

CONSOLIDATED P&L ACCOUNT
for the period from January 1 to December 31 2008

(RSD thousand)

Account group, account	DESCRIPTION	ADP	Note	Total	
				Current year	Previous year
	A. BUSINESS INCOME AND EXPENDITURE				
	I. BUSINESS INCOME (202+203+204-205+206)	201		17.930.970	16.828.507
60&61	1. Return on sales	202	8	19.421.235	13.470.535
62	2. Own use of products, services and merchandise	203		26.419	55.808
630	3. Increase of finished goods, work in progress and services in progress	204	9	2.618.940	3.333.410
631	4. Decrease of finished goods, work in progress and services in progress	205	9	4.315.683	162.916
64&65	5. Other business revenue	206	10	180.059	131.670
	II. BUSINESS EXPENDITURE	207		17.070.185	16.421.841
50	1. Cost of merchandise sold	208	11	313.503	241.571
51	2. Cost of material	209	12	4.416.085	4.174.236
52	3. Costs of salaries, fringe benefits and other personal expenses	210	13	5.320.887	4.668.583
54	4. Costs of depreciation and provisions	211	14	510.912	513.322
53&55	5. Other business expenditure	212	15	6.508.798	6.824.129
	III. BUSINESS PROFIT	213		860.785	406.666
	IV. BUSINESS LOSSES	214			
66	V. FINANCIAL INCOME	215	16	1.932.734	1.664.121
56	VI. FINANCIAL EXPENDITURE	216	16	2.056.287	1.413.099
67,68	VII. OTHER INCOME	217	17	394.071	538.352
57,58	VIII. OTHER EXPENDITURE	218	17	293.491	234.399
	IX. REGULAR BUSINESS REVENUE BEFORE TAX	219		837.812	961.641
	X. REGULAR BUSINESS LOSSES BEFORE TAX	220			
69-59	XI. NET PROFIT FROM SUSPENDED OPERATIONS	221			
59-69	XII. NET LOSSES FROM SUSPENDED OPERATIONS	222	18	565	147
	B. PROFIT BEFORE TAX	223		837.247	961.494
	C. LOSSES BEFORE TAX	224			
	D. CORPORATE INCOME TAX				
721	1. Tax liabilities for the period	225		49.653	59.182
722	2. Deferred tax liabilities for the period	226		11.167	
723	3. Deferred tax income for the period	227			9.850
	E. PERSONAL WAGES PAID TO EMPLOYER	228			
	F. NET PROFIT	229		776.427	912.162
	G. NET LOSS	230			
	H. NET PROFIT PAYABLE TO MINORITY STAKEHOLDERS	231		74.390	143.210
	I. NET PROFIT PAYABLE TO PARENT COMPANY OWNERS	232		702.037	768.952
	J. EARNINGS PER SHARE				
	1. Basic earnings per share	233			
	2. Diluted earnings per share	234			

CONSOLIDATED BALANCE SHEET

as at December 31 2008

(RSD thousand)

Account group, account	DESCRIPTION	ADP	Note	Total	
				Current year	Previous year
	ASSETS				
	A. NON-CURRENT ASSETS	001		8.123.725	6.790.232
00	I. SUBSCRIBED CAPITAL, UNPAID	002			
012	II. GOODWILL	003			
01 without 012	III. INTANGIBLES	004		93.924	59.533
	IV. PROPERTY, PLANT, EQUIPMENT AND NATURAL ASSETS	005		5.796.586	4.604.197
020,022,023,02 6,027(part),028 (part),029	1. Property, plant & equipment	006	20	5.607.367	4.416.268
024,027(part)& 028(part)	2. Investment property	007	20	189.219	187.929
021,025,027 (part)&028(part)	3. Natural assets	008			
	V. LONG-TERM FINANCIAL INVESTMENTS	009		2.233.215	2.126.502
030 do 032,039(part)	1. Share of Capital	010	22	814.958	1.056.809
033 do 038,039(part) less 037	2. Other long-term financial investments	011	22	1.418.257	1.069.693
	B. CURRENT ASSETS	012		15.775.264	14.296.485
10 to 13,15	I. MATERIAL	013	23	6.433.734	6.879.025
14	II. ASSETS HELD FOR TRADING AND SUSPENDED BUSINESS ASSETS	014		31.093	285.717
	III. SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH	015		9.310.437	7.131.743
20,21&22, except 223	1. Receivables	016	24	4.314.782	3.320.347
223	2. Receivables from prepaid income tax	017	24	33.950	44.531
23 less 237	3. Short-term financial investments	018	25	542.480	604.023
24	4. Cash and cash equivalents	019	26	3.085.355	2.358.656
27&28 except 288	5. VAT and deferred income	020		1.333.870	804.186
288	IV. DEFERRED TAX ASSETS	021		17	1.667
	C. BUSINESS PROPERTY	022		23.899.006	21.088.384
29	D. LOSSES OVER CAPITAL	023			
	E. TOTAL ASSETS	024		23.899.006	21.088.384
88	F. OFF-BALANCE SHEET ASSETS	025	39	18.160.619	6.317.714

CONSOLIDATED BALANCE SHEET

as at December 31 2008 (cont'd)

Account group, account	DESCRIPTION	ADP	Note	(RSD thousand)	
				Total	
				Current year	Previous year
	LIABILITIES				
	A. CAPITAL	101		8.077.625	7.325.969
30	I. ORIGINAL AND OTHER CAPITAL	102	27	3.664.961	3.533.402
31	II. SUBSCRIBED CAPITAL, UNPAID	103			
32	III. RESERVES	104	28	486.455	451.023
330&331	IV. REVALUATION RESERVES	105	29	929.183	1.021.221
332	V. UNREALIZED PROFITS FROM SECURITIES	106	29	61.565	
333	VI. UNREALIZED LOSSES FROM SECURITIES	107	29	11.751	
34	VII. UNDISTRIBUTED PROFIT	108	30	3.065.617	2.420.442
35	VIII. LOSSES	109	30	114.978	100.119
037&237	IX. REDEEMED SHARES	110	27	3.427	
	B. LONG-TERM RESERVES AND LIABILITIES	111		15.757.015	13.707.258
40	I. LONG-TERM RESERVES	112	31	478.551	529.413
41	II. LONG-TERM COMMITMENTS	113		2.621.698	1.275.616
414,415	1. Long-term loans	114	32	2.444.845	1.091.308
41 without 414&415	2. Other long-term commitments	115	33	176.853	184.308
	III. SHORT-TERM COMMITMENTS	116		12.656.766	11.902.229
42 except 427	1. Short-term financial commitments	117	34	1.450.132	1.457.867
427	2. Commitments for assets intended for sale and suspended business assets	118			
43&44	3. Business commitments	119	35	9.373.300	8.998.408
45&46	4. Other short-term commitments	120	36	658.421	706.335
47, 48 except 481&49 except 498	5. VAT and other public revenue and accruals	121	37	1.163.149	713.485
481	6. Corporate income tax	122		11.764	26.134
498	IV. DEFERRED TAX LIABILITIES	123		64.366	55.157
	C. TOTAL LIABILITIES	124		23.899.006	21.088.384
89	D. OFF-BALANCE LIABILITIES	125	39	18.160.619	6.317.714
	MINORITY INTEREST (EQUITY)			924.726	877.871

CONSOLIDATED CASH FLOW STATEMENT

for the period from January 1 to December 31 2008

(RSD 000)

DESCRIPTION	ADP	Total	
		Current year	Previous year
A. CASH FLOW FROM BUSINESS OPERATIONS			
I. Cash inflow from business operations	301	19.961.327	18.177.442
1. Sales return and received advances	302	19.657.289	17.359.008
2. Received interest from business operations	303	101.165	30.383
3. Other cash inflows from regular business operations	304	202.873	788.051
II. Cash outflow from business operations	305	19.626.113	16.512.745
1. Payments to suppliers and advances given	306	13.565.909	11.196.639
2. Salaries, emoluments and other personal expenses	307	4.900.338	4.112.849
3. Paid interest	308	373.637	195.242
4. Income tax	309	145.217	122.315
5. Other public revenue expenses	310	641.012	885.700
III. Net cash inflow from business operations	311	335.214	1.664.697
IV. Net cash outflow from business operations	312		
B. CASH FLOW FROM INVESTING ACTIVITIES			
I. Cash inflow from investing activities	313	428.339	746.174
1. Sale of shares and equity investments (net inflow)	314	2.924	87.357
2. Sale of intangible assets, plant, property, equipment & natural assets	315	84.591	33.784
3. Other financial investments (net inflow)	316	173.992	532.593
4. Received interest	317	91.775	46.344
5. Received dividends	318	75.057	46.096
II. Cash outflow from investing activities	319	1.297.602	1.463.766
1. Purchase of shares and equity investments (net outflow)	320	18.009	262
2. Purchase of intangible assets, plant, property, equipment & natural assets	321	1.021.601	593.163
3. Other financial investments (net outflow)	322	257.992	870.341
III. Net cash inflow from investing activities	323		
IV. Net cash outflow from investing activities	324	869.263	717.592

CONSOLIDATED CASH FLOW STATEMENT – cont'd

for the period from January 1 to December 31 2008

(RSD 000)

DESCRIPTION	ADP	Total	
		Current year	Previous year
C. CASH FLOW FROM FINANCING ACTIVITIES			
I. Cash inflow from financing activities	325	2.290.846	1.767.978
1. Increase of original capital	326	19	212
2. Long term and short term loans (net inflow)	327	1.960.306	841.635
3. Other long term and short term liabilities	328	330.521	926.131
II. Cash outflow from financing activities	329	881.446	1.570.226
1. Repurchase of treasury shares and equity	330	3.427	
2. Long term and short term loans and other liabilities (net outflow)	331	741.321	1.218.133
3. Finance leasing	332	54.562	146.519
4. Paid dividends	333	82.136	205.574
III. Net cash inflow from financing activities	334	1.409.400	197.752
IV. Net cash outflow from financing activities	335		
D. CASH INFLOW TOTAL	336	22.680.512	20.691.594
E. CASH OUTFLOW TOTAL	337	21.805.161	19.546.737
F. CASH INFLOW NET	338	875.351	1.144.857
G. CASH OUTFLOW NET	339		
H. OPENING CASH BALANCE	340	2.358.656	1.309.046
I. FX GAINS FROM CASH TRANSLATION	341	382.407	185.947
J. FX LOSSES FROM CASH TRANSLATION	342	531.059	281.194
K. CLOSING CASH BALANCE	343	3.085.355	2.358.656

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period from January 1 to December 31 2008

RSD 000

No.	ITEM	Original capital (group 30 w/o 309)	Other capital (a/c 309)	Registered capital unpaid (group 31)	Issuing premium (a/c 320)	Reserves (a/c 321, 322)	Revaluation reserves (group 33)	Unrealized profits from securities (332)	Unrealized losses from securities (333)	Undistributed profit (group 34)	Loss up to capital (group 35)	Repurchased shares and equity (a/c 037,237)	TOTAL	Loss over capital (group 29)
1	ADP	401	414	427	440	453	466	479	492	505	518	531	544	557
	Balance on January 1 of previous year 2007	3.498.331	49.353		232.491	180.776	915.883			1.939.979	90.121		6.726.692	
2	ADP	402	415	428	441	454	467	480	493	506	519	532	545	558
	Correction of significant material errors and changes in accounting policies in previous year - increase													
3	ADP	403	416	429	442	455	468	481	494	507	520	533	546	559
	Correction of significant material errors and changes in accounting policies in previous year - decrease													
4	ADP	404	417	430	443	456	469	482	495	508	521	534	547	560
	Restated opening balance on January 1 of previous year 2007 (No.1+2-3)	3.498.331	49.353		232.491	180.776	915.883			1.939.979	90.121		6.726.692	
5	ADP	405	418	431	444	457	470	483	496	509	522	535	548	561
	Total increase in previous year		39.984			37.827	255.954			1.108.835	9.998		1.432.602	
6	ADP	406	419	432	445	458	471	484	497	510	523	536	549	562
	Total decrease in previous year	52.625	1.641			71	150.616			628.372			833.325	
7	ADP	407	420	433	446	459	472	485	498	511	524	537	550	563
	Balance on December 31 of previous year 2007 (No.4+5-6)	3.445.706	87.696		232.491	218.532	1.021.221			2.420.442	100.119		7.325.969	
8	ADP	408	421	434	447	460	473	486	499	512	525	538	551	564
	Correction of significant material errors and changes in accounting policies in current year - increase													
9	ADP	409	422	435	448	461	474	487	500	513	526	539	552	565
	Correction of significant material errors and changes in accounting policies in current year - decrease													
10	ADP	410	423	436	449	462	475	488	501	514	527	540	553	566
	Restated opening balance on January 1 of current year 2008 (No.7+8-9)	3.445.706	87.696		232.491	218.532	1.021.221			2.420.442	100.119		7.325.696	
11	ADP	411	424	437	450	463	476	489	502	515	528	541	554	567
	Total increase in current year	314.047	15.593			49.423	194.006	191.613	45.562	1.911.739	27.266	3.427	2.600.166	
12	ADP	412	425	438	451	464	477	490	503	516	529	542	555	568
	Total decrease in current year	196.112	1.969		3.987	10.004	286.044	130.048	33.811	1.266.564	12.407		1.848.510	
13	ADP	413	426	439	452	465	478	491	504	517	530	543	556	569
	Balance on December 31 of current year 2008 (No.10+11-12)	3.563.641	101.320		228.504	257.951	929.183	61.565	11.751	3.065.617	114.978	3.427	8.077.625	

**CONSOLIDATED STATISTICAL ANNEX
FOR 2008**

I GENERAL INFORMATION ON THE LEGAL ENTITY / ENTREPRENEUR

I T E M	ADP	Current Year	Previous Year
1. Total months of operation (indicate from 1 to 12)	601	12	12
2. Size (indicate from 1 to 3)	602	3	3
3. Ownership (indicate from 1 to 5)	603	2	2
4. Number of foreign (legal or natural) parties with share of equity	604		
5. Average number of employees based on monthly account (whole number)	605	2.535	2.606

II GROSS CHANGES ON INTANGIBLE ASSETS AND PROPERTY, PLANT, EQUIPMENT & NATURAL ASSETS

Account Group, Account	I T E M	ADP	RSD 000		
			Gross	Adjusted	Net (4-5)
01	1. Intangible assets				
	1.1. Opening balance	606	170.284	110.751	59.533
	1.2. Increase (purchases) during the year	607	51.291		51.291
	1.3. Decrease (disposal, depreciation and writing off) during the year	608	2.927		16.900
	1.4. Revaluation during the year	609			
	1.5. Balance at end of year	610	218.648	124.724	93.924
02	2. Property, plant, equipment & natural assets				
	2.1. Opening balance	611	9.847.937	5243.740	4.604.197
	2.2. Increase (purchases) during the year	612	2.007.577		2.007.577
	2.3. Decrease (disposal, depreciation and writing off) during the year	613	460.890		815.188
	2.4. Revaluation during the year	614			
	2.5. Balance at end of year	615	11.394.624	5.598.038	5.796.586

III STRUCTURE OF INVENTORIES

Account Group, Account	I T E M	ADP	RSD 000	
			Current Year	Previous Year
10	1. Materials	616	1.063.176	598.560
11	2. Unfinished goods	617	3.996.279	5.508.653
12	3. Finished products	618	486.777	269.187
13	4. Goods	619	25.930	22.319
14	5. Assets held for trading	620	31.093	285.717
15	6. Advances given	621	861.572	480.306
	7. TOTAL	622	6.464.827	7.164.742

IV STRUCTURE OF ORIGINAL CAPITAL

Account Group, Account	I T E M	ADP	RSD 000	
			Current Year	Previous Year
300	1. Share capital	623	3.563.641	3.483.963
	of which: foreign capital	624		
301	2. Share of limited liability companies	625		
	of which: foreign capital	626		
302	3. Investments by members of partnerships and limited partnerships	627		
	of which: foreign capital	628		
303	4. Government owned capital	629		
304	5. Socially owned capital	630		
305	6. Stakes in co-operatives	631		
309	7. Other original capital	632	101.320	49.439
30	TOTAL	633	3.664.961	3.533.402

V STRUCTURE OF SHARE CAPITAL

Account Group, Account	I T E M	ADP	Shares in whole numbers RSD 000	
			Current Year	Previous Year
	1. Ordinary shares			
	1.1 Number of ordinary shares	634	9.790.552	9.413.315
part of 300	1.2 Nominal value of ordinary shares - total	635	3.563.641	3.483.963
	2. Preferred shares			
	2.1 Number of preferred shares	636		
part of 300	2.2 Nominal value of preferred shares - total	637		
300	TOTAL	638	3.563.641	3.483.963

VI CLAIMS AND COMMITMENTS

Account Group, Account	I T E M	ADP	RSD 000	
			Current Year	Previous Year
20	1. Claims from sales arrangements (at end of year 639≤016)	639	3.988.127	3.320.347
43	2. Business commitments (at end of year 640≤0117)	640	8.883.550	8.998.408
part of 228	3. Damage claims during year from insurance companies (debit transactions without opening balance)	641	4.671	
27	4. VAT paid for procuring goods and services (annual according to tax reports)	642	1.101.784	909.814
43	5. Business commitments (debit transactions without opening balance)	643	14.700.837	11.864.878
450	6. Net salaries and fringe benefits (debit transactions without opening balance)	644	3.309.516	1.691.615
451	7. Salary taxes and duties paid by employee (debit transactions without opening balance)	645	316.215	228.346
452	8. Contributions for salary and fringe benefits paid by employee (debit transactions without opening balance)	646	626.838	356.216
461, 462 & 723	9. Dividends, share of profit and employer's remuneration (debit transactions without opening balance)	647	488.160	313.540
465	10. Obligations to natural entities based on service contracts (debit transactions without opening balance)	648	13.290	7.442
47	11. VAT paid on sale of products, goods and services (debit transactions without opening balance)	649	1.445.524	1.117.948
	12. Subtotal (from 639 to 649)	650	34.878.512	28.808.607

VII OTHER EXPENDITURE

Account Group, Account	I T E M	ADP	RSD 000	
			Current Year	Previous Year
513	1. Cost of fuel and energy	651	713.311	435.034
520	2. Salaries and emoluments (gross)	652	4.148.602	3.448.013
521	3. Salary taxes and contributions and emoluments paid by employer	653	574.862	505.340
522,523, 524&525	4. Obligations to natural entities (gross) based on service contracts	654	80.150	120.268
526	5. Remuneration for board members and the supervisory board (gross)	655	41.125	34.084
529	6. Other personal expenses and fees	656	476.148	536.728
53	7. Production service costs	657	5.044.403	5.701.417
533, part 540 & part 525	8. Leased property	658	358.512	197.649
part 533 part 540 & part 525	9. Leased land	659		1.044
536,537	10. Research and development	660	3.664	4.031
540	11. Depreciation	661	486.488	455.860
552	12. Insurance premiums	662	46.665	76.005
553	13. Payment transaction costs	663	202.799	189.655
554	14. Membership fees	664	10.171	8.752
555	15. Taxes	665	276.209	236.159
556	16. Contributions	666	318	6.429
562	17. Interest expenses	667	255.092	197.687
part 560 part 561 & 562	18. Interest expenses and partial financial expenditure	668	319.388	191.262
part 560 part 561 & part 562	19. Interest on loans from banks and other financial organizations	669	133.787	77.568
part 579	20. Expenses for humanitarian, cultural, healthcare, educational, scientific and religious purposes, environmental protection and sports	670	14.103	34.600
	21. Subtotal (from 651 to 670)	671	13.192.577	12.457.585

VIII OTHER INCOME

Account Group, Account	I T E M	ADP	RSD 000	
			Current Year	Previous Year
60	1. Sales return	672	506.229	461.483
640	2. Income premiums, subventions, subsidies, recourse, compensation and tax returns	673		601
641	3. Income from conditional donations	674		993
part 650	4. Income from lease of land	675	23.974	20.302
651	5. Income from membership fees	676	27	550
part 660, part 661 & part 662	6. Income from interest	677	165.235	117.752
part 660, part 661 & part 662	7. Income from interest on invoices and deposits in banks and other financial organizations	678	78.391	32.511
part 660, part 661, & part 669	8. Income from dividends and profit shares	679	549.553	354.603
	9. Subtotal (from 672 to 679)	680	1.323.409	988.795

IX OTHER INFORMATION

I T E M	ADP	RSD 000	
		Current Year	Previous Year
1. Excise duties	681		
2. Customs and other import duties (annual amount according to account)	682	6.081	2.718
3. Capital subventions and other government grants for construction and purchase of fixed assets and intangible investments	683		
4. Government grants for premiums, subsidies and current operating expenses coverage	684		
5. Other government grants	685		
6. Accepted donations from abroad and other nonrefundable assets from foreign legal and natural entities in money or in kind	686	8.065	
7. Personal earnings of entrepreneur from net profit (entrepreneurs only)	687		
8. Subtotal (from 681 to 687)	688	14.146	2.718

ENERGOPROJEKT GROUP, BELGRADE

**NOTES TO THE
CONSOLIDATED FINANCIAL STATEMENTS
FOR 2008**

ENERGOPROJEKT GROUP, BELGRADE

**CONSOLIDATED FINANCIAL STATEMENTS
FOR 2008**

C O N T E N T S

	Page
Consolidated P&L Account	3
Consolidated Balance Sheet	4-5
Consolidated Cash Flow Statement	6-7
Consolidated Statement of Changes in Equity	8
Consolidated Statistical Annex	9-12
Notes to the consolidated financial statements	13-49

CONSOLIDATED P&L ACCOUNT
for the period from January 1 to December 31 2008

(RSD thousand)

Account group, account	DESCRIPTION	ADP	Note	Total	
				Current year	Previous year
	A. BUSINESS INCOME AND EXPENDITURE				
	I. BUSINESS INCOME (202+203+204-205+206)	201		17.930.970	16.828.507
60&61	1. Return on sales	202	8	19.421.235	13.470.535
62	2. Own use of products, services and merchandise	203		26.419	55.808
630	3. Increase of finished goods, work in progress and services in progress	204	9	2.618.940	3.333.410
631	4. Decrease of finished goods, work in progress and services in progress	205	9	4.315.683	162.916
64&65	5. Other business revenue	206	10	180.059	131.670
	II. BUSINESS EXPENDITURE	207		17.070.185	16.421.841
50	1. Cost of merchandise sold	208	11	313.503	241.571
51	2. Cost of material	209	12	4.416.085	4.174.236
52	3. Costs of salaries, fringe benefits and other personal expenses	210	13	5.320.887	4.668.583
54	4. Costs of depreciation and provisions	211	14	510.912	513.322
53&55	5. Other business expenditure	212	15	6.508.798	6.824.129
	III. BUSINESS PROFIT	213		860.785	406.666
	IV. BUSINESS LOSSES	214			
66	V. FINANCIAL INCOME	215	16	1.932.734	1.664.121
56	VI. FINANCIAL EXPENDITURE	216	16	2.056.287	1.413.099
67,68	VII. OTHER INCOME	217	17	394.071	538.352
57,58	VIII. OTHER EXPENDITURE	218	17	293.491	234.399
	IX. REGULAR BUSINESS REVENUE BEFORE TAX	219		837.812	961.641
	X. REGULAR BUSINESS LOSSES BEFORE TAX	220			
69-59	XI. NET PROFIT FROM SUSPENDED OPERATIONS	221			
59-69	XII. NET LOSSES FROM SUSPENDED OPERATIONS	222	18	565	147
	B. PROFIT BEFORE TAX	223		837.247	961.494
	C. LOSSES BEFORE TAX	224			
	D. CORPORATE INCOME TAX				
721	1. Tax liabilities for the period	225		49.653	59.182
722	2. Deferred tax liabilities for the period	226		11.167	
723	3. Deferred tax income for the period	227			9.850
	E. PERSONAL WAGES PAID TO EMPLOYER	228			
	F. NET PROFIT	229		776.427	912.162
	G. NET LOSS	230			
	H. NET PROFIT PAYABLE TO MINORITY STAKEHOLDERS	231		74.390	143.210
	I. NET PROFIT PAYABLE TO PARENT COMPANY OWNERS	232		702.037	768.952
	J. EARNINGS PER SHARE				
	1. Basic earnings per share	233			
	2. Diluted earnings per share	234			

CONSOLIDATED BALANCE SHEET

as at December 31 2008

(RSD thousand)

Account group, account	DESCRIPTION	ADP	Note	Total	
				Current year	Previous year
	ASSETS				
	A. NON-CURRENT ASSETS	001		8.123.725	6.790.232
00	I. SUBSCRIBED CAPITAL, UNPAID	002			
012	II. GOODWILL	003			
01 without 012	III. INTANGIBLES	004		93.924	59.533
	IV. PROPERTY, PLANT, EQUIPMENT AND NATURAL ASSETS	005		5.796.586	4.604.197
020,022,023,02 6,027(part),028 (part),029	1. Property, plant & equipment	006	20	5.607.367	4.416.268
024,027(part)& 028(part)	2. Investment property	007	20	189.219	187.929
021,025,027 (part)&028(part)	3. Natural assets	008			
	V. LONG-TERM FINANCIAL INVESTMENTS	009		2.233.215	2.126.502
030 do 032,039(part)	1. Share of Capital	010	22	814.958	1.056.809
033 do 038,039(part) less 037	2. Other long-term financial investments	011	22	1.418.257	1.069.693
	B. CURRENT ASSETS	012		15.775.264	14.296.485
10 to 13,15	I. MATERIAL	013	23	6.433.734	6.879.025
14	II. ASSETS HELD FOR TRADING AND SUSPENDED BUSINESS ASSETS	014		31.093	285.717
	III. SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH	015		9.310.437	7.131.743
20,21&22, except 223	1. Receivables	016	24	4.314.782	3.320.347
223	2. Receivables from prepaid income tax	017	24	33.950	44.531
23 less 237	3. Short-term financial investments	018	25	542.480	604.023
24	4. Cash and cash equivalents	019	26	3.085.355	2.358.656
27&28 except 288	5. VAT and deferred income	020		1.333.870	804.186
288	IV. DEFERRED TAX ASSETS	021		17	1.667
	C. BUSINESS PROPERTY	022		23.899.006	21.088.384
29	D. LOSSES OVER CAPITAL	023			
	E. TOTAL ASSETS	024		23.899.006	21.088.384
88	F. OFF-BALANCE SHEET ASSETS	025	39	18.160.619	6.317.714

CONSOLIDATED BALANCE SHEET

as at December 31 2008 (cont'd)

Account group, account	DESCRIPTION	ADP	Note	(RSD thousand)	
				Total	
				Current year	Previous year
	LIABILITIES				
	A. CAPITAL	101		8.077.625	7.325.969
30	I. ORIGINAL AND OTHER CAPITAL	102	27	3.664.961	3.533.402
31	II. SUBSCRIBED CAPITAL, UNPAID	103			
32	III. RESERVES	104	28	486.455	451.023
330&331	IV. REVALUATION RESERVES	105	29	929.183	1.021.221
332	V. UNREALIZED PROFITS FROM SECURITIES	106	29	61.565	
333	VI. UNREALIZED LOSSES FROM SECURITIES	107	29	11.751	
34	VII. UNDISTRIBUTED PROFIT	108	30	3.065.617	2.420.442
35	VIII. LOSSES	109	30	114.978	100.119
037&237	IX. REDEEMED SHARES	110	27	3.427	
	B. LONG-TERM RESERVES AND LIABILITIES	111		15.757.015	13.707.258
40	I. LONG-TERM RESERVES	112	31	478.551	529.413
41	II. LONG-TERM COMMITMENTS	113		2.621.698	1.275.616
414,415	1. Long-term loans	114	32	2.444.845	1.091.308
41 without 414&415	2. Other long-term commitments	115	33	176.853	184.308
	III. SHORT-TERM COMMITMENTS	116		12.656.766	11.902.229
42 except 427	1. Short-term financial commitments	117	34	1.450.132	1.457.867
427	2. Commitments for assets intended for sale and suspended business assets	118			
43&44	3. Business commitments	119	35	9.373.300	8.998.408
45&46	4. Other short-term commitments	120	36	658.421	706.335
47, 48 except 481&49 except 498	5. VAT and other public revenue and accruals	121	37	1.163.149	713.485
481	6. Corporate income tax	122		11.764	26.134
498	IV. DEFERRED TAX LIABILITIES	123		64.366	55.157
	C. TOTAL LIABILITIES	124		23.899.006	21.088.384
89	D. OFF-BALANCE LIABILITIES	125	39	18.160.619	6.317.714
	MINORITY INTEREST (EQUITY)			924.726	877.871

CONSOLIDATED CASH FLOW STATEMENT

for the period from January 1 to December 31 2008

(RSD 000)

DESCRIPTION	ADP	Total	
		Current year	Previous year
A. CASH FLOW FROM BUSINESS OPERATIONS			
I. Cash inflow from business operations	301	19.961.327	18.177.442
1. Sales return and received advances	302	19.657.289	17.359.008
2. Received interest from business operations	303	101.165	30.383
3. Other cash inflows from regular business operations	304	202.873	788.051
II. Cash outflow from business operations	305	19.626.113	16.512.745
1. Payments to suppliers and advances given	306	13.565.909	11.196.639
2. Salaries, emoluments and other personal expenses	307	4.900.338	4.112.849
3. Paid interest	308	373.637	195.242
4. Income tax	309	145.217	122.315
5. Other public revenue expenses	310	641.012	885.700
III. Net cash inflow from business operations	311	335.214	1.664.697
IV. Net cash outflow from business operations	312		
B. CASH FLOW FROM INVESTING ACTIVITIES			
I. Cash inflow from investing activities	313	428.339	746.174
1. Sale of shares and equity investments (net inflow)	314	2.924	87.357
2. Sale of intangible assets, plant, property, equipment & natural assets	315	84.591	33.784
3. Other financial investments (net inflow)	316	173.992	532.593
4. Received interest	317	91.775	46.344
5. Received dividends	318	75.057	46.096
II. Cash outflow from investing activities	319	1.297.602	1.463.766
1. Purchase of shares and equity investments (net outflow)	320	18.009	262
2. Purchase of intangible assets, plant, property, equipment & natural assets	321	1.021.601	593.163
3. Other financial investments (net outflow)	322	257.992	870.341
III. Net cash inflow from investing activities	323		
IV. Net cash outflow from investing activities	324	869.263	717.592

CONSOLIDATED CASH FLOW STATEMENT – cont'd

for the period from January 1 to December 31 2008

(RSD 000)

DESCRIPTION	ADP	Total	
		Current year	Previous year
C. CASH FLOW FROM FINANCING ACTIVITIES			
I. Cash inflow from financing activities	325	2.290.846	1.767.978
1. Increase of original capital	326	19	212
2. Long term and short term loans (net inflow)	327	1.960.306	841.635
3. Other long term and short term liabilities	328	330.521	926.131
II. Cash outflow from financing activities	329	881.446	1.570.226
1. Repurchase of treasury shares and equity	330	3.427	
2. Long term and short term loans and other liabilities (net outflow)	331	741.321	1.218.133
3. Finance leasing	332	54.562	146.519
4. Paid dividends	333	82.136	205.574
III. Net cash inflow from financing activities	334	1.409.400	197.752
IV. Net cash outflow from financing activities	335		
D. CASH INFLOW TOTAL	336	22.680.512	20.691.594
E. CASH OUTFLOW TOTAL	337	21.805.161	19.546.737
F. CASH INFLOW NET	338	875.351	1.144.857
G. CASH OUTFLOW NET	339		
H. OPENING CASH BALANCE	340	2.358.656	1.309.046
I. FX GAINS FROM CASH TRANSLATION	341	382.407	185.947
J. FX LOSSES FROM CASH TRANSLATION	342	531.059	281.194
K. CLOSING CASH BALANCE	343	3.085.355	2.358.656

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period from January 1 to December 31 2008

RSD 000

No.	ITEM	Original capital (group 30 w/o 309)	Other capital (a/c 309)	Registered capital unpaid (group 31)	Issuing premium (a/c 320)	Reserves (a/c 321, 322)	Revaluation reserves (group 33)	Unrealized profits from securities (332)	Unrealized losses from securities (333)	Undistributed profit (group 34)	Loss up to capital (group 35)	Repurchased shares and equity (a/c 037,237)	TOTAL	Loss over capital (group 29)
1	ADP	401	414	427	440	453	466	479	492	505	518	531	544	557
	Balance on January 1 of previous year 2007	3.498.331	49.353		232.491	180.776	915.883			1.939.979	90.121		6.726.692	
2	ADP	402	415	428	441	454	467	480	493	506	519	532	545	558
	Correction of significant material errors and changes in accounting policies in previous year - increase													
3	ADP	403	416	429	442	455	468	481	494	507	520	533	546	559
	Correction of significant material errors and changes in accounting policies in previous year - decrease													
4	ADP	404	417	430	443	456	469	482	495	508	521	534	547	560
	Restated opening balance on January 1 of previous year 2007 (No.1+2-3)	3.498.331	49.353		232.491	180.776	915.883			1.939.979	90.121		6.726.692	
5	ADP	405	418	431	444	457	470	483	496	509	522	535	548	561
	Total increase in previous year		39.984			37.827	255.954			1.108.835	9.998		1.432.602	
6	ADP	406	419	432	445	458	471	484	497	510	523	536	549	562
	Total decrease in previous year	52.625	1.641			71	150.616			628.372			833.325	
7	ADP	407	420	433	446	459	472	485	498	511	524	537	550	563
	Balance on December 31 of previous year 2007 (No.4+5-6)	3.445.706	87.696		232.491	218.532	1.021.221			2.420.442	100.119		7.325.969	
8	ADP	408	421	434	447	460	473	486	499	512	525	538	551	564
	Correction of significant material errors and changes in accounting policies in current year - increase													
9	ADP	409	422	435	448	461	474	487	500	513	526	539	552	565
	Correction of significant material errors and changes in accounting policies in current year - decrease													
10	ADP	410	423	436	449	462	475	488	501	514	527	540	553	566
	Restated opening balance on January 1 of current year 2008 (No.7+8-9)	3.445.706	87.696		232.491	218.532	1.021.221			2.420.442	100.119		7.325.696	
11	ADP	411	424	437	450	463	476	489	502	515	528	541	554	567
	Total increase in current year	314.047	15.593			49.423	194.006	191.613	45.562	1.911.739	27.266	3.427	2.600.166	
12	ADP	412	425	438	451	464	477	490	503	516	529	542	555	568
	Total decrease in current year	196.112	1.969		3.987	10.004	286.044	130.048	33.811	1.266.564	12.407		1.848.510	
13	ADP	413	426	439	452	465	478	491	504	517	530	543	556	569
	Balance on December 31 of current year 2008 (No.10+11-12)	3.563.641	101.320		228.504	257.951	929.183	61.565	11.751	3.065.617	114.978	3.427	8.077.625	

**CONSOLIDATED STATISTICAL ANNEX
FOR 2008**

I GENERAL INFORMATION ON THE LEGAL ENTITY / ENTREPRENEUR

I T E M	ADP	Current Year	Previous Year
1. Total months of operation (indicate from 1 to 12)	601	12	12
2. Size (indicate from 1 to 3)	602	3	3
3. Ownership (indicate from 1 to 5)	603	2	2
4. Number of foreign (legal or natural) parties with share of equity	604		
5. Average number of employees based on monthly account (whole number)	605	2.535	2.606

II GROSS CHANGES ON INTANGIBLE ASSETS AND PROPERTY, PLANT, EQUIPMENT & NATURAL ASSETS

Account Group, Account	I T E M	ADP	RSD 000		
			Gross	Adjusted	Net (4-5)
01	1. Intangible assets				
	1.1. Opening balance	606	170.284	110.751	59.533
	1.2. Increase (purchases) during the year	607	51.291		51.291
	1.3. Decrease (disposal, depreciation and writing off) during the year	608	2.927		16.900
	1.4. Revaluation during the year	609			
	1.5. Balance at end of year	610	218.648	124.724	93.924
02	2. Property, plant, equipment & natural assets				
	2.1. Opening balance	611	9.847.937	5243.740	4.604.197
	2.2. Increase (purchases) during the year	612	2.007.577		2.007.577
	2.3. Decrease (disposal, depreciation and writing off) during the year	613	460.890		815.188
	2.4. Revaluation during the year	614			
	2.5. Balance at end of year	615	11.394.624	5.598.038	5.796.586

III STRUCTURE OF INVENTORIES

Account Group, Account	I T E M	ADP	RSD 000	
			Current Year	Previous Year
10	1. Materials	616	1.063.176	598.560
11	2. Unfinished goods	617	3.996.279	5.508.653
12	3. Finished products	618	486.777	269.187
13	4. Goods	619	25.930	22.319
14	5. Assets held for trading	620	31.093	285.717
15	6. Advances given	621	861.572	480.306
	7. TOTAL	622	6.464.827	7.164.742

IV STRUCTURE OF ORIGINAL CAPITAL

Account Group, Account	I T E M	ADP	RSD 000	
			Current Year	Previous Year
300	1. Share capital	623	3.563.641	3.483.963
	of which: foreign capital	624		
301	2. Share of limited liability companies	625		
	of which: foreign capital	626		
302	3. Investments by members of partnerships and limited partnerships	627		
	of which: foreign capital	628		
303	4. Government owned capital	629		
304	5. Socially owned capital	630		
305	6. Stakes in co-operatives	631		
309	7. Other original capital	632	101.320	49.439
30	TOTAL	633	3.664.961	3.533.402

V STRUCTURE OF SHARE CAPITAL

Account Group, Account	I T E M	ADP	Shares in whole numbers RSD 000	
			Current Year	Previous Year
	1. Ordinary shares			
	1.1 Number of ordinary shares	634	9.790.552	9.413.315
part of 300	1.2 Nominal value of ordinary shares - total	635	3.563.641	3.483.963
	2. Preferred shares			
	2.1 Number of preferred shares	636		
part of 300	2.2 Nominal value of preferred shares - total	637		
300	TOTAL	638	3.563.641	3.483.963

VI CLAIMS AND COMMITMENTS

Account Group, Account	I T E M	ADP	RSD 000	
			Current Year	Previous Year
20	1. Claims from sales arrangements (at end of year 639≤016)	639	3.988.127	3.320.347
43	2. Business commitments (at end of year 640≤0117)	640	8.883.550	8.998.408
part of 228	3. Damage claims during year from insurance companies (debit transactions without opening balance)	641	4.671	
27	4. VAT paid for procuring goods and services (annual according to tax reports)	642	1.101.784	909.814
43	5. Business commitments (debit transactions without opening balance)	643	14.700.837	11.864.878
450	6. Net salaries and fringe benefits (debit transactions without opening balance)	644	3.309.516	1.691.615
451	7. Salary taxes and duties paid by employee (debit transactions without opening balance)	645	316.215	228.346
452	8. Contributions for salary and fringe benefits paid by employee (debit transactions without opening balance)	646	626.838	356.216
461, 462 & 723	9. Dividends, share of profit and employer's remuneration (debit transactions without opening balance)	647	488.160	313.540
465	10. Obligations to natural entities based on service contracts (debit transactions without opening balance)	648	13.290	7.442
47	11. VAT paid on sale of products, goods and services (debit transactions without opening balance)	649	1.445.524	1.117.948
	12. Subtotal (from 639 to 649)	650	34.878.512	28.808.607

VII OTHER EXPENDITURE

Account Group, Account	I T E M	ADP	RSD 000	
			Current Year	Previous Year
513	1. Cost of fuel and energy	651	713.311	435.034
520	2. Salaries and emoluments (gross)	652	4.148.602	3.448.013
521	3. Salary taxes and contributions and emoluments paid by employer	653	574.862	505.340
522,523, 524&525	4. Obligations to natural entities (gross) based on service contracts	654	80.150	120.268
526	5. Remuneration for board members and the supervisory board (gross)	655	41.125	34.084
529	6. Other personal expenses and fees	656	476.148	536.728
53	7. Production service costs	657	5.044.403	5.701.417
533, part 540 & part 525	8. Leased property	658	358.512	197.649
part 533 part 540 & part 525	9. Leased land	659		1.044
536,537	10. Research and development	660	3.664	4.031
540	11. Depreciation	661	486.488	455.860
552	12. Insurance premiums	662	46.665	76.005
553	13. Payment transaction costs	663	202.799	189.655
554	14. Membership fees	664	10.171	8.752
555	15. Taxes	665	276.209	236.159
556	16. Contributions	666	318	6.429
562	17. Interest expenses	667	255.092	197.687
part 560 part 561 & 562	18. Interest expenses and partial financial expenditure	668	319.388	191.262
part 560 part 561 & part 562	19. Interest on loans from banks and other financial organizations	669	133.787	77.568
part 579	20. Expenses for humanitarian, cultural, healthcare, educational, scientific and religious purposes, environmental protection and sports	670	14.103	34.600
	21. Subtotal (from 651 to 670)	671	13.192.577	12.457.585

VIII OTHER INCOME

Account Group, Account	I T E M	ADP	RSD 000	
			Current Year	Previous Year
60	1. Sales return	672	506.229	461.483
640	2. Income premiums, subventions, subsidies, recourse, compensation and tax returns	673		601
641	3. Income from conditional donations	674		993
part 650	4. Income from lease of land	675	23.974	20.302
651	5. Income from membership fees	676	27	550
part 660, part 661 & part 662	6. Income from interest	677	165.235	117.752
part 660, part 661 & part 662	7. Income from interest on invoices and deposits in banks and other financial organizations	678	78.391	32.511
part 660, part 661, & part 669	8. Income from dividends and profit shares	679	549.553	354.603
	9. Subtotal (from 672 to 679)	680	1.323.409	988.795

IX OTHER INFORMATION

I T E M	ADP	RSD 000	
		Current Year	Previous Year
1. Excise duties	681		
2. Customs and other import duties (annual amount according to account)	682	6.081	2.718
3. Capital subventions and other government grants for construction and purchase of fixed assets and intangible investments	683		
4. Government grants for premiums, subsidies and current operating expenses coverage	684		
5. Other government grants	685		
6. Accepted donations from abroad and other nonrefundable assets from foreign legal and natural entities in money or in kind	686	8.065	
7. Personal earnings of entrepreneur from net profit (entrepreneurs only)	687		
8. Subtotal (from 681 to 687)	688	14.146	2.718

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. COMPANY BACKGROUND

Energoprojekt Group, Belgrade (hereinafter: Group) comprises the parent share company Energoprojekt Holding ad, Beograd (hereinafter: EP Holding) and its 12 subsidiaries (9 share companies and 3 limited companies) and 2 subsidiaries with participation in capital 50% or less (1 share company and 1 limited). There are operating units and legal entities abroad organized and established by the parent company and subsidiaries which together are engaged in building planning, equipping, research and programming the investment structures and systems, and sale of goods and services.

In 2008 the Energoprojekt Group was organized as follows:

Activity	Number of entities	Number of units for performing investment jobs abroad	Number of companies abroad
Planning and research	4	29	6
Construction and equipping	3	43	7
Trade	1	-	-
Holding	1	-	8
Other	6	-	1
Total	15	72	22

The Group and its subsidiaries are seated in New Belgrade, Bulevar Mihajla Pupina 12 St.

On December 31 2008 the Energoprojekt had 2.774 employees (2007 - 2.767), excluding local staff abroad.

Energoprojekt Holding a.d. shares are listed on the Belgrade Stock Exchange – A-List and a certain number of subsidiary shares are trading out of stock on the Belgrade Stock Exchange.

2. CONSOLIDATION GROUP

The consolidation group consists of parent company EP Holding and below shown local subsidiaries, associates as well as subsidiaries abroad (foreign companies listed below):

Local subsidiaries and associates:

No.	Name	% ownership
<i>Construction and equipping</i>		
1.	EP Visokogradnja a.d.	92,39
2.	EP Niskogradnja a.d.	93,32
3.	EP Oprema a.d.	67,87
<i>Planning and research</i>		
4.	EP Urbanizam i arhitektura a.d.	94,40
5.	EP Industrija a.d.	62,77
6.	EP Entel a.d.	86,26
7.	EP Hidroinženjering a.d.	94,84

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	<i>Other</i>	
8.	EP Energodata a.d.	95,05
9.	EP Ingraf d.o.o.	100,00
10.	EP Promet d.o.o.	100,00
11.	EP Garant a.d.o.	64,13
12.	Be Company d.o.o.	100,00
	<i>Associates</i>	
13.	Enjub d.o.o.	50,00
14.	Energo Broker a.d.	28,60

The subsidiaries under number 1 to 8 are themselves parent companies which prepared the consolidated financial statements.

Subsidiaries abroad (foreign companies):

No.	Name	% ownership
1.	Zecco LTD, Zambia	100,00
2.	Energogvineja, Guinea	100,00
3.	INEC Engineering Co.Ltd.,London, UK	100,00
4.	Energoprojekt Middle East(L.L.C.)Dubai, UAE	100,00
5.	ENCOM GmbH, Frankfurt, Germany	100,00
6.	Energoprojekt (M) Sdn. Bhd., Malaysia	100,00
7.	Nana off Shore, Lebanon	100,00
8.	Energoprojekt Montenegro d.o.o., Herceg Novi, Montenegro	100,00

One part of the foreign subsidiaries (Energoprojekt Middle East LLC Dubai, UAE, Energoprojekt (M) Sdn. Bhd., Malaysia, Energogvineja, Guinea and Zecco LTD Zambia) is established as EP Holdings ownership but they are coordinated by subsidiaries – parent joint stock companies.

On July 9 2008 Energoprojekt Holding set up a limited liability company in Montenegro, Herceg Novi, based on the Decision No. 300-023-02-00790/2008-12 of the Ministry of Economy and Regional Development.

By decision of the Board of Directors, in addition to the above mentioned company, the consolidation of the Group was extended to also include Be Company d.o.o., Beograd (resolved property/legal issues and ownership relations) and IC Nana off Shore, Lebanon (obtained the relevant ownership documents).

Starting from January 1 2004 operating activities of entities abroad are included in the local financial statements (non-consolidated).

A detailed schedule of the entities abroad consolidated in the first-level consolidation within 8 subsidiaries is given in the related separate consolidated audit reports.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

The financial statements on which we are reporting are prepared in accordance with the Law on Accounting and Auditing (RS Official Gazette 46/2006) and the relevant regulations thereunder, applying the accounting policies set out in Note 6 of this Report and according to general practice in Serbia.

The Group's consolidated financial statements have been 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 114/06 and 119/08).

3.1. Functional and reporting currency

The figures in the consolidated financial statements are shown in thousands of RSD. The RSD represents the functional and reporting currency of the Group members. All transactions made in currencies other than the functional currency are treated as FX transactions.

Figures in the financial statements are shown in thousands of RSD (functional currency and domicile currency) as at balance sheet date - December 31, 2008.

Comparative data is shown in thousands of RSD as at December 31, 2007.

The official exchange rates for main currencies prescribed by the NBS, used in the translation of monetary assets and liabilities denominated in foreign currencies into RSD, were as follows:

	31/12/2008	31/12/2007
EUR	88,6010	79,2362
USD	62,9000	53,7267

Applied average annual exchange rates for the figures disclosed in the income statement for 2008 were as follows:

	31/12/2008	31/12/2007
EUR	81,45	79,96
USD	55,82	58,39

4. MANAGEMENT ESTIMATION AND ASSESSMENT

Preparation of the consolidated financial statements in accordance with IAS and IFRS requires that the management performs estimation, ponderation and assumption reflecting on the reporting figures of assets, liabilities revenues and expenses. The obtained results may differ from estimated.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CONSOLIDATION

5.1. Subsidiaries

Subsidiaries (or controlled companies) are enterprises in which EP Holding directly or indirectly holds more than half of the ownership or voting power and can therefore control their business operations. The accounting method used for subsidiaries is full consolidation. Intra group balances and intra group transactions are eliminated in full in the consolidation process. Minority interest is presented separately.

5.2. Associates

Associates are enterprises over which the Group exerts significant influence, but not control, or holds between 20% to 50% ownership or voting power. Associates and subsidiaries in which there are substantial restrictions in terms of control and transfer of profit, are accounted for in consolidated financial statements using the equity method. Under the equity method, the investment is initially recorded at cost and the carrying amount is increased or decreased to recognize the investors share of the profits or losses of the investee after the date of acquisition. If investors share of losses of the associate exceeds the carrying amount of the investment, the investment is reported at nil value; exceptionally, if there are certain irrevocable contractual obligations for covering the losses, the difference of the greater loss against capital is recognized as an expenditure of the parent company.

5.3. Joint ventures

In its consolidated financial statements, venturer reports its interest in a jointly controlled entity using proportionate consolidation. The application of proportionate consolidation means that the consolidated financial statement of the Group includes its share of the assets and liabilities that it controls, as well as assets and liabilities from the financial reports of jointly controlled entities.

A detailed list of subsidiaries, associates and joint ventures which together with EP Holding comprise the Group for consolidation Energoprojekt Group is shown in Note 2.

5.4. Segment reporting

A business segment is a distinguishable component of an entity that is engaged in providing an individual product or service that is subject to risks and returns that are different from those of other business segments

A geographical segment is a distinguishable component of an entity that is engaged in providing a product or services within a particular economic environment and that is subject to risk and returns that are different from those of components operating in the other economic environments.

6. PRINCIPAL ACCOUNTING POLICIES

In 2004 Energoprojekt Group adopted a unique accounting policy with an obligation to quantify and eliminate the effects of any differences in the accounting policies of member companies if they are material significant in a process of preparation consolidated financial statements. The Accounting and Accounting Policies Regulation was amended in 2006 in accordance with the new Law on Accounting and Auditing.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The significant accounting policies are shown below:

(a) Principles of valuation - assumptions

The financial statements are prepared on the accrual basis of accounting and going concern.

According to this principle, the effects of transactions and other events are recognized when they occur (and not as cash or its equivalent is received or paid). Financial statements prepared on the accrual basis (except Cash flow statement) inform users not only of past transactions involving the payment and receipt of cash but also of obligations to pay cash in the future and of resources that represent cash to be received in the future.

The financial statements are prepared on the assumption that a Group is a going concern and will continue in operation for the foreseeable future.

(b) Recognition of the elements of financial statements

As asset is recognized in the balance sheet when it is probable that the future economic benefits will flow to the entity and the assets has a cost or value that can be measured reliably.

A liability is recognized in the balance sheet when it is probable that outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

Income is recognized in the income statement when an increase in the future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably.

Expenses are recognized in the income statement when a decrease in the future economic benefits related to a decrease in an asset or an increase of liability has arisen that can be measured reliably.

Under a financial concept of capital, such as invested money or invested purchasing power, capital is synonymous with the equity of the company. The concept of capital is shown in the financial capital maintenance. Financial capital maintenance is measured into nominal monetary items-RSD. Under this concept a profit is earned only if the financial (or money) amount of the net assets at the end of period exceed the financial (or money) amount of net assets at the beginning of the period, after excluding any distributions to, and contributions from, owners during the period.

(c) Profits/losses on translation of foreign currencies

Cash, receivables and liabilities in foreign currencies are translated into RSD at the official rate of exchange ruling at the balance sheet date. Gains and losses arising on the translation of foreign currency receivables and liabilities into RSD amounts treated as revenues/expenses of the period.

(d) Revenues from sale

Revenues from sale is defined on the accrual basis and realized till the end of accounting period, considering debt-credit relation when it occurs and issued invoice. Revenues are measured at the fair value of the consideration received or receivables taking into account the amount of any trade discount

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

and volume rebates allowed by the company. The difference between the fair value and the nominal amount is recognized as interest revenue.

Revenue from the sale of goods can be recognized when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenues from rendering of services are recognized by reference to the stage of completion of the transaction at the balance sheet date.

Revenues from fixed price construction contracts are recognized according to the percentage of completion, contractual activities at the balance sheet date. The percentage of completion of the contract is calculated by the proportion between reinforcement expenses for performed work until the given date in accordance with last estimated total contractual expenses (IAS 11).

(e) Operating expenses

Operating expenses comprise of costs of purchase, material used, gross salaries and compensations for salaries, depreciation and provisions, producing costs and intangible costs.

Principal elements and principles of recognition of expenses are:

- expenses are recognized and stated when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably;
- expenses are recognized on the basis of a direct association between the costs incurred and the earnings (going concern);
- when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined, expenses are recognized on the basis of systematic and rational allocation procedure;
- expenses are recognized immediately when an expenditure produces no future economic benefits or when future economic benefits do not qualify, or cease to qualify, for recognition in the balance sheet as asset;
- expenses are also recognized in those cases when a liability is incurred without the recognition of an asset (as when a liability under a product warranty arises).

(f) Profit and losses

Profit represents increases in economic benefits, include those arising on sale of fixed assets for price higher than net book value, unrealized gains arising on the sale of securities (when securities measured by their market price) and those resulting from increases in the net book value of fixed assets because of stopping circumstances causing their decreasing.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Losses arising on the sale of assets by prices lower than book value, those arising on the disposal of non write off fixed assets, damages which can be refunded in whole or separately from insurances and by applying principle of decrease in assets value.

(g) Financial revenues and expenses

The financial revenues and expenses include revenue and expenses from interest, gains and losses from exchange, and other financial income and expenditure.

Revenues from dividends are recognized as income in the year when they are approved for payment.

(h) Income tax

Income tax represents the amount that is calculated in accordance with Serbian Republic Law. Tax obligation is calculated at 10.00% on income shown in the tax balance (10% in 2007). The taxable income represents gross income in the income statement (prepared in accordance with accounting regulations) less some revenue and expenditure according to the tax regulations. Certain tax deductions are applied to the tax amount (investments in fixed assets for core business and other deductions in accordance with the tax regulations).

Income tax of the subsidiaries abroad is calculated in compliance with regulations of the countries in which they operate.

(i) Deferred income tax

Deferred income tax is reserved entirely, applying the liability method, for temporary differences arising from tax base and accounting amounts disclosed in the consolidated financial statements.

The amount of deferred income tax is determined by the legal rates in force,

Deferred income tax is recognized in the amount in which the future taxable income, in respect of which temporary differences can be applied, is expected to be available. Deferred tax assets may be offset against deferred tax liabilities.

(k) Employee benefits

/i/ Pension insurance and employee benefits

The Group members pay contributions for the employees to the Pension Fund of the Republic of Serbia. All employees are members of the said pension fund. All contributions arising from this obligation are recognized as an expense and a liability at the time of the transaction. The Group members do not have their own pension funds or post-employment retirement plans and hence there are no pension duties either.

/ii/ Health insurance

The Group members pay health insurance contributions which are recognized in the calculation moment as the expense and liabilities.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

/iii/ Retirement bonus

The Group members pay retirement benefits to their employees in the sum of triple salary obtained in the month before the month of retirement (defined by the individual collective agreement).

/iv/ Severance pay

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

(j) Intangible assets, property, plant and equipment

Intangible assets are identifiable non monetary assets without physical substance which the company may control and from which inflow of future economic benefits is expected.

Intangible assets comprise of: goodwill, licenses, concession, trademarks, seals, computer software, franchises, design and implementation of new processes or systems, marketing rights, investment in other properties, equipment and plant.

Property, plant and equipment are tangible assets that:

- are held by a company for use in the production or supply of goods or services, for rental to others, or for administrative purpose;
- are expected to be used during more than one period;

The cost of an item of property, plant and equipment is recognized as an asset if, and only if:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

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

The purchase cost or price cost includes borrowing costs which may be indirectly added to the purchase, construction or production the asset available for use in accordance with IAS/IFRS.

Subsequent expenses relating to an item of intangible asset, property, plant and equipment that has already been recognized is added to the carrying amount if the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the company.

Subsequent expenses are treated as subsequent investment if:

- modification of an item of plant to extend its useful life, including an increase in its capacity;
- upgrading machine parts to achieve a substantial improvement in the quality of output; and
- adoption of new production process enabling a substantial reduction in previously assessed operating costs.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All other later expenses (servicing expenses, technical maintenance, smaller repairs, etc.) are recognized as an expense when incurred.

After initial recognition as an item of property, plant and equipment is carried at its purchase cost or cost less any accumulated depreciation and any accumulated impairment losses

An item of intangible asset, property, plant and equipment is eliminated from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Gains or losses arising from retirement or disposal is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and recognized as income or expense in the statement of income.

Investment property is property (land or a building – or part of a building – or both) held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purpose or sale in the ordinary course of business. Accordingly, investment property creates cash flows which are to a great extent independent from other property held by the Company.

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

Subsequent expenditure relating to an investment property that has already been recognized is added to the carrying amount of the investments property when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing investment property will flow to the enterprise. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

After initial recognition the investment property is measured by their fair value. Fair value is usually its market value. Fair value is measured as the most probable price reasonably obtainable in the market at the balance sheet date in keeping with the fair value definition. It is the best price reasonably obtainable by the seller.

A gain or loss arising from a change in the fair value of investment property is included in net profit or loss for the period in which it arises.

(I) Depreciation

Depreciation base presents acquisition cost after determination of residual and retirement amount.

The residual value of an intangible asset is assumed to be zero unless:

1. there is a commitment by a third party to purchase the asset at the end of its useful life;
2. there is an active market for the asset and residual value can be determined by reference to that market and it is probable that such a market will exist at the end of the assets useful life.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

For intangible assets with unlimited lifetime depreciation is not accounted.

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

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

Internal goodwill is not recognized as the intangible asset.

After initial recognition property, plant and equipment are stated by their acquisition cost or cost after determination of residual amount.

Depreciation base for property, plant and equipment presents acquisition cost or cost after determination of residual and retirement amount.

The depreciation is calculated by the straight line method applying rates determined by estimated useful life.

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

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

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

The applied depreciation rates are:

	(%)
Building	1,3-15,0
Plant	5,0-25,0
Computers and accessories	20,0
Vehicles	12,5-16,0
Intangible assets	20,0

(m) Financial investments

Financial investments represent financial assets initially measured at its cost, which is fair value of the consideration given for it. Transaction costs are included in the initial measurement of all financial assets.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the purpose of measuring a financial asset subsequent to initial recognition financial assets are classified into four categories:

- (a) financial assets held for trading, initially recognized at its fair value through profit or loss;
- (b) held-to-maturity investments;
- (c) loans and receivables originated by the company and not held for trading;
- (d) available-for-sale financial assets.

Financial asset is classified as available for sale financial asset is one that does not belong to some of those three categories above-mentioned.

Financial asset is classified as hold to maturity, if this asset is part of portfolio of similar assets for which the trading model exists in order to obtain profit from short-term changes in price or dealer margins.

After initial recognition, the company measured financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, except for the following financial assets:

- loans and receivables, and investments held-to-maturity measured at amortized cost using the effective interest method;
- investment in equity 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.

There is no adequate market stability, experience and liquidity in Republic of Serbia in a process of financial assets trading and official market information is not available. Therefore it is not possible to measure the fair value as required by IFRS.

A recognized gain or loss arising from a change in the fair value of financial asset or financial liability that is not part of a hedging relationship, initially recognized at fair value through the profit or loss, now is recognized profit or loss in the income statement and for financial asset available for sale in the revaluation reserves.

(n) Inventories

Inventories of goods and material are measured at their cost value comprising the invoiced purchase price, import duties and other taxes (other than those subsequently recoverable by the company from the taxing authorities), and transport, handling and other costs directly attributable to the cost of purchase. Trade discounts, rebates and other similar items are deducted in determining the cost of purchase.

Subtraction of material inventories spent is performed by the benchmark treatment of weighted average cost formulas.

Inventories of material purchased from suppliers are measured by their purchase cost and inventories of material from own production measured at the lower of cost and net realizable value.

The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the company from the tax authorities), and transport, handling and other costs directly attributable to the acquisition of materials. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Subtraction of material inventories spent is performed by the benchmark treatment of weighted average cost formulas.

Inventories of work in progress and finished goods arose as a result of production process. These inventories are measured at the lower of cost and net realizable value.

The cost of conversion of inventories include costs directly related to the units of production (such as direct material and direct labor). They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods.

The cost of conversion does not include costs of management, sale and marketing.

Borrowing costs are included in the cost of inventories in limited circumstances.

(o) Short term receivables and investments

Short term receivables comprise trade receivables from related parties, domestic and foreign buyers in the moment of sold products and performed services.

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

Short term trade receivables are measured by the cost stated in issued invoice. If the cost on the invoice is stated in the foreign currency, translation in function currency is done applying 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 booked 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 exchange rate and gains and losses arose are booked as revenue or expense for period.

Short term financial investments that are not held for trading are measured by cumulated depreciation, non considering tendency of the company to hold them to maturity.

If there is a possibility that the Company will not be in position to collect all due amounts (principal and interests added) in accordance with contract conditions for issued loans, receivables or investments held to maturity, stated by cumulated depreciation, loss appears caused by disposals or uncollectible receivables.

Disposal of short term receivables and investments with uncertain collection is done by indirect write off, and in cases when uncollectible is certain and supported by documents disposal is done by direct write off.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Possibility of collection receivables are determined in each of the cases in accordance with relevant supporting documentation (bankruptcy, liquidation, over debt, disposal, forced settlement, out-of-court settlement, obsolescence, court decision, board of directors resolution, as well as other cases with appropriate documentation).

(p) Cash and cash equivalents

Cash and cash equivalents comprises of: petty cash, demands deposits with banks, other short term highly liquidity investments which may be transferred in the known cash that are not under the influence of significant risk of value changes and bank overdrafts. Bank overdrafts are included in the Balance sheet as the figure liabilities for loans – under item current liabilities as short term financial liabilities.

(r) Rentals

Rentals, in which lesser keeps significant part of risk and ownership profit, are classified as the business rentals. Payments made from business rentals are charged against income statement on the proportional base during the rental period.

(s) Finance lease liabilities

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Title may or may not eventually be transferred.

The liability for finance lease is stated at the balance sheet date deducted for the interest comprising in the lease (net value of minimum lease repayment). The interest is allocated to the accounting periods in lease period and in accordance with the repayment schedule.

Finance lease liabilities are charged against accruals – liabilities for non-due interests re, repayment schedule.

(t) Commitment and contingencies

Contingent liability is disclosed, but not recognized, only by the occurrence or non-occurrence of one or more uncertain future events and when it is provision recognized in the financial statements.

A contingent asset is not disclosed only if, by the occurrence or non-occurrence of one or more uncertain future events. If the inflow is certain it can be recognized in the financial statement.

(u) Borrowing costs

Borrowing costs include interests, charges and other costs arose in the company as relate in accordance with IAS/IFRS.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part of the cost of that asset.

Borrowing costs are recognized as expenses in the period in which they are incurred.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(v) Impairment

If asset is disposed during the year the managing board of the company, based on the suggestion made by the director, determined the indicators caused the disposal which are relevant to those required by the IAS, as well as, indicators which are indicated if the previously recognized disposal is decreased.

If those indicators exist the Board of Directors renders a decision on the impairment amount or the amount previously impaired which has to be canceled.

At the end of year Board of Directors, based on Managing Director/director of the company and inventory commission suggestion, renders a decision on the impairment assets or the amount previously impaired which has to be canceled.

(w) Financial liabilities

Financial liabilities comprise long term liabilities (long term loans, liabilities from long term securities and other), short term financial liabilities (short term loans and other), short term financial liabilities (short term loans and other) liabilities from operating activities (suppliers and other) and other short term liabilities.

Short term liabilities represent those due in one year from the maturity date, respectively from the balance sheet date.

Long term liabilities represent those due over one year from the preparation of the financial statements date.

Portion of long term liabilities due in period up to one year from the preparation of the financial statements date are disclosed as the short term liabilities.

Financial liabilities are recognized initially by their purchase cost which represents their fair price paid for them. Transaction charges are included in the beginning measurement of all financial assets.

Decreasing of the liabilities as regards to the law, out-of-court settlement are done by the direct write off.

(x) Long term provisions

A provision is recognized when, only when:

1. the company has a present obligation (legal or constructive) as a result of a past event;
2. it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
3. a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision is recognized.

Long term provision comprises 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 liabilities covering (legal or constructive) as a result of a past event, it is probable that an outflow of

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

resources embodying economic benefits will be required to settle the obligation (legal proceedings under processing) and provision booked for issued guaranties.

Long term provision for expenses and risks are trucked by sorts and their reduction, i.e. cancellation is done in the favor

Provisions are not recognized for future operational losses.

Provisions are distinguished from other liabilities because there is uncertainty about the timing or amount of the future expenditure required in settlement.

The amount recognized as a provision is the estimate of the expenditure expected to be required to settle the obligation.

Provisions are reviewed at each balance sheet and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Board of Directors takes the decision about a provision.

(y) Changes in, and effects of, accounting policies and correction of fundamental errors

Correction of the additionally determined material significant errors is one influence on the financial statements relating to one or several prior accounting periods whereby those financial statements may not be considered as reliable at the date of their issuing.

Correction of the prior years material significant errors is done by the restating prior years undistributed profit/loss opening balance.

Materially significant effects and correction of fundamental errors are corrected retroactively with the adoption of the comparative data disclosed in the financial statements, if it is practically impossible (then the changes in accounting policy is applied prospect). All corrections arising are disclosed as a correction in the figure of opening balances undistributed profit item.

(z) Foreign exchange rates

Official exchange rates significant for the companies operating activities and translations of the figures stated in the balance sheet and income statement into RSD were as follows:

	in RSD	
	<u>2008</u>	<u>2007</u>
EUR	88,6010 RSD	79,2362 RSD
USD	62,9000 RSD	53,7267 RSD
GBP	90,8635 RSD	107,3080 RSD
CHF	59,4040 RSD	47,8422 RSD
RUB	2,1887 RSD	43,8132 RSD
LYD	51,8547 RSD	2,1933 RSD

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT

6.1 Financial risk factors

The Group's activities expose it to variety of financial risks: market risk (including currency risk, interest risk, fair value risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group members use derivate financial instruments to hedge certain risk exposures.

Risk management is carried out by a financial department of the companies under policies approved by their Boards. The Financial department identifies, evaluates and hedges financial risks in close co-operation with the operating units.

The Board provides basic risk management policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of financial instruments, and the investment of excess liquidity.

a) Market risk

i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EUR and USD. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. The Group in accordance with local legalizations on the local markets on which operates, applying the financial hedging tries to minimize foreign exchange risk.

ii) Fair value risk

The Group has in its portfolio securities available for sale recognized by the fair value. Considering the fact that the market on the stock exchange is uncertain there is a possibility for fair value risk appearance.

iii) Interest rate risk

The Group borrows assets on the financial market by the changeable interest rates, connected with Euribor, Belibor and reference interest rate issued by the NBS on the rep transactions. In the aim to avoid/limit risk arose the Group borrows the money on the short term period, insisting on the lower banks charge with the obligatory clause on pre-term payment return without any additional penalties.

b) Credit risk

The Group has no significant concentration of credit risk. The Group has policies that limit the amount of credit exposure to any financial institution.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through and adequate amount of committed credit facilities and the ability to

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

close out market positions, due to the dynamic nature of the business. The Group aims to maintain flexibility in funding by collecting their funds from buyers and investments of available funds. Besides the aforementioned, in accordance with the Group's policy, the Group makes Back to Back Agreements with the business partners whereby the possible risk connected to a possible payment late is transferred/shared between contractual parties.

7. SEGMENT INFORMATION

7.1. Primary reporting formats – business segment

The Group is organized, local and abroad, in the following business segments as of 31 December 2008:

- 1) Planning and research,
- 2) Construction and equipping and
- 3) Other

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

REPORTABLE SEGMENTS

Business segments

	Planning and research		Construction and equipment		Suspended operations		Other		Consolidated		Discontinued operations		Continued operations	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenues														
Revenue from sale-external	2,679,241	2,063,116	17,087,478	11,037,214	-	41,366	1,425,932	941,631	18,760,377	13,343,988	-	41,366	18,760,377	13,302,622
Revenue from sale between segments	242,899	167,913	376,238	-	35,968	2,101	41,721	-	660,858	170,014	35,968	2,101	624,890	167,913
Revenue from sale	2,922,140	2,231,029	17,463,716	11,037,214	35,968	43,467	1,467,653	941,631	19,421,235	13,470,535	35,968	43,467	19,385,267	13,427,068
SEGMENT RESULT	-	-				-	-	-			-	-		
Non-allocated expenses	239,715	112,562	1,886,640	-	31,854	14,910	-	-	2,126,355	112,562	31,854	14,910	2,094,501	97,652
Profit from operations	111,584	155,061	404,129	(12,682)	4,114	26,946	363,951	271,584	860,785	406,666	4,114	26,946	856,671	379,720
Interest return	21,108	20,929	91,520	64,669		-	56,715	14,096	165,235	99,694	-	-	165,235	99,694
Interest expenses	5,016	5,103	178,052	171,914		-	85,051	21,825	261,872	201,757	-	-	261,872	201,757
Share of net profit of subsidiaries	56,937	64,542				-	544	461	57,481	65,003	-	-	57,481	65,003
Income tax	4,761	3,317	21,552	25,923		-	23,340	29,942	49,653	59,182	-	-	49,653	59,182
Profit from regular operations	216,781	262,904	374,603	375,008	-	1,611	700,198	439,224	837,812	961,641	-	1,611	837,812	960,030
Losses from suspended operations	(141)	-	(348)	(311)		-	(135)	15	(565)	(147)	-	-	(565)	(147)
Net profit	210,129	259,792	343,630	358,559	4,114	28,557	676,379	409,157	776,427	912,162	4,114	28,557	772,313	883,605
Total assets-consolidated	3,782,896	2,914,912	14,979,450	14,173,907	36,255	22,449	13,001,790	10,646,946	23,899,006	21,088,384	36,255	22,449	23,862,751	21,065,935
Total liabilities-consolidated	3,782,896	2,914,912	14,979,450	14,173,907	36,255	22,449	13,001,790	10,646,946	23,899,006	21,088,384	36,255	22,449	23,862,751	21,065,935
Depreciation	58,771	55,528	374,146	378,059	-	-	53,618	23,319	486,488	456,906	-	7,006	486,488	449,900
Non-cash expenses without depreciation	21,220	31,607	19,570	102,525		-	84,964	124,489	125,388	222,835	-	-	125,388	222,835

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Geographical segments

RSD 000

	Serbia		ZND		Europe		Africa		Asia		USA		Other		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenues from sale	6,538,644	5,445,343	4,618,897	3,628,033	3,122,988	475,665	2,349,441	1,691,978	1,537,054	1,027,857	1,229,159	1,164,184	25,052	37,475	19,421,235	13,470,535
Revenues from sale of goods	268,496	140,000		2,473	5,396	94,315	200,874	240,337	38,022		7,415			37,475	520,203	514,600
Revenue from service rendered	6,270,148	5,305,343	4,618,897	3,625,560	3,117,592	381,350	2,148,567	1,451,641	1,499,032	1,027,857	1,221,744	1,164,184	25,052		18,901,032	12,955,935
Assets-consolidated															23,899,006	21,088,384

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. REVENUES FROM SALES

Revenues from services rendered and merchandise sold on the local market amounted RSD 6.538.644 thousand (2007. RSD 5.433.899 thousand), on foreign markets RSD 12.882.591 thousand (2007. RSD 8.036.636 thousand), and the total amounted RSD 19.421.235 thousand (2007. RSD 13.470.535 thousand).

9. INCREASE/(DECREASE) IN INVENTORIES

	2008. (Rsd. 000)	2007. (Rsd. 000)
Increase in work in progress	2,618,940	3,333,410
Decrease in work in progress	-4,315,683	-162,916
Total	-1,696,743	3,170,494

Increase in inventories relates to the increase in work in progress and finished products in:

- EP Holding a.d. - Block 26 in New Belgrade in the sum of 1.315.336 thousand RSD,
- EP Visokogradnja - Blocks 12 and 23 in Bežanijska Kosa, building in Knez Danilova St, Belgrade, Z-066 Siktivkar, RF and Z-063 Manžerok, RF.

Decrease in inventories relates to the decrease of work in progress, predominantly in EP Visokogradnja, which completed a complex in Bežanijska Kosa Block 15 and Block 6, as well as the company's own investment in Montenegro, Savina Building in Herceg Novi.

10. OTHER OPERATING INCOME

	2008. (Rsd. 000)	2007. (Rsd. 000)
Premiums, subventions, subsidies, refunded amounts, compensation and tax refunds	0	597
Rents	80,322	52,582
Other	99,737	78,491
Total	180,059	131,670

Other operating income mostly related to EP Visokogradnja in the amount of 60.095 thousand RSD, EP Garant in the amount of 78.321 thousand RSD, EP Niskogradnja in the amount of 19.357 thousand RSD, and EP Energodata in the amount of 10.869 thousand RSD.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. PURCHASE VALUE OF GOODS SOLD

	2008. (Rsd. 000)	2007. (Rsd. 000)
Wholesale	-313,503	-241,571
Retail		
Total	-313,503	-241,571

Purchase value of goods sold-wholesale related to the purchase of cashpoints in EP Energodata in the amount of 44.296 thousand RSD, the purchase of granulate in EP Industrija in the amount of 30.120 thousand RSD, the purchase of spare parts in the foreign units Inec and Encom in the amount of 162.143 thousand RSD.

The amount of 67.365 thousand RSD. relates to EP Garant arising as the result of the reclassification of the insurance company's balance items. Remaining amount is distributed to the other Group members.

12. MATERIAL COST

	2008. (Rsd. 000)	2007. (Rsd. 000)
Raw material	-3,501,538	-3,569,677
Other material cost (overheads)	-201,236	-168,591
Fuel and energy	-713,311	-435,968
Total	-4,416,085	-4,174,236

The significant increase in raw material costs compared to the prior year relate to EP Niskogradnja, in connection with ongoing projects in the country and abroad (correlation with the operating revenues).

13. STAFF COSTS

	2008. (Rsd. 000)	2007. (Rsd. 000)
Salaries and fringe benefits (gross)	-4,148,602	-3,465,783
Taxes and contributions on salaries and fringe benefits charged to employer	-574,862	-505,473
Remunerations according to temporary service contracts	-9,760	-60,959
Remunerations according to author's contracts	-44,205	-32,297
Remunerations according to temporary and provisional contracts	-20,389	-29,079
Remunerations to individuals according to other contracts	-5,796	-2,134
BoD and Supervisory Board	-41,125	-34,083
Other personal expenses remunerations	-476,148	-538,775
Total	-5,320,887	-4,668,583

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. DEPRECIATION AND PROVISION EXPENSES

Depreciation and provision expenses in the amount of RSD. 510.912 thousand relate to:

- Depreciation of PPE, in accordance with Note 5(l) in the amount of RSD 486.488 thousand,
- Provision expenses in the amount of RSD 24.424 thousand.

15. OTHER OPERATING EXPENSES

	2008. (Rsd. 000)	2007. (Rsd. 000)
Costs of production services		
Service costs of outputs	-4,016,581	-3,956,497
Transportation costs	-364,005	-269,969
Maintenance costs	-108,435	-114,961
Rental costs	-358,512	-205,251
Fairs exhibit costs	-2,317	-237
Advertising costs	-20,350	-13,385
Costs of researching activities	-3,664	-4,253
Costs of other services	-170,539	-153,061
Total	-5,044,403	-4,717,614
<u>Non-production costs</u>		
Costs of non-production services	-645,447	-1,316,492
Expense accounts	-54,631	-40,716
Insurance premium costs	-46,665	-63,855
Payment operation costs	-202,799	-190,252
Membership fees	-10,171	-8,835
Tax duties	-276,209	-235,507
Contribution costs	-318	-553
Other	-228,156	-250,305
Total	-1,464,395	-2,106,515
Grand total	-6,508,798	-6,824,129

Under other operating expenses the most significant part relate to the service costs of outputs (subcontractors) in: EP Visokogradnja in the amount of 2.364.154 thousand RSD, EP Niskogradnja in the amount of 1.083.047 thousand RSD, EP Oprema 766.068 thousand RSD, while the remaining amount relates to the other Group members. Under costs of non-production services the most significant part relates to EP Entel in the amount of 250.954 thousand RSD (consultant fees), EP Visokogradnja in the amount of 229.837 thousand RSD and EP Holding in the amount of 90.132 thousand RSD.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. REVENUES AND EXPENSES

	2008. (Rsd. 000)	2007. (Rsd. 000)
<u>Financial revenues</u>		
Income incurred with parent company and affiliates		
Financial income incurred with other associated companies	81,524	382,596
Income from interest	165,235	99,694
FX Gains	1,542,876	968,585
Other financial income	143,099	213,246
Total	1,932,734	1,664,121
<u>Financial expenses</u>		
Financial expenses incurred with parent company and affiliates		
Financial expenses incurred with other associated companies	-2,139	-160,676
Costs of interest	-255,092	-201,757
FX losses	-1,778,789	-994,974
Other	-20,267	-55,692
Total	-2,056,287	-1,413,099

The negative net financial performance is the result of foreign exchange losses due to the depreciation of the Dinar in 2008, especially in the last quarter in which the Dinar dropped 15,67% against the Euro and 18,06% against the USD.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. OTHER REVENUES AND EXPENSES

	2008. (Rsd. 000)	2007. (Rsd. 000)
<u>Other revenues</u>		
Gains on disposals of intangible assets and property, plant and equipment	57,264	18,043
Gains on disposals of securities	713	42,381
Material sold	68,005	2,804
Surpluses	486	6,344
Collected written-off receivables	43,888	161,262
Income from reduction of liabilities	47,386	214,721
Income from abolishing of long-term provisions	30,808	832
Other	71,090	56,614
Income from valuation adjustments of property, plant and equipment	24,970	10,364
Income from valuation adjustments LT investments and securities	45,185	7,227
Income from valuation adjustments of receivables and ST financial investm	4,276	17,760
Income from valuation adjustments of other property		
Total	394,071	538,352
<u>Other expenses</u>		
Losses on writing-offs and disposals of intangible assets and PPE	-23,424	-21,352
Losses on disposals of equity investments and securities		-340
Losses on disposals of material	-2,700	-1,210
Shortages	-9,329	-5,289
Costs from negative hedging effects	-17,553	-35,360
Writing-offs of receivables	-39,612	-13,788
Other	-99,909	-51,559
Impairment of property, plant and equipment		-979
Impairment of long-term investments and other securities		-212
Impairment of receivables and short-term financial investments	-100,167	-103,275
Impairment of other property	-797	-1,035
Total	-293,491	-234,399

The most significant items under other revenues relate to EP Niskogradnja – profit from the sale of materials in the amount of 68.005 thousand RSD, EP Visokogradnja (won lawsuit for work performed in Russia Z-031 Duma Hanti Masijsk) in the amount of 57.245 thousand RSD, and EP Urbanizam i arhitektura for collected receivables from Jugoinport SDPR for work performed in Iraq in the amount of 40.653 thousand RSD, which were written off in prior years.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. NET PROFIT/(LOSS) OF DISCONTINUED OPERATIONS

	2008. (Rsd. 000)	2007. (Rsd. 000)
Net profit from discontinued operations		
Net loss of discontinued operations	-565	-147

19. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit due to shareholders by the weighted average number of ordinary shares during the year, excluding ordinary shares which were redeemed and are held by the company (group members) as own shares.

	2008	2007
Profit due to Group shareholders (in 000 RSD)	702.037	768.952
Weighted average number of issued ordinary shares	8.938.317	8.760.529
Basic earnings per share (RSD per share)	78.54	87.77

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. PROPERTY, PLANT AND EQUIPMENT

	Land and building	Plant and equipment	Investment property	Other plant property equipment	Equipment in construction and advances	Total
<u>Cost value</u>	(Rsd. 000)	(Rsd. 000)	(Rsd. 000)	(Rsd. 000)	(Rsd. 000)	(Rsd. 000)
Balance on 01.01.2008.	4,407,618	5,144,014	190,179	22,820	83,306	9,847,937
Restated opening	93,572	-4,495				89,077
Transfers	-143	-130,506		-1,963	54,857	-77,755
Additions	13,279	1,105,555		1,963	187,955	1,308,752
Disposals	-25,075	-233,712			-46	-258,833
Exchange differences	-3,228	-121,910		926	-90	-124,302
Appraisal	296,768	319,522	1,365		-7,907	609,748
At 31.12.2008. (T.G.)	4,782,791	6,078,468	191,544	23,746	318,075	11,394,624
<u>Value adjustment</u>						
Balance on 01.01.2008.	1,725,086	3,515,854	2,250	550		5,243,740
Restated balance	5,365	-5,567				-202
Depreciation	76,343	396,394	75	118		472,930
Disposals	-3,806	-180,698				-184,504
Exchange differences	-986	8,433				7,447
Other	130,737	-72,110				58,627
At 31.12.2008.	1,932,739	3,662,306	2,325	668		5,598,038
<u>Current value</u>						
31.12.2008.	2,850,052	2,416,162	189,219	23,078	318,075	5,796,586
<u>Current value</u>						
31.12.2007. (prev. year)	2,682,532	1,628,160	187,929	22,270	83,306	4,604,197

The current value of intangible assets as of 31/12/2008 is RSD 93.924 thousand.

Total depreciation costs comprise of:	2008.	2007.
Depreciation of intangible assets	486,480	455,793
Depreciation of property and equipment	13,550	8,980
	472,930	446,813

Correction of the opening balance pertains to property located in Jugocentar - Old Merkator Shopping Mall, Palmira Toljatija 5, with a surface of 834,40 m², and a purchase value of 93.572 thousand RSD. According to resolution of the Holding's Board of Directors, as a measure of ensuring the highest level of objectivity in balance sheet items reporting, building structures were extended to include property located at Boljšoj Golovin per., Dom 12, Moscow RF, (ownership certificates nr.: 1968813, 1968806, 1968812, 1968807, 1968808, 1968809, 1809869, 1968811, certificate of state registration of rights series AA nr. 009348), total surface area of 1.322 m². The property in Moscow was included in accordance with the unique accounting policy of Energoprojekt Group, at purchase value, although in March 2008 it was appraised at 11.780 thousand Eur.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. EQUITY INVESTMENTS

Equity investments represent long term investments in shares and parts of enterprises, banks and insurance companies.

Equity investments are disclosed:

- According to purchase cost whereby the investor states its investment by purchase cost, and recognizes revenues only in the amount received from distribution of undistributed net profit of the investment user, incurred after acquisition. Any part received which exceeds the amount of profit is recognized as investment return and reported as a decrease in the purchase value of the investment.
- According to equity investment method whereby investments are stated by their purchase cost initially, and the reported amount is adjusted by the result (profit or loss) obtained. In addition, correction is done for changes in the investment user's equity which are not the result of investment performance. These include equity changes as a result of revaluation of property, plant, equipment and investments, differences from foreign currency translation or reconciliation of differences from business deals. Corrections are performed in proportion to the user's equity share.

Equity investments pertain to shares (stakes) in:

	2008. (Rsd. 000)	2007. (Rsd. 000)
a) Banks and other financial organizations	137,303	294,833
b) Other legal entities:	677,655	761,976
-Energopet	196,332	254,912
-Enjub	169,824	173,759
-Energoplast	82,531	75,559
-Energobroker	16,382	23,873
-Energonigeria	210,577	193,327
-Be Company		26,654
-Other	2,009	13,592
Total	814,958	1,056,809

The decrease in equity investments in banks and financial institutions pertains largely to the reduced market value of bank shares on the Belgrade Stock Exchange, including: Jubmes banka (EP Holding, EP Visokogradnja, EP Hidroinženjering), AIK banka (EP Entel) etc.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. OTHER LONG TERM FINANCIAL INVESTMENTS

Other long term financial investments include:

	2008. (Rsd. 000)	2007. (Rsd. 000)
a) Long term loans extended		
- in Serbia	234,318	162,484
- in other countries	162,967	168,766
Total	397,285	331,250
b) FCY savings bonds	81,701	105,852
c) Housing loans for employees	59,957	55,394
d) Other	879,314	577,197
Total	1,418,257	1,069,693

Increase in other long term financial investments relates to a lien provided as guarantee for an advance payment for work in TRK Aktau, Kazakhstan by EP Visokogradnja in the amount of 365.836 thousand RSD.

23. INVENTORIES

	2008. (Rsd. 000)	2007. (Rsd. 000)
Raw material, spare parts and tools	1,063,176	601,172
Work in progress	3,996,279	5,508,653
Finished goods	486,777	269,190
Merchandise	25,930	63,347
Paid advances	861,572	436,663
Total	6,433,734	6,879,025

The increase in materials, spare parts, tools and inventory mainly relates to EP Visokogradnja in the amount of 499.693 thousand RSD, EP Niskogradnja 485.779 thousand RSD and EP Oprema 41.689 thousand RSD.

The decrease of work in progress pertains to the completion of work in Bežanijska Kosa and in Herceg Novi by EP Visokogradnja.

The largest part of paid advances pertains to EP Visokogradnja in the amount of 532.790 thousand RSD and comprises advances paid to suppliers in Russia and Kazakhstan (456.912 thousand RSD) and Ghana 6.250 thousand RSD, while paid advances in the country to external suppliers outside Energoprojekt Group amounted to 69.628 thousand RSD. In EP Oprema external advances also increased and amounted to 201.826 thousand RSD, and in EP Niskogradnja amounted to 75.691 thousand RSD.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. RECEIVABLES

	2008. (Rsd. 000)	2007. (Rsd. 000)
<u>Receivables from sales</u>		
Buyers in Serbia	1,457,882	1,070,324
Buyers in other countries	2,530,245	2,001,006
Total	3,988,127	3,071,330
<u>Receivables from specific business operations</u>	135,875	50,355
<u>Other receivables</u>		
Receivables from employees	20,231	19,477
Receivables from government authorities and institutions	8,537	1,915
Receivables for other prepaid taxes and contributions	45,877	57,963
Other receivables	150,085	163,838
Total	224,730	243,193
Grand total	4,348,732	3,364,878

25. SHORT TERM FINANCIAL INVESTMENTS

	<u>2008.</u>	<u>2007.</u>
Short term financial investments	542.480	604.023

The largest part of the short term financial investments pertains to short fixed term deposits by EP Industrija in the amount of 246.325 thousand RSD, EP Garant 212.263 thousand RSD, EP Holding 60.610 thousand RSD and EP Oprema 23.055 thousand RSD.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. CASH AND CASH EQUIVALENTS

	2008. (Rsd. 000)	2007. (Rsd. 000)
<u>RSD</u>		
Current accounts	83,994	109,225
Petty cash	891	765
Securities		
Short term fixed deposits	89,500	84,312
Other	4,809	3,236
Total	179,194	197,538
<u>FCY</u>		
Foreign currency accounts	2,464,622	1,749,700
Petty cash	211,837	64,003
L/C	64,249	
Other	165,221	265,775
Value-impaired or restricted pecuniary assets	232	81,640
Total	2,906,161	2,161,118
Grand total	3,085,355	2,358,656

The foreign currency account increase is largely attributable to EP Holding in the amount of 105.863 thousand RSD, resulting from collections for Block 26 – Unit I, as well as EP Entel in the amount of 324.623 thousand RSD from foreign operations and the largest part of these is fixed-deposited (and re-deposited) for a period up to one month. Other cash in the amount of 100.972 thousand RSD relates to EP Niskogradnja.

27. ISSUED AND OTHER CAPITAL

Issued capital includes:

	2008. (Rsd. 000)	2007. (Rsd. 000)
%		
Share capital	3,563,641	3,446,114
Other capital	101,320	87,288
Total	3,664,961	3,533,402

The general meeting of Energoprojekt Holding a.d., at the 32nd meeting held 25/06/2008, approved the 5th issue of Energoprojekt Holding a.d. ordinary shares without a public invitation, following which Energoprojekt Holding a.d. now has a total of 9.107.463 ordinary shares issued.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ENERGOPROJEKT GROUP

(nr. of shares)

	Holding	9,107,463
minority shareholders in:	Energodata	13,930
:	Visokogradnja	229,672
"	Niskogradnja	99,724
"	Oprema	112,939
"	Hidroinž.	35,151
"	Entel	58,042
"	Urb. + Arh.	3,766
"	Industrija	73,455
"	Garant	56,410
TOTAL:		<u>9,790,552</u>

Nominal value of shares of Energoprojekt Group members:

- Energoprojekt Holding a.d. - 350 dinars per share.
- Energoprojekt Garant a.d.o. 2.490 dinars per share.
- Energoprojekt Urbanizam i arhitektura a.d. - 610 dinars per share.
- All other subsidiaries - 410 dinars per share.

Total shares (non-consolidated): 15,775,763.

In 2008 Energoprojekt Holding a.d. redeemed 9.790 own shares, whose nominal value is 3.427 thousand dinars.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. RESERVES

Reserves comprise of:

	2008 (Rsd.000)	2007 (Rsd.000)
Legal	187,426	187,426
Statutory and other	70,525	31,106
Issuing premium	228,504	232,491
Total	486,455	451,023

Issuing premium represents the positive difference between obtained selling price per share and the nominal value.

The legal reserves were formed according to the Law on Enterprises which was in force up to 30 November 2004, which was superseded by the Companies Law. Each year at least 5% was appropriated from profits until the statutory level is reached of at least 10% of the issued capital.

Statutory and other reserves are reserves formed from profit in accordance with the Articles of Association and other internal regulations of the company.

Reserves were increased in 2008 as a result of the distribution of profit generated by Group members, based on the relevant resolutions of their respective general meetings.

29. REVALUATION RESERVES, UNREALIZED PROFIT/LOSS FROM SECURITIES

	2008. (RSD 000)	2007. (RSD 000)
Revaluation reserves	929,183	1,021,221
Unrealized profit from available-for-sale securities	61,565	
Unrealized losses from available-for-sale securities	11,751	
Total	978,997	1,021,221

Revaluation reserves comprise revaluation surpluses of movements in fair value of property and equipment (determined by appraisal in accordance with IAS 16 and equity investment) and amounted to 929.183 thousand RSD (2007 – RSD 1.021.221 thousand).

Recent changes in the Regulation of Chart of Accounts Framework and Contents of Accounts in the Chart of Accounts for business companies, cooperatives, other legal entities and entrepreneurs, intended to harmonize with the requirements of the revised IAS 39, introduced a number of new accounts, among which 332 - Unrealized profit from available-for-sale securities and 333 - Unrealized losses from available-for-sale securities. Therefore, some of the items which in past years were recorded under the respective analytical accounts in group 330- revaluation reserves, have now been moved to these new accounts.

Falling share prices on the Belgrade Stock Exchange for companies whose shares are in the portfolio of available-for-sale securities of Group members, were for the most part reflected in this item:

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. UNDISTRIBUTED PROFIT AND LOSS

Undistributed profit comprises:

	2008. <u>(Rsd. 000)</u>	2007. <u>(Rsd. 000)</u>
Consolidated net prior years profit	2,320,323	1,849,858
Changes during year	630,316	470,465
Consolidated net profit as at 31 December	2,950,639	2,320,323

The changes that occurred during the year are mainly the result of profit generated in 2008 less distributed profits in 2007.

Distribution of profit as at 31/12/2007 in EP Holding a.d. was done in accordance with the decision of the general meeting taken at the 32nd meeting under item 6 of the agenda, held 25/06/2008.

The general meeting of EP Holding a.d. decided to pay out dividends in shares in the total amount of 122.647.350 dinars (Note 27), while the GMs of other Group members (EP Visokogradnja, EP Oprema, EP industrija, EP Hidroinženjering, EP Entel) decided to pay out dividends in cash.

31. LONG TERM PROVISIONS

Long term provisions are disclosed when:

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

Long term provisions comprise:

	2008. <u>(Rsd. 000)</u>	2007. <u>(Rsd. 000)</u>
Provision for expenses in warranty	23,047	21,325
Provision for employee benefits	132,301	70,522
Other	323,203	437,566
Total	478,551	529,413

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. LONG TERM LOANS

Liabilities from long term loans are due in a period longer than one year from the performance date, or balance sheet date, and pertain to the following:

	Currency	Interest rate	2008. (Rsd. 000)	2007. (Rsd. 000)
<u>Domestic:</u>				
"Astra Banka", Beograd	RSD		40,140	40,140
Societe Generale Bank			310,793	
Alpha Bank			487,336	
Paris Club			652,568	471,394
Legal entities and others	USD, EUR	7,5-10,5	128,559	175,839
Total			1,619,396	687,373
<u>Foreign:</u>				
-Iraq:	USD		387,832	331,271
Others	USD, EUR		437,617	72,664
Total			825,449	403,935
Grand total			2,444,845	1,091,308

The largest long-term loan amounts relate to EP Niskogradnja (1.741.233 thousand RSD), followed by EP Energodata (487.336 thousand RSD) and EP Visokogradnja (215.966 thousand RSD).

EP Niskogradnja has long-term obligations in the amount of 652.568 thousand RSD to the Paris Club of creditors, long term loans for acquiring fixed assets in the total of 572.274 thousand RSD (437,307 thousand RSD pertains to subsidiaries abroad, and 134.967 thousand RSD to local subsidiaries), long term obligations for Z-0136 "Navigation Lock" in the amount of 387.832 thousand RSD, which relates to MCC Co., which has never demanded collection of its claims over the last seventeen years. The amount of 121.714 thousand RSD relates to obligations to countries of the former Yugoslavia.

The amount of 487.336 thousand RSD relates to a long term loan of EP Energodata obtained from Alpha Bank for settling obligations for ATMs.

The amount of 175.826 thousand RSD relates to a long term loan of EP Visokogradnja obtained from Societe Generale Bank for purchasing equipment.

33. OTHER LONG TERM LIABILITIES

Other long term liabilities include:

	2008. (Rsd. 000)	2007. (Rsd. 000)
Finance lease liabilities - long term	95,690	114,297
Office for City Construction Land		
Other long term liabilities	81,163	70,011
Total	176,853	184,308

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. SHORT TERM FINANCIAL LIABILITIES

Short term financial liabilities include:

	Currency	2008. (Rsd. 000)	2007. (Rsd. 000)
<u>Short term RSD loans</u>		(Rsd. 000)	(Rsd. 000)
Domestic banks		943,362	1,040,277
Short term foreign currency loans			
	EUR, USD		
Domestic banks		131,621	46,510
Total		1,074,983	1,086,787
Other short term financial liabilities and current portion of long term loans		122,656	139,656
Short term loans abroad			
	EUR, USD		
Banks and legal entities		252,493	167,848
Total		1,450,132	1,457,867

Short term RSD loans and loans with a foreign currency clause from local banks are predominated by EP Visokogradnja with 788.678 thousand RSD, EP Holding with 131.621 thousand RSD and EP Niskogradnja with 127.552 thousand RSD.

The amount of 213.994 thousand RSD relates to a short term loan obtained abroad by EP Niskogradnja, while other short term financial obligations and currently maturing long term loans are mostly attributable to EP Urbanizam i arhitektura 57.115 thousand RSD, EP Niskogradnja 27.266 thousand RSD, EP Visokogradnja 27.050 thousand RSD.

35. LIABILITIES FROM OPERATIONS

Liabilities from business operations include:

	2008. (Rsd. 000)	2007. (Rsd. 000)
<u>Liabilities from business operations</u>		
Received advances, short-term deposits and caution money	6,381,572	6,821,906
Trade payables - domestic	962,532	998,550
Trade payables - foreign	1,517,495	939,204
Other liabilities from business operations	21,951	7,077
Total	8,883,550	8,766,737
<u>Liabilities from specific operations</u>	489,750	231,671
Grand total	9,373,300	8,998,408

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The received advance of 2.805.037 thousand RSD relates to a collected advance under the sales agreement for a building under construction by EP Holding. The largest obligations of EP Visokogradnja for advances received consist of advances for investment works abroad: for the project TRK Aktau, Kazakhstan 926.666 thousand RSD, Siktivkar 312.358 thousand RSD, Manzerok 170.864, as well as based on the sale of property still under construction at Bežanijska Kosa, Block 12, in the amount of 338.057 and in Block 23 in the amount of 384.571 thousand RSD.

The item suppliers abroad for EP Visokogradnja amounts to 617.440 thousand RSD, for EP Oprema 407.139 thousand RSD, for EP Niskogradnja 312.287 thousand RSD and for EP Entel 124.717 thousand RSD.

36. OTHER SHORT TERM LIABILITIES

	2008. (Rsd. 000)	2007. (Rsd. 000)
Salaries and emoluments	606,531	507,006
Dividends	10,336	10,750
Other liabilities	41,554	188,579
Total	658,421	706,335

37. VAT AND OTHER PUBLIC DUTIES AND ACCRUALS

	2008. (Rsd. 000)	2007. (Rsd. 000)
VAT and other public liabilities	487,094	382,575
Accruals	676,055	330,910
Total	1,163,149	713,485

38. COMMITMENT AND CONTINGENCIES

There are a number of ongoing lawsuits against members of Energoprojekt Group, the most prominent being the one filed by the now bankrupt GP Rad against a number of companies from the Energoprojekt Group as the legal successors of the now defunct RO Izgradnja (Construction).

Since the final outcome of these legal proceedings is uncertain, the impact on the companies' financial position cannot be reliably predicted. Based on the opinion of the professional department, the management believes that there is no real risk of these lawsuits causing severe financial expenditure for the company, and therefore no provisions were made for potential losses in this respect.

The list of most significant lawsuits is enclosed.

ENERGOPROJEKT GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. OFF-BALANCE SHEET ITEMS

Off-balance assets and liabilities of the Group in the amount of 18.160.619 thousand RSD mainly relates to issued and received guarantees (advances, performance bonds) and issued external collateral against obtained loans. The mortgage for the building under construction in Block 26 New Belgrade amounts to 4.690.972 thousand RSD, while the right to use city building land amounts to 2.995.781 thousand RSD.

40. POST BALANCE SHEET EVENTS

There were no events subsequent to balance date that would have a material financial effect on the financial statements as presented.

Belgrade, 30.04.2009.

Energoprojekt Holding a.d.
CEO:
Vladan Pirivatrić, dipl.ing.