

ENERGOPROJEKT HOLDING CO.

BALANCE SHEET
on December 31, 2011

in 000 RSD

Group accounts account	POSITION	BDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A. NON-CURRENT ASSETS (002+003+004+005+009)	001	-	6,083,468	5,335,884
00	I. UNPAID SUBSCRIBED CAPITAL	002	-	-	-
012	II. GOODWILL	003	-	-	-
01 w/out 012	III. INTANGIBLE ASSETS	004	10.1.	10,139	9,727
	IV. PROPERTY, PLANT, EQUIPMENT AND BIOLOGICAL ASSETS (006+007+008)	005	-	815,502	941,791
030,032,023, 026,027(part), 028(part), 029	1. Property, plant and equipment	006	10.2.	318,804	445,096
024,027(part) 028(part)	2. Investment property	007	10.3.	496,698	496,695
021,025,027 (part) and 028(part)	3. Biological assets	008	-	-	-
	V. LONG-TERM FINANCIAL INVESTMENTS (010+011)	009	-	5,257,827	4,384,366
030 to 032, 039(part)	1. Equity investments	010	10.4.	4,455,931	4,241,501
033 to 038, 039(part) less 037	2. Other long-term financial investments	011	10.4.	801,896	142,865
	II. CURRENT ASSETS (013+014+015)	012	-	1,861,181	2,796,157
10 to 13, 15	I. INVENTORIES	013	10.5.	707	530
14	II. NON-CURRENT ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS	014	-	-	-
	III. SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH (016+017+018+019+020)	015	-	1,860,474	2,795,627
20, 21 and 22, except 223	1. Receivables	016	10.6.	560,254	925,208
223	2. Receivables for prepaid income tax	017	10.6.	1,784	-
23 less 237	3. Short-term financial investments	018	10.7.	1,053,269	1,397,776
24	5. Cash equivalents and cash	019	10.8.	239,998	169,938
27 and 28 except 288	4. VAT and accruals	020	10.9.	3,169	2,705
288	C. DEFERRED TAX ASSETS	021	-	-	-
	D. OPERATING ASSETS (001+012+021)	022	-	7,944,649	8,132,041
29	E. LOSS OVER CAPITAL	023	-	-	-
	F. TOTAL ASSETS (023+023)	024	-	7,944,649	8,132,041
88	G. OFF-BALANCE SHEET ITEMS	025	10.26.	9,665,845	7,818,429

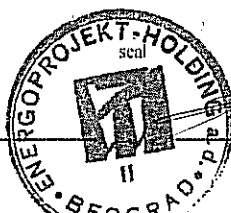
Group accounts, account	POSITION	BDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	EQUITY AND LIABILITIES				
	A. EQUITY (102+103+104+105+106+107+108+109+110)	101	-	7,167,219	6,896,012
30	I. SHARE AND OTHER CAPITAL	102	10.11.	4,855,761	4,193,014
31	II. UNPAID SUBSCRIBED CAPITAL	103	-	-	-
32	III. RESERVES	104	10.12.	1,735,366	1,702,979
330 i 331	IV. REVALUATION RESERVES	105	10.13.	43,080	43,080
332	V. UNREALIZED GAINS BASED ON SECURITIES AVAILABLE FOR SALE	106	-	9,875	15,902
333	V. UNREALIZED LOSSES BASED ON SECURITIES AVAILABLE FOR SALE	107	-	3,170	2,008
34	VII. RETAINED EARNINGS	108	10.14.	526,307	943,306
35	VIII. LOSS	109	-	-	-
037 and 237	IX. REDEEMED OWN SHARES	110	10.15.	-	341
	B. LONG-TERM PROVISIONS AND LIABILITIES (112+113+116)	111	-	767,837	1,226,713
40	1. LONG-TERM PROVISIONS	112	10.16.	264,863	265,606
41	II. LONG-TERM LIABILITIES (114+115)	113	-	84,508	244,724
414, 415	1. Long-term loans	114	10.17.	84,033	240,554
41 w/out 414 and 415	2. Other long-term liabilities	115	10.18.	467	4,170
	III. CURRENT LIABILITIES (117+118+119+120+121+122)	116	-	418,474	716,303
42, except 427	1. Short-term financial liabilities	117	10.20.	360,950	83,817
427	2. Liabilities from assets held for sale and assets from discontinued operations	118	-	-	-
43 and 44	3. Liabilities from business operations/Accounts payable/Trade ar	119	10.21.	21,158	544,232
45 i 46	4. Other short-term liabilities	120	10.22.	31,254	25,491
47, 48 except 481 and 49 except 498	5. VAT and other public duties and accruals	121	10.23.	4,620	10,457
481	6. Income tax liabilities	122	10.23.	492	52,386
498	C. DEFERRED TAX LIABILITIES	123	10.24.	9,593	9,316
	D. TOTAL EQUITY AND LIABILITIES (101+111+123)	124	-	7,944,649	8,132,041
89	E. OFF-BALANCE SHEET ITEMS	125	10.26.	9,665,845	7,818,429

In Belgrade,

date 14.02.2012.

Person responsible for
preparation of financial
statements

Legal representative



INCOME STATEMENT
for the period January 1 to December 31, 2011

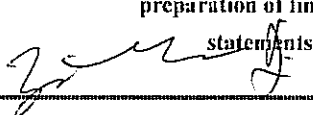
in 000 RSD

Group accounts, account	POSITION	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A. OPERATING INCOME AND EXPENSES				
	I. OPERATING INCOME (202+203+204-205+206)	201	-	375,566	1,571,255
60 and 61	1. Sales	202	9.1.	352,420	6,073,061
62	2. Income from undertaking of outputs and goods for own purposes	203	9.2.	598	705
630	3. Increase of inventories	204	9.3.	-	182,601
631	4. Decrease of inventories	205	9.3.	-	4,685,990
64 and 65	5. Other operating income	206	9.4.	22,548	878
	II. OPERATING EXPENSES (208 to 212)	207	-	362,054	852,528
50	1. Cost of goods sold	208	-	-	-
51	2. Material costs	209	9.5.	20,576	29,605
52	3. Staff costs	210	9.6.	181,495	174,158
54	4. Depreciation, amortization and provisions	211	9.7., 9.8.	20,592	22,035
53 and 55	5. Other operating expenses	212	9.9., 9.10.	139,391	626,730
	III. PROFIT FROM OPERATIONS (201 - 207)	213	-	13,512	718,727
	IV. LOSS FROM OPERATIONS (207 - 201)	214	-	-	-
66	V. FINANCIAL INCOME	215	9.11.	427,440	367,287
56	VI. FINANCIAL EXPENSES	216	9.12.	77,382	241,286
67, 68	VII. OTHER REVENUE	217	9.13.	77,834	6,261
57, 58	VIII. OTHER EXPENSES	218	9.14.	139,370	121,284
	IX. PROFIT FROM OPERATIONS BEFORE TAX (213-214+215-216+217-218)	219	-	302,034	719,705
	X. LOSS FROM OPERATIONS BEFORE TAX (214-213-215+216-217+218)	220	-	-	-
69-59	XI. NET PROFIT FROM DISCONTINUED OPERATIONS	221	-	-	-
59-69	XII. NET LOSS FROM DISCONTINUED OPERATIONS	222	-	3,259	121
	B. PROFIT BEFORE TAX (219-220+221-222)	223	-	298,775	719,584
	V. LOSS BEFORE TAX (220-219+222-221)	224	-	-	-
	G. INCOME TAX				
721	1. Tax expenses for the period	225	-	20,873	80,446
722	2. Deferred tax expenses for the period	226	-	277	-
722	3. Deferred tax income for the period	227	-	-	23
723	D. EMPLOYER'S EARNINGS PAID	228	-	-	-
	D. NET PROFIT (223-224-225-226+227-228)	229	-	277,625	639,161
	E. NET LOSS (224-223+225+226-227+228)	230	-	-	-
	Z. NET PROFIT BELONGING TO MINORITY INVESTORS	231	-	-	-
	Z. NET PROFIT BELONGING TO EQUITY HOLDERS OF THE PARENT COMPANY	232	-	-	-
	I. EARNINGS PER SHARE				
	1. Basic earnings per share	233	-	-	-
	2. Diluted earnings per share	234	-	-	-
	Total income (201+215+217+221)			880,840	1,934,803
	Total expenses (207+216+218+222)			582,065	1,215,219
	Gross results			298,775	719,584

In Belgrade,

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CASH FLOW STATEMENT
for the period January 1 to December 31, 2011

in 000 RSD

Position	EDP	Amount	
		Current year	Previous year
1	2	3	4
A. CASH FLOW FROM OPERATING ACTIVITIES			
I. Cash inflows from operating activities (1 to 3)	301	900,305	1,392,644
1. Sales and cash receipts from customers	302	897,749	1,343,782
2. Interest receipts from operating activities	303	-	-
3. Other receipts from operating activities	304	2,556	48,862
II. Cash outflows from operating activities (1 to 5)	305	1,073,865	1,028,312
1. Payments and prepayments to suppliers	306	739,427	739,427
2. Salaries, benefits and other staff costs paid	307	182,355	177,282
3. Interest paid	308	10,558	2,247
4. Income tax paid	309	76,550	46,668
5. Other public duties payable	310	64,975	62,688
III. Net cash provided from operating activities (I-II)	311	-	364,332
IV. Net cash used in operating activities (II-I)	312	173,560	-
B. CASH FLOW FROM INVESTING ACTIVITIES			
I. Cash inflows from investing activities (1 to 5)	313	477,596	18,043
1. Sale of shares and equity investments (net inflows)	314	3,352	3,352
2. Sale of intangible assets, property, plant, equipment and biological assets	315	173,503	1,767
3. Other financial investments (net inflows)	316	-	-
4. Interests received from investments	317	24,807	12,924
5. Dividends received	318	275,934	-
II. Cash outflows from investing activities (1 to 3)	319	924,574	695,504
1. Purchises of shares (net outflows)	320	229,070	-
2. Purchises of intangible assets, property, plant, equipment and biological assets	321	13,897	13,897
3. Other financial investments (net outflows)	322	681,607	681,607
III. Net cash provided from investing activities (I-II)	323	-	-
IV. Net cash used in investing activities (II-I)	324	446,978	677,461
V. CASH FLOWS FROM FINANCING ACTIVITIES			
I. Cash inflows from financing activities (1 to 3)	325	112,756	173,405
1. Increase of treasury shares	326	770	-
2. Long-term and short-term loans (net inflows)	327	111,986	173,405
3. Other long-term and short-term liabilities	328	-	-
II. Cash outflows from financing activities (1 to 4)	329	5,703	5,765
1. Purchase of own shares and stakes	330	-	-
2. Long-term and short-term loans and other liabilities (net outflows)	331	-	-
3. Finance lease payments	332	5,702	5,702
4. Dividends paid	333	1	63
III. Net cash provided from financing activities (I-II)	334	107,053	167,640
IV. Net cash used in financing activities (II-I)	335	-	-
G. TOTAL CASH INFLOWS (301+313+325)	336	1,490,657	1,584,092
D. TOTAL CASH OUTFLOWS (305+319+329)	337	2,004,142	1,729,581
D.I. NET CASH INFLOWS (336-337)	338	-	-
E. NET CASH OUTFLOW (337-336)	339	513,485	145,489
Z. CASH AT BEGINNING OF PERIOD	340	469,938	568,353
Z. GAINS ON EXCHANGE	341	-	416,633
I. LOSSES ON EXCHANGE	342	877	369,559
J. CASH AT THE END OF PERIOD (338-339+340+341-342)	343	44,424	469,938

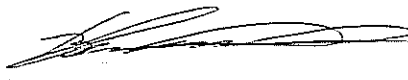
In Belgrade,

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Legal representative



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

No.	DESCRIPTION	in 000 USD																					
		1	2	3	4	5	6	7	8	9	10	11	12	13	14								
1	Balance as at January 1, of the previous year	2,787,124	3,787,124	27,178	427	423	1,576,000	451	79,481	466	51,103	375	35,346	372	535	709,871	318	311	3,918	581	6,374,104	577	-
2	Correction of material significant errors and changes in accounting policies in the previous year - increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Correction of material significant errors and changes in accounting policies in the previous year - decrease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Corrected opening balance as at January 1, of the previous year (no. 1, 2, 3)	2,787,124	3,787,124	27,178	427	423	1,576,000	451	79,481	466	51,103	375	35,346	372	535	709,871	318	311	3,918	581	6,374,104	577	-
5	Total increase in the previous year	2,787,124	3,787,124	27,178	427	423	1,576,000	451	79,481	466	51,103	375	35,346	372	535	709,871	318	311	3,918	581	6,374,104	577	-
6	Total decrease in the previous year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Balance on December 31, of the previous year (no. 1+5-6)	4,164,806	4,164,806	27,178	427	423	1,600,056	457	102,521	472	41,099	485	35,802	493	571	943,386	334	317	341	555	6,896,012	573	-
8	Correction of material significant errors and changes in accounting policies in the previous year - increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Correction of material significant errors and changes in accounting policies in the previous year - decrease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Corrected opening balance as at January 1, of the current year (no. 7+8-9)	4,164,806	4,164,806	27,178	427	423	1,600,056	457	102,521	472	41,099	485	35,802	493	571	943,386	334	317	341	555	6,896,012	573	-
11	Total increase in the current year	4,164,806	4,164,806	27,178	427	423	1,600,056	457	102,521	472	41,099	485	35,802	493	571	943,386	334	317	341	555	6,896,012	573	-
12	Total decrease in the current year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Balance as at December 31, of the current year (no. 10+11-12)	4,529,583	4,529,583	27,178	427	423	1,600,056	463	124,881	476	41,099	491	36,605	496	577	976,307	337	313	0	556	7,167,219	577	-

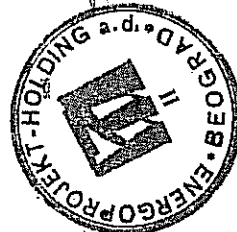
In Belgrade,

date 14.02.2012.

Person responsible for preparation of financial statements

Legal representative

[Signature]



STATISTICAL ANNEX
for the period January 1 to December 31, 2011

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

DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4
1. Number of months of operations (designation from 1 to 12)	601	12	12
2. Code identifying the company's size (from 1 to 3)	602	2	3
3. Code identifying the company's ownership structure (from 1 to 5)	603	2	2
4. Number of foreign (legal or physical) entities, holding a share in capital	604	-	-
5. Average number of employees based on the balance at the end of each month (whole number)	605	74	76

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

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Gross	Correction of value	Net (col.4-5)
1	2	3	4	5	6
a1	1. Intangible assets				
	1.1. Balance at the beginning of the year	606	10,916	1,189	9,727
	1.2. Increase (purchases) during the year	607	666	-	666
	1.3. Decrease (sale, removal from inventory and impairment) during the year	608		-	254
	1.4. Revaluation during the year	609		-	-
	1.5. Balance at the end of the year (606+607-608+609)	610	11,582	1,443	10,139
a2	2. Property, plant, equipment and biological assets				
	2.1. Balance at the beginning of the year	611	1,274,806	333,015	941,791
	2.2. Increase (purchases) during the year	612	28,577	-	28,577
	2.3. Decrease (sale, removal from inventory and ensuring) during the year	613	127,625	-	154,869
	2.4. Revaluation during the year	614		-	3
	2.5. Balance at the end of the year (611+612-613+614)	615	1,175,761	360,259	815,502

III STRUCTURE OF INVENTORIES

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
10	1. Stock of material	616	-	-
11	2. Work in progress	617	-	-
12	3. Finished products	618	-	-
13	4. Merchandise	619	-	-
14	5. Non-current assets held for sale	620	-	-
15	6. Prepayments	621	707	530
	7. TOTAL (616+617+618+619+620+621=613)	622	707	530

IV STRUCTURE OF CAPITAL

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
300	1. Share capital	623	4,828,583	4,165,836
	in it: foreign capital	624	-	-
301	2. Stakes of a limited liability company	625	-	-
	in it: foreign capital	626	-	-
302	3. Stakes of members of partnership and limited-partnership company	627	-	-
	in it: foreign capital	628	-	-
303	4. State-owned capital	629	-	-
304	5. Socially-owned capital	630	-	-
305	6. Cooperative shares	631	-	-
309	7. Other capital shares	632	27,178	27,178
30	TOTAL: (623+625+627+629+630+631+632=102)	633	4,855,761	4,193,014

V SHARE CAPITAL STRUCTURE

Number of shares as a whole number

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
	1. Ordinary shares			
	1.1. Number of ordinary shares	634	9,467,810	9,467,810
part 300	1.2. Nominal value of ordinary shares - total	635	4,828,583	4,165,836
	2. Priority shares			
	2.1. Number of priority shares	636	-	-
part 300	2.2. Nominal value of priority shares - total	637	-	-
300	3. TOTAL - nominal value of shares (635+637= 623)	638	4,828,583	4,165,836

VI RECEIVABLES AND LIABILITIES

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
20	1. Sale receivables (balance at the end of the year 639 ≤ 016)	639	426,209	850,196
43	2. Liabilities from operations (balance at the end of the year 640 ≤ 117)	640	20,352	544,154
part 228	3. Receivables during the year from insurance companies for damages (debt turnover less opening balance)	641	-	-
	4. VAT - previous tax (annual amount as per tax declaration)	642	20,918	150,543
27	5. Payables from operations (credit turnover less opening balance)	643	251,136	1,540,666
43	6. Liabilities for net salaries and salaries compensations (credit turnover less opening balance)	644	94,314	91,079
450	7. Liabilities for salaries tax and salaries compensations paid by employees (receivables turnover less opening balance)	645	14,700	14,195
451	8. Liabilities for contributions on salaries and salaries compensations paid by employees (receivables turnover without initial balance)	646	19,887	18,818
452	9. Liabilities for dividends, share in profit and employer's personal earnings (credit turnover less opening balance)	647	-	-
461,462 and 723	10. Liabilities toward physical entities for compensations per contracts (credit turnover less opening balance)	648	1,456	2,995
465	11. VAT liability (annual amount as per tax declarations)	649	68,781	79,235
47	12. Control summary (from 639 to 649)	650	917,753	3,291,881

VII OTHER COSTS AND EXPENSES

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
513	1. Fuel and energy costs	651	11,406	16,945
520	2. Salaries and salaries compensations (gross)	652	128,896	123,073
521	3. Tax expenses and contributions on salaries and salaries compensations paid by employer	653	19,883	18,635
522,523,524 and 525	4. Expenses for compensations to physical entities (gross) based on contracts	654	2,480	5,092
526	5. Expenses of compensations to BoD & Supervision Board members (gross)	655	24,571	21,251
529	6. Other personal expenses and compensations	656	5,665	6,107
53	7. Production services costs	657	83,385	537,714
533,part 540 and part 525	8. Rental costs	658	1,513	839
part 533,part 540 & part 525	9. Rental costs/land	659	-	-
536,537	10. Research and development costs	660	-	-
540	11. Depreciation costs	661	19,909	20,292
552	12. Insurance premium costs	662	958	4,399
553	13. Payment operations costs	663	2,507	4,884
554	14. Membership fees	664	943	997
555	15. Taxes	665	10,233	35,162
556	16. Contributions	666	-	-
562	17. Interests	667	25,121	3,086
part 560,part 561 and 562	18. Interests expenses and a part of financial expenses	668	25,121	3,086
part 560,part 561 and part 562	19. Interests expenses on bank loans and loans from other financial organizations	669	11,523	3,008
part 579	20. Costs for humanitarian, cultural, health, educational, scientific and religious purposes, environmental protection and sports purposes	670	246	1,422
	21. Control summary (from 651 to 670)	671	374,360	805,992

VIII OTHER INCOME

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
60	1. Sales	672	-	-
640	2. Income from premiums, subsidies, donations, recourses, compensations and tax returns	673	-	-
641	3. Income from conditioned donations	674	-	-
part 650	4. Income from land-rental fees	675	-	-
651	5. Membership fees	676	-	-
part 660, part 661, 662	6. Interests income	677	109,041	54,381
part 660, part 661, and part 662	7. Income from interests per accounts and deposits in banks and other financial organizations	678	10,245	14,361
part 660, part 661 and part 669	8. Income from dividends and share in profit	679	270,715	42,630
	9. Control summary (from 672 to 679)	680	396,001	111,372

IX OTHER DATA

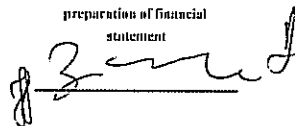
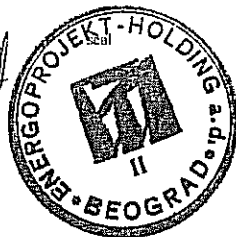
Amounts in 000 RSD

DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4
1. Liabilities for excises (according to annual excises calculation)	681	-	12
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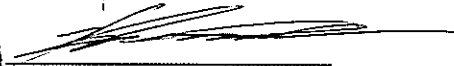
In Belgrade,

date 14.02.2012.

Person responsible for preparation of financial statement

Legal representative





**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR 2011**

Belgrade, 2012

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1. GENERAL INFORMATION

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

The Company harmonized its operations with the Companies Law (RS Official Gazette No. 125/2004) based on the Resolution of Compliance with the Companies Law and the Articles of Association adopted by the General Meeting on 28/09/2006.

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

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

The legal predecessor of Energoprojekt Holding share based company in mixed ownership is Energoprojekt Holding Corporation, registered with the District Court of Belgrade by Decision No. Fi 423 of 12/01/1990, a company that was organized under the previous Companies Law (SFRY Official Gazette No. 77/88, 40/89, 46/90 and 60/91) through adoption of the Self-Management Agreement for Organizational Changes in the Composite Organization of Associated Labour "Energoprojekt" and the associated workers' organizations, as it was styled at the time, at a referendum held 08/12/1989.

Basic data of the Company

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

Energoprojekt Holding a.d.

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

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

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

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

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

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

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

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

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

- 2011: 74 employees and
- 2010: 76 employees.

The company's shares are listed on the A-list of the Belgrade Stock Exchange.

Annual financial statements that are the subject of these Notes are **separate financial statements** of the Company, approved by the Board of Directors of the Company at the 14th meeting held February 27, 2012.

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

2. MANAGEMENT STRUCTURE

The key management of the Company in 2011 included the following persons:

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

3. OWNERSHIP STRUCTURE

According to records of the Central Securities Depository, the ownership structure of Energoprojekt Holding a.d. shares on 31/12/2011 is as follows:

	No. of shares	% of total issue
Shares held by private shareholders	2.898.017	30,61%
Shares held by legal entities	4.793.369	50,63%
- Republic of Serbia	3.178.533	33,57%
- Other legal entities	1.614.836	17,06%
Summary (custody) account	1.776.424	18,76%
Total shares	9.467.810	100,00%

4. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

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

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

- Legislation,
- Professional regulations and
- Internal regulations.

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

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

- The Law on Accounting and Auditing (RS Official Gazette No. 46/2006 and 111/09),
- Legal Entities Income Tax Law (RS Official Gazette No. 25/2001, 80/2002, 43/2003, 84/2004 and 18/2010),
- The VAT Law (RS Official Gazette 84/2004, 86/2004, 61/2005 and 61/2007),

- Regulation of the Form and Contents of Financial Statements submitted by companies, cooperatives, other legal entities and entrepreneurs (RS Official Gazette No. 114/2006, 05/2007, 119/2008 and 02/2010);
- Regulation on the Chart of Accounts and Contents of Accounts in the Chart of Accounts for companies, cooperatives, other legal entities and entrepreneurs (RS Official Gazette No. 114/2006);
- Regulation on supplements and amendments to the Regulation on the Chart of Accounts for companies, cooperatives, other legal entities and entrepreneurs (RS Official Gazette No. 114/2006, 119/2008, 09/2009, 04/2010 and 03/2011);
- Regulation on the Content of the Income Statement and other Income Tax related issues (legal entities) (RS Official Gazette No. 99/2010 and 08/2011),
- Regulation on the Content of the Tax Return for the Calculation of Income Tax for Legal Entities (RS Official Gazette No. 99/2010),
- Regulation on the Classification of Fixed Assets into Groups and Determination of depreciation for tax purposes (RS Official Gazette No. 116/2004 i 99/2010).

Professional regulations refer first of all to:

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

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

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

- In the Republic of Serbia, financial statements are prepared in the form prescribed by the Regulation of the Form and Contents of Financial Statements submitted by companies, cooperatives, other legal entities and entrepreneurs (RS Official Gazette No. 114/2006, 5/2007, 119/2008 and 2/2010), which is not in compliance with the presentation and titles of specific financial statements for general purpose

and the presentation of certain figures in the statement as prescribed by the revised IAS 1 – „Presentation of financial statements“ and

- Off-balance sheet assets and liabilities are presented on the balance sheet, yet these items, according to professional regulations, do not represent either assets nor liabilities of the Company

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

The Regulation on Accounting and Accounting policies, adopted on 29.01.2007 by the Board of Directors, was used in the preparation of financial statements as a legal document that represents **internal regulations of the Company**. Other internal documents were also used, such as, for example, the Collective agreement.

Financial statements of the Company for 2011 are disclosed in the form and content as prescribed by the Regulation of the Form and Contents of Financial Statements submitted by companies, cooperatives, other legal entities and entrepreneurs. This Regulation prescribes, among other things, the content of items in the forms: Balance sheet, Income Statement, Cash flow statement, Report on changes in equity, Note to the financial statements and Statistical annex, for companies, cooperatives, other legal entities and entrepreneurs that have double entry accounting.

The Regulation prescribes also that data in the Balance sheet, Income Statement, Cash flow statement, Report on changes in equity, and Statistical Annex are entered in thousand of dinars and that the number of employees is expressed as a whole number, as applied in these Notes.

5. ACCOUNTING PRINCIPLES

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

- The Going concern principle
- The Consistency principle,
- The Prudence principle,

- The Substance over form principle,
- The Accrual principle
- The Item by item assessment principle.

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

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

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

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

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

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

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

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

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

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

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

If it is practically impossible to establish the effect of an error from a certain period by comparing information for one or several presented prior periods, the Company will correct opening balances for assets, liabilities and capital for the earliest period that can be corrected retroactively (may be also the current period).

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

The materiality of an error is valuated pursuant to provisions of the Framework for the preparation and presentation of financial statements that state that materiality may imply that omission or false accounting entries may affect economic decisions of users adopted

based on financial statements. Materially significant errors are valued pursuant to relevant provisions from the Framework for the preparation and presentation of financial statements. Materiality is defined in the Company with respect to the significance of the error considering total income. A materially significant error is an error that for itself or together with other errors exceeds 1,5% of the total income in the previous year.

7. OVERVIEW OF PRINCIPAL ACCOUNTING POLICIES

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

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

In accordance with IAS 21, dinar represents **functional and reporting currency** in financial statements of the Company. Besides data for the current year, financial statements of the Company contains data from financial statements from 2010 as **comparative data**.

In the preparation of financial statements, relevant provisions IAS 10 were considered. They refer to events that occur between the balance sheet date and the date financial statements were authorised for issue. More precisely, **for effects of the event that provide evidence on circumstances at the balance sheet date**, already recognized amounts in financial statements of the Company were corrected in order to mirror corrected events after the balance sheet date; and **for effects of the event that provide evidence on circumstances after the balance sheet date**, no adjustments of recognized amounts were applied. If there were any, these Notes will disclose the nature of events and the valuation of their financial effects.

7.1. Evaluation

The Company has to use the best possible estimates and reasonable assumptions in the preparation and presentation of financial statements according to professional regulations and legislation in force in the Republic of Serbia. Though, actual future

results may vary, estimates and assumptions are based on information available at the balance sheet date.

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

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

7.2. The effects of foreign exchange rates

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

According to provisions of IAS 21 – The effects of changes in foreign exchange rates, monetary items in foreign currency (assets, receivables and liabilities in foreign currency) are translated at each balance sheet date by using the closing rate i.e. the official middle exchange rate at the balance sheet date.

Gain/losses arising on the translation of foreign currency (apart from those related to monetary items as part of net investments of the Company in a foreign operation, included pursuant to IAS 21) are recognized as income or expenses of the Company for the period in which they occurred.

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

Official NBS middle exchange rates

Currency	31.12.2011	31.12.2010
	<i>Amount in dinar</i>	
1 EUR	104,6409	105,4982
1 USD	80,8662	79,2802

7.3. Income

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

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

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

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

7.4. Expenses

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

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

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

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

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

7.5. Interest and other borrowing costs

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

Based on relevant provisions IAS 23 – Borrowing costs, borrowings are recognized as expenses at the moment of occurrence, unless they are directly attributed to the acquisition, construction or production of a certain asset (asset that needs significant time to be brought to working condition for its intended use or sale), in which case the interest and other borrowing costs are capitalized as a part of the purchase price (cost price) of that asset.

7.6. Income tax

The income tax is registered as a summary of:

- The current tax and
- The deferred tax.

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

The deferred tax includes:

- Deferred tax assets or

- Deferred tax liabilities.

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

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

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

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

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

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

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

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

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

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

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

7.7. Intangible assets

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

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

- it is likely that future economic benefits, attributable to assets, will flow to the Company;
- the Company has control over the asset and
- the purchase price (cost price) may be reliably measured.

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

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

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

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

An **investment property should be measured initially** at its cost.

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

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

- unlimited or
- limited.

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

7.8. Property, plants and equipment

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

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

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

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

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

7.9. Leases

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

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

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

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

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

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

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

The amount to be depreciated or the purchase price or another amount that replaces the value in financial statements of the Company is systematically allocated during the lifetime of the asset.

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

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

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

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

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

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

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

Recoverable amount is a greater value than:

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

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

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

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

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

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

7.12. Investment property

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

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

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

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

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

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

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

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

7.13. Inventories

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

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

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

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

The purchase price (cost price) includes all:

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

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

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

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

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

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

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

7.14. Non-current assets held for sale

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

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

The fixed asset that was recognized as a non-current asset held for sale, is **measured** (expressed) at a lower value than:

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

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

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

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

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

7.15. Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- loans and receivables, measured at amortized cost using the effective interest method;

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

The fair value of assets is the amount at which the asset can be traded for or liability settled between informed and willing parties as an independent transaction. If there is an active market for the financial instrument, the fair value is determined according to information obtained from that market; if there is no active market, the fair value is determined using valuation techniques specified in IAS 39. Positive (adverse) effects of the change of fair value are expressed as gain (loss) in the period of change, for financial instruments at fair value through the income statement. Available-for-sale financial instruments are expressed within unrealized gain/losses based on available-for-sale securities up to the sales date, when the effect are transferred to gains (losses). An exception of the above are expenses related to permanent depreciation and gains (losses) in foreign currency that are recognized immediately as gain (losses) for financial instruments classified as available-for-sale.

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

7.16. Cash and cash equivalents

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

7.17. Short term receivables

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

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

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

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

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

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

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

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

7.18. Financial investments

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

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

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

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

7.19. Liabilities

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

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

reserves (for example, as a result of deliberate overstatement of liabilities or expenses), the financial statements to become impartial and therefore unreliable.

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

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

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

7.20. Provisions, contingent liabilities and contingent assets

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

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

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

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

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

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

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

Long term provision for expenses and risks are tracked by sorts, they are examined at each balance sheet date and corrected to reflect the best present valuation. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is cancelled. Their reduction/cancellation is credited as income.

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

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

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

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

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

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

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

7.21. Employee benefits

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

- taxes and compulsory social security contributions
- retirement bonus.

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

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

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

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

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

If the Company, for the valuation of obligations upon employment termination and due to undeveloped market for government bonds, uses the government bond yield as reference with maturity date shorter than the estimated maturity of payments based on respective income, the discount rate is defined by valuating the reference securities yield for longer periods.

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

8. FINANCIAL RISKS AND FINANCIAL RISK MANAGEMENT IN THE COMPANY

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

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

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

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

Financial risks are significantly affected by external factors that are not directly controlled by the Company. In that sense, financial risk is considerably affected by the Company's environment which, apart from economic development, is likewise committed to legal, financial and other relevant aspects that define system risk level.

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

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

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

The following text will show:

- the financial risk profile of the Company or the valuation of the structure and the financial risk level the Company is exposed to during operations;
- measures for the management of recognizable financial risks and

- capital risk which, although not specifically considered as a financial risk type, significantly affects the risk level in each of the risk types considered.

8.1. Credit risk

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

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

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

The following tables show:

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

The structure of short-term receivables with no decrease in value	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
<i>Domestic buyers</i>		
Energoprojekt Visokogradnja a.d.	74.557	441.995
Energoprojekt Niskogradnja a.d.	186.016	260.242
Energoprojekt Hidroinženjering a.d.	65.094	53.900
Energoprojekt Entel a.d.	7.290	6.744
Energoprojekt Energodata a.d.	50.874	57.312
Energoprojekt Industrija a.d.	31.854	18.543
Energoprojekt Oprema a.d.	6.464	7.709
Others	871	536
Total	423.020	846.981
<i>Foreign buyers</i>		
Energoprojekt Montenegro d.o.o.	3.189	3.215
Others	-	-
Total	3.189	3.215
<i>Other receivables</i>		
Energoprojekt Visokogradnja a.d.	63.934	13.936
Energoprojekt Niskogradnja a.d.	19.183	9.197

Energoprojekt Holding a.d.

Energoprojekt Hidroinženjering a.d.	24.070	24.383
Energoprojekt Entel a.d.	386	391
Energoprojekt Energodata a.d.	8.453	6.624
Energoprojekt Industrija a.d.	171	1.450
Energoprojekt Urbanizam i arhitektura a.d.	-	8.931
Energoprojekt Oprema a.d.	178	347
Others	17.670	9.753
Total	134.045	75.012
TOTAL	560.254	925.208

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

The age structure of short-term receivables with no decrease in value	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Current	109.940	78.455
0-30 days from the due date	22.750	27.821
30 - 60 days from the due date	21.197	27.270
60 - 90 days from the due date	20.566	26.205
over 90 days from the due date	385.801	765.457
TOTAL	560.254	925.208

Non-due receivables from buyers in the amount of 33.426 thousand dinars are mostly due within 15 days after the invoice was issued or in accordance with agreed payment conditions.

The age structure of short-term receivables with decrease in value	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
<i>Other receivables</i>		
Others	523	-
Total	523	-
TOTAL	523	-

Indirect write off was applied to receivables from the Fund based on the refund for paid sick leave benefits for sick leaves over 30 days in the amount of 430 thousands dinars, due to obsolescence, as well as to receivables based on the refund for paid maternity leave benefits in the amount of 93 thousand dinars, due to obsolescence.

8.2. Market risk

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

The market risk includes three risk types:

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

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

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

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

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

<i>Assets in EUR</i>		<i>Liabilities in EUR</i>	
<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
15.607.903	21.025.663	4.388.536	7.902.686

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

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

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

Sensitivity analysis of results in case of depreciation of the national currency 10%	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
NET EFFECT ON THE RESULTS IN THE CURRENT PERIOD	117.400	138.445

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

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

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

Interest-bearing structure of financial assets and liabilities with fluctuating interest rate	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
<i>Interest-bearing financial assets with fluctuating interest rate</i>		
Long-terms loans granted to related parties – Urbanizam i arhitektura a.d.	75.865	140.670
Short-terms loans granted to related parties	527.509	443.443
Long-terms housing loans granted to employees	2.087	2.195
Housing loans granted to employees with one year maturity	139	137
Total	605.600	586.445

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<i>Interest-bearing financial liabilities with fluctuating interest rate</i>		
Short-term loans – Alpha Bank a.d.	117.222	-
Total	117.222	-

Considering stated differences in financial assets and liabilities with fluctuating interest rates, the following table contains the sensitivity analysis with regard to the interest rate growth of 1%. The sensitivity rate of 1% represents a valuation of potential reasonably expected changes in interest rates.

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

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

The sensitivity analysis of results in case of interest rate growth of 1%	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
NET EFFECT ON THE CURRENT PERIOD RESULTS	4.884	5.864

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

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

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

Structure of obligations to suppliers	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
<i>Domestic suppliers</i>		
Eneroprojekt Visokogradnja a.d.	2.330	522.193
Energoprojekt Nisokogradnja a.d.	806	-
Energoprojekt Energodata a.d.	-	2.358
Energoprojekt Oprema a.d.	-	1.430
Elektrodistibucija	2.967	2.254
Beogradske elektrane	388	325
Altis capital	-	1.260
Deloitte	6.557	-
Agency for investments and housing	3.114	
Others	4.027	7.339
Total	20.189	537.159
<i>Foreign suppliers</i>		
Moskva subsidiary	-	5.530
Inec London	-	137
IATA	367	728
Others	-	-
Total	367	6.395
TOTAL	20.556	543.554

The Company has received no collaterals.

Age structure of liabilities to suppliers	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Current	16.670	505.971
0-30 days from the due date	454	16.694
30 - 60 days from the due date	304	2.968
60 - 90 days from the due date	1	728
over 90 days from the due date	3.127	17.193
TOTAL	20.556	543.554

The price risk is a risk of fair value fluctuation or a risk that the future financial instruments' cash flows will fluctuate due to the change in market prices (not prices that

result from interest or currency risk) regardless if these changes are caused by specific factors related to a specific financial instrument or its issuer or regardless if factors affect all similar financial instruments traded on the market. The Company is not exposed to this kind of risk.

8.3. Liquidity risk

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

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

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

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

<i>Liquidity indices</i>	<i>Satisfactory general standards</i>	<i>2011</i>	<i>2010</i>
Current ratio	2 : 1	4,45:1	3,9:1
Rigorous ratio	1 : 1	4,45:1	3,9:1
Operating cash flow ratio		0,57:1	0,66:1
Net working capital (in thousands of dinars)	Positive value	1.442.707	2.079.774

The results of the ration analysis indicates that the Company was **liquid** during 2011, meaning that it had no difficulties to fulfil due liabilities and maintain the necessary scope and structure of the working capital and good creditworthiness.

Therefore we emphasize that:

- Considering the dynamic nature of Company's business, the finance department aims to maintain financing flexibility, which means, among other things, to keep existing lines of credit and expand them;
- The management performs continuous monitoring of Company's liquidity reserves that include available unused lines of credit, cash and cash equivalents as well as liquid potentials according to expected cash flows.

8.4. Capital risk management

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

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

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

Profitability indicator	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Net profit/loss	277.625	639.161
<i>Average capital</i>		
Capital at the beginning	6.896.012	6.274.195
Capital at the end of a year	7.167.219	6.896.012
Average capital	7.031.616	6.585.104
<i>Average return rate on own capital</i>	3,95%	9,71%

Considering data from the table above, it is clear that the results of operations in 2010 and 2011, with regard to the sustainability of capital, may be estimated as satisfactory and therefore the Company is **not exposed to any capital risk**. Obtained results in 2010 are achieved mostly due to the completion of the agreement on the sale of the facility in the block 26, entity I, New Belgrade (Note 9.18.), that is not considered to be one of

usual activities of the Company and the Company will not engage in similar activities in the future and therefore, the results in the current year cannot be compared to the previous year.

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

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

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

Financial structure indicators	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Liabilities	777.430	1.236.029
Total funds	7.944.649	8.132.041
Ratio of borrowed funds to total assets	0,10:1	0,15:1
<i>Long-term assets</i>		
Capital	7.167.219	6.896.012
Long-term provisions and long-term liabilities	358.956	519.646
Total	7.526.175	7.415.658
Total assets	7.944.649	8.132.041
Ratio of long-term to total assets	0,95:1	0,91:1

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

Net debt means the difference between:

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

Parameters for the net debt to capital ratio	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
<i>Net debt</i>		
Financial liabilities	502.974	961.107
Cash and cash equivalents	239.998	469.938
Total	262.976	491.169

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Capital	7.167.219	6.896.012
NET DEBT TO CAPITAL RATIO	1:27,25	1:14,04

9. INCOME STATEMENT

9.1. Sales

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

Sales structure	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
<i>Income from sales to subsidiaries</i>		
Income from services rendered to subsidiaries	352.038	451.213
Income from services rendered to other related parties	286	312
Subtotal	352.324	451.525
<i>Income from services sold on the local market</i>		
<i>Income from sold services</i>	96	5.621.536
Total	96	5.621.536
TOTAL	352.420	6.073.061

Income from services rendered to subsidiaries on the local market in 2011 are generated based on service agreements, approved and adopted by the Board of Directors of the Company and Boards of Directors of subsidiaries, pursuant to Articles of Association of the Company and Articles of Association of subsidiaries. This income amount to 352.038 thousand RSD (2010: 451.213 thousand RSD), as indicated in the following table.

Buyer	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Energoprojekt Garant a.d.o.	1.531	1.552
Energoprojekt Visokogradnja a.d.	61.676	114.139
Energoprojekt Niskogradnja a.d.	76.430	98.374
Energoprojekt Hidroinžinjeri a.d.	27.549	28.233
Energoprojekt Entel a.d.	73.577	74.792
Energoprojekt Energodata a.d.	7.496	18.119
Energoprojekt Industrija a.d.	20.287	20.663

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Energoprojekt Urbanizam i arhitektura a.d.	5.210	15.813
Energoprojekt Oprema a.d.	78.282	79.528
TOTAL	352.038	451.213

Sales income for services rendered to other related parties in the amount of 286 thousand RSD (2010: 312 thousand RSD) refer to legal services rendered to Enjub d.o.o. pursuant to the Protocol on representation in court matters.

Income in the amount of 96 thousand RSD (2010: 2 thousand RSD) are generated from the sales of flight tickets on the local market. In 2010, sales income for services rendered on the local market referred to the income from the completion of agreement on the sale of the facility in the block 26 in the amount of 5.302.842 thousand RSD and income from the completion of the Annex XIV to the Reconstruction agreement for the 5th and 6h train station track – Prokop in the amount of 318.692 thousand RSD.

9.2. Income from undertaking of outputs and goods for own purposes

Structure of income from undertaking of outputs and goods for own purposes	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Income from own products and services	598	705
TOTAL	598	705

Income from own products and services in the amount of 598 thousand RSD (2010: 705 thousand RSD) refer to the use of corporate vehicles.

9.3. Increase/Decrease of inventories

Structure of increase/decrease of inventories	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Increase of inventories	-	182.601
Decrease of inventories	-	(4.685.990)
TOTAL	-	(4.503.389)

Increase of inventories in 2010 in the amount of 182.601 thousand RSD refer to the realization of the Agreement on sale of the unfinished facility in the block 26, entity I, and decrease of inventories in the amount of 4.685.991 thousand RSD refer to the completion of the same agreement on 31.03.2010.

9.4. Other operating income

Structure of other operating income	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Income from rents	22.533	878
Other operating income	15	-
TOTAL	22.548	878

Income from rents is generated from renting facility at Batajnicketi drum no. 24, Energoprojekt Visokogradnja a.d, the amount of the rent - 21.618 thousand RSD and renting of the roof terrace and on the ground floor in the office building of Telekom Srbija a.d. in the amount of 915 thousand RSD. Income of 15 thousand RSD represents the bonus prize from Aeroflota for 2011 for the turnover based on sold flight tickets.

9.5. Material costs

Material costs structure	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Other material costs	9.170	12.660
Fuel and energy	11.406	16.945
TOTAL	20.576	29.605

9.6. Staff costs

Structure of staff costs	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
<i>Staff costs</i>		
Salaries and fringe benefits	128.897	123.072
Taxes and contributions on salaries	19.883	18.635
Subtotal	148.780	141.707
Temporary service contracts, copyright agreements, temporary and provisional contracts	2.479	5.093
Board of Directors and Supervisory Board	24.571	21.251
Other personal expenses remunerations	5.665	6.107
TOTAL	181.495	174.158

Within **other personal expenses**, the most important expenses of the Company include transportation to/from work in the amount of 2.049 thousand RSD and expenses related to business trips in the amount of 2.654 thousand RSD.

Other personal expenses include also solidarity allowance and other compensations to employees and other natural persons.

9.7. Depreciation costs

Structure of depreciation costs	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Depreciation of intangible investments	254	225
Depreciation of property	7.476	7.166
Depreciation of plants and equipment	12.179	12.901
TOTAL	19.909	20.292

9.8. Provision costs

Structure of provision expenses	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Provision costs related to fees and other employee benefits	683	1.743
TOTAL	683	1.743

Provision costs related to the retirement bonus in 2011 equal to the difference between, on one hand, the provision amount related to the retirement bonus at the end of 2011 and, on the other hand, the provision amount related to the retirement bonus as at 31.12.2010, reduced by the amount of paid bonuses in 2011.

Provision costs for fees and other employee benefits in the amount of 683 thousand RSD (2010: 1.743 thousand RSD) refer to the implementation of IAS 19.

Provision valuation at the balance sheet date pursuant to IAS 19 (for retirement bonuses) is described in more details in the Note 10.16.

9.9. Production costs

Structure of production costs	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Cost of production services	-	489.801
Transportation costs	5.275	4.879
Repairs and maintenance costs	60.124	38.339
Rental costs	1.513	839
Advertising costs	13.182	398
Expenses for other services	3.291	3.459
TOTAL	83.385	537.715

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

Repairs and maintenance costs refer, first of all to ongoing maintenance of: equipment (2011: 5.114 thousand RSD; 2010: 8.434 thousand RSD) and the building (2011: 55.010 thousand RSD; 2010: 29.905 thousand RSD).

Rental costs refer, first of all, to the rental of office space for General meetings.

Advertising costs refer to:

- advertising costs (2011: 10.121 thousand RSD that refer, most of all, to expenses related to the 60th anniversary of Energoprojekt, in 2010 these expenses amounting to 398 thousand RSD) and
- sponsorship expenses (2011: 3.061 thousand RSD; in 2010 there were no such expenses).

Expenses for other services mostly include:

- utilities that include water, maintenance, etc. (2011: 1.260 thousand RSD; 2010: 1.115 thousand RSD).

Expenses for other services refer to the protection at work (2011: 295 thousand RSD; 2010: 438 thousand RSD), car registration (2011: 243 thousand RSD; 2010: 228 thousand RSD), photocopying and other services (2011: 1.493 thousand RSD; 2010: 1.678 thousand RSD) etc.

9.10. Intangible costs

Structure of intangible costs	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Costs for non-production services	26.117	29.315
Expense accounts	8.172	5.183
Insurance premium costs	958	4.399
Payment operations cost and banking fees	2.507	4.883
Membership fees	943	997
Tax duties	10.233	35.162
Other intangible expenses	7.076	9.076
TOTAL	56.006	89.015

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

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

Insurance premium costs refer, mostly, to the insurance of property and persons (2011: 958 thousand RSD; 2010: 4.400 thousand RSD, out of which the amount of 2.382 thousand RSD refers to the insurance of unfinished buildings Block 26).

Costs for payment operations and banking fees include the following: costs for payment operations in 2011 in the amount of 586 thousand RSD (2010: 528 thousand RSD), costs for banking services in 2011 amount to 1.921 thousand RSD (2010: 4.356 thousand RSD).

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

Tax duties include the following: property tax, urban development land tax, tax on mobile phone use etc. The most important part of these expenses is the property tax (2011: 7.209 thousand RSD; 2010: 5.336 thousand RSD).

Other intangible expenses refer to: taxes (administrative, court fee, etc.), advertisement costs, share of salary expenses for disabled workers, printing of Energoprojekt company newspaper, TV subscription fees.

9.11. Financial income

Structure of financial income	in 000 dinars	
	2011	2010
<i>Income from interest</i>		
Financial income from transactions between the parent company and subsidiaries	89.237	34.958
Financial income from transactions between the parent company and related parties	9.560	5.063
Income from interest	10.245	14.361
Total	109.042	54.382
<i>Gains arising on the translation of foreign currency</i>		
Gains arising on the translation of foreign currency arising from relation between entity and subsidiaries	30.801	157.078
Gains arising on the translation of foreign currency arising from relation with other related parties	51	5.162
Other gains arising on the translation of foreign currency	8.041	97.644
Subtotal	38.893	259.884
Income based on foreign currency clauses	2.790	391
Share in the profit of subsidiaries	275.801	41.347
Other financial income	914	1.283
TOTAL	427.440	357.287

Other interest income refers to interest on term deposits (2011: 10.245 thousand RSD; 2010: 14.361 thousand RSD).

Financial income from the share of the profit of subsidiaries in the amount of 275.801 thousand RSD refer to the following subsidiaries:

- Energoprojekt Garant a.d.o. in the amount of 126.401 thousand RSD,
- Energoprojekt Entel a.d. in the amount of 114.803 thousand RSD and
- Energoprojekt Oprema a.d. in the amount of 34.597 thousand RSD.

9.12. Financial expenses

Structure of financial expenses	in 000 dinars	
	2011	2010
<i>Costs of interest</i>		
Other costs of interest	25.121	3.086
Total	25.121	3.086
<i>Losses arising on the translation of foreign currency</i>		
Losses during the translation of foreign currency arising from relation between entity and subsidiaries	36.331	12.080
Losses during the translation of foreign currency arising from relation between entity and other related parties	1.040	224.660
Other losses during the translation of foreign currency	9.451	-
Subtotal	46.822	236.740
Expenses based on foreign currency clauses	5.439	1.460
TOTAL	77.382	241.286

Expenses based on foreign currency clauses refer mostly to adverse effects on loans received by Alpha Bank a.d. in 2011 in the amount of 5.236 thousand RSD; in 2010 these expenses amounting to 1.326 thousand RSD, based on lease repayment.

9.13. Other income

Structure of other income	in 000 dinars	
	2011	2010
<i>Other income</i>		
Income from the sales of property, plants and equipment	51.457	1.014
Gains on disposals of LT investments and securities	-	2.573
Previously written-off claims recovered	5.116	-
Income from reduction of liabilities	5.965	2.392
Income from positive hedging effects	29	144
Other income	227	138
Total	62.794	6.261

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<i>Property value adjustment</i>		
Property, plants and equipment	3	-
Claims and short-term financial investments	15.037	-
Total	15.040	-
TOTAL OTHER INCOME AND EXPENSES RELATED TO PROPERTY VALUE ADJUSTMENT	77.834	6.261

Income from property sales in 2011 refer to the sale of the building in Goce Delceva street no. 38, New Belgrade, in the amount of 51.298 thousand RSD.

Previously written-off claims recovered in the amount of 5.116 thousand RSD refer to outstanding loans of Energoprojekt Promet d.o.o. written off in 2008.

Other income refer mostly to lawyer's fees for services rendered to Enjub d.o.o. in the amount of 154 thousand RSD.

Income from positive hedging effects refers to previously written-off claims recovered (written-off indirectly on the value adjustment account) after partial repayment of the loan from Energoprojekt Promet d.o.o. pursuant to Annex of the Contract 105, write-off in 2008.

Income from decrease of liabilities refer to the write-off of outdated obligations of the subsidiary Moskva in the amount of 5.965 thousand RSD.

9.14. Other expenses

Structure of other expenses	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
<i>Other expenses</i>		
Shortages	-	47
Direct receivables write-off	137.816	111.777
Other expenses	1.031	9.460
Total	138.847	121.284
<i>Property impairment costs</i>		
Claims and short-term financial investments	523	-
Total	523	-

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TOTAL OTHER EXPENSES AND PROPERTY IMPAIRMENT COSTS	139.370	121.284
Adverse effect due to changes in accounting policies and correction of errors from previous periods	3.259	121
TOTAL	142.629	121.405

Expenses related to direct write-off of claims in the amount of 137.816 thousand RSD refer mostly to written-off claims from subsidiaries (Energoprojekt Urbanizam i arhitektura a.d. in the amount of 129.174 thousand RSD, Energoprojekt Visokogradnja a.d. in the amount of 135 thousand RSD, Energoprojekt Promet d.o.o. in the amount of 319 thousand RSD, etc.). The amount of 72 thousand RSD refers to write-off of claims from an external supplier.

Other expenses mostly include donations and expenses for humanitarian purposes (in 2011: 1.021 thousand RSD, in 2010: 9.454 thousand RSD).

9.15. Profit before tax

Structure of gross results	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
<i>Operating income and expenses</i>		
Operating income	375.566	1.571.255
Operating expenses	362.054	852.528
Operating result	13.512	718.727
<i>Financial income and expenses</i>		
Financial income	427.440	357.287
Financial expenses	77.382	241.286
Financial result	350.058	116.001
<i>Other income and expenses</i>		
Other income	77.834	6.261
Other expenses	139.370	121.284
Result from other income and expenses	(61.536)	(115.023)
<i>Effects of discontinued operations, accounting policy changes and accounting adjustments from previous years</i>		
Income	115	-
Expenses	3.374	121
Net effect	(3.259)	(121)

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Total gross result

TOTAL INCOME	880.955	1.934.803
TOTAL EXPENSES	582.180	1.215.219
PROFIT/LOSS BEFORE TAX	298.775	719.584

9.16. Income tax and net profit

Calculation of income tax and net profit	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Profit/loss before tax	298.775	719.584
Adjustments and corrections of income/expenses in the tax balance	(88.605)	89.038
Capital gains/losses in the balance sheet	(51.298)	(2.573)
Taxable profit	158.872	806.049
Capital gains/losses calculated pursuant to the law	51.732	3.106
Tax base	210.604	809.155
Calculated tax (10% from the tax base)	21.060	80.915
Total tax deduction	(187)	(469)
Calculated tax upon depreciation	20.873	80.446
Profit/loss before tax	298.775	719.584
Tax expenses	(20.873)	(80.446)
Deferred tax expenses/income	(277)	23
Net profit/loss	277.625	639.161

Capital gain arose after the sale of property in New Belgrade, Goce Delceva street no. 38 in the amount of 51.298 thousand RSD.

Decrease of calculated tax (max. 50 % of taxable base) in the amount of 186 thousand RSD is a result of the tax credit for investments in fixed assets in 2011.

9.17. Earnings per share

<i>Indicator</i>	<i>2011</i>	<i>2010</i>
Net profit (loss) in 000 dinars	277.625	639.161
Average number of shares for one year	9.468.329	9.468.329
Earnings per share in dinars	29,32	67,51

9.18. Construction contracts

	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Increase of inventories	-	182.601
Decrease of inventories	-	(4.685.991)
Income recognized as income of the period	-	5.302.842
Level of completion of the agreement	-	100%
Related expenses	-	179.618
TOTAL	-	619.834

The Sales agreement on the sale of the unfinished building Block 26, Unit I, signed between the Company and „Blue Center d.o.o.“ on 12.10.2007, was executed in the first quarter of 2010.

10. BALANCE SHEET

10.1. Intangible assets

Structure and changes of intangible assets	<i>in 000 dinars</i>			
	Intangible assets in-preparation	Advance payments for intangible assets	Other intangible assets	Total
<i>Purchase price</i>				
Opening balance (01.01.2011)	8.837		2.079	10.916
Restated balance				
New purchases over the course of the year	247	815		1.062
Transfer from one form to another	(247)	(396)	247	(396)
Revaluation, effects of the assessment				
Disposal, Retirement etc.				
Closing balance (31.12.2011)	8.837	419	2.326	11.582
<i>Value adjustment</i>				
Opening balance (01.01.2011)			1.189	1.189

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Depreciation for 2011			254	254
Closing balance (31.12.2011)			1.443	1.443
<i>Present (non write off) value</i>				
Balance 01.01.2011.	8.837		890	9.727
Balance 31.12.2011.	8.837	419	883	10.139

10.2. Property, plants and equipment

Structure and changes in property, plants and equipment	<i>in 000 dinars</i>				
	Buildings	Plants and equipment	Property, Plants and equipment in preparation	Advance payments for property, plants and equipment	TOTAL
<i>Purchase price</i>					
Opening balance (01.01.2011)	555.876	99.262	122.973		778.111
New purchases over the course of the year			27.716	1.521	29.237
Transfer from one form to another	25.925	1.791	(27.716)	(1.521)	(1.521)
Disposal, Retirement etc.		(3.793)	(122.973)		(126.766)
Closing balance (31.12.2011)	581.801	97.260			679.061
<i>Value adjustment</i>					
Opening balance (01.01.2011)	279.768	53.247			333.015
Depreciation for 2011	17.169	12.177			29.346
Disposal, Retirement etc.		(2.104)			(2.104)
Closing balance (31.12.2011)	296.937	63.320			360.257
<i>Present (non write-off) value</i>					
Opening balance 01.01.2011.	276.108	46.015	122.973		445.096
Closing balance 31.12.2011.	284.864	33.940			318.804

10.3. Investment property

Change in the investment property	in 000 dinars	
	2011	2010
<i>Revaluation amount</i>		
Opening balance (01.01.)	496.695	-
New purchases	-	496.695
Revaluation - effects of the assessment	3	-
Closing balance (31.12.)	496.698	496.695

The investment property refers to the building, 7.665,22 m², at the address: Batajnicki put no. 24, in Zemun. Its fair value on 31.12.2011 was 496.698 thousand RSD. Income generated from renting this building to Energoprojekt Visokogradnja a.d. was 21.618 thousand RSD (Note 9.4.).

The valuation of the fair value on 31.12.2011 was performed by an independent valuator who has appropriate professional qualifications and recent relevant work experience in the field of investment property. The valuation of the value was performed based on numerous factors, such as: existing renting conditions, valuation of market conditions and valuation of the capitalization rate by using comparative market data, if possible. Due to the current situation on the property market and reduced number of sales transactions with respect to previous years due to the economic crisis, valuers have mostly used their knowledge of the market and professional judgement and less results of comparable transactions in the past.

10.4. Long-term financial investments

Structure of long-term financial investments	in 000 dinars	
	2011	2010
<i>Equity investments in subsidiaries</i>		
EP Visokogradnja a.d. (92,39%)	1.704.254	1.704.254
EP Niskogradnja a.d. (93,32%)	855.506	855.506
EP Oprema a.d. (67,87%)	121.316	121.316
EP Hidroinženjering a.d. (94,84%)	399.230	399.230
EP Urbanizam i arhitektura a.d. (94,40%)	146.455	146.455
EP Promet d.o.o. (100,00%)	295	295
EP Energodata a.d. (96,43%)	191.438	191.438
EP Industrija a.d. (62,77%)	61.209	61.209
EP Entel a.d. (86,26%)	216.422	216.422

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EP Garant a.d.o. (92,94%)	597.545	401.371
EP Montenegro d.o.o. (100,00%)	8	8
Inec Eng. Ltd (100,00%)	62.359	62.359
Encom GmbH (100,00%)	3.493	3.493
Nana Off Shore (100,00%)	1.258	1.258
Total	4.360.788	4.164.614
<i>Equity investments in other related parties</i>		
Enjub d.o.o. (50,00%)	13.550	13.550
Energo Ghana Ltd (80,00%)	-	4.911
United CONS. Botswana (100,00%)	-	3.205
Zecco Zambia (100,00%)	587	587
Total	14.137	22.253
<i>Equity investments in other related parties and other securities intended for sale</i>		
Dunav a.d.o. (0,20333%)	515	1.002
Jubmes banka a.d. (1,38789%)	46.835	27.332
Hipotekarna banka Podgorica (0,3961%)	8.434	7.849
FIMA SEE Activist (15,96806%)	14.080	14.080
Energobroker a.d. (17,64%)	4.371	4.371
Hotel Bela lađa Bečej (4,3578%)	5.947	-
Aik banka a.d. (0,00573%)	824	-
Total	81.006	54.634
TOTAL	4.455.931	4.241.501
<i>Other long-term financial investments</i>		
Long-term loans granted to subsidiaries	799.809	140.670
Long-term housing loans granted to employees	2.087	2.195
Total	801.896	142.865
TOTAL	5.257.827	4.384.366

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

10.5. Inventories

Structure of inventories	in 000 dinars	
	2011	2010
Small inventory items	694	745
Paid advances	707	530
Less: value adjustment	(694)	(745)
Total	707	530

10.6. Short-term receivables

Structure of short-term receivables	in 000 dinars	
	2011	2010
<i>Trade receivables</i>		
Buyers – parent company and subsidiaries	425.491	849.816
Buyers – other affiliates	705	368
Domestic buyers	13	13
Total	426.209	850.197
<i>Receivables from specific business operations</i>		
Other receivables from specific business operations	61.795	45.118
Less: value adjustment	-	-
Total	61.795	45.118
<i>Other receivables</i>		
Interest and dividends	71.969	27.497
Staff claims	101	367
Receivables from state institutions	662	2.029
Prepaid income tax	3.784	-
Other prepaid taxes and contributions	41	-
Less: value adjustment	(523)	-
Total	76.034	29.893
TOTAL	564.038	925.208

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

Changes in value adjustment for receivables	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Balance on 01.01.	-	722
Additional value adjustment	523	-
Previously adjusted receivables - direct write-off	-	(722)
Recovered adjusted receivables		
TOTAL	523	-

Value adjustments for receivables are indicated under „Other expenses“ in the income statement (Note 9.14).

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

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

The value adjustment for some receivables applied in 2011 is presented in the Note 9.14. and reconciliation of receivables and liabilities is presented in the Note 12.

10.7. Short-term financial investments

Structure of short-term financial investments	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
<i>Short-term loans and investments – parent company, subsidiaries and affiliates</i>		
Subsidiaries	925.811	1.272.261
Other affiliates	126.999	128.040
Less: value adjustment	-	(66.389)
Total	1.052.810	1.333.912
<i>Domestic Short-term loans</i>		
Maturing obligations up to 1 year – long-term housing loans	139	137
Short-term loans to employees	320	864
Less: value adjustment	-	-
Total	459	1.001

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<i>Other Short-term loans and investments</i>		
Special-purpose term deposit with domestic banks	-	59.345
Other	-	3.518
Less: value adjustment	-	-
Total	-	62.863
TOTAL	1.053.269	1.397.776

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

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No.	Borrower and contract no.	Borrowed amount in currency (000 EUR)	Receivables due based on the loan in (000 EUR)	Receivables due based on the loan in (000 RSD)	Maturity	Loan terms and conditions
1	EP Visokogradnja a.d.					
	Loan reprogramming agreement no. 46	8,431	2,520	263,699	31.12.2011.	4,5% annually
	Loan agreement no. 2	2,500	2,500	261,602	31.12.2011.	4,5% annually
	Annex 1 to the Loan agreement no. 563	690	690	72,235	31.03.2012.	one month EURIBOR + 5 %
	Loan agreement no.134	2,500	1,111	117,222	07.04.2012.	three month EURIBOR + 5,95%
	Annex 1 to the Loan agreement no.197	216	216	22,554	30.11.2012.	one month EURIBOR + 5 %
	Loan agreement no. 249	314	314	32,906	31.12.2011.	one month EURIBOR + 5 %
	Annex 1 to the Loan agreement no. 352	232	232	24,280	31.12.2011.	one month EURIBOR + 5 %
	Total EP Visokogradnja a.d.	14,884	7,583	794,498		
2	EP Niskogradnja a.d.					
	Debt Reprogramming Agreement no.541	103,358	103,358	103,358	31.12.2011.	annual EURIBOR+4,5%
	Total EP Niskogradnja a.d.	103,358	103,358	103,358		
3	EP Energodata a.d.					
	Debt Reprogramming Agreement no. 541	267	267	27,955	31.12.2011.	annual EURIBOR+4,5%
	Total EP Energodata a.d.	267	267	27,955		
TOTAL SUBSIDIARIES		118,508	111,208	925,811		
4	EP Enjub d.o.o.					
	Annex 4 to the Loan agreement no.82	50	50	5,232	31.12.2011.	three months EURIBOR+6,5%
	Annex 3 to the Loan agreement no.367	138	138	14,388	31.12.2011.	three months EURIBOR+6,5%
	Annex 3 to the Loan agreement no.26	46	46	4,831	31.12.2011.	three months EURIBOR+6,5%
	Annex 3 to the Loan agreement no.80	585	580	60,692	31.12.2011.	three months EURIBOR+6,5%
	Annex 2 to the Loan agreement no. 510	550	400	41,856	31.12.2011.	three months EURIBOR+6,5%
	Total EP Enjub d.o.o.	1,369	1,214	126,999		
TOTAL OTHER AFFILIATES		1,369	1,214	126,999		
5	TOTAL	119,877	112,422	1,052,810		

The Company has 2 (two) signed blank bills of exchange with authorization that will be used as collateral for the collection of payments pursuant to loan agreements concluded with subsidiaries and other affiliates. Besides bills of exchange, the Company has an extrajudicial mortgage for the entire loan amount for apartments in Jurija Gagarina street, New Belgrade, pursuant to loan agreements no. 367, 80 and 510 for loans granted to Enjub d.o.o.

Domestic short-term financial investments refer to loans granted to subsidiaries and affiliates. Loans were granted for a period of 2 to 12 months with interest rate between 4,5% annually up to 3M EURIBOR+6,5 %.

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

10.8. Cash and cash equivalents

Structure of cash and cash equivalents	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Current accounts (RSD)	2.344	17.573
Current accounts (FX)	165.544	131.329
Cash balance RSD	110	36
Short-term term deposits and letters of credit	72.000	321.000
TOTAL	239.998	469.938

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

10.9. VAT and accruals

Structure of added value tax and active accruals	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Prepaid expenses	1.291	337
Prepaid VAT	527	399
Receivables on non-invoiced income	134	135

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Other active accruals	1.217	1.834
TOTAL	3.169	2.705

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

10.10. Changes in equity

in 000 dinars

DESCRIPTION	Share capital	Other capital	Issuing premium	Reserves	Revaluation reserves	Unrealized profit/loss from securities	Undistributed profit	Losses up to capital	Redeemed own shares	Total
Balance as at December 31, 2010	4,165,836	27,178	1,600,056	102,923	43,080	13,894	943,386		(341)	6,896,012
Correction of errors and changes in the accounting policy										
Restated balance	4,165,836	27,178	1,600,056	102,923	43,080	13,894	943,386		(341)	6,896,012
Increase of share capital										
Changes of the fair value of available-for-sale securities						(7,189)				(7,189)
Net profit in the current period							277,625			277,625
Distribution of profits	662,747			31,958			(694,705)			
Sales / (acquisition) of treasury shares			429						341	770
Adjustment for income tax revenues for 2010							1			1
Balance as at December 31, 2011	4,828,583	27,178	1,600,485	134,881	43,080	6,705	526,307			7,167,219

10.11. Share capital

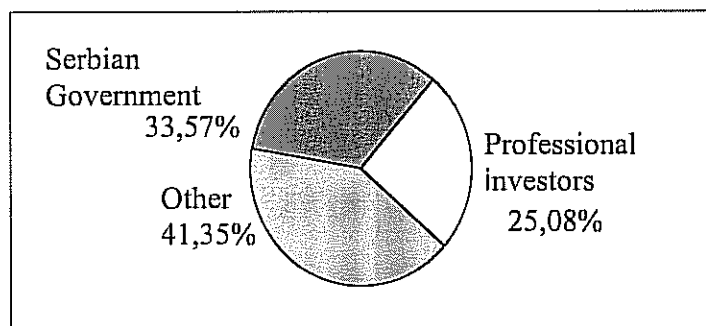
The following tables indicate the ownership structure of Energoprojekt Holding a.d. shares on 31.12.2011 according to records of the Central Securities Depository:

	No. of shares	% from total issue
Shares held by private shareholders	2.898.017	30,61%
Shares held by legal entities	4.793.369	50,63%
- Republic of Serbia	3.178.533	33,57%
- Other legal entities	1.614.836	17,06%
Summary (custody) account	1.776.424	18,76%
Total shares	9.467.810	100%

Number of shareholders with equity share	number of entities			number of shares			% of total issue		
	domestic	foreign	total	domestic	foreign	total	domestic	foreign	total
to 5%	8,112	259	8,371	4,836,068	975,300	5,811,368	51.08%	10.30%	61.38%
from 5% to 10%	1	0	1	477,909	0	477,909	5.05%	0.00%	5.05%
over 10% to 25%	0	0	0	0	0	0	0.00%	0.00%	0.00%
over 25% to 33%	0	0	0	0	0	0	0.00%	0.00%	0.00%
over 33% to 50%	1	0	1	3,178,533	0	3,178,533	33.57%	0.00%	33.57%
over 50% to 66%	0	0	0	0	0	0	0.00%	0.00%	0%
over 66% to 75%	0	0	0	0	0	0	0.00%	0.00%	0%
over 75%	0	0	0	0	0	0	0.00%	0.00%	0%
Total shares	8,114	259	8,373	8,492,510	975,300	9,467,810	89.70%	10.30%	100.00%

List of top 10 shareholders by total shares held:

Name	no. of shares	% of total issued
Serbian Government	3,178,533	33.57%
Hypo custody	477,909	5.05%
East capital asset manag.	465,552	4.92%
Napred Razvoj a.d. Beograd	308,759	3.26%
Unicredit Bank - custody	250,001	2.64%
Raiffeisenbank custody	231,712	2.45%
Erste bank custody	213,470	2.25%
NLB bank custody	152,990	1.62%
Gustaviadavegardh fonder aktie	145,000	1.53%
Erste bank custody	129,146	1.36%



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Capital structure	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
<i>Share capital</i>		
Share capital (ordinary shares)	4.828.583	4.165.836
Other share capital	27.178	27.178
TOTAL	4.855.761	4.193.014

The share capital consists of 9.467.810 ordinary shares each with a nominal value of 510,00 RSD (4.828.583 thousand RSD), and a nominal book value of 757,01 RSD.

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

The company's shares are A-listed on the Belgrade Stock Exchange since 2007.

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

At the XXXVI meeting, held on 30.06.2011, under Item 5 and 6 of the agenda, the following decisions were taken:

- Distribution of annual profits of Energoprojekt Holding a.d. for 2010,
- The IX issue of ordinary shares without public offering for the purpose of converting undistributed profit to equity and replacement of the shares accordingly in order to increase their nominal value.

The total amount of net profit according to financial statement 2010 was 639.162.429,05 RSD. Based on the GM resolution, it will be allocated as follows:

- Reserves of the Company 5% or the amount of 31.958.121,45 RSD,
- Undistributed profit in the amount of 607.204.307,60 RSD.

Total amount of undistributed profit that includes undistributed profit from previous years (304.224.691,12 RSD) and undistributed profit for 2010 (607.204.307,60 RSD) is 911.428.998,72 RSD.

The undistributed profits were allocated as follows:

- Part of the undistributed profit in the sum of RSD 662.746.700,00 RSD (9.467.810 shares x 70,00 RSD) will be used to increase the company's equity

pro rata of each shareholder's share of the Holding's equity, in accordance with the GM resolution taken under item 6, on the IX issue of ordinary shares without public offering for the purpose of converting undistributed profit to equity and replacement of the shares accordingly in order to increase their nominal value from 440,00 to 510,00 RSD.

- The balance of 248.682.298,72 RSD remains unallocated.

The Commission for Securities issued on 14.07.2011. the Decision No. 4/0-24-2911/3-11 on the approval to issue securities without public offering for the purpose of converting undistributed profit to equity and replacement of the shares in the amount of 4.828.583.100,00 RSD or 9.467.810 ordinary shares of 510,00 RSD nominal value.

The Central Securities Depository and Clearing House changed on 18.07.2011. the nominal value of all shares or 9.467.810 ordinary shares issued by Energoprojekt Holding a.d. from Belgrade (JMB:07023014) with CFI code: ESVUFR and ISIN number: RSHOLDE58279.

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

10.12. Reserves

The reserves consist of:

Structure of reserves	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Issuing premium	1.600.485	1.600.056
Legal reserves	23.185	23.185
Statutory and other	111.696	79.738
TOTAL	1.735.366	1.702.979

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

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

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

Based on the GM resolution adopted on 30.06.2011, 5% of the profit was allocated to reserves of the Company according to financial statements for 2010 or the amount of 31.958 thousand RSD.

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

Structure of revaluation reserves, unrealized profit/loss from securities	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Revaluation reserves	43.080	43.080
Unrealized profit from securities available for sales	9.875	15.902
Unrealized loss from securities available for sales	(3.170)	(2.008)
TOTAL	49.785	56.974

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

10.14. Retained earnings

The **retained earnings** and respective adjustments are indicated in the following table.

The retained earnings and respective adjustments	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Balance on 01.01.	943.386	709.871
Adjustment of profit based on the income tax	1	(303)
Adjustment of profit pursuant to IAS 12	-	468
Adjustment of profit pursuant to IAS 19	-	(3.657)
Allocation of profit (increase of nominal value per share)	(662.747)	(378.712)

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Allocation of profit to statutory reserves	(31.958)	(23.442)
Profit – current year	277.625	639.161
Balance on 31.12.	526.307	943.386

The allocation of retained earnings on 31.12.2010 (current profit for 2010) was performed according to the GM resolution taken by Energoprojekt Holding a.d. on the XXXVI session under item 5 of the agenda, held on 30.06.2011.

The retained earnings were allocated as follows:

- Part of the retained earnings in the sum of RSD 662.746.700,00 RSD (9.467.810 shares x 70,00 RSD) will be used to increase the company's equity pro rata of each shareholder's share of the Holding's equity, in accordance with the GM resolution taken under item 6, on the IX issue of ordinary shares without public offering for the purpose of converting retained earnings to equity and replacement of the shares accordingly in order to increase their nominal value from 440,00 to 510,00 RSD.
- The balance of 248.682.298,72 RSD remains unallocated.

10.15. Redeemed own shares

As of 31.12.2010 the Company holds a total of 776 own shares with nominal value of 341 thousand RSD. All 776 own shares were sold in 2011 at a price of thousand RSD per share, which lead to a positive effect in the amount of 435 thousand RSD.

10.16. Long-term provisions

Structure of long-term provisions	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Provisions for fringe and other employee benefits	4.863	5.606
Other long-term provisions	260.000	260.000
TOTAL	264.863	265.606

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

In the projection of provision calculation pursuant to IAS 19 the deductive approach was used, meaning that all companies from the Energoprojekt Group were treated as a

whole, and based on general regularities and use of the number of employees as a template, allocation to specific companies was performed. Considering that all subsidiaries are controlled by the same company, the applied approach is objective and the projection results can be recognized as expected.

13,07% reduction of the provision amount in Energoprojekt, based on current retirement values in the balance sheet on 31.12.2011 in comparison to 31.12.2010, was a result of several changed factors:

- On one hand, changes of some factors affect the increase of the provision amount (7,39% increase of the expected amount for average retirement bonus);
- On the other hand, changes of some factors affect the decrease of the provision amount (first of all, due to the implementation of the Law on supplements and amendments to the Pension and Disability Insurance Law that, in the “transition period”, increases the number of years in service needed for retirement of women; reduced total number of employees by 11,05%, increase of the real discount rate by 0,5%, reduction of average years of services in the Company by 4,33% and increase of the non-taxable retirement bonus upon regular retirement also affect the reduction of the provision amount.

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

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

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

The Retirement bonus is paid pursuant on Article 48 of the Collective agreement. The employer will pay to the employee a retirement bonus in the amount of: 1) employee's triple net earnings of the month that precedes the month of retirement, 2) triple net

average earnings in the month that precedes the month of retirement, 3) in the amount prescribed by law; depending upon which amount is most favourable for the employee.

Upon discounting, the following assumptions were considered:

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

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

Since the financial market of Serbia is insufficiently developed, the real annual yield from the purchase of government bonds with the Republic of Serbia as the guarantor should be used as a reference for the determination of the discount rate on the balance sheet date. Considering the nominal annual yield of government bonds, projected inflation in EURO zone countries and the assumption that the foreign exchange rate is formed based on the purchasing power parity theory (under the assumption that there are no disparities in the current rate, the projected annual devaluation is conditioned by the difference between the projected annual inflation in Serbia and EURO zone countries), the real annual yield of reference securities is ca. 4,5% or for the projected nominal inflation in Serbia of 5,5%, the nominal annual yield is ca 10%. Since the maturity of reference securities is shorter than the average estimated maturity for income that is the subject of this calculation, in determining the discount rate a comparison was performed based on the yield for long-term (15 years) government T-bills issued on the primary market by the Ministry of Finance of the Republic of Serbia, the Treasury in EUR (from the auction held on 01.06.2011) and the return on old frozen savings bonds on the secondary market according to rates applicable at the time. Thus, requirements from paragraph 81, IAS 19 were fulfilled.

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

„The decision on the establishment of the monetary policy program of the National Bank of Serbia” that entered into force on 01.01.2012, has established e monetary policy program of the National Bank of Serbia in 2012. The Program, among other things, defines the target inflation rate for 2012 (end of 2012 in respect to the end of 2011) of 4%, with permitted deviation (positive and negative) of 1,5 percentage point. Since the

inflation in 2011 exceeded the target inflation by 1,5% (increased by the permitted deviation), it is realistic to plan the inflation for the following year within permitted framework foreseen by the Program with maximum permitted deviation (+1,5%). Therefore, the provision will be valuated according to the planned annual inflation of 5,5%.

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

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

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

Pursuant to provision of the Joint construction agreement and the Annex no. 1 to this agreement, Trinity Capital d.o.o. paid the agreed amount and the Company issued a blank bill of exchange with authorization and unlimited validity. This bill of exchange may be submitted for payment based on an effective decision of the authorities confiscating from the Company the underlying property referenced in the contract by fault attributable to the Company, however for reasons which had not been known to Trinity Capital d.o.o. at the time the contract was signed..

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

On 31.12.2011 there is still uncertainty with regard to the application of the legislation that may affect the fulfilment of all obligations assumed by the Company and possible activation of issued bills of exchange by Trinity Capital d.o.o. Therefore, the

management assesses that conditions for the cancellation of the provision at the balance sheet date have not been met yet.

10.17. Long-term loans

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

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

The loan was approved under the following conditions:

- The repayment period is 2 years after the expiration of the grace period on 30.06.2011. During the grace period, intercalate interest is calculated for the previous 3-month period and applied to the principal debt.
- The interest of 4,5% is calculated annually.
- The debt is repaid in 3-month annuities starting from 30.09.2011. The last annuity matures on 30.06.2013.

Annuities that mature in 2012 in the amount of 241.197.298,57 RSD or 2.305.000,23 EUR are presented as short-term financial liabilities with one-year maturity.

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

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

The following table shows liabilities related to the long-term loan in dinar on 31.12.2011, divided to:

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

Energoprojekt Holding a.d.

<i>Creditor</i>	<i>in 000 dinars</i>			
	<i>2011</i>		<i>2010</i>	
	<i>Long-term liabilities</i>	<i>Short-term liabilities</i>	<i>Long-term liabilities</i>	<i>Short-term liabilities</i>
Republic of Serbia Development Fund	84.033	241.197	240.554	80.262
TOTAL	84.033	241.197	240.554	80.262

10.18. Other long-term liabilities

Structure of long-term liabilities	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Long-term finance lease	467	4.170
TOTAL	467	4.170

10.19. Long-term finance leasing obligations

	<i>in 000 dinars</i>			
	<i>2011</i>		<i>2010</i>	
	<i>Present value</i>	<i>Future value</i>	<i>Present value</i>	<i>Future value</i>
Up to 1 year	2.460	2.590	3.464	3.906
From 1 – 5 years	467	471	4.170	4.376
TOTAL	2.927	3.061	7.634	8.282

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

Finance leasing obligations refer to 6 (six) cars from Intesa Leasing 2008. The repayment is on a monthly basis, 60 instalments, as of 05.03.2008. The last instalment is due on 05.02.2013. The monthly instalment may be changed if the value of the three-Month Euribor is changed. The Company received four bills of exchange to secure duly fulfilment of obligations related to the finance lease, as well as authorizations for each Lease agreement.

10.20. Short-term financial liabilities

Structure of short-term financial liabilities	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Short-term domestic loans	117.222	-
Long-term loan maturing in one year (Note 10.17.)	241.198	80.262
Long-term liabilities maturing in one year (Note 10.19.)	2.460	3.464
Other short-term financial liabilities – based on visa accounts	70	91
TOTAL	360.950	83.817

Short-term domestic loan for financing working capital was granted by Alpha Bank a.d. Serbia on 07.04.2011 in the amount of 245.250 thousand RSD or 2.500 thousand EUR. The loan is repaid in dinar countervalue according to the most favourable exchange rate of Alpha bank for EUR on the repayment date.

The loan was approved under the following conditions:

- Repayment period: 12 (twelve) months
- Interest rate: 3M EURIBOR + 5,95% annually
- Instalments: 9 (nine) equal monthly instalments upon expiration of the grace period of 3 (three) months; the last instalment will be due the latest on 30.04.2012.
- Payment of interest: monthly
- Collateral: four blank bills of exchange and four authorizations pursuant to the Transactions Law issued by Energoprojekt Holding a.d. and four blank bill of exchange and four authorizations pursuant to the Transactions Law issued by Energoprojekt Opreme a.d. as the guarantor.

Long-term loan maturing in one year was already explained in the Note no. 10.17.

10.21. Liabilities from operating activities

Structure of liabilities from operating activities	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Received advance payments and deposits	603	600
Suppliers – parent company and subsidiaries	3.136	532.002
Domestic suppliers	17.052	10.824

Foreign suppliers	367	728
Liabilities from specific operations	-	78
TOTAL	21.158	544.232

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

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

10.22. Other short-term liabilities

Structure of short-term liabilities and accruals and deferred income	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Salaries and fringe benefits - gross	11.060	11.652
Interest and financing costs	7.390	625
Dividends and profit sharing	10.343	10.345
Employees	422	692
Member of the Board of Directors and Supervisory Board	1.332	1.275
Service contracts	91	100
Other	616	802
TOTAL	31.254	25.491

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

Other liabilities, in the amount of 497 thousand RSD, refer mostly to withholding from net wages (based mostly on union fees, granted loans, etc.).

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

10.23. VAT and other public duties and accruals

VAT and other public duties and accruals	in 000 dinars	
	2011	2010
<i>VAT and other public duties and accruals</i>		
Liabilities for value added tax	3.477	8.807
Liabilities for taxes, customs and other duties purchase-related or charged to costs	237	245
Other liabilities for taxes, customs and other duties	840	840
Total	4.554	9.892
Liabilities for income tax	492	52.386
<i>Accruals and deferred income</i>		
Accrued expenses	66	565
TOTAL	5.112	62.843

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

10.24. Deferred tax liabilities and deferred tax assets

Deferred tax liabilities and deferred tax assets	in 000 dinars	
	2011	2010
Deferred tax assets	(395)	(586)
Deferred tax liabilities	9.988	9.902
Net tax assets / liabilities	9.593	9.316

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

Deferred tax liabilities are calculated by multiplying the taxable temporary difference at the end of the year and the income tax rate (10%).

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

Deferred tax assets (liabilities) and respective changes	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
Deferred tax liabilities at the end of the previous year	9.316	9.807
Deferred tax liabilities at the end of the current year	9.593	9.316
DEFERRED TAX INCOME (EXPENSES)	(277)	491

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

10.25. Reconciliation of Claims and Liabilities

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

Claims from the total of nineteen *domestic buyers*, as at 31.12.2011, in the amount of 423.020 thousand RSD, were reconciliated.

Claims from one *foreign buyer*, as at 31.12.2011, in the amount of 3.189 thousand RSD, were reconciliated.

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

- 30.06.2011 and
- 31.12.2011.

With respect to 19 Statements of outstanding items received from *domestic suppliers*, as at 30.11.2011 in the amount of 931 thousand RSD, the amount of 901 thousand RSD was reconciled, and the amount of 30 thousand RSD was not (AlarmPriminženjerer d.o.o.).

With respect to 19 Statements of outstanding items received from *domestic suppliers*, as at 30.12.2011 in the amount of 10.706 thousand RSD, the amount of 10.706 thousand RSD was reconciled.

10.26. Off-balance sheet items

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

Structure of off-balance sheet items	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
<i>Received guarantees and other sureties</i>		
Received guarantees and other sureties - Foreign currency	-	320.816
Total	-	320.816
<i>Issued guarantees and other sureties</i>		
Issued guarantees - DIN	18.807	18.807
Issued guarantees - foreign currency	2.616	213.634
collateral - DIN	2.246.339	1.966.959
collateral - foreign currency	6.415.802	5.150.586
Total	8.683.564	7.349.986
<i>Other off-balance sheet items</i>		
<i>Other off-balance sheet items</i>	982.281	147.627
Total	982.281	147.627
TOTAL	9.665.845	7.818.429

Off-balance sheet items of the Company in the amount of 9.665.845 thousand RSD refer to:

- Issued guarantee to remedy defects within the warranty for the Prokop station in the amount of 18.807 thousand RSD that expires on 01.08.2013 (UniCredit bank);
- Issued guarantee for duly settlement of obligations related to plane tickets in the amount of 2.616 thousand RSD (25 thousand EUR) that expires on 20.10.2012 and is renewed each year (Alpha bank);
- collateral against guarantees and approved credit lines based on loans and guarantees for subsidiaries in the amount of 8.662.141 thousand RSD (based on

issued collaterals the Company concluded contracts with subsidiaries based on which the Company is the guarantor and received from them the respective collaterals);

- **Other off-balance sheet items** refer to:
 - the use of city building land in the amount of 937.451 thousand RSD,
 - obligations for Enjub dividends in the amount of 30.442 thousand RSD,
 - mortgage on Enjub apartments in the amount of 14.388 thousand RSD (according to the loan agreement with Enjub d.o.o.).

11. MORTGAGES REGISTERED IN FAVOR OR AGAINST THE COMPANY

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

12. RELATED PARTIES TRANSACTIONS

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

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

Structure of income and expenses from related parties	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
<i>Income</i>		
EP Garant a.d.o.	179.245	42.927
EP Visokogradnja a.d.	147.130	236.971
EP Niskogradnja a.d.	121.641	127.880

Energoprojekt Holding a.d.

EP Hidroinženjering a.d.	27.906	32.191
EP Entel a.d.	188.499	74.792
EP Energodata a.d.	9.554	25.302
EP Industrija a.d.	20.645	21.301
EP Promet d.o.o.	20.152	-
EP Urbanizam i arhitektura a.d.	13.257	43.414
EP Oprema a.d.	112.879	79.815
Inec Ltd London	1	266
Encom Gmbh Frankfurt	-	-
EP Montenegro d.o.o.	1	238
Moskva subsidiary	5.628	468
Energoprojekt (Private) Limited	-	82
Qatar Entel	-	2.043
Total	846.538	687.690
<i>Expenses</i>		
EP Garant a.d.o.	3.816	3.569
EP Visokogradnja a.d.	57.480	505.278
EP Niskogradnja a.d.	9.388	3.504
EP Hidroinženjering a.d.	387	-
EP Entel a.d.	1.212	3.002
EP Energodata a.d.	16.638	18.874
EP Industrija a.d.	837	85
EP Promet d.o.o.	318	-
EP Urbanizam i arhitektura a.d.	131.024	116.479
EP Oprema a.d.	18.240	13.650
Inec Ltd London	98	46
EP Montenegro d.o.o.	2.111	3.005
Subsidiary Moskva	-	1.391
Energoprojekt (Private) Limited	-	19
Qatar Entel	-	307
United Consulting Proprietary Limited Bocvana	3.205	-
EP Gana	4.911	-
Total	249.842	669.209
Structure of receivables and liabilities to related parties	<i>in 000 dinars</i>	
	<i>2011</i>	<i>2010</i>
<i>Receivables</i>		
EP Garant a.d.o.	159	162
EP Visokogradnja a.d.	1.013.045	1.491.472
EP Niskogradnja a.d.	952.446	372.797

Energoprojekt Holding a.d.

EP Hidroinženjering a.d.	89.164	78.282
EP Entel a.d.	7.676	7.134
EP Energodata a.d.	87.282	92.120
EP Industrija a.d.	32.025	19.994
EP Promet d.o.o.	-	974
EP Urbanizam i arhitektura a.d.	75.865	190.935
EP Oprema a.d.	6.642	8.057
Encom Gmbh Frankfurt	-	8
EP Montenegro d.o.o.	3.189	3.215
Total	2.267.493	2.265.150
<i>Liabilities</i>		
EP Visokogradnja a.d.	2.330	522.271
EP Niskogradnja a.d.	806	354
EP Energodata a.d.	-	2.358
EP Oprema a.d.	-	1.430
Subsidiary Moskva	-	5.530
Total	3.136	531.943

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

13. COMMITMENT AND CONTINGENCIES

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

The following table contains the number and estimated values of lawsuits with the Company as the defendant and not very small probability for the Company to lose the case. Disclosed values with the contingent liability as at 31.12.2011, include only the principal amount per case.

<i>Plaintiff</i>	<i>The first instance proceedings</i>	<i>The second instance proceedings</i>	<i>Total</i>
<i>No. of cases</i>			
Natural person	2	2	4
Legal person	1	-	1
TOTAL	3	2	5

Energoprojekt Holding a.d.

in 000 dinars

Natural person	11.400	779	12.179
Legal person	15.460	-	15.460
TOTAL	26.860	779	27.639

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

<i>Plaintiff</i>	<i>Basis of claims</i>	<i>Contingent liability in 000 dinars</i>
Belgrade Land Development Public Agency	Urban development land tax for Hyatt	15.460
Dragoljub Bakić	contributions for pension and disability insurance	389
Ljiljana Bakić	contributions for pension and disability insurance	390
Radomir Banjac	Damage claim - mobbing	4.400
Milan Raonić	Copyright infringement	7.000
TOTAL		27.639

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

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

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

<i>Defendant</i>	<i>The first instance proceedings</i>	<i>The second instance proceedings</i>	<i>Total</i>
<i>No. of cases</i>			
Legal person	3	-	3
TOTAL	3		3

Energoprojekt Holding a.d.

in 000 dinars

Legal person	804.031	-	804.031
TOTAL	804.031	-	804.031

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

<i>Defendant</i>	<i>Basis of claims</i>	<i>Contingent assets in 000 dinars</i>
Grad Beograd, RS, Arena Beograd, Belgrade Land Development Public Agency	Part of debt to EP Holding and EP Visokogradnja for works on the hall	679.213
Arena Beograd	Debt for works on the hall	4.818
Medvedja municipality	Damage claim according to contract	120.000
TOTAL		804.031

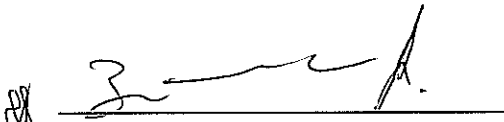
14. POST BALANCE SHEET EVENTS

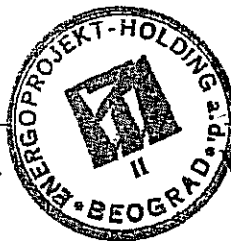
There were no events after balance sheet date which would have any significant effect the credibility of the financial statements.

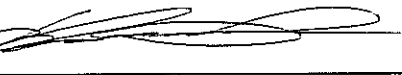
Belgrade,
27.02.2012.

CFO

CEO


Dimitraki Zipovski, M.Sc.Ecc.




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