ANNUAL REPORT 2008

ENERGOPROJEKT

ENERGOPROJEKT HOLDING a.d.

Serbia, 11070 Belgrade
Bulevar Mihaila Pupina 12
Phone: +(381 11) 310 10 10, 310 10 12
Fax: +(381 11) 311 42 00, 213 14 12
E-mail: ep@energoprojekt.rs
www.energoprojekt.rs

Serbian Business Registers Agency
Registry No.: BD 8020/2005
Identity No.: 07023014
TIN: 100001513
Account No.: 180-1231210006453-11
Bank: Alpha bank Serbia, Belgrade
Subscribed and paid up capital: 3.787.124.000,00 RSD

Financial Report 2008 passed at the Energoprojekt Holding Shareholders Assembly held 14.07.2009.

ANNUAL REPORT 2008

Content:

1. General Information 3

1.1 Letter from the Chairman of the Board to Shareholders 5

1.2 2008 at a glance 6

1.3 History 10

1.4 Organizational structure 12

1.5 Strategy 15

1.6 Area of activities 16

1.7 Resources 18

1.8 Quality management, environmental protection, health and safety 20

1.9 Social responsibility 22

1.10 Subsidiaries and branch offices 24

2. References – Major projects 27

Focus 1 - Administrative building – block 26, New Belgrade, Serbia 29

Focus 2 - Shopping mall - entertainment complex, Aktau, Kazakhstan 32

Focus 3 - TL 400kV – construction of TL between cities of Nis and Leskovac, Serbia 36

Focus 4 - TPP Kolubara A – reconstruction of electrostatic precipitators on Unit A5 37

Focus 5 - Highway E75, section between cities of Novi Sad and Belgrade 38

Focus 6 - Belgrade bypass, section 5, tunnel Straževica 39

Focus 7 - Almaly and Abay metro stations, Almaty, Kazakhstan 40

3. Financial Report 43

3.1 Management's Report 44

3.2 Independent Auditor's Report 46

3.3 Consolidated Income Statement 48

3.4 Consolidated Balance Sheet 49

3.5 Consolidated Cash Flow Statement 51

3.6 Consolidated Statement of Changes on Equity 53

3.7 Consolidated Statistical Annex 54

3.8 Consolidated Notes to the Financial Statements 58

1. General Information

1.1 Letter from the Chairman of the Board to Shareholders
1.2 2008 at a glance
1.3 History
1.4 Organizational structure
1.5 Strategy
1.6 Area of activities
1.7 Resources
1.8 Quality management, environmental protection, health and safety
1.9 Social responsibility
1.10 Subsidiaries and branch offices

1.1 Letter from the Chairman of the Board to Shareholders

Dear Shareholders,

I am pleased to present you the Energoprojekt Group Annual Report and Consolidated Financial Statements for the year ending December 31, 2008.

Energoprojekt`s business results were not affected greatly by the global financial and economic crisis in the second half of 2008, which influenced business activities in the region, as well as foreign markets we are operating on, and were, we conclude, successful.

In the Financial Year 2008, Energoprojekt Group made a total consolidated turnover of 248.70 million Euros, which is an increase of 4.5% from the previous financial year. 66% of the consolidated revenues come from overseas operations and 33% from business operations in the country.

Consolidated net profit of the Group is 9.50 million Euros. It amounts to 80% of the planned profit, resulting from a depreciation of the Serbian dinar against the euro in the fourth quarter of 2008. Also, the Group contracted 249 million Euros of new projects which is 85% of the planned value, because the amount of the already contracted Project for construction of the railway station „Prokop“ is excluded from the results until the finalization of the process of redefining the contractual obligations with the client.

Outlook for the current year, taking into consideration financial and economic aspects of the global crisis, as well as the growing market competition, shows the necessity of strengthening the already acquired market positions. Furthermore, with respect to keeping up with the already established trend of business growth, it is necessary to continue with the organizational structure improvement according to corporate principles and adjustment of internal regulation to meet international standards of corporate governance.

Consolidated Financial Statements enclosed with this Annual Report, show truthfully and objectively, in all materially relevant issues, financial position of “Energoprojekt” and are a result of operations and cash flows as of December 31, 2008. All reports were created in accordance with applicable accounting regulations in Serbia and the accounting policies given in the Notes. Financial Statements were drafted according to principles of transparency, independence, accuracy, completeness and reliability. These principles assure that any reader of these documents (shareholders, customers, business partners, members of general public and financial community and others) gets a fair, complete, and accurate picture of achieved results.

Finally, I would like to convey my sincere thanks to all employees and staff working within Energoprojekt Group, on their commitment, as well as on their hard work and dedication. I would also like to thank all our customers, business partners and other associates on their continuous support and contribution to our business success.

Energoprojekt Holding a.d.
Chairman of the Board

Ignjat Tucović

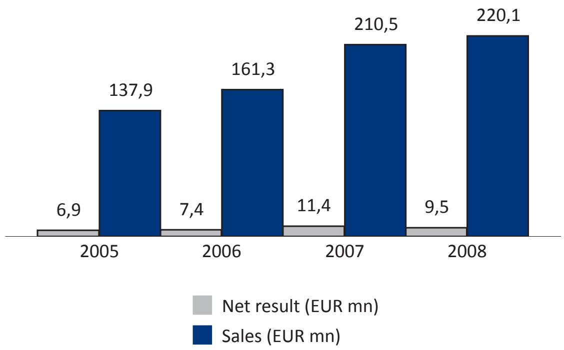
1.2 2008 at a glance

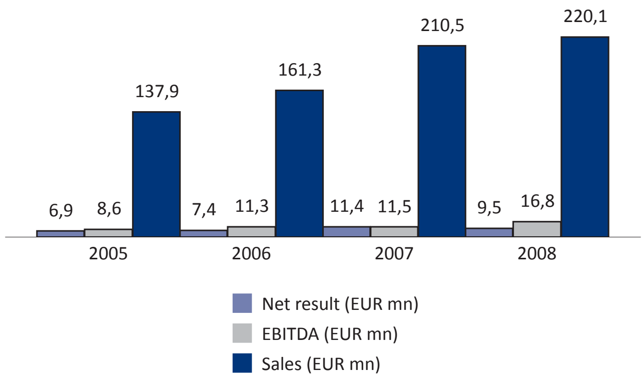
Balance Sheet, € mn	2005	2006	2007	2008
Current assets	**114,8**	**109,4**	**180,4**	**178,0**
Inventories	39,6	41,6	86,8	72,6
Account receivables	43,0	40,3	41,9	48,7
Cash&equivalents	20,3	16,6	29,8	34,8
ST financial investment	4,9	3,8	7,6	6,1
Other current assets	6,9	7,1	14,3	15,8
Fixed assets	**100,1**	**86,8**	**85,7**	**91,7**
Property, plant, and equipment	77,3	67,7	58,1	65,4
Equity investments	4,6	9,5	13,3	9,2
LT financial investments	17,9	9,1	13,5	16,0
Intangible & other fixed assets	0,2	0,5	0,8	1,1
Total assets	**214,9**	**196,2**	**266,1**	**269,7**
Current liabilities	**102,3**	**84,8**	**150,9**	**143,6**
ST debt	12,9	7,0	18,4	16,4
Account payables	75,5	58,9	113,6	105,8
Tax payables	4,0	4,8	5,9	14,0
Other current liabilities	9,8	14,0	13,1	7,4
LT liabilities	**56,7**	**22,2**	**16,1**	**29,6**
LT debt	46,0	16,8	13,8	27,6
Other LT liabilities	10,8	5,4	2,3	2,0
LT provisions	**0,8**	**4,0**	**6,7**	**5,4**
Equity	**55,1**	**85,3**	**92,5**	**91,2**
Total equity& liabilities	**214,9**	**196,2**	**266,1**	**269,7**

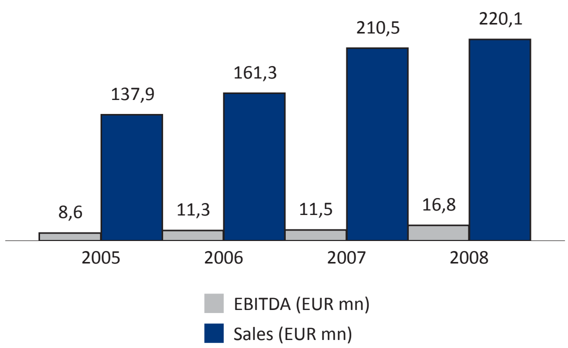
Income Statement, € mn	2005	2006	2007	2008
Operating revenues	**137,9**	**161,3**	**210,5**	**220,1**
Sales	121,0	158,0	210,2	217,9
Other operating revenues	17,0	3,3	0,3	2,2
Operating expenses	**-129,4**	**-150,0**	**-199,0**	**-203,3**
COGS	-40,3	-44,2	-55,2	-58,1
Salaries	-45,5	-51,3	-58,4	-65,3
Other operating expenses	-43,6	-54,5	-85,3	-79,9
EBITDA	**8,6**	**11,3**	**11,5**	**16,8**
EBITDA margin	*6,2%*	*7,0%*	*5,5%*	*7,6%*
Depreciation	-5,6	-8,5	-6,4	-6,3
EBIT	**3,0**	**2,8**	**5,1**	**10,6**
Financial result	**1,4**	**-0,3**	**3,1**	**-1,5**
Financial revenues	12,4	15,1	20,8	23,7
Financial expenses	-11,0	-15,4	-17,7	-25,2
One-time revenues (net)	**2,9**	**5,5**	**3,8**	**1,2**
One-time revenues	7,0	10,2	6,7	4,8
One-time expenses	-4,0	-4,6	-2,9	-3,6
EBT	**7,3**	**8,0**	**12,1**	**10,3**
EBT margin	*5,3%*	*5,0%*	*5,7%*	*4,7%*
Taxes	-0,5	-0,5	-0,6	-0,7
Net result	**6,9**	**7,4**	**11,4**	**9,5**

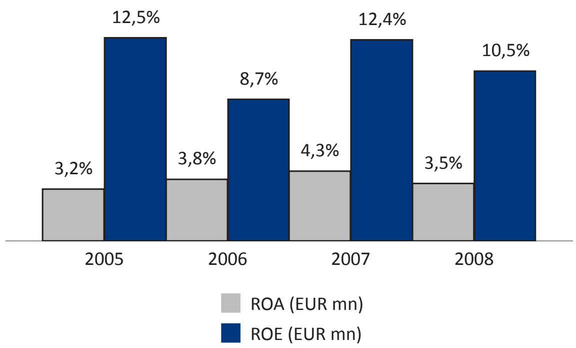
Year	Revenues EUR mn	Net result EUR mn	Assets EUR mn	Equity EUR mn	ROA	ROE	Productivity*
2005	157,3	6,9	214,9	55,1	3,2%	12,5%	49
2006	186,6	7,4	196,2	85,3	3,8%	8,7%	66
2007	238,0	11,4	266,1	92,5	4,3%	12,4%	82
2008	248,7	9,5	269,7	91,2	3,5%	10,5%	89

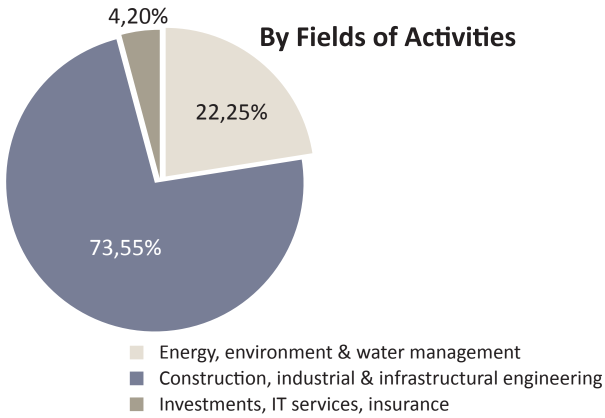
* Productivity - revenue (EUR 000) per employee

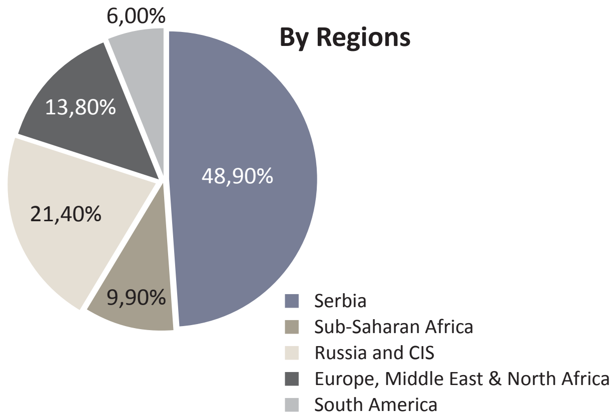












In the last five years, Energoprojekt Group has established a strong position on the Serbian and all overseas markets the Group where it operates. The Group has achieved the revenue compound growth of +168% and net profit growth of +100%. This result is crucial, and was secured in spite of the global recession in the second half of the financial year 2008, which hit particularly hard the construction industry.

The share of overseas contracted value in the last four years has been between 65% and 70% of the total contracted value, showing the Group's ability to compete and operate in foreign markets and in conditions of the ever growing competition.

The Group also demonstrated its ability to manage business and HR policies, seen as the increase of productivity (revenue per employee has doubled in the reported period – from 49,000 to 89,000 euro per employee).


BEOGRADSKA
ARENA

1.3 History

Energoprojekt Group is today one of the leading south-east European companies offering a wide range of services, starting with design and consulting followed by engineering and contracting in the field of energy generation; transmission and distribution; environmental and water management; construction and industrial and infrastructural engineering.

As one of the strongest and biggest Serbian companies, the Group is successfully operating in 22 countries worldwide and is generating an average annual turnover of 240 million Euros, half of it - 120 million Euros coming from overseas operations.

Energoprojekt Group is also ranked on the renowned American magazine "Engineering News Record" Lists - "The Top 200 International Design Firms" and "The Top 225 International Contractors".

History

- Established in Belgrade in 1951 as a design and consulting company for electrical energy generation, transmission and distribution projects within the Ministry of Energy.
- Between 1960-1970 Energoprojekt Group extends its activities to foreign markets including design, consulting and construction of hydroelectric power plants and land melioration in Turkey, Lebanon, Algeria, Syria, Pakistan, Afghanistan, Jordan, Tunisia, Egypt, Morocco, Ghana, Liberia... Energoprojekt Group starts opening companies and branch offices abroad. During this decade, the Group has constructed more than 60 water treatment plants of various types and capacities, 24 concrete dams, 34 embankment dams, 25 thermal power plants, more than 50 factories and 30 industrial plants and production facilities, as well as a couple of thousand apartments and hundreds of residential buildings.
- At the beginning of 1970 business expansion starts in the field of investment and construction projects with new contracts and at new markets. On Turn-key basis, Energoprojekt is executing multi -million worth projects in Uganda, Botswana, Peru, Kenya, Iceland, Central African Republic, Zaire, Gabon, Panama, Libya, as well as in other countries the Group is already present.

- In 1980 Energoprojekt Group is ranked on the ENR Lists of Top International Firms as the sixth among Top International Consultancy Firms, 20th among Top International Design Firms and 27th among Top 225 International Contractors. Till present days, Energoprojekt Group is the only company in the Region permanently ranked on the prestigious ENR list of top world companies. In this fourth decade of business activities, Energoprojekt intensifies its operations in the OPEC countries: Iraq, Kuwait, Iran, Libya and Nigeria.

- 1990-2000: Due to war and breakup of Yugoslavia, as well as the political, financial and economic isolation of Serbia and the Persian Gulf Wars, some of the international projects had to be aborted, some of which had been resumed later on but with significant expenses. The Group's network of branch offices and companies helped maintaining the Group's presence at foreign markets, resumption of the projects' execution, as well as obtaining new contracts in Russia, Kazakhstan and China.

- In September 1998 Energoprojekt starts the ownership transformation, transforming the company from a socially owned into a shareholding company. Today, Energoprojekt Group consists of Energoprojekt Holding and 9 subsidiaries.

- 2001 – Energoprojekt Holding started the IPO on the Belgrade Stock Exchange – Standard Market. Energoprojekt Holding stocks are integrated in Belexline – the Belgrade stock exchange index, as well as in three other indexes - Belex 15 (including stocks of 15 companies with the biggest turnover on Belgrade Stock Exchange), SRX (the index founded by the Vienna Stock Exchange, including 8 most liquid stocks) and Dow Jones Stock Balkan 50 Equal Weighted Index (including 50 stocks in total from Slovenia, as well as from other Balkan countries with the exception of Montenegro and Bosnia and Herzegovina).

- July 19, 2007 - Energoprojekt is listed on the Belgrade Stock Exchange - Prime Market, as one of the three Serbian companies listed on this market.

- At the beginning of the new millennium and in its sixth decade of business activities, Energoprojekt Group is one of the premier companies in its field. It operates both in the country and worldwide, constantly demonstrating its expertise, especially on the projects in Kazakhstan, Nigeria, Algeria, Peru and Qatar.

1.4 Organizational structure

ENERGOPROJEKT

HOLDING

Subsidiaries where Energoprojekt Holding has majority ownership

- Hidroinženjering a.d.
- Urbanizam i arhitektura a.d.
- Entel a.d.
- Industrija a.d.
- Visokogradnja a.d.
- Niskogradnja a.d.
- Oprema a.d.
- Promet d.o.o.
- Energodata a.d.
- Garant a.d.
- InGraf d.o.o.
- Be Company d.o.o.

Companies where Energoprojekt's companies have ownership

- Energoplast
- EnergoPET
- Enjub
- Energo Broker
- Hyatt Beograd
- Energo Vlasina
- Nacionalna Štedionica
- JUBMES - Belgrade
- Hipotekarna banka Podgorica
- Depozitno kreditna banka Beograd

Subsidiaries, representative & branch offices in the world

- ENCOM GMBH, Germany
- INEC Engineering Co. Ltd., United Kingdom
- ZAHINOS Ltd, Cyprus
- Representative Office, Russia
- Energoprojekt Energodata Montenegro d.o.o., Montenegro
- Energoprojekt - Montenegro d.o.o., Montenegro
- ENLISA S.A., Peru
- ENHISA S.A., Peru
- Energoprojekt Entel L.L.C. Consulting Engineers, Oman
- Energoprojekt Entel Consulting Engineers, Qatar
- Energo Consult L.L.C., Abu Dhabi
- Energoprojekt Entel Co.Ltd., Dubai
- Energo Nigeria Ltd., Nigeria
- ZECCO CO. Ltd., Zambia
- Energo Uganda Company Ltd., Uganda
- Energoprojekt Guinee S.A., Guinea
- Energo PVT., Zimbabwe
- Energoprojekt Ghana Ltd., Ghana
- United Consulting / Pty / Ltd., Botswana
- Energoprojekt Holding, Tripoli Branch Office, Libya

1.4 Energoprojekt Holding a.d.

ENERGOPROJEKT

HOLDING

Shareholders Assembly	Board	CEO
President of the Shareholders Assembly Slobodan Kumanudi	*Chairman of the Board* Ignjat Tucović	Vladan Pirivatrić

Board 2008

Chairman of the Board

Tucović Ignjat

Members of the Board

Prof. dr. Živković Boško, independent member
Prof. dr. Vasiljević Mirko, independent member
Pirivatrić Vladan, member
Simović Svetislav, member
Dinić Slobodan, member
Mihajlović Aleksandar, member
Sekulić Vladimir, member
Višnjić Vladimir, member
Uzelac Bogdan, member
Korolija Jovan, member


Ignjat Tucović
Chairman of the Board


Prof. dr Boško Živković
Independent member


Prof. dr Mirko Vasiljević
Independent member


Vladan Pirivatrić
Member


Svetislav Simović
Member


Slobodan Dinić
Member


Aleksandar Mihajlović
Member


Vladimir Sekulić
Member


Vladimir Višnjić
Member


Bogdan Uzelac
Member


Jovan Korolija
Member


5

1.5 Strategy

In 2008, the scale and fast development of the global economic and financial crisis spreading from financial markets to business segments imposed the necessity of altering the growth and development plans of most world companies into strategies of sustainable development.

In conditions of external market instability, with small business having great impact on business operations, Energoprojekt Group has made its prerogative to maintain and strengthen the already obtained market positions at all markets where the Group is operating.

Energoprojekt Group plans to achieve this goal through by improving management efficiency and upgrading organizational form in two key aspects:

1. Regrouping of related business activities to obtain an efficient and simple managing system. It is planned that companies operating within the Group should merge into three Business Units based on the related business activities. The Group's core business activities are to be organized into two Business Units:

- Energy, Environment and Water Management Unit, and
- Construction, Infrastructural and Industrial Engineering Unit

They will offer design, consulting, contracting, construction, engineering and other similar services in the mentioned fields of business activities.

The third Business Unit is planned to be formed with companies offering services in the domain of investment, IT and insurance.

2. Optimization of business processes and resources with implementation of new information technologies. The goal is modernization and improvement of business processes interconnections between the Group subsidiaries, strengthening of HR followed by the continuous investment in employees' training and development programs, team-building and work performance's upgrade.

1.6 Areas of activities

In nearly six decades of business activities, Energoprojekt Group, as an international company, obtained a leading position in the fields of: **energy; environmental and water management; construction; industrial and infrastructural engineering.**

Energoprojekt Group offers a wide range of services starting with feasibility studies, consultancy and design services, followed by project management, construction and engineering.

In decades of successful business activities, the synergy of know-how, business competency and experience supported by an impressive reference list of executed projects and clients in the country and worldwide, formed the base of the Group`s strong market position in Russia, Kazakhstan, Qatar, Dubai, Algeria, Nigeria, Peru, covering markets on four continents.

In the last five years the Group has contracted and executed projects of over € 1.2 billion value, including:

- hydroelectric & thermal power plants,
- potable & waste water treatment plants,
- transmission & distribution lines, substations,
- power plants, energy supply systems and gas plants,
- dams, water flow regulation systems,
- tunnels, roads,
- residential, office, industrial, sport and public buildings,
- factories and various types of production facilities and plants.

The following table gives the overview of major ongoing projects.

Field		Country	Client	Project / Services	Value in (000) EUR	Deadlines
Energy	1	Serbia	Public Enterprise for electric energy transmission and transmission system control EMS	400kV TL Leskovac - Macedonian Border; construction	7.000	2010
	2	Serbia	Serbian Power Company EPS	Electrostatic precipitators TPP "Kolubara A"; reconstruction	12.900	2009
	3	Serbia	Public utility Co. "Beogradske elektrane"	District heating plant "Novi Beograd" – reconstruction	4.500	2009
	4	UAE - Abu Dhabi	DEWA	Consultancy services	12.620	2010
	5	Qatar	Qatar petroleum	Degasification and pumping stations, gas and oil pipelines, design, consultancy, supervision	7.400	2010
Industry	6	Serbia	Jugoremedija, Zrenjanin (Serbia)	Factory "Jugoremedija" reconstruction; consultancy services	8.300	2009
	7	Russia	Mondi SLPK	Reconstruction of the paper mill in Siktivkar (Komi); construction works	40.900	2010
Contracting	8	Serbia	Bluehouse Accession Property Holding	Administration Building – block 26, New Belgrade; design & construction	70.000	2009
	9	Kazakhstan	TOO "OIL Real Estate", Almaty	Shopping mall – entertainment complex Aktau, Kazakhstan; design & construction	70.000	2009
	10	Serbia	Energoprojekt	Appartment complex, Bežanija, Belgrade; Construction	11.800	2009
	11	Serbia	Montera	University complex Bellville, building GP 2; MEP Services	3.100	2009
	12	Nigeria	Bilfinger Berger Gmbh, Germany / Julius Berger-Nigeria	Uyo's Governors Lodge, Uyo; MEP services	4.700	2009
	13	Ghana	Local partner	Hospital construction	5.800	2010
	14	Ghana	Local partner	"Cape Coast" stadium; construction	25.300	2010
Infrastructure	15	Serbia	Belgrade Land development public agency	Jurija Gagarina road reconstruction	7.200	2009
	16	Serbia	Public enterprise "Roads of Serbia" "Corridor10"	Belgrade bypass, section 5, tunnel Straževica, Serbia	40.053	2008
	17	Serbia	Public enterprise "Roads of Serbia"	Motorway E75, section Novi Sad - Beograd	48.102	2010
	18	Kazakhstan	AO Almatymetrokurilis	Metro stations "Abaya" & "Almaly" in Alamty; construction	28.300	2009
	19	Uganda	Ministry of Transport and Communication (Uganda)	Kampala-Gayaza-Zirobwe road reconstruction, 44 km in length	27.300	2009
	20	Peru	Ministry of Transport and Communication (Peru)	Rehabilitation of 51km long road accross Andes	19.700	2010
Services	21	Serbia	Credit Agricole / Meridian bank	ATM rental	11.300	2015

1.7 Resources - HR

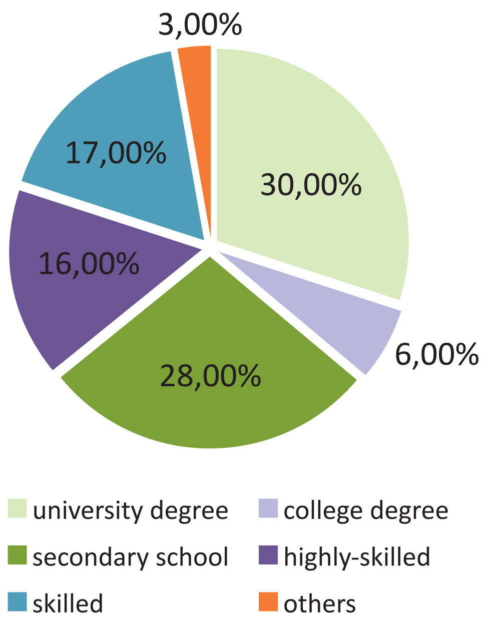
Energoproject's organization and its Human Resources form the key of Energoprojekt success.

Our employees posses a right mixture of competences, such as flexibility, team-based attitudes, versatility and leadership. This approach to HR selection, followed by personnel training and development, is the basis of the Group's ability to offer to its Clients the latest know-how, technical solutions and efficient project execution, all of it to the satisfaction of all stakeholders.

As of December 31, 2008, the Group's employees reach a total of 2,782 from a variety of ethnic backgrounds, cultures and religions. This versatility is actively encouraged by the company policy and contributes to the Group's competitiveness in Serbia as well as in all countries where the Group operates.

Average educational qualification is very high, as 30% of employees have a university degree. Today, Energoprojekt employs more than 700 graduated engineers, experts in the field of electrical, mechanical and civil engineering, IT, project management, finance, procurement of goods and services, as well as HR management. Additional 28% of the Group's personnel have secondary degree diploma.

Educational qualification chart



We believe that our employees are our competitive strength and their constant and continuous knowledge improvement through on-going training programs is our competitive advantage and the key to our success in an ever growing market competition.

age	number of employees	% share	university degree	college degree	secondary school	highly skilled	skilled	others
up to 30	440	16%	144	18	77	5	196	0
31-35	268	10%	122	14	52	22	52	6
36-40	228	8%	94	20	46	34	31	3
41-45	266	10%	94	11	56	63	34	8
46-50	439	16%	86	18	171	111	40	13
51-55	565	21%	121	37	209	98	75	25
56-60	409	15%	110	28	132	87	36	16
over 60	138	5%	68	14	24	25	7	0
total:	2.753	100%	839	160	767	445	471	71


DeltaCity

1.8 Quality management, environmental protection, health and safety

Quality management

Throughout six decades of successful operations in the country and worldwide, Energoprojekt Group executed numerous projects of high complexity to the satisfaction of both our clients and local communities. Our goal is to satisfy our clients` needs by continually developing our potential and experience, applying the latest know-how and technologies, developing project management and quality control. We thrive on challenge and accomplishment.

The Group's long term commitment to high standards has brought certifications of business activities with respect to quality management standards. Today, most companies operating within the Group have obtained ISO 9001 certificate and are working in accordance with the standards.

ISO 9001
Quality management

Energoprojekt Oprema a.d.
Energoprojekt Entel a.d.
Energoprojekt Visokogradnja a.d.
Energoprojekt Niskogradnja a.d.
Energoprojekt Energodata a.d.

Environmental protection

In all its activities Energoprojekt Group always complies fully with the laws and regulations of environmental protection and acts in strict accordance with clients' environmental obligations on all projects we are involved in. The Group is always striving to improve environmental protection and anti-pollution standards. We are committed to environmental excellence.

Each of our projects has a potential to affect people, plants, animals, water and land. Our goal is to protect environment all the way and all the time: starting from project planning through design, construction, to the project completion and its exploitation. Safeguards are incorporated in all our

projects, that keep protecting the environment long after the project is completed.

To reach our goals we:

- Communicate and instill an organizational commitment to environmental excellence in all our business activities
- Design, construct, plan and operate our projects in such a way that avoids or minimizes adverse environmental impacts
- Provide our Clients with engineering and constructing methods and technical solutions that prevent or minimize pollution
- Identify potential environmental issues and work with our Clients to find and implement solutions
- Assist our Clients in the process of complying with environmental regulations

Energoprojekt's commitment to environmental protection has brought the following certifications:

ISO 14001
Environmental management systems

Energoprojekt Oprema a.d.
Energoprojekt Entel a.d.

Health and safety

Energoprojekt Group is dedicated to the problem of health and safety at work. We believe that every accident, every injury is preventable. Our commitment extends from the boardroom to a field crew.

Safety is integrated into all our projects and business activities. Our safety and health program include:

- Computer based training
- Behavior based safety program
- Worldwide medical protection and evacuation services

All Energoprojekt`s subcontractors and partners are asked to adopt standards of safety and health. This dedication to safety is beneficial to our Clientsas well. We are able to reduce their operating costs, accidents' time loss, insurance costs, increase productivity and obtain substantial rebates for unused premiums.

We provide our clients with full spectrum safety services that include:

- Preparing safety, health and environmental plans for sites
- Insuring compliance with ES & H regulations in all the countries where we work
- Developing and implementing safety training programs
- Providing emergency planning services (communications, evacuations and medical support)

Energoprojekt Oprema a.d. is a company operating in the Energoprojekt Group that has already standardized its business processes in accordance with **occupational health and safety standards** and has obtained the **ISO 18001** certificate.

1.9 Social responsibility

Global Compact Network Serbia

Energoprojekt Group is, for decades, operating in accordance with corporate social responsibility supporting and applying universal principles of human rights, labor standards, environmental protection and anti-corruption standards.

Our commitment to corporate social responsibility is carried out continuously and consistently through all our business activities, on all the projects we are involved in and at all levels - from boardrooms to construction sites. All our subcontractors, suppliers and other partners, as well as the communities we are working with, are asked to adopt these principles too.

This philosophy informed the Group's decision to formally join the UN Global Compact Initiative, which had several thousand members in over 100 countries in 2008.

10 principles of Global Compact are:

Human rights

- Principle 1 - Businesses should support and respect protection of internationally proclaimed human rights;
- Principle 2 - Make sure that businesses are not complicit in human rights abuses

Labor standards

- Principle 3 - Businesses should uphold freedom of association and effective recognition of the right to collective bargaining;
- Principle 4 - Businesses should uphold elimination of all forms of forced and compulsory labor;
- Principle 5 - Businesses should uphold effective abolition of child labor; and
- Principle 6 - Businesses should uphold elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7 - Businesses should support a precautionary approach to environmental challenges
- Principle 8 – Businesses should undertake initiatives to promote greater environmental responsibility; and
- Principle 9 - Businesses should encourage development and diffusion of environmentally friendly technologies

Anti-Corruption

- Principle 10 - Businesses should work against corruption in all forms, including extortion and bribery.

1.10 Subsidiaries & branch offices

Today, Energoprojekt Group has 10 subsidiaries operating in Serbia and 22 operating worldwide.

EUROPE

Serbia
Energoprojekt Holding a.d.
Bulevar Mihaila Pupina 12
11070 Belgrade
Serbia
Phone: (+381 11) 310-1010
Fax: (+381 11) 311 42 00
E-mail: m.mitrovic@energoprojekt.rs
CEO: Vladan Pirivatrić

Germany
ENCOM GMBH
Zeppelinallee 71, 60487
Frankfurt/M
Germany
Phone: (+49 69) 970 60 50
Fax: (+49 69) 700 123
E-mail: info@encom.info
Director: Miodrag Zečević

United Kingdom
INEC Engineering Co. Ltd.
73 Mornington Street
London NW1 7QE
UK
Phone: (+44 207) 383 23 85
Fax: (+44 207) 383 34 71
E-mail: inecenergo@aol.com
Director: Dragica Rašeta

Cyprus
ZAHINOS Ltd
Omirou & Arachovas Corner
Alasia House
1st Floor, office 101
3096 Limasol
Cyprus
Phone: (+357) 25583253
Fax: (+357) 25584514
E-mail: info@mplloucaides.com
Director: Themis Themistokleus,
Stella Grigoriou, Bogosav Janković

Russia
Energoprojekt Holding a.d.
Branch Office
Boljšoj Golovin Pereulok dom 12
103045 Moskva
Russia
Phone: (+709 5) 2311 627
Fax: (+709 5) 231 16 22
E-mail: epmoskva@col.ru
Director: Milivoje Miladinović

Montenegro
Energoprojekt Energodata Montenegro d.o.o. Podgorica
Meše Selimovića 8
81000 Podgorica
Montenegro
Phone / Fax: (+382 78) 106 349
E-mail: energodatamontenegro@mtel-cg.net
Director: Milan Grbić

Energoprojekt - Montenegro d.o.o.
Put II Dalmatinske brigade bb
85340 Herceg Novi
Montenegro
Phone: (+382 31) 330-105, 330-106
Fax: (+382 31) 330-128
E-mail: energoprojektmont@-com.me
Director: Dragan Tadić

SOUTH AMERICA

Peru
ENLISA S.A.
Amador Merino Reyna 460, piso 17
Lima, San Isidro
Peru
Phone: (+5114) 429 033; 429 044
Fax: (+5114) 429 93 62
21164 Pe Energo Lima
Director: Goran Radović

ENHISA S.A.
Los Rosales 460,piso 6
Lima, San Isidro
Peru
Phone: (+5112) 210 806
Fax: (+5112) 4411 039
E-mail: zcukic@ephidro.com.pe
Director: Žarko Čukić

FAR & MIDDLE EAST

Oman
Energoprojekt Entel L.L.C. Consulting Engineers
P.O. Box. 1190, PC 112.
Muscat
Oman
Phone: (+968) 2448 80 11 ; 2448 80 04
Fax: (+968) 2448 69 86
E-mail: energooman@ep-entel.com
Director: Milan Maksimović

Qatar
Energoprojekt Entel Consulting Engineers
Al Dawoudiya Street, villa no. 47
P.O. Box 4769
Doha
Qatar
Phone: (+974) 447 85 71; 447 73 21
Fax: (974) 447 85 72
E-mail: energoqt@qatar.net.qa
Director: Momčilo Mrvić

Abu Dhabi
Energo Consult L.L.C.
Hamadan Street, Al Qubaissi Building
P.O. Box 52473
Abu Dhabi
Phone: (+971 2) 676 35 54
Fax: (+971 2) 676 35 59
E-mail: energoad@emirates.net.ae
Director: Vladimir Milošević

Dubai
Energoprojekt Entel Co.Ltd.
M4/M5 Al Safeenah Bldg. (Malaysia Trade Center Bldg.)
Near Lamcy Plaza
OUD METHA DUBAI, UAE
Phone: ++ 9714 335 67 61
Fax: ++9714 335 67 64
E-mail: energodb@emirates.net.ae and nmagazin@ep-entel.com
Director: Nedeljko Magazin

AFRICA

Nigeria
Energo Nigeria Ltd.
Office Abuja:
Plot 699 Aminu Kano Cresent
Wuse II FCT
Abuja
NIGERIA
Phone: (+234 09) 461 1362; 461 1363
Fax: (+234 09) 461 1364
E-mail: office.abuja@energonigeria.com
Office Lagos:
269b Kofo Abajomi street, Victoria Island;
P.O. Box 70223
Lagos
NIGERIJA
Phone: (+234 01) 271 4167
Fax: (+234 01) 271 4168
E-mail: office.lagos@energonigeria.com
Web: www.energonigeria.com
Director: Dejan Jerotić

Zambia
ZECCO Co. Ltd.
Zambia Engineering & Contracting Co. Ltd.
5251 Mukwa Road; P.O. Box 30306
Lusaka
Zambia
Phone: (+260 01) 246 496; 241 202
Fax: (+260 01) 242 473
E-mail: zecco@zamnet
Director: Branko Celeketić

Uganda
Energo Uganda Company Ltd.
Kampala 11, George Street
P.O. Box 3522
Kampala
Uganda
Phone: (+256 41) 232 000
Fax: (+256 41) 345 194
E-mail: eucl@africaonline.co.yu
Director: Dragan Milović

Guinea
Energoprojekt Guinee S.A.
Rue MA-019, Coleah, Matam, B.P. 251
Conakry,
Republic of Guinea
Phone: (+224 63) 403 525; (+224 64) 396 327; (+224 60) 593 660
Fax: (+224 30) 464 809
E-mail: dkraljevski03@yahoo.co.uk
Director: Dragi Kraljevski

Zimbabwe
Energo PVT.
63/64 Gleneagles Rd, Willowvale,
Harare
Zimbabwe
Phone: (+2634) 665 240; 665 200
Fax: (+2634) 665 783
E-mail: energo@africaonline.co.zw
Director: Aleksandar Ilić

Ghana
Energoprojekt Ghana Ltd.
PBM CCC2 Cantonments,
Accra
Ghana
Tel: (+223 21) 668 982; 668 718
Fax: (+233 21) 668 717
E-mail: epghana@ghana.com
Director: Dragica Todorovic-Letica

Botswana
United Consulting / Pty / Ltd.
Khwai Road, POB 207,
Gaborone
Botswana
Phone: (+267) 357 039; 393 22 75
Fax: (+267) 357 039
E-mail: uc@botsnet.bw
Director: Nikola Ban

Libya
Energoprojekt Holding,
Tripoli Branch Office
5 Karachi Street
Tripoli
Libya
Phone: (+218 21) 334 02 31
Cell: 091 211 14 37
Director: Petar Gvozdenović

2. **References** – Major projects

Focus 1 - Administrative building – block 26, New Belgrade, Serbia

Focus 2 – Shopping mall - entertainment complex, Aktau, Kazakhstan

Focus 3 – TL 400kV – construction of TL between cities of Nis and Leskovac, Serbia

Focus 4 - TPP Kolubara A – reconstruction of electrostatic precipitators on Unit A5

Focus 5 - Highway E75, section between cities of Novi Sad and Belgrade

Focus 6 – Belgrade bypass, section 5, tunnel Straževica

Focus 7 – Almaly and Abay metro stations, Almaty, Kazakhstan

FOCUS 1

Administrative Building – block 26, New Belgrade, Serbia

Project Value:	EURO 70,000,000
Client:	Blue Accession Property Holding
Location:	block 26, New Belgrade, Serbia
Contract period:	2006 –
Project status:	under construction

The administrative building is situated at the corner of Mihaila Pupina boulevard and Španskih boraca street, Block 26, being part of the central zone of New Belgrade stretching between the sport hall „Belgrade Arena“ and New Belgrade railway station. This location is one of the most prestigious Belgrade's property locations today.

The office building consists of two separate structures: Building „A“ (net area 9,600 m^2) and building „B“ (net area 23.150 m^2) with a joint two-level underground garage having in total 392 parking places. Both Building „A“ and „B“ have ground and seven floors, roof terraces and facilities area at the top floor.

The main pedestrian access to the complex is from the Mihaila Pupina Boulevard and Španskih boraca street direction, through the diagonally positioned footway in between two buildings. The glazed entrance halls' elevations of both buildings emphasize the link between external and internal areas. The ground floor commercial premises (areas) have direct access from the footpath surrounding the buildings. The access road to the complex is designed from the Španskih Boraca Street through internal roads. 77 open parking places are provided at the ground level.

The complex is designed as an administrative building with commercial premises - at the ground floor level. Office area is designed as „open space“ area, enabling flexible organization of office space, adjustable to various needs of future tenants.

Designed and built according to international standards, this administrative building is the first building in Belgrade fulfilling the severe criteria of „A“ class administrative buildings. This includes, among other criteria, natural illumination of office space, floor height of 2,8 m, flexible floor organization, double floor in office areas, and high-level facade system with windows elements that can be opened.

The facade is designed and constructed in accordance with European standards in terms of energy efficiency. The implemented system FW 50+HI with increased thermal insulation is of the renowned manufacturer Schuco.

The building is equipped with installations and systems of the highest levels. The four-pipes system of “fan coil” device is applied for building heating

and cooling. Only primary air is used for ventilation and all offices have natural ventilation. The complex has two transformer stations 10/0,4kV of 2x1000kVa capacity in building „A“ and 2x1000kVa capacity in building „B“. Two diesel generator sets for the essential load supply were designed and built in for cases of mains failure. Modern solutions with energy-efficient light fittings are used for installation of lighting.

In order to accomplish all functional and requirements of monitoring, control, measuring and regulation of HVAC systems, a Building Management System is provided, which is based on programmable logical controllers – intelligent microprocessor automated stations (substations) which carry out Direct Digital Control (DDC) and Programmable Logical Control (PLC). BMS incorporates monitoring-control and measuring-regulatory functions for HVAC system, preparation of hot and cold water, fan-coil devices, water pumps and fire protection system.

The complex is equipped with the latest technological systems with digital communication processes and sophisticated equipment including telephone network, structured cable network, intercom system, PA system, synchronized time display, CATV, fire alarm, gas detection in the garage, burglar alarm and access control, CCTV system.

FOCUS 2

Shopping mall - entertainment complex Aktau, Kazakhstan

Project Value:	EURO 70,000,000
Client:	TOO “OIL Real Estate”, Almati
Location:	Aktau, Kazakhstan
Contract period:	2008 –
Project status:	under construction

Retail - Entertainment Complex of its 50,000 m^2 built area, consisting of basement and three floors, is situated at the north boundaries of the city of Aktau.

In its architectural form this Complex is a modern composition with elements of traditional Kazakh architecture. A modern fountain has been designed and constructed on the square emphasizing main entrance of the Complex.

The Complex integrates areas of various activities such as sport, leisure and retail. It has a covered ice-skating ring, indoor recreation facilities for various types of exercises such as aerobics, martial arts, boxing, billiard, bowling, multifunctional sport hall, indoor swimming pools – both public and competition one, a SPA center, etc. It also has a multiplex cinema, retail areas, various cafeterias, bars and restaurants, central bakery and supermarket, significant office area, as well as all necessary storage and technical services areas.

The complex has also two underground garages for both employees and clients, as well as open air parking space, open air sport facilities – children’s and public swimming pools, football court, etc. The complex also has all necessary technical facilities – gas boiler house, transformer station, diesel generators, water reservoirs, water treatment plants etc.


АКТАУ

FOCUS 3

Transmission line 400kV – construction of TL between cities of Niš & Leskovac, Serbia

Project Value:	EURO 7,000,000
Client:	EMS (Public Enterprise for electric energy transmission & transmission system control ''Elektromreža Srbije'' Serbian Transmission System & Market Operator)
Location:	Niš - Leskovac, Serbia
Contract period:	2008 –
Project status:	under construction

At the beginning of 2008, Energoprojekt Oprema a.d., company operating within the Group, and "Elektromreže Srbije" signed the contract for construction of a new transmission line between Serbian cities of Niš and Leskovac. The value of the contract is cca 7 million Euros.

The project is financed by the European Agency for Reconstruction (EAR). Energoprojekt Oprema a.d. obtained the contract in consortium with two Serbian companies - Minel and Energomontaža, Energoprojekt Oprema being the leader of the consortium. The new 400kV TL from substation Niš 2 to substation Leskovac 2, is due to be finalized at the end of 2009.

FOCUS 4

TPP Kolubara A – reconstruction of electrostatic precipitators on Unit A5, Serbia

Project Value:	EURO 12,900,000
Client:	Public Company ”Electric power industry of Serbia”
Location:	TPP Kolubara, Veliki Crljeni, Serbia
Contract period:	2008 –
Project status:	under construction

Following a successful reconstruction of electrostatic precipitators on Units A1 and A4 of thermal power plant Nikola Tesla in the city of Obrenovac, in 2006 and 2007, Consortium of two companies operating within the Energoprojekt Group - Energoprojekt Oprema a.d. and Energoprojekt Entel a.d., signed a new contract with the Public Company ”Electric power industry of Serbia”, TPP Nikola Tesla d.o.o, Obrenovac, for reconstruction of electrostatic precipitator and ash handling system on Unit A5 of TPP Kolubara A.

12,900,000.00 Euro worth contract (VAT excluded) consists of preparation of all necessary technical documentation, feasibility study, basic design, followed by main and as built design, disassembling of existing equipment, equipment and material procurement, civil, electrical & mechanical works, commissioning, testing and training of client’s staff.

Finalization of the project is scheduled for September 28, 2009.

Modernization of electrostatic precipitators and ash handling system has a great environmental impact as the particles’ emission arising as a product of lignite combustion process in Unit A5 of TPP Kolubara will be reduced to regulation’s prescribed value of £ 50 mg/Nm^3.

Execution of projects of this kind is of special importance to all the companies operating within Energoprojekt Group. These are the projects emphasizing the Group’s dedication and commitment to environmental protection and investment in the healthier future of our communities.

FOCUS 5

Motorway E75, section Novi Sad - Beograd

Project Value:	EURO 48,102,000
Client:	Public enterprise “Roads of Serbia”
Location:	Novi Sad - Belgrade
Contract period:	2006 –
Project status:	under construction

The Project consists of preparation of the main design, as well as construction of a section of motorway E75 linking cities of Beograd and Novi Sad, between km 108 and 117 km.

The contract deals with construction of the left traffic lane of the motorway 9 km long, the construction of two auxiliary roads each 9 km long and aimed to separate transit and local traffic, construction of two new overpasses „Novi Sad – Center“ and „Novi Sad – North“, reconstruction works of the existing overpass „Zrenjanin“, construction of two tollgates „Novi Sad – North“ and „Novi Sad – South“, construction and rehabilitation of a total of 15 bridges and culverts, protection, dislocation and reconstruction of existing overhead transmission lines, telecommunication infrastructures, oil and gas pipelines, as well as construction of a closed circuit of a dewatering system (gutters, drain flumes, gulleys and shafts, channels, sewer collectors) and 19 surface storage (system for treatment of collected wastewater).

MAIN QUANTITIES

Excavation	1.012.654 m^3
Embankment	1.904.874 m^3
Structural pavement	211.157 m^3
Concrete	20.528 m^3

Asphalt works:

BNS 22 sA	87.611 t
AB 16s	50.116 t

FOCUS 6

Belgrade bypass, section 5, tunnel Straževica, Serbia

Project Value:	EURO 40,053,000
Client:	Public enterprise "Roads of Serbia" "Corridor10"
Location:	Belgrade
Contract period:	2004 – 2008
Project status:	completed

Tunnel Straževica makes an integral part of „Corridor 10", on the Belgrade bypass between Dobanovci and Bubanj Potok. The bypass has another two tunnels, a bridge over the river Sava and numerous flyovers. Still, Straževica tunnel is the most complex and the biggest structure on the Belgrade bypass.

Tunnel tubes are designed for road traffic. The tunnel consists of two tunnel tubes, 745 m and 733 m long, cross section profile 110 m^2, constructed using NATM (New Austrian Tunnel Method). Both tunnel tubes are connected with two small pedestrian tunnels serving as evacuation roads in cases of accidents. A part of the contract were also regulation of the Rakovica creek on the exit side, as well as a reconstruction of 13th of October Street, crossing zone at the entrance.

MAJOR WORKS

Tunnel length	2x745 m
Cross section area	2x120 m^2
Concrete lining thickness	70 cm
Excavated material	371.600 m^3
Concrete built in	36.600 m^3
Reinforcement	2.240 t
Hydro-insulation	43.600 m^2

FOCUS 7

Metro stations Almaly and Abaya, Almaty, Kazakhstan

Project Value:	EURO 45,000,000
Client:	AO Almatymetrokurilis
Location:	Almaty, Kazakhstan
Contract period:	2006 – 2007; 2008 -
Project status:	under construction

Almaly and Abay metro stations are underground structures within the first subway line of the city of Almaty in the Republic of Kazakhstan. They were designed and constructed at the depth between 30 – 70m in the city center. In respect of geological features, the soil is made of alluvial glacier deposits and the whole area is considered to be highly seismically active, to 9 degrees of Merkali intensity scale.

Underground metro stations included construction of three tunnel tubes (diameter cca 90-100 m^2) 815m long, mutually connected by crossings with platform constructions and slope sided passenger tunnels. "Almaly" metro station is a "column" type, while Abay metro station is a "pylon" type. The structure is made out of temporary timberwork constructed using NATM method, as well as the regular secondary lining.

Modified NATM method was used during the underground metro station construction along with protective screens, sprayed concrete, steel meshes and trussed centers. The works were executed in stages along with simultaneous dismantling of the lining from the previously constructed transport tunnels.

Execution of works organization is complex due to limited access through the transport tunnels, where the works on the other 5 stations are being executed simultaneously. Apart from applying the latest technologies for underground structure constructions, a significant number of experts has been trained for this kind of structures. The latest tunnel equipment was used for execution of works.

Completion of the project is due to be in December 2009.

MAJOR WORKS UNDER THE CONTRACT – METRO STATIONS:	ALMALY		ABAY	
Drilling and Ø 114mm pipe placement for the calotte excavation insurance and grouting	11.500	m	22.750	m
Tunnel excavation and transport to the landfill	30.600	m^3	43.500	m^3
35 MP Jet-concrete placement – wet mix, in coats	4.700	m^3	7.500	m^3
Reinforcement mesh fitting in 3 layers with trussed centers	520	t	750	t
PVC waterproofing	12.000	m^2	14.000	m^2
Reinforcement placement for the secondary lining	960	t	1.330	t
U40/45 MP concrete placement for the secondary lining	9.000	m^3	11.000	m^3

3. Financial Report

3.1 Management's Report
3.2 Independent Auditor's Report
3.3 Consolidated Income Statement
3.4 Consolidated Balance Sheet
3.5 Consolidated Cash Flow Statement
3.6 Consolidated Statement of Changes on Equity
3.7 Consolidated Statistical Annex
3.8 Consolidated Notes to the Financial Statements

3.1 Management's Report

Economic and Financial position

According to the Consolidated Financial Statements for the year ending December 31st, 2008, the total revenue of Energoprpojekt Group was 248,70 million Euros. The result shows an increase of 4,5% in respect of the year 2007 when the total turnover was 238,00 million Euros. Bearing in mind the effects of the global financial crisis in the second half of the year, we are of the opinion that the accomplished result is very good.

The net profit for the year 2008 was EURO 9,50 million, which is more than satisfying. In respect of the year 2007 (EURO 11,40 million) there has been a certain decrease in net profit. This decrease is due to the net negative financial result originated from loss on exchanging which is the result of the depreciation of Serbian dinar against the Euro in the fourth quarter of 2008.

The revenue obtained from the overseas operations marks an increase, from the 60 % in the year 2007 to 66% in the year 2008. This shows Group's strategy and global business orientation toward operating on Energoprojekt traditional markets in the world such as Kazakhstan, Russia, Qatar, Oman, UAE, Uganda, Ghana, Nigeria, Algeria, Peru, Montenegro.

Risk management of the Group is carried under policies approved by the Board of Directors, which covering the areas, such as: credit risk, interest rate risk, liquidity risk, foreign exchange risk.

Credit risk

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

Interest rate risk

The Group borrows the money on the financial market by the changeable interest rates, connected with Euribor, Belibor and reference interest rate issued by Central bank of Serbia on the rep transactions. In the aim to avoid risk on the financial market the Group borrow the money on the short term period, insisting on the lower bank s charge with the obligatory clause on pre-term payment return without any additional penalties.

Liquidity risk

Prudent liquidity risk management implies maintaing sufficient cash and marketable securities, the availability of funding through and adequate amount of committed credit facilities and the ability to 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. Beside aforementioned, in accordance with the Group 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.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EURO and USD. The Group applying the financial hedging tries to minimize foreign exchange risk.

Ownership of shares in the Parent Company

In the second half of the year 2008 the Energoprojekt Holding a.d. purchased 9.790 of own shares (3.427,00 RSD, nominal value per share).

On going and new contracts in 2008

As in previous years, Energoprojekt Group's revenues in 2008 was accomplished due to execution of projects in the areas of energy generation, transmission and distribution, environmental and water management – construction of water treatment plants, industrial and infrastructural engineering – execution of various road, metro station and irrigation system projects and general construction.

Despite of decrease in investments in the country and growing competition, companies operating in the System have signed in 2008 several significant projects in the country and abroad worth 249 million Euros.

Energoprojekt Oprema and Energoprojekt Entel a.d. have signed a 12,9 milion euros worth contract with the Public Company ”Electric power industry of Serbia” (JP EPS) for the reconstruction of electrostatic precipitator and ash handling system on Unit A5 of TPP Kolubara A.

Energoprojekt Oprema has also obtained a 7 milion euros worth contract with the Spanish company for the construction of 100 km long 400 kV transmission line between substation “Leskovac 2” to the Macedonian border. Energoprojekt Industrija a.d. signed a contract of 8,3 milion euros with „Jugoremedija“ for main design and engineering services on the modernization of factory plant.

Energoprojekt Niskogradnja a.d. contracted the reconstruction of the 51 km long section of the road in Peru. The contract value is 19,7 million euro. Niskogradnja also contracted the construction of two metro stations. Energoprojekt Visokogradnja a.d. signed two contracts in Ghana - construction of the sport stadium “Cape Coast” (25,3 million Euros) and construction of the hospital (5,8 million Euros).

Detailed information on the mentioned and other current major projects are given in the Section 1 – General information, Item 1.6. – Areas of activities, Major Ongoing Projects Chart.

Research and Development

In 2008 no significant amounts were allocated in respect of research and development.

Energoprojekt Holding a.d.
CEO

Vladan Pirivatrić

3.2 Independent Auditors' Report

MOORE STEPHENS
REVIZIJA I RAČUNOVODSTVO

BEOGRAD - NOVI SAD - NIŠ - ZRENJANIN

Privredno društvo za reviziju računovodstvo i konsalting
"Moore Stephens Revizija i Računovodstvo" d.o.o.
Makenzijeva 41/II, 11000 Beograd, Srbija
Tel: 011\ 2433 619, 3085 806; Fax: 011\ 2432 228
E-mail: office@revizija.co.rs, www.revizija.co.rs
Matični broj/ID: 06974848; PIB/VAT: 100300288

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

No. 141/09

SYSTEM "ENERGOPROJEKT" BEOGRAD

INDEPENDENT AUDITOR'S REPORT

To The Shareholders of the System "Energoprojekt" Beograd

We have audited the accompanying consolidated financial statements of the System "Energoprojekt", Beograd (comprise of parent company "Energoprojekt – Hold ing" a.d., Beograd and subsidiaries disclosed in the note 2. to the financial statements), which comprise the consolidated Balance sheet as at December 31, 2008 and the consolidated Income statement, consolidated Statement of changes in equity and consolidated Cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Serbian GAAP (accounting regulations prevailing in the Republic of Serbia). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Law on Accounting and Auditing and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the System "Energoprojekt", Beograd as of December 31, 2008, and of its financial performance and its consolidated cash flows for the year then ended in accordance with the accounting regulations prevailing in the Republic of Serbia and accounting policies disclosed in Notes to the consolidated financial statements.

Nezavisni član Moore Stephens • Independent member firm of Moore Stephens

SYSTEM "ENERGOPROJEKT" BEOGRAD

INDEPENDENT AUDITOR'S REPORT - continued

To The Shareholders of the System "Energoprojekt" Beograd

Without qualifying our opinion expressed in the preceding paragraph, we draw your attention to the following:

Under the item Other long term financial investments disclosed amount in RSD 234,318 thousand (net amount after booked provision for calculated interest in RSD 733,952 thousand) due from "Preduzeće za izgradnju železničkog čvora" Beograd, and under the item Receivables disclosed amount of RSD 426,962 thousand (net amount after booked provision of calculated interest in RSD 660,914 thousand) due from the same debtor. It relates to a loan and prior years short term receivables which is not disputable. The long term financial investments were reconciled with debtor and the negotiation is in progress about finding the possibility of their collection, and for the short term receivable (for works performed before 2006 in the amount of RSD 208,298 thousand), there is final court sentence in the favour of creditor with added penalty interest.

Belgrade, April 30, 2009

MOORE STEPHENS
Revizija i Računovodstvo

Bogoljub Aleksić
Certified Auditor

MOORE STEPHENS
REVIZIJA I RAČUNOVODSTVO
BEOGRAD · NOVI SAD · NIŠ · ZRENJANIN

3.3 Consolidated Income Statement for the Period from 01 January to 31 December 2008

(RSD thousand)

Account Group, Account	DESCRIPTION	ADP	Notes	Total	
				Current Year	Previous Year
	A. Operating revenues and expenses				
	I. Operating incomes	201		**17.930.970**	**16.828.507**
60 & 61	1. Sales	202	8	19.421.235	13.470.535
62	2. Income from undertaking of outputs and goods for own purposes	203		26.419	55.808
630	3. Increase of inventories	204	9	2.618.940	3.333.410
631	4. Decrease in inventories	205	9	4.315.683	162.916
64 & 65	5. Other operating incomes	206	10	180.059	131.670
	II. Operating expenses	207		**17.070.185**	**16.421.841**
50	1. Purchase value of goods sold	208	11	313.503	241.571
51	2. Cost of material	209	12	4.416.085	4.174.236
52	3. Staff costs	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 operating expenses	212	15	6.508.798	6.824.129
	III. Profit from operations	213		**860.785**	**406.666**
	IV. Business losses	214			
66	**V. Financial revenues**	215	16	**1.932.734**	**1.664.121**
56	**VI. Financial expenses**	216	16	**2.056.287**	**1.413.099**
67,68	**VII. Other revenues**	217	17	**394.071**	**538.352**
57,58	**VIII. Other expenses**	218	17	**293.491**	**234.399**
	IX. Profit from ordinary activities before taxation	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 loss of discontinued operations	222	18	565	147
	B. Profit before tax	223		**837.247**	**961.494**
	C. Losses before tax	224			
	D. Income tax				
721	1. Tax expense for the period	225		49.653	59.182
722	2. Deferred tax expense for the period	226		11.167	
723	3. Deferred tax revenue 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 attributable to minority interest	231		74.390	143.210
	I. Net profit attributable to equity holders of the parent	232		702.037	768.952
	J. Earnings per share				
	1. Basic earnings per share	233			
	2. Diluted earnings per share	234			

3.4 Consolidated Balance Sheet as of 31 December 2008

(RSD thousand)

Account Group, Account	DESCRIPTION	ADP	Notes	Total	
				Current Year	Previous Year
	A S S E T S				
	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. Intangible assets	004		93.924	59.533
	IV. Property, plant, equipment and natural assets	005		5.796.586	4.604.197
020, 022, 023, 026, 027 (part), 028 (part), 029	1. Property, plant and 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			
	IV. Long term financial investments	009		2.233.215	2.126.502
030 do 032, 039 (part)	1. Equity investments	010	21	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. Inventories	013	23	6.433.734	6.879.025
14	II. Non-current assets held for sale and discontinued operations	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 for prepaid income tax	017	24	33.950	44.531
23 minus 237	3. Short term financial investments	018	25	542.480	604.023
24	4. Cash equivalents and cash	019	26	3.085.355	2.358.656
27 & 28 except 288	5. VAT and prepayments and accrued income	020		1.333.870	804.186
288	III. 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 items**	025	39	**18.160.619**	**6.317.714**

3.4 Consolidated Balance Sheet as of 31 December 2008 - continued

(RSD thousand)

Account Group, Account	DESCRIPTION	AOP	Notes	Total	
				Current Year	Previous Year
	EQUITY AND LIABILITIES				
	A. Capital	101		**8.077.625**	**7.325.969**
30	I. Issued 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. Unrealised gains from securities	106	29	61.565	
333	VI. Unrealised losses from securities	107	29	11.751	
34	VII. Undistributed profit	108	30	3.065.617	2.420.442
35	VIII. Loss	109	30	114.978	100.119
037 & 237	IX. Redeemed own shares	110	27	3.427	
	B. Provisions and liabilities	111		**15.757.015**	**13.707.258**
40	I. Long term provisions	112	31	478.551	529.413
41	II. Long term liabilities	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 liabilities	115	33	176.853	184.308
	III. Short term liabilities	116		12.656.766	11.902.229
42 osim 427	1. Short term financial liabilities	117	34	1.450.132	1.457.867
427	2. Commitments for assets intended for sale and suspended business assets	118			
43 & 44	3. Liabilities from business operations	119	35	9.373.300	8.998.408
45 & 46	4. Other short term liabilities	120	36	658.421	706.335
47, 48 except 481 & 49 except 498	5. VAT duties, other public liabilities and accruals and deferred income	121	37	1.163.149	713.485
481	6. Income tax liabilities	122		11.764	26.134
498	IV. Deferred tax liability	123		64.366	55.157
	V. TOTAL EQUITY AND LIABILITIES	124		**23.899.006**	**21.088.384**
89	**G. Off-balance sheet items**	125	39	**18.160.619**	**6.317.714**
	Minority interest (in the capital)			**924.726**	**877.871**

3.5 Consolidated Cash Flow Statement for the Period from 01 January to 31 December 2008

(RSD thousand)

DESCRIPTION	AOP	Total	
		Current Year	Previous Year
A. CASH FLOWS FROM OPERATING ACTIVITIES			
I. Inflows	301	**19.961.327**	**18.177.442**
1. Selling and cash receipts from customers	302	19.657.289	17.359.008
2. Interest receipts from operations	303	101.165	30.383
3. Other receipts from operations	304	202.873	788.051
II. Outflows	305	**19.626.113**	**16.512.745**
1. Cash paid to suppliers and paid advances	306	13.565.909	11.196.639
2. Staff costs	307	4.900.338	4.112.849
3. Interest paid	308	373.637	195.242
4. Income taxes paid	309	145.217	122.315
5. Other public duties	310	641.012	885.700
III. Net cash provided by operating activities	311	**335.214**	**1.664.697**
IV. Net cash outflow from business operations	312		
B. CASH FLOWS FROM INVESTING ACTIVITIES			
I. Inflows	313	**428.339**	**746.174**
1. Net proceeds from disposal of shares and stakes	314	2.924	87.357
2. Proceeds from sale of intangible assets, property, plants, equipment and biological assets	315	84.591	33.784
3. Other financial investments (net inflows)	316	173.992	532.593
4. Interest received	317	91.775	46.344
5. Dividend received	318	75.057	46.096
II. Outflows	319	**1.297.602**	**1.463.766**
1. Purchase of shares and stakes (net outflows)	320	18.009	262
2. Purchase of intangible assets, property, plants, equipment and biological assets	321	1.021.601	593.163
3. Net outflow from other financial investments	322	257.992	870.341
III. Net cash inflow from investing activities	323		
IV. Net cash used in investing activities	324	**869.263**	**717.592**

3.5 Consolidated Cash Flow Statement for the Period from 01 January to 31 December 2008 – continued

(RSD thousand)

DESCRIPTION	ADP	Total	
		Current Year	Previous Year
C. CASH FLOWS FROM FINANCING ACTIVITIES			
I. Inflows	325	**2.290.846**	**1.767.978**
1. Proceeds from issuance of capital	326	19	212
2. Net proceeds from long term and short term loans	327	1.960.306	841.635
3. Other long and short term liabilities	328	330.521	926.131
II. Outflows	329	**881.446**	**1.570.226**
1. Outflow from the purchase of own shares and stakes	330	3.427	
2. Net outflow from long and short term loans and other liabilities	331	741.321	1.218.133
3. Payment of finance lease liabilities	332	54.562	146.519
4. Dividends paid	333	82.136	205.574
III. Net cash provided by financing activities	334	**1.409.400**	**197.752**
IV. Net cash outflow from financing activities	335		
D. Total increase in cash	336	**22.680.512**	**20.691.594**
E. Total decrease in cash	337	**21.805.161**	**19.546.737**
F. Net increase in cash	338	**875.351**	**1.144.857**
G. Net decrease in cash	339		
H. Cash at beginning of period	340	**2.358.656**	**1.309.046**
I. Gains on exchange	341	382.407	185.947
J. Losses on exchange	342	531.059	281.194
K. Cash at end of period	343	**3.085.355**	**2.358.656**

3.6 Consolidated Statement of Changes in Equity for the period from 01 January to the 31 December 2008

RSD thousand

No.	ITEM	Issued capital	Other capital	Registered capital unpaid (group 31)	Share issue premium	Reserves	Revalua-tion reserves	Unrealised gains from securities	Unrealised losses from securities	Undistrib-uted profit	Loss up to the capital value	Redemption of own shares	Total	Loss over capital (group 29)
1	AOP	401	414	427	440	453	466	479	492	505	518	531	544	557
	Balance as of 1 January 2007	**3.498.331**	**49.353**		**232.491**	**180.776**	**915.883**			**1.939.979**	**90.121**		**6.726.692**	
2	AOP	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	AOP	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	AOP	404	417	430	443	456	469	482	495	508	521	534	547	560
	Restated opening balance as of 1 January 2007	3.498.331	49.353		232.491	180.776	915.883			1.939.979	90.121		6.726.692	
5	AOP	405	418	431	444	457	470	483	496	509	522	535	548	561
	Prior years increasing - total		39.984			37.827	255.954			1.108.835	9.998		1.432.602	
6	AOP	406	419	432	445	458	471	484	497	510	523	536	549	562
	Prior years decreasing - total	52.625	1.641			71	150.616			628.372			833.325	
7	AOP	407	420	433	446	459	472	485	498	511	524	537	550	563
	Balance as of 31 December 2007	**3.445.706**	**87.696**		**232.491**	**218.532**	**1.021.221**			**2.420.442**	**100.119**		**7.325.969**	
8	AOP	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	AOP	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	AOP	410	423	436	449	462	475	488	501	514	527	540	553	566
	Restated opening balance as of 1 January 2008	**3.445.706**	**87.696**		**232.491**	**218.532**	**1.021.221**			**2.420.442**	**100.119**		**7.325.969**	
11	AOP	411	424	437	450	463	476	489	502	515	528	541	554	567
	Current year increasing - total	314.047	15.593			49.423	194.006	191.613	45.562	1.911.739	27.266	3.427	2.600.166	
12	AOP	412	425	438	451	464	477	490	503	516	529	542	555	568
	Current year decreasing - total	196.112	1.969		3.987	10.004	286.044	130.048	33.811	1.266.564	12.407		1.848.510	
13	AOP	413	426	439	452	465	478	491	504	517	530	543	556	569
	Balance as of 31 December 2008	**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**	

3.7 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 PROPETY, 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**	**5.243.740**	**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**	**28.808.554**

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	**13.185.797**	**12.457.585**

VIII OTHER INCOME

Account Group, Account	I T E M	ADP	RSD 000 Current Year	RSD 000 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	RSD 000 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**

3.8 Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

All amounts are expressed in RSD thousand, unless otherwise stated

1. GENERAL INFORMATION

System ''Eneroprojekt'', Beograd (further on the System) consist of parent share company "Energoprojekt Holding", a.d., Beograd (further on the EP Holding) and 12 subsidiaries (9 share companies and 3 limited liability companies) and 2 associates with participation in capital 50% and less (1 limited liability and 1 share company). Within parent company and subsidiaries there are working unites and legal entities abroad organized which together are engaged in building projecting, equipping, research, programming the investing units and systems and trade.

In 2008 the System was organized as follows:

Activity	Number of companies	Number of units for performing investing works abroad	Number of companies abroad
Projecting and researching	4	29	6
Construction and equipping	3	43	7
Trade	1	-	-
Holding	1	-	8
Other	6	-	1
Total	**15**	**72**	**22**

The parent company's and subsidiaries head office is situated in New Belgrade, Bulevar Mihajla Pupina No 12.

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

The "Energoprojekt Holding" a.d. shares are listed on the Belgrade Stock Exchange – list "A" and certain number of subsidiaries' shares are on unregulated market of Belgrade Stock Exchange.

2. CONSOLIDATION GROUP

The consolidation group consists of parent company EP Holding and below shown local subsidiaries and associates, as well as subsidiaries - working units abroad:

Local subsidiaries and associates:

No.	Name	% ownership
	Construction and equipping	
1.	EP Visokogradnja a.d.	92,39
2.	EP Niskogradnja a.d.	93,32
3.	EP Oprema a.d.	67,87
	Projecting and researching	
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
	Other	
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
	Associates	
13.	Enjub d.o.o.	50,00
14.	Energo Broker a.d.	28,60

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

Subsidiaries abroad – working units:

No.	Name	% ownership
1.	Zecco LTD, Zambia	100,00
2.	Energogvineja, Guinea	100,00
3.	INEC Engineering Co.Ltd., London, Great Britain	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

The part of subsidiaries abroad (Energoprojekt M.E. LLC Dubai, UAE, Energoprojekt (M) Sdn. Bhd., Malaysia, Energogvineja, Guinea and Zecco LTD Zambia) is established as EP Holding's ownership but they are coordinated and managed by subsidiaries.

The "Energoprojekt Holding" a.d. on 09.07.2008 was established limited liability company in Herceg Novi, Montenegro, pursuant to the decision made by the Ministry of Economy and Regional Development no. 300-023-02-00790/2008-12.

Pursuant to decision made by the Board of Director beside aforementioned company the following companies are included in the consolidation by the System: Be Company d.o.o., Beograd (settled property-legal and ownership relations) and IC Nana off Shore, Lebanon (relevant ownership documentation have been received).

Starting from January 1 2004 operating activities of entities abroad is included in individual financial statements.

Detailed schedule of the entities abroad consolidated in the first-level consolidation within 8 subsidiaries was given in the related separate consolidated financial statements.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Financial statements on which we are reporting, are prepared in accordance with the Law on Accounting and Auditing and relevant national regulations in force, applying accounting policies set out in Note 6 of this Report.

Consolidated financial statements of the System are prepared in the form prescribed by the Act of the scope and form financial statements for entities, other legal entities and businessman ("Official Gazette RS" no. 114/06 and 119/08).

3.1. Functional and reporting currency

The figures in the consolidated financial statements are prepared in thousand of RSD. The RSD represents functional and presentation (reporting currency) of the companies within System. All transactions made in the currencies which are not functional are treated as the transactions in the foreign currencies.

The financial statements are prepared for the year ended at December 31, 2008 in the thousands RSD.

Comparative data are disclosed into thousand of RSD ruling at the balance sheet date as of 31 December 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 annually exchange rates for the figures disclosed in the Income statement for the year 2008 were as follows:

	31.12.2008.	31.12.2007.
EUR	81,45	79,96
USD	55,82	58,39

4. MANAGEMENT ESTIMATION

Preparation of the consolidated financial statements (prepared in accordance with IAS/IFRS) requires that the management performs estimation, ponderation and assumption reflecting on the reporting figures of assets, liabilities, revenues and expenses. Obtained result may differ from estimated.

5. CONSOLIDATION

5.1. Fully consolidation

Subsidiaries are the enterprises that are directly or indirectly controlled by the "EP Holding" of more than 50 % of the ownership or voting power. The method used to account for subsidiaries is fully consolidation. Intra group balances and intra group transactions are eliminated in full. Minority interest is presented separately.

5.2. The equity method

Associates are the enterprises in which the Group has significant influence or holds between 20 % to 50 % of the voting power. Associates are accounted for in consolidated financial statements under 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 equals or exceeds the carrying amount of the investment, the investor discontinues including its share of further losses. The investment is reported at nil value, and only if there is a very irrevocable contractual obligation to cover the loss of a larger difference in relation to the loss of capital is recognized as expense in the parent company.

5.3. Proportionate consolidation

In its consolidated financial statements, venturer report *(Joint Venture)* its interest in a jointly controlled entity using proportionate consolidation. The application of proportionate consolidation means that the consolidated balance sheet of venturer includes its share of the assets and liabilities that it controls. The consolidated income statement of the venturer includes its share of the income and expenses of the jointly controlled entity.

Detail list of consolidated group of EP Holding is shown in the 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 an 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

From 2004 the System "Energoprojekt" adopted unique accounting policy and the subsidiaries have an obligation to quantify and eliminate those differences if they are material significant in a process of preparation consolidated financial statements. The accounting policies were changed in 2006 in accordance with the new Law on Accounting and Auditing.

The significant accounting policies are shown below:

(a) Principles of valuation – basic assumption

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

Under this basis, the effects of transactions and other events are recognised 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 System is a going concern and will continue in operation for the foreseeable future.

(b) Recognition of the elements of financial statements

As asset is recognised 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 recognised 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 recognised 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 recognised 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 as of the date of financial statements. Gains and losses arising on that issue are treated as revenues/expenses of the period.

(d) Revenue from the sale

Revenues from sale is defined on the accrual basis and realised till the end of accounting period, considering debt-credit relation when it it occur 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 and volume rebates allowed by the System. The difference between the fair value and the nominal amount is recognised as interest revenue.

Revenue from the sale shall be recognised 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 recognised by reference to the stage of completion of the transaction at the balance sheet date.

Revenues from the fixed price Construction Contract are recognized by the method of percentage of completion, contractual activities at the balance sheet date. Percentage of completion 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 non material costs.

- Expenses are recognised 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 recognised 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 recognised on the basis of systematic and rational allocation procedure;

- expenses are recognised 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 recognised in those cases when a liability is incurred without the recognition of an asset (as when a liability under a product warranty arises).

(f) Gains and losses

Gains represent 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.

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

Financial revenues and expenses include revenue and expenses from interest, gains and losses from exchange and others financial revenues and expenses.

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 represented in the tax balance (2007 – 10%). The taxable income represents gross income in the income statement less some revenue and expenditure according to the tax regulations. Calculated tax is deducted for tax deductions (investments in fixed assets in own registered activity and other tax relieves in accordance with tax regulations for which the Company meets requirements).

Income tax of the subsidiaries abroad is calculated in accordance with regulations forced in the countries as regards.

(i) Deferred income tax

Deferred income tax is reserved entirely, applied 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 tax assets are the amounts of income taxes recoverable in future periods in respect of: deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits.

(k) Employee benefits

/i/ Pension insurance and employee benefits

The Companies within System pay in the name of its employees duties to the Pension Fund of the Republic of Serbia. All employees are the members of aforementioned pension fund. All contributions arising from the aforementioned obligation are recognised as the expense and the liability in the transaction moment. The companies within the System do not have its own pension funds or post-employment plan relating to the leaving and hence there are no pension duties as well.

/ii/ Health insurance

The companies within System pay health insurance contributions which are recognised in the calculation moment as the expense and liabilities.

/iii/ Retirement benefits

The companies within System pay to employees retirement benefits in the amount of triple salary obtained in the month before retirement month (defined by the Employee contract).

/iiii/ Post-employment benefits

The post-employment benefit is payable when the employee leaves the company before the ordinary pension, or when the director and employee make a contract on cutting the work in the replacement for retirement benefits, whereby the management body make a decision.

(j) Intangible assets, property, plant, equipment and investment property

Intangible assets are identifiable non monetary assets without physical substance and represent the resources of the enterprise if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise.

Intangible assets comprise of: goodwill, licenses, concession, trademarks, 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 recognised 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.

An item of property, plant and equipment are initially measured at its cost. The purchase price is invoced value of asset and any directly attributable costs of bringing the asset to working condition for its intended use. Cost price of aforementioned assets produced in the own production comprises of direct costs and indirect ones relating to this 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.

As such other subsequent expenses (maintenance costs, technical cots, small reparation and other) usually recognised as an expense when incurred.

After initial recognition as an 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 withdraw 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. In this regards, investment property makes cash flows mostly independent from other assets held by the Company.

An investment property should be measured initially at its cost. Transaction costs are included in the initial measurement.

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 s change in the fair value of investment property is included in net profit or loss for the period in which it arises.

(l) 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:

- there is a commitment by a third party to purchase the asset at the end of its useful life;
- 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 asset's useful life.

For the financial statements preparation purpose intangible assets are disposed by the proportional method of amortization in a period of five years, unless it is determined by the contract different one.

Amortization of the goodwill is not done but it is an obligation to perform test for it impairment in accordance with IAS.

Depreciation of the intangible assets with no expiry date is not done.

Depreciation of the intangible assets starting from the beginning of further month compared to month when it is put in use.

Internal arising goodwill is not recognised as intangible assets.

After initial recognition property, plant and equipment are stated by their acquisition cost or cost deducted for total amount of calculated depreciation and total loss due to impairment.

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 the purpose of the financial reporting the depreciation is calculated by the straight line method applying rates determined by estimated useful life. If expectations are significantly different from previous estimates, the depreciation charge for the current and future periods are adjusted for current and next periods.

For the purpose of preparation tax balance property, plant and equipment are allocated and depreciated by rates in accordance with relevant national regulations as regards for preparation tax balance needs.

Depreciation starting from the beginning of further month fallowing its date of activation.

The depreciation rates determined by useful life are:

	(%)
Buildings	1,3-15,0
Plants	5,0-25,0
Computers and accessories	20,0
Vehicle	12,5-16,0
Intangible asset	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.

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 recognised 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 merges.

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

- loans and receivables, and investments held-to-maturity measured at amortised 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 are not available. Therefore it is not possible to measure the fair value as required by IFRS.

A recognised 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 recognised at fair value through the profit or loss, now is recognised profit or loss in the income statement and for financial asset available for sale in the revaluation reserves.

(n) Inventories

Inventories of goods are measured at their cost value. The cost of purchase of inventories comprise the 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 inventories of goods is assigned by using the weighted average cost formula

Inventories of material are purchased from the suppliers and measured by the purchase cost, and the material which is produced as the own output measure by the price cost, net sell cost if it is lower.

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.

The cost of purchase of inventories comprise the 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 inventories of material is assigned by using the weighted average cost formula.

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.

(o) Short term receivables and investments

Short term receivables comprise trade receivables from 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 reporting 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 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.

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 director act, 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.

(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 Board of Director, brought a decision on the impairment amount or the amount previously impaired which has to be cancelled.

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

(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), short term 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 represent 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. Enterprise 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 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 favour.

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.

Managing board is in charge of making decision about a provision.

(y) Changes in 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 (than the changes in accounting policy is applied prospect). All corrections arising are disclosed as a correction in the figure of opening balance's undistributed profit item.

(z) Foreign exchange rates

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

	2008	2007
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

6. FINANCIAL RISK MANAGEMENT

6.1. Financial risk factors

The System's activities expose it to variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk and liquidity risk. The System's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The companies within System uses derivate financial instruments to hedge certain risk exposures.

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

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivate financial instruments and non-derivate financial instruments, and the investment of excess liquidity.

(a) **Market risk**

/i/ Foreign exchange risk

The System 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, recognised assets and liabilities and net investments in foreign operations. The System in accordance with local legalisations on the local markets on which operates, applying the financial hedging tries to minimise foreign exchange risk.

/ii/ Fair value risk

The System has in its portfolio securities available for sale recognised 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 System 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 System borrows the money on the short term period, insisting on the lower bank's charge with the obligatory clause on pre-term payment return without any additional penalties.

(b) Credit risk

The System has no significant concentration of credit risk. The System has policy 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 close out market positions, due to the dynamic nature of the business. The System aims to maintain flexibility in funding by collecting their funds from buyers and investments of available funds. Beside aforementioned, in accordance with System policy, the System 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 System is organized, local and abroad, on the following business segment as of 31 December 2008:

1) Projecting and researching;
2) Construction and equipment; and
3) Other.

REPORTABLE SEGMENTS

Business segments

	Projecting and researching		Construction and equipment		Discontinued operations		Other		Consolidated		Discontinued operations		Continued operations	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
INCOMES														
Sales - 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
Sales – 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
Sales	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	-	-				-	-	-			-	-		
Undistributed 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
Operating profit	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
Income from interest	21.108	20.929	91.520	64.669		-	56.715	14.096	165.235	99.694	-	-	165.235	99.694
Expenses from interest	5.016	5.103	178.052	171.914		-	85.051	21.825	261.872	201.757	-	-	261.872	201.757
Participation in the net profit of associates	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 ordinary activities	216.781	262.904	374.603	375.008	-	1.611	700.198	439.224	837.812	961.641	-	1.611	837.812	960.030
Loss from discounted 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

Geographical segments

	Serbia		ZND		Europe		Africa		Asia		America		Other		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sales	**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

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) and on foreign 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 inventories	2.618.940	3.333.410
Decrease in inventories	-4.315.683	-162.916
Total	**-1.696.743**	**3.170.494**

Increase in inventories relates to increase in work in progress and finished goods as follows:

- EP Holding a.d. - Block 26 New Belgrade in the amount of RSD 1,315,336 thousand,
- EP Visokogradnja - Blocks 12 and 23 Bežanijska Kosa, building in Knez Danilova street, Beograd, Z-066 Siktivkar, RF i Z-063 Manžerok, RF.

Decrease in inventory relates to decrease in work in progress dominated with EP Visokogradnja, that finished buildings in Bežanijska kosa block 15 and 6, as well as own investment in Montenegro, object Savina in Herceg Novi.

10. OTHER OPERATING INCOME

	2008 (Rsd. 000)	2007 (Rsd. 000)
Premiums, subventions, refunded amounts, compensation and refund tax	0	597
Rents	80.322	52.582
Other	99.737	78.491
Total	**180.059**	**131.670**

Other operating income mostly related to the company EP Visokogradnja in the amount of RSD 60,095 thousand, to the EP Garant in the amount of RSD 78,321 thousand, to the Ep Niskogradnja in the amount of RSD 19,357 thousand and to the EP Energodata in the amount of RSD 10,869 thousand.

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 RSD 44,296 thousand, purchase of granulate in EP Industrija in the amount of RSD 30,120 thousand, purchase of spare parts in the working units abroad Inec and Encom in the amount of RSD 162,143 thousand.

The amount of RSD 67,365 thousand relate to the EP Garant arose as the result of the reclassification of the insurance company’s balance items. Remaining amount is distributed to the other companies within System.

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 the EP Niskogradnja and EP Oprema for project's realization on the local and abroad (correlation with the operating revenues).

13. STAFF COSTS

	2008 (Rsd. 000)	2007 (Rsd. 000)
Costs of salaries and fringe benefits (gross)	-4.148.602	-3.465.783
Costs of taxes and contributions on salaries and fringe benefits charged to employer	-574.862	-505.473
Costs of remunerations according to temporary service contracts	-9.760	-60.959
Costs of remunerations according to author's contracts	-44.205	-32.297
Costs of remunerations according to temporary and provisional contracts	-20.389	-29.079
Costs of remunerations to individuals according to other contracts	-5.796	-2.134
Costs of remuneration to members of Management Board and Supervisory Board	-41.125	-34.083
Other personal expenses remunerations	-476.148	-538.775
Total	**-5.320.887**	**-4.668.583**

14. DEPRECIATION AND PROVISION COSTS

Depreciation and provision costs amounted RSD 510,912 thousand and relate to the:

- depreciation of property, plant and equipment is done in accordance with Note 5(l) amounted RSD 486,488 thousand;
- provision costs in the amount of RSD 24,424 thousand.

15. OTHER OPERATING EXPENSES

Costs of production services	2008 (Rsd. 000)	2007 (Rsd. 000)
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
Non-production costs		
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
Total	**-6.508.798**	**-6.824.129**

Under the item other operating expenses the most significant part relate to the Service costs of outputs (subcontractors and cooperants) with EP Visokogradnja in the amount of RSD 2,364,154 thousand, EP Niskogradnja in the amount of RSD 1,083,047 thousand, EP Oprema in the amount of RSD 766,068 thousand. The remaining amount relate to the other companies within System. Under the item Costs of non-production services the most significant part relate to the EP Entel in the amount of RSD 250,954 thousand (consultancy service costs), EP Visokogradnje in the amount of RSD 229,837 thousand and EP Holding in the amount of RSD 90,132 thousand.

16. FINANCIAL REVENUES AND EXPENSES

Financial revenues	2008 (Rsd. 000)	2007 (Rsd. 000)
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**
Financial expenses		
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 net negative financial result originated from loss on exchange which is the result of a large depreciation of RSD in 2008 year, especially in the last quarter in which the dinar in relation to the EUR depreciated 15.67% and compared to USD 18.06%.

17. OTHER REVENUES AND EXPENSES

Other revenues	2008 (Rsd. 000)	2007 (Rsd. 000)
Gains on disposals of intangible assets and property, plant and equipment	57.264	18.043
Gains on disposals of investments and long-term 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 long-term financial investments and securities	45.185	7.227
Income from valuation adjustments of receivables and short term financial investments	4.276	17.760
Income from valuation adjustments of other property		
Total	**394.071**	**538.352**
Other expenses		
Losses on writing-offs and disposals of intangible Assets, property, plant and equipment	-23.424	-21.352
Losses on disposals of equity investments and securities		-340
Losses on disposals of raw 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 available for sale		-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 the company EP Niskogradnja – material sold in the amount of RSD 68,005 thousand, to the company EP Visokogradnja (Collected legal proceeding from performed works in Russia Z-031 Duma Hanti Masijsk) in the amount of RSD 57,245 thousand and to the company EP Urbanizam i arhitektura re. collected receivables from Jugoimport SDPR for work performed in Iraq which were written off in prior years in the amount of RSD 40,653 thousand.

18. NET PROFIT/(LOSS) OF DISCONTINUED OPERATIONS

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

19. EARNING PER SHARE

Basic earnings per share is calculated by adding profit to the shareholders dividing profit attributable to ordinary shares by the weighted average number of ordinary shares during the year which the System or companies within System purchased and hold as the own shares.

	2008	2007.
Profit added to the shareholders of the System/companies within System	702.037	768.952
Weighted average number of ordinary shares in the share issue	8.938.317	8.760.529
Basic earning per share (RSD per share)	78.54	87.77

20. PROPERTY, PLANT AND EQUIPMENT

	Land and building	Plant and equipment	Investment property	Other	Equipment under construction and advances	Total
Cost or valuation	(Rsd. 000)	(Rsd. 000)	(Rsd. 000)	(Rsd. 000)	(Rsd. 000)	(Rsd. 000)
Opening balance	4.407.618	5.144.014	190.179	22.820	83.306	9.847.937
Restated opening balance	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 December 2008	**4.782.791**	**6.078.468**	**191.544**	**23.746**	**318.075**	**11.394.624**
Depreciation						
Opening balance	1.725.086	3.515.854	2.250	550		5.243.740
Restated opening 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 December 2008	**1.932.739**	**3.662.306**	**2.325**	**668**		**5.598.038**
Net Book Value 31 December 2008	**2.850.052**	**2.416.162**	**189.219**	**23.078**	**318.075**	**5.796.586**
Net Book Value 31 December 2007	**2.682.532**	**1.628.160**	**187.929**	**22.270**	**83.306**	**4.604.197**

Net book value as of 31 December 2008 of intangible assets was RSD 93,924 thousand.

	2008	2007
Total depreciation costs comprise of:	**486.480**	**455.793**
Depreciation of intangible assets	13.550	8.980
Depreciation of property and equipment	472.930	446.813

Restated opening balance relate to the estate in the area Jugocentar - Old Merkator, Palmira Toljatija 5, area 834.40 sq. m., by purchase value of RSD 93,572 thousand.

Pursuant to the Decision made by the Board of Director Holding, in order to objective disclosure the balance sheet items, on the position of buildings are included real estate at Boljšoj Golovin per., Dom 12, Moscow RF, (No. Vl. Sheets.: 1968813, 1968806, 1968812, 1968807, 1968808, 1968809, 1809869, 1968811, certificate on state registration of rights of the series AA No. 009348), the total area of 1322 sq.m. Real estate in Moscow are included in accordance with the unified accounting policies of the System Energoprojekt, by the purchase value, and estimated value of March 2008 amounted to EUR 11,780 thousand.

21. EQUITY INVESTMENTS

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

- equity investments are stated applying the purchase cost when investor states its investment by purchase cost, end recognized revenues only in amount received from distribution of undistributed net profit of investment user incurred in day after investor obtained it. Part from distribution receive in the amount higher than this profit is recognized as increase in investments and stated as decrease in purchase cost of its.

- Applying the equity investment method, when those are stated by their purchase cost initially and stated amount is restated for result (profit or loss) obtained. Beside this correction is done for changes in capital investment user which are not occurred from the result. These changes arose from revaluation of property, plant, equipment and investments, from exchange difference and business combinations. Corrections are performed proportionally with investor equity investment of investment user.

Equity investments relate to the shares (stakes) with:

	2008 (Rsd. 000)	2007 (Rsd. 000)
a) Bank and financial organization	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**

Decrease in equity investment with banks and other financial institutions mainly refer to the reduction of the market value of shares of banks at the BSE, and to: Jubmes Banka (EP Holding, EP Visokogradnja, EP Hidroinženjering) AIK Bank (EP Entel) and others.

22. OTHER LONG TERM FINANCIAL INVESTMENTS

Other long term financial investments include:		
	2008 (Rsd. 000)	2007 (Rsd. 000)
a) Given long term loans		
- local	234.318	162.484
- abroad	162.967	168.766
Total	**397.285**	**331.250**
b) Bonds of foreign currency saving	81.701	105.852
c) Housing loans given to 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 relate to the pledge for guaranty – received advance for the work TRK Aktau, Kazahstan performed by the company EP Visokogradnja in the amount of RSD 365,836 thousand.

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**

Increase in inventory of materials, spare parts and tools largely related to the EP Visokogradnja in the amount of RSD 499,693 thousand, to the EP Niskogradnja in the amount of RSD 485,779 thousand and to the EP Oprema in the amount of RSD 41,689 thousand.

Decrease in the figure "work in progress" is related to the completion of facilities in the Bežanijska Kosa and in Herceg Novi with EP Visokogradnja.

The largest part of paid advances is registered in EP Visokogradnja in the amount of RSD 532,790 thousand and comprise of: advances paid to the suppliers in Russia and Kazakhstan (RSD 456,912 thousand) and in Ghana in RSD 6,250 thousand, while the external paid advances in the country - out of System Energoprojekt suppliers amounts RSD 69,628 thousand. External paid advances in EP Oprema, also recorded growth and amounted RSD 201,826 thousand and in EP Niskogradnja amounts RSD 75,691 thousand.

24. RECEIVABLES

Receivables from sales	2008 (Rsd. 000)	2007 (Rsd. 000)
Trade receivables - domestic	1.457.882	1.070.324
Trade receivables - foreign	2.530.245	2.001.006
Total	**3.988.127**	**3.071.330**
Receivables from specific business operations	**135.875**	**50.355**
Other receivables		
Receivables from employees	20.231	19.477
Receivables from state institutions	8.537	1.915
Receivables for other taxes and contributions prepaid	45.877	57.963
Other receivables	150.085	163.838
Total	**224.730**	**243.193**
Total	**4.348.732**	**3.364.878**

25. SHORT TERM FINANCIAL INVESTMENTS

	2008	2007
Short term financial investments	**542.480**	**604.023**

The most significant amount of short term financial investments related to the short fixed term deposits of EP Industrija in the amount of RSD 246,325 thousand, EP Garant RSD 212,263 thousand, EP Holding RSD 60,610 thousand and EP Oprema RSD 23,055 thousand.

26. CASH AND CASH EQUIVALENTS

	2008	2007
RSD	(Rsd. 000)	(Rsd. 000)
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**
Foreign currency		
Foreign currency accounts	2.464.622	1.749.700
Petty cash	211.837	64.003
L/C	64.249	
Other	165.221	265.775
Blocked bank accounts	232	81.640
Total	**2.906.161**	**2.161.118**
Total	**3.085.355**	**2.358.656**

Under the item foreign currency account dominated increase have EP Holding in the amount of RSD 105,863 thousand caused by the collection of realisation Bloka 26 - Celina I, as well as EP Entel in the amount of RSD 324,623 thousand related to the works performed abroad and mostly funds are fixed term (and de-fixed) on a period of one month.

Under the item other the amount of RSD 100,972 thousand related the EP Niskogradnja.

27. ISSUED AND OTHER CAPITAL

Issued capital comprises the following:			
		2008	2007
	%	(Rsd. 000)	(Rsd. 000)
Share capital		3.563.641	3.446.114
Other capital		101.320	87.288
Total		**3.664.961**	**3.533.402**

The Assembly of the Shareholders “Energoprojekt Holding” a.d. made on XXXII session, hold on 25 June 2008, decision on issuing ordinary shares of V share issues without public offer. After that issue and realisation the “Energoprojekt Holding” a.d has 9.107.463 total ordinary issued shares.

“ SYSTEM ENERGOPROJEKT”
(number 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:		9,790,552

Nominal value of shares from companies within Systema Energoprojekt:

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

The total non-consolidated number of shares is 15,775,763.

The Energoprojekt Holding a.d. purchased 9.790 of own shares in 2008 with nominal value of RSD 3,427 thousand.

28. RESERVES

Reserves comprise of:		
	2008	2007
	(Rsd.000)	(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 positive difference between obtained selling price per share and their nominal value.

The legal reserves are required by the Law on companies in force up to 30 November 2004 after word the Law on legal entities become in force and built up by appropriation of 5% of each year profit until a minimum amount reaches 10% of issued capital.

Statutory and other reserves are reserves formed from profit in accordance with Company's acts.

Increase in reserves in 2008 originated from distribution of profit companies within System based on decisions made by their Assemblies.

29. REVALUATION RESERVES, UNREALISED GAINS AND LOSSES FROM SECURITIES

	2008	2007
	(Rsd 000)	(Rsd 000)
Revaluation reserves	929,183	1,021,221
Unrealised gains from securities available for sale	61,565	
Unrealised losses from securities available for sale	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 investments) and amounted RSD 929,183 thousand (2007 – RSD 1,021,221 thousand).

Changing in the Chart of Accountant and the content of the account in the account of the economic society, cooperatives, other legal entities and entrepreneurs, made for harmonization with the requirements of revised IAS 39, introduced a few new accounts, which are 332 – Unrealised gains from securities available for sale and 333 - Unrealised losses from securities available for sale. Thus, the position that the previous years were recorded in the appropriate analytics group in the 330 - revaluation reserve, is now transferred to the new account.

Fall of share prices on the Belgrade Stock Exchange of companies whose shares are in portfolio securities available for sale in companies within System Energoprojekt, the largest part of the effect on the decline of this position:

30. UNDISTRIBUTED PROFIT AND LOSS

Undistributed profit relates to the:

	2008 (Rsd. 000)	2007 (Rsd. 000)
Consolidated net prior years profit	2.320.323	1.849.858
Changes during the period	630.316	470.465
Consolidated net profit as of 31 December	**2.950.639**	**2.320.323**

Changes during the year are result of, first of all obtained profit in 2008 reduced for distributed profit in 2007.

Distribution of EP Holding a.d. profit as of 31 December 2007 was done in accordance with Shareholders Assembly's decision made on XXXII session under the point 6 of the agenda hold on 25 June 2008.

Assembly of the Shareholders of EP Holding a.d. made the decision on dividends payment in shares in total amount of RSD 122,647,350 (Note 27), while Assembly of Shareholders of companies within System

(EP Visokogradnja, EP Oprema, EP industrija, EP Hidroinženjering, EP Entel.) made decisions on dividends payment in cash.

31. LONG TERM PROVISION

Provisions is recognized as liabilities 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 provision comprises of:

	2008 (Rsd. 000)	2007 (Rsd. 000)
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**

32. LONG TERM LOANS

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

	Currency	Interest rate	2008 (Rsd. 000)	2007 (Rsd. 000)
Local:				
"Astra Banka", Beograd	RSD		40.140	40.140
Societe Generale banka			310.793	
Alpha bank			487.336	
Paris club of creditors			652.568	471.394
Legal entities and other	USD, EUR	7,5-10,5	128.559	175.839
Total			**1.619.396**	**687.373**
Abroad:				
-Iraq:	USD		387.832	331.271
Other	USD, EUR		437.617	72.664
Total			**825.449**	**403.935**
Total			**2.444.845**	**1.091.308**

Under item long term loans the most significant amounts relate to the EP Niskogradnja (RSD 1,741,233 thousand), and EP Energodata (RSD 487,336 thousand) and EP Visokogradnja (RSD 215,966 thousand).

EP Niskogradnja has a long-term liability in the amount of RSD 652,568 thousand according to the Paris Club of creditors, long-term loans for the acquisition of fixed assets in the total amount of RSD 572,274 thousand (to the working units abroad relate RSD 437,307 thousand, and to the country RSD 134,967 thousand), long-term liabilities Z-0136 “Navigation Lock” in the amount of RSD 387,832 thousand, which refers to the company MCC, and it is the last seventeen years is not approached with the request for payment of its claims.

The amount of RSD 121,714 thousand relates to the obligations towards the former republics of Yugoslavia.

The amount of RSD 487,336 thousand relates to the long-term credit taken by EP Energodata from Alpha Bank for reconciliation obligations for cash dispensers.

The amount of RSD 175,826 thousand relates to the EP Visokogradnja long-term loan taken from Societe General Bank for the purchase of equipment.

33. OTHER LONG TERM LIABILITIES

Other long term liabilities include:		
	2008	2007
	(Rsd. 000)	(Rsd. 000)
Lease liabilities – long term	95.690	114.297
Office for City Construction Land		
Other	81.163	70.011
Total	**176.853**	**184.308**

34. SHORT TERM FINANCIAL LIABILITIES

Short term financial liabilities include:			
	Currency	2008	2007
		(Rsd. 000)	(Rsd. 000)
Short term RSD loans:		(Rsd. 000)	(Rsd. 000)
Domestic banks		943.362	1.040.277
Short term foreign currency loans			
Domestic banks	EUR, USD	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	252.493	167.848
Banks and legal entities			63.576
Total		**1.450.132**	**1.457.867**

Short term dinars loans and loans with the foreign currency clause with local banks mostly related to the company EP Visokogradnja in the amount of RSD 788,678 thousand, EP Holding in the amount of RSD 131,624 thousand and to the EP Niskogradnja in the amount of RSD 127,552 thousand.

The amount of RSD 213,994 thousand relates to the short term loans abroad of EP Niskogradnja while other short term financial liabilities and current portions of long term loans mostly relate to the EP Urbanizam i Arhitektura in the amount of RSD 57,115 thousand, to the Ep Niskogradnja in the amount of RSD 27,266 thousand and to the EP Visokogradnja in the amount of RSD 27,050 thousand.

35. LIABILITIES FROM BUSINESS OPERATIONS

Liabilities from business operations include:

Liabilities from business operations	2008 (Rsd. 000)	2007 (Rsd. 000)
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**
Liabilities from specific operations	489.750	231.671
Total	**9.373.300**	**8.998.408**

Received advance in the amount of RSD 2,805,037 thousand relate to collected advance payment made in accordance with Sell Purchase Agreement re. building under construction for EP Holding.

The most significant liability of the company EP Visokogradnja for received advances relate advances for performing works abroad: for project TRK Aktau, Kazahstan in the amount of RSD 926,666 thousand, Siktivkar RSD 312,358 thousand, Manžerok RSD 170,864, then for selling facility which are not finished in Bežanijska Kosa, block 12 in the amount of RSD 338,057 and block 23 in the amount of RSD 384,571 thousand.

Under the figure foreign trade payables the amount of RSD 617,440 thousand relates to the EP Visokogradnja, the amount of RSD 407,139 thousand relates to the EP Oprema, the amount of RSD 312,287 thousand relates to the EP Niskogradnja and the amount of RSD 124, 717 relates to the EP Entel.

36. OTHER SHORT TERM LIABILITIES

	2008 (Rsd. 000)	2007 (Rsd. 000)
Salaries and contributions	606.531	507.006
Dividends	10.336	10.750
Other liabilities	41.554	188.579
Total	**658.421**	**706.335**

37. VAT DUTIES, OTHER PUBLIC LIABILITIES AND ACCRUALS AND DEFERRED INCOME

	2008 (Rsd. 000)	2007 (Rsd. 000)
VAT and other public liabilities	487.094	382.575
Accruals and deferred income	676.055	330.910
Total	**1.163.149**	**713.485**

38. COMMITMENT AND CONTINGENCIES

There are a few legal litigations filed against legal entities within System “Energoprojekt” from which the most significant related to GP “Rad” in bankruptcy. These litigations relate to the several legal entities within System “Energoprojekt” as adherents of the company RO “Izgradnja”.

The final outcome of these legal proceedings is uncertain. The Management, based on professional department opinion, believes that no material damages will be experienced by the System “Energoprojekt”, Beograd, and hence has not booked a provision for the potential losses that might reasonably arise from the aforementioned litigations.

The list of most significant litigations is enclosed.

39. OFF BALANCE SHEET ITEMS

Off balance sheet items System in the amount of RSD 18,160,619 thousand dominantly refers to the issued and received guarantees (advance, guarantee for good performance) and external collateral for taken loans. Mortgage on the facility under construction - a block 26 New Belgrade amounted to RSD 4,690,972 thousand and the right to use urban construction land in the amount of RSD 2,995,781 thousand.

40. POST BALANCE SHEET EVENTS

No material significant events happened after the balance sheet date.


TEX