcomes.

From the Company's point of view, there is a large number of potential risks that may more or less have adverse effects on the Company's business. Certain (specific) risks are determined by internal factors, such as: concentration risk, which, in the Company's case, may be manifested as exposure to any one or a small group of buyers or suppliers; *operational risk*, that means the possibility of adverse effect due to unintentional or deliberate omissions by employees, inappropriate internal procedures and processes, inadequate information system management in the Company, etc; *reputational risk*, that means a possibility that the Company's market position deteriorates due to the loss of trust or bad reputation (public institutions, suppliers, buyers, etc) of the Company; *legal risk*, that means a possibility of adverse effects due to penalties and sanctions that derive from lawsuits due to the failure to fulfill contractual or legal obligations; etc.

Since, the majority of these and some other risks not mentioned herein, is subject of other chapters of the Notes or other internal regulations of the Company (for example, the Regulation on accounting practice and accounting policies of the Company deals with the minimization of operational risks by introducing procedures and work instructions), we will focus on **financial risks** that include, first of all, the following:

- credit risk,
- market risk and
- liquidity risk.

Financial risks are significantly affected by external factors that are not directly controlled by the Company. In that sense, financial risk is considerably affected by the

Company's environment which, apart from economic development, is likewise committed to legal, financial and other relevant aspects that define system risk level.

Generally, comparing markets of developed economies, companies that operate on markets with insufficient economic development, macroeconomic stability and high insolvency, such as the Republic of Serbia, are significantly exposed to financial risks. Insufficient development of the financial market makes it impossible to use a wide spectrum of hedging instruments, characteristic for developed markets. Companies that operate in the Republic of Serbia do not have the possibility to use many derivative instruments in financial risk management due to the fact that these instruments are not widely used nor there is an organized continuous market for financial instruments.

Financial risk management is a comprehensive and reliable management system that aims to minimize potential adverse effects to the financial condition and operations of the Company under unpredictable financial market conditions.

Considering limitations in the financial risk management that are characteristic of business on the Serbian market, it is clear that it is necessary to approach this issue in a proper manner as recognized by the Company's management. Essentially, financial risk management in the Company should ensure that the *Company's risk profile* is always in compliance with *Company's tendency towards risks* or in compliance with an acceptable structure and risk level that the Company will take in order to implement its business strategies and achieve business goals.

The following text will show:

- the financial risk profile of the Company or the valuation of the structure and the financial risk level the Company is exposed to during operations;
- measures for the management of recognizable financial risks and
- capital risk which, although not specifically considered as a financial risk type, significantly affects the risk level in each of the risk types considered.

8.1. Credit risk

A credit risk is a risk of adverse effects to the financial result and capital of the Company due to debtor's failure to fulfill obligations towards the Company within the specified deadline.

Credit risks mean not only debtor-creditor relations that derive from sales of Company's products, but also credit risks that derive from other financial instruments such as receivables based on long-term and short-term financial investments.

The company has substantial concentrations of credit risk in collection from buyers with long lending periods due to poor liquidity.

The following tables show:

- the structure of short-term receivables with no decrease in value,
- the age structure of short-term receivables with no decrease in value and,
- the structure of short-term receivables with decrease in value.

The structure of short-term receivables with no decrease in value	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Domestic buyers</i>		
Energoprojekt Visokogradnja plc.	62.298	74.557
Energoprojekt Niskogradnja plc.	33.010	186.016
Energoprojekt Hidroinženjering plc.	53.907	65.094
Energoprojekt Entel plc.	8.442	7.290
Energoprojekt Energodata plc.	25.391	50.874
Energoprojekt Industrija plc.	39.081	31.854
Energoprojekt Urbanizam i Arhitektura plc.	4.974	-
Energoprojekt Oprema plc.	8.949	6.464
Others	927	871
Total	236.979	423.020
<i>Foreign buyers</i>		
Energoprojekt Montenegro ltd.	-	3.189
Total	-	3.189
<i>Other receivables</i>		
Energoprojekt Visokogradnja plc.	8.166	63.934
Energoprojekt Niskogradnja plc.	4.348	19.183
Energoprojekt Hidroinženjering plc.	872	24.070
Energoprojekt Entel plc.	1.448	386
Energoprojekt Energodata plc.	2.243	8.453
Energoprojekt Industrija plc.	184	171
Energoprojekt Urbanizam i arhitektura plc.	1.632	-
Energoprojekt Oprema plc.	302	178
Others	16.276	17.670
Total	35.471	134.045
TOTAL	272.450	560.254

The Company has blank bills of exchange with authorizations as collaterals.

The age structure of short-term receivables with no decrease in value	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Current	74.906	109.940
0 - 30 days from the due date	15.315	22.750
30 - 60 days from the due date	10.988	21.197
60 - 90 days from the due date	7.859	20.566
over 90 days from the due date	163.382	385.801
TOTAL	272.450	560.254

Non-due receivables from buyers in the amount of 48.703 thousand dinars are mostly due within 15 days after the invoice was issued or in accordance with agreed payment conditions.

The age structure of short-term receivables with decrease in value	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Other receivables</i>		
Others	-	523
Total	-	523
TOTAL	-	523

Indirect write off, applied to receivables from the Fund for Health Insurance, was directly written off, based on the refund for paid sick leave benefits for sick leaves over 30 days in the amount of 430 thousands dinars, as well as indirect write off, applied to receivables based on the refund for paid maternity leave benefits from the Secretariat for social security of the city of Belgrade, in the amount of 93 thousand dinars, due to obsolescence and uncollectability.

8.2. Market risk

A market risk is a risk of adverse effects to the financial result and capital of the Company due to losses under specific balance sheet items as a result of negative price shifts on the market and other relevant financial parameters.

The market risk includes three risk types:

- the currency risk,
- the interest risk and
- the price risk.

The currency risk, also called foreign exchange risk or exchange rate risk, is a risk of fair value fluctuation or the fluctuation of future financial instruments cash flows due to the change in exchange rates. The currency risk arises from financial instruments in foreign currency or the currency other than the currency (functional) in which the financial instruments are measured in financial statements.

The Company operates within international frames and is exposed to exchange rate risks arising from business operations in different currencies, first of all in euros.

The sensitivity analysis, presented in the following text, indicates that variations in the exchange rate will affect significantly variations in financial results of the Company. Therefore, we may conclude that the **Company is exposed to the currency risk**.

The following table contains, based on data from the foreign currency sub balance sheet, the book value for monetary assets and liabilities.

<i>Assets in EUR</i>		<i>Liabilities in EUR</i>	
<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
16.411.827	15.607.903	4.728.759	4.388.536

Considering differences in foreign currency sub balance sheets, the following table contains the sensitivity analysis related to the nominal exchange rate growth for dinar of 10% in comparison to foreign currencies. The sensitivity rate of 10 % presents the valuation of reasonably expected changes in foreign currency exchange rates. The sensitivity analysis includes only cash assets, outstanding receivables and outstanding liabilities stated in foreign currency and their translation is adjusted at the end of the period for potential depreciation or appreciation of the functional currency against foreign currencies.

The analysis of the foreign currency sub balance sheet of the Company, indicates that the Company is most sensitive to EUR exchange rate fluctuations. The sensitivity analysis was prepared on the premise of equal fluctuation of all relevant currencies.

All variables remaining unchanged, appreciation of the national currency would negatively affect current period results through net exchange rate losses between foreign currency assets and liabilities. Therefore, all variables remaining unchanged, depreciation of the national currency would positively affect current period results through net exchange rate gains between foreign currency assets and liabilities.

Sensitivity analysis of results in case of depreciation of the national currency 10%	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
NET EFFECT ON THE RESULTS IN THE CURRENT PERIOD	132.858	117.400

The interest risk is a risk of adverse effects to the result and capital of the Company due to unfavorable changes in interest rates. The Company is exposed to this type of risk due to financial obligations related to loans with potentially fluctuating interest rates (Euribor).

The sensitivity analysis, presented in the following text, contains the adverse change in interest rates (1%) has a significant effect on results. Therefore, it can be concluded that the **Company is significantly exposed to the interest risk.**

The following tables indicate the interest-bearing structure of financial assets and liabilities of the Company with fluctuating interest rate at the balance sheet date.

Interest-bearing structure of financial assets and liabilities with fluctuating interest rate	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Interest-bearing financial assets with fluctuating interest rate</i>		
Long-terms loans granted to related parties – Urbanizam i arhitektura plc.	-	75.865
Short-terms loans granted to related parties	215.935	527.509
Long-terms housing loans granted to employees	2.084	2.087
Housing loans granted to employees with one year maturity	156	139
Total	218.175	605.600
<i>Interest-bearing financial liabilities with fluctuating interest rate</i>		
Short-term loans – Alpha Bank plc.	-	117.222
Total	-	117.222

Considering stated differences in financial assets and liabilities with fluctuating interest rates, the following table contains the sensitivity analysis with regard to the interest rate

growth of 1%. The sensitivity rate of 1% represents a valuation of potential reasonably expected changes in interest rates.

A sensitivity analysis was performed as a scenario analysis in which simultaneous and identical interest rate movements were applied to all financial assets and liabilities with fluctuating interest rates. The applied sensitivity analysis implies that the remaining balance of assets/liabilities at the balance sheet date was unchanged over the course of the year.

If other variables remain unchanged and if financial assets with fluctuating interest rate are greater than financial liabilities with fluctuating interest rate, the *interest rate growth* will have a positive effect on the current period results, due to positive effects of net interest income. Therefore, if other variables remain unchanged and if financial assets with fluctuating interest rate are less than financial liabilities with fluctuating interest rate, the *interest rate growth* would have an adverse effect on the current period results, due to adverse effects of net interest income.

The sensitivity analysis of results in case of interest rate growth of 1%	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
NET EFFECT ON THE CURRENT PERIOD RESULTS	2.182	4.884

Considering potential interest risks related to financial obligations, we will refer, hereinafter, to the *supplier risk management policy*, applied in the Company.

As indicated in the table, the interest-bearing structure of financial obligations with fluctuating interest rate, obligations to suppliers (obligations related to issued invoices and non-invoiced obligations), are not included in the group. Basic fact that supports the applied approach is that suppliers usually do not apply default interest in case that the Company is in default. The fact that the default interest is not applied lies in the need to maintain long-term good business relationships between the supplier and the potentially good buyer. Therefore, *the Company is not exposed to any potential interest risks in case of default.*

The following table contains the most important suppliers in accordance with obligations at the balance sheet date.

Structure of obligations to suppliers	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Domestic suppliers</i>		
Eneroprojekt Visokogradnja plc.	61	2.330
Energoprojekt Niskogradnja plc.	-	806
Energoprojekt Energodata plc.	543	-
Energoprojekt Oprema plc.	35.779	-
Elektrodistribucija Beograd ltd.	2.617	2.967
Public Utility Company „Beogradske elektrane“	490	388
Deloitte revizija ltd.	-	6.557
Agency for investments and housing	3.114	3.114
Others	4.745	4.027
Total	47.349	20.189
<i>Foreign suppliers</i>		
Encom GmbH, Frankfurt	10.803	-
IATA	1.900	367
Others	521	-
Total	13.224	367
TOTAL	60.573	20.556

The Company has received no collaterals.

Age structure of liabilities to suppliers	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Current	13.071	16.670
0 - 30 days from the due date	36.286	454
30 - 60 days from the due date	-	304
60 - 90 days from the due date	-	1
over 90 days from the due date	11.216	3.127
TOTAL	60.573	20.556

The price risk is a risk of fair value fluctuation or a risk that the future financial instruments' cash flows will fluctuate due to the change in market prices (not prices that result from interest or currency risk) regardless if these changes are caused by specific factors related to a specific financial instrument or its issuer or regardless if factors affect all similar financial instruments traded on the market. The Company is not exposed to this kind of risk.

8.3. Liquidity risk

Liquidity risk is a risk of having difficulties to fulfill due obligations, maintaining the necessary scope and structure of the working capital and good creditworthiness.

The following table indicates the most important liquidity indices of the Company:

- current ratio (ratio of working capital and short-term obligations) indicating the short-term liabilities coverage against working capital;
- Rigorous ratio (ratio of liquid assets that include total working capital reduced by inventories and active accruals; and short-term obligations), indicating the short-term liabilities coverage against liquid assets;
- Operating cash flow ratio (ratio of cash flow increased by cash equivalents and short-term obligations), indicating the short-term liabilities coverage against cash assets; and
- Net working capital (difference in value between the working capital and short-term obligations).

Conclusions on liquidity indicators based on the ratio analysis means, among other things, their comparison to satisfactory general standards, also indicated in the following table.

<i>Liquidity indices</i>	<i>Satisfactory general standards</i>	<i>2012</i>	<i>2011</i>
Current ratio	2 : 1	2,89:1	4,45:1
Rigorous ratio	1 : 1	2,64:1	4,45:1
Operating cash flow ratio		0,82:1	0,57:1
Net working capital (in thousands of dinars)	Positive value	770.779	1.442.707

The results of the ration analysis indicates that the Company was **liquid** during 2012, meaning that it had no difficulties to fulfill due liabilities and maintain the necessary scope and structure of the working capital and good creditworthiness.

Therefore we emphasize that:

- Considering the dynamic nature of Company's business, the finance department aims to maintain financing flexibility, which means, among other things, to keep existing lines of credit and expand them;

- The management performs continuous monitoring of Company's liquidity reserves that include available unused lines of credit, cash and cash equivalents as well as liquid potentials according to expected cash flows.

8.4. Capital risk management

The aim of capital risk management is to keep Company's ability to operate indefinitely, in order to provide to Company's owners satisfactory profit whilst maintaining adequate structure of funding sources or good creditworthiness.

Though there are several criteria based on which conclusions on the long-term existence of the Company can be made, profitable operations and satisfactory financial structure are surely some of basic criteria. Though there are several criteria to draw conclusions on the going concern assumption, profitable operations and satisfactory financial structure are surely one of basic criteria.

The best **profitability** indicator is the *average return on own capital* that indicates the average return on own assets per dinar invested. In the calculation of this profitability indicator, average own capital are defined as an arithmetic average value at the beginning and at the end of a year.

Profitability indicator	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Net profit/loss	504.856	277.625
<i>Average capital</i>		
Capital at the beginning	7.167.219	6.896.012
Capital at the end of a year	7.665.770	7.167.219
Average capital	7.416.494	7.031.616
<i>Average return rate on own capital</i>	6,81%	3,95%

Considering data from the table above, it is clear that the results of operations in 2011 and 2012, with regard to the sustainability of capital, may be estimated as satisfactory and therefore the Company is **not exposed to any capital risk**.

The soundness of the financial structure is reflected in the overall amount and type of debts.

The following tables indicate the most important Company's financial structure indicators, such as:

- ratio of borrowed funds to total assets, showing coverage per dinar of the company's assets from borrowed sources; and
- ratio of long-term funds to total assets, showing coverage per dinar of the company's assets from long-term sources.

Financial structure indicators	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Liabilities	886.544	777.430
Total funds	8.552.314	7.944.649
Ratio of borrowed funds to total assets	0,10:1	0,10:1
<i>Long-term assets</i>		
Capital	7.665.770	7.167.219
Long-term provisions and long-term liabilities	478.299	358.956
Total	8.144.069	7.526.175
Total assets	8.552.314	7.944.649
Ratio of long-term to total assets	0,95:1	0,95:1

The net debt ratio indicates the capital coverage against net debt.

Net debt means the difference between:

- total (long-term and short-term liabilities) financial liabilities of the Company (total liabilities reduced by the capital, long-term provisions and deferred tax liabilities of the Company) and
- cash and cash equivalents.

Parameters for the net debt to capital ratio	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Net debt</i>		
Financial liabilities	602.869	502.974
Cash and cash equivalents	333.972	239.998
Total	268.897	262.976
Capital	7.665.770	7.167.219
NET DEBT TO CAPITAL RATIO	1:28,51	1:27,25

9. INCOME STATEMENT

9.1. Sales revenues

The Company generates revenues by **providing services on the local market**. The income structure is indicated in the following table.

Sales revenues structure	<i>in 000 dinars</i>	
	2012	2011
<i>Revenues from sales to subsidiaries</i>		
Revenues from services rendered to subsidiaries	401.765	352.038
Revenues from services rendered to other affiliated companies	-	286
Subtotal	401.765	352.324
<i>Revenues from services sold on the local market</i>		
<i>Revenues from sold services</i>	87	96
Total	87	96
<i>Revenues from services sold on the foreign market</i>		
<i>Revenues from sold services</i>	49.247	-
Total	49.247	
TOTAL	451.099	352.420

Revenues from services rendered to other affiliated companies in 2011 was 286 thousand RSD and referred to legal services rendered to Enjub ltd. pursuant to the Protocol on representation in court matters.

Revenues in the amount of 87 thousand RSD (2011: 96 thousand RSD) are generated from the sales of flight tickets on the local market.

Revenues in the amount of 49.247 thousand RSD are generated on the foreign market from the completion of the agreement on the construction of the embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria, a turnkey project, on the cadastral lot No. 313, registered in the registry of immovable property, cadastral zone A00.

Revenues from services rendered to subsidiaries on the local market in 2012 are generated based on service agreements, approved and adopted by the Executive Board of the Company and Boards of Directors of subsidiaries, pursuant to Articles of Association of the Company and Articles of Association of subsidiaries. These revenues

amount to 401.765 thousand RSD (2011: 352.038 thousand RSD), as indicated in the following table.

Buyer	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Energoprojekt Garant plc.	1.703	1.531
Energoprojekt Visokogradnja plc.	70.176	61.676
Energoprojekt Niskogradnja plc.	87.341	76.430
Energoprojekt Hidroinženjering plc.	31.567	27.549
Energoprojekt Entel plc.	84.309	73.577
Energoprojekt Energodata plc.	8.439	7.496
Energoprojekt Industrija plc.	23.246	20.287
Energoprojekt Urbanizam i arhitektura plc.	5.596	5.210
Energoprojekt Oprema plc.	89.388	78.282
TOTAL	401.765	352.038

9.2. Income from own products/merchandise

Structure of income from own products/merchandise	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Income from own products and services	482	598
TOTAL	482	598

Income from own products and services in the amount of 482 thousand RSD (2011: 598 thousand RSD) refer to the use of corporate vehicles.

9.3. Other operating revenues

Structure of other operating revenues	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Income from rents	25.053	22.533
Other operating revenues	80	15
TOTAL	25.133	22.548

Income from rents is generated from renting facility at Batajnicketi drum no. 24, Energoprojekt Visokogradnja plc, the amount of the rent - 24.060 thousand RSD (in

2011: 21.618 thousand RSD) and renting of the roof terrace and on the ground floor in the office building of Energoprojekt to Telekom Srbija plc. in the amount of 993 thousand RSD (in 2011: 915 thousand RSD). Other operating revenues in the amount of 80 thousand RSD represents the bonus prize from Aeroflota for 2012 for the turnover based on sold flight tickets (in 2011: 15 thousand RSD).

9.4. Material costs

Material costs structure	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Other material costs	6.377	9.170
Fuel and energy	17.052	11.406
TOTAL	23.429	20.576

9.5. Staff costs

Structure of staff costs	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Staff costs</i>		
Salaries and fringe benefits	148.872	128.897
Taxes and contributions on salaries	19.966	19.883
Subtotal	168.838	148.780
Temporary service contracts, copyright agreements, temporary and provisional contracts	3.508	2.479
Board of Directors and Supervisory Board	12.601	24.571
Other personal expenses remunerations	9.223	5.665
TOTAL	194.170	181.495

Within **other personal expenses**, the most important expenses of the Company include transportation to/from work in the amount of 2.070 thousand RSD and expenses related to business trips in the amount of 5.466 thousand RSD.

9.6. Depreciation expenses

Structure of depreciation costs	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Depreciation of intangible investments	303	254
Depreciation of property	90	7.476
Depreciation of plants and equipment	10.448	12.179
TOTAL	10.841	19.909

On the 31.12.2012, the assessment of the residual value and the remaining useful lifetime for assets and equipment of significant accounting value was performed.

The effect of the changes in the accounting assessment has influenced the change in the depreciation costs for 2012 and thus, the accounting value of assets as at 31.12.2012.

Due to changes in the assessment, the depreciation costs for 2012 decreased, that is the accounting value of assets as at 31.12.2012 was increased by the amount of 10.678 thousand RSD (property in the amount of 9.445 thousand RSD and equipment in the amount of 1.233 thousand RSD).

As far as the future period is concerned, the determined residual value will impact the total accounting depreciation at the end of the useful lifetime of all assets included in the assessment, and lead to a decrease in the amount of 517.945 thousand RSD or the total estimated value that the Company would receive today, if it had disposed the assets, after the deduction of estimated disposal costs and under the assumption that the asset is at the end of its lifetime and in a condition as expected at the end of a lifetime.

The disregard of the estimated residual value in terms of the effect of the change in the useful lifetime, in case of the increase of the useful lifetime in comparison to the previous estimations, the positive effects to the financial result of the Company (due to the decrease in depreciation costs in the current year due to the increase in the lifetime of assets), in the current and following years, will be compensated in those years when the depreciation of assets, according to previous valuations, will not be performed. Non-depreciation would result from the expiration of the entire useful lifetime in the previous period. Practically, negative effects of depreciation for a specific asset, and negative effects to the financial results of the Company, will be equal to the annual depreciation in those years when, according to the new valuation, the lifetime of these assets was extended.

9.7. Provision expenses

Structure of provision expenses	in 000 dinars	
	2012	2011
Provision expenses related to fees and other employee benefits	2.617	683
TOTAL	2.617	683

Provision expenses related to the retirement bonus in 2012 equal to the difference between, on one hand, the provision amount related to the retirement bonus at the end of 2012 and, on the other hand, the provision amount related to the retirement bonus as at 31.12.2011, reduced by the amount of paid bonuses in 2012.

Provision expenses for fees and other employee benefits in the amount of 2.617 thousand RSD (2011: 683 thousand RSD) refer to the implementation of IAS 19.

Provision valuation at the balance sheet date pursuant to IAS 19 (for retirement bonuses) is described in more details in the Note 10.15.

9.8. Production costs

Structure of production costs	in 000 dinars	
	2012	2011
Cost of production services	49.247	-
Transportation expenses	4.175	5.275
Repairs and maintenance costs	40.776	60.124
Rental costs	866	1.513
Trade show costs	573	-
Advertising costs	3.479	13.182
Expenses for other services	5.379	3.291
TOTAL	104.495	83.385

Costs of production services refer to the completion of the agreement on the construction of the embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria, a turnkey project, on the cadastral lot No. 313, registered in the registry of immovable property, cadastral zone A00.

Transportation expenses include landline costs, cell phone costs, internet services, taxi services, parking services, etc.

Repairs and maintenance costs refer, first of all to ongoing maintenance of: equipment (in 2012: 3.094 thousand RSD; in 2011: 5.114 thousand RSD), building (in 2012: 37.682 thousand RSD; in 2011: 55.010 thousand RSD).

Rental costs refer, first of all, to the rental of office space for General meetings (in 2011) and rental of an image projector.

Trade show costs refer to the participation at the trade show in Budva.

Advertising costs in 2012 refer mostly (2.721 thousand RSD) to the technical and operational support provided by Energoprojekt Energodata plc. with regard to multimedia presentations, update and preparation of marketing material, graphical design and delivery of advertisements, press releases, etc. (in 2011: 10.121 thousand RSD refer, most of all, to expenses related to the 60th anniversary of Energoprojekt).

Expenses for other services mostly include:

- costs for licenses in 2012: 2.649 thousand RSD,
- utilities that include water, maintenance, etc. (in 2012: 1.768 thousand RSD; in 2011: 1.260 thousand RSD),
- safety at work (in 2012: 276 thousand RSD; in 2011: 295 thousand RSD), car registration (in 2012: 192 thousand RSD; in 2011: 243 thousand RSD), photocopying and other services (in 2012: 494 thousand RSD; in 2011: 1.493 thousand RSD) etc.

9.9. Intangible expenses

Structure of intangible expenses	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Costs for non-production services	44.221	26.117
Expense accounts	8.280	8.172
Insurance premium costs	770	958
Payment operations cost and banking fees	4.873	2.507
Membership fees	1.245	943
Tax duties	10.157	10.233
Other intangible expenses	18.583	7.076
TOTAL	88.129	56.006

Intangible expenses include: professional training, health care services, lawyer's fees, consulting services, auditing annual financial statements, etc.

Expense accounts include catering services, gifts to business partners, etc.

Insurance premium costs refer, mostly, to the insurance of property and persons, in 2012: 770 thousand RSD (in 2011: 958 thousand RSD).

Costs for payment operations and banking fees include the following: costs for payment operations in 2012 in the amount of 391 thousand RSD (in 2011: 586 thousand RSD), costs for banking services in 2012 in the amount of 4.482 thousand RSD (in 2011: 1.921 thousand RSD).

Membership fees refer to chamber membership fees representing salary expense liability (Chamber of Commerce in Serbia and Belgrade Chamber of Commerce).

Tax duties include the following: property tax, urban development land tax, tax on mobile phone use etc. The most important part of these expenses is the property tax in 2012: 7.199 thousand RSD (in 2011: 7.209 thousand RSD).

Other intangible expenses refer to mostly to foreign branches' services (Inec Ltd, London and Encom GmbH, Frankfurt) in 2012: 14.444 thousand RSD (no such expenses in 2011) and other expenses refer to: taxes (administrative, court fee, etc.), advertisement costs, participation in salaries for disabled workers, printing of Energoprojekt company newspaper, TV subscription fees.

9.10. Financial revenues

Structure of financial revenues	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Revenue from interest</i>		
Financial income from transactions between the parent company and subsidiaries	78.717	89.237
Financial income from transactions between the parent company and related parties	10.697	9.560
Income from interest	8.806	10.245
Total	98.220	109.042

<i>Gains arising on the translation of foreign currency</i>		
Gains arising on the translation of foreign currency arising from relation between entity and subsidiaries	180.876	30.801
Gains arising on the translation of foreign currency arising from relation with other related parties	12.313	51
Other gains arising on the translation of foreign currency	16.741	8.041
Subtotal	209.930	38.893
Income based on foreign currency clauses	2.458	2.790
Share in the profit of subsidiaries	255.194	275.801
Other financial revenues	2.040	914
TOTAL	567.842	427.440

Other interest revenue refers to interest on term deposits (in 2012: 8.734 thousand RSD; in 2011: 10.245 thousand RSD).

Financial revenues from the share of the profit of subsidiaries in the amount of 255.194 thousand RSD refer to the following subsidiaries:

- Energoprojekt Garant plc. in the amount of 34.054 thousand RSD,
- Energoprojekt Entel plc. in the amount of 143.595 thousand RSD and
- Energoprojekt Oprema plc. in the amount of 77.545 thousand RSD.

9.11. Financial expenses

Structure of financial expenses	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Costs of interest</i>		
Other costs of interest	19.383	25.121
Total	19.383	25.121
<i>Losses arising on the translation of foreign currency</i>		
Losses during the translation of foreign currency arising from relation between entity and subsidiaries	4.220	36.331
Losses during the translation of foreign currency arising from relation between entity and other related parties		1.040

Other losses during the translation of foreign currency	8.566	9.451
Subtotal	12.786	46.822
Expenses based on foreign currency clauses	30.788	5.439
TOTAL	62.957	77.382

Costs of interest refer mostly to interest based on liquidity loans.

Expenses based on foreign currency clauses refer mostly to adverse effects on loans received by the Development Fund of the Republic of Serbia in 2012 amounting to 22.807 thousand RSD (in 2011 these expenses referred mostly to adverse effects on loans received by Alpha Bank plc. in the amount of 5.236 thousand RSD).

9.12. Other revenues

Structure of other revenues	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Other revenues</i>		
Revenues from the sales of property, plants and equipment	510	51.457
Previously written-off claims recovered	-	5.116
Income from reduction of liabilities	-	5.965
Income from positive hedging effects	140	29
Other income	264	227
Total	914	62.794
<i>Property value adjustment</i>		
Property, plants and equipment	1.507	3
Claims and short-term financial investments		15.037
Total	1.507	15.040
TOTAL OTHER REVENUES AND EXPENSES RELATED TO PROPERTY VALUE ADJUSTMENT	2.421	77.834

Revenue from property, plants and equipment sales in 2012 refer to the sale of the vehicles in the amount of 510 thousand RSD (in 2011, revenues referred to the sale of the building in Goce Delceva street no. 38, Novi Beograd, in the amount of 51.298 thousand RSD).

Other revenues refer mostly to the sales of old paper in the amount of 211 thousand RSD.

Revenues from the value adjustment for the property, plants and equipment refer to the assessment of the investment property value – residential building „Samački hotel“ in the amount of 1.507 thousand RSD (in 2011: 3 thousand RSD).

9.13. Other expenses and net loss of discontinued operations

Structure of other expenses	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Other expenses</i>		
Losses based on the retirement and sales of intangible investments, property, plants and equipment	231	-
Losses based on the disposal of LT investments and securities	8	-
Direct receivables write-off	4.066	137.816
Other expenses	5.735	1.031
Total	10.040	138.847
<i>Property impairment costs</i>		
Property, plants and equipment	7.614	-
Claims and short-term financial investments	-	523
Total	7.614	523
TOTAL OTHER EXPENSES AND PROPERTY IMPAIRMENT COSTS	17.654	139.370
Adverse effect due to changes in accounting policies and correction of errors from previous periods	941	3.259
TOTAL	18.595	142.629

Expenses related to direct write-off of claims in 2012 in the amount of 4.066 thousand RSD refer mostly to Energoprojekt Montenegro ltd. in the amount of 3.466 thousand RSD (in 2011: they refer mostly to written-off claims from subsidiaries Energoprojekt Visokogradnja plc, Energoprojekt Urbanizam i arhitektura plc. and Energoprojekt Promet ltd).

Other expenses mostly include donations and expenses for humanitarian purposes (in 2012: 5.630 thousand RSD, in 2011: 1.021 thousand RSD).

Property, plants and equipment impairment refers to the impairment of the investment property – business premises „Stari Merkator“, Palmira Toljatija street in the amount of 7.614 thousand RSD.

9.14. Profit before tax

Structure of gross results	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Operating income and expenses</i>		
Operating income	476.714	375.566
Operating expenses	423.681	362.054
Operating result	53.033	13.512
<i>Financial revenues and expenses</i>		
Financial revenues	567.842	427.440
Financial expenses	62.957	77.382
Financial result	504.885	350.058
<i>Other revenues and expenses</i>		
Other revenues	2.421	77.834
Other expenses	17.654	139.370
Result from other revenues and expenses	(15.233)	(61.536)
<i>Effects of discontinued operations, accounting policy changes and accounting adjustments from previous years</i>		
Income	-	115
Expenses	941	3.374
Net effect	(941)	(3.259)
<i>Total gross result</i>		
TOTAL INCOME	1.046.977	880.955
TOTAL EXPENSES	505.233	582.180
PROFIT/LOSS BEFORE TAX	541.744	298.775

9.15. Income tax and net profit

Calculation of income tax and net profit	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Profit/loss before tax	541.744	298.775
Adjustments and corrections of revenues/expenses in the tax balance	(256.071)	(88.605)
Capital gains/losses in the balance sheet	8	(51.298)
Taxable profit	285.681	158.872
Capital gains/losses calculated pursuant to the law	-	51.732
Tax base	285.681	210.604
Calculated tax (10% from the tax base)	28.568	21.060
total tax deduction	(745)	(187)
Calculated tax upon depreciation	27.823	20.873
Profit/loss before tax	541.744	298.775
Tax expenses	(27.823)	(20.873)
Deferred tax expenses/revenues	(9.065)	(277)
Net profit/loss	504.856	277.625

Total tax deduction (max. 50% of the taxable base) in the amount of 745 thousand RSD is a result of the tax credit for investments in fixed assets in 2012.

9.16. Net profit per share

The net profit per share is calculated by dividing the profit for ordinary shareholders with the average weighted number of ordinary shares in circulation for the period.

<i>Indicator</i>	<i>2012</i>	<i>2011</i>
Net profit (loss) in 000 dinars	504.856	277.625
Average number of shares for one year	9.705.241	9.705.241
Net profit per share in dinars	52,02	28,61

Upon decision of the General Meeting on 29.06.2012 the dividends for 2011 were paid in shares (469.728 ordinary shares). The weighted average number of shares for 2012 is 9.705.241, therefore, the net profit per share is 52,02 RSD.

10. BALANCE SHEET**10.1. Intangible investments**

	<i>in 000 dinars</i>			
	Intangible investments in preparation	Advance payments for intangible investments	Other intangible investments	Total
<i>Purchase price</i>				
Opening balance (01.01.2012)	8.837	419	2.326	11.582
New purchases over the course of the year				
Transfer from one form to another				
Disposal, Retirement etc.		(419)		(419)
Closing balance (31.12.2012)	8.837		2.326	11.163
<i>Value adjustment</i>				
Opening balance (01.01.2012)			1.443	1.443
Depreciation for 2012			304	304
Closing balance (31.12.2012)			1.747	1.747
<i>Present (non write off) value</i>				
Balance as at 01.01.2012	8.837	419	883	10.139
Balance as at 31.12.2012	8.837		579	9.416

10.2. Property, plants and equipment

Structure and changes in property, plants and equipment	<i>in 000 dinars</i>				TOTAL
	Buildings	Plants and equipment	Property, Plants and equipment in preparation	Advance payments for property, plants and equipment	
<i>Purchase price</i>					
Opening balance (01.01.2012)	581.801	97.260			679.061
New purchases over the course of the year	232.489	5.486		42.872	280.847
Transfer from one form to another					
Disposal, Retirement etc.		(8.470)			(8.470)
Closing balance (31.12.2012)	814.290	94.276		42.872	951.438
<i>Value adjustment</i>					
Opening balance (01.01.2012)	296.937	63.320			360.257
Depreciation for 2012	90	10.448			10.538
Disposal, Retirement etc.		(7.054)			(7.054)
Closing balance (31.12.2012)	297.027	66.714			363.741
<i>Present (non write off) value</i>					
Opening balance 01.01.2012	284.864	33.940			318.804
Closing balance (31.12.2012)	517.263	27.562		42.872	587.697

In 2012, there was an increase in the value of buildings based on the purchase of the business premises in Energoprojekt building with total area of 4.356 m² from Energoprojekt Urbanizam i arhitektura plc. for the amount of 145.067 thousand RSD, Energoprojekt Hidroinženjering plc. for the amount of 49.735 thousand RSD and Energoprojekt Energodata plc. for the amount of 37.687 thousand RSD.

On 31.12.2012, the residual value and the remaining useful lifetime for the property and equipment with significant accounting value were evaluated.

The effect of the change in the accounting assessment influenced the change in depreciation costs for 2012 and consequently, the accounting value of assets on 31.12.2012 (Note 9.6).

The advance payment for the property in the amount of 42.872 thousand RSD refers to the paid advance to the Republic of Serbia for the purchase of property in Uganda, Peru and Nigeria.

10.3. Investment property

Change in the investment property	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Revaluation amount</i>		
Opening balance (01.01)	496.698	496.695
New purchases	112.021	-
Revaluation - effects of the assessment	(6.107)	3
Closing balance (31.12)	602.612	496.698

The investment property according to the opening balance is a residential building „Samački hotel“, total area 7.665,22 m², Batajnički put street no. 24, in Zemun, with fair value on 31.12.2011 amounting to 496.698 thousand RSD. During 2012, 31.287 thousand RSD were invested in this building. On the balance sheet date a new assessment was performed and the value of this investment property was increased by 1.507 thousand RSD.

Revenues from the lease of this building to Energoprojekt Visokogradnja plc. in 2012 generated 24.060 thousand RSD (Note 9.3).

On 08.06.2012 the Purchase agreement no. 176/547 was concluded with Energoprojekt Visokogradnja plc. The purpose of this agreement was the purchase of business premises “Stari Merkator” on the third floor of building no. 2, on the specific part of the building 235, in Palmira Toljatija street no. 5, total area of 643 m², cadastral lot no. 254, registered in the Registry of immovable property no. 3132, Cadastral Municipality Novi Beograd, with purchase value of 80.735 thousand RSD. This building was not leased in 2012 (waiting for a tenant).

On 31.12.2012 estimation of the fair value of this property was performed and the value was consequently reduced by 7.614 thousand RSD.

The valuation of the fair value on 31.12.2012 was performed by an independent valuator who has appropriate professional qualifications and recent relevant work experience in the field of investment property. The valuation of the value was performed based on numerous factors, such as: existing renting conditions, valuation of market conditions and valuation of the capitalization rate by using comparative market data, if possible. Due to the current situation on the property market and reduced number of sales transactions with respect to previous years due to the economic crisis, the valuator has mostly used his knowledge of the market and professional judgment and less results of comparable transactions in the past.

10.4. Long-term financial investments

Structure of long-term financial investments	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Equity investments in subsidiaries and affiliated companies</i>		
EP Visokogradnja plc. (92,39%)	1.704.254	1.704.254
EP Niskogradnja plc. (93,32%)	855.506	855.506
EP Oprema plc. (67,87%)	121.316	121.316
EP Hidroinženjering plc. (94,84%)	399.230	399.230
EP Urbanizam i arhitektura plc. (94,40%)	146.455	146.455
EP Promet ltd. (100,00%)	295	295
EP Energodata plc. (96,43%)	191.438	191.438
EP Industrija plc. (62,77%)	61.209	61.209
EP Entel plc. (86,26%)	216.422	216.422
EP Garant plc. (92,94%)	597.545	597.545
EP Montenegro ltd. (100,00%)	-	8
Inec Eng. Ltd (100,00%)	62.359	62.359
Encom GmbH (100,00%)	3.493	3.493
Nana Off Shore (100,00%)	924.749	1.258
Zecco Zambia (100,00%)	587	587
Enjub ltd. (50,00%)	13.550	13.550
Total	5.298.408	4.374.925
<i>Equity investments in other related parties and other securities for sale</i>		
Dunav plc. (0,20333%)	348	515
Jubmes banka plc. (1,38967%)	46.895	46.835
Hipotekarna banka Podgorica (0,3961%)	8.654	8.434
FIMA SEE Activist (15,96806%)	11.600	14.080

Energobroker plc. (17,64%)	4.371	4.371
Hotel Bela lađa, Bečej (4,3578%)	5.947	5.947
Aik banka plc. (0,00573%)	795	824
Total	78.610	81.006
TOTAL	5.377.018	4.455.931
<i>Other long-term financial investments</i>		
Long-term loans granted to subsidiaries	794.443	799.809
Long-term housing loans granted to employees	2.084	2.087
Total	796.527	801.896
TOTAL	6.173.545	5.257.827

The Company has granted five housing loans to employees: two loans on 10.06.1992 with a 38,5 years repayment period, two loans on 28.11.1995 with a 40 years repayment period and one on 24.12.2009 with a 10 years repayment period. Loans are interest-free and will be repaid in monthly installments. Pursuant to provisions of the contract and the Law on amendments and supplements of the Housing law („Official Journal of the Republic of Serbia 46/94), the Company applies installment revalorization twice a year according to the price shifts in the Republic of Serbia for the respective calculation period.

The increase of participation in the equity of the foreign branch Nana Off Shore, Lebanon was performed based on the newly acquired part of the property „DOM 12“ by Energoprojekt Holding plc, according to the agreement concluded with Energoprojekt Visokogradnja plc. and Energoprojekt Niskogradnja plc, that was introduced as an investment for the increase in equity of the foreign branch Nana Off Shore, Beirut, Lebanon.

The Company owns shares of other legal entities, in particular:

1. Dunav osiguranje plc: 527 shares with market value on the balance sheet date amounting to 660 RSD per share,
2. Jubmes banka plc: 3.803 shares with market value 12.331 RSD per share,
3. Fima See Activist: 1.600 shares with market value 7.250 RSD per share,
4. Hotel Bela lađa, Bečej: 60.070 shares with market value 99 RSD per share,
5. AIK banka plc: 508 shares with market value 1.566 RSD per share and
6. Hipotekarna banka Podgorica: 124 shares with market value 69.790,55 RSD per share.

10.5. Inventories and paid advances

Structure of inventories and paid advances	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Small inventory items	892	694
Paid advances	99.508	707
Less: value adjustment	(892)	(694)
Total	99.508	707

Paid advances, in the amount of 98.271 thousand RSD, refer mostly to the paid advance to Energoprojekt Oprema plc. according to the Annex I, to the Contract no. 317 on the assignment of the construction contract for the construction of the embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria.

10.6. Short-term receivables

Structure of short-term receivables	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Trade receivables</i>		
Buyers –subsidiaries	236.223	425.491
Buyers – other affiliates	705	705
Domestic buyers	51	13
Total	236.979	426.209
<i>Receivables from specific business operations</i>		
Other receivables from specific business operations	9.267	61.795
Less: value adjustment	-	-
Total	9.267	61.795
<i>Other receivables</i>		
Interest and dividends	25.952	71.969
Staff claims	61	101
Receivables from state institutions	100	662
Prepaid income tax	-	3.784
Other prepaid taxes and contributions	91	41
Less: value adjustment	-	(523)
Total	26.204	76.034
TOTAL	272.450	564.038

Changes in the value adjustment account are indicated in the following table.

Changes in value adjustment for receivables	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Balance on 01.01.	523	-
Additional value adjustment	-	523
Previously adjusted receivables - direct write-off	523	-
Recovered adjusted receivables	-	523
TOTAL		

The Company has signed blank bills of exchange with authorization that will be used as collateral for the collection of payments pursuant to service agreements for the provision of services to subsidiaries.

Receivables from buyers and other receivables are non-interest bearing.

Direct write-off for some previously adjusted receivables applied in 2011 is presented in the Note 8.1 and reconciliation of receivables and liabilities is presented in the Note 10.24.

10.7. Short-term financial investments

Structure of short-term financial investments	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Short-term loans and investments – subsidiaries and affiliates</i>		
Subsidiaries	267.867	925.811
Other affiliates	151.859	126.999
Less: value adjustment		-
Total	419.726	1.052.810
<i>Domestic Short-term loans</i>		
Maturing obligations up to 1 year – long-term housing loans	156	139
Short-term loans to employees	432	320
Less: value adjustment		-
Total	588	459

Other Short-term loans and investments

Special-purpose term deposit with domestic banks	-	-
Other	-	-
Less: value adjustment	-	-
Total	-	-
TOTAL	420.314	1.053.269

Details on granted loans to subsidiaries and other affiliates are indicated in the following table.

No.	Borrower and contract no.	Borrowed amount in currency (000 EUR)	Receivables due based on the loan in (000 EUR)	Receivables due based on the loan in (000 RSD)	Maturity	Loan terms and conditions
1	EP Visokogradnja plc.					
	Annex 1 to the Loan reprogramming agreement no. 70	1,792	1,792	203,791	31.12.2013.	4,5% annually
2	EP Energodata plc.					
	Annex 1 to the Loan reprogramming agreement no. 72	304	304	34,622	31.12.2013.	annual EURIBOR+4,5%
3	EP Urbanizam i arhitektura plc.					
	Annex 1 to the Loan agreement no. 232	204	204	23,200	30.06.2013.	two-week repo NBS+1,5%
	Annex 1 to the Loan agreement no. 337	55	55	6,255	30.06.2013.	three months EURIBOR+4%
	Total EP Urbanizam i arhitektura plc.	259	259	29,455		
TOTAL SUBSIDIARIES		2,356	2,356	267,868		
4	Enjub ltd.					
	Annex 1 to the Loan reprogramming agreement no. 115	1,198	1,198	136,222	31.12.2013.	three months EURIBOR+6,5%
	Annex 5 to the Loan agreement no. 367	138	138	15,636	31.12.2013.	three months EURIBOR+6,5%
	Total Enjub ltd.	1,335	1,335	151,858		
TOTAL AFFILIATED COMPANIES		1,335	1,335	151,858		
TOTAL		3,691	3,691	419,726		

The Company has 2 (two) signed blank bills of exchange with authorization that will be

used as collateral for the collection of payments pursuant to loan agreements concluded with subsidiaries and the affiliated company. Besides bills of exchange, the Company has an extrajudicial mortgage for the entire loan amount for apartments in Juriša Gagarina street, Novi Beograd, pursuant to loan agreements no. 367, 80 and 510 for loans granted to Enjub ltd.

Domestic short-term financial investments refer to loans granted to subsidiaries and affiliates. Loans were granted for a period of 6 to 12 months with interest rate between 4,5% annually up to 3M EURIBOR+6,5 %.

Short term financial investments also include **interest-free loans to employees of the Company** for heating and winter supplies. Interest-free loans are repaid in monthly installments for a period of 6 (six) months.

10.8. Cash and cash equivalents

Structure of cash and cash equivalents	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Current accounts (RSD)	6.806	2.344
Current accounts (FX)	108.138	165.544
Cash balance RSD	139	110
Short-term term deposits and letters of credit	218.889	72.000
TOTAL	333.972	239.998

RSD and FX current accounts of the Company indicates funds deposited in domestic banks (Banca Intesa, Unicredit bank, Hypo-Alpe-Adria bank, Jubmes bank, Alpha bank, Vojvodanska banka, Societe Generale bank, Credit Agricole bank, Raiffeisen bank and Erste bank).

10.9. Added value tax and active accruals

Structure of added value tax and active accruals	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Prepaid expenses	1.818	1.291
Prepaid VAT	801	527
Receivables on non-invoiced income	49.554	134
Other active accruals	627	1.217
TOTAL	52.800	3.169

The prepaid VAT includes added value tax from received invoices related to the respective year, the right to deduction of the previous tax can be exercised in the following calculation period, since the invoices arrived after the tax return for December of the respective year was filed.

Receivables on non-invoiced income refer to the completion of the agreement on the construction of the embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria, a turnkey project, on the cadastral lot No. 313, registered in the registry of immovable property, cadastral zone A00.

10.10. Changes in capital

in 000 dinars

DESCRIPTION	Share capital	Other capital	Issuing premium	Reserves	Revaluation reserves	Unrealized profit/loss from securities	Undistributed profit	Losses up to capital	Redeemed shares	Total
Balance on 31.12.2011	4,828,583	27,178	1,600,485	134,881	43,080	6,705	526,307		-	7,167,219
Correction of errors and changes in the accounting policy										
Restated balance	4,828,583	27,178	1,600,485	134,881	43,080	6,705	526,307		-	7,167,219
Increase of share capital										-
Changes of the fair value of available-for-sale securities						(4,431)				(4,431)
Net profit in the current period							504,856			504,856
Distirbution of profits	239,561						(241,429)			(1,868)
Sales / (acquisition) of treasury shares										-
Adjustment for income tax revenues for 2011							(6)			(6)
Balance on 31.12.2012	5,068,144	27,178	1,600,485	134,881	43,080	2,274	789,728			7,665,770

10.11. Share capital

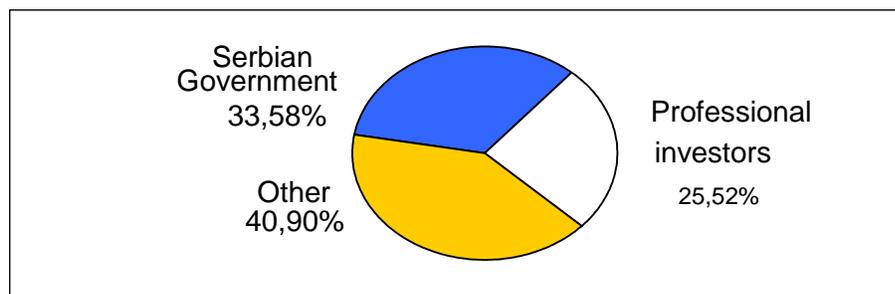
The following tables indicate the ownership structure of Energoprojekt Holding plc. shares on 31.12.2012 according to records of the Central Securities Depository:

	No. of shares	% from total issue
Shares held by private shareholders	3.210.666	32,31%
Shares held by legal entities	5.348.634	53,82%
- Republic of Serbia	3.337.459	33,58%
- Other legal entities	2.011.175	20,24%
Summary (custody) account	1.378.238	13,87%
Total shares	9.937.538	100%

Number of shareholders with equity share	number of entities			number of shares			% of total issue		
	domestic	foreign	total	domestic	foreign	total	domestic	foreign	total
to 5%	8,014	242	8,256	4,897,059	422,388	5,319,447	49.28%	4.25%	53.53%
from 5% to 10%	0	0	0	0	0	0	0.00%	0.00%	0.00%
over 10% to 25%	1	0	1	1,280,632	0	1,280,632	12.89%	0.00%	12.89%
over 25% to 33%	0	0	0	0	0	0	0.00%	0.00%	0.00%
over 33% to 50%	1	0	1	3,337,459	0	3,337,459	33.58%	0.00%	33.58%
over 50% to 66%	0	0	0	0	0	0	0.00%	0.00%	0.00%
over 66% to 75%	0	0	0	0	0	0	0.00%	0.00%	0.00%
over 75%	0	0	0	0	0	0	0.00%	0.00%	0.00%
Total shares	8,016	242	8,258	9,515,150	422,388	9,937,538	95.75%	4.25%	100.00%

List of top 10 shareholders by total shares held:

Name	no. of shares	% of total issued
Serbian Government	3,337,459	33.58%
Napred Razvoj a.d. Beograd	1,280,632	12.89%
Unicredit Bank - custody	362,934	3.65%
Raiffeisenbank custody	243,297	2.45%
Gustaviadavegardh fonder aktie	154,350	1.55%
Unicredit Bank - custody	123,101	1.24%
Raiffeisenbank custody	114,944	1.16%
Raiffeisenbank custody	99,397	1.00%
Erste bank custody	89,979	0.91%
Raiffeisenbank custody	67,369	0.68%



Capital structure	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Share capital</i>		
Share capital (ordinary shares)	5.068.144	4.828.583
Other share capital	27.178	27.178
TOTAL	5.095.322	4.855.761

The share capital consists of 9.937.538 ordinary shares each with a nominal value of 510,00 RSD (5.068.144 thousand RSD), and a nominal book value of 771,40 RSD.

Share capital – the ordinary shares include founding shares and closely held (management) shares issued during operations which carry rights to a share of the profit and a part of the estate in case of bankruptcy, in accordance with the memorandum of association and the share issue resolution.

The company's shares are Prime-listed on the Belgrade Stock Exchange.

At the XXXIX meeting, held on 29.06.2012, under Item 3 and 4 of the agenda, the following decisions were taken:

- Distribution of annual profits of Energoprojekt Holding plc. for 2011,
- The X issue of ordinary shares without public offering for the purpose of converting undistributed profit to equity.

The total amount of net profit according to financial statement 2011 was 277.619.339,39 RSD. The total amount of undistributed profit that includes undistributed profit from previous years (248.682.298,72 RSD) and undistributed profit for 2011 (277.619.339,39 RSD) is 526.301.638,11 RSD.

The undistributed profits were allocated as follows (upon decision of the General Meeting):

- Part of the undistributed profit in the amount of 241.429.155,00 RSD will be used for dividends. Energoprojekt Holding plc, Beograd issues X issue of shares in the total of 239.561.280,00 RSD, of which 469.728 shares with individual nominal value of 510,00 RSD. The remaining amount up to the total nominal value of one share under this Decision, in the total amount of 1.867.875,00 RSD, the Company will pay to the shareholders in cash. The distribution of profit among the shareholders shall be pro rata of their share of the existing equity of the Company, meaning that for every 20 shares each shareholder will receive 1 new share from the profits, free of charge.

- The balance of 284.872.483,11 RSD remains unallocated.

Other share capital was created by the reposting of non-business assets sources in 2005 in the total of 27.178 thousand RSD.

10.12. Reserves

The reserves consist of:

Structure of reserves	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Issuing premium	1.600.485	1.600.485
Legal reserves	23.185	23.185
Statutory and other	111.696	111.696
TOTAL	1.735.366	1.735.366

Issuing premium represents the positive difference between the obtained selling price per share and the share's nominal value, which is the result of the conversion of shares of subsidiaries into Energoprojekt Holding plc. shares at the par value 1:1 in 2006.

Until 2004, legal reserves were mandatory and were formed by allocating at least 5% of the profit each year until the reserves reach at least 10% of the equity capital.

The Company's internal legislation, till 2011, defines the statutory reserves, which are prescribed by the General Meeting at the Board's proposal and cannot be less than 5% of the net profit.

10.13. Revaluation reserves, unrealized profit/loss from securities available for sales

Structure of revaluation reserves, unrealized profit/loss from securities	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Revaluation reserves	43.080	43.080
Unrealized profit from securities available for sales	8.134	9.875
Unrealized loss from securities available for	(5.860)	(3.170)

sales		
TOTAL	45.354	49.785

The change in Unrealized profit/loss from securities available for sales refer to the adjustment of the value of securities from the Company's portfolio (Note 10.4) with their fair value on the secondary market on reporting date.

10.14. Undistributed profit

The **undistributed profit** and respective adjustments are indicated in the following table.

The undistributed profit and respective adjustments	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Balance on 01.01.	526.307	943.386
Adjustment of profit based on the income tax	(6)	1
Allocation of profit	(241.429)	(662.747)
Allocation of profit to statutory reserves	-	(31.958)
Profit – current year	504.856	277.625
Balance on 31.12.	789.728	526.307

The allocation of undistributed profit on 31.12.2011 (current profit for 2011) was performed according to the GM resolution taken by Energoprojekt Holding plc. on the XXXIX session under item 3 of the agenda, held on 29.06.2012 (Note 10.11).

10.15. Long-term provisions

Structure of long-term provisions	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Provisions for fringe and other employee benefits	5.017	4.863
Other long-term provisions	260.000	260.000
TOTAL	265.017	264.863

Provisions for fringe and other employee benefits (provisions for non-due retirement bonus), are indicated based on actuarial calculation of Energoprojekt experts.

In the projection of provision calculation pursuant to IAS 19 the deductive approach was used, meaning that all companies from the Energoprojekt Group were treated as a whole, and based on general regularities and use of the number of employees as a template, allocation to specific companies was performed. Considering that all subsidiaries are controlled by the same company, the applied approach is objective and the projection results can be recognized as expected.

2,21% increase of the provision amount in Energoprojekt, based on current retirement values in the balance sheet on 31.12.2011 in comparison to 31.12.2010, was a result of several changed factors:

- On one hand, changes of some factors affect the increase of the provision amount (2,72% increase of the average years in service in the Company);
- On the other hand, changes of some factors affect the decrease of the provision amount (first of all, reduced average gross retirement bonus by 0,30% and reduced total number of employees by 2,33%).

In addition to the above-mentioned, the change in the provision structure in specific companies is a consequence of the change in the aliquot part of number of employees in specific companies against the total number of employees in the whole Energoprojekt Group.

The provision projection procedures, considering IAS 19, were performed according to the following steps:

- *first, according to employee gender, working experience and years of service in the Company; considering the expected annual fluctuation and mortality rate (estimated annual fluctuation and mortality rate), an estimation was made of the number of employees that will exercise the right to a retirement bonus, as well as the period during which this bonus will be paid out;*
- *Second, considering provisions of the Collective agreement, the bonus amount was valuated for each year of service indicated on the balance sheet date, and*
- *Third, the discount factor (discount rate to expected salary growth ratio) was used to determine the present value of the expected retirement bonus outflows.*

The Retirement bonus is paid pursuant on Article 48 of the Collective agreement. The employer will pay to the employee a retirement bonus in the amount of: 1) employee's triple net earnings of the month that precedes the month of retirement, 2) triple net average earnings in the month that precedes the month of retirement, 3) in the amount prescribed by law; depending upon which amount is most favorable for the employee.

Upon discounting, the following assumptions were considered:

- *expected annual growth of earnings in the Company of 7,5% and*
- *discount rate of 10% .*

In the paragraph 78, IAS 19 and paragraph BC 33 in the Basis for Conclusions IAS 19, it is explicitly stated that the rate used for discount should be defined according to market yields at the balance sheet date for high yield corporate bonds. In countries where there is no developed market for such bonds, market yields (at the balance sheet date) for government bonds should be used. The value date and deadlines for bonds should be in accordance with the value date and deadlines for liabilities for income after employment.

Since the financial market of Serbia is insufficiently developed, the real annual yield from the purchase of government bonds with the Republic of Serbia as the guarantor should be used as a reference for the determination of the discount rate on the balance sheet date.

The yield of government bonds of the Republic of Serbia (old frozen savings bonds due between 2013 and 2016), as well as the yield of government bonds in EUR issued by the Ministry of Finance of the Republic of Serbia in 2012 are analyzed below. Specifically, the nominal annual yield of government bonds (old frozen savings) on the balance sheet date (maturity from 6 months to 3 years and 6 months) is ca 4,7% and the nominal annual yield of long-term bonds of the Republic of Serbia in EUR, during 2012, was 5,95% (issue 20.02.; maturity 371 days), 6,10% (issue 26.03.; maturity 728 days), 6,19% (issue 23.05.; maturity 546 days), 6,25% (issue 06.06.; maturity 730 days), 6,30% (issue 25.06.; maturity 546 days), 6,15% (issue 11.07.; maturity 371 days), 6,20% (issue 24.07.; maturity 730 days), 6,15% (issue 21.08.; maturity 371 days), 6,15% (issue 03.09.; maturity 371 days), 5,75% (issue 31.10.; maturity 371 days), 5,85% (issue 13.11.; maturity 546 days) and 5,05% (issue 12.12.; maturity 546 days).

Since the maturity of reference securities is shorter than the average estimated maturity for income that is the subject of this calculation, in view of requirements from paragraph 81, IAS 19, the discount rate was estimated considering longer maturity.

Considering the estimated nominal annual yield of long-term government bonds (ca. 6,5%), the projected inflation in EURO zone countries (1,9%) and the assumption that the foreign exchange rate is formed based on the purchasing power parity theory (under the assumption that there are no disparities in the current rate, the projected annual devaluation is conditioned by the difference between the projected annual inflation in Serbia and EURO zone countries), the real annual yield of reference securities is ca.

4,5% or for the projected nominal inflation in Serbia of 5,5%, the nominal annual yield is ca. 10%.

The annual expected wage growth in the Company is planned at a level of 7,5%.

The annual discount rate and the annual wage growth depend upon the inflation rate.

The Memorandum of the National Bank of Serbia on the target inflation rate till 2014, adopted at the meeting of the Executive Board of NBS on 10.05.2012, among other things, determines the target inflation rate for 2013, measured by the Annual Percentage Change in Consumer Price Index. Beginning with the consumer price at the end of the previous year, the target inflation rate for 2013 is 4% with permissible deviation (positive and negative) of 1,5 percentage points. Since the inflation in 2012 exceeded the target inflation by 5% (inflation in November 2012 in comparison to November 2011 was 11,9%), it would be realistic, for the next-year inflation and within permitted framework foreseen by the MEMORANDUM, to plan the inflation with maximum permissible deviation (+1,5%).

The provision will be estimated according to the planned annual inflation of 5,5%. It can be concluded that the Company planned a long-term annual wage growth of 2% (applied also to provisions from previous years) and the long-term annual real discount rate was planned at 4,5%.

If the inflation rate would drop in the future, the applied logic would result in the reduction of nominal wages but also of the discount rate (that is defined by the inflation rate) so that the change would lead to the change in results presented in this document. The methodology used, indicating the long-term 7,5% planned annual salary growth and long-term annual discount rate of 10%, assumes an unchanged inflation rate in future. This assumption is requested in the paragraph 75, IAS 19.

Other long-term provisions in the amount of 260.000 thousand RSD are recorded in the balance sheet on 31.12.2006, pursuant to the decision of the Board of Management of the Company, as possible contract expenses related to the Joint construction agreement - Block 26, Novi Beograd no. 507, concluded between the consortium „Energoprojekt – Napred“ and Trinity Capital Ltd.

Pursuant to provision of the Joint construction agreement and the Annex no. 1 to this agreement, Trinity Capital Ltd. paid the agreed amount and the Company issued a blank bill of exchange with authorization and unlimited validity. This bill of exchange may be submitted for payment based on an effective decision of the authorities confiscating from the Company the underlying property referenced in the contract by fault

attributable to the Company, however for reasons which had not been known to Trinity Capital Ltd. at the time the contract was signed.

Provisioning was pursuant to IAS 37 „Provisions, Contingent Liabilities and Contingent Assets“, due to the uncertainty with regard to the application of the legislation that applies to the subject of the Agreement and that may affect the fulfillment of all obligations assumed by the Company as well as due to the issued blank bill of exchange as previously stated.

On 31.12.2012 there is still uncertainty with regard to the application of the legislation that may affect the fulfillment of all obligations assumed by the Company and possible activation of issued bills of exchange by Trinity Capital Ltd. Therefore, the management assesses that conditions for the cancellation of the provision at the balance sheet date have not been met yet.

10.16. Long-term loans

Long-term working capital loan was approved on 30.12.2010 from the Development Fund of the Republic of Serbia in the amount of 321.174.000,00 RSD or 3.040.225,67 EUR.

On 14.05.2012, the Annex 1 to the Loan reprogramming agreement in the amount of 290.866.733,11 RSD, or 2.869.101,22 EUR was concluded.

The currency clause is used for the calculation of the principal debt and the debt is set in EUR according to the NBS middle rate on the drawdown date, and is translated to dinars according to the middle rate on the maturity date.

The loan was approved under the following conditions:

- The repayment period is 2 years after the expiration of the grace period on 31.12.2012. During the grace period, intercalate interest is calculated for the previous 3-month period and applied to the principal debt..
- The interest of 4,5% is calculated annually.
- The debt is repaid in 3-month annuities starting from 31.12.2012. The last annuity matures on 31.12.2014.

Annuities that mature in 2013 in the amount of 142.581.089,41 or 1.253.809.54 EUR are presented as short-term financial liabilities with one-year maturity.

Bills of exchange issued by Energoprojekt Holding plc. and warranties by Energoprojekt Niskogradnja plc, Energoprojekt Oprema plc, Energoprojekt Entel plc, Energoprojekt Industrija plc. and Energoprojekt Hidroinženjering plc. will be used as collaterals.

The Development Fund of the Republic of Serbia has approved the loan based on the document “Program for working capital of Energoprojekt Holding plc.” that defines that funds are necessary to overcome a temporary insolvency and to support marketing activities of Energoprojekt Visokogradnja plc. abroad.

The long-term liquidity and long-term working capital and export finance loan in 2012 were approved on 27.09.2012 by Erste bank in the amount of 200.000.000,00 RSD, or 1.738.646,63 EUR.

The currency clause is used for the calculation of the principal debt and the debt is set in EUR according to the NBS middle rate on the drawdown date.

The loan was approved under the following conditions:

- The repayment period is 18 months after the expiration of the grace period on 27.03.2013.
- The nominal interest rate of 2,5% annually was calculated on the loan approval date and is fluctuating interest rate.
- The debt is repaid in equal monthly installments (134.615,38 EUR) starting from 27.03.2013. The last installment matures on 27.03.2014.

2 (two) bills of exchange of Energoprojekt Holding plc. will be used as collateral and 2 (two) authorizations. Energoprojekt Holding plc. authorizes the Bank, in case of failure to fulfill contractual obligations, to activate the bills of exchange for the due amount with no protest clause and to submit for collection, and, pursuant to the law, to collect other remaining collaterals.

The following table shows liabilities related to the long-term loan in dinar on 31.12.2012, divided to:

- Liabilities up to one year (disclosed as short-term liabilities) and
- Liabilities over one year (disclosed as long-term liabilities).

<i>Creditor</i>	<i>in 000 dinars</i>			
	<i>2012</i>		<i>2011</i>	
	<i>Long-term liabilities</i>	<i>Short-term liabilities</i>	<i>Long-term liabilities</i>	<i>Short-term liabilities</i>
Erste bank	45.627	152.089	-	-
Republic of	148.997	142.581	84.033	241.197

Serbia Development Fund				
TOTAL	194.624	294.670	84.033	241.197

10.17. Other long-term liabilities

Structure of long-term liabilities	<i>in 000 dinars</i>	
	2012	2011
Long-term finance lease	-	467
TOTAL	-	467

10.18. Long-term finance leasing obligations

	<i>in 000 dinars</i>			
	2012		2011	
	<i>Present value</i>	<i>Future value</i>	<i>Present value</i>	<i>Future value</i>
Up to 1 year	173	174	2.460	2.590
From 1 – 5 years			467	471
TOTAL	173	174	2.927	3.061

The interest included in lease repayments represents the difference between the future value of minimum lease repayments and their present value.

Finance leasing obligations refer to 4 (four) cars from Intesa Leasing 2008. The repayment is on a monthly basis, 60 installments, as of 05.03.2008. The last installment is due on 05.02.2013. The monthly installment may be changed if the value of the three-Month Euribor is changed. The Company received four bills of exchange to secure duly fulfillment of obligations related to the finance lease, as well as authorizations for each Lease agreement.

10.19. Short-term financial liabilities

Structure of short-term financial liabilities	<i>in 000 dinars</i>	
	2012	2011
Short-term domestic loans	-	117.222
Long-term loan maturing in one year (Note 10.16.)	294.670	241.198
Long-term liabilities maturing in one year	173	2.460

(Note 10.18.)		
Other short-term financial liabilities – based on visa accounts	192	70
TOTAL	295.035	360.950

10.20. Liabilities from operating activities

Structure of liabilities from operating activities	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Received advance payments and deposits	422	603
Suppliers –subsidiaries	47.287	3.136
Domestic suppliers	10.864	17.052
Foreign suppliers	2.421	367
Liabilities from specific operations	337	-
TOTAL	61.331	21.158

Liabilities towards suppliers do not include any interest and due date between 5 and 30 days.

The Management of the Company believes that disclosed value of obligations from operating activities reflects their fair value at the balance sheet date.

10.21. Other short-term liabilities

Structure of short-term liabilities and accruals and deferred income	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Salaries and fringe benefits - gross	23.320	11.060
Interest and financing costs	426	7.390
Dividends and profit sharing	11.841	10.343
Employees	1.633	422
Member of the Board of Directors and Supervisory Board	518	1.332
Service contracts	162	91
Other	1.145	616
TOTAL	39.045	31.254

Salaries and fringe benefits refer mostly to obligations (net, taxes and contributions) related to December salaries, paid in January of the next year.

Other liabilities, in the amount of 1.007 thousand RSD, refer mostly to withholding from net wages (based mostly on union fees, granted loans, etc.).

The Management of the Company believes that disclosed value of short-term liabilities reflects their fair value at the balance sheet date.

10.22. VAT and other public duties and accruals

VAT and other public duties and accruals	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>VAT and other public duties and accruals</i>		
Liabilities for value added tax	3.305	3.477
Liabilities for taxes, customs and other duties purchase-related or charged to costs	227	237
Other liabilities for taxes, customs and other duties	643	840
Total	4.175	4.554
Liabilities for income tax	8.513	492
<i>Accruals and deferred income</i>		
Calculated revenues in the future period	75	-
Accrued expenses	66	66
VAT liabilities	5	-
Total	146	66
TOTAL	12.834	5.112

Liabilities for value added tax refer to the difference between the calculated tax and previous tax. This obligation was settled timely, at the beginning of the following year.

10.23. Deferred tax liabilities and deferred tax assets

Deferred tax liabilities and deferred tax assets	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Deferred tax assets	(2.567)	(395)

Deferred tax liabilities	21.225	9.988
Net tax assets / liabilities	18.658	9.593

Deferred tax liabilities disclosed on 31.12. refer to *taxable temporary differences* between the book value of assets subject to depreciation and their tax base. Due to different provisions used in the Company to define accounting depreciation (provisions of the professional regulation; IAS and IFRS, etc) and provisions that define tax depreciation (Legal entity income tax law), the Company will pay, in the future, more income tax that it would pay, if the truly disclosed accounting depreciation would be acknowledged by the tax legislation. For this reason, the company recognizes the deferred income tax liability which will become payable with the company has "recovered" the accounting value of the assets.

Deferred tax liabilities are calculated by multiplying the taxable temporary difference at the end of the year and the income tax rate (15%) – in 2011 it was 10%.

Deferred tax liabilities and respective changes are indicated in the following table.

Deferred tax assets (liabilities) and respective changes	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Deferred tax liabilities at the end of the previous year	9.593	9.316
Deferred tax liabilities at the end of the current year	18.658	9.593
DEFERRED TAX INCOME (EXPENSES)	(9.065)	(277)

Deferred tax expenses are acknowledged against results of the Company in the year in which the increase of deferred tax liabilities was established.

10.24. Reconciliation of Claims and Liabilities

The Company performed **reconciliation of claims** related to domestic and foreign buyers as at 31.12.2011.

Claims from the total of seventeen *domestic buyers*, as at 31.12.2012, in the amount of 236.979 thousand RSD, were reconciliated.

The Company performed the **reconciliation of claims** related to domestic and foreign buyers as at:

- 30.06.2012
- 30.11.2012 and
- 31.12.2012.

With respect to 10 Statements of outstanding items received from *domestic suppliers*, as at 30.11.2012 in the amount of 1.500 thousand RSD, all were reconciled.

With respect to 5 Statements of outstanding items received from *domestic suppliers*, as at 31.12.2012 in the amount of 176 thousand RSD all were reconciled.

10.25. Off-balance sheet items

Pursuant to legal provisions (Regulation of the Form and Contents of Financial Statements submitted by companies, cooperatives, other legal entities and entrepreneurs) the Company disclosed off-balance sheet items in its financial statements. Items disclosed under off-balance sheet assets and liabilities, shown in the table below, are neither assets nor liabilities of the company but serve simply to inform the reader.

Structure of off-balance sheet items	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Issued guarantees and other sureties</i>		
Issued guarantees - DIN	18.807	18.807
Issued guarantees - foreign currency	2.843	2.616
Collateral - DIN	1.019.660	2.246.339
Collateral - foreign currency	6.735.589	6.415.802
Total	7.776.899	8.683.564
<i>Other off-balance sheet items</i>		
<i>Other off-balance sheet items</i>	983.530	982.281
Total	983.530	982.281
TOTAL	8.760.429	9.665.845

Off-balance sheet items of the Company in the amount of 8.760.429 thousand RSD refer to:

- Issued guarantee to remedy defects within the warranty for the Prokop station in the amount of 18.807 thousand RSD that expires on 01.08.2013 (UniCredit bank);

- Issued guarantee for duly settlement of obligations related to plane tickets in the amount of 2.843 thousand RSD (25 thousand EUR) that expires on 20.10.2013 and is renewed each year (Alpha bank);
- collateral against guarantees and approved credit lines based on loans and guarantees for subsidiaries in the amount of 7.755.249 thousand RSD (based on issued collaterals the Company concluded contracts with subsidiaries based on which the Company is the guarantor and received from them the respective collaterals);
- **Other off-balance sheet items** refer to:
 - the use of city building land in the amount of 937.451 thousand RSD,
 - obligations for Enjub dividends in the amount of 30.442 thousand RSD,
 - mortgage on Enjub apartments in the amount of 15.637 thousand RSD (according to the loan agreement with Enjub ltd.).

11. MORTGAGES REGISTERED IN FAVOR OR AGAINST THE COMPANY

As collateral to secure the loan no. 423/367, in the amount of 137.500 EUR, approved by the Company to Enjub ltd, the extrajudicial mortgage for the entire loan amount was registered for apartments in Jurija Gagarina 91A, second and third floor, cadastral plot no. 5089/9, cadastral municipality Novi Beograd, registered in the registry of immovable property no. 4550, cadastral municipality Novi Beograd in favor of the Company.

12. TRANSACTIONS WITH RELATED PARTIES

According to requests from IAS 24 – *Related parties disclosures*, the relationship, transactions, etc. between the Company and related parties were disclosed. Related parties, from the Company' point of view, are as follows: **related companies and key management** (persons with authorizations and responsibility with regard to the planning, guidance and control of company's activities, directly or indirectly, including all directors, regardless if executive or not) and immediate family members.

From the point of view of related parties, the following two tables indicate transactions that resulted in revenues and expenses in the profit and loss account and disclosed receivables and liabilities in the balance sheet.

Structure of revenues and expenses from related parties	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Revenues</i>		
EP Garant plc.	35.811	179.245
EP Visokogradnja plc.	214.296	147.130
EP Niskogradnja plc.	201.584	121.641
EP Hidroinženjering plc.	37.918	27.906
EP Entel plc.	227.934	188.499
EP Energodata plc.	17.746	9.554
EP Industrija plc.	26.001	20.645
EP Promet ltd.	-	20.152
EP Urbanizam i arhitektura plc.	12.523	13.257
EP Oprema plc.	166.934	112.879
Inec Ltd, London	-	1
Encom GmbH, Frankfurt	150	-
EP Montenegro ltd.	277	1
Moscow subsidiary	-	5.628
Total	941.174	846.538
<i>Expenses</i>		
EP Garant plc.	394	3.816
EP Visokogradnja plc.	16.135	57.480
EP Niskogradnja plc.	5.047	9.388
EP Hidroinženjering plc.	279	387
EP Entel plc.	1.478	1.212
EP Energodata plc.	13.506	16.638
EP Industrija plc.	268	837
EP Promet ltd.	555	318
EP Urbanizam i arhitektura plc.	3.146	131.024
EP Oprema plc.	65.495	18.240
Inec Ltd, London	3.500	98

EP Montenegro ltd.	3.466	2.111
Encom GMBH, Frankfurt	10.966	-
United Consulting Proprietary Limited Botswana	-	3.205
EP Ghana	-	4.911
Total	124.235	249.842
Structure of receivables and liabilities to related parties	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2012</i>
<i>Receivables</i>		
EP Garant plc.	172	159
EP Visokogradnja plc.	361.432	1.013.045
EP Niskogradnja plc.	744.624	952.446
EP Hidroinženjering plc.	54.779	89.164
EP Entel plc.	9.890	7.676
EP Energodata plc.	62.256	87.282
EP Industrija plc.	39.265	32.025
EP Urbanizam i arhitektura plc.	36.061	75.865
EP Oprema plc.	9.251	6.642
EP Montenegro ltd.	-	3.189
Total	1.317.730	2.267.493
<i>Liabilities</i>		
EP Visokogradnja plc.	61	2.330
EP Niskogradnja plc.	-	806
EP Entel	100	-
EP Energodata plc.	543	-
EP Oprema plc.	35.779	-
Encom GmbH, Frankfurt	10.803	-
Subsidiary Moscow	337	-
Total	47.623	3.136

Receivables from related parties arise mostly from the sales of services and are due within 15 days from the invoice date. The Company received blank bills of exchange and authorizations as collateral.

13. COMMITMENT AND CONTINGENCIES

Contingent liability that may result in the outflow of economic benefits, may arise, first of all, from lawsuits. **A contingent liability arising from lawsuits** leads possibly to the completion of legal proceedings against the Company, yet no liability or provision was recorded in the balance sheet.

The following table contains the number and estimated values of lawsuits with the Company as the defendant and not very small probability for the Company to lose the case. Disclosed values with the contingent liability as at 31.12.2012, include only the principal amount per case.

<i>Plaintiff</i>	<i>The first instance proceedings</i>	<i>The second instance proceedings</i>	<i>Total</i>
<i>No. of cases</i>			
Natural person	7	-	7
Legal person	5	2	7
TOTAL	12	2	14
<i>in 000 dinars</i>			
Natural person	11.844	-	11.844
Legal person	1.665	2.116	3.781
TOTAL	13.509	2.116	15.625

Detailed information on the largest lawsuits with the Company as the defendant is indicated in the following table.

<i>Plaintiff</i>	<i>Basis of claims</i>	<i>Contingent liability in 000 dinars</i>
Aleksandar Vasojević	Annulment of the decision adopted at XXXVII Extraordinary General Meeting	-
New company	Establishment of land ownership rights (IN Hotel)	-
EGP investment	Compulsory redemption of shares	1.268
Raonić Milan	Copyright infringement	7.000
Belgrade Land Development Public Agency	Debt and compensation for land (Hotel Hyatt Regency Beograd)	Uncertain
Association of small shareholders, Association of retiree-shareholders - Jovan	Annulment of the decision adopted at XXXVII Extraordinary General Meeting	-

Korolija and Ivan Petrović		
Radomir Banjac	Compensation	4.400
Sreta Ivanišević	Compensation for expropriated property (Bežanija)	Uncertain
Ivan Petrović etc.	Annulment of the decision adopted at XXXVII extraordinary General Meeting and decisions adopted by The Board of Directors	-
Vladan and Tomislav Krdžić	Compensation (for the free-of-charge shares they did not earn)	444
Dimničar plc.	Compulsory redemption of shares	1.317
East west invest plc.	Compulsory redemption of shares	848
EGP Investments	Compulsory redemption of shares	348
Republic of Serbia	Determination of apartment ownership rights	-
TOTAL		15.625

Contingent asset that may result in the outflow of economic benefits, may arise, first of all, from lawsuits with the Company as the defendant.

A contingent asset arising from lawsuits leads possibly to the completion of legal proceedings in favor of the Company, yet no liability or provision was recorded in the balance sheet and the economic benefit was not recorded (for example, by reducing the value of unjustified advance payment, etc.).

The following table contains the number and estimated values of lawsuits with the Company as the plaintiff and there is a reasonable probability for the Company to win the case.

<i>Defendant</i>	<i>The first instance proceedings</i>	<i>The second instance proceedings</i>	<i>Total</i>
<i>No. of cases</i>			
Legal person	4	2	6
Natural person	2	-	2
TOTAL	6	2	8

in 000 dinars

Legal person	1.513.226	26.959	1.540.185
Natural person	149	-	149
TOTAL	1.513.375	26.959	1.540.334

Detailed information on the largest lawsuits with the Company as the plaintiff is indicated in the following table.

<i>Defendant</i>	<i>Basis of claims</i>	<i>Contingent assets in 000 dinars</i>
Stari Grad Municipality	Determination of ownership rights	-
Ministry of Finance – Tax administration	Unjustified tax refund	26.959
Mottivi ltd.	Compensation (roof repair in Goce Delčeva street 38)	94
Zekstra group ltd.	Compensation for damages (roof repair in Goce Delčeva street 38)	800
Republic of Serbia, Electric Power Industry of Serbia, Epsturs ltd. and the Republic of Montenegro	Establishment of the ideal part of ownership of the Park Hotel in Budva	-
Ivan Musić	Compensation (roof repair in Goce Delčeva street 38)	28
Dejan and Mirjana Gojković	Compensation (roof repair in Goce Delčeva street 38)	121
Grad Beograd, Belgrade Land Development Public Agency, RS	Debt (Arena)	1.512.332
TOTAL		1.540.334

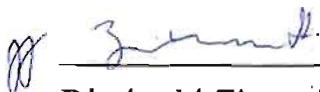
14. POST BALANCE SHEET EVENTS

There were no events after balance sheet date which would have any significant effect the credibility of the financial reports.

In Belgrade,
20.02.2013

CFO

CEO



Dimitraki Zipovski, M.Sc.Ecc.



Vladimir Milovanović, Dipl.Ing.
(Hons.)ME, Ms(PM)

2. AUDIT REPORT (the whole report)

*This is an English translation of Independent Auditor's Report
originally issued in the Serbian language*

INDEPENDENT AUDITOR'S REPORT

To the shareholders of the company "Energoprojekt Holding" a.d. Belgrade

We have audited the accompanying financial statements of the company "Energoprojekt Holding" a.d. Belgrade (hereinafter the "Company"), which comprise the balance sheet as of 31 December 2012 and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The statistical annex represents an integral part of these financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting regulations prevailing in the Republic of Serbia, based on the Law on Accounting and Auditing ("Official Gazette of the Republic of Serbia", no. 46/2006, 111/2009 and 99/2011), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



INDEPENDENT AUDITOR'S REPORT

To the shareholders of the company "Energoprojekt Holding" a.d. Belgrade (Continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with the accounting regulations prevailing in the Republic of Serbia.

Belgrade, 29 March 2013


Igor Radmanovic
Certified auditor

A circular blue ink stamp from the Institute of Auditors of the Republic of Serbia. The text around the perimeter reads "Institut za reviziju" at the top and "Beograd" at the bottom. In the center, the BDO logo is visible, including the letters "BDO" and "d.o.o." below it.

ENERGOPROJEKT HOLDING PLC.

BALANCE SHEET
on December 31, 2012

in 000 RSD

Group accounts account	POSITION	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A. NON-CURRENT ASSETS (002+003+004+005+009)	001	-	7,373,270	6,083,468
00	I. UNPAID SUBSCRIBED CAPITAL	002	-	-	-
012	II. GOODWILL	003	-	-	-
01 w/out 012	III. INTANGIBLE ASSETS	004	10.1.	9,416	10,139
	IV. PROPERTY, PLANT, EQUIPMENT AND BIOLOGICAL ASSETS (006+007+008)	005	-	1,190,309	815,502
020,022,023, 026,027(part), 028(part), 029	1. Property, plant and equipment	006	10.2.	587,697	318,804
024,027(part) 028(part)	2. Investment property	007	10.3.	602,612	496,698
021,025,027 (part) and 028(part)	3. Biological assets	008	-	-	-
	V. LONG-TERM FINANCIAL INVESTMENTS (010+011)	009	-	6,173,545	5,257,827
030 to 032, 039(part)	1. Equity investments	010	10.4.	5,377,018	4,455,931
033 to 038, 039(part) less 037	2. Other long-term financial investments	011	10.4.	796,527	801,896
	B. CURRENT ASSETS (013+014+015)	012	-	1,179,044	1,861,181
10 to 13,15	I. INVENTORIES	013	10.5.	99,508	707
	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	-	1,079,536	1,860,474
20, 21 and 22, except 223	1. Receivables	016	10.6.	272,450	560,254
223	2. Receivables for prepaid income tax	017	10.6.	-	3,784
23 less 237	3. Short-term financial investments	018	10.7.	420,314	1,053,269
24	5. Cash equivalents and cash	019	10.8.	333,972	239,998
27 and 28 except 288	4. VAT and accruals	020	10.9.	52,800	3,169
288	C. DEFERRED TAX ASSETS	021	-	-	-
	D. OPERATING ASSETS (001+012+021)	022	-	8,552,314	7,944,649
29	E. LOSS OVER CAPITAL	023	-	-	-
	F. TOTAL ASSETS (022+023)	024	-	8,552,314	7,944,649
88	G. OFF-BALANCE SHEET ITEMS	025	10.25.	8,760,429	9,665,845

Group accounts account	POSITION	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	EQUITY AND LIABILITIES				
	A. EQUITY (102+103+104+105+106-107+108-109-110)	101	-	7,665,770	7,167,219
30	I. SHARE AND OTHER CAPITAL	102	10.11.	5,095,322	4,855,761
31	II. UNPAID SUBSCRIBED CAPITAL	103	-	-	-
32	III. RESERVES	104	10.12.	1,735,366	1,735,366
330 i 331	IV. REVALUATION RESERVES	105	10.13.	43,080	43,080
332	V. UNREALIZED GAINS BASED ON SECURITIES AVAILABLE FOR SALE	106	-	8,134	9,875
333	V. UNREALIZED LOSSES BASED ON SECURITIES AVAILABLE FOR SALE	107	-	5,860	3,170
34	VII. RETAINED EARNINGS	108	10.14.	789,728	526,307
35	VIII. LOSS	109	-	-	-
037 and 237	IX. REDEEMED OWN SHARES	110	-	-	-
	B. LONG-TERM PROVISIONS AND LIABILITIES (112+113+116)	111	-	867,886	767,837
40	I. LONG-TERM PROVISIONS	112	10.15.	265,017	264,863
41	II. LONG-TERM LIABILITIES (114+115)	113	-	194,624	84,500
414, 415	1. Long-term loans	114	10.16.	194,624	84,033
41 w/out 414 and 415	2. Other long-term liabilities	115	10.17.	-	467
	III. CURRENT LIABILITIES (117+118+119+120+121+122)	116	-	408,245	418,474
42, except 427	1. Short-term financial liabilities	117	10.19.	295,035	360,950
427	2. Liabilities from assets held for sale and assets from discontinued operations	118	-	-	-
43 and 44	3. Liabilities from business operations/Accounts payable/Trade ar	119	10.20.	61,331	21,158
45 i 46	4. Other short-term liabilities	120	10.21.	39,045	31,254
47, 48 except 481 and 49 except 498	5. VAT and other public duties and accruals	121	10.22.	4,321	4,620
481	6. Income tax liabilities	122	10.22.	8,513	492
498	C. DEFERRED TAX LIABILITIES	123	10.23.	18,658	9,593
	D. TOTAL EQUITY AND LIABILITIES (101+111+123)	124	-	8,552,314	7,944,649
89	E. OFF-BALANCE SHEET ITEMS	125	10.25.	8,760,429	9,665,845

In Belgrade,

date 20.02.2013.

Person responsible for
preparation of financial
statements

Legal representative



ENERGOPROJEKT HOLDING PLC.

INCOME STATEMENT

for the period January 1 to December 31, 2012

in 000 RSD

Group accounts, account	POSITION	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A. OPERATING INCOME AND EXPENSES				
	I. OPERATING INCOME (202+203+204-205+206)	201	-	476,714	375,566
60 and 61	1. Sales	202	9.1.	451,099	352,420
62	2. Income from undertaking of outputs and goods for own purposes	203	9.2.	482	598
630	3. Increase of inventories	204	-	-	-
631	4. Decrease of inventories	205	-	-	-
64 and 65	5. Other operating income	206	9.3.	25,133	22,548
	II. OPERATING EXPENSES (208 to 212)	207	-	423,681	362,054
50	1. Cost of goods sold	208	-	-	-
51	2. Material costs	209	9.4.	23,429	20,576
52	3. Staff costs	210	9.5.	194,170	181,495
54	4. Depreciation, amortization and provisions	211	9.6.;9.7.	13,458	20,592
53 and 55	5. Other operating expenses	212	9.8.;9.9.	192,624	139,391
	III. PROFIT FROM OPERATIONS (201 - 207)	213	-	53,033	13,512
	IV. LOSS FROM OPERATIONS (207 - 201)	214	-	-	-
66	V. FINANCIAL INCOME	215	9.10.	567,842	427,440
56	VI. FINANCIAL EXPENSES	216	9.11.	62,957	77,382
67, 68	VII. OTHER REVENUE	217	9.12.	2,421	77,834
57, 58	VIII. OTHER EXPENSES	218	9.13.	17,654	139,370
	IX. PROFIT FROM OPERATIONS BEFORE TAX (213-214+215-216+217-218)	219	-	542,685	302,034
	X. LOSS FROM OPERATIONS BEFORE TAX (214-213-215+216-217+218)	220	-	-	-
69-59	XI. NET PROFIT FROM DISCONTINUED OPERATIONS	221	-	-	-
59-69	XII. NET LOSS FROM DISCONTINUED OPERATIONS	222	9.13.	941	3,259
	B. PROFIT BEFORE TAX (219-220+221-222)	223	9.14.	541,744	298,775
	V. LOSS BEFORE TAX (220-219+222-221)	224	-	-	-
	G. INCOME TAX				
721	1. Tax expenses for the period	225	9.15.	27,823	20,873
722	2. Deferred tax expenses for the period	226	9.15.	9,065	277
722	3. Deferred tax income for the period	227	-	-	-
723	D. EMPLOYER'S EARNINGS PAID	228	-	-	-
	Đ. NET PROFIT (223-224-225-226+227-228)	229	9.15.	504,856	277,625
	E. NET LOSS (224-223+225+226-227+228)	230	-	-	-
	Ž. NET PROFIT BELONGING TO MINORITY INVESTORS	231	-	-	-
	Z. NET PROFIT BELONGING TO EQUITY HOLDERS OF THE PARENT COMPANY	232	-	-	-
	I. EARNINGS PER SHARE				
	1. Basic earnings per share	233	-	-	-
	2. Diluted earnings per share	234	-	-	-
	Total income (201+215+217+221)			1,046,977	880,840
	Total expenses (207+216+218+222)			505,233	582,065
	Gross results			541,744	298,775

In Belgrade,

date 20.02.2013.

Person responsible for
preparation of financial
statements

Legal representative



CASH FLOW STATEMENT
for the period January 1 to December 31, 2012

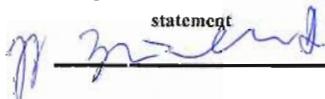
in 000 RSD

Position	EDP	Amount	
		Current year	Previous year
I	2	3	4
A. CASH FLOW FROM OPERATING ACTIVITIES			
I. Cash inflows from operating activities (1 to 3)	301	859,539	900,305
1. Sales and cash receipts from customers	302	858,729	897,749
2. Interest receipts from operating activities	303	-	-
3. Other receipts from operating activities	304	810	2,556
II. Cash outflows from operating activities (1 to 5)	305	532,210	583,401
1. Payments and prepayments to suppliers	306	263,980	248,963
2. Salaries, benefits and other staff costs paid	307	181,392	182,355
3. Interest paid	308	3,958	10,558
4. Income tax paid	309	16,024	76,550
5. Other public duties payable	310	66,856	64,975
III. Net cash provided from operating activities (I-II)	311	327,329	316,904
IV. Net cash used in operating activities (II-I)	312	-	-
B. CASH FLOW FROM INVESTING ACTIVITIES			
I. Cash inflows from investing activities (1 to 5)	313	1,188,689	474,244
1. Sale of shares and equity investments (net inflows)	314	0	-
2. Sale of intangible assets, property, plant, equipment and biological assets	315	-	173,503
3. Other financial investments (net inflows)	316	864,337	-
4. Interests received from investments	317	69,163	24,807
5. Dividends received	318	255,189	275,934
II. Cash outflows from investing activities (1 to 3)	319	1,417,178	1,128,066
1. Purchises of shares (net outflows)	320	-	229,070
2. Purchises of intangible assets, property, plant, equipment and biological assets	321	1,417,178	517,318
3. Other financial investments (net outflows)	322	-	381,678
III. Net cash provided from investing activities (I-II)	323	-	-
IV. Net cash used in investing activities (II-I)	324	228,489	653,822
V. CASH FLOWS FROM FINANCING ACTIVITIES			
I. Cash inflows from financing activities (1 to 3)	325	-	112,756
1. Increase of treasury shares	326	-	770
2. Long-term and short-term loans (net inflows)	327	-	111,986
3. Other long-term and short-term liabilities	328	-	-
II. Cash outflows from financing activities (1 to 4)	329	9,975	4,901
1. Purchase of own shares and stakes	330	-	-
2. Long-term and short-term loans and other liabilities (net outflows)	331	6,447	-
3. Finance lease payments	332	3,159	4,900
4. Dividends paid	333	369	1
III. Net cash provided from financing activities (I-II)	334	-	107,855
IV. Net cash used in financing activities (II-I)	335	9,975	-
G. TOTAL CASH INFLOWS (301+313+325)	336	2,048,228	1,487,305
D. TOTAL CASH OUTFLOWS (305+319+329)	337	1,959,363	1,716,368
DJ. NET CASH INFLOWS (336-337)	338	88,865	-
E. NET CASH OUTFLOW (337-336)	339	-	229,063
Z. CASH AT BEGINNING OF PERIOD	340	239,998	469,938
Z. GAINS ON EXCHANGE	341	5,109	-
I. LOSSES ON EXCHANGE	342	-	877
J. CASH AT THE END OF PERIOD (338-339+340+341-342)	343	333,972	239,998

In Belgrade,

date 20.02.2013.

Person responsible for
preparation of financial
statement




Legal representative



STATEMENT OF CHANGES IN CAPITAL
for the period January 1 to December 31, 2012

No.	DESCRIPTION	in 000 RSD																								
		EDP	Issued capital (group 30 without 309)	EDP	Other capital (account 409)	EDP	Unpaid subscribed capital (group 31)	EDP	Emission premium (account 320)	EDP	Reserves (account 321, 322)	EDP	Revaluation reserves (group 330,331)	EDP	Unrealized gains based on securities available for sale (account 332)	EDP	Unrealized losses based on securities available for sale (account 333)	EDP	Unimpaired profit (group 34)	EDP	Loss to the capital value (group 35)	EDP	Retained own shares and stakes (account 097, 217)	EDP	Total (quant 2-3+4-5-6-7+8-9-10+11-12)	EDP
		2		3		4		5		6		7		8		9		10		11		12		13		14
1	Balance as at January 1, of the previous year.	-401	4,165,896	-414	27,178	-427	-	1,600,056	-453	102,923	-466	-43,080	-479	15,902	-492	2,008	-503	943,386	-518	-	-	341	-	6,896,012	-557	-
2	Correction of material significant errors and changes in accounting policies in the previous year - increase	-402	-	-415	-	-428	-	-	-454	-	-467	-	-480	-	-493	-	-506	-	-	-	-	-	-	-	-558	-
3	Correction of material significant errors and changes in accounting policies in the previous year - decrease	-403	-	-416	-	-429	-	-	-455	-	-468	-	-481	-	-494	-	-507	-	-	-	-	-	-	-	-559	-
4	Corrected opening balance as at January 1, of the previous year. (no. 1+2-3)	-404	4,165,896	-417	27,178	-430	-	1,600,056	-456	102,923	-469	-43,080	-482	15,902	-495	2,008	-508	943,386	-521	-	-	341	-	6,896,012	-560	-
5	Total increase in the previous year	-405	662,747	-418	-	-431	-	434	-457	31,958	-470	-	-483	-	-496	-	-509	-	-	-	-	-	-	-	-561	-
6	Total decrease in the previous year	-406	-	-419	-	-432	-	-	-458	-	-471	-	-484	-	-497	-	-510	-	1,333,865	-523	-	-	-	1,343,600	-562	-
7	Balance on December 31, of the previous year (no. 4+5-6)	-407	4,828,583	-420	27,178	-433	-	1,600,485	-459	134,881	-472	-43,080	-485	9,875	-498	3,170	-511	526,307	-524	-	-	-	-	7,167,219	-563	-
8	Correction of material significant errors and changes in accounting policies in the previous year - increase	-408	-	-421	-	-434	-	-	-460	-	-473	-	-486	-	-499	-	-512	-	-	-	-	-	-	-	-564	-
9	Correction of material significant errors and changes in accounting policies in the previous year - decrease	-409	-	-422	-	-435	-	-	-461	-	-474	-	-487	-	-500	-	-513	-	-	-	-	-	-	-	-565	-
10	Corrected opening balance as at January 1, of the current year. (no. 7+8-9)	-410	4,828,583	-423	27,178	-436	-	1,600,485	-462	134,881	-475	-43,080	-488	9,875	-501	3,170	-514	526,307	-527	-	-	-	-	7,167,219	-566	-
11	Total increase in the current year	-411	239,561	-424	-	-437	-	-	-463	-	-476	-	-489	-	-502	-	-515	-	792,481	-528	-	-	-	1,079,607	-567	-
12	Total decrease in the current year	-412	-	-425	-	-438	-	-	-464	-	-477	-	-490	-	-503	-	-516	-	519,060	-529	-	-	-	522,016	-568	-
13	Balance as at December 31, of the current year (no. 10+11-12)	-413	5,068,144	-426	27,178	-439	-	1,600,485	-465	134,881	-478	-43,080	-491	8,134	-504	5,860	-517	789,728	-530	-	-	-	-	7,665,770	-569	-

In Belgrade, date 20.07.2013.

Person responsible for preparation of financial statements

Legal representative



STATISTICAL ANNEX
for the period January 1 to December 31, **2012**

GENERAL INFORMATION ON THE LEGAL ENTITY, I.E. ENTERPRENEUR

DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4
1. Number of months of operations (designation from 1 to 12)	601	12	12
2. Code identifying the company's size (from 1 to 3)	602	2	2
3. Code identifying the company's ownership structure (from 1 to 5)	603	2	2
4. Number of foreign (legal or physical) entities, holding a share in capital	604	-	-
5. Average number of employees based on the balance at the end of each month (whole number)	605	70	74

II GROSS CHANGES OF INTANGIBLE ASSETS, 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
01	1. Intangible assets				
	1.1. Balance at the beginning of the year	606	11,582	1,443	10,139
	1.2. Increase (purchases) during the year	607	-	-	-
	1.3. Decrease (sale, removal from inventory and impairment) during the year	608	419	-	723
	1.4. Revaluation during the year	609	-	-	-
	1.5. Balance at the end of the year (606+607-608+609)	610	11,163	1,747	9,416
02	2. Property, plant, equipment and biological assets				
	2.1. Balance at the beginning of the year	611	1,175,761	360,259	815,502
	2.2. Increase (purchases) during the year	612	500,017	-	500,017
	2.3. Decrease (sale, removal from inventory and ensuring) during the year	613	16,209	-	125,210
	2.4. Revaluation during the year	614	-	-	-
	2.5. Balance at the end of the year (611+612-613+614)	615	1,659,569	469,260	1,190,309

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. Stock of material	616	-	-
11	2. Work in progress	617	-	-
12	3. Finished products	618	-	-
13	4. Merchandise	619	-	-
14	5. Non-current assets held for sale	620	-	-
15	6. Prepayments	621	99,508	707
	7. TOTAL (616+617+618+619+620+621=013)	622	99,508	707

IV STRUCTURE OF CAPITAL

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
300	1. Share capital	623	5,068,144	4,828,583
	in it: foreign capital	624	-	-
301	2. Stakes of a limited liability company	625	-	-
	in it: foreign capital	626	-	-
302	3. Stakes 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	27,178
30	TOTAL: (623+625+627+629+630+631+632=102)	633	5,095,322	4,855,761

V SHARE CAPITAL 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
	1. Ordinary shares			
	1.1. Number of ordinary shares	634	9,937,538	9,467,810
part 300	1.2. Nominal value of ordinary shares - total	635	5,068,144	4,828,583
	2. Priority shares			
	2.1. Number of priority shares	636	-	-
part 300	2.2. Nominal value of priority shares - total	637	-	-
300	3. TOTAL - nominal value of shares (635+637= 623)	638	5,068,144	4,828,583

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	236,979	426,209
43	2. Liabilities from operations (balance at the end of the year 640 ≤ 117)	640	60,995	20,352
part 228	3. Receivables during the year from insurance companies for damages (debt turnover less opening balance)	641	-	-
	4. VAT - previous tax (annual amount as per tax declaration)	642	27,969	20,918
27				
43	5. Payables from operations (credit turnover less opening balance)	643	1,615,076	251,136
	6. Liabilities for net salaries and salaries compensations (credit turnover less opening balance)	644	111,833	94,314
450				
	7. Liabilities for salaries tax and salaries compensations paid by employees (receivables turnover less opening balance)	645	17,084	14,700
451				
	8. Liabilities for contributions on salaries and salaries compensations paid by employees (receivables turnover without initial balance)	646	19,966	19,887
452				
461,462 and 723	9. Liabilities for dividends, share in profit and employer's personal earnings (credit turnover less opening balance)	647	1,829	-
	10. Liabilities toward physical entities for compensations per contracts (credit turnover less opening balance)	648	2,300	1,456
465				
	11. VAT liability (annual amount as per tax declarations)	649	82,779	68,781
47				
	12. Control summary (from 639 to 649)	650	2,176,810	917,753

VII OTHER COSTS AND EXPENSES

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
513	1. Fuel and energy costs	651	17,053	11,406
520	2. Salaries and salaries compensations (gross)	652	148,872	128,896
521	3. Tax expenses and contributions on salaries and salaries compensations paid by employer	653	19,966	19,883
522,523,524 and 525	4. Expenses for compensations to physical entities (gross) based on contracts	654	3,508	2,480
526	5. Expenses of compensations to BoD & Supervision Board members (gross)	655	12,601	24,571
529	6. Other personal expenses and compensations	656	9,223	5,665
53	7. Production services costs	657	104,494	83,385
533, part 540 and part 525	8. Rental costs	658	866	1,513
part 533, part 540 & part 525	9. Rental costs/land	659	-	-
536,537	10. Research and development costs	660	-	-
540	11. Depreciation costs	661	10,841	19,209
552	12. Insurance premium costs	662	770	958
553	13. Payment operations costs	663	4,873	2,507
554	14. Membership fees	664	1,245	943
555	15. Taxes	665	10,157	10,233
556	16. Contributions	666	-	-
562	17. Interests	667	19,383	25,121
part 560, part 561 and 562	18. Interests expenses and a part of financial expenses	668	19,383	25,121
part 560, part 561 and part 562	19. Interests expenses on bank loans and loans from other financial organizations	669	4,229	11,523
part 579	20. Costs for humanitarian, cultural, health, educational, scientific and religious purposes, environmental protection and sports purposes	670	139	246
	21. Control summary (from 651 to 670)	671	387,603	374,360

VIII OTHER INCOME

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
60	1. Sales	672	-	-
640	2. Income from premiums, subsidies, donations, recourses, compensations and tax returns	673	-	-
641	3. Income from conditioned donations	674	-	-
part 650	4. Income from land-rental fees	675	-	-
651	5. Membership fees	676	-	-
part 660, part 661, 662	6. Interests income	677	98,220	109,041
part 660, part 661, and part 662	7. Income from interests per accounts and deposits in banks and other financial organizations	678	8,734	10,245
part 660, part 661 and part 669	8. Income from dividends and share in profit	679	257,234	276,715
	9. Control summary (from 672 to 679)	680	364,188	396,001

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 government subsidies for the construction and purchase of fixed assets and intangible assets	683	-	-
4. Government grants for premiums, recourses and covering of current operating costs	684	-	-
5. Other government grants	685	-	-
6. Forien donations and other non-returnable funds in cash or nature from foreign legal and physical entities	686	-	-
7. Personal earnings of the enterpreneur from net profit (filled in by enterpreneurs only)	687	-	-
8. Control summary (from 681 to 687)	688	-	-

X ACCRUED ADVERSE NET EFFECTS OF CONTRACTUAL CURRENCY CLAUSE AND GAINS AND LOSSES ARISING ON THE TRANSLATION OF FOREIGN CURRENCY

Amounts in 000 RSD

DESCRIPTION	EDP codo	Current year	Previous year
1	2	3	4
1. Opening balance of the accrued net effect of the contractual currency clause	689	-	-
2. Accrued net effect of the contractual currency clause	690	-	-
3. Proportional part of the cancelled accrued net effect	691	-	-
4. Remaining amount of the accrued net effect of the contractual currency clause (no. 1 + no. 2 - no.3)	692	-	-
5. Opening balance of the accrued net effect of gains/losses arising on the translation of foreign currency	693	-	-
6. Accrued net effect of gains/losses arising on the translation of foreign currency	694	-	-
7. Proportional part of the cancelled accrued net effect of gains/losses	695	-	-
8. Remaining amount of the accrued net effect of gains/losses (no. 5 + no.6. - no.7)	696	-	-

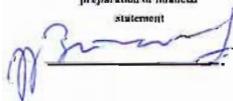
XI ACCRUED POSITIVE NET EFFECTS OF CONTRACTUAL CURRENCY CLAUSE AND GAINS AND LOSSES ARISING ON THE TRANSLATION OF FOREIGN CURRENCY

Amounts in 000 RSD

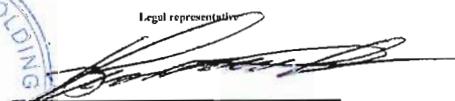
DESCRIPTION	EDP codo	Current year	Previous year
1	2	3	4
1. Opening balance of the accrued net effect of the contractual currency clause	697	-	-
2. Accrued net effect of the contractual currency clause	698	-	-
3. Proportional part of the cancelled accrued net effect	699	-	-
4. Remaining amount of the accrued net effect of the contractual currency clause (no. 1 + no. 2 - no.3)	700	-	-
5. Opening balance of the accrued net effect of gains/losses	701	-	-
6. Accrued net effect of gains/losses arising on the translation of foreign currency	702	-	-
7. Proportional part of the cancelled accrued net effect of gains/losses	703	-	-
8. Remaining amount of the accrued net effect of gains/losses (no. 5 + no.6. - no.7)	704	-	-

In Belgrade,

date 20.02.2013.

Person responsible for
preparation of financial
statement



Legal representative



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR 2012**

Belgrade, 2013

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1. COMPANY BACKGROUND

Energoprojekt Holding plc., Beograd (hereinafter: the Company) is an open joint stock company for holding operations with a mixed ownership structure.

The Company harmonized its operations with the Companies Law (RS Official Gazette No. 36/2011 and 99/2012) based on the Resolution of Compliance with the Companies Law and the Articles of Association adopted by the General Meeting on 16/03/2012 and the Articles of Association adopted by the General Meeting on 12.01.2012.

During the process of harmonization with the Companies Law, Energoprojekt Holding plc's data has been changed and registered with the Serbian Business Registers Agency by registering the Memorandum of Association and the Articles of Association based on the Decision of the Serbian Business Registers Agency BD 49189/2012 of 18.04.2012, including registration of new bodies of the Company, members of the Executive Board and the chairman and members of the Supervisory Board.

By adopting and registering the Decision on the harmonization of the Memorandum and Articles of Association of Energoprojekt Holding plc. adopted in compliance with provisions of the new Companies Law, the Decision on the harmonization with the Companies Law and Articles of Association from 2006 will cease to apply.

The Company originally registered with the Commercial Court of Belgrade in registry inserts number 1-2511-00, and later re-registered with the Serbian Business Registers Agency with Decision BD 8020/2005 of 20/05/2005.

Based on the Decision No. VIII Fi 8390/99 issued 30/06/2000 by the Commercial Court of Belgrade, the Company harmonized its operations with the Companies Law (FRY Official Gazette No. 29/96), the Law on Business Classification (FRY Official Gazette No. 31/96) in respect of the company name, registered business, equity and management, and changed its name from “Energoprojekt Holding share based company in mixed ownership for incorporating, financing and managing other companies”, at the time registered by Decision No. FI 5843/91 of 13/06/1991 of the same court, to “Energoprojekt Holding joint stock company for holding operations”.

The legal predecessor of Energoprojekt Holding share based company in mixed ownership is Energoprojekt Holding Corporation, registered with the District Court of Belgrade by Decision No. Fi 423 of 12/01/1990, a company that was organized under the previous Companies Law (SFRY Official Gazette No. 77/88, 40/89, 46/90 and 60/91) through adoption of the Self-Management Agreement for Organizational

Changes in the Composite Organization of Associated Labour “Energoprojekt“ and the associated workers’ organizations, as it was styled at the time, at a referendum held 08/12/1989.

Basic data on the Company

<i>Head office</i>	Belgrade, Bulevar Mihaila Pupina 12
<i>Registration number</i>	07023014
<i>Registered business code and name of the activity</i>	6420 (74150 and 110620) - holding company
<i>Tax registration number</i>	100001513

According to the registration in the Serbian Business Registers Agency, **Company's main activity** is the activity of holding companies (6420).

The Company is the parent company that forms with its ten subsidiaries and one affiliated company a **group of companies referred to as The Energoprojekt Group:**

- Energoprojekt Visokogradnja plc,
- Energoprojekt Niskogradnja plc,
- Energoprojekt Oprema plc,
- Energoprojekt Hidroinženjering plc,
- Energoprojekt Urbanizam i arhitektura plc,
- Energoprojekt Energodata plc,
- Energoprojekt Industrija plc,
- Energoprojekt Entel plc,
- Energoprojekt Garant a.d.o,
- Energoprojekt Promet ltd. and
- Enjub ltd.

The following table contains data on the ownership share in these subsidiaries and affiliated companies.

<i>Equity investments in subsidiaries</i>	
<i>Subsidiary</i>	<i>% ownership</i>
Energoprojekt Visokogradnja plc.	92,39
Energoprojekt Niskogradnja plc.	93,32
Energoprojekt Oprema plc.	67,87
Energoprojekt Hidroinženjering plc.	94,84
Energoprojekt Urbanizam i arhitektura plc.	94,40
Energoprojekt Energodata plc.	96,43
Energoprojekt Industrija plc.	62,77
Energoprojekt Entel plc.	86,26
Energoprojekt Garant plc.	92,94
Energoprojekt Promet ltd.	100,00

Ownership share of the Company in the affiliated company is indicated in the following table.

<i>Equity investments in affiliated companies</i>	
<i>Affiliated company</i>	<i>% ownership</i>
Enjub ltd.	50,00

The Company is, according to criteria defined by the Law on accounting and auditing, classified as a **middle-sized legal entity**.

The **average number of employees** in the Company, based on the balance at the end of each month, is as follows:

- 2012: 70 employees and
- 2011: 74 employees.

The company's shares are Prime-listed on the Belgrade Stock Exchange.

Annual financial statements that are the subject of these Notes are **separate financial statements** of the Company, approved by the Supervisory Board of the Company on 25.02.2013.

Approved financial statements may subsequently be modified pursuant to the legislation in force.

2. MANAGEMENT STRUCTURE

The key management of the Company in 2012 included the following persons:

- Vladimir Milovanović - General Manager;
- Dr Dimitraki Zipovski - Executive Manager for finances, accounting and plan;
- Zoran Radosavljević - Executive Manager for corporate projects, development and quality;
- Mr Zoran Jovanović - Executive Manager for legal affairs and
- Dragan Tadić - Executive Manager for „Real Estate“ projects.

3. OWNERSHIP STRUCTURE

According to records of the Central Securities Depository, the ownership structure of Energoprojekt Holding plc. shares on 31.12.2012 is presented in the Notes 10.11.

4. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

In the Republic of Serbia, the **Law on Accounting and Auditing** (RS Official Gazette 46/2006,111/09 and 99/2011) is the main legal document that deals with various issues related to accounting activities.

Financial statements of the Company were prepared and presented according to the provision of the Law on Accounting and Auditing that determines that legal entities shall maintain business books, recognize and value assets, liabilities, revenues and expenses; prepare, present, deliver and publish financial statements, according to:

- Legislation,
- Professional regulations and
- Internal regulations.

Legislation means laws and subordinate legislation adopted for the implementation of the law.

In the preparation of financial statements of the Company, the following laws and subordinate legislation were considered:

- The Law on Accounting and Auditing (RS Official Gazette No. 46/2006, 111/2009 and 99/2011);
- Legal Entities Income Tax Law (RS Official Gazette No. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011 and 119/2012);
- The VAT Law (RS Official Gazette No. 84/2004, 86/2004, 61/2005, 61/2007 and 93/2012);
- Regulation of the Form and Contents of Financial Statements submitted by companies, cooperatives, other legal entities and entrepreneurs (RS Official Gazette No. 114/2006, 5/2007, 119/2008, 2/2010, 101/12 and 118/12);
- Regulation on the Chart of Accounts and Contents of Accounts in the Chart of Accounts for companies, cooperatives, other legal entities and entrepreneurs (RS Official Gazette No. 114/2006, 119/2008, 9/2009, 4/2010, 3/2011 and 101/2012);
- Regulation on supplements and amendments to the Regulation on the Chart of Accounts for companies, cooperatives, other legal entities and entrepreneurs (RS Official Gazette No. 114/2006, 119/2008, 9/2009, 4/2010 i 3/2011 and 101/2012);
- Regulation on the Content of the Income Statement and other Income Tax related issues (legal entities) (RS Official Gazette No. 99/2010, 8/2011, 13/2012 and 8/2013);
- Regulation on the Content of the Tax Return for the Calculation of Income Tax for Legal Entities (RS Official Gazette No. 99/2010 i 8/2013);
- Regulation on the Classification of Fixed Assets into Groups and Determination of depreciation for tax purposes (RS Official Gazette No. 116/2004 and 99/2010).

Professional regulations refer first of all to:

- The Framework for the preparation and presentation of financial statements (hereinafter referred to as: the Framework),
- International Accounting Standards (hereinafter referred to as: the IAS),
- International Financial Reporting Standards (hereinafter referred to as: the IFRS) and
- Interpretations adopted by the Committee for the interpretation of international financial reporting.

Please note that, in specific cases, not all respective IAS/IFRS provisions and Interpretations were considered in the preparation of financial statements. This is due to partial non-compliance between the legislation and professional regulations. Therefore, since the legislation is primary in this context, some aspects of financial statements are not in compliance with professional regulations.

Accounting regulations of the Republic of Serbia and presented financial statements of the Company do not comply with IFRS with regard to the following:

- In the Republic of Serbia, financial statements are prepared in the form prescribed by the Regulation of the Form and Contents of Financial Statements submitted by companies, cooperatives, other legal entities and entrepreneurs (RS Official Gazette No. 114/2006, 5/2007, 119/2008, 2/2010, 101/12 and 118/12), which is not in compliance with the presentation and titles of specific financial statements for general purpose and the presentation of certain figures in the statement as prescribed by the revised IAS 1 – „Presentation of financial statements“ and
- Off-balance sheet assets and liabilities are presented on the balance sheet, yet these items, according to professional regulations, do not represent either assets nor liabilities of the Company

Besides the above mentioned, variations are possible also due to the time difference between the publishing date of Standards and Interpretations that are subject to continuous changes and the implementation date of these Standards and Interpretations in the Republic of Serbia. For example, deviations from the professional regulation occur when published Standards and Interpretations that entered into force, have not been officially translated and adopted in the Republic of Serbia or if published Standards and Interpretations have not yet entered into force or in other cases where the Company has no scope of influence.

The Regulation on Accounting and Accounting policies of the Company, adopted on 22.10.2012 by the Executive Board and the Regulation on the amendment of the Regulation on Accounting and Accounting policies of the Company No. 10 of 21.01.2013 were used in the preparation of financial statements as a legal document that represents **internal regulations of the Company**. Other internal documents were also used, such as, for example, the Collective agreement.

Financial statements of the Company for 2012 are disclosed in the form and content as prescribed by the Regulation of the Form and Contents of Financial Statements submitted by companies, cooperatives, other legal entities and entrepreneurs. This Regulation prescribes, among other things, the content of items in the forms: Balance sheet, Profit and Loss account, Cash flow statement, Report on changes in equity capital, Note to the financial statements and Statistical annex, for companies, cooperatives, other legal entities and entrepreneurs that have double entry accounting.

The Regulation prescribes also that data in the Balance sheet, Profit and Loss account, Cash flow statement, Report on changes in equity capital, and Statistical Annex are

entered in thousand of dinars and that the number of employees is expressed as a whole number, as applied in these Notes.

5. ACCOUNTING PRINCIPLES

The following principles were applied in the preparation of financial statements:

- The Going concern principle
- The Consistency principle,
- The Prudence principle,
- The Substance over form principle,
- The Accrual principle
- The Item by item assessment principle.

Considering the **Going concern principle**, financial statements are prepared under the assumption that the proprietary position, financial position and business results of the Company as well as the economic policy of the country and of the environment, enable the Company to operate for an unlimited period.

The Consistency principle means that assets and changes in assets, liabilities, capital, income, expenses and business results are valued in the same manner over a longer period. If, for example changes are implemented, due to compliance with the legislation and professional regulations, reasoning for the change must be provided and the effects are disclosed according to the professional regulations concerning the change in valuation methods.

The Prudence principle means applying a certain level of caution when preparing financial statements of the Company so that the property and revenues are not overstated and obligations and expenses are not understated. The Prudence principle should not imply conscious, unrealistic decrease in revenues and capital of the Company or conscious, unrealistic increase of expenses and liabilities of the Company. Namely, the framework for the preparation and presentation of financial statements clearly states that the Prudence principle should not result in the forming of substantial hidden reserves, deliberate reduction of property of revenues, or deliberate exaggeration of liabilities or expenses causing the financial statements to become impartial and therefore unreliable.

The **Substance over form principle** means that, when recording the company's transactions, and consequently in preparing the financial reports, the accounting treatment should be based on the substance of the transactions and their economic reality and not just their legal form.

Considering the **Accrual principle**, recognition of effects of transactions and other events in the Company is not related to the point in time when cash or cash equivalents are received or paid based on these transactions or event, yet to the point in time when they occurred. This approach provides that the users of financial reports are informed not only about past transactions of the Company that resulted in payments or reception of cash, but also about liabilities of the Company to pay cash in the future and resources that represent cash to be received by the Company in the future.

In other words, the **Accrual principle provides** information on past transactions and other events in the manner most useful to users for reaching economy-related decisions.

The **Item by item assessment principle** means that possible group valuations of various balance items (for example, property or liabilities) for the purpose of rationalization, derive from separate valuation of items.

6. CORRECTION OF ERRORS FROM PRIOR PERIODS, MATERIAL ERRORS AND CORRECTION OF THE OPENING BALANCE

Errors from prior periods represent omitted or false data presented in financial statements of the Company for one or several periods as a result of misuse or lack of use of reliable information, which were available when the financial statements for respective periods were approved for issue and which were expected to be obtained and taken into consideration upon preparation and presentation of the respective financial statements.

A materially significant error, discovered in the current period that refers to a previous period is an error that has significant influence on financial statements for one or several prior periods and due to which these financial statements cannot be considered anymore as reliable.

Materially significant errors are corrected retroactively in the first series of financial statements approved for publishing after these errors have been discovered, by correcting comparative data for presented prior period(s) when errors occurred or if the error occurred prior to the earliest presented prior period, opening balances for assets, liabilities and capital for the earliest presented prior period will be corrected. Page 18

If it is practically impossible to establish the effect of an error from a certain period by comparing information for one or several presented prior periods, the Company will

correct opening balances for assets, liabilities and capital for the earliest period that can be corrected retroactively (may be also the current period).

Subsequently *confirmed errors that are not materially significant* are corrected against expenses or in favor of revenues for the period in which they were identified.

The materiality of an error is valued pursuant to provisions of the Framework for the preparation and presentation of financial reports that state that materiality may imply that omission or false accounting entries may affect economic decisions of users adopted based on financial statements. Materially significant errors are valued pursuant to relevant provisions from the Framework for the preparation and presentation of financial statements. Materiality is defined in the Company with respect to the significance of the error considering total revenues. A materially significant error is an error that for itself or together with other errors **exceeds 1,5% of the total income in the previous year**.

7. OVERVIEW OF PRINCIPAL ACCOUNTING POLICIES

Principal accounting policies that are applied in the preparation of these financial statements are presented herein. These policies are consistently applied to all included years, unless otherwise stated.

Important accounting policies applied to financial statements that are subject of these Notes and presented in the following text, are based, first of all, on the Regulation on accounting and accounting policies of the Company. If certain accounting aspects are not clearly defined in the Regulation, applied accounting policies are based on the legislation, professional and internal regulations in force.

In accordance with IAS 21, the RSD represents **functional and reporting currency** in financial statements of the Company. Besides data for the current year, financial statements of the Company contain data from financial statements from 2011 as **comparative data**.

In the preparation of financial statements, relevant provisions IAS 10 were considered. They refer to events that occur between the balance sheet date and the date financial statements were authorized for issue. More precisely, **for effects of the event that provide evidence on circumstances at the balance sheet date**, already recognized amounts in financial statements of the Company were corrected in order to mirror corrected events after the balance sheet date; and **for effects of the event that provide evidence on circumstances after the balance sheet date**, no adjustments of recognized

amounts were applied. If there were any, these Notes will disclose the nature of events and the valuation of their financial effects.

7.1. Valuation

The Company has to use the best possible valuations and reasonable assumptions in the preparation and presentation of financial statements according to professional regulations and legislation in force in the Republic of Serbia. Though, actual future results may vary, valuations and assumptions are based on information available at the balance sheet date.

The most important valuations refer to the impairment of financial and non-financial assets and definition of assumptions, necessary for actuarial calculation of long-term compensations to employees based on the retirement bonus.

The business policy of the Company is to disclose information on the **fair value** of assets and liabilities, if the fair value varies significantly from the accounting value. In the Republic of Serbia, a reliable valuation of the fair value of assets and liabilities presents a common problem due to an insufficiently developed financial market, lack of stability and liquidity in sales and purchases of, for example, financial assets and liabilities, and sometimes unavailability of market information. The society does not neglect these problems and the management performs continuous valuations, considering the risks. If it is established that the recoverable (fair or value in use) value of assets in business books of the Company was overstated, the adjustment of value is applied.

7.2. Effects of foreign exchange rates

Transactions in foreign currency, upon initial recognition, are registered in dinar counter value by applying the official middle exchange rate on the translation date.

According to provisions of IAS 21 – Changes in foreign exchange rates, monetary items in foreign currency (assets, receivables and liabilities in foreign currency) are recalculated at each balance sheet date by applying the valid exchange rate or the official middle exchange rate at the balance sheet date.

Gain/losses arising on the translation of foreign currency (apart from those related to monetary items as part of net investments of the Company in foreign business, included

pursuant to IAS 21) are recognized as revenues or expenses of the Company for the period in which they occurred.

Official middle exchange rates of the National Bank of Serbia, at the balance sheet date, for foreign currencies used for the recalculation of monetary items in dinar counter value, are presented in the following table.

Official NBS middle exchange rates

<i>Currency</i>	<i>31.12.2012</i>	<i>31.12.2011</i>
	<i>Amount in dinar</i>	
1 EUR	113,7183	104,6409
1 USD	86,1763	80,8662

7.3. Revenues

Revenues comprise income from economic benefits in the respective period that lead to the increase in capital, other than the increase that relate to investments from existing equity holders, and are measured according to the fair value of received or claimed benefits.

Revenues include: operating revenues, financial revenues and other revenues (including also revenues from the property value adjustment).

The most important **Operating revenues** are sales revenues for the sale of goods, products and services and other revenues, such as: income from own products/merchandise, increase of inventories and work in progress for unfinished and finished products and unfinished services (if, in the course of the year, there were reductions of inventories, the reduction amount is deducted from the total operating revenues) and other operating revenues.

Revenues from services pursuant to IAS 18 – Revenue, *revenues from a specific transaction are recognized by reference to the stage of completion of the transaction at the balance sheet date.* The transaction result may be reliably valuated: if the revenue amount may be reliably measured, if the level of completion of the transaction at the balance sheet date may be reliably measured and if transaction-related expenses and transaction completion expenses may be reliably measured.

Financial revenues include financial revenues from subsidiaries and other related parties, gains arising on the translation of foreign currency, income from interest and other forms of financial revenues.

Other revenues include, besides income, *profit* that may or may not arise from usual activities of the Company. Profit includes, for example, revenue from PPE sales; at a greater value as the accounting value at the moment of sale.

7.4. Expenses

Expenses are the outflow of economic benefits in the respective period that result in the decrease of the capital of the Company, excluding the reduction that refers to the allocation of profit to owners or reduction that resulted from partial withdrawal of capital from operations by the owner. Expenses include outflow of assets, impairment of assets or increase of liabilities.

Expenses include operating expenses, financial expenses and other expenses (including impairment-related expenses).

Operating expenses include: purchase price, material used, gross salaries, producing costs, non-material costs, depreciation and provisions, etc.

Financial expenses include financial expenses arising from relation with subsidiaries, gains arising on the translation of foreign currency, interest-related expenses and other financial expenses.

Other expenses include losses that may or may not arise from usual activities of the Company. Losses (for example, shortages or losses that result from the sale of assets at a less value than the accounting value) represent a decrease of economic benefits and, as such, do not vary from other expenses.

7.5. Interest and other borrowing costs

The borrowing costs include interests and other costs that arose in the company related to the borrowing of funds in accordance with IAS/IFRS.

Based on relevant provisions IAS 23 – Borrowing costs, borrowings are recognized as expenses at the moment of occurrence, unless they are directly attributed to the

acquisition, construction or production of a certain asset (asset that needs significant time to be brought to working condition for its intended use or sale), in which case the interest and other borrowing costs are capitalized as a part of the purchase price (cost price) of that asset.

7.6. Income tax

The income tax is registered as a summary of:

- The current tax and
- The deferred tax.

The current tax is the amount of obligation for the payable (recoverable) income tax that refers to the taxable income (tax loss) for the respective period. In other words, the current tax is payable income tax defined in the tax return pursuant to tax regulations.

The deferred tax includes:

- Deferred tax assets or
- Deferred tax liabilities.

Deferred tax is recorded in books pursuant to respective provisions IAS 12 – Income taxes that specify that deferred tax assets and liabilities should not be discounted.

Deferred tax assets include income tax, recoverable in future periods in respect of:

- deductible temporary differences,
- unused tax losses transferred to the following period and
- unused tax credit transferred to the following period.

For assets subject to depreciation, deferred tax assets are recognized for all **deductible temporary differences** between the accounting value of assets that are subject to depreciation and their tax base (values allocated to these assets for tax purposes). Deductible temporary differences exist if the accounting value of assets is less than their tax base. In that case, deferred tax assets are recognized, if it is estimated that there will be a taxable income in future periods for which the Company may use deferred tax assets.

A deferred tax asset based on **unused tax losses** is recognized only if the management assesses that the Company will generate taxable income in future periods that may be reduced based on unused tax losses.

A deferred tax asset based on **unused tax credit** for investments in fixed assets is recognized only up to the amount for which a taxable income in the tax balance will be realized in future periods or calculated income tax for reducing which the unused tax credit may be used.

Deferred tax assets may be recognized on other grounds for which the Company assesses income tax will be recoverable in future (for example, for provisions for non-due retirement bonus, specified pursuant to provisions IAS 19).

Deferred tax liabilities include income taxes payable in future periods against deductible temporary differences.

With respect to assets that are subject to depreciation, deferred tax liabilities are recognized always if there is a deductible temporary difference between the accounting value of assets that are subject to depreciation and their tax base. Deductible temporary difference occurs if the accounting value is greater than its tax base.

A deductible temporary difference is stated at the balance sheet date by applying the prescribed tax rate of the income tax to the amount of the deductible temporary difference.

Deferred tax liabilities may be recognized on other grounds for which the Company assesses income tax will be recoverable in future against taxable temporary differences.

7.7. Intangible investments

Intangible investments (assets) are assets without physical substance that may be identified, such as: licenses, concession, copyrights, investment in other properties, trademarks, etc. The property fulfils criteria to be identified if: it is detachable or it can be detached from the Company and sold, transferred, licensed, rented or traded, separately or with a related contract, property or liability; or that derives from contractual and other legal rights, regardless if these rights are transferable or separable from the Company or other rights or obligations.

To recognize an intangible investment, it is necessary to comply with IAS 38 – Intangible assets:

- that it is likely that future economic benefits, attributable to assets, will flow to the Company;

- that the Company has control over the asset and
- that the purchase price (cost price) may be reliably measured.

Accounting recognition of internally generated intangibles is dependent upon an assessment of whether they are created:

- in the research phase, or
- in the development phase.

Intangible assets from *research or research phase of an internal project*, will not be recognized as intangible investment. Expenditure-related to research or the research phase for internal project are recognized as expenses in the period of occurrence.

The cost price of an internally generated intangible asset that derives from research activities (or the research phase of an internal project) includes all directly attributable expenses necessary to create, produce and prepare the asset for the use as intended by the Company.

An investment property should be measured initially at its cost.

Intangible investment is measured subsequently, after initial recognition, at its cost, reduced by accumulated depreciation and losses from the decrease in value (pursuant to provisions IAS 36 – Impairment of assets).

Depreciation of intangible assets is conditioned by the valuation if the useful life is:

- unlimited or
- limited.

Intangible assets are not subject to depreciation, if it is estimated that the useful life is unlimited or if, after analysis of all relevant factors, the ending of the period during which the intangible asset is expected to generate net cash flows for the Company cannot be predicted.

7.8. Property, plants and equipment

Property, plant and equipment are tangible assets: used in the production, supply of goods and services, for rental to others or for administrative purpose; expected to be used for more than one period.

The general principle for the recognition of property, plants and equipment is not applied only if assets of lesser value, that are registered as inventory items, have to be recognized (for example, spare parts and servicing equipment). The total value of an asset is transferred to current expenses when the item is first put in service.

Property, plant and equipment are tangible assets: if it is probable that future economic benefits associated with the item will flow to the entity; and if the purchase price (cost price) of the item can be reliably measured.

Property, plant and equipment should be measured initially at the purchase price (cost price) that includes: the purchase price and all related transaction costs, meaning all directly attributable costs of bringing the asset to working condition for its intended use.

Property, plants and equipment are measured subsequently at its cost reduced by accumulated depreciation and losses from the decrease in value (pursuant to IAS 36).

7.9. Finance lease

A lease is an agreement in which the lessor transfers the right to use the lease object to the lessee for a predefined time period in exchange for a single payment or series of payments.

In case of a **financial lease**, pursuant to IAS 17 – Leases, the lessee performs **initial measurement** of the lease by recognizing it as an asset and liability in the balance sheet, according to amounts that equal to the fair value of the asset-lease object at the begin of the lease duration or according to the present value of minimum payments for the lease, if it is lesser. Fair value is the amount for which a leasing object can be exchanged between knowledgeable, willing parties in an arm's length transaction.

In the calculation of the present value of minimum payments for the lease, the discount rate is generally defined based on the interest rate included in the lease. If the interest rate cannot be determined, the incremental interest rate on the debt amount is used as the discount rate or the expected interest rate the Company would pay in case of borrowed assets under similar conditions and similar guarantees for the purchase of the asset as the lease object. All initial direct expenses of the lessee are added to the amount that was recognized as the asset.

In case of **subsequent measurement**, the minimum lease payments should be divided between financial expenses and the reduction of outstanding obligations. The financial expenditure is allocated to period during the leasing term and a constant periodic interest rate is applied to the outstanding balance.

7.10. Depreciation of intangible assets, property, plants and equipment

The asset value (non-material assets, property, plants and equipment) is allocated by **depreciation** to period during its useful life.

The lifetime of an asset is determined by applying the time method, so that the lifetime of the asset may be understood as a time period when the asset is at Company's disposal for use.

The amount to be depreciated or the purchase price or another amount that replaces the value in financial statements of the Company, reduced by the residual value (remaining value) is systematically allocated during the lifetime of the asset.

The residual value is the evaluated amount that the Company would have received today, if it had disposed an asset, after the reduction of the estimated disposal costs and under the assumption that the asset is at the end of its lifetime and in a condition as expected at the end of a lifetime.

The depreciation of the asset acquired in a financial lease agreement is calculated in the same way as for other assets, unless if it is unknown when the Company will become the owner of the asset in case that the asset is depreciated in total prior to the end of the lease agreement and its lifetime.

The depreciation is performed by the **linear write-off** (proportional method), the **calculation of depreciation starts** when the asset becomes available for use or when it is at the location and ready-for-use as foreseen by the Company.

The depreciation is not calculated for assets that do not lose value over time (such as artwork) or assets with unlimited life expectancy.

Assets depreciation calculation is performed for tax balance purposes according to the relevant regulations.

7.11. Decrease in the value of intangible assets, property, plants and equipment

At each balance sheet date, competent persons, from the Company or external, check if there are indications that the accounting value of an asset (intangible asset, property, plant and equipment) is decreased or if the accounting value exceeds the recoverable amount for this asset.

If there are indications that there is a decrease in value, valuation of recoverable amount is performed pursuant to IAS 36.

Recoverable amount is a greater value than:

- The fair value, reduced by the cost of sales and
- The use value.

The fair value reduced by the cost of sale is the expected net selling price of that asset or the amount that may be achieved in the sale of an asset as an independent transaction between knowledgeable, willing parties, minus disposal costs.

The use value is the present value of estimated future cash flows expected to occur from the continuous use of the property during its lifetime and sale at the end of that period. The discount rate used to determine the present value reflects current market estimations of the time value of money as well as the risks, characteristic for that asset.

The recoverable amount is estimated for each asset separately or, if possible, for the unit that generates cash related to that asset. The unit that generates cash is the smallest recognizable group of assets that generates cash flows, mostly independent from the cash flow related to other assets of groups of assets.

If it has been established that the value is decreased, the accounting value is reduced to the recoverable amount. The loss due to the decrease is indicated as follows:

- If the revaluation reserves were previously created for that asset, the loss is indicated by decreasing revaluation reserves, and
- If the revaluation reserves were not previously created for that asset, the loss is indicated as expenses for the respective period.

7.12. Investment property

Investment property is a property held by the owner or the lessee in the financial lease in order to receive income from rentals or increase in capital value, or both, and not:

- To use it in the production, acquisition of goods and services or for administration purposes; or
- Sale within the scope of usual business activities.

The investment property is recognized, pursuant to IAS 40 – Investment property, as an asset: if there is a chance that the Company may have economic benefit in the future from that investment property; and if its purchase price (cost price) may be reliably measured.

An **investment property should be measured initially** at its cost. Related expenses are included in the price.

Subsequent expenditure related to already recognized investment property is attributed to the expressed amount of the investment property if it can be recognized as a fixed asset or if the duration of the expenditure is longer than one calculation period, if it is likely that future economic benefits related to that expenditure will flow to the Company and if the purchase price (cost price) of that expenditure can be reliably measured.

After initial recognition, the **subsequent measurement of the investment property** is performed according to the fair value, meaning its market value or most probable value that can be achieved on the market at the balance sheet date.

The change in the fair value of an investment property in a specific period is included in the result of the period when the increase/decrease has occurred.

Investment properties are not subject to the calculation of depreciation nor to the valuation of the decrease in value of the property.

7.13. Inventories

Inventories are assets: kept for sale in the usual line of activities, assets in production, but intended for sale; or primary and secondary materials used in the production or provision of services.

Inventories include: primary and secondary materials (including spare parts, tools and stock) used in the production, unfinished products that are being produced, finished products manufactured by the Company and goods.

Inventories are (pursuant to IAS 2 - Inventories) **measured** at lower value:

- The purchase price (cost price) and
- Net realizable value.

The purchase price (cost price) includes all:

- Purchase expenses,
- Conversion expenses and
- Other costs incurred in bringing the inventories to their present location and condition.

Purchase costs as basis for the valuation of inventories of goods, include the cost price, import duties and other fiscal expenditure (apart from those that can be recovered from tax authorities, such as, added value tax that can be deducted as previous tax), transportation costs, manipulation costs and other costs that are directly attributable to the purchase costs. Discounts, rebates and other similar items are deducted upon definition of the purchase costs.

The *valuation of material inventories spent* is performed by applying the **weighted average cost formulas**.

In the recognition of assets of lower value (for example small inventory items), upon its use, the entire value (100% write-off) is transferred to expenses of the respective period.

Conversion costs and other costs incurred in bringing the inventories to their present location and condition are important in the valuation of inventories of unfinished products and finished products. These costs include: direct labor costs, direct material costs and indirect costs, or general production costs.

Net realizable value is the valuated price of sale within regular business activities reduced by completion costs and valuated costs necessary for the realization of the sale. The valuation of the net realizable value is performed based on the most reliable evidence available at the time of valuation with regard amounts that may be achieved.

The amount of any write-off of inventories to the net realizable value and all losses of inventories are recognized as expenses for the period when the write-off or loss occurred.

7.14. Fixed assets intended for sale

The Company recognizes and expresses a fixed asset (or available group) as an **asset intended for sale**, if its accounting value may be recovered through a sale transaction and not further use. To fulfill this requirement:

- The asset may be available for immediate sale in the present condition, solely under usual conditions for the sale of such property (or disposal group); and
- The sale of the asset must be very possible.

The fixed asset that was recognized as an asset intended for sale is **measured** (expressed) at a lower value than:

- The accounting value and
- The fair value reduced by the costs of sale.

The accounting value is the present (non write off) value stated in business books of the Company.

The fair value is the amount at which the asset may be traded between informed and willing parties in an independent transaction or the market value on the date of sale.

Costs of sale are costs directly attributable to the sale of assets.

Fixed assets intended for sale are not depreciated.

Written-off assets, as well as assets with an insignificant non write off value will not be recognized as assets intended for sale.

7.15. Financial instruments

Financial instruments include financial assets and liabilities recorded in the balance sheet of the Company as of the moment when the Company becomes legally bound by the financial instrument and till the loss of control over rights that derive from that financial asset (by realization, activation, assignment, etc.), or by settlement, cancellation or activation of the financial liability.

Financial assets and liabilities pursuant to IAS 32, may have many manifestations, such as: cash, instrument of equity of another entity, contractual right to collect cash or another financial asset or trade in financial assets and liabilities with another entity, potentially favorable to the Company, contractual right to give cash or another financial

asset to another entity, or the right to trade financial assets or liabilities with another entity under potentially unfavorable conditions to the Company, etc.

Disclosure of financial instrument and related accounting records is stipulated by the classification performed by the Company according to the features of financial instruments.

The management of the Company may classify each financial instrument in one of four possible types of financial instruments as specified in IAS 39:

- Financial asset or liability at fair value through the profit and loss account,
- held-to-maturity investments,
- Loans and receivables and
- available-for-sale financial assets.

A Financial asset or liability at fair value through the profit and loss account includes financial assets and liabilities whose changes in fair value are recorded as revenues or expenses in the balance sheet.

A Financial asset or liability classified in this category has to fulfill any of the following conditions:

- classified as held for trading or
- after initial recognition, it will be classified and stated as a financial asset (obligation) through the profit and loss account

A financial asset of liability is classified as held for trading, if: it was acquired or created for sale or repurchase in the nearest future, a part of portfolio of identified financial instruments managed jointly and for which there is proof of recent short-term revenue model or derivate (apart from derivatives as a hedging instrument).

The Company may indicate that a financial instrument is disclosed through the profit and loss account only if relevant information is obtained, since the inconsistency of measurement or recognition that would occur in the measurement of assets or liabilities or recognition of gains or losses is eliminated or considerably prevented; or a group of financial assets, liabilities or both is managed and performances valued based on the fair value in accordance with the risk management strategy or investment management strategy and the information on the group is internally collected accordingly and presented to the key management of the Company.

Held-to-maturity investments are non-derivative financial assets with fixed or identifiable payments and fixed maturity that the Company intends and may hold to maturity, excluding those marked by the Company at fair value through the profit and loss account after initial recognition or those marked as available-for-sale and those defined as loans and receivables.

Loans and receivables are non-derivative financial assets of the Company with fixed or identifiable payments that do not have a quoted market price, unless:

- if the Company intends to sell them immediately or in short-term and that would be classified, in such case, as assets held for trading,
- assets marked at fair value through the profit and loss account after initial recognition and
- assets classified as available-for-sale because the total initial investment cannot be recovered

Available-for-sale financial assets are non-derivative financial assets marked as available-for-sale and not classified in any previously defined type of financial instruments.

Upon **initial measurement** of a financial instrument the Company performs the measurement at fair value increased by transaction costs that may be directly attributed to the acquisition or issuance of financial assets or liabilities, if the financial instrument was not marked for measurement at fair value with changes of fair value through the profit and loss account.

Subsequent measurement of financial instruments is performed at fair values, without deducting transaction costs that may arise from the sale or disposal of the instrument, the following financial assets excluded:

- loans and receivables, measured at amortized cost using the effective interest method;
- investments held-to-maturity, measured at amortized cost using the effective interest method; and
- investments in capital instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and it is measured at cost.

The fair value of assets is the amount at which the asset can be traded for or liability settled between informed and willing parties as an independent transaction. If there is an active market for the financial instrument, the fair value is determined according to information obtained from that market; if there is no active market, the fair value is

determined using valuation techniques specified in IAS 39. Positive (adverse) effects of the change of fair value are expressed as gain (loss) in the period of change, for financial instruments at fair value through the profit and loss account. Available-for-sale financial instruments are expressed within unrealized gain/losses based on available-for-sale securities up to the sales date, when the effect are transferred to gains (losses). An exception of the above are expenses related to permanent depreciation and gains (losses) in foreign currency that are recognized immediately as gain (losses) for financial instruments classified as available-for-sale.

Amortized cost is the present value of all expected future made or received cash payments during the expected life expectancy of a financial instrument. The discount method with the effective interest rate is applied in the calculation of the amortized cost of a financial instrument. Gains/losses from changes in the depreciated value of financial instruments are recognized as of the moment when the financial instrument is no longer recognized, unless a decrease in value was performed, in that case the loss is recognized immediately.

7.16. Cash and cash equivalents

The most liquid forms of financial assets of the Company are **cash and cash equivalents**, valued at nominal or fair value. Cash and cash equivalents consist of: petty cash, deposits with banks, etc, and highly liquidity investments with short maturity period which may be transferred into cash that are not under the influence of significant risk of value changes.

7.17. Short term receivables

Short term receivables comprise receivables from related legal persons (subsidiaries and affiliates) as well as receivables from other legal and physical persons in the country and abroad in the moment of sold products, goods and performed services; expected to be realized within 12 months from the balance sheet date. *Short term trade receivables* are measured by the cost stated in the issued invoice. If the cost on the invoice is stated in the foreign currency, translation to the functional currency is done by applying the average exchange rate ruling on the date of transaction. Changes in exchange rate from the date of transaction to the collection date are stated as gains and losses from exchange posted in the favor of revenues or against expenses. Receivables stated in the foreign currency as at the balance sheet date are translated by the ruling average exchange rate and gains and losses arose are booked as revenue or expense for that period.

At the balance sheet date, the Company performs an assessment of debt collection ability for all receivables or if receivables have a decrease in value.

In the assessment of the decrease in value, the Company has endured losses due to the decrease in value if there is objective proof (for example, large financial difficulties of the debtor, unusual breach of contract by the debtor, potential bankruptcy of the debtor, etc) to support the decrease in value as a result of an event that took place after the initial recognition of assets and the respective loss affects estimated future cash flows from financial assets or group of financial assets that may be reliably valued. If there is no evidence, valuers will use their experience and sound judgment in the valuation of the collectibility of receivables.

If there is a decrease in value of short-term receivables, the following steps are taken:

- indirect write-off or
- direct write-off.

Indirect write-off from buyers, against expenses of the Company, is performed on the value adjustment account. The decision on indirect write-off (value adjustment) of receivables from buyers on the value adjustment account, upon proposal by the inventory committee is adopted by the Executive Board of the Company.

Direct write-off from buyers is applied if there is no probability of recovery and this is supported by respective documentation (for example, the Company failed to collect receivables in court). The decision on direct write-off from buyers, after consideration and proposal by the inventory committee or professional services in the course of the year, is adopted by the Executive Board of the Company.

The indirect and direct write-off of receivables is applied only based on relevant circumstances and the balance sheet. Expected losses from future events, or events after the balance sheet date, regardless how probable, are not recognizable, but disclosed in Notes to financial statements.

7.18. Financial investments

Short term investments refer to loans, securities and other short term investments with maturity date of one year from the balance sheet date.

Short-term financial investments include a part of granted long-term loans that are expected to be recovered within one year from the balance sheet date.

Long-term financial investments include investments in long-term financial assets, such as long-term loans, securities and other long-term financial investments with maturity date over one year from the balance sheet date.

The classification performed by the management of the Company according to the features of the financial investment (financial assets or liability at fair value through the profit and loss account, held-to-maturity investments, loans and receivables and available-for-sale financial assets) is relevant for subsequent measurement of long-term financial investments.

7.19. Liabilities

A liability is a result of past transactions or events and the settlement of the liability implies usually a loss of economic benefits of the Company to comply with other party's request.

In the **valuation of liabilities** pursuant to the Framework for the preparation and presentation of financial statements, the liability is stated in the balance sheet: if there is a probability that an outflow of resources with economic benefits will result in the settlement of present liabilities and the settlement amount may be reliably measured. The prudence principle is applied. This means applying caution in the valuation to prevent overstatement of the property and revenues and understatement of liabilities and expenses. The prudence principle should not result in forming of substantial hidden reserves (for example, as a result of deliberate overstatement of liabilities or expenses), the financial statements to become impartial and therefore unreliable.

Liabilities include: long-term liabilities (liabilities to subsidiaries and other related parties; long-term loans and other long-term liabilities); short-term liabilities (liabilities to subsidiaries and other related parties, short-term loans and part of long-term loans and liabilities with one-year maturity and other short-term financial liabilities), short-term liabilities from operations (suppliers and other liabilities from operations) and other short-term liabilities.

Short-term liabilities are liabilities expected to be settled within one year from the balance sheet date including the part of *long-term liabilities* and long-term liabilities are liabilities expected to be settled over a longer period.

Decrease of liability upon court order, out-of-court settlement etc. is applied by direct write-off.

7.20. Provisions, contingent liability and contingent asset

A provision, **according to IAS 37 - Provisions, contingent liability and contingent assets**, means a liability of uncertain due date or amount.

The Company recognizes provisions only if the following conditions are met:

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

The essence of provisions is to form provisions only for liabilities from past events that exist independently from future events. Therefore, provisions are not recognized for future operating losses.

For purposes of recognition of provisions, it is considered as probable that the requested settlement of Company's liabilities will cause an outflow of resources representing an economic benefit when it is more probable than not that an outflow of resources will occur, or when the probability that settlement of these obligations by the Company will cause an outflow of resources, is greater than the probability that it will not.

Long term provisions consist of: provisions for costs during the warranty period, provisions for recovery of natural resources, provisions for retained deposits and caution money, provisions for restructuring costs, provisions for fees and other employee benefits and other long term provisions (for example, for losses expected in lawsuits).

In the measurement of provisions, the amount recognized as provision is the best valuation of Company's expenditure requested to settle a present liability at the balance sheet date. In other words, it is the amount the Company has to pay at the balance sheet date to settle liabilities or to transfer liabilities to third parties.

Long term provision for expenses and risks are tracked by sorts, they are examined at each balance sheet date and corrected to reflect the best present valuation. If it is no

longer probable that an outflow of resources will be required to settle the obligation, the provision is cancelled. Their reduction/cancellation is credited as income.

When the performance of the time value of money is significant, the provision amount represents the present value of expenditure expected to settle the obligation. Discount rates are used in the calculation of the present value or pre-tax rates that reflect current market valuations of the time value and liability-related risks.

Contingent liability is: possible liability that arises from past events and may be confirmed only if one or several uncertain future events, that are not entirely in the scope of influence of the Company, occur or not; and a present liability that arises from past events, yet not recognized, because it is not probable that an outflow of resources that represents economic benefit of the Company will be required to settle the obligation or because the amount of liability cannot be reliably valued.

A contingent liability is not recognized in financial statements of the Company, but is disclosed in case that the outflow of economic benefit is possible and this possibility is not very small.

A contingent liability is permanently revalued (at least at the balance sheet date). If the outflow of economic benefits based on contingent liabilities becomes possible, provisions and expenses are recognized in financial statements of the Company for the period when the change occurred (unless in rare cases when a reliable valuation is not possible).

A contingent asset is an asset that may arise from past events and its existence will be confirmed only if one or several future events, which are not entirely in the scope of influence of the Company, occur.

A contingent asset is not recognized in financial statements of the Company, but is disclosed in case that the outflow of economic benefit is possible.

Contingent assets are permanently revalued (at least at the balance sheet date) to ensure that financial statements reflect the development of the event. If it is certain that the outflow of economic benefit based on contingent assets, related asset and revenue are recognized in financial statements of the Company for the period when they occurred.

7.21. Employee benefits

The following Company's liabilities related to employee benefits shall be disclosed:

- taxes and compulsory social security contributions
- retirement bonus.

In terms of **taxes and compulsory social security contributions**, the Company shall, according to regulations applied in the Republic of Serbia, pay for contributions to various public funds for social security. These liabilities include contributions paid by employees and contributions paid by the employer in amounts calculated according to prescribed rates. The Company has legal obligation to suspend calculated contributions from gross earnings of employees and to transfer the amount on their behalf to public funds.

Contributions paid by employees and contributions paid by the employer are recorded as expenses of the Company for the respective period. The company, upon retirement of employees, keeps no obligation to pay them any benefits.

For the valuation of provisions based on contributions and other employee benefits, relevant provisions of the **IAS 19 – Employee benefits** are applied. Provisions for contributions and other employee benefits include, for example: provisions for non-due retirement benefits upon regular retirement and provisions for retirement bonus paid by the Company upon termination of employment prior to the retirement date or paid upon decision of the employee to take voluntary redundancy in exchange for those benefits.

In the valuation of liabilities upon employment termination and pursuant to respective IAS 19 provisions, the discount rate is determined according to the market yield at the balance sheet date for high yield corporate bonds.

Alternatively, also specified in IAS 19, as long as there is no developed market for corporate bonds in the Republic of Serbia, market yields for government bonds will be used for the valuation of liabilities of the Company upon employment termination (at the balance sheet date). The value date and deadline for corporate or government bonds should be in accordance with the value date and deadline for obligations related to the income after employment termination.

If the Company, for the valuation of obligations upon employment termination and due to undeveloped market for government bonds, uses the government bond yield as reference with maturity date shorter than the estimated maturity of payments based on

respective income, the discount rate is defined by valuating the reference securities yield for longer periods.

Retirement bonus is paid by the Company to employees in the amount of three times the monthly salary of the month preceding the month of payment (according to terms and conditions specified in the Separate collective agreement) or in the amount prescribed by the Labour law if this is more favorable to the employee.

8. FINANCIAL RISKS AND FINANCIAL RISK MANAGEMENT IN THE COMPANY

Uncertainty in future events is one of basic specificities of business operations under market conditions in an economic environment that is characterized by several possible or potential outcomes. Unpredictability of future events is one of basic particularities of operating in an open market environment characterized by several possible or potential outcomes.

From the Company's point of view, there is a large number of potential risks that may more or less have adverse effects on the Company's business. Certain (specific) risks are determined by internal factors, such as: concentration risk, which, in the Company's case, may be manifested as exposure to any one or a small group of buyers or suppliers; *operational risk*, that means the possibility of adverse effect due to unintentional or deliberate omissions by employees, inappropriate internal procedures and processes, inadequate information system management in the Company, etc; *reputational risk*, that means a possibility that the Company's market position deteriorates due to the loss of trust or bad reputation (public institutions, suppliers, buyers, etc) of the Company; *legal risk*, that means a possibility of adverse effects due to penalties and sanctions that derive from lawsuits due to the failure to fulfill contractual or legal obligations; etc.

Since, the majority of these and some other risks not mentioned herein, is subject of other chapters of the Notes or other internal regulations of the Company (for example, the Regulation on accounting practice and accounting policies of the Company deals with the minimization of operational risks by introducing procedures and work instructions), we will focus on **financial risks** that include, first of all, the following:

- credit risk,
- market risk and
- liquidity risk.

Financial risks are significantly affected by external factors that are not directly controlled by the Company. In that sense, financial risk is considerably affected by the

Company's environment which, apart from economic development, is likewise committed to legal, financial and other relevant aspects that define system risk level.

Generally, comparing markets of developed economies, companies that operate on markets with insufficient economic development, macroeconomic stability and high insolvency, such as the Republic of Serbia, are significantly exposed to financial risks. Insufficient development of the financial market makes it impossible to use a wide spectrum of hedging instruments, characteristic for developed markets. Companies that operate in the Republic of Serbia do not have the possibility to use many derivative instruments in financial risk management due to the fact that these instruments are not widely used nor there is an organized continuous market for financial instruments.

Financial risk management is a comprehensive and reliable management system that aims to minimize potential adverse effects to the financial condition and operations of the Company under unpredictable financial market conditions.

Considering limitations in the financial risk management that are characteristic of business on the Serbian market, it is clear that it is necessary to approach this issue in a proper manner as recognized by the Company's management. Essentially, financial risk management in the Company should ensure that the *Company's risk profile* is always in compliance with *Company's tendency towards risks* or in compliance with an acceptable structure and risk level that the Company will take in order to implement its business strategies and achieve business goals.

The following text will show:

- the financial risk profile of the Company or the valuation of the structure and the financial risk level the Company is exposed to during operations;
- measures for the management of recognizable financial risks and
- capital risk which, although not specifically considered as a financial risk type, significantly affects the risk level in each of the risk types considered.

8.1. Credit risk

A credit risk is a risk of adverse effects to the financial result and capital of the Company due to debtor's failure to fulfill obligations towards the Company within the specified deadline.

Credit risks mean not only debtor-creditor relations that derive from sales of Company's products, but also credit risks that derive from other financial instruments such as receivables based on long-term and short-term financial investments.

The company has substantial concentrations of credit risk in collection from buyers with long lending periods due to poor liquidity.

The following tables show:

- the structure of short-term receivables with no decrease in value,
- the age structure of short-term receivables with no decrease in value and,
- the structure of short-term receivables with decrease in value.

The structure of short-term receivables with no decrease in value	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Domestic buyers</i>		
Energoprojekt Visokogradnja plc.	62.298	74.557
Energoprojekt Niskogradnja plc.	33.010	186.016
Energoprojekt Hidroinženjering plc.	53.907	65.094
Energoprojekt Entel plc.	8.442	7.290
Energoprojekt Energodata plc.	25.391	50.874
Energoprojekt Industrija plc.	39.081	31.854
Energoprojekt Urbanizam i Arhitektura plc.	4.974	-
Energoprojekt Oprema plc.	8.949	6.464
Others	927	871
Total	236.979	423.020
<i>Foreign buyers</i>		
Energoprojekt Montenegro ltd.	-	3.189
Total	-	3.189
<i>Other receivables</i>		
Energoprojekt Visokogradnja plc.	8.166	63.934
Energoprojekt Niskogradnja plc.	4.348	19.183
Energoprojekt Hidroinženjering plc.	872	24.070
Energoprojekt Entel plc.	1.448	386
Energoprojekt Energodata plc.	2.243	8.453
Energoprojekt Industrija plc.	184	171
Energoprojekt Urbanizam i arhitektura plc.	1.632	-
Energoprojekt Oprema plc.	302	178
Others	16.276	17.670
Total	35.471	134.045
TOTAL	272.450	560.254

The Company has blank bills of exchange with authorizations as collaterals.

The age structure of short-term receivables with no decrease in value	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Current	74.906	109.940
0 - 30 days from the due date	15.315	22.750
30 - 60 days from the due date	10.988	21.197
60 - 90 days from the due date	7.859	20.566
over 90 days from the due date	163.382	385.801
TOTAL	272.450	560.254

Non-due receivables from buyers in the amount of 48.703 thousand dinars are mostly due within 15 days after the invoice was issued or in accordance with agreed payment conditions.

The age structure of short-term receivables with decrease in value	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Other receivables</i>		
Others	-	523
Total	-	523
TOTAL	-	523

Indirect write off, applied to receivables from the Fund for Health Insurance, was directly written off, based on the refund for paid sick leave benefits for sick leaves over 30 days in the amount of 430 thousands dinars, as well as indirect write off, applied to receivables based on the refund for paid maternity leave benefits from the Secretariat for social security of the city of Belgrade, in the amount of 93 thousand dinars, due to obsolescence and uncollectability.

8.2. Market risk

A market risk is a risk of adverse effects to the financial result and capital of the Company due to losses under specific balance sheet items as a result of negative price shifts on the market and other relevant financial parameters.

The market risk includes three risk types:

- the currency risk,
- the interest risk and
- the price risk.

The currency risk, also called foreign exchange risk or exchange rate risk, is a risk of fair value fluctuation or the fluctuation of future financial instruments cash flows due to the change in exchange rates. The currency risk arises from financial instruments in foreign currency or the currency other than the currency (functional) in which the financial instruments are measured in financial statements.

The Company operates within international frames and is exposed to exchange rate risks arising from business operations in different currencies, first of all in euros.

The sensitivity analysis, presented in the following text, indicates that variations in the exchange rate will affect significantly variations in financial results of the Company. Therefore, we may conclude that the **Company is exposed to the currency risk**.

The following table contains, based on data from the foreign currency sub balance sheet, the book value for monetary assets and liabilities.

<i>Assets in EUR</i>		<i>Liabilities in EUR</i>	
<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
16.411.827	15.607.903	4.728.759	4.388.536

Considering differences in foreign currency sub balance sheets, the following table contains the sensitivity analysis related to the nominal exchange rate growth for dinar of 10% in comparison to foreign currencies. The sensitivity rate of 10 % presents the valuation of reasonably expected changes in foreign currency exchange rates. The sensitivity analysis includes only cash assets, outstanding receivables and outstanding liabilities stated in foreign currency and their translation is adjusted at the end of the period for potential depreciation or appreciation of the functional currency against foreign currencies.

The analysis of the foreign currency sub balance sheet of the Company, indicates that the Company is most sensitive to EUR exchange rate fluctuations. The sensitivity analysis was prepared on the premise of equal fluctuation of all relevant currencies.

All variables remaining unchanged, appreciation of the national currency would negatively affect current period results through net exchange rate losses between foreign currency assets and liabilities. Therefore, all variables remaining unchanged, depreciation of the national currency would positively affect current period results through net exchange rate gains between foreign currency assets and liabilities.

Sensitivity analysis of results in case of depreciation of the national currency 10%	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
NET EFFECT ON THE RESULTS IN THE CURRENT PERIOD	132.858	117.400

The interest risk is a risk of adverse effects to the result and capital of the Company due to unfavorable changes in interest rates. The Company is exposed to this type of risk due to financial obligations related to loans with potentially fluctuating interest rates (Euribor).

The sensitivity analysis, presented in the following text, contains the adverse change in interest rates (1%) has a significant effect on results. Therefore, it can be concluded that the **Company is significantly exposed to the interest risk.**

The following tables indicate the interest-bearing structure of financial assets and liabilities of the Company with fluctuating interest rate at the balance sheet date.

Interest-bearing structure of financial assets and liabilities with fluctuating interest rate	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Interest-bearing financial assets with fluctuating interest rate</i>		
Long-terms loans granted to related parties – Urbanizam i arhitektura plc.	-	75.865
Short-terms loans granted to related parties	215.935	527.509
Long-terms housing loans granted to employees	2.084	2.087
Housing loans granted to employees with one year maturity	156	139
Total	218.175	605.600
<i>Interest-bearing financial liabilities with fluctuating interest rate</i>		
Short-term loans – Alpha Bank plc.	-	117.222
Total	-	117.222

Considering stated differences in financial assets and liabilities with fluctuating interest rates, the following table contains the sensitivity analysis with regard to the interest rate

growth of 1%. The sensitivity rate of 1% represents a valuation of potential reasonably expected changes in interest rates.

A sensitivity analysis was performed as a scenario analysis in which simultaneous and identical interest rate movements were applied to all financial assets and liabilities with fluctuating interest rates. The applied sensitivity analysis implies that the remaining balance of assets/liabilities at the balance sheet date was unchanged over the course of the year.

If other variables remain unchanged and if financial assets with fluctuating interest rate are greater than financial liabilities with fluctuating interest rate, the *interest rate growth* will have a positive effect on the current period results, due to positive effects of net interest income. Therefore, if other variables remain unchanged and if financial assets with fluctuating interest rate are less than financial liabilities with fluctuating interest rate, the *interest rate growth* would have an adverse effect on the current period results, due to adverse effects of net interest income.

The sensitivity analysis of results in case of interest rate growth of 1%	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
NET EFFECT ON THE CURRENT PERIOD RESULTS	2.182	4.884

Considering potential interest risks related to financial obligations, we will refer, hereinafter, to the *supplier risk management policy*, applied in the Company.

As indicated in the table, the interest-bearing structure of financial obligations with fluctuating interest rate, obligations to suppliers (obligations related to issued invoices and non-invoiced obligations), are not included in the group. Basic fact that supports the applied approach is that suppliers usually do not apply default interest in case that the Company is in default. The fact that the default interest is not applied lies in the need to maintain long-term good business relationships between the supplier and the potentially good buyer. Therefore, *the Company is not exposed to any potential interest risks in case of default.*

The following table contains the most important suppliers in accordance with obligations at the balance sheet date.

Structure of obligations to suppliers	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Domestic suppliers</i>		
Eneroprojekt Visokogradnja plc.	61	2.330
Energoprojekt Niskogradnja plc.	-	806
Energoprojekt Energodata plc.	543	-
Energoprojekt Oprema plc.	35.779	-
Elektrodistribucija Beograd ltd.	2.617	2.967
Public Utility Company „Beogradske elektrane“	490	388
Deloitte revizija ltd.	-	6.557
Agency for investments and housing	3.114	3.114
Others	4.745	4.027
Total	47.349	20.189
<i>Foreign suppliers</i>		
Encom GmbH, Frankfurt	10.803	-
IATA	1.900	367
Others	521	-
Total	13.224	367
TOTAL	60.573	20.556

The Company has received no collaterals.

Age structure of liabilities to suppliers	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Current	13.071	16.670
0 - 30 days from the due date	36.286	454
30 - 60 days from the due date	-	304
60 - 90 days from the due date	-	1
over 90 days from the due date	11.216	3.127
TOTAL	60.573	20.556

The price risk is a risk of fair value fluctuation or a risk that the future financial instruments' cash flows will fluctuate due to the change in market prices (not prices that result from interest or currency risk) regardless if these changes are caused by specific factors related to a specific financial instrument or its issuer or regardless if factors affect all similar financial instruments traded on the market. The Company is not exposed to this kind of risk.

8.3. Liquidity risk

Liquidity risk is a risk of having difficulties to fulfill due obligations, maintaining the necessary scope and structure of the working capital and good creditworthiness.

The following table indicates the most important liquidity indices of the Company:

- current ratio (ratio of working capital and short-term obligations) indicating the short-term liabilities coverage against working capital;
- Rigorous ratio (ratio of liquid assets that include total working capital reduced by inventories and active accruals; and short-term obligations), indicating the short-term liabilities coverage against liquid assets;
- Operating cash flow ratio (ratio of cash flow increased by cash equivalents and short-term obligations), indicating the short-term liabilities coverage against cash assets; and
- Net working capital (difference in value between the working capital and short-term obligations).

Conclusions on liquidity indicators based on the ratio analysis means, among other things, their comparison to satisfactory general standards, also indicated in the following table.

<i>Liquidity indices</i>	<i>Satisfactory general standards</i>	<i>2012</i>	<i>2011</i>
Current ratio	2 : 1	2,89:1	4,45:1
Rigorous ratio	1 : 1	2,64:1	4,45:1
Operating cash flow ratio		0,82:1	0,57:1
Net working capital (in thousands of dinars)	Positive value	770.779	1.442.707

The results of the ration analysis indicates that the Company was **liquid** during 2012, meaning that it had no difficulties to fulfill due liabilities and maintain the necessary scope and structure of the working capital and good creditworthiness.

Therefore we emphasize that:

- Considering the dynamic nature of Company's business, the finance department aims to maintain financing flexibility, which means, among other things, to keep existing lines of credit and expand them;

- The management performs continuous monitoring of Company's liquidity reserves that include available unused lines of credit, cash and cash equivalents as well as liquid potentials according to expected cash flows.

8.4. Capital risk management

The aim of capital risk management is to keep Company's ability to operate indefinitely, in order to provide to Company's owners satisfactory profit whilst maintaining adequate structure of funding sources or good creditworthiness.

Though there are several criteria based on which conclusions on the long-term existence of the Company can be made, profitable operations and satisfactory financial structure are surely some of basic criteria. Though there are several criteria to draw conclusions on the going concern assumption, profitable operations and satisfactory financial structure are surely one of basic criteria.

The best **profitability** indicator is the *average return on own capital* that indicates the average return on own assets per dinar invested. In the calculation of this profitability indicator, average own capital are defined as an arithmetic average value at the beginning and at the end of a year.

Profitability indicator	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Net profit/loss	504.856	277.625
<i>Average capital</i>		
Capital at the beginning	7.167.219	6.896.012
Capital at the end of a year	7.665.770	7.167.219
Average capital	7.416.494	7.031.616
<i>Average return rate on own capital</i>	6,81%	3,95%

Considering data from the table above, it is clear that the results of operations in 2011 and 2012, with regard to the sustainability of capital, may be estimated as satisfactory and therefore the Company is **not exposed to any capital risk**.

The soundness of the financial structure is reflected in the overall amount and type of debts.

The following tables indicate the most important Company's financial structure indicators, such as:

- ratio of borrowed funds to total assets, showing coverage per dinar of the company's assets from borrowed sources; and
- ratio of long-term funds to total assets, showing coverage per dinar of the company's assets from long-term sources.

Financial structure indicators	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Liabilities	886.544	777.430
Total funds	8.552.314	7.944.649
Ratio of borrowed funds to total assets	0,10:1	0,10:1
<i>Long-term assets</i>		
Capital	7.665.770	7.167.219
Long-term provisions and long-term liabilities	478.299	358.956
Total	8.144.069	7.526.175
Total assets	8.552.314	7.944.649
Ratio of long-term to total assets	0,95:1	0,95:1

The net debt ratio indicates the capital coverage against net debt.

Net debt means the difference between:

- total (long-term and short-term liabilities) financial liabilities of the Company (total liabilities reduced by the capital, long-term provisions and deferred tax liabilities of the Company) and
- cash and cash equivalents.

Parameters for the net debt to capital ratio	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Net debt</i>		
Financial liabilities	602.869	502.974
Cash and cash equivalents	333.972	239.998
Total	268.897	262.976
Capital	7.665.770	7.167.219
NET DEBT TO CAPITAL RATIO	1:28,51	1:27,25

9. INCOME STATEMENT

9.1. Sales revenues

The Company generates revenues by **providing services on the local market**. The income structure is indicated in the following table.

Sales revenues structure	<i>in 000 dinars</i>	
	2012	2011
<i>Revenues from sales to subsidiaries</i>		
Revenues from services rendered to subsidiaries	401.765	352.038
Revenues from services rendered to other affiliated companies	-	286
Subtotal	401.765	352.324
<i>Revenues from services sold on the local market</i>		
<i>Revenues from sold services</i>	87	96
Total	87	96
<i>Revenues from services sold on the foreign market</i>		
<i>Revenues from sold services</i>	49.247	-
Total	49.247	
TOTAL	451.099	352.420

Revenues from services rendered to other affiliated companies in 2011 was 286 thousand RSD and referred to legal services rendered to Enjub ltd. pursuant to the Protocol on representation in court matters.

Revenues in the amount of 87 thousand RSD (2011: 96 thousand RSD) are generated from the sales of flight tickets on the local market.

Revenues in the amount of 49.247 thousand RSD are generated on the foreign market from the completion of the agreement on the construction of the embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria, a turnkey project, on the cadastral lot No. 313, registered in the registry of immovable property, cadastral zone A00.

Revenues from services rendered to subsidiaries on the local market in 2012 are generated based on service agreements, approved and adopted by the Executive Board of the Company and Boards of Directors of subsidiaries, pursuant to Articles of Association of the Company and Articles of Association of subsidiaries. These revenues

amount to 401.765 thousand RSD (2011: 352.038 thousand RSD), as indicated in the following table.

Buyer	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Energoprojekt Garant plc.	1.703	1.531
Energoprojekt Visokogradnja plc.	70.176	61.676
Energoprojekt Niskogradnja plc.	87.341	76.430
Energoprojekt Hidroinženjering plc.	31.567	27.549
Energoprojekt Entel plc.	84.309	73.577
Energoprojekt Energodata plc.	8.439	7.496
Energoprojekt Industrija plc.	23.246	20.287
Energoprojekt Urbanizam i arhitektura plc.	5.596	5.210
Energoprojekt Oprema plc.	89.388	78.282
TOTAL	401.765	352.038

9.2. Income from own products/merchandise

Structure of income from own products/merchandise	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Income from own products and services	482	598
TOTAL	482	598

Income from own products and services in the amount of 482 thousand RSD (2011: 598 thousand RSD) refer to the use of corporate vehicles.

9.3. Other operating revenues

Structure of other operating revenues	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Income from rents	25.053	22.533
Other operating revenues	80	15
TOTAL	25.133	22.548

Income from rents is generated from renting facility at Batajnicki drum no. 24, Energoprojekt Visokogradnji plc, the amount of the rent - 24.060 thousand RSD (in

2011: 21.618 thousand RSD) and renting of the roof terrace and on the ground floor in the office building of Energoprojekt to Telekom Srbija plc. in the amount of 993 thousand RSD (in 2011: 915 thousand RSD). Other operating revenues in the amount of 80 thousand RSD represents the bonus prize from Aeroflota for 2012 for the turnover based on sold flight tickets (in 2011: 15 thousand RSD).

9.4. Material costs

Material costs structure	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Other material costs	6.377	9.170
Fuel and energy	17.052	11.406
TOTAL	23.429	20.576

9.5. Staff costs

Structure of staff costs	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Staff costs</i>		
Salaries and fringe benefits	148.872	128.897
Taxes and contributions on salaries	19.966	19.883
Subtotal	168.838	148.780
Temporary service contracts, copyright agreements, temporary and provisional contracts	3.508	2.479
Board of Directors and Supervisory Board	12.601	24.571
Other personal expenses remunerations	9.223	5.665
TOTAL	194.170	181.495

Within **other personal expenses**, the most important expenses of the Company include transportation to/from work in the amount of 2.070 thousand RSD and expenses related to business trips in the amount of 5.466 thousand RSD.

9.6. Depreciation expenses

Structure of depreciation costs	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Depreciation of intangible investments	303	254
Depreciation of property	90	7.476
Depreciation of plants and equipment	10.448	12.179
TOTAL	10.841	19.909

On the 31.12.2012, the assessment of the residual value and the remaining useful lifetime for assets and equipment of significant accounting value was performed.

The effect of the changes in the accounting assessment has influenced the change in the depreciation costs for 2012 and thus, the accounting value of assets as at 31.12.2012.

Due to changes in the assessment, the depreciation costs for 2012 decreased, that is the accounting value of assets as at 31.12.2012 was increased by the amount of 10.678 thousand RSD (property in the amount of 9.445 thousand RSD and equipment in the amount of 1.233 thousand RSD).

As far as the future period is concerned, the determined residual value will impact the total accounting depreciation at the end of the useful lifetime of all assets included in the assessment, and lead to a decrease in the amount of 517.945 thousand RSD or the total estimated value that the Company would receive today, if it had disposed the assets, after the deduction of estimated disposal costs and under the assumption that the asset is at the end of its lifetime and in a condition as expected at the end of a lifetime.

The disregard of the estimated residual value in terms of the effect of the change in the useful lifetime, in case of the increase of the useful lifetime in comparison to the previous estimations, the positive effects to the financial result of the Company (due to the decrease in depreciation costs in the current year due to the increase in the lifetime of assets), in the current and following years, will be compensated in those years when the depreciation of assets, according to previous valuations, will not be performed. Non-depreciation would result from the expiration of the entire useful lifetime in the previous period. Practically, negative effects of depreciation for a specific asset, and negative effects to the financial results of the Company, will be equal to the annual depreciation in those years when, according to the new valuation, the lifetime of these assets was extended.

9.7. Provision expenses

Structure of provision expenses	in 000 dinars	
	2012	2011
Provision expenses related to fees and other employee benefits	2.617	683
TOTAL	2.617	683

Provision expenses related to the retirement bonus in 2012 equal to the difference between, on one hand, the provision amount related to the retirement bonus at the end of 2012 and, on the other hand, the provision amount related to the retirement bonus as at 31.12.2011, reduced by the amount of paid bonuses in 2012.

Provision expenses for fees and other employee benefits in the amount of 2.617 thousand RSD (2011: 683 thousand RSD) refer to the implementation of IAS 19.

Provision valuation at the balance sheet date pursuant to IAS 19 (for retirement bonuses) is described in more details in the Note 10.15.

9.8. Production costs

Structure of production costs	in 000 dinars	
	2012	2011
Cost of production services	49.247	-
Transportation expenses	4.175	5.275
Repairs and maintenance costs	40.776	60.124
Rental costs	866	1.513
Trade show costs	573	-
Advertising costs	3.479	13.182
Expenses for other services	5.379	3.291
TOTAL	104.495	83.385

Costs of production services refer to the completion of the agreement on the construction of the embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria, a turnkey project, on the cadastral lot No. 313, registered in the registry of immovable property, cadastral zone A00.

Transportation expenses include landline costs, cell phone costs, internet services, taxi services, parking services, etc.

Repairs and maintenance costs refer, first of all to ongoing maintenance of: equipment (in 2012: 3.094 thousand RSD; in 2011: 5.114 thousand RSD), building (in 2012: 37.682 thousand RSD; in 2011: 55.010 thousand RSD).

Rental costs refer, first of all, to the rental of office space for General meetings (in 2011) and rental of an image projector.

Trade show costs refer to the participation at the trade show in Budva.

Advertising costs in 2012 refer mostly (2.721 thousand RSD) to the technical and operational support provided by Energoprojekt Energodata plc. with regard to multimedia presentations, update and preparation of marketing material, graphical design and delivery of advertisements, press releases, etc. (in 2011: 10.121 thousand RSD refer, most of all, to expenses related to the 60th anniversary of Energoprojekt).

Expenses for other services mostly include:

- costs for licenses in 2012: 2.649 thousand RSD,
- utilities that include water, maintenance, etc. (in 2012: 1.768 thousand RSD; in 2011: 1.260 thousand RSD),
- safety at work (in 2012: 276 thousand RSD; in 2011: 295 thousand RSD), car registration (in 2012: 192 thousand RSD; in 2011: 243 thousand RSD), photocopying and other services (in 2012: 494 thousand RSD; in 2011: 1.493 thousand RSD) etc.

9.9. Intangible expenses

Structure of intangible expenses	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Costs for non-production services	44.221	26.117
Expense accounts	8.280	8.172
Insurance premium costs	770	958
Payment operations cost and banking fees	4.873	2.507
Membership fees	1.245	943
Tax duties	10.157	10.233
Other intangible expenses	18.583	7.076
TOTAL	88.129	56.006

Intangible expenses include: professional training, health care services, lawyer's fees, consulting services, auditing annual financial statements, etc.

Expense accounts include catering services, gifts to business partners, etc.

Insurance premium costs refer, mostly, to the insurance of property and persons, in 2012: 770 thousand RSD (in 2011: 958 thousand RSD).

Costs for payment operations and banking fees include the following: costs for payment operations in 2012 in the amount of 391 thousand RSD (in 2011: 586 thousand RSD), costs for banking services in 2012 in the amount of 4.482 thousand RSD (in 2011: 1.921 thousand RSD).

Membership fees refer to chamber membership fees representing salary expense liability (Chamber of Commerce in Serbia and Belgrade Chamber of Commerce).

Tax duties include the following: property tax, urban development land tax, tax on mobile phone use etc. The most important part of these expenses is the property tax in 2012: 7.199 thousand RSD (in 2011: 7.209 thousand RSD).

Other intangible expenses refer to mostly to foreign branches' services (Inec Ltd, London and Encom GmbH, Frankfurt) in 2012: 14.444 thousand RSD (no such expenses in 2011) and other expenses refer to: taxes (administrative, court fee, etc.), advertisement costs, participation in salaries for disabled workers, printing of Energoprojekt company newspaper, TV subscription fees.

9.10. Financial revenues

Structure of financial revenues	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Revenue from interest</i>		
Financial income from transactions between the parent company and subsidiaries	78.717	89.237
Financial income from transactions between the parent company and related parties	10.697	9.560
Income from interest	8.806	10.245
Total	98.220	109.042

<i>Gains arising on the translation of foreign currency</i>		
Gains arising on the translation of foreign currency arising from relation between entity and subsidiaries	180.876	30.801
Gains arising on the translation of foreign currency arising from relation with other related parties	12.313	51
Other gains arising on the translation of foreign currency	16.741	8.041
Subtotal	209.930	38.893
Income based on foreign currency clauses	2.458	2.790
Share in the profit of subsidiaries	255.194	275.801
Other financial revenues	2.040	914
TOTAL	567.842	427.440

Other interest revenue refers to interest on term deposits (in 2012: 8.734 thousand RSD; in 2011: 10.245 thousand RSD).

Financial revenues from the share of the profit of subsidiaries in the amount of 255.194 thousand RSD refer to the following subsidiaries:

- Energoprojekt Garant plc. in the amount of 34.054 thousand RSD,
- Energoprojekt Entel plc. in the amount of 143.595 thousand RSD and
- Energoprojekt Oprema plc. in the amount of 77.545 thousand RSD.

9.11. Financial expenses

Structure of financial expenses	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Costs of interest</i>		
Other costs of interest	19.383	25.121
Total	19.383	25.121
<i>Losses arising on the translation of foreign currency</i>		
Losses during the translation of foreign currency arising from relation between entity and subsidiaries	4.220	36.331
Losses during the translation of foreign currency arising from relation between entity and other related parties		1.040

Other losses during the translation of foreign currency	8.566	9.451
Subtotal	12.786	46.822
Expenses based on foreign currency clauses	30.788	5.439
TOTAL	62.957	77.382

Costs of interest refer mostly to interest based on liquidity loans.

Expenses based on foreign currency clauses refer mostly to adverse effects on loans received by the Development Fund of the Republic of Serbia in 2012 amounting to 22.807 thousand RSD (in 2011 these expenses referred mostly to adverse effects on loans received by Alpha Bank plc. in the amount of 5.236 thousand RSD).

9.12. Other revenues

Structure of other revenues	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Other revenues</i>		
Revenues from the sales of property, plants and equipment	510	51.457
Previously written-off claims recovered	-	5.116
Income from reduction of liabilities	-	5.965
Income from positive hedging effects	140	29
Other income	264	227
Total	914	62.794
<i>Property value adjustment</i>		
Property, plants and equipment	1.507	3
Claims and short-term financial investments		15.037
Total	1.507	15.040
TOTAL OTHER REVENUES AND EXPENSES RELATED TO PROPERTY VALUE ADJUSTMENT	2.421	77.834

Revenue from property, plants and equipment sales in 2012 refer to the sale of the vehicles in the amount of 510 thousand RSD (in 2011, revenues referred to the sale of the building in Goce Delceva street no. 38, Novi Beograd, in the amount of 51.298 thousand RSD).

Other revenues refer mostly to the sales of old paper in the amount of 211 thousand RSD.

Revenues from the value adjustment for the property, plants and equipment refer to the assessment of the investment property value – residential building „Samački hotel“ in the amount of 1.507 thousand RSD (in 2011: 3 thousand RSD).

9.13. Other expenses and net loss of discontinued operations

Structure of other expenses	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Other expenses</i>		
Losses based on the retirement and sales of intangible investments, property, plants and equipment	231	-
Losses based on the disposal of LT investments and securities	8	-
Direct receivables write-off	4.066	137.816
Other expenses	5.735	1.031
Total	10.040	138.847
<i>Property impairment costs</i>		
Property, plants and equipment	7.614	-
Claims and short-term financial investments	-	523
Total	7.614	523
TOTAL OTHER EXPENSES AND PROPERTY IMPAIRMENT COSTS	17.654	139.370
Adverse effect due to changes in accounting policies and correction of errors from previous periods	941	3.259
TOTAL	18.595	142.629

Expenses related to direct write-off of claims in 2012 in the amount of 4.066 thousand RSD refer mostly to Energoprojekt Montenegro ltd. in the amount of 3.466 thousand RSD (in 2011: they refer mostly to written-off claims from subsidiaries Energoprojekt Visokogradnja plc, Energoprojekt Urbanizam i arhitektura plc. and Energoprojekt Promet ltd).

Other expenses mostly include donations and expenses for humanitarian purposes (in 2012: 5.630 thousand RSD, in 2011: 1.021 thousand RSD).

Property, plants and equipment impairment refers to the impairment of the investment property – business premises „Stari Merkator“, Palmira Toljatija street in the amount of 7.614 thousand RSD.

9.14. Profit before tax

Structure of gross results	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Operating income and expenses</i>		
Operating income	476.714	375.566
Operating expenses	423.681	362.054
Operating result	53.033	13.512
<i>Financial revenues and expenses</i>		
Financial revenues	567.842	427.440
Financial expenses	62.957	77.382
Financial result	504.885	350.058
<i>Other revenues and expenses</i>		
Other revenues	2.421	77.834
Other expenses	17.654	139.370
Result from other revenues and expenses	(15.233)	(61.536)
<i>Effects of discontinued operations, accounting policy changes and accounting adjustments from previous years</i>		
Income	-	115
Expenses	941	3.374
Net effect	(941)	(3.259)
<i>Total gross result</i>		
TOTAL INCOME	1.046.977	880.955
TOTAL EXPENSES	505.233	582.180
PROFIT/LOSS BEFORE TAX	541.744	298.775

9.15. Income tax and net profit

Calculation of income tax and net profit	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Profit/loss before tax	541.744	298.775
Adjustments and corrections of revenues/expenses in the tax balance	(256.071)	(88.605)
Capital gains/losses in the balance sheet	8	(51.298)
Taxable profit	285.681	158.872
Capital gains/losses calculated pursuant to the law	-	51.732
Tax base	285.681	210.604
Calculated tax (10% from the tax base)	28.568	21.060
total tax deduction	(745)	(187)
Calculated tax upon depreciation	27.823	20.873
Profit/loss before tax	541.744	298.775
Tax expenses	(27.823)	(20.873)
Deferred tax expenses/revenues	(9.065)	(277)
Net profit/loss	504.856	277.625

Total tax deduction (max. 50% of the taxable base) in the amount of 745 thousand RSD is a result of the tax credit for investments in fixed assets in 2012.

9.16. Net profit per share

The net profit per share is calculated by dividing the profit for ordinary shareholders with the average weighted number of ordinary shares in circulation for the period.

<i>Indicator</i>	<i>2012</i>	<i>2011</i>
Net profit (loss) in 000 dinars	504.856	277.625
Average number of shares for one year	9.705.241	9.705.241
Net profit per share in dinars	52,02	28,61

Upon decision of the General Meeting on 29.06.2012 the dividends for 2011 were paid in shares (469.728 ordinary shares). The weighted average number of shares for 2012 is 9.705.241, therefore, the net profit per share is 52,02 RSD.

10. BALANCE SHEET

10.1. Intangible investments

	<i>in 000 dinars</i>			
	Intangible investments in preparation	Advance payments for intangible investments	Other intangible investments	Total
<i>Purchase price</i>				
Opening balance (01.01.2012)	8.837	419	2.326	11.582
New purchases over the course of the year				
Transfer from one form to another				
Disposal, Retirement etc.		(419)		(419)
Closing balance (31.12.2012)	8.837		2.326	11.163
<i>Value adjustment</i>				
Opening balance (01.01.2012)			1.443	1.443
Depreciation for 2012			304	304
Closing balance (31.12.2012)			1.747	1.747
<i>Present (non write off) value</i>				
Balance as at 01.01.2012	8.837	419	883	10.139
Balance as at 31.12.2012	8.837		579	9.416

10.2. Property, plants and equipment

Structure and changes in property, plants and equipment	<i>in 000 dinars</i>				TOTAL
	Buildings	Plants and equipment	Property, Plants and equipment in preparation	Advance payments for property, plants and equipment	
<i>Purchase price</i>					
Opening balance (01.01.2012)	581.801	97.260			679.061
New purchases over the course of the year	232.489	5.486		42.872	280.847
Transfer from one form to another					
Disposal, Retirement etc.		(8.470)			(8.470)
Closing balance (31.12.2012)	814.290	94.276		42.872	951.438
<i>Value adjustment</i>					
Opening balance (01.01.2012)	296.937	63.320			360.257
Depreciation for 2012	90	10.448			10.538
Disposal, Retirement etc.		(7.054)			(7.054)
Closing balance (31.12.2012)	297.027	66.714			363.741
<i>Present (non write off) value</i>					
Opening balance 01.01.2012	284.864	33.940			318.804
Closing balance (31.12.2012)	517.263	27.562		42.872	587.697

In 2012, there was an increase in the value of buildings based on the purchase of the business premises in Energoprojekt building with total area of 4.356 m² from Energoprojekt Urbanizam i arhitektura plc. for the amount of 145.067 thousand RSD, Energoprojekt Hidroinženjering plc. for the amount of 49.735 thousand RSD and Energoprojekt Energodata plc. for the amount of 37.687 thousand RSD.

On 31.12.2012, the residual value and the remaining useful lifetime for the property and equipment with significant accounting value were evaluated.

The effect of the change in the accounting assessment influenced the change in depreciation costs for 2012 and consequently, the accounting value of assets on 31.12.2012 (Note 9.6).

The advance payment for the property in the amount of 42.872 thousand RSD refers to the paid advance to the Republic of Serbia for the purchase of property in Uganda, Peru and Nigeria.

10.3. Investment property

Change in the investment property	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Revaluation amount</i>		
Opening balance (01.01)	496.698	496.695
New purchases	112.021	-
Revaluation - effects of the assessment	(6.107)	3
Closing balance (31.12)	602.612	496.698

The investment property according to the opening balance is a residential building „Samački hotel“, total area 7.665,22 m², Batajnički put street no. 24, in Zemun, with fair value on 31.12.2011 amounting to 496.698 thousand RSD. During 2012, 31.287 thousand RSD were invested in this building. On the balance sheet date a new assessment was performed and the value of this investment property was increased by 1.507 thousand RSD.

Revenues from the lease of this building to Energoprojekt Visokogradnja plc. in 2012 generated 24.060 thousand RSD (Note 9.3).

On 08.06.2012 the Purchase agreement no. 176/547 was concluded with Energoprojekt Visokogradnja plc. The purpose of this agreement was the purchase of business premises “Stari Merkator” on the third floor of building no. 2, on the specific part of the building 235, in Palmira Toljatija street no. 5, total area of 643 m², cadastral lot no. 254, registered in the Registry of immovable property no. 3132, Cadastral Municipality Novi Beograd, with purchase value of 80.735 thousand RSD. This building was not leased in 2012 (waiting for a tenant).

On 31.12.2012 estimation of the fair value of this property was performed and the value was consequently reduced by 7.614 thousand RSD.

The valuation of the fair value on 31.12.2012 was performed by an independent valuator who has appropriate professional qualifications and recent relevant work experience in the field of investment property. The valuation of the value was performed based on numerous factors, such as: existing renting conditions, valuation of market conditions and valuation of the capitalization rate by using comparative market data, if possible. Due to the current situation on the property market and reduced number of sales transactions with respect to previous years due to the economic crisis, the valuator has mostly used his knowledge of the market and professional judgment and less results of comparable transactions in the past.

10.4. Long-term financial investments

Structure of long-term financial investments	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Equity investments in subsidiaries and affiliated companies</i>		
EP Visokogradnja plc. (92,39%)	1.704.254	1.704.254
EP Niskogradnja plc. (93,32%)	855.506	855.506
EP Oprema plc. (67,87%)	121.316	121.316
EP Hidroinženjering plc. (94,84%)	399.230	399.230
EP Urbanizam i arhitektura plc. (94,40%)	146.455	146.455
EP Promet ltd. (100,00%)	295	295
EP Energodata plc. (96,43%)	191.438	191.438
EP Industrija plc. (62,77%)	61.209	61.209
EP Entel plc. (86,26%)	216.422	216.422
EP Garant plc. (92,94%)	597.545	597.545
EP Montenegro ltd. (100,00%)	-	8
Inec Eng. Ltd (100,00%)	62.359	62.359
Encom GmbH (100,00%)	3.493	3.493
Nana Off Shore (100,00%)	924.749	1.258
Zecco Zambia (100,00%)	587	587
Enjub ltd. (50,00%)	13.550	13.550
Total	5.298.408	4.374.925
<i>Equity investments in other related parties and other securities for sale</i>		
Dunav plc. (0,20333%)	348	515
Jubmes banka plc. (1,38967%)	46.895	46.835
Hipotekarna banka Podgorica (0,3961%)	8.654	8.434
FIMA SEE Activist (15,96806%)	11.600	14.080

Energobroker plc. (17,64%)	4.371	4.371
Hotel Bela lađa, Bečej (4,3578%)	5.947	5.947
Aik banka plc. (0,00573%)	795	824
Total	78.610	81.006
TOTAL	5.377.018	4.455.931
<i>Other long-term financial investments</i>		
Long-term loans granted to subsidiaries	794.443	799.809
Long-term housing loans granted to employees	2.084	2.087
Total	796.527	801.896
TOTAL	6.173.545	5.257.827

The Company has granted five housing loans to employees: two loans on 10.06.1992 with a 38,5 years repayment period, two loans on 28.11.1995 with a 40 years repayment period and one on 24.12.2009 with a 10 years repayment period. Loans are interest-free and will be repaid in monthly installments. Pursuant to provisions of the contract and the Law on amendments and supplements of the Housing law („Official Journal of the Republic of Serbia 46/94), the Company applies installment revalorization twice a year according to the price shifts in the Republic of Serbia for the respective calculation period.

The increase of participation in the equity of the foreign branch Nana Off Shore, Lebanon was performed based on the newly acquired part of the property „DOM 12“ by Energoprojekt Holding plc, according to the agreement concluded with Energoprojekt Visokogradnja plc. and Energoprojekt Niskogradnja plc, that was introduced as an investment for the increase in equity of the foreign branch Nana Off Shore, Beirut, Lebanon.

The Company owns shares of other legal entities, in particular:

1. Dunav osiguranje plc: 527 shares with market value on the balance sheet date amounting to 660 RSD per share,
2. Jubmes banka plc: 3.803 shares with market value 12.331 RSD per share,
3. Fima See Activist: 1.600 shares with market value 7.250 RSD per share,
4. Hotel Bela lađa, Bečej: 60.070 shares with market value 99 RSD per share,
5. AIK banka plc: 508 shares with market value 1.566 RSD per share and
6. Hipotekarna banka Podgorica: 124 shares with market value 69.790,55 RSD per share.

10.5. Inventories and paid advances

Structure of inventories and paid advances	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Small inventory items	892	694
Paid advances	99.508	707
Less: value adjustment	(892)	(694)
Total	99.508	707

Paid advances, in the amount of 98.271 thousand RSD, refer mostly to the paid advance to Energoprojekt Oprema plc. according to the Annex I, to the Contract no. 317 on the assignment of the construction contract for the construction of the embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria.

10.6. Short-term receivables

Structure of short-term receivables	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Trade receivables</i>		
Buyers –subsidiaries	236.223	425.491
Buyers – other affiliates	705	705
Domestic buyers	51	13
Total	236.979	426.209
<i>Receivables from specific business operations</i>		
Other receivables from specific business operations	9.267	61.795
Less: value adjustment	-	-
Total	9.267	61.795
<i>Other receivables</i>		
Interest and dividends	25.952	71.969
Staff claims	61	101
Receivables from state institutions	100	662
Prepaid income tax	-	3.784
Other prepaid taxes and contributions	91	41
Less: value adjustment	-	(523)
Total	26.204	76.034
TOTAL	272.450	564.038

Changes in the value adjustment account are indicated in the following table.

Changes in value adjustment for receivables	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Balance on 01.01.	523	-
Additional value adjustment	-	523
Previously adjusted receivables - direct write-off	523	-
Recovered adjusted receivables	-	523
TOTAL		

The Company has signed blank bills of exchange with authorization that will be used as collateral for the collection of payments pursuant to service agreements for the provision of services to subsidiaries.

Receivables from buyers and other receivables are non-interest bearing.

Direct write-off for some previously adjusted receivables applied in 2011 is presented in the Note 8.1 and reconciliation of receivables and liabilities is presented in the Note 10.24.

10.7. Short-term financial investments

Structure of short-term financial investments	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Short-term loans and investments – subsidiaries and affiliates</i>		
Subsidiaries	267.867	925.811
Other affiliates	151.859	126.999
Less: value adjustment		-
Total	419.726	1.052.810
<i>Domestic Short-term loans</i>		
Maturing obligations up to 1 year – long-term housing loans	156	139
Short-term loans to employees	432	320
Less: value adjustment		-
Total	588	459

Other Short-term loans and investments

Special-purpose term deposit with domestic banks	-	-
Other	-	-
Less: value adjustment	-	-
Total	-	-
TOTAL	420.314	1.053.269

Details on granted loans to subsidiaries and other affiliates are indicated in the following table.

No.	Borrower and contract no.	Borrowed amount in currency (000 EUR)	Receivables due based on the loan in (000 EUR)	Receivables due based on the loan in (000 RSD)	Maturity	Loan terms and conditions
1	EP Visokogradnja plc.					
	Annex 1 to the Loan reprogramming agreement no. 70	1,792	1,792	203,791	31.12.2013.	4,5% annually
2	EP Energodata plc.					
	Annex 1 to the Loan reprogramming agreement no. 72	304	304	34,622	31.12.2013.	annual EURIBOR+4,5%
3	EP Urbanizam i arhitektura plc.					
	Annex 1 to the Loan agreement no. 232	204	204	23,200	30.06.2013.	two-week repo NBS+1,5%
	Annex 1 to the Loan agreement no. 337	55	55	6,255	30.06.2013.	three months EURIBOR+4%
	Total EP Urbanizam i arhitektura plc.	259	259	29,455		
TOTAL SUBSIDIARIES		2,356	2,356	267,868		
4	Enjub ltd.					
	Annex 1 to the Loan reprogramming agreement no. 115	1,198	1,198	136,222	31.12.2013.	three months EURIBOR+6,5%
	Annex 5 to the Loan agreement no. 367	138	138	15,636	31.12.2013.	three months EURIBOR+6,5%
	Total Enjub ltd.	1,335	1,335	151,858		
TOTAL AFFILIATED COMPANIES		1,335	1,335	151,858		
TOTAL		3,691	3,691	419,726		

The Company has 2 (two) signed blank bills of exchange with authorization that will be

used as collateral for the collection of payments pursuant to loan agreements concluded with subsidiaries and the affiliated company. Besides bills of exchange, the Company has an extrajudicial mortgage for the entire loan amount for apartments in Juriša Gagarina street, Novi Beograd, pursuant to loan agreements no. 367, 80 and 510 for loans granted to Enjub ltd.

Domestic short-term financial investments refer to loans granted to subsidiaries and affiliates. Loans were granted for a period of 6 to 12 months with interest rate between 4,5% annually up to 3M EURIBOR+6,5 %.

Short term financial investments also include **interest-free loans to employees of the Company** for heating and winter supplies. Interest-free loans are repaid in monthly installments for a period of 6 (six) months.

10.8. Cash and cash equivalents

Structure of cash and cash equivalents	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Current accounts (RSD)	6.806	2.344
Current accounts (FX)	108.138	165.544
Cash balance RSD	139	110
Short-term term deposits and letters of credit	218.889	72.000
TOTAL	333.972	239.998

RSD and FX current accounts of the Company indicates funds deposited in domestic banks (Banca Intesa, Unicredit bank, Hypo-Alpe-Adria bank, Jubmes bank, Alpha bank, Vojvodanska banka, Societe Generale bank, Credit Agricole bank, Raiffeisen bank and Erste bank).

10.9. Added value tax and active accruals

Structure of added value tax and active accruals	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Prepaid expenses	1.818	1.291
Prepaid VAT	801	527
Receivables on non-invoiced income	49.554	134
Other active accruals	627	1.217
TOTAL	52.800	3.169

The prepaid VAT includes added value tax from received invoices related to the respective year, the right to deduction of the previous tax can be exercised in the following calculation period, since the invoices arrived after the tax return for December of the respective year was filed.

Receivables on non-invoiced income refer to the completion of the agreement on the construction of the embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria, a turnkey project, on the cadastral lot No. 313, registered in the registry of immovable property, cadastral zone A00.

10.10. Changes in capital

in 000 dinars

DESCRIPTION	Share capital	Other capital	Issuing premium	Reserves	Revaluation reserves	Unrealized profit/loss from securities	Undistributed profit	Losses up to capital	Redeemed shares	Total
Balance on 31.12.2011	4,828,583	27,178	1,600,485	134,881	43,080	6,705	526,307		-	7,167,219
Correction of errors and changes in the accounting policy										
Restated balance	4,828,583	27,178	1,600,485	134,881	43,080	6,705	526,307		-	7,167,219
Increase of share capital										-
Changes of the fair value of available-for-sale securities						(4,431)				(4,431)
Net profit in the current period							504,856			504,856
Distirbution of profits	239,561						(241,429)			(1,868)
Sales / (acquisition) of treasury shares										-
Adjustment for income tax revenues for 2011							(6)			(6)
Balance on 31.12.2012	5,068,144	27,178	1,600,485	134,881	43,080	2,274	789,728			7,665,770

10.11. Share capital

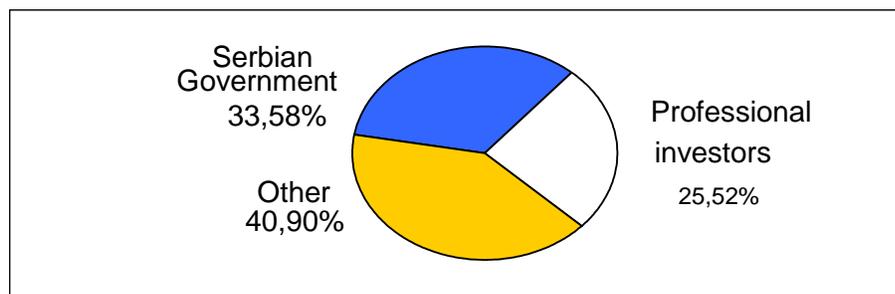
The following tables indicate the ownership structure of Energoprojekt Holding plc. shares on 31.12.2012 according to records of the Central Securities Depository:

	No. of shares	% from total issue
Shares held by private shareholders	3.210.666	32,31%
Shares held by legal entities	5.348.634	53,82%
- Republic of Serbia	3.337.459	33,58%
- Other legal entities	2.011.175	20,24%
Summary (custody) account	1.378.238	13,87%
Total shares	9.937.538	100%

Number of shareholders with equity share	number of entities			number of shares			% of total issue		
	domestic	foreign	total	domestic	foreign	total	domestic	foreign	total
to 5%	8,014	242	8,256	4,897,059	422,388	5,319,447	49.28%	4.25%	53.53%
from 5% to 10%	0	0	0	0	0	0	0.00%	0.00%	0.00%
over 10% to 25%	1	0	1	1,280,632	0	1,280,632	12.89%	0.00%	12.89%
over 25% to 33%	0	0	0	0	0	0	0.00%	0.00%	0.00%
over 33% to 50%	1	0	1	3,337,459	0	3,337,459	33.58%	0.00%	33.58%
over 50% to 66%	0	0	0	0	0	0	0.00%	0.00%	0.00%
over 66% to 75%	0	0	0	0	0	0	0.00%	0.00%	0.00%
over 75%	0	0	0	0	0	0	0.00%	0.00%	0.00%
Total shares	8,016	242	8,258	9,515,150	422,388	9,937,538	95.75%	4.25%	100.00%

List of top 10 shareholders by total shares held:

Name	no. of shares	% of total issued
Serbian Government	3,337,459	33.58%
Napred Razvoj a.d. Beograd	1,280,632	12.89%
Unicredit Bank - custody	362,934	3.65%
Raiffeisenbank custody	243,297	2.45%
Gustaviadavegardh fonder aktie	154,350	1.55%
Unicredit Bank - custody	123,101	1.24%
Raiffeisenbank custody	114,944	1.16%
Raiffeisenbank custody	99,397	1.00%
Erste bank custody	89,979	0.91%
Raiffeisenbank custody	67,369	0.68%



Capital structure	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Share capital</i>		
Share capital (ordinary shares)	5.068.144	4.828.583
Other share capital	27.178	27.178
TOTAL	5.095.322	4.855.761

The share capital consists of 9.937.538 ordinary shares each with a nominal value of 510,00 RSD (5.068.144 thousand RSD), and a nominal book value of 771,40 RSD.

Share capital – the ordinary shares include founding shares and closely held (management) shares issued during operations which carry rights to a share of the profit and a part of the estate in case of bankruptcy, in accordance with the memorandum of association and the share issue resolution.

The company's shares are Prime-listed on the Belgrade Stock Exchange.

At the XXXIX meeting, held on 29.06.2012, under Item 3 and 4 of the agenda, the following decisions were taken:

- Distribution of annual profits of Energoprojekt Holding plc. for 2011,
- The X issue of ordinary shares without public offering for the purpose of converting undistributed profit to equity.

The total amount of net profit according to financial statement 2011 was 277.619.339,39 RSD. The total amount of undistributed profit that includes undistributed profit from previous years (248.682.298,72 RSD) and undistributed profit for 2011 (277.619.339,39 RSD) is 526.301.638,11 RSD.

The undistributed profits were allocated as follows (upon decision of the General Meeting):

- Part of the undistributed profit in the amount of 241.429.155,00 RSD will be used for dividends. Energoprojekt Holding plc, Beograd issues X issue of shares in the total of 239.561.280,00 RSD, of which 469.728 shares with individual nominal value of 510,00 RSD. The remaining amount up to the total nominal value of one share under this Decision, in the total amount of 1.867.875,00 RSD, the Company will pay to the shareholders in cash. The distribution of profit among the shareholders shall be pro rata of their share of the existing equity of the Company, meaning that for every 20 shares each shareholder will receive 1 new share from the profits, free of charge.

- The balance of 284.872.483,11 RSD remains unallocated.

Other share capital was created by the reposting of non-business assets sources in 2005 in the total of 27.178 thousand RSD.

10.12. Reserves

The reserves consist of:

Structure of reserves	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Issuing premium	1.600.485	1.600.485
Legal reserves	23.185	23.185
Statutory and other	111.696	111.696
TOTAL	1.735.366	1.735.366

Issuing premium represents the positive difference between the obtained selling price per share and the share's nominal value, which is the result of the conversion of shares of subsidiaries into Energoprojekt Holding plc. shares at the par value 1:1 in 2006.

Until 2004, legal reserves were mandatory and were formed by allocating at least 5% of the profit each year until the reserves reach at least 10% of the equity capital.

The Company's internal legislation, till 2011, defines the statutory reserves, which are prescribed by the General Meeting at the Board's proposal and cannot be less than 5% of the net profit.

10.13. Revaluation reserves, unrealized profit/loss from securities available for sales

Structure of revaluation reserves, unrealized profit/loss from securities	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Revaluation reserves	43.080	43.080
Unrealized profit from securities available for sales	8.134	9.875
Unrealized loss from securities available for	(5.860)	(3.170)

sales		
TOTAL	45.354	49.785

The change in Unrealized profit/loss from securities available for sales refer to the adjustment of the value of securities from the Company's portfolio (Note 10.4) with their fair value on the secondary market on reporting date.

10.14. Undistributed profit

The **undistributed profit** and respective adjustments are indicated in the following table.

The undistributed profit and respective adjustments	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Balance on 01.01.	526.307	943.386
Adjustment of profit based on the income tax	(6)	1
Allocation of profit	(241.429)	(662.747)
Allocation of profit to statutory reserves	-	(31.958)
Profit – current year	504.856	277.625
Balance on 31.12.	789.728	526.307

The allocation of undistributed profit on 31.12.2011 (current profit for 2011) was performed according to the GM resolution taken by Energoprojekt Holding plc. on the XXXIX session under item 3 of the agenda, held on 29.06.2012 (Note 10.11).

10.15. Long-term provisions

Structure of long-term provisions	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Provisions for fringe and other employee benefits	5.017	4.863
Other long-term provisions	260.000	260.000
TOTAL	265.017	264.863

Provisions for fringe and other employee benefits (provisions for non-due retirement bonus), are indicated based on actuarial calculation of Energoprojekt experts.

In the projection of provision calculation pursuant to IAS 19 the deductive approach was used, meaning that all companies from the Energoprojekt Group were treated as a whole, and based on general regularities and use of the number of employees as a template, allocation to specific companies was performed. Considering that all subsidiaries are controlled by the same company, the applied approach is objective and the projection results can be recognized as expected.

2,21% increase of the provision amount in Energoprojekt, based on current retirement values in the balance sheet on 31.12.2011 in comparison to 31.12.2010, was a result of several changed factors:

- On one hand, changes of some factors affect the increase of the provision amount (2,72% increase of the average years in service in the Company);
- On the other hand, changes of some factors affect the decrease of the provision amount (first of all, reduced average gross retirement bonus by 0,30% and reduced total number of employees by 2,33%).

In addition to the above-mentioned, the change in the provision structure in specific companies is a consequence of the change in the aliquot part of number of employees in specific companies against the total number of employees in the whole Energoprojekt Group.

The provision projection procedures, considering IAS 19, were performed according to the following steps:

- *first, according to employee gender, working experience and years of service in the Company; considering the expected annual fluctuation and mortality rate (estimated annual fluctuation and mortality rate), an estimation was made of the number of employees that will exercise the right to a retirement bonus, as well as the period during which this bonus will be paid out;*
- *Second, considering provisions of the Collective agreement, the bonus amount was valuated for each year of service indicated on the balance sheet date, and*
- *Third, the discount factor (discount rate to expected salary growth ratio) was used to determine the present value of the expected retirement bonus outflows.*

The Retirement bonus is paid pursuant on Article 48 of the Collective agreement. The employer will pay to the employee a retirement bonus in the amount of: 1) employee's triple net earnings of the month that precedes the month of retirement, 2) triple net average earnings in the month that precedes the month of retirement, 3) in the amount prescribed by law; depending upon which amount is most favorable for the employee.

Upon discounting, the following assumptions were considered:

- *expected annual growth of earnings in the Company of 7,5% and*
- *discount rate of 10% .*

In the paragraph 78, IAS 19 and paragraph BC 33 in the Basis for Conclusions IAS 19, it is explicitly stated that the rate used for discount should be defined according to market yields at the balance sheet date for high yield corporate bonds. In countries where there is no developed market for such bonds, market yields (at the balance sheet date) for government bonds should be used. The value date and deadlines for bonds should be in accordance with the value date and deadlines for liabilities for income after employment.

Since the financial market of Serbia is insufficiently developed, the real annual yield from the purchase of government bonds with the Republic of Serbia as the guarantor should be used as a reference for the determination of the discount rate on the balance sheet date.

The yield of government bonds of the Republic of Serbia (old frozen savings bonds due between 2013 and 2016), as well as the yield of government bonds in EUR issued by the Ministry of Finance of the Republic of Serbia in 2012 are analyzed below. Specifically, the nominal annual yield of government bonds (old frozen savings) on the balance sheet date (maturity from 6 months to 3 years and 6 months) is ca 4,7% and the nominal annual yield of long-term bonds of the Republic of Serbia in EUR, during 2012, was 5,95% (issue 20.02.; maturity 371 days), 6,10% (issue 26.03.; maturity 728 days), 6,19% (issue 23.05.; maturity 546 days), 6,25% (issue 06.06.; maturity 730 days), 6,30% (issue 25.06.; maturity 546 days), 6,15% (issue 11.07.; maturity 371 days), 6,20% (issue 24.07.; maturity 730 days), 6,15% (issue 21.08.; maturity 371 days), 6,15% (issue 03.09.; maturity 371 days), 5,75% (issue 31.10.; maturity 371 days), 5,85% (issue 13.11.; maturity 546 days) and 5,05% (issue 12.12.; maturity 546 days).

Since the maturity of reference securities is shorter than the average estimated maturity for income that is the subject of this calculation, in view of requirements from paragraph 81, IAS 19, the discount rate was estimated considering longer maturity.

Considering the estimated nominal annual yield of long-term government bonds (ca. 6,5%), the projected inflation in EURO zone countries (1,9%) and the assumption that the foreign exchange rate is formed based on the purchasing power parity theory (under the assumption that there are no disparities in the current rate, the projected annual devaluation is conditioned by the difference between the projected annual inflation in Serbia and EURO zone countries), the real annual yield of reference securities is ca.

4,5% or for the projected nominal inflation in Serbia of 5,5%, the nominal annual yield is ca. 10%.

The annual expected wage growth in the Company is planned at a level of 7,5%.

The annual discount rate and the annual wage growth depend upon the inflation rate.

The Memorandum of the National Bank of Serbia on the target inflation rate till 2014, adopted at the meeting of the Executive Board of NBS on 10.05.2012, among other things, determines the target inflation rate for 2013, measured by the Annual Percentage Change in Consumer Price Index. Beginning with the consumer price at the end of the previous year, the target inflation rate for 2013 is 4% with permissible deviation (positive and negative) of 1,5 percentage points. Since the inflation in 2012 exceeded the target inflation by 5% (inflation in November 2012 in comparison to November 2011 was 11,9%), it would be realistic, for the next-year inflation and within permitted framework foreseen by the MEMORANDUM, to plan the inflation with maximum permissible deviation (+1,5%).

The provision will be estimated according to the planned annual inflation of 5,5%. It can be concluded that the Company planned a long-term annual wage growth of 2% (applied also to provisions from previous years) and the long-term annual real discount rate was planned at 4,5%.

If the inflation rate would drop in the future, the applied logic would result in the reduction of nominal wages but also of the discount rate (that is defined by the inflation rate) so that the change would lead to the change in results presented in this document. The methodology used, indicating the long-term 7,5% planned annual salary growth and long-term annual discount rate of 10%, assumes an unchanged inflation rate in future. This assumption is requested in the paragraph 75, IAS 19.

Other long-term provisions in the amount of 260.000 thousand RSD are recorded in the balance sheet on 31.12.2006, pursuant to the decision of the Board of Management of the Company, as possible contract expenses related to the Joint construction agreement - Block 26, Novi Beograd no. 507, concluded between the consortium „Energoprojekt – Napred“ and Trinity Capital Ltd.

Pursuant to provision of the Joint construction agreement and the Annex no. 1 to this agreement, Trinity Capital Ltd. paid the agreed amount and the Company issued a blank bill of exchange with authorization and unlimited validity. This bill of exchange may be submitted for payment based on an effective decision of the authorities confiscating from the Company the underlying property referenced in the contract by fault

attributable to the Company, however for reasons which had not been known to Trinity Capital Ltd. at the time the contract was signed.

Provisioning was pursuant to IAS 37 „Provisions, Contingent Liabilities and Contingent Assets“, due to the uncertainty with regard to the application of the legislation that applies to the subject of the Agreement and that may affect the fulfillment of all obligations assumed by the Company as well as due to the issued blank bill of exchange as previously stated.

On 31.12.2012 there is still uncertainty with regard to the application of the legislation that may affect the fulfillment of all obligations assumed by the Company and possible activation of issued bills of exchange by Trinity Capital Ltd. Therefore, the management assesses that conditions for the cancellation of the provision at the balance sheet date have not been met yet.

10.16. Long-term loans

Long-term working capital loan was approved on 30.12.2010 from the Development Fund of the Republic of Serbia in the amount of 321.174.000,00 RSD or 3.040.225,67 EUR.

On 14.05.2012, the Annex 1 to the Loan reprogramming agreement in the amount of 290.866.733,11 RSD, or 2.869.101,22 EUR was concluded.

The currency clause is used for the calculation of the principal debt and the debt is set in EUR according to the NBS middle rate on the drawdown date, and is translated to dinars according to the middle rate on the maturity date.

The loan was approved under the following conditions:

- The repayment period is 2 years after the expiration of the grace period on 31.12.2012. During the grace period, intercalate interest is calculated for the previous 3-month period and applied to the principal debt..
- The interest of 4,5% is calculated annually.
- The debt is repaid in 3-month annuities starting from 31.12.2012. The last annuity matures on 31.12.2014.

Annuities that mature in 2013 in the amount of 142.581.089,41 or 1.253.809.54 EUR are presented as short-term financial liabilities with one-year maturity.

Bills of exchange issued by Energoprojekt Holding plc. and warranties by Energoprojekt Niskogradnja plc, Energoprojekt Oprema plc, Energoprojekt Entel plc, Energoprojekt Industrija plc. and Energoprojekt Hidroinženjering plc. will be used as collaterals.

The Development Fund of the Republic of Serbia has approved the loan based on the document “Program for working capital of Energoprojekt Holding plc.” that defines that funds are necessary to overcome a temporary insolvency and to support marketing activities of Energoprojekt Visokogradnja plc. abroad.

The long-term liquidity and long-term working capital and export finance loan in 2012 were approved on 27.09.2012 by Erste bank in the amount of 200.000.000,00 RSD, or 1.738.646,63 EUR.

The currency clause is used for the calculation of the principal debt and the debt is set in EUR according to the NBS middle rate on the drawdown date.

The loan was approved under the following conditions:

- The repayment period is 18 months after the expiration of the grace period on 27.03.2013.
- The nominal interest rate of 2,5% annually was calculated on the loan approval date and is fluctuating interest rate.
- The debt is repaid in equal monthly installments (134.615,38 EUR) starting from 27.03.2013. The last installment matures on 27.03.2014.

2 (two) bills of exchange of Energoprojekt Holding plc. will be used as collateral and 2 (two) authorizations. Energoprojekt Holding plc. authorizes the Bank, in case of failure to fulfill contractual obligations, to activate the bills of exchange for the due amount with no protest clause and to submit for collection, and, pursuant to the law, to collect other remaining collaterals.

The following table shows liabilities related to the long-term loan in dinar on 31.12.2012, divided to:

- Liabilities up to one year (disclosed as short-term liabilities) and
- Liabilities over one year (disclosed as long-term liabilities).

<i>Creditor</i>	<i>in 000 dinars</i>			
	<i>2012</i>		<i>2011</i>	
	<i>Long-term liabilities</i>	<i>Short-term liabilities</i>	<i>Long-term liabilities</i>	<i>Short-term liabilities</i>
Erste bank	45.627	152.089	-	-
Republic of	148.997	142.581	84.033	241.197

Serbia Development Fund				
TOTAL	194.624	294.670	84.033	241.197

10.17. Other long-term liabilities

Structure of long-term liabilities	<i>in 000 dinars</i>	
	2012	2011
Long-term finance lease	-	467
TOTAL	-	467

10.18. Long-term finance leasing obligations

	<i>in 000 dinars</i>			
	2012		2011	
	<i>Present value</i>	<i>Future value</i>	<i>Present value</i>	<i>Future value</i>
Up to 1 year	173	174	2.460	2.590
From 1 – 5 years			467	471
TOTAL	173	174	2.927	3.061

The interest included in lease repayments represents the difference between the future value of minimum lease repayments and their present value.

Finance leasing obligations refer to 4 (four) cars from Intesa Leasing 2008. The repayment is on a monthly basis, 60 installments, as of 05.03.2008. The last installment is due on 05.02.2013. The monthly installment may be changed if the value of the three-Month Euribor is changed. The Company received four bills of exchange to secure duly fulfillment of obligations related to the finance lease, as well as authorizations for each Lease agreement.

10.19. Short-term financial liabilities

Structure of short-term financial liabilities	<i>in 000 dinars</i>	
	2012	2011
Short-term domestic loans	-	117.222
Long-term loan maturing in one year (Note 10.16.)	294.670	241.198
Long-term liabilities maturing in one year	173	2.460

(Note 10.18.)		
Other short-term financial liabilities – based on visa accounts	192	70
TOTAL	295.035	360.950

10.20. Liabilities from operating activities

Structure of liabilities from operating activities	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Received advance payments and deposits	422	603
Suppliers –subsidiaries	47.287	3.136
Domestic suppliers	10.864	17.052
Foreign suppliers	2.421	367
Liabilities from specific operations	337	-
TOTAL	61.331	21.158

Liabilities towards suppliers do not include any interest and due date between 5 and 30 days.

The Management of the Company believes that disclosed value of obligations from operating activities reflects their fair value at the balance sheet date.

10.21. Other short-term liabilities

Structure of short-term liabilities and accruals and deferred income	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Salaries and fringe benefits - gross	23.320	11.060
Interest and financing costs	426	7.390
Dividends and profit sharing	11.841	10.343
Employees	1.633	422
Member of the Board of Directors and Supervisory Board	518	1.332
Service contracts	162	91
Other	1.145	616
TOTAL	39.045	31.254

Salaries and fringe benefits refer mostly to obligations (net, taxes and contributions) related to December salaries, paid in January of the next year.

Other liabilities, in the amount of 1.007 thousand RSD, refer mostly to withholding from net wages (based mostly on union fees, granted loans, etc.).

The Management of the Company believes that disclosed value of short-term liabilities reflects their fair value at the balance sheet date.

10.22. VAT and other public duties and accruals

VAT and other public duties and accruals	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>VAT and other public duties and accruals</i>		
Liabilities for value added tax	3.305	3.477
Liabilities for taxes, customs and other duties purchase-related or charged to costs	227	237
Other liabilities for taxes, customs and other duties	643	840
Total	4.175	4.554
Liabilities for income tax	8.513	492
<i>Accruals and deferred income</i>		
Calculated revenues in the future period	75	-
Accrued expenses	66	66
VAT liabilities	5	-
Total	146	66
TOTAL	12.834	5.112

Liabilities for value added tax refer to the difference between the calculated tax and previous tax. This obligation was settled timely, at the beginning of the following year.

10.23. Deferred tax liabilities and deferred tax assets

Deferred tax liabilities and deferred tax assets	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Deferred tax assets	(2.567)	(395)

Deferred tax liabilities	21.225	9.988
Net tax assets / liabilities	18.658	9.593

Deferred tax liabilities disclosed on 31.12. refer to *taxable temporary differences* between the book value of assets subject to depreciation and their tax base. Due to different provisions used in the Company to define accounting depreciation (provisions of the professional regulation; IAS and IFRS, etc) and provisions that define tax depreciation (Legal entity income tax law), the Company will pay, in the future, more income tax that it would pay, if the truly disclosed accounting depreciation would be acknowledged by the tax legislation. For this reason, the company recognizes the deferred income tax liability which will become payable with the company has "recovered" the accounting value of the assets.

Deferred tax liabilities are calculated by multiplying the taxable temporary difference at the end of the year and the income tax rate (15%) – in 2011 it was 10%.

Deferred tax liabilities and respective changes are indicated in the following table.

Deferred tax assets (liabilities) and respective changes	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
Deferred tax liabilities at the end of the previous year	9.593	9.316
Deferred tax liabilities at the end of the current year	18.658	9.593
DEFERRED TAX INCOME (EXPENSES)	(9.065)	(277)

Deferred tax expenses are acknowledged against results of the Company in the year in which the increase of deferred tax liabilities was established.

10.24. Reconciliation of Claims and Liabilities

The Company performed **reconciliation of claims** related to domestic and foreign buyers as at 31.12.2011.

Claims from the total of seventeen *domestic buyers*, as at 31.12.2012, in the amount of 236.979 thousand RSD, were reconciliated.

The Company performed the **reconciliation of claims** related to domestic and foreign buyers as at:

- 30.06.2012
- 30.11.2012 and
- 31.12.2012.

With respect to 10 Statements of outstanding items received from *domestic suppliers*, as at 30.11.2012 in the amount of 1.500 thousand RSD, all were reconciled.

With respect to 5 Statements of outstanding items received from *domestic suppliers*, as at 31.12.2012 in the amount of 176 thousand RSD all were reconciled.

10.25. Off-balance sheet items

Pursuant to legal provisions (Regulation of the Form and Contents of Financial Statements submitted by companies, cooperatives, other legal entities and entrepreneurs) the Company disclosed off-balance sheet items in its financial statements. Items disclosed under off-balance sheet assets and liabilities, shown in the table below, are neither assets nor liabilities of the company but serve simply to inform the reader.

Structure of off-balance sheet items	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Issued guarantees and other sureties</i>		
Issued guarantees - DIN	18.807	18.807
Issued guarantees - foreign currency	2.843	2.616
Collateral - DIN	1.019.660	2.246.339
Collateral - foreign currency	6.735.589	6.415.802
Total	7.776.899	8.683.564
<i>Other off-balance sheet items</i>		
<i>Other off-balance sheet items</i>	983.530	982.281
Total	983.530	982.281
TOTAL	8.760.429	9.665.845

Off-balance sheet items of the Company in the amount of 8.760.429 thousand RSD refer to:

- Issued guarantee to remedy defects within the warranty for the Prokop station in the amount of 18.807 thousand RSD that expires on 01.08.2013 (UniCredit bank);

- Issued guarantee for duly settlement of obligations related to plane tickets in the amount of 2.843 thousand RSD (25 thousand EUR) that expires on 20.10.2013 and is renewed each year (Alpha bank);
- collateral against guarantees and approved credit lines based on loans and guarantees for subsidiaries in the amount of 7.755.249 thousand RSD (based on issued collaterals the Company concluded contracts with subsidiaries based on which the Company is the guarantor and received from them the respective collaterals);
- **Other off-balance sheet items** refer to:
 - the use of city building land in the amount of 937.451 thousand RSD,
 - obligations for Enjub dividends in the amount of 30.442 thousand RSD,
 - mortgage on Enjub apartments in the amount of 15.637 thousand RSD (according to the loan agreement with Enjub ltd.).

11. MORTGAGES REGISTERED IN FAVOR OR AGAINST THE COMPANY

As collateral to secure the loan no. 423/367, in the amount of 137.500 EUR, approved by the Company to Enjub ltd, the extrajudicial mortgage for the entire loan amount was registered for apartments in Jurija Gagarina 91A, second and third floor, cadastral plot no. 5089/9, cadastral municipality Novi Beograd, registered in the registry of immovable property no. 4550, cadastral municipality Novi Beograd in favor of the Company.

12. TRANSACTIONS WITH RELATED PARTIES

According to requests from IAS 24 – *Related parties disclosures*, the relationship, transactions, etc. between the Company and related parties were disclosed. Related parties, from the Company' point of view, are as follows: **related companies and key management** (persons with authorizations and responsibility with regard to the planning, guidance and control of company's activities, directly or indirectly, including all directors, regardless if executive or not) and immediate family members.

From the point of view of related parties, the following two tables indicate transactions that resulted in revenues and expenses in the profit and loss account and disclosed receivables and liabilities in the balance sheet.

Structure of revenues and expenses from related parties	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Revenues</i>		
EP Garant plc.	35.811	179.245
EP Visokogradnja plc.	214.296	147.130
EP Niskogradnja plc.	201.584	121.641
EP Hidroinženjering plc.	37.918	27.906
EP Entel plc.	227.934	188.499
EP Energodata plc.	17.746	9.554
EP Industrija plc.	26.001	20.645
EP Promet ltd.	-	20.152
EP Urbanizam i arhitektura plc.	12.523	13.257
EP Oprema plc.	166.934	112.879
Inec Ltd, London	-	1
Encom GmbH, Frankfurt	150	-
EP Montenegro ltd.	277	1
Moscow subsidiary	-	5.628
Total	941.174	846.538
<i>Expenses</i>		
EP Garant plc.	394	3.816
EP Visokogradnja plc.	16.135	57.480
EP Niskogradnja plc.	5.047	9.388
EP Hidroinženjering plc.	279	387
EP Entel plc.	1.478	1.212
EP Energodata plc.	13.506	16.638
EP Industrija plc.	268	837
EP Promet ltd.	555	318
EP Urbanizam i arhitektura plc.	3.146	131.024
EP Oprema plc.	65.495	18.240
Inec Ltd, London	3.500	98

EP Montenegro ltd.	3.466	2.111
Encom GMBH, Frankfurt	10.966	-
United Consulting Proprietary Limited Botswana	-	3.205
EP Ghana	-	4.911
Total	124.235	249.842
Structure of receivables and liabilities to related parties	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2012</i>
<i>Receivables</i>		
EP Garant plc.	172	159
EP Visokogradnja plc.	361.432	1.013.045
EP Niskogradnja plc.	744.624	952.446
EP Hidroinženjering plc.	54.779	89.164
EP Entel plc.	9.890	7.676
EP Energodata plc.	62.256	87.282
EP Industrija plc.	39.265	32.025
EP Urbanizam i arhitektura plc.	36.061	75.865
EP Oprema plc.	9.251	6.642
EP Montenegro ltd.	-	3.189
Total	1.317.730	2.267.493
<i>Liabilities</i>		
EP Visokogradnja plc.	61	2.330
EP Niskogradnja plc.	-	806
EP Entel	100	-
EP Energodata plc.	543	-
EP Oprema plc.	35.779	-
Encom GmbH, Frankfurt	10.803	-
Subsidiary Moscow	337	-
Total	47.623	3.136

Receivables from related parties arise mostly from the sales of services and are due within 15 days from the invoice date. The Company received blank bills of exchange and authorizations as collateral.

13. COMMITMENT AND CONTINGENCIES

Contingent liability that may result in the outflow of economic benefits, may arise, first of all, from lawsuits. **A contingent liability arising from lawsuits** leads possibly to the completion of legal proceedings against the Company, yet no liability or provision was recorded in the balance sheet.

The following table contains the number and estimated values of lawsuits with the Company as the defendant and not very small probability for the Company to lose the case. Disclosed values with the contingent liability as at 31.12.2012, include only the principal amount per case.

<i>Plaintiff</i>	<i>The first instance proceedings</i>	<i>The second instance proceedings</i>	<i>Total</i>
<i>No. of cases</i>			
Natural person	7	-	7
Legal person	5	2	7
TOTAL	12	2	14
<i>in 000 dinars</i>			
Natural person	11.844	-	11.844
Legal person	1.665	2.116	3.781
TOTAL	13.509	2.116	15.625

Detailed information on the largest lawsuits with the Company as the defendant is indicated in the following table.

<i>Plaintiff</i>	<i>Basis of claims</i>	<i>Contingent liability in 000 dinars</i>
Aleksandar Vasojević	Annulment of the decision adopted at XXXVII Extraordinary General Meeting	-
New company	Establishment of land ownership rights (IN Hotel)	-
EGP investment	Compulsory redemption of shares	1.268
Raonić Milan	Copyright infringement	7.000
Belgrade Land Development Public Agency	Debt and compensation for land (Hotel Hyatt Regency Beograd)	Uncertain
Association of small shareholders, Association of retiree-shareholders - Jovan	Annulment of the decision adopted at XXXVII Extraordinary General Meeting	-

Korolija and Ivan Petrović		
Radomir Banjac	Compensation	4.400
Sreta Ivanišević	Compensation for expropriated property (Bežanija)	Uncertain
Ivan Petrović etc.	Annulment of the decision adopted at XXXVII extraordinary General Meeting and decisions adopted by The Board of Directors	-
Vladan and Tomislav Krdžić	Compensation (for the free-of-charge shares they did not earn)	444
Dimničar plc.	Compulsory redemption of shares	1.317
East west invest plc.	Compulsory redemption of shares	848
EGP Investments	Compulsory redemption of shares	348
Republic of Serbia	Determination of apartment ownership rights	-
TOTAL		15.625

Contingent asset that may result in the outflow of economic benefits, may arise, first of all, from lawsuits with the Company as the defendant.

A contingent asset arising from lawsuits leads possibly to the completion of legal proceedings in favor of the Company, yet no liability or provision was recorded in the balance sheet and the economic benefit was not recorded (for example, by reducing the value of unjustified advance payment, etc.).

The following table contains the number and estimated values of lawsuits with the Company as the plaintiff and there is a reasonable probability for the Company to win the case.

<i>Defendant</i>	<i>The first instance proceedings</i>	<i>The second instance proceedings</i>	<i>Total</i>
<i>No. of cases</i>			
Legal person	4	2	6
Natural person	2	-	2
TOTAL	6	2	8

in 000 dinars

Legal person	1.513.226	26.959	1.540.185
Natural person	149	-	149
TOTAL	1.513.375	26.959	1.540.334

Detailed information on the largest lawsuits with the Company as the plaintiff is indicated in the following table.

<i>Defendant</i>	<i>Basis of claims</i>	<i>Contingent assets in 000 dinars</i>
Stari Grad Municipality	Determination of ownership rights	-
Ministry of Finance – Tax administration	Unjustified tax refund	26.959
Mottivi ltd.	Compensation (roof repair in Goce Delčeva street 38)	94
Zekstra group ltd.	Compensation for damages (roof repair in Goce Delčeva street 38)	800
Republic of Serbia, Electric Power Industry of Serbia, Epsturs ltd. and the Republic of Montenegro	Establishment of the ideal part of ownership of the Park Hotel in Budva	-
Ivan Musić	Compensation (roof repair in Goce Delčeva street 38)	28
Dejan and Mirjana Gojković	Compensation (roof repair in Goce Delčeva street 38)	121
Grad Beograd, Belgrade Land Development Public Agency, RS	Debt (Arena)	1.512.332
TOTAL		1.540.334

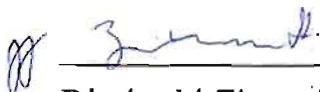
14. POST BALANCE SHEET EVENTS

There were no events after balance sheet date which would have any significant effect the credibility of the financial reports.

In Belgrade,
20.02.2013

CFO

CEO



Dimitraki Zipovski, M.Sc.Ecc.



Vladimir Milovanović, Dipl.Ing.
(Hons.)ME, Ms(PM)

3. ANNUAL BUSINESS REPORT

- General information;
 - Company's management;
 - Reliable presentation of the development and business results of the company, its financial status and property assessment;
 - Description of the anticipated company growth in the next time period, changes in company's business policies and main risks and threats to which the company is exposed;
 - Major business events after the expiration of the business year included in the report;
 - Major business deals with related parties;
 - Activities of the company in the field of research and development;
 - Data on treasury shares;
 - Statement on the implementation of the corporate governance code.
-

General information

Business name: Energoprojekt Holding a.d.

Seat and address: Beograd, Bulevar Mihaila Pupina 12

ID Number: 07023014

Tax Identification Number: 100001513

Website and e-mail address: www.energoprojekt.rs ; ep@energoprojekt.rs

Number and date of the decision on the registration with the Companies Register: BD 8020/2005

Activity (code and description): 06420 - Holding operations

Number of employees (average number in 2012): 70

Number of shareholders (on 31.12.2012): 8.258

Ten biggest shareholders (on 31.12.2012):

No.	Name and surname (business name)	Number of shares	Participation in equity
1.	Republic of Serbia	3.337.459	33,58%
2.	Napred Razvoj plc Novi Beograd	1.280.632	12,89%
3.	Unicredit Bank Srbija plc - custody	362.934	3,65%
4.	Raiffeisenbank plc Beograd- custody	243.297	2,45%
5.	Gustaviadavegardh Fonder Aktie	154.350	1,55%
6.	Unicredit Bank Srbija plc - custody	123.101	1,24%
7.	Raiffeisenbank plc Beograd- custody	114.944	1,16%
8.	Raiffeisenbank plc Beograd- custody	99.397	1,00%
9.	Erste bank plc Novi Sad- custody	89.979	0,91%
10.	Raiffeisenbank plc Beograd- custody	67.369	0,68%

Equity value: Share capital 5.068.144.380 RSD

Number of issued shares - regular: 9.937.538 regular shares, nominal value of one share is 510 RSD

ISIN number: RSHOLDE58279

CIF code: ESVUFR

Data on related parties (five most important consolidation subjects):

No.	Business name	Seat and business address
1.	Energoprojekt Visokogradnja plc	Bulevar Mihaila Pupina 12, Belgrade
2.	Energoprojekt Niskogradnja plc	Bulevar Mihaila Pupina 12, Belgrade
3.	Energoprojekt Oprema plc	Bulevar Mihaila Pupina 12, Belgrade
4.	Energoprojekt Entel plc	Bulevar Mihaila Pupina 12, Belgrade
5.	Energoprojekt Hidroinženjering plc	Bulevar Mihaila Pupina 12, Belgrade

Business name, seat and business address of the auditor: BDO d.o.o. Belgrade,
Knez Mihailova 10

Name of the organized market where shares are traded: Belgrade Stock Exchange, Novi Beograd,
Omladinskih brigada 1

Data on the Company's management

Members of the Supervisory Board (on 31.12.2012):

Name, surname and residence	Education/present position	No. of ENHL shares
1. Ivar Berger, Beograd, predsednik	VII-1 level, lawyer, Independent Consultant	634
2. Milun Trivunac, Beograd, member	VII-1 level, diplomirani economist, Consultant in the Privatization Agency, Republic of Serbia	0
3. Dragan Aleksić, Beograd, member	VII-2 level, economist, Head of sector, Energoprojekt Holding	1.065
4. Jovan Šerbanović, Beograd, member	VII-1 level, engineer, Special consultant, Energoprojekt Oprema	9.400
5. Slobodan Jovanović, Beograd, member	VII-1 level, engineer,	1.181

Consultant, Energoprojekt Holding

6. Aleksandar Glišić, Beograd, member VII-2 level, engineer, 1.088

Leading engineer, Energoprojekt Hidroinzenjering

7. Vladimir Sekulić, Beograd, member VII-1 level, economist, 1.109

Main broker in BDD M&V Investments

Members of the Executive Committee (on 31.12.2012):

Name, surname and residence	Education/present position	No. of ENHL shares
1. Vladimir Milovanović, Belgrade,	VII-1 level, engineer, General Manager, Energoprojekt Holding	13.930
2. Dimitraki Zipovski, Belgrade,	VIII level, economist, Executive director for Finance, Accounting and Planning, Energoprojekt Holding	10.344
3. Zoran Jovanović, Belgrade,	VII-2 level, lawyer, Executive Director of Legal Affairs, Energoprojekt Holding	6.384
4. Zoran Radosavljević, Belgrade,	VII-1 level, engineer, Executive Director for Corporative Projects, Development and Quality, Energoprojekt Holding	2.310
5. Dragan Tadić, Belgrade,	VII-1 level, engineer, Executive Director for "Real Estate" Projects, Energoprojekt Holding	5.571

Reliable presentation of the development and business results of the company, its financial status and property assessment

Reliable presentation of the development and business results of the company, its financial status and assets evaluation data are presented in detail and explained in the "Notes to financial statements for 2012 Energoprojekt Holding a.d." (Chapter 1 of the Annual Financial Statement). The following table indicates only some of the relevant business parameters that are important to understand properly the matter at hand.

The structure of complete obtained business results of the company in 2012 is as follows:

Structure of gross results	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Operating income and expenses</i>		
Operating income	476.714	375.566
Operating expenses	423.681	362.054
Business result	53.033	13.512
<i>Financial revenues and expenses</i>		
Financial revenues	567.842	427.440
Financial expenses	62.957	77.382
Financial result	504.885	350.058
<i>Other revenues and expenses</i>		
Other revenues	2.421	77.834
Other expenses	17.654	139.370
Result from other revenues and expenses	(15.233)	(61.536)
<i>Effects of suspended operations, changes in the accounting policy and correction of fundamental errors</i>		
Revenues	-	115
Expenses	941	3.374
Net effect	(941)	(3.259)
<i>Total gross results</i>		
TOTAL REVENUES	1.046.977	880.955
TOTAL EXPENSES	505.233	582.180
PROFIT/LOSS BEFORE TAX	541.744	298.775

Net profit per share:

<i>Indicator</i>	<i>2012</i>	<i>2011</i>
Net profit (loss) in 000 dinars	504.856	277.625
Average number of shares for one year	9.705.241	9.705.241
Net profit per share in dinars	52,02	28,61

The following table indicates the most important business indicators of the Company in 2012:

- current ratio (ratio of working capital and short-term obligations) indicating the short-term liabilities coverage against working capital;
- Rigorous ratio (ratio of liquid assets that include total working capital reduced by inventories and active accruals; and short-term obligations), indicating the short-term liabilities coverage against liquid assets;
- Operating cash flow ratio (ratio of cash flow increased by cash equivalents and short-term obligations), indicating the short-term liabilities coverage against cash assets; and
- Net working capital (difference in value between the working capital and short-term obligations).

<i>Liquidity indicators</i>	<i>Satisfactory general standards</i>	<i>2012</i>	<i>2011</i>
Current ratio	2 : 1	2,89:1	4,45:1
Rigorous ratio	1 : 1	2,64:1	4,45:1
Operating cash flow ratio		0,82:1	0,57:1
Net working capital (in thousands of dinars)	Positive value	770.779	1.442.707

The results of the ration analysis indicates that the Company was **liquid** during 2012, meaning that it had no difficulties to fulfil due liabilities and maintain the necessary scope and structure of the working capital and good creditworthiness.

The best **profitability** indicator is the *average return on own capital* that indicates the average return on own assets per dinar invested. In the calculation of this profitability indicator, average own capital are defined as an arithmetic average value at the beginning and at the end of a year.

Profitability indicator	<i>in 000 dinars</i>	
	2012	2011
Net profit/loss	504.856	277.625
<i>Average capital</i>		
Capital at the beginning	7.167.219	6.896.012
Capital at the end of a year	7.665.770	7.167.219
Average capital	7.416.494	7.031.616
Average return rate on own capital	6,81%	3,95%

Considering data from the table above, it is clear that the results of operations in 2011 and 2012, with regard to the sustainability of capital, may be estimated as satisfactory and therefore the Company is **not exposed to any capital risk**.

The soundness of the financial structure is reflected in the overall amount and type of debts.

The following tables indicate the most important Company's financial structure indicators, such as:

- Ratio of borrowed funds to total assets, showing coverage per dinar of the company's assets from borrowed sources; and
- Ratio of long-term funds to total assets, showing coverage per dinar of the company's assets from long-term sources.

Financial structure indicators	<i>in 000 dinars</i>	
	2012	2011
Liabilities	886.544	777.430
Total funds	8.552.314	7.944.649
Ratio of borrowed funds to total assets	0,10:1	0,10:1
<i>Long-term assets</i>		
Capital	7.665.770	7.167.219
Long-term provisions and long-term liabilities	478.299	358.956
Total	8.144.069	7.526.175
Total assets	8.552.314	7.944.649
Ratio of long-term to total assets	0,95:1	0,95:1

The **net debt ratio** indicates the capital coverage against net debt.

Net debt means the difference between:

- Total (long-term and short-term liabilities) financial liabilities of the Company (total liabilities reduced by the capital, long-term provisions and deferred tax liabilities of the Company) and
- Cash and cash equivalents.

Parameters for the net debt to capital ratio	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Net debt</i>		
Financial liabilities	602.869	502.974
Cash and cash equivalents	333.972	239.998
Total	268.897	262.976
Capital	7.665.770	7.167.219
NET DEBT TO CAPITAL RATIO	1:28,51	1:27,25

The description of the anticipated development of the company in the next time period, changes in business policies of the company and main risks and threats to which the company is exposed

The anticipated development of the company in the next time period will be achieved according to adopted strategic documents of the company:

- *„The mid-term (4-year) programme of Energoprojekt Holding plc business policy and the Energoprojekt Group for the period from 2011 till 2015“* (adopted at the XXXVI Annual General Meeting of Energoprojekt Holding a.d. shareholders, held on 30.06.2011);
- *"The programme for the implementation of the business policy of Energoprojekt Holding a.d. and Energoprojekt Group for the period from 2011 till 2015"* adopted by a resolution passed at the XXXVI Annual General Meeting of Energoprojekt Holding a.d. shareholders (adopted at the Second Meeting of the Board of Directors of Energoprojekt Holding a.d. held on 29.07.2011, on proposal of the General Manager). The adopted mid-term work programme will be implemented through a variety of projects (in total 18 projects) for which respective work teams are formed and project activities dynamics has been defined;
- **„Basic business guidelines of the Energoprojekt Group“** in the following mandate period (adopted at the second meeting of the Supervisory Board of Energoprojekt Holding a.d. held on 23.03.2012, on proposal of the General Manager).

The most important threats and dangers to which the company is exposed: expansion and escalation of the global economic crisis and the eurozone crisis; foreign companies from most populated countries with cheap manpower as competition; institutional changes on the local and selected foreign markets; business operations depend on the political stability of the market where Energoprojekt is implementing projects, etc.

Energoprojekt's business activities in the country and at foreign markets require the implementation of a system for early risks identification and management as an integral part of all executive functions, one of the basic functions being the internal audit of the company. The risk management strategy will be developed in-depth and systematically in the next time period.

Major business events after the expiration of the business year included in the report

There were no major business events from the balance sheet date till the publication date of the respective statement that would influence the credibility of the presented financial statements.

Relevant business news on major events are published, on a regular basis, on the website of Energoprojekt (<http://www.energoprojekt.rs>) and the Belgrade Stock Exchange (in Serbian and English language), in keeping with the obligations of A-listed companies on the Belgrade Stock Exchange.

Transactions with related parties

According to requests from IAS 24 – Related parties disclosures, the relationship, transactions, etc. between the Company and related parties were disclosed. Related parties, from the Company' point of view, are as follows: **related companies and key management** (persons with authorizations and responsibility with regard to the planning, guidance and control of company's activities, directly or indirectly, including all directors, regardless if executive or not) and immediate family members.

From the point of view of **related parties**, the following two tables indicate transactions that resulted in revenues and expenses in the income statement and disclosed receivables and liabilities in the balance sheet.

Structure of revenues and expenses from related parties	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2011</i>
<i>Income</i>		
EP Garant a.d.o.	35.811	179.245
EP Visokogradnja plc	214.296	147.130
EP Niskogradnja plc	201.584	121.641
EP Hidroinženjering plc	37.918	27.906
EP Entel plc	227.934	188.499
EP Energodata plc	17.746	9.554
EP Industrija plc	26.001	20.645
EP Promet ltd	-	20.152
EP Urbanizam i arhitektura plc	12.523	13.257
EP Oprema plc	166.934	112.879
Inec Ltd, London	-	1
Encom GmbH, Frankfurt	150	-
EP Montenegro ltd	277	1
Subsidiary Moscow	-	5.628
Total	941.174	846.538
<i>Expenses</i>		
EP Garant a.d.o.	394	3.816
EP Visokogradnja plc	16.135	57.480
EP Niskogradnja plc	5.047	9.388
EP Hidroinženjering plc	279	387
EP Entel plc	1.478	1.212
EP Energodata plc	13.506	16.638
EP Industrija plc	268	837
EP Promet ltd	555	318
EP Urbanizam i Arhitektura plc	3.146	131.024
EP Oprema plc	65.495	18.240
Inec Ltd, London	3.500	98
EP Montenegro ltd	3.466	2.111
Encom GMBH, Frankfurt	10.966	-
United Consulting Proprietary Limited Bocvana	-	3.205
EP Gana	-	4.911
Total	124.235	249.842

The structure of receivables and liabilities to related parties	<i>in 000 dinars</i>	
	<i>2012</i>	<i>2012</i>
<i>Receivables</i>		
EP Garant a.d.o.	172	159
EP Visokogradnja plc	361.432	1.013.045
EP Niskogradnja plc	744.624	952.446
EP Hidroinženjering plc	54.779	89.164
EP Entel plc	9.890	7.676
EP Energodata plc	62.256	87.282
EP Industrija plc	39.265	32.025
EP Urbanizam i arhitektura plc	36.061	75.865
EP Oprema plc	9.251	6.642
EP Montenegro ltd	-	3.189
Total	1.317.730	2.267.493
<i>Liabilities</i>		
EP Visokogradnja plc	61	2.330
EP Niskogradnja plc	-	806
EP Entel	100	-
EP Energodata plc	543	-
EP Oprema plc	35.779	-
Encom GmbH, Frankfurt	10.803	-
Subsidiary Moscow	337	-
Total	47.623	3.136

Receivables from related parties arise mostly from the sales of services and are due within 15 days from the invoice date. The Company received blank bills of exchange and authorizations as collateral.

Research and development activities of the Company

During the mid-term period, an appropriate business information system will be selected and implemented, a system that corresponds to the actual scope of business activities and planned business growth and that will enable, beside financial management, also personnel management, asset management and fixed assets management.

Own investments of Energoprojekt and related parties in previous years were limited to investments in construction works (residential areas and business premises), for sales on the market. The law on public-private partnership and increased interest in investments related to some sectors such as energy sector, acquisition of other companies, etc. imposes the need to develop methods for the identification of potential investments as well as identification of

possible effects on business activities of Energoprojekt Holding plc and the Energoprojekt Group.

Data on treasury shares

The company has no treasury shares. The company has not acquired treasury shares since the last annual financial statement.

Statement on the implementation of the corporate governance code

Energoprojekt Holding plc applies its own corporate governance code (adopted at the 11th Meeting of the Board of Directors of Energoprojekt Holding a.d. held on 26.01.2012). The code is available on the internet website of the company (www.energoprojekt.rs).

The corporate governance code of Energoprojekt Holding plc defines the principles of corporate practice and organizational culture which the corporate executives of Energoprojekt Holding plc are required to observe, especially with regard to shareholders' rights, the operational framework and corporate management policies, and the public nature and transparency of the company's operations. The main goal of the code is to introduce good business practice in corporate governance that should provide a balance in the influences of corporate executives, consistency of the control system and enable strengthening of shareholders' and investors' trust in the Company toward a long-term business development of the Company.

The bodies of the Company make efforts to incorporate principles, identified in the Code, in other internal legislation of the company, if necessary. In the implementation, there are no major deviations from the corporative governance code rules.

Executive Director for Finance, Accounting and Planing

General Manager

Energoprojekt Holding plc

Energoprojekt Holding plc



Dr. Dimitraki Zipovski

Dr. Dimitraki Zipovski, BSc (Econ)



Vladimir Milovanović

Vladimir Milovanović, BSc (Eng)

4. STATEMENT OF RESPONSIBILITY (BY PERSONS WHO PREPARED THE REPORTS)

To the best of our knowledge, the Annual Financial Statement was prepared by implementing respective international standards for financial reporting and provides true and objective data on the assets, liabilities, financial status and business activities, profit and losses, cash flows and changes in equity capital of the company, including companies included in consolidated reports.

Person responsible for the preparation of the Annual Report:

Energoprojekt Holding plc

Executive Director for Finance, Accounting and Planning



Dimitraki Zipovski
Dr Dimitraki Zipovski, BSc (Econ)

Legal representative:

Energoprojekt Holding plc

General Manager



Vladimir Milovanović
Vladimir Milovanović, BSc (Eng)

5. DECISION BY THE RELEVANT DEPARTMENT OF THE COMPANY TO ADOPT ANNUAL FINANCIAL STATEMENTS *

Note *:

- The financial statement of Energoprojekt Holding plc for 2012 was approved on 25.02.2013 at the 13th Meeting of the Supervisory Board of the issuing party and duly submitted to the Business Registers Agency on 27.02.2013. The Annual Financial Statement of the Company was still not adopted on the publishing date by the competent body of the Company (General Meeting). The entire decision of the relevant body on the adoption of the annual financial statement will be subsequently published.

6. DECISION ON THE DISTRIBUTION OF PROFIT OR LOSS COVERAGE*

Note *:

- The decision on the distribution of profit for 2012 will be reached at the Regular General Meeting of the Company. The entire decision of the relevant body on profit distribution will be subsequently published.

A public company is required to prepare an annual financial statement, publish it openly and submit it to the Committee, and to submit these statements to the regulated market or multilateral trade platform, if company's securities are traded at least four months after the completion of each business year and it is also required to ensure that the Annual Financial Statement is available to the public for at least five years after publication.

The company is responsible for the accuracy and truthfulness of data included in the Annual Financial Statement.

In Belgrade, April 2013

Person responsible for the preparation of the Annual Report:

Legal representative:

Energoprojekt Holding plc

Executive Director for Finance, Accounting and Planning

Energoprojekt Holding plc

General Manager



Dr Dimitraki Zipovski, BSc (Econ)



Vladimir Milovanović, BSc (Eng)