

Annual Consolidated Statement
Energoprojekt Group
2013

Belgrade, April 2014

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

ANNUAL CONSOLIDATED STATEMENT

ENERGOPROJEKT GROUP 2013

C O N T E N T S

1. CONSOLIDATED FINANCIAL STATEMENTS ENERGOPROJEKT GROUP 2013
(Balance sheet, Income statement, Cash flow statement, Statement of Changes in Equity, Statistical Annex, Notes to Financial Statements)
2. AUDIT REPORT (the whole report)
3. ANNUAL BUSINESS REPORT
(Note: The Annual Business Report and the Consolidated Annual Business Report are presented as one Report and contain information that is important to the economic entity)
4. STATEMENT OF RESPONSIBILITY (BY PERSONS WHO PREPARED THE REPORTS)
5. DECISION BY THE RELEVANT DEPARTMENT OF THE COMPANY TO ADOPT ANNUAL CONSOLIDATED FINANCIAL STATEMENTS * (Note)
6. DECISION ON THE DISTRIBUTION OF PROFITS OR LOSS COVERAGE* (Note)

1. FINANCIAL CONSOLIDATED STATEMENTS ENERGOPROJEKT GROUP
FOR 2013 (Balance sheet, Income statement, Cash flow statement,
Statement of Changes in Equity, Statistical annex, Notes to the
Financial Statements)

**CONSOLIDATED
BALANCE SHEET
on December 31, 2013**

in 000 RSD

| Group accounts account | POSITION | EDP | Note no. | Amount | |
|--|--|-----|-------------|-----------------|------------------|
| | | | | Current year | Previous year |
| 1 | 2 | 3 | 4 | 5 | 6 |
| | A. NON-CURRENT ASSETS (002+003+004+005+009) | 001 | | 11.510.060 | 10.055.237 |
| 00 | I. UNPAID SUBSCRIBED CAPITAL | 002 | | | |
| 012 | II. GOODWILL | 003 | | | |
| 01 w/out 012 | III. INTANGIBLE ASSETS | 004 | 24 | 60.677 | 70.479 |
| | IV. PROPERTY, PLANT, EQUIPMENT AND BIOLOGICAL ASSETS (006+007+008) | 005 | | 9.895.604 | 8.419.585 |
| 020,022,023, 026,027(part), 028(part), 029 | 1. Property, plant and equipment | 006 | 25 | 7.357.361 | 6.410.039 |
| 024,027(part) 028(part) | 2. Investment property | 007 | 25 | 2.538.243 | 2.009.556 |
| 021,025,027 (part) and 028(part) | 3. Biological assets | 008 | | | |
| | V. LONG-TERM FINANCIAL INVESTMENTS (010+011) | 009 | | 1.553.779 | 1.565.173 |
| 030 to 032, 039(part) | 1. Equity share | 010 | 26 | 742.519 | 667.669 |
| 033 to 038, 039(part) less 037 | 2. Other long-term financial investments | 011 | 27 | 811.260 | 897.504 |
| | B. CURRENT ASSETS (013+014+015) | 012 | | 17.361.456 | 17.267.092 |
| 10 to 13.15 | I. INVENTORIES | 013 | 28 | 3.686.753 | 3.056.162 |
| 14 | II. NON-CURRENT ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS | 014 | 29 | 62.983 | 64.156 |
| 20, 21 and 22, except 223 | III. SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH (016+017+018+019+020) | 015 | | 13.611.720 | 14.146.774 |
| 223 | 1. Receivables | 016 | 30 | 6.937.683 | 7.116.005 |
| 23 less 237 | 2. Receivables for overpaid income tax | 017 | | 85.399 | |
| 24 | 3. Short-term financial investments | 018 | 31 | 1.831.888 | 2.370.296 |
| 27 and 28 except 288 | 4. Cash equivalents and cash | 019 | 32 | 3.085.883 | 3.355.485 |
| 288 | 4. VAT and accruals | 020 | 33 | 1.670.867 | 1.304.988 |
| | C. DEFERRED TAX ASSETS | 021 | | | |
| 29 | D. OPERATING ASSETS (001+012+021) | 022 | | 28.871.516 | 27.322.329 |
| | E. LOSS OVER CAPITAL | 023 | | | |
| 88 | F. TOTAL ASSETS (022+023) | 024 | | 28.871.516 | 27.322.329 |
| | G. OFF-BALANCE SHEET ITEMS | 025 | 46 | 14.660.709 | 14.076.978 |

in 000 RSD

| Group accounts, account | POSITION | EDP | Note no. | Amount | |
|--|--|-----|-------------|-----------------|------------------|
| | | | | Current year | Previous year |
| 1 | 2 | 3 | 4 | 5 | 6 |
| | CAPITAL AND LIABILITIES | | | | |
| | A. CAPITAL (102+103+104+105+106+107+108+109+110) | 101 | | 13.441.641 | 12.723.261 |
| 30 | I. ISSUED AND OTHER CAPITAL | 102 | 34 | 5.939.718 | 5.511.964 |
| 31 | II. UNPAID SUBSCRIBED CAPITAL | 103 | | | |
| 32 | III. RESERVES | 104 | 35 | 611.280 | 899.217 |
| 330 i 331 | IV. REVALUATION RESERVES | 105 | 36 | 2.272.779 | 1.748.834 |
| 332 | V. UNREALIZED GAINS BASED ON SECURITIES AVAILABLE FOR SALE | 106 | 36 | 7.138 | 14.599 |
| 333 | V. UNREALIZED LOSSES BASED ON SECURITIES AVAILABLE FOR SALE | 107 | 36 | 38.561 | 25.798 |
| 34 | VII. RETAINED EARNINGS | 108 | 37 | 4.649.287 | 4.574.445 |
| 35 | VIII. LOSS | 109 | | | |
| 037 and 237 | IX. REDEEMED OWN SHARES | 110 | | | |
| | B. NON-CURRENT PROVISIONS AND LIABILITIES (112+113+116) | 111 | | 15.295.061 | 14.511.935 |
| 40 | I. NON-CURRENT PROVISIONS | 112 | 38 | 1.259.183 | 1.388.663 |
| 41 | II. NON-CURRENT LIABILITIES (114+115) | 113 | | 1.292.165 | 1.907.239 |
| 414, 415 | 1. Long-term credits | 114 | 39 | 457.624 | 943.240 |
| 41 w/out 414 and 415 | 2. Other non-current liabilities | 115 | 40 | 834.541 | 963.999 |
| | III. CURRENT LIABILITIES (117+118+119+120+121+122) | 116 | | 12.743.713 | 11.216.031 |
| 42, except 427 | 1. Short-term financial liabilities | 117 | 41 | 3.572.932 | 2.749.962 |
| 427 | 2. Liabilities from assets held for sale and assets from discontinued operations | 118 | | | |
| 43 and 44 | 3. Liabilities from business operations | 119 | 42 | 6.310.976 | 6.143.839 |
| 45 i 46 | 4. Other short-term liabilities | 120 | 43 | 1.400.074 | 1.134.937 |
| 47, 48 except 481 and 49 except 498 | 5. VAT and other public liabilities and accruals | 121 | 44 | 959.481 | 702.413 |
| 481 | 6. Income tax liabilities | 122 | | 500.250 | 484.880 |
| 498 | C. DEFERRED TAX LIABILITIES | 123 | | 134.814 | 87.133 |
| 89 | D. TOTAL CAPITAL AND LIABILITIES (101+111+123) | 124 | | 28.871.516 | 27.322.329 |
| | E. OFF-BALANCE SHEET ITEMS | 125 | 46 | 14.660.709 | 14.076.978 |
| | NON-CONTROLLING INTEREST | | | 1.123.468 | 1.337.239 |

In Belgrade,

Person responsible for
preparation of financial
statements

Zivobur



date
17.04.2014
legal representative

ENERGOPROJEKT GROUP, BELGRADE

**CONSOLIDATED
INCOME STATEMENT**
for the period January 1 to December 31, 2013

in 000 RSD

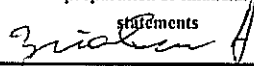
| Group accounts, account | POSITION | EDP | Note no. | Amount | |
|-------------------------|--|-----|----------|--------------|---------------|
| | | | | Current year | Previous year |
| 1 | 2 | 3 | 4 | 5 | 6 |
| | A. BUSINESS REVENUE AND EXPENSES | | | | |
| | I. BUSINESS REVENUE (202+203+204+205+206) | 201 | | 22.418.350 | 26.375.339 |
| 60 and 61 | 1. Sale revenue | 202 | 11 | 21.955.385 | 25.634.951 |
| 62 | 2. Revenue from undertaking of outputs and goods for own purposes | 203 | | 71.511 | 58.673 |
| 630 | 3. Increase of inventories | 204 | 12 | 162.544 | 612.474 |
| 631 | 4. Decrease of inventories | 205 | 12 | 72.072 | 219.082 |
| 64 and 65 | 5. Other business revenue | 206 | 13 | 300.982 | 288.323 |
| | II. BUSINESS EXPENSES (208 to 212) | 207 | | 22.134.384 | 25.646.895 |
| 50 | 1. Cost value of sold goods | 208 | 14 | 253.607 | 345.095 |
| 51 | 2. Cost of material | 209 | 15 | 6.500.193 | 9.256.476 |
| 52 | 3. Staff costs | 210 | 16 | 7.888.157 | 7.057.296 |
| 54 | 4. Depreciation and provisions costs | 211 | 17 | 603.729 | 516.510 |
| 53 and 55 | 5. Other business expenses | 212 | 18 | 6.888.698 | 8.471.518 |
| | III. PROFIT FROM OPERATIONS (201 - 207) | 213 | | 283.966 | 728.444 |
| | IV. LOSS FROM OPERATIONS (207 - 207) | 214 | | | |
| 66 | V. FINANCIAL REVENUE | 215 | 19 | 933.097 | 1.730.326 |
| 56 | VI. FINANCIAL EXPENSES | 216 | 19 | 920.792 | 1.363.668 |
| 67, 68 | VII. OTHER REVENUE | 217 | 20 | 752.797 | 267.630 |
| 57, 58 | VIII. OTHER EXPENSES | 218 | 20 | 436.249 | 313.376 |
| | IX. PROFIT FROM OPERATIONS BEFORE TAX (213-214+215-216+217-218) | 219 | | 612.819 | 1.049.356 |
| | 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 | 21 | 13.617 | 37.156 |
| | B. PROFIT BEFORE TAX (219-220+221-222) | 223 | 22 | 599.202 | 1.012.200 |
| | V. LOSS BEFORE TAX (220-219+222-221) | 224 | | | |
| | G. INCOME TAX | | | | |
| 721 | 1. Tax expenses for the period | 225 | | 104.164 | 89.446 |
| 722 | 2. Deferred tax expenses for the period | 226 | | 34.882 | 25.810 |
| 722 | 3. Deferred tax revenues for the period | 227 | | | |
| 723 | D. EMPLOYER'S EARNINGS PAID | 228 | | | |
| | Đ. NET PROFIT (223-224-225-226+227-228) | 229 | | 460.156 | 896.944 |
| | E. NET LOSS (224-223+225+226-227+228) | 230 | | | |
| | Z. NET PROFIT BELONGING TO MINORITY INVESTORS | 231 | | 86.450 | 191.749 |
| | Z. NET PROFIT BELONGING TO EQUITY HOLDERS OF THE PARENT COMPANY | 232 | | 373.706 | 705.195 |
| | I. EARNINGS PER SHARE | | | | |
| | 1. Basic earnings per share | 233 | 23 | | |
| | 2. Decreased (diluted) earnings per share | 234 | | | |

In Belgrade,

date 17.04.2014.

Person responsible for
preparation of financial
statements

57)



Legal representative



**CONSOLIDATED
CASH FLOW STATEMENT**
for the period January 1 to December 31, 2013

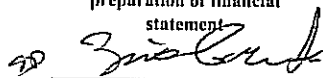
in 000 RSD

| Position | EDP | Amount | |
|---|-----|--------------|---------------|
| | | Current year | Previous year |
| 1 | 2 | 3 | 4 |
| A. CASH FLOW FROM BUSINESS ACTIVITIES | | | |
| I. Cash flow from business activities (1 to 3) | 301 | 24.516.259 | 26.847.296 |
| 1. Sale and received advance payments | 302 | 24.262.261 | 25.913.039 |
| 2. Received interests from business activities | 303 | 24.082 | 54.972 |
| 3. Other cash flow from regular operations | 304 | 229.916 | 879.285 |
| II. Cash outflow from business activities (1 to 5) | 305 | 24.794.297 | 26.755.138 |
| 1. Cash to suppliers and advances paid | 306 | 15.965.966 | 18.434.674 |
| 2. Staff costs | 307 | 7.511.500 | 6.925.208 |
| 3. Interests paid | 308 | 260.353 | 277.251 |
| 4. Income tax | 309 | 189.943 | 272.523 |
| 5. Other public duties | 310 | 866.535 | 845.482 |
| III. Net cash flow from business activities (I-II) | 311 | | 92.158 |
| IV. Net cash outflow from business activities (II-I) | 312 | 278.038 | |
| B. CASH FLOW FROM INVESTMENTS | | | |
| I. Cash flow from investments (1 to 5) | 313 | 3.537.738 | 4.816.802 |
| 1. Sale of shares and stakes (net inflow) | 314 | 10.468 | 2.000 |
| 2. Sale of intangible assets, property, plant, equipment and biological assets | 315 | 12.828 | 187.984 |
| 3. Other financial investments (net inflow) | 316 | 3.391.470 | 4.505.941 |
| 4. Interests received from investments | 317 | 84.567 | 90.076 |
| 5. Dividends received | 318 | 38.405 | 30.801 |
| II. Cash outflow from investments (1 to 3) | 319 | 3.661.878 | 4.313.445 |
| 1. Acquisition of shares and stakes (net outflow) | 320 | 159.167 | |
| 2. Acquisition of intangible assets, property, plant, equipment and biological assets | 321 | 585.710 | 846.629 |
| 3. Other financial investments (net outflow) | 322 | 2.917.001 | 3.466.816 |
| III. Net cash flow from investments (I-II) | 323 | | 503.357 |
| IV. Net cash outflow from investments (II-I) | 324 | 124.140 | |
| V. CASH FLOW FROM FINANCING ACTIVITIES | | | |
| I. Cash flow from financing activities (1 to 3) | 325 | 1.874.263 | 2.479.743 |
| 1. Increase of capital assets | 326 | | |
| 2. Long-term and short-term credits (net inflow) | 327 | 1.817.787 | 1.245.512 |
| 3. Other long-term and short-term liabilities | 328 | 56.476 | 1.234.231 |
| II. Cash outflow from financing activities (1 to 4) | 329 | 1.782.030 | 2.729.399 |
| 1. Acquisition of own shares and stakes | 330 | | |
| Long and short-term credits and other liabilities (net outflow) | 331 | 1.350.496 | 2.514.883 |
| 3. Finance leasing | 332 | 367.318 | 155.202 |
| 4. Dividends paid | 333 | 64.216 | 59.314 |
| III. Net cash flow from financing activities (I-II) | 334 | 92.233 | |
| IV. Net cash outflow from financing activities (II-I) | 335 | | 249.656 |
| G. TOTAL CASH FLOW (301+313+325) | 336 | 29.928.260 | 34.143.841 |
| D. TOTAL CASH OUTFLOW (305+319+329) | 337 | 30.238.205 | 33.797.982 |
| D.I. NET CASH FLOW (336-337) | 338 | | 345.859 |
| E. NET CASH OUTFLOW (337-336) | 339 | 309.945 | |
| Z. CASH AT THE BEGINNING OF THE ACCOUNTING PERIOD | 340 | 3.355.485 | 2.941.524 |
| Z. GAINS ON EXCHANGE | 341 | 139.243 | 205.080 |
| I. LOSS ON EXCHANGE | 342 | 98.900 | 136.978 |
| J. CASH AT THE END OF THE ACCOUNTING PERIOD (338-339+340+341-342) | 343 | 3.085.883 | 3.355.485 |

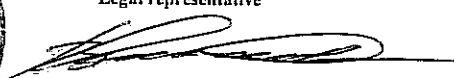
In Belgrade,

date 17.04.2014.

Person responsible for
preparation of financial
statement




Legal representative



CONSOLIDATED
STATEMENT OF CHANGES IN CAPITAL
for the period January 1 to December 31, 2013

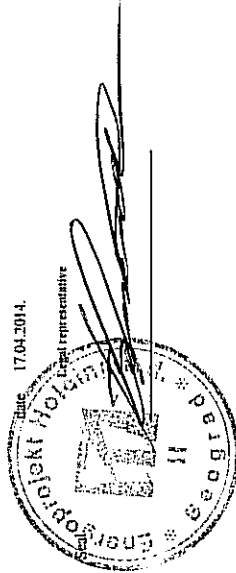
| No. | DESCRIPTION | in (MKD) BSD | | | | | | | | | | | | | | | | | | | | | |
|-----|--|--------------|-----------|-----|--------|-----|-----|---------|-----|---------|-----|-----------|-----|--------|-----|--------|-----|-----------|-----|-----|-----|------------|-----|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | | | | | | | | |
| 1 | Balance on January 1, previous year | 501 | 5,126,415 | 414 | 96,688 | 427 | 440 | 337,036 | 453 | 660,877 | 466 | 1,635,478 | 479 | 16,022 | 492 | 21,071 | 505 | 3,975,463 | 518 | 531 | 544 | 11,715,908 | 557 |
| 2 | Correction of materially significant errors and changes in accounting policies in the previous year - increase | 502 | | 415 | | 428 | 441 | | 454 | 467 | | 480 | | | 493 | | 506 | | 519 | 532 | 545 | | 558 |
| 3 | Correction of materially significant errors and changes in accounting policies in the previous year - decrease | 403 | | 416 | | 429 | 442 | | 455 | 468 | | 481 | | | 494 | | 507 | | 520 | 533 | 546 | | 559 |
| 4 | Corrected initial balance on January 1, of the previous year (no. 1+2-3) | 404 | 5,126,415 | 417 | 96,688 | 430 | 443 | 337,036 | 456 | 660,877 | 469 | 1,635,478 | 482 | 16,022 | 495 | 21,071 | 508 | 3,975,463 | 521 | 534 | 547 | 11,715,908 | 560 |
| 5 | Total increase in the previous year | 405 | 1,256,049 | 418 | 2,221 | 431 | 444 | | 457 | 17,795 | 470 | 123,356 | 483 | 1,791 | 496 | 3,727 | 509 | 598,982 | 522 | 535 | 548 | 1,987,967 | 561 |
| 6 | Total decrease in the previous year | 406 | 935,138 | 419 | 5,271 | 432 | 445 | 22 | 458 | 16,409 | 471 | 2,464 | 484 | 3,174 | 497 | 510 | 510 | | 523 | 536 | 549 | 980,814 | 562 |
| 7 | Balance on December 31, previous year (no. 4+5-6) | 407 | 5,397,326 | 420 | 11,458 | 433 | 446 | 337,014 | 459 | 662,203 | 472 | 1,748,834 | 485 | 14,599 | 498 | 25,798 | 511 | 4,574,445 | 524 | 537 | 550 | 12,723,261 | 563 |
| 8 | Correction of materially significant errors and changes in accounting policies in the previous year - increase | 408 | | 421 | | 434 | 447 | | 460 | 473 | | 486 | | | 499 | | 512 | | 525 | 538 | 551 | | 564 |
| 9 | Correction of materially significant errors and changes in accounting policies in the previous year - decrease | 409 | | 422 | | 435 | 448 | | 461 | 474 | | 487 | | | 500 | | 513 | | 526 | 539 | 552 | | 565 |
| 10 | Corrected initial balance on January 1, of the current year (no. 7+8-9) | 410 | 5,397,326 | 423 | 11,458 | 436 | 449 | 337,014 | 462 | 662,203 | 475 | 1,748,834 | 488 | 14,599 | 501 | 25,798 | 514 | 4,574,445 | 527 | 540 | 553 | 12,723,261 | 566 |
| 11 | Total increase in the current year | 411 | 580,774 | 424 | | 437 | 450 | | 463 | 376 | 486 | 991,104 | 499 | 1,498 | 512 | 13,619 | 513 | 384,322 | 528 | 541 | 554 | 2,882,879 | 567 |
| 12 | Total decrease in the current year | 412 | 129,661 | 425 | 23,359 | 438 | 451 | | 464 | 287,937 | 477 | 407,159 | 490 | 8,959 | 503 | 2,856 | 516 | 309,480 | 529 | 542 | 555 | 1,363,899 | 568 |
| 13 | Balance on December 31, of the current year (no. 10+11-12) | 413 | 5,848,439 | 426 | 91,279 | 439 | 452 | 337,014 | 465 | 374,266 | 478 | 2,273,779 | 491 | 7,138 | 504 | 38,561 | 517 | 4,649,287 | 530 | 543 | 556 | 13,441,641 | 569 |

In Belgrade,

Person responsible for
preparation of financial
statements

17.04.2014.

Legal representative



CONSOLIDATED
STATISTICAL ANNEX
for the period January 1 to December 31, 2013

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

| DESCRIPTION | EDP | Current year | Previous year |
|---|-----|--------------|---------------|
| 1 | 2 | 3 | 4 |
| 1. Number of business months (designation from 1 to 12) | 601 | 12 | 12 |
| 2. Size designation (from 1 to 4) | 602 | 3 | 3 |
| 3. Ownership designation (from 1 to 5) | 603 | 2 | 2 |
| 4. Number of foreign (legal or physical) entities with equity share | 604 | 246 | 243 |
| 5. Average number of employees based on the balance at the end of each month (whole number) | 605 | 2,305 | 2,385 |

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

Amounts in 000 RSD

| Group accounts, account | DESCRIPTION | EDP | Gross | Correction of value | Net |
|-------------------------|---|-----|------------|---------------------|-----------|
| | | | | | (col.4-5) |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 01 | 1. Intangible assets | | | | |
| | 1.1. Balance at the beginning of the year | 606 | 160,786 | 90,307 | 70,479 |
| | 1.2. Increase (acquisitions) during the year | 607 | 3,114 | | 3,114 |
| | 1.3. Decrease (sale, removal from inventory and impairment) during the year | 608 | 6,378 | | 12,916 |
| | 1.4. Revaluation during the year | 609 | | | |
| | 1.5. Balance at the end of the year (606+607-608+609) | 610 | 157,522 | 96,845 | 60,677 |
| 02 | 2. Real property, plant, equipment and biological assets | | | | |
| | 2.1. Balance at the beginning of the year | 611 | 15,825,795 | 7,406,210 | 8,419,585 |
| | 2.2. Increase (acquisitions) during the year | 612 | 1,347,893 | | 1,347,893 |
| | 2.3. Decrease (sale, removal from inventory and ensuring) during the year | 613 | 416,389 | | 608,877 |
| | 2.4. Revaluation during the year | 614 | 564,288 | | 737,003 |
| | 2.5. Balance at the end of the year (611+612-613+614) | 615 | 17,321,587 | 7,425,983 | 9,895,604 |

III STRUCTURE OF INVENTORIES

Amounts in 000 RSD

| Group accounts, account | DESCRIPTION | EDP | Current year | Previous year |
|-------------------------|--|-----|--------------|---------------|
| 1 | 2 | 3 | 4 | 5 |
| 10 | 1. Inventories | 616 | 1,146,045 | 921,827 |
| 11 | 2. Unfinished production | 617 | 1,386,426 | 1,270,562 |
| 12 | 3. Finished products | 618 | 170,340 | 213,952 |
| 13 | 4. Goods | 619 | 269,609 | 65,651 |
| 14 | 5. Non-current assets held for sale | 620 | 62,983 | 64,156 |
| 15 | 6. Advances given | 621 | 714,333 | 584,170 |
| | 7. TOTAL (616+617+618+619+620+621=013) | 622 | 3,749,736 | 3,120,318 |

IV STRUCTURE OF CAPITAL ASSETS

Amounts in 000 RSD

| Group accounts, account | DESCRIPTION | EDP | Current year | Previous year |
|-------------------------|---|-----|--------------|---------------|
| 1 | 2 | 3 | 4 | 5 |
| 300 | 1. Share capital | 623 | 5,839,150 | 5,388,037 |
| | in it: foreign capital | 624 | 384,250 | 215,418 |
| 301 | 2. Share of limited liability company | 625 | 9,289 | 9,289 |
| | in it: foreign capital | 626 | 9,289 | 9,289 |
| 302 | 3. Shares of members of partnership and limited-partnership company | 627 | | |
| | in it: foreign capital | 628 | | |
| 303 | 4. State-owned capital | 629 | | |
| 304 | 5. Socially-owned capital | 630 | | |
| 305 | 6. Cooperative shares | 631 | | |
| 309 | 7. Other capital shares | 632 | 91,279 | 114,638 |
| 30 | TOTAL: (623+625+627+629+630+631+632=102) | 633 | 5,939,718 | 5,511,964 |

V EQUITY STRUCTURE

Number of shares as a whole number
Amounts in 000 RSD

| Group accounts, account | DESCRIPTION | EDP | Current year | Previous year |
|-------------------------|---|------------|------------------|------------------|
| 1 | 2 | 3 | 4 | 5 |
| | 1. Ordinary shares | | | |
| | 1.1. Number of ordinary shares | 634 | 11,464,903 | 10,575,319 |
| part 300 | 1.2. Nominal value of ordinary shares - total | 635 | 5,839,150 | 5,388,037 |
| | 2. Priority shares | | | |
| | 2.1. Number of priority shares | 636 | | |
| part 300 | 2.2. Nominal value of priority shares - total | 637 | | |
| 300 | 3. TOTAL - nominal value of shares (635+637= 623) | 638 | 5,839,150 | 5,388,037 |

VI RECEIVABLES AND LIABILITIES

Amounts in 000 RSD

| Group accounts, account | DESCRIPTION | EDP | Current year | Previous year |
|-------------------------|--|-----|--------------|---------------|
| 1 | 2 | 3 | 4 | 5 |
| 20 | 1. Sale receivables (balance at the end of the year 639 ± 016) | 639 | 6,513,750 | 6,694,951 |
| 43 | 2. Liabilities from operations (balance at the end of the year 640 ≤117) | 640 | 6,032,842 | 5,842,960 |
| part 228 | 3. Receivables during the year from insurance companies for damages (debt turnover without initial balance) | 641 | 4,026 | 3,928 |
| 27 | 4. VAT paid during acquisition of goods and services (debt turnover without initial balance) | 642 | 647,725 | 1,652,466 |
| 43 | 5. Business liabilities (receivables turnover without initial balance) | 643 | 10,463,364 | 24,967,611 |
| 450 | 6. Liabilities for net income and income compensations (receivables turnover without initial balance) | 644 | 4,963,886 | 4,354,459 |
| 451 | 7. Liabilities for salaries tax and salaries compensations paid by employees (receivables turnover without initial balance) | 645 | 596,247 | 551,486 |
| 452 | 8. Liabilities for contributions on salaries and salaries compensations paid by employees (receivables turnover without initial balance) | 646 | 833,813 | 871,876 |
| 461,462 and 723 | 9. Liabilities for dividends, profit share and employer's personal earnings (receivables turnover without initial balance) | 647 | 458,580 | 191,855 |
| 465 | 10. Liabilities toward physical entities for compensations per contracts (receivables turnover without initial balance) | 648 | 99,977 | 84,947 |
| 47 | 11. VAT collected during sale of products, goods and services (receivables turnover without initial balance) | 649 | 758,637 | 2,003,609 |
| | 12. Control summary (from 639 to 649) | 650 | 31,372,847 | 47,220,148 |

VII OTHER EXPENSES AND EXPENDITURES

Amounts in 000 RSD

| Group accounts, account | DESCRIPTION | EDP | Current year | Previous year |
|---------------------------------|---|-----|--------------|---------------|
| 1 | 2 | 3 | 4 | 5 |
| 513 | 1. Fuel and energy costs | 651 | 1,354,929 | 986,618 |
| 520 | 2. Salaries and salaries compensations (gross) | 652 | 6,281,334 | 5,553,854 |
| 521 | 3. Tax expenses and contributions on salaries and salaries compensations paid by employer | 653 | 710,582 | 668,889 |
| 522,523,524 and 525 | 4. Expenses for compensations to physical entities (gross) based on contracts | 654 | 252,705 | 215,650 |
| 526 | 5. Expenses of compensations to BoD & Supervision Board members (gross) | 655 | 24,240 | 29,191 |
| 529 | 6. Other personal expenses and compensations | 656 | 619,296 | 589,712 |
| 53 | 7. Expenses of production services | 657 | 5,438,844 | 6,575,678 |
| 533, part 540 and part 525 | 8. Lease expenses | 658 | 681,491 | 480,142 |
| part 533, part 540 & part 525 | 9. Expenses of land lease | 659 | | 12,979 |
| 536,537 | 10. Expenses of research and development | 660 | 1,829 | 2,753 |
| 540 | 11. Depreciation expenses | 661 | 534,208 | 457,582 |
| 552 | 12. Expenses of insurance premiums | 662 | 120,131 | 91,491 |
| 553 | 13. Payroll expenses | 663 | 202,202 | 253,120 |
| 554 | 14. Membership fees | 664 | 20,144 | 27,750 |
| 555 | 15. Tax expenses | 665 | 112,864 | 187,408 |
| 556 | 16. Contributions | 666 | 1,007 | 1,270 |
| 562 | 17. Interests | 667 | 270,738 | 306,965 |
| part 560, part 561 and 562 | 18. Interests expenses and a part of financial expenses | 668 | 273,717 | 321,593 |
| part 560, part 561 and part 562 | 19. Interests expenses per credits and banks and dfo | 669 | 91,884 | 57,275 |
| part 579 | 20. Expenses for humanitarian, cultural, health, educational, scientific and religious purposes, for protection of the Environment and sports | 670 | 36,123 | 22,573 |
| | 21. Control summary (from 651 to 670) | 671 | 17,028,268 | 16,842,493 |

VIII OTHER REVENUE

Amounts in 000 RSD

| Group accounts, account | DESCRIPTION | EDP | Current year | Previous year |
|----------------------------------|---|-----|--------------|---------------|
| 1 | 2 | 3 | 4 | 5 |
| 60 | 1. Goods sale revenue | 672 | 290.913 | 1.244.618 |
| 640 | 2. Revenue from premiums, subsidies, donations, recourses, compensations and tax duties returns | 673 | 1.533 | 663 |
| 641 | 3. Revenue from conditioned donations | 674 | | |
| part 650 | 4. Revenue from land lease | 675 | 2.941 | 3.087 |
| 651 | 5. Membership revenue | 676 | | |
| part 660, part 661, 662 | 6. Interests revenue | 677 | 139.438 | 232.903 |
| part 660, part 661, and part 662 | 7. Revenue from interests per accounts and deposits in banks and other financial organizations | 678 | 81.618 | 55.446 |
| part 660, part 661 and part 669 | 8. Revenue from dividends and profit share | 679 | 111.544 | 107.012 |
| | 9. Control summary (from 672 to 679) | 680 | 627.987 | 1.643.729 |

IX OTHER DATA

Amounts in 000 RSD

| DESCRIPTION | EDP | Current year | Previous year |
|---|-----|--------------|---------------|
| 1 | 2 | 3 | 4 |
| 1. Liabilities for excises (according to annual excises calculation) | 681 | | |
| 2. Calculated customs duties and other import duties (total annual amount according to calculation) | 682 | 39.584 | 8.615 |
| 3. Capital subsidies and other state subsidies for construction and acquisition of capital assets and intangible assets | 683 | | |
| 4. State allocations for premiums, recourses and covering of current operating expenses | 684 | | |
| 5. Other state allocations | 685 | 543 | 260 |
| 6. Received donations from abroad and other non-returnable assets in money or nature from foreign legal and physical entities | 686 | | |
| 7. Personal income of entrepreneurs from net profit (filled in by entrepreneurs only) | 687 | | |
| 8. Control summary (from 681 to 687) | 688 | 40.127 | 8.875 |

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

Amounts in 000 RSD

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

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

Amounts in 000 RSD

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

In Belgrade,

date 17.04.2014.

Person responsible for
preparation of financial
statement

69



Legal representative

"ENERGOPROJEKT" GROUP, BELGRADE

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
2013**

Belgrade, 2014

"ENERGOPROJEKT" GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

C O N T E N T S

| | |
|---|----|
| FINANCIAL STATEMENTS FORMS | 5 |
| 1. COMPANY BACKGROUND | 15 |
| 2. CONSOLIDATION GROUP | 15 |
| 3. BASIS FOR THE PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS | 17 |
| 4. MANAGEMENT ESTIMATION AND ASSESSMENT..... | 19 |
| 5. CONSOLIDATION | 19 |
| 5.1. Subsidiaries..... | 19 |
| 5.2. Affiliates | 19 |
| 5.3. Joint ventures | 20 |
| 5.4. Segment reporting | 20 |
| 6. ACCOUNTING PRINCIPLES | 20 |
| 7. OVERVIEW OF PRINCIPAL ACCOUNTING POLICIES | 21 |
| 7.1. Valuation | 21 |
| 7.2. Effects of foreign exchange rates | 22 |
| 7.3. Revenues..... | 23 |
| 7.4. Expenses | 23 |
| 7.5. Interest and other borrowing costs | 24 |
| 7.6. Income tax | 24 |
| 7.7. Intangible investments | 25 |
| 7.8. Property, plants and equipment | 26 |
| 7.9. Finance lease | 26 |
| 7.10. Depreciation of intangible assets, property, plants and equipment | 27 |
| 7.11. Decrease in the value of intangible assets, property, plants and equipment | 27 |
| 7.12. Investment property | 28 |
| 7.13. Inventories | 29 |
| 7.14. Fixed assets intended for sale | 30 |
| 7.15. Financial instruments | 30 |
| 7.16. Cash and cash equivalents | 32 |
| 7.17. Short term receivables | 32 |
| 7.18. Financial investments..... | 33 |
| 7.19. Liabilities | 34 |
| 7.20. Provisions, contingent liability and contingent asset | 34 |
| 7.21. Employee benefits..... | 35 |

"ENERGOPROJEKT" GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| | |
|--|----|
| 8. CORRECTION OF ERRORS FROM PRIOR PERIODS, MATERIAL ERRORS AND CORRECTION OF THE OPENING BALANCE..... | 36 |
| 9. FINANCIAL RISKS | 37 |
| 9.1. Credit risk | 38 |
| 9.2. Market risk..... | 39 |
| 9.3. Liquidity risk | 39 |
| 10. SEGMENT INFORMATION | 40 |
| 10.1. Primary reporting formats – business segment..... | 40 |

PROFIT AND LOSS ACCOUNT

| | |
|---|----|
| 11. Sales revenues | 43 |
| 12. Increase/decrease in inventories..... | 43 |
| 13. Other operating revenues | 44 |
| 14. Purchase value of goods sold..... | 45 |
| 15. Material costs | 46 |
| 16. Staff costs | 47 |
| 17. Depreciation and provision expenses..... | 47 |
| 18. Other operating expenses | 48 |
| 19. Revenues and expenses | 49 |
| 20. Other revenues and expenses | 50 |
| 21. Net profit (loss) of discontinued operations..... | 52 |
| 22. Profit before tax | 53 |
| 23. Net earnings per share..... | 53 |

BALANCE SHEET

| | |
|--|----|
| 24. Intangible investments | 54 |
| 25. Property, plants and equipment | 55 |
| 26. Equity investments..... | 57 |
| 27. Other long-term financial investments..... | 57 |
| 28. Inventories..... | 58 |
| 29. Fixed assets for sale | 60 |
| 30. Receivables | 60 |
| 31. Short term financial investments | 62 |
| 32. Cash and cash equivalents..... | 63 |
| 33. Added value tax and active accruals | 63 |
| 34. Equity and other capital | 65 |
| 35. Reserves | 66 |
| 36. Revaluation reserves, unrealized profit/loss from securities | 66 |
| 37. Undistributed profit and loss..... | 68 |
| 38. Long-term provisions | 68 |
| 39. Long-term loans | 72 |
| 40. Other long-term liabilities | 73 |
| 41. Short-term financial liabilities | 75 |

"ENERGOPROJEKT" GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| | |
|--|----|
| 42. Liabilities from operations | 79 |
| 43. Other short-term liabilities | 80 |
| 44. VAT and other public duties and accruals | 81 |
| 45. Commitment and contingencies | 82 |
| 46. Off-balance assets and liabilities | 95 |
| 47. Mortgages registered in favour or against companies from the Energoprojekt Group.. | 95 |
| 48. Post balance sheet events | 96 |

"ENERGOPROJEKT" GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the period from January 1 to December 31 2013

(thousand RSD)

| Account group, account | DESCRIPTION | ADP | Note | Amount | |
|------------------------|---|-----|------|-------------------|-------------------|
| | | | | Current year | Previous year |
| | A. INCOME AND EXPENDITURE FROM REGULAR OPERATIONS | | | | |
| | I. BUSINESS INCOME | 201 | | 22.418.350 | 26.375.339 |
| 60 and 61 | 1. Return on sales | 202 | 11 | 21.955.385 | 25.634.951 |
| 62 | 2. Own use of products, services and merchandise | 203 | | 71.511 | 58.673 |
| 630 | 3. Increase in inventories | 204 | 12 | 162.544 | 612.474 |
| 631 | 4. Decrease in inventories | 205 | 12 | 72.072 | 219.082 |
| 64 and 65 | 5. Other business revenues | 206 | 13 | 300.982 | 288.323 |
| | II. BUSINESS EXPENDITURE | 207 | | 22.134.384 | 25.646.895 |
| 50 | 1. Cost of merchandise sold | 208 | 14 | 253.607 | 345.095 |
| 51 | 2. Cost of material | 209 | 15 | 6.500.193 | 9.256.476 |
| 52 | 3. Costs of salaries, fringe benefits and other personal expenses | 210 | 16 | 7.888.157 | 7.057.296 |
| 54 | 4. Costs of depreciation and provisions | 211 | 17 | 603.729 | 516.510 |
| 53 and 55 | 5. Other business expenditure | 212 | 18 | 6.888.698 | 8.471.518 |
| | III. BUSINESS PROFIT | 213 | | 283.966 | 728.444 |
| | IV. BUSINESS LOSSES | 214 | | | |
| 66 | V. FINANCIAL INCOME | 215 | 19 | 933.097 | 1.730.326 |
| 56 | VI. FINANCIAL EXPENDITURE | 216 | 19 | 920.792 | 1.363.668 |
| 67,68 | VII. OTHER INCOME | 217 | 20 | 752.797 | 267.630 |
| 57,58 | VIII. OTHER EXPENDITURE | 218 | 20 | 436.249 | 313.376 |
| | IX. OPERATING REVENUE BEFORE TAX | 219 | | 612.819 | 1.049.356 |
| | X. OPERATING LOSSES BEFORE TAX | 220 | | | |
| 69-59 | XI. NET PROFIT OF DISCONTINUED OPERATIONS | 221 | | | |
| 59-69 | XII. NET LOSS OF DISCONTINUED OPERATIONS | 222 | 21 | 13.617 | 37.156 |
| | B. PROFIT BEFORE TAX | 223 | 22 | 599.202 | 1.012.200 |
| | C. LOSSES BEFORE TAX | 224 | | | |
| | D. CORPORATE INCOME TAX | | | | |
| 721 | 1. Tax liabilities | 225 | | 104.164 | 89.446 |
| 722 | 2. Deferred tax liabilities | 226 | | 34.882 | 25.810 |
| 723 | 3. Deferred tax income | 227 | | | |
| | E. PERSONAL WAGES PAID TO EMPLOYER | 228 | | | |
| | F. NET PROFIT | 229 | | 460.156 | 896.944 |
| | G. NET LOSSES | 230 | | | |
| | H. NET PROFIT PAYABLE TO MINORITY STAKEHOLDERS | 231 | | 86.450 | 191.749 |
| | I. NET PROFIT PAYABLE TO PARENT COMPANY OWNERS | 232 | | 373.706 | 705.195 |
| | J. EARNINGS PER SHARE | | | | |
| | 1. Basic earnings per share | 233 | 23 | | |
| | 2. Diluted earnings per share | 234 | | | |

"ENERGOPROJEKT" GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

CONSOLIDATED BALANCE SHEET

As at 31. 12.2013

(thousand RSD)

| Account group, account | ITEM | ADP | Note No. | Amount | |
|---|---|-----|-------------|-------------------|-------------------|
| | | | | Current year | Previous year |
| | A S S E T S | | | | |
| | A. NON-CURRENT ASSETS | 001 | | 11.510.060 | 10.055.237 |
| 00 | I. SUBSCRIBED CAPITAL, UNPAID | 002 | | | |
| 012 | II. GOODWILL | 003 | | | |
| 01 without 012 | III. INTANGIBLE ASSETS | 004 | 24 | 60.677 | 70.479 |
| | IV. PROPERTY, PLANT, EQUIPMENT AND NATURAL ASSETS | 005 | | 9.895.604 | 8.419.585 |
| 020,022,023,02 6,027(part),028 (part),029 | 1. Property, plant, equipment | 006 | 25 | 7.357.361 | 6.410.029 |
| 024,027(part) and 028(part) | 2. Investment property | 007 | 25 | 2.538.243 | 2.009.556 |
| 021,025,027 (part) and 028 (part) | 3. Natural assets | 008 | | | |
| | IV. LONG-TERM FINANCIAL INVESTMENTS | 009 | | 1.553.779 | 1.565.173 |
| 030 to 032,039 (part) | 1. Share of Capital | 010 | 26 | 742.519 | 667.669 |
| 033 to 038,039(part) minus 037 | 2. Other long-term financial investments | 011 | 27 | 811.260 | 897.504 |
| | B. CURRENT ASSETS | 012 | | 17.361.456 | 17.267.092 |
| 10 to 13,15 | I. MATERIAL | 013 | 28 | 3.686.753 | 3.056.162 |
| 14 | II. ASSETS HELD FOR TRADING AND ASSETS FROM DISCONTINUED OPERATIONS | 014 | 29 | 62.983 | 64.156 |
| | III. SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH | 015 | | 13.611.720 | 14.146.774 |
| 20,21 and 22, except 223 | 1. Receivables | 016 | 30 | 6.937.683 | 7.116.005 |
| 223 | 2. Receivables from prepaid income tax | 017 | | 85.399 | |
| 23 minus 237 | 3. Short-term financial investments | 018 | 31 | 1.831.888 | 2.370.296 |
| 24 | 4. Cash and cash equivalents | 019 | 32 | 3.085.883 | 3.355.485 |
| 27 and 28 except 288 | 5. VAT and deferred income | 020 | 33 | 1.670.867 | 1.304.988 |
| 288 | III. DEFERRED TAX ASSETS | 021 | | | |
| | C. BUSINESS PROPERTY | 022 | | 28.871.516 | 27.322.329 |
| 29 | D. LOSSES OVER CAPITAL | 023 | | | |
| | E. TOTAL ASSETS | 024 | | 28.871.516 | 27.322.329 |
| 88 | F. OFF-BALANCE SHEET ITEMS | 025 | 46 | 14.660.709 | 14.076.978 |

"ENERGOPROJEKT" GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

CONSOLIDATED BALANCE SHEET

As at 31. 12.2013 - continued

(thousand RSD)

| Account group, account | ITEM | ADP | Note No. | Amount | |
|-------------------------------------|--|-----|----------|-------------------|-------------------|
| | | | | Current year | Previous year |
| | LIABILITIES | | | | |
| | A. CAPITAL | 101 | | 13.441.641 | 12.723.261 |
| 30 | I. ORIGINAL AND OTHER CAPITAL | 102 | 34 | 5.939.718 | 5.511.964 |
| 31 | II. SUBSCRIBED CAPITAL, UNPAID | 103 | | | |
| 32 | III. RESERVES | 104 | 35 | 611.280 | 899.217 |
| 330 and 331 | IV. REVALUATION RESERVES | 105 | 36 | 2.272.779 | 1.748.834 |
| 332 | V. Unrealized gains from securities | 106 | 36 | 7.138 | 14.599 |
| 333 | VI. Unrealized losses from securities | 107 | 36 | 38.561 | 25.798 |
| 34 | VII. UNDISTRIBUTED PROFIT | 108 | 37 | 4.649.287 | 4.574.445 |
| 35 | VIII. LOSSES | 109 | | | |
| 037 and 237 | IX. REPURCHASED SHARES | 110 | | | |
| | B. LONG-TERM PROVISIONS AND LIABILITIES | 111 | | 15.295.061 | 14.511.935 |
| 40 | I. LONG-TERM PROVISIONS | 112 | 38 | 1.259.183 | 1.388.665 |
| 41 | II. LONG-TERM LIABILITIES | 113 | | 1.292.165 | 1.907.239 |
| 414,415 | 1. Long-term loans | 114 | 39 | 457.624 | 943.240 |
| 41 without 414 and 415 | 2. Other long-term liabilities | 115 | 40 | 834.541 | 963.999 |
| | III. SHORT-TERM LIABILITIES | 116 | | 12.743.713 | 11.216.031 |
| 42 except 427 | 1. Short-term financial liabilities | 117 | 41 | 3.572.932 | 2.749.962 |
| 427 | 2. Liabilities for assets held for trading and assets related to discontinued operations | 118 | | | |
| 43 and 44 | 3. Liabilities from operations | 119 | 42 | 6.310.976 | 6.143.839 |
| 45 and 46 | 4. Other Short-term liabilities | 120 | 43 | 1.400.074 | 1.134.937 |
| 47, 48 except 481 and 49 except 498 | 5. VAT and other public duties and accruals | 121 | 44 | 959.481 | 702.413 |
| 481 | 6. Liabilities related to the income tax | 122 | | 500.250 | 484.880 |
| 498 | IV. DEFERRED TAX LIABILITIES | 123 | | 134.814 | 87.133 |
| | C. TOTAL LIABILITIES | 124 | | 28.871.516 | 27.322.329 |
| 89 | D. OFF-BALANCE SHEET ITEMS | 125 | 46 | 14.660.709 | 14.076.978 |
| | MINORITY INTEREST (EQUITY) | | | 1.123.468 | 1.337.239 |

"ENERGOPROJEKT" GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

CONSOLIDATED CASH FLOW STATEMENT
for the period from January 1 to December 31 2013

(thousand RSD)

| ITEM | ADP | Amount | |
|---|-----|-------------------|-------------------|
| | | Current year | Previous year |
| A. CASH FLOW FROM BUSINESS OPERATIONS | | | |
| I. Cash flow from business operations | 301 | 24.516.259 | 26.847.296 |
| 1. Sales return and received advances | 302 | 24.262.261 | 25.913.039 |
| 2. Received interest from business operations | 303 | 24.082 | 54.972 |
| 3. Other cash inflows from regular business operations | 304 | 229.916 | 879.285 |
| II. Cash outflow from business operations | 305 | 24.794.297 | 26.755.138 |
| 1. Payments to suppliers and advances given | 306 | 15.965.966 | 18.434.674 |
| 2. Salaries, emoluments and other personal expenses | 307 | 7.511.500 | 6.925.208 |
| 3. Paid interest | 308 | 260.353 | 277.251 |
| 4. Income tax | 309 | 189.943 | 272.523 |
| 5. Other public revenue expenses | 310 | 866.535 | 845.482 |
| III. Net cash inflow from business operations | 311 | | 92.158 |
| IV. Net cash outflow from business operations | 312 | 278.038 | |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | |
| I. Cash inflow from investing activities | 313 | 3.537.738 | 4.816.802 |
| 1. Sale of shares and equity investments (net inflow) | 314 | 10.468 | 2.000 |
| 2. Sale of intangible assets, plant, property, equipment & natural assets | 315 | 12.828 | 187.984 |
| 3. Other financial investments (net inflow) | 316 | 3.391.470 | 4.505.941 |
| 4. Received interest | 317 | 84.567 | 90.076 |
| 5. Received dividends | 318 | 38.405 | 30.801 |
| II. Cash outflow from investing activities | 319 | 3.661.878 | 4.313.445 |
| 1. Purchase of shares and equity investments (net outflow) | 320 | 159.167 | |
| 2. Purchase of intangible assets, plant, property, equipment & natural assets | 321 | 585.710 | 846.629 |
| 3. Other financial investments (net outflow) | 322 | 2.917.001 | 3.466.816 |
| III. Net cash inflow from investing activities | 323 | | 503.357 |
| IV. Net cash outflow from investing activities | 324 | 124.140 | |

"ENERGOPROJEKT" GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

CONSOLIDATED CASH FLOW STATEMENT - continued

for the period from January 1 to December 31 2013

(thousand RSD)

| ITEM | ADP | Amount | |
|---|-----|-------------------|-------------------|
| | | Current year | Previous year |
| C. CASH FLOW FROM INVESTMENT ACTIVITIES | | | |
| I. Cash inflow from financing activities | 325 | 1.874.263 | 2.479.743 |
| 1. Increase of original capital | 326 | | |
| 2. Long term and short term loans (net inflow) | 327 | 1.817.787 | 1.245.512 |
| 3. Other long term and short term liabilities | 328 | 56.476 | 1.234.231 |
| II. Cash outflow from financing activities | 329 | 1.782.030 | 2.729.399 |
| 1. Repurchase of treasury shares and equity | 330 | | |
| 2. Long term and short term loans and other liabilities (net outflow) | 331 | 1.350.496 | 2.514.883 |
| 3. Finance leasing | 332 | 367.318 | 155.202 |
| 4. Paid dividends | 333 | 64.216 | 59.314 |
| III. Net cash inflow from financing activities | 334 | 92.233 | |
| IV. Net cash outflow from financing activities | 335 | | 249.656 |
| D. CASH INFLOW TOTAL | 336 | 29.928.260 | 34.143.841 |
| E. CASH OUTFLOW TOTAL | 337 | 30.238.205 | 33.797.982 |
| F. CASH INFLOW NET | 338 | | 345.859 |
| G. CASH OUTFLOW NET | 339 | 309.945 | |
| H. OPENING CASH BALANCE | 340 | 3.355.485 | 2.941.524 |
| I. FX GAINS FROM CASH TRANSLATION | 341 | 139.243 | 205.080 |
| J. FX LOSSES FROM CASH TRANSLATION | 342 | 98.900 | 136.978 |
| K. CLOSING CASH BALANCE | 343 | 3.085.883 | 3.355.485 |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

CONSOLIDATED STATEMENT ON CHANGES IN EQUITY CAPITAL
for the period from January 1 to December 31 2013

(thousand RSD)

| No. | DESCRIPTION | Original capital (group 30 w/o 309) | Other capital (a/c 309) | Registered capital unpaid (group 31) | Issuing premium (a/c 320) | Reserves (a/c 321, 322) | Revaluation reserves (group 33) | Unrealized profits from securities (332) | Unrealized losses from securities (333) | Undistributed profit (group 34) | Losses over capital (group 35) | Repurchased shares and equity (a/c 037,237) | TOTAL | Losses over capital (group 29) |
|-----|--|-------------------------------------|-------------------------|--------------------------------------|---------------------------|-------------------------|---------------------------------|--|---|---------------------------------|--------------------------------|---|-------------------|--------------------------------|
| 1 | ADP | 401 | 414 | 427 | 440 | 453 | 466 | 479 | 492 | 505 | 518 | 531 | 544 | 557 |
| | Balance on 01.01. of the previous year | 5.126.415 | 96.688 | | 237.036 | 660.877 | 1.625.478 | 16.022 | 22.071 | 3.975.463 | | | 11.715.908 | |
| 2 | ADP | 402 | 415 | 428 | 441 | 454 | 467 | 480 | 493 | 506 | 519 | 532 | 545 | 558 |
| | Correction of the prior years material significant errors and changes in accounting policies – increase | | | | | | | | | | | | | |
| 3 | ADP | 403 | 416 | 429 | 442 | 455 | 468 | 481 | 494 | 507 | 520 | 533 | 546 | 559 |
| | Correction of the prior years material significant errors and changes in accounting policies – decrease | | | | | | | | | | | | | |
| 4 | ADP | 404 | 417 | 430 | 443 | 456 | 469 | 482 | 495 | 508 | 521 | 534 | 547 | 560 |
| | Restated opening balance on 01.01. of the previous year (no.1+2-3) | 5.126.415 | 96.688 | | 237.036 | 660.877 | 1.625.478 | 16.022 | 22.071 | 3.975.463 | | | 11.715.908 | |
| 5 | ADP | 405 | 418 | 431 | 444 | 457 | 470 | 483 | 496 | 509 | 522 | 535 | 548 | 561 |
| | Total increase in the previous year | 1.226.049 | 23.221 | | | 17.735 | 123.356 | 1.751 | 3.727 | 598.982 | | | 1.987.367 | |
| 6 | ADP | 406 | 419 | 432 | 445 | 458 | 471 | 484 | 497 | 510 | 523 | 536 | 549 | 562 |
| | Total decrease in the previous year | 955.138 | 5.271 | | 22 | 16.409 | | 3.174 | | | | | 980.014 | |
| 7 | ADP | 407 | 420 | 433 | 446 | 459 | 472 | 485 | 498 | 511 | 524 | 537 | 550 | 563 |
| | Balance on 31.12. of the previous year (no. 4+5-6) | 5.397.326 | 114.638 | | 237.014 | 662.203 | 1.748.834 | 14.599 | 25.798 | 4.574.445 | | | 12.723.261 | |
| 8 | ADP | 408 | 421 | 434 | 447 | 460 | 473 | 486 | 499 | 512 | 525 | 538 | 551 | 564 |
| | Correction of the current year material significant errors and changes in accounting policies – increase | | | | | | | | | | | | | |
| 9 | ADP | 409 | 422 | 435 | 448 | 461 | 474 | 487 | 500 | 513 | 526 | 539 | 552 | 565 |
| | Correction of the current year material significant errors and changes in accounting policies – decrease | | | | | | | | | | | | | |
| 10 | ADP | 410 | 423 | 436 | 449 | 462 | 475 | 488 | 501 | 514 | 527 | 540 | 553 | 566 |
| | Restated opening balance on 01.01. of the current year (no.7+8-9) | 5.397.326 | 114.638 | | 237.014 | 662.203 | 1.748.834 | 14.599 | 25.798 | 4.574.445 | | | 12.723.261 | |
| 11 | ADP | 411 | 424 | 437 | 450 | 463 | 476 | 489 | 502 | 515 | 528 | 541 | 554 | 567 |
| | Total increase in the current year | 580.774 | | | | | 931.104 | 1.498 | 15.619 | 584.322 | | | 2.082.079 | |
| 12 | ADP | 412 | 425 | 438 | 451 | 464 | 477 | 490 | 503 | 516 | 529 | 542 | 555 | 568 |
| | Total decrease in the current year | 129.661 | 23.359 | | | 287.937 | 407.159 | 8.959 | 2.856 | 509.480 | | | 1.363.699 | |
| 13 | ADP | 413 | 426 | 439 | 452 | 465 | 478 | 491 | 504 | 517 | 530 | 543 | 556 | 569 |
| | Balance on 31.12. of the current year (no. 10+11-12) | 5.848.439 | 91.279 | | 237.014 | 374.266 | 2.272.779 | 7.138 | 38.561 | 4.649.287 | | | 13.441.641 | |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

**Consolidated statistical annex
for 2013**

I GENERAL INFORMATION ABOUT THE LEGAL ENTITY/ENTREPRENEUR

| DESCRIPTION | AOP | Current year | Previous year |
|--|-----|--------------|---------------|
| 1. Total months of operation (indicate from 1 to 12) | 601 | 12 | 12 |
| 2. Size (indicate from 1 to 4) | 602 | 3 | 3 |
| 3. Ownership (indicate from to 5) | 603 | 2 | 2 |
| 4. Number of foreign (legal or natural) parties with share of equity | 604 | 246 | 243 |
| 5. Average number of employees based on monthly account (whole number) | 605 | 2.305 | 2.385 |

II GROSS CHANGES IN INTANGIBLE INVESTMENTS AND PROPERTY, PLANTS, EQUIPMENT AND NATURAL ASSETS

| Account group, acc. | DESCRIPTION | ADP | in 000 RSD | | |
|---------------------|--|-----|-------------------|------------------|------------------|
| | | | Gross | Value adjustment | Net (col. 4-5) |
| 01 | 1. Intangible investments | | | | |
| | 1.1. Opening balance | 606 | 160.786 | 90.307 | 70.479 |
| | 1.2. Increase (purchase) during the year | 607 | 3.114 | | 3.114 |
| | 1.3. Reduction (disposal, retirement and depreciation) during the year | 608 | 6.378 | | 12.916 |
| | 1.4. Revaluation during the year | 609 | | | |
| | 1.5. End-of-year balance | 610 | 157.522 | 96.845 | 60.677 |
| 02 | 2. Property, plants, equipment and natural assets | | | | |
| | 2.1. Opening balance | 611 | 15.825.795 | 7.406.210 | 8.419.585 |
| | 2.2. Increase (purchase) during the year | 612 | 1.347.893 | | 1.347.893 |
| | 2.3. Reduction (disposal, retirement and depreciation) during the year | 613 | 416.389 | | 608.877 |
| | 2.4. Revaluation during the year | 614 | 564.288 | | 737.003 |
| | 2.5. End-of-year balance | 615 | 17.321.587 | 7.425.983 | 9.895.604 |

III STRUCTURE OF INVENTORIES

| Account group, acc. | DESCRIPTION | ADP | in 000 RSD | |
|---------------------|----------------------------|-----|------------------|------------------|
| | | | Current year | Previous year |
| 10 | 1. Stocked material | 616 | 1.146.045 | 921.827 |
| 11 | 2. Work in progress | 617 | 1.386.426 | 1.270.562 |
| 12 | 3. Finished products | 618 | 170.340 | 213.952 |
| 13 | 4. Goods | 619 | 269.609 | 65.651 |
| 14 | 5. Assets held for trading | 620 | 62.983 | 64.156 |
| 15 | 6. Advances given | 621 | 714.333 | 584.170 |
| | 7. TOTAL | 622 | 3.749.736 | 3.120.318 |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

IV STRUCTURE OF ORIGINAL CAPITAL

| Account group, acc. | DESCRIPTION | ADP | in 000 RSD | |
|---------------------|--|-----|------------------|------------------|
| | | | Current year | Current year |
| 300 | 1. Share capital | 623 | 5.839.150 | 5.388.037 |
| | of which foreign capital | 624 | 384.250 | 215.418 |
| 301 | 2. Share of limited liability company | 625 | 9.289 | 9.289 |
| | of which foreign capital | 626 | 9.289 | 9.289 |
| 302 | 3. Investments by members of partnerships and limited partnerships | 627 | | |
| | of which: foreign capital | 628 | | |
| 303 | 4. Government owned capital | 629 | | |
| 304 | 5. Socially owned capital | 630 | | |
| 305 | 6. Cooperative shares | 631 | | |
| 309 | 7. Other equity | 632 | 91.279 | 114.638 |
| 30 | TOTAL | 633 | 5.939.718 | 5.511.964 |

V STRUCTURE OF SHARE CAPITAL

| Account group, acc. | DESCRIPTION | ADP | Total shares as a whole number in thousands of RSD | |
|---------------------|---|-----|--|------------------|
| | | | Current year | Previous year |
| | 1. Ordinary shares | | | |
| | 1.1. Number of ordinary shares | 634 | 11.464.903 | 10.575.319 |
| Part of 300 | 1.2. Nominal value of ordinary shares - total | 635 | 5.839.150 | 5.388.037 |
| | 2. Preferred shares | | | |
| | 2.1 Number of preferred shares | 636 | | |
| part of 300 | 2.2 Nominal value of preferred shares - total | 637 | | |
| 300 | TOTAL | 638 | 5.839.150 | 5.388.037 |

VI CLAIMS AND COMMITMENTS

| Account group, acc. | DESCRIPTION | ADP | in 000 RSD | |
|---------------------|--|-----|--------------|---------------|
| | | | Current year | Previous year |
| 20 | 1. Claims from sales arrangements (end-of-year balance 639≤016) | 639 | 6.513.750 | 6.694.951 |
| 43 | 2. Business commitments (end-of-year balance 640≤0117) | 640 | 6.032.842 | 5.842.960 |
| part 228 | 3. Damage claims during year from insurance companies (debit transactions, no opening balance) | 641 | 4.026 | 3.928 |
| 27 | 4. VAT - previous tax (annual amount according to tax reports) | 642 | 647.725 | 1.652.466 |
| 43 | 5. Business commitments (debit transactions with no opening balance) | 643 | 10.463.364 | 24.967.611 |
| 450 | 6. Net wages and emoluments (credit transactions with no opening balance) | 644 | 4.963.886 | 4.354.459 |

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| | | | | |
|------------------|--|------------|-------------------|-------------------|
| 451 | 7. Salary taxes and duties paid by employee (credit transactions with no opening balance) | 645 | 596.247 | 551.486 |
| 452 | 8. Salary contributions and emoluments paid by employee (credit transactions with no opening balance) | 646 | 833.813 | 871.876 |
| 461, 462 and 723 | 9. Dividends, share of profit and employer's remuneration (credit transactions with no opening balance) | 647 | 458.580 | 191.855 |
| 465 | 10. Obligations to natural entities based on service contracts (credit transactions with no opening balance) | 648 | 99.977 | 84.947 |
| 47 | 11. VAT liabilities (annual amount according to tax reports) | 649 | 758.637 | 2.003.609 |
| | 12. Subtotal (from 639 to 649) | 650 | 31.372.846 | 47.220.148 |

VII OTHER EXPENDITURE

| Account group, acc. | DESCRIPTION | ADP | in 000 RSD | |
|---|---|-----|--------------|---------------|
| | | | Current year | Previous year |
| 513 | 1. Cost of fuel and energy | 651 | 1.354.929 | 986.618 |
| 520 | 2. Wages and emoluments (gross) | 652 | 6.281.334 | 5.553.854 |
| 521 | 3. Salary taxes and contributions and emoluments paid by employer | 653 | 710.582 | 668.889 |
| 522,523,524 and 525 | 4. Obligations to natural entities (gross) based on service contracts | 654 | 252.705 | 215.650 |
| 526 | 5. Remuneration for board members and the Supervisory Board (gross) | 655 | 24.240 | 29.191 |
| 529 | 6. Other personal expenses and fees | 656 | 619.296 | 589.712 |
| 53 | 7. Production service costs | 657 | 5.438.844 | 6.575.678 |
| 533, part of 540 and part of 525 | 8. Rents | 658 | 681.491 | 480.142 |
| part of 533, part of 540 and part of 525 | 9. Leasehold | 659 | | 12.979 |
| 536,537 | 10. Research and development | 660 | 1.829 | 2.753 |
| 540 | 11. Depreciation | 661 | 534.208 | 457.582 |
| 552 | 12. Insurance premiums | 662 | 120.131 | 91.491 |
| 553 | 13. Payment transaction costs | 663 | 202.202 | 253.120 |
| 554 | 14. Membership fees | 664 | 20.144 | 27.750 |
| 555 | 15. Taxes | 665 | 112.864 | 187.408 |
| 556 | 16. Contributions | 666 | 1.007 | 1.270 |
| 562 | 17. Interest expenses | 667 | 270.738 | 306.965 |
| part of 560, part of 561 and 562 | 18. Interest expenses and partial financial expenditure | 668 | 273.717 | 321.593 |
| part of 560, part of 561, and part of 562 | 19. Interest on loans from banks and other financial organizations | 669 | 91.884 | 57.275 |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| | | | | |
|-------------|--|-----|-------------------|-------------------|
| part of 579 | 20. Expenses for humanitarian, cultural, healthcare, educational, scientific and religious purposes, environmental protection and sports | 670 | 36.123 | 22.573 |
| | 21. Subtotal (from 651 to 670) | 671 | 17.028.268 | 16.842.493 |

VIII OTHER INCOME

| Account group, acc. | DESCRIPTION | ADP | in 000 RSD | |
|---|---|-----|----------------|------------------|
| | | | Current year | Previous year |
| 60 | 1. Sales return | 672 | 290.913 | 1.244.618 |
| 640 | 2. Income from premiums, subsidies, grants, compensation and tax refunds | 673 | 1.533 | 663 |
| 641 | 3. Income from conditional donations | 674 | | |
| part of 650 | 4. Income from lease of land | 675 | 2.941 | 3.087 |
| 651 | 5. Income from membership fees | 676 | | |
| part of 660, part of 661 and part of 662 | 6. Income from interest | 677 | 139.438 | 232.903 |
| part of 660, part of 661 and part of 662 | 7. Income from interest on invoices and deposits in banks and other financial organizations | 678 | 81.618 | 55.446 |
| part of 660, part of 661, and part of 669 | 8. Income from dividends and profit shares | 679 | 111.544 | 107.012 |
| | 9. Subtotal (from 672 to 679) | 680 | 627.987 | 1.643.729 |

IX OTHER INFORMATION

| DESCRIPTION | ADP | in 000 RSD | |
|---|-----|---------------|---------------|
| | | Current year | Previous year |
| 1. Excise duties | 681 | | |
| 2. Customs and other import duties (annual amount according to account) | 682 | 39.584 | 8.615 |
| 3. Capital subventions and other government grants for construction and purchase of fixed assets and intangibles | 683 | | |
| 4. Government grants for premiums, subsidies and covering current operating expenses | 684 | | |
| 5. Other government grants | 685 | 543 | 260 |
| 6. Accepted donations from abroad and other non-refundable assets from foreign legal and natural entities in money or in kind | 686 | | |
| 7. Personal earnings of entrepreneur from net profit (entrepreneurs only) | 687 | | |
| 8. Subtotal (from 681 to 687) | 688 | 40.127 | 8.875 |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

1. COMPANY BACKGROUND

Energoprojekt Group, Belgrade (hereinafter: Group) consists of the parent limited company Energoprojekt Holding ad, Belgrade (hereinafter: EP Holding) and its 11 subsidiaries, 10 of which are direct subordinates (9 share-based and 1 limited company) and 1 indirectly subordinated through other subsidiaries (1 limited) and one affiliate (1 limited) in which the Group holds 50% equity share. Operating units and legal entities have been established in Serbia and foreign countries by the parent company and its subsidiaries to engage in operations including building construction and fitting, research and investment building/systems programming, and sale of goods and services.

Energoprojekt Group was organized in 2013 as follows:

| Activity | Subsidiaries | Business units for investment work abroad | Foreign companies |
|-----------------------------------|--------------|--|-------------------|
| Planning and research | 4 | 22 | 8 |
| Building construction and fitting | 3 | 72 | 7 |
| Holding | 1 | | |
| Other | 5 | | 4 |
| Total | 13 | 94 | 19 |

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

On December 31 2013 the Energoprojekt had 2.305 employees (2012 - 2.266) excluding local staff in overseas companies.

Energoprojekt Holding plc shares are A-listed on the Belgrade Stock Exchange, while some subsidiary shares are traded over-the-counter on the Belgrade Stock Exchange.

2. CONSOLIDATION GROUP

The consolidation group consists of the parent company EP Holding and its local subsidiaries, affiliates and foreign subsidiaries (foreign companies listed below):

Local subsidiaries and affiliates:

| No. | Name | % ownership |
|--|----------------------|-------------|
| <i>Building construction and fitting</i> | | |
| 1. | EP Visokogradnja plc | 92,53 |
| 2. | EP Niskogradnja plc | 100,00 |
| 3. | EP Oprema plc | 67,87 |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

Planning and research

| | | |
|----|--------------------------------|-------|
| 4. | EP Urbanizam i arhitektura plc | 94,40 |
| 5. | EP Industrija plc | 62,77 |
| 6. | EP Entel plc | 86,26 |
| 7. | EP Hidroinzenjering plc | 94,84 |

Other

| | | |
|-----|-------------------|--------|
| 8. | EP Energodata plc | 96,43 |
| 9. | EP Promet ltd | 100,00 |
| 10. | EP Garant plc | 92,94 |
| 11. | Energoplast ltd | 60,00 |

Affiliates

| | | |
|-----|-----------|-------|
| 12. | Enjub ltd | 50,00 |
|-----|-----------|-------|

EP Visokogradnja plc, EP Niskogradnja plc, EP Oprema plc, EP Industrija plc, EP Entel plc, EP Hidroinzenjering plc. and EP Energodata plc. are not just subsidiaries but also parent companies with own consolidated financial statements.

Foreign subsidiaries (foreign companies):

| No. | Name | % ownership |
|-----|--|-------------|
| 1. | Zambia Engineering and Contracting Company Limited, Zambia | 100,00 |
| 2. | Energoprojekt Holding Guinee S.A, Guinea | 100,00 |
| 3. | I.N.E.C. Engineering Company Limited, Great Britain | 100,00 |
| 4. | Encom GmbH Consulting, Engineering & Trading, Germany | 100,00 |
| 5. | Nana Offshore S.A.L, Lebanon | 100,00 |
| 6. | Energo (Private) Limited, Zimbabwe | 100,00 |

Some of the foreign subsidiaries (Energoprojekt Holding Guinee S.A, Guinea and Zambia Engineering and Contracting Company Limited, Zambia) are registered as being owned by EP Holding but are in fact controlled by the subsidiaries.

In addition to those listed above the first level consolidation group also includes ECO MEP Tehnology, Dubai, UAE; Energoprojekt Ghana Ltd., Accra, Ghana; Energoprojekt Montenegro ltd, Montenegro; Energo Uganda Company Ltd, Kampala, Uganda; Enlisa S.A., Lima, Peru; Energo Nigeria Ltd., Lagos, Nigeria (40%); Energoprojekt Oprema Crna Gora ltd, Podgorica, Montenegro; Enhisa S.A, Lima, Peru; Zahinos Ltd., Cyprus; EP Entel L.L.C., Muscat, Sultanate Oman; Energoprojekt Entel L.L.C., Doha, Qatar; Energoconsult L.L.C., Abu Dhabi, UAE and Energoprojekt Energodata Montenegro ltd, Montenegro.

Energoplast ltd and Energopet ltd ((33,33 % equity), two local affiliates, were also introduced to the first level consolidation group; the Group's consolidated financial statements however did not process Energoplast ltd by equity method, applying instead the full consolidation method because it entered the group as a subsidiary, as described earlier.

Foreign branch Energo (Private) Limited, Zimbabwe was included in 2013 in the Energoprojekt Group consolidation. In 2012 when it was included in the first-instance EP Visokogradnja consolidation, since the legal consolidation was performed and it was registered in the local registry as 100% owned by EP Holding plc.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

Starting from January 1 2004 the operations of the foreign units are included in the relevant financial statements, with a detailed overview of the units provided in the notes to consolidated financial statements of the relevant subsidiary.

3. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

In the Republic of Serbia, the Law on Accounting and Auditing (RS Official Gazette 62/2013) is the main legal document that deals with various issues related to accounting activities.

Financial statements for 2013 of the Company were prepared and presented according to the provision of the Law on Accounting and Auditing (RS Official Gazette no. 46/2006, 111/2009 and 99/2011 – hereinafter: the previous Law). The previous Law determines that legal entities and entrepreneurs shall maintain business books, recognize and value assets, liabilities, revenues and expenses; prepare, present, deliver and publish financial statements, according to:

- Legislation,
- Professional regulations and
- Internal regulations.

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

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

- The Law on Accounting (RS Official Gazette No. 62/2013);
- Previous Law on Accounting and Auditing (RS Official Gazette No. 46/2006, 111/2009 and 99/2011);
- Legal Entities Income Tax Law (RS Official Gazette No. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011 and 119/2012, 47/2013 and 108/2013);
- The VAT Law (RS Official Gazette No. 84/2004, 86/2004, 61/2005, 61/2007, 93/2012, 108/2013 and 6/2014);
- Regulation of the Form and Contents of Financial Statements submitted by companies, cooperatives, other legal entities and entrepreneurs (RS Official Gazette No. 114/2006, 5/2007, 119/2008, 2/2010, 101/12 and 118/12);
- Regulation on the Chart of Accounts and Contents of Accounts in the Chart of Accounts for companies, cooperatives, other legal entities and entrepreneurs (RS Official Gazette No. 114/2006, 119/2008, 9/2009, 4/2010, 3/2011 and 101/2012);
- Regulation on supplements and amendments to the Regulation on the Chart of Accounts for companies, cooperatives, other legal entities and entrepreneurs (RS Official Gazette No. 114/2006, 119/2008, 9/2009, 4/2010 i 3/2011 and 101/2012);
- Regulation on the Content of the Profit and Loss account and other Income Tax related issues (legal entities) (RS Official Gazette No. 99/2010, 8/2011, 13/2012 and 8/2013 and 20/2014);
- Regulation on the Content of the Tax Return for the Calculation of Income Tax for Legal Entities (RS Official Gazette No 24/2014);
- Regulation on the Classification of Fixed Assets into Groups and Determination of depreciation for tax purposes (RS Official Gazette No. 116/2004 and 99/2010).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- Regulation on Transfer-Pricing and Methods that are applied according to the principle „out of arm's reach“ when determining the price for transactions between related parties (RS Official Gazette no. 61/2003),
- Regulation on supplements and amendments to the Regulation on Transfer-Pricing and Methods that are applied according to the principle „out of arm's reach“ when determining the price for transactions between related parties (RS Official Gazette no. 8/2014).

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

The decision of the Minister of Finance of the Republic of Serbia, published in the RS Official Gazette no. 77/2010 (25.10.2010), approved the translations of main IAS and IFRS texts that comprise the IAS and IFRS, issued by the International Accounting Standards Committee till 01.01.2009 and interpretations of the IFRS Interpretations Committee till 01.01.2009 in the form they were published or adopted.

Please note that, in specific cases, not all respective IAS/IFRS provisions and Interpretations were considered in the preparation of consolidated 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 consolidated financial statements of the Company do not comply with IFRS with regard to the following:

- In the Republic of Serbia, financial statements for 2013, in compliance with the Law on accounting (RS Official Gazette No. 62/2013), are prepared in the form prescribed by the Regulation of the Form and Contents of Financial Statements submitted by companies, cooperatives, other legal entities and entrepreneurs (RS Official Gazette No. 114/2006, 5/2007, 119/2008, 2/2010, 101/12 and 118/12), which is not in compliance with the presentation and titles of specific financial statements for general purpose and the presentation of certain figures in the statement as prescribed by the revised IAS 1 – „Presentation of financial statements“ and
- Off-balance sheet assets and liabilities are presented on the balance sheet, yet these items, according to professional regulations, do not represent neither assets nor liabilities of the Company.

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

The Regulation on Accounting and Accounting policies of the Company, adopted on 22.10.2012 by the Executive Board of EP Holding and the Regulation on the amendment of the Regulation on

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

Accounting and Accounting policies of the Company No. 10 of 21.01.2013 (formulate unique accounting policies that are obligatory for all member of the consolidation group) were used in the preparation of consolidated financial statements as a legal document that represents **internal regulations of the Company**. For the preparation of consolidated financial statements, if the applied accounting policies of subsidiaries differ from common policies, they are quantified and the effects of these differences are eliminated (if materially significant).

Consolidated financial statements of the Company for 2013 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 (RS Official Gazette No. 114/2006, 5/2007, 119/2008, 2/2010, 101/12 and 118/12).

This Regulation prescribes, among other things, that data in the Balance sheet, Profit and Loss account, Cash flow statement, Report on changes in equity capital, Note to the financial statements and Statistical annex are entered in thousand RSD and the number of employees as a whole number and the same is applied to explanations presented in these Notes.

4. MANAGEMENT ESTIMATION AND ASSESSMENT

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

5. CONSOLIDATION

5.1. Subsidiaries

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

5.2. Affiliates

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

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

5.3. Joint ventures

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

A detailed list of subsidiaries, affiliates and joint ventures which together with EP Holding comprise the Group for consolidation Energoprojekt Group is shown in Note No. 2.

5.4. Segment reporting

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

6. PRINCIPAL ACCOUNTING POLICIES

In the preparation of consolidated financial statements, the following principles were applied:

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

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

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

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

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

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

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

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

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

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 (Note no. 3). If certain accounting aspects are not clearly defined in the Regulation, applied accounting policies are based on the legislation, professional and internal regulations in force.

In accordance with IAS 21, the RSD represents **functional and reporting currency in financial statements of the Company**. Besides data for the current year, financial statements of the Company contain data from financial statements from 2012 as **comparative data**. All transactions that are in other currencies than the functional currency are treated as FY transactions.

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

7.1. Valuation

The Company has to use the best possible valuations and reasonable assumptions in the preparation and presentation of financial statements according to professional regulations and legislation in force in

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

the Republic of Serbia. Though, actual future results may vary, valuations and assumptions are based on information available at the balance sheet date.

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

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

7.2. Effects of foreign exchange rates

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

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

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

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

Official NBS middle exchange rates

| Currency | 31.12.2013 | 31.12.2012 |
|----------|-----------------|------------|
| | Amount in dinar | |
| 1 EUR | 114,6421 | 113,7183 |
| 1 USD | 83,1282 | 86,1763 |

Applied average exchange rates for the profit and loss account in 2013 and 2012 were:

| Currency | 31.12.2013 | 31.12.2012 |
|----------|-----------------|------------|
| | Amount in dinar | |
| 1 EUR | 113,1369 | 113,1277 |
| 1 USD | 85,1730 | 88,1169 |

7.3. Revenues

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

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

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

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

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

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

7.4. Expenses

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

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

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

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

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

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

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.

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.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

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

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

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

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

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

7.7. Intangible investments

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

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

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

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

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

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

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

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

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

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

- unlimited or
- limited.

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

7.8. Property, plants and equipment

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

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

7.9. Finance lease

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

In case of a **financial lease**, pursuant to IAS 17 – Leases, the lessee performs **initial measurement** of the lease by recognizing it as an asset and liability in the balance sheet, according to amounts that equal to the fair value of the asset-lease object at the begin of the lease duration or according to the present value of minimum payments for the lease, if it is lesser. The 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.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

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

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

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

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

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

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

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

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

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

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

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

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

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

Recoverable amount is a greater value than:

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

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

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

An 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.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

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.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

7.14. Fixed assets intended for sale

The Company recognizes and expresses a fixed asset (or available group) as an **asset intended for sale**, if its accounting value may be recovered through a sale transaction and not further use. To 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 an asset intended for sale is **measured** (expressed) at a lower value than:

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

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

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

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

Fixed assets intended for sale are not depreciated.

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

7.15. Financial instruments

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

Financial assets and liabilities pursuant to IAS 32, may have many manifestations, such as: cash, instrument of equity of another entity, contractual right to collect cash or another financial asset or trade in financial assets and liabilities with another entity, potentially 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 profit and loss account,
- held-to-maturity investments,
- Loans and receivables and
- available-for-sale financial assets.

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

A Financial asset or liability classified in this category has to 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 profit and loss account

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- investments in capital instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and it is measured at cost.

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

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

7.16. Cash and cash equivalents

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

7.17. Short term receivables

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

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

In the assessment of the decrease in value, the Company has endured losses due to the decrease in value if there is objective proof (for example, large financial difficulties of the debtor, unusual breach of contract by the debtor, potential bankruptcy of the debtor, etc) to support the decrease in value as a

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

result of an event that took place after the initial recognition of assets and the respective loss affects estimated future cash flows from financial assets or group of financial assets that may be reliably valued. If there is no evidence, valuers will use their experience and sound judgment in the valuation of the collectibility of receivables.

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

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

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

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

The indirect and direct write-off of receivables is applied only based on relevant circumstances and the balance sheet.

Expected losses from future events, or events after the balance sheet date, regardless how probable, are not recognizable, but disclosed in Notes to financial statements.

7.18. Financial investments

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

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

Long-term financial investments include various investments, such as: equity investments in subsidiaries, equity investments in affiliates, equity investments in other legal persons, long-term loans, long-term securities and other long-term financial investments.

Investments into subsidiaries, joint ventures and affiliates, based on relevant provisions of IAS 27 – Consolidated and separate financial statements, are included in Company's books according to the purchase method. Though, if, according to IAS 36, it is established that the recoverable investment value is less than the purchase (accounting) value, the Company shall reduce the investment value to the recoverable amount and the reduction (impairment) is presented as an expense at the time of occurrence. The Company acknowledges the income from subsidiaries, affiliates and joint ventures in its separate financial statements, if the right to a dividend was established.

Regarding the subsequent measurement of long-term financial investments, the classification performed by management depending on the nature of the financial instrument, is relevant (financial asset or liability according to the fair value through the profit and loss account, investments held to maturity, loans and receivables and financial assets ready-for-sale).

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

7.19. Liabilities

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

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

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

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

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

7.20. Provisions, contingent liability and contingent asset

A provision, according to IAS 37 - *Provisions, contingent liability and contingent assets*, means a liability of Outcome 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

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

7.21. Employee benefits

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

- taxes and compulsory social security contributions
- retirement bonus.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

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. 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 revenues for the period in which they were identified.

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

9. FINANCIAL RISKS

Outcome 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 leads to various risk exposures for legal entities that may impact their future position on the market.

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.

9.1. 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.

9.2. 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 and USD.

• **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 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.

9.3. 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.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate sources of funding and the ability to close out market positions, due to the dynamic nature of the business. The Group aims to maintain flexibility in funding by collecting their funds from buyers and investments of available funds. Besides the aforementioned, in accordance with the Group's policy, the Group makes Back to Back Agreements with the business partners whereby the possible risk connected to a possible default is transferred/shared between contractual parties.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

10. SEGMENT INFORMATION

10.1. Primary reporting formats – business segment

The Group is organized, local and abroad, in the following business segments as of 31 December 2012:

- 1) Planning and research,
- 2) Building construction and fitting and
- 3) Other.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

REPORTABLE SEGMENTS

Business segments

in 000 RSD

| | Planning and research | | Building construction and fitting | | Other | | Total | | Eliminations | | Consolidated | |
|-------------------------------------|-----------------------|-----------|-----------------------------------|------------|------------|------------|------------|------------|--------------|-------------|--------------|------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues from sales | 4,547,037 | 4,427,830 | 17,865,460 | 22,496,542 | 1,458,477 | 1,592,556 | 23,870,974 | 28,516,928 | (1,915,589) | (2,881,977) | 21,955,385 | 25,634,951 |
| SEGMENT RESULT | | | | | | | | | | | | |
| Business profit | 165,990 | 281,147 | (60,504) | 655,475 | 186,971 | 234,933 | 292,457 | 1,171,555 | (8,491) | (443,111) | 283,966 | 728,444 |
| Income from interest | 27,039 | 62,405 | 52,061 | 137,414 | 27,222 | 33,478 | 106,322 | 233,297 | (999) | (394) | 105,323 | 232,903 |
| Interest expenses | 5,283 | 31,444 | 231,892 | 242,419 | 33,615 | 35,428 | 270,790 | 309,291 | (52) | (2,326) | 270,738 | 306,965 |
| Income tax | 23,163 | 1,748 | 47,228 | 40,144 | 33,773 | 47,554 | 104,164 | 89,446 | | | 104,164 | 89,446 |
| Profit from regular operations | 362,134 | 469,667 | 32,704 | 740,126 | 545,950 | 643,722 | 940,788 | 1,853,515 | (327,969) | (804,159) | 612,819 | 1,049,356 |
| Losses from discontinued operations | 4,254 | 594 | 34,664 | 35,538 | 4,426 | 3,170 | 14,093 | 39,302 | (476) | (2,146) | 13,617 | 37,156 |
| Net profit | 359,980 | 460,652 | (80,947) | 643,501 | 508,616 | 594,820 | 787,649 | 1,698,973 | (327,493) | (802,029) | 460,156 | 896,944 |
| Total assets | 6,314,072 | 5,930,522 | 18,822,886 | 17,181,757 | 12,017,964 | 12,064,523 | 37,154,922 | 35,176,802 | (8,283,406) | (7,854,473) | 28,871,516 | 27,322,329 |
| Total liabilities | 6,314,072 | 5,930,522 | 18,822,886 | 17,181,757 | 12,017,964 | 12,064,523 | 37,154,922 | 35,176,802 | (8,283,406) | (7,854,473) | 28,871,516 | 27,322,329 |
| Depreciation | 46,241 | 51,244 | 425,911 | 335,988 | 55,192 | 63,687 | 527,344 | 450,919 | 6,864 | 6,662 | 534,208 | 457,581 |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

Geographical segments

In 000 RSD

| | Serbia | | ZND | | Europe | | Africa | | Asia | | USA | | Total | |
|--|-----------|-----------|-----------|-----------|---------|---------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues from sales | 4,877,388 | 8,814,270 | 3,179,685 | 3,945,741 | 215,929 | 268,633 | 7,260,911 | 7,915,304 | 3,054,276 | 2,937,063 | 3,367,196 | 1,753,940 | 21,955,385 | 25,634,951 |
| Revenues from sales of goods | 100,910 | 138,676 | 3,594 | 161,617 | 18,489 | 9,972 | 33,387 | 47,056 | | 613 | 134,533 | | 290,913 | 357,934 |
| Revenues from sales of products and services | 4,776,478 | 8,675,594 | 3,176,091 | 3,784,124 | 197,440 | 258,661 | 7,227,524 | 7,868,248 | 3,054,276 | 2,936,450 | 3,232,663 | 1,753,940 | 21,664,472 | 25,277,017 |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

11. SALES REVENUES

| | 2013 (RSD 000) | 2012 (RSD 000) |
|--|-------------------|-------------------|
| Income from the sales of goods, products and services on the local | 4,877,388 | 8,814,270 |
| Income from the sales of goods, products and services on the foreign | 17,077,997 | 16,820,681 |
| Total | 21,955,385 | 25,634,951 |

The most important figure under Income from the sales of goods, products and services in 2013 relates to the following companies in the Energoprojekt Group:

- EP Niskogradnja in the amount of 7.053.231 thousand RSD, out of which the amount of 1.256.170 thousand RSD is related to domestic sales (the most important is the sale to the buyers JP Putevi Srbije, Azvirt and JVP Vode Vojvodine), and the amount of 5.797.061 thousand RSD is related to sales abroad (Uganda and Peru);
- EP Visokogradnja in the amount of 5.045.925 thousand RSD, out of which the amount of 120.776 thousand RSD is related to domestic sales, and the amount of 4.925.149 thousand RSD is related to sales abroad (the most important revenues are related to Ghana, Russia and Kazakhstan and the following projects: Z-082 Ezva, Z-085 Uhta, Z-088 Rostov, Z-089 Aktau hospital, Z-091 Astrahan, Z-087 Aktau restaurant, Z-092 Horizonti Siktivkar etc.);
- EP Oprema in the amount of 4.654.774 thousand RSD, out of which the amount of 2.501.052 thousand RSD is related to domestic sales (the most important sale to buyers International Project Service Ogranak, Termoelektrane i kopovi Kostolac, JP Elektromreza Serbia), the amount of 2.153.722 thousand RSD is related to sales abroad (the most important are revenues from Nigeria);
- EP Entel in the amount of 3.204.325 thousand RSD, out of which the amount of 164.090 thousand RSD is related to domestic sales (the most important sale to the Electric Power Industry of Serbia), the amount of 3.040.235 thousand RSD is related to sales abroad (Qatar, Oman and UAE);
- EP Hidroinzenjering in the amount of 804.133 thousand RSD, out of which the amount of 124.861 thousand RSD is related to domestic sales (the most important sale to buyers JP EPS Belgrade, Drinsko-Limske HE Bajina Basta, JVP Vode Vojvodine etc.), the amount of 679.272 thousand RSD is related to sales abroad (the most important part refers to Algeria and Peru) and other companies in the amount of 1.192.997 thousand RSD (domestic: 710.439 thousand RSD and foreign: 482.558 thousand RSD).

12. INCREASE /(DECREASE) IN INVENTORIES

| | 2013 (RSD 000) | 2012 (RSD 000) |
|-------------------------|-------------------|-------------------|
| Increase in inventories | 162,544 | 612,474 |
| Decrease in inventories | (72,072) | (219,082) |
| Total | 90,472 | 393,392 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

• In 2013 the **increase in inventories** (162.544 thousand RSD) mostly relates to the increase of work in progress:

- EP Visokogradnja (93.491 thousand RSD), mostly the increase of work in progress related to the construction of business and residential buildings in Cara Nikolaja Street in Belgrade, amounting to 92.972 thousand RSD; and

- EP Niskogradnja (66.953 thousand RSD), based on the manufactured material for the production of a buffer layer, asphalt, fraction for concrete related to the projects Z-019 Cochabamba Chota and Z-023 Pericos in Peru.

• **The decrease in inventories** in 2013 (72.072 thousand RSD) relates to:

- EP Visokogradnja (63.991 thousand RSD) related to: sold property in Bezanjska Kosa and Block 29, New Belgrade: 6.237 thousand RSD and Herceg Novi: 16.348 thousand RSD and impairment of work in progress related to residential buildings Sistet Bare in Igalo, Montenegro: 40.013 thousand RSD and finished products (apartments) in Herceg Novi, Montenegro: 1.393 thousand RSD;

- EP Niskogradnja (8.081 thousand RSD), relates to the manufactured material for the production of a buffer layer, asphalt, fraction for concrete and fabricated material for the vertical traffic signalization - projects Z-014 Yanacocha and Z-019 Cochabamba Chota, Peru.

13. OTHER OPERATING INCOME

| | 2013 (RSD 000) | 2012 (RSD 000) |
|--|-------------------|-------------------|
| Premiums, subventions, subsidies, refunded amounts, compensation and tax refunds | 1,533 | 663 |
| Rents | 124,692 | 103,646 |
| Other | 174,757 | 184,014 |
| Total | 300,982 | 288,323 |

• **The income from premiums, subventions, subsidies, refunded amounts, compensation and tax refunds** (1.533 thousand RSD), relates mostly to the following companies:

- EP Niskogradnja (1.323 thousand RSD) based on the refund of expenses related to the opening of branch offices in Zambia and Moscow. Funds were appropriated by the Agency for Foreign Investments and Export Promotion, based on the Regulation governing the procedure, appropriation and refunds of state aid and in accordance with the Programme for boosting competitiveness and internationalization of the Serbian economy. Funds were appropriated as de minimis aid; and

- EP Energodata (208 thousand RSD), based on funds for subventions by the National Employment Service for the employment of disabled persons.

• **Income from rents** (124.692 thousand RSD) relates mostly from the following companies: Nana Offshore S.A.L, Lebanon (42.338 thousand RSD), Zambia Engineering and Contracting Company Limited, Zambia (20.705 thousand RSD), EP Visokogradnja (10.611 thousand RSD relate, first of all, to Energoprojekt Ghana Ltd., Akra, Ghana), EP Niskogradnja (10.530 thousand RSD), Enjub (9.564 thousand RSD), EP Energodata (7.630 thousand RSD), EP Garant (7.125 thousand RSD) and Ergo (Private) Limited, Zimbabwe (7.009 thousand RSD) and other companies in the amount of 9.180 thousand RSD.

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- **Other operating income** (174.757 thousand RSD), relates mostly from the following companies:
 - EP Niskogradnja: 147.910 thousand RSD, out of which 139.240 thousand RSD relate to the refund of expenses based on agreements with subcontractors related to the project Tisa (133.461 thousand RSD) and the refund of expenses are based on the agreement with subcontractors related to the project Lot 1.1 , Novi Sad (5.779 thousand RSD);
 - EP Garant: 10.519 thousand RSD, out of which 10.396 thousand RSD relate to revenues from technical reserve insurance fund deposits and investments;
 - EP Visokogradnja: 7.008 thousand RSD relate to re-invoiced electricity and water bills to lessees (based on renting properties in Stara Pazova and Belgrade);
 - EP Holding: 5.235 thousand RSD refer mostly to the refund of expenses from Napred Razvoj plc based on the auditor's fee for an extraordinary audit. Pursuant to Article 463 of the Companies Law, since the proposal for extraordinary audit was unfounded, Energoprojekt Holding plc. is entitled to a refund of all audit expenses from the shareholder who proposed the extraordinary audit – the company Napred Razvoj plc;
 - EP Hidroinzenjering: 3.013 thousand RSD refer to the partial refund of expenses from the Consortium related to projects Alto Piura, M.Picchu and Yarascay; and other companies (1.072 thousand RSD).

14. PURCHASE VALUE OF GOODS SOLD

| | 2013 (RSD 000) | 2012 (RSD 000) |
|------------------------------|-------------------|-------------------|
| Purchase value of goods sold | (253,607) | (345,095) |
| Total | (253,607) | (345,095) |

- **The purchase value of goods sold** (253.607 thousand RSD) relates to the sold goods in the country and abroad in 2013 and mostly to the following companies:
 - EP Energodata: 65.920 thousand RSD for the purchase of ATMs, software, hardware, licences and graphic design material;
 - Energoplast: 33.509 thousand RSD for the purchase of stoppers for resale;
 - EP Oprema: 11.503 thousand RSD for the purchase value of sold goods to Energonigerija ltd, Nigeria;
 - EP Visokogradnja: 7.611 thousand RSD, out of which 4.295 thousand RSD for the purchase value of sold goods in the country and 3.316 thousand RSD for the purchase value of sold goods abroad;
 - EP Industrija: 7.749 thousand RSD for the purchase of granules;
 - EP Niskogradnja: 4.595 thousand RSD refer to the price of stocked material sold to subcontractors; and other companies (122.720 thousand RSD).

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

15. MATERIAL COSTS

| | 2013 | 2012 |
|----------------------------|--------------------|--------------------|
| | (RSD 000) | (RSD 000) |
| Raw material | (4,782,970) | (7,996,951) |
| Other material (overheads) | (362,294) | (272,907) |
| Fuel and energy | (1,354,929) | (986,618) |
| Total | (6,500,193) | (9,256,476) |

• **Material costs** (4.782.970 thousand RSD), relate mostly to the following companies in the Energoprojekt Group:

- EP Oprema: 1.772.627 thousand RSD refers to material costs related to the projects in Nigeria and in Serbia (mostly refers to projects Kostolac and RTB Bor);

- EP Visokogradnja: 1.573.186 thousand RSD, refers mostly to costs related to domestic projects: 236.960 thousand RSD and foreign projects: 1.193.965 thousand RSD;

- EP Niskogradnja: 1.149.899 thousand RSD refers mostly to costs related to foreign projects: 787.010 thousand RSD and domestic projects: 362.889 thousand RSD;

- Energoplast: 228.864 thousand RSD refers to the purchase of material for the production of stoppers: 219.705 thousand RSD and packaging costs: 9.159 thousand RSD; and other companies in the amount of 58.394 thousand RSD.

• The major part in **other material (overheads)** in the amount of 362.294 thousand RSD relate to EP Niskogradnja 231.311 thousand RSD, EP Visokogradnja: 43.865 thousand RSD, EP Entel: 36.387 thousand RSD, Energoplast: 18.199 thousand RSD and other companies in the Energoprojekt Group in the amount of 32.532 thousand RSD.

• The major part in **fuel and energy expenses** in the amount of 1.354.929 thousand RSD relates to EP Niskogradnja: 1.071.523 thousand RSD, as the result of increased use of own equipment and machines for new domestic projects (Tunnel Sarani) and foreign projects (Peru), as well as hiring of subcontractors with lease of equipment with the Company responsible for supplying all energy generating products; EP Visokogradnja: 137.087 thousand RSD, EP Entel: 47.420 thousand RSD, EP Oprema: 23.541 thousand RSD and other companies in the amount of 75.358 thousand RSD.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

16. STAFF COSTS

| | 2013 | 2012 |
|---|--------------------|--------------------|
| | (RSD 000) | (RSD 000) |
| Salaries and fringe benefits (gross) | (6,281,334) | (5,553,854) |
| Taxes and contributions on salaries and fringe benefits charged to employer | (710,582) | (668,889) |
| Remunerations according to temporary service contracts | (38,657) | (30,822) |
| Remunerations according to author's contracts | (34,344) | (64,237) |
| Remunerations according to temporary and provisional contracts | (109,036) | (74,687) |
| Remunerations to individuals according to other contracts | (70,668) | (45,904) |
| BoD and Supervisory Board | (24,240) | (29,191) |
| Other personal expenses and remunerations | (619,296) | (589,712) |
| Total | (7,888,157) | (7,057,296) |

• The increase of costs for salaries and fringe benefits (gross) and taxes and contributions on salaries and fringe benefits charged to employer in 2013 in the amount of 769.173 thousand RSD refer, first of all, to EP Niskogradnja based on the increased operations (new domestic and foreign projects), work on shifts and overtime, tunnel and construction site-related extra costs etc. in the amount of 490.314 thousand RSD.

17. DEPRECIATION AND PROVISION EXPENSES

| | 2013 | 2012 |
|--|------------------|------------------|
| | (RSD 000) | (RSD 000) |
| Depreciation expenses | | |
| Depreciation of intangible investments | (12,396) | (18,479) |
| Depreciation of property and equipment | (521,812) | (439,102) |
| Total | (534,208) | (457,581) |
| Provision expenses | (69,521) | (58,929) |
| Total | (603,729) | (516,510) |

• Total **depreciation expenses** amount 534.208 thousand RSD. On 31.12.2013 the residual value and the remaining useful lifetime of properties and equipment of significant accounting value were estimated. The effect of the change in accounting estimate influenced the change in the depreciation expenses for 2013 and thereby, subsequently, the accounting value of assets on 31.12.2013.

• The major part of **provision expenses** in the amount of 69.521 thousand RSD, relates mostly to provision expenses in EP Entel: 39.754 thousand RSD (provisions for retirement bonuses of employees abroad), EP Garant: 15.264 thousand RSD (provisions for incurred reported, yet not solved damage), EP Niskogradnja: 7.304 thousand RSD (provisions for retirement bonuses) and other companies in the amount of 7.199 thousand RSD.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

18. OTHER OPERATING EXPENSES

| | 2013 | 2012 |
|--|--------------------|--------------------|
| | (RSD 000) | (RSD 000) |
| <u>Costs of production services</u> | | |
| Service costs of outputs | (3,813,889) | (5,162,775) |
| Transportation costs | (494,052) | (440,650) |
| Maintenance costs | (143,734) | (165,426) |
| Rental costs | (681,491) | (480,142) |
| Fairs exhibit costs | (1,869) | (2,477) |
| Advertising costs | (12,212) | (21,308) |
| Costs of researching activities | (1,829) | (2,753) |
| Costs of other services | (289,768) | (300,147) |
| Total | (5,438,844) | (6,575,678) |
| <u>Non-production costs</u> | | |
| Costs of non-production services | (758,578) | (729,383) |
| Expense accounts | (66,225) | (67,132) |
| Insurance premium costs | (120,131) | (91,491) |
| Payment operation costs | (202,202) | (253,120) |
| Membership fees | (20,144) | (27,750) |
| Tax duties | (112,864) | (187,408) |
| Contribution costs | (1,007) | (1,271) |
| Other | (168,703) | (538,285) |
| Total | (1,449,854) | (1,895,840) |
| Grand total | (6,888,698) | (8,471,518) |

Other operating expenses comprise of production services costs and non-material costs.

The most important figures under **production service costs** relate to the following:

- **Service costs of outputs** in the amount of 3.813.889 thousand RSD, relate mostly to the following subsidiaries:

- EP Niskogradnja: 1.232.326 thousand RSD relate to expenses based on subcontracting agreements in the country and abroad;

- EP Oprema: 1.194.993 thousand relate mostly to subcontractors and consortium partners in various projects;

- EP Visokogradnja: 1.083.971 thousand RSD relate to expenses of associates and subcontractors (projects in the country and abroad);

- EP Entel: 95.902 thousand RSD relate to the engagement of subcontractors in the companies in Qatar, Oman and UAE;

- EP Hidroinzenjering: 92.980 thousand RSD relate to expenses of domestic subcontractors, Algeria and Peru; and other companies in the amount of 113.717 thousand RSD.

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- **Transportation costs** in the amount of 494.052 thousand RSD relate mostly to EP Entel: 188.151 thousand RSD, EP Niskogradnja: 135.462 thousand RSD, EP Visokogradnja: 123.426 thousand RSD, and other companies in the Energoprojekt Group: 47.013 thousand RSD.

- **Rental costs** in the amount of 681.491 thousand RSD relate mostly to the following companies in the Energoprojekt Group:

- EP Niskogradnja: 297.196 thousand RSD rental costs of equipment, field work expenses, office, residential and warehouse space in the country and abroad;

- EP Entel: 220.828 thousand RSD, relate mostly apartment rental fees in the company's foreign branches;

- EP Visokogradnja: 121.952 thousand RSD, relate predominantly to rental costs in foreign countries; and other companies in the amount of 41.515 thousand RSD.

The most important figures under **non-material costs** relates to the following:

- The largest separate **costs of non-production services** in the amount of 758.578 thousand RSD (consulting services, professional training of employees, lawyers' fees, financial audit, health, legal and other services) relate to EP Entel in the amount of 335.855 thousand RSD (first of all, consulting services for Energoprojekt Entel Ltd, Qatar in the amount of 242.371 thousand RSD), EP Visokogradnja in the amount of 134.100 thousand RSD and EP Niskogradnja in the amount of 210.405 thousand RSD and other companies in the amount of 78.218 thousand RSD.

- The largest figure under **other non-material costs** (administrative, legal and other fees, technical literature, advertisements, tenders, sponsorships and donations, fees for visa services for business trips abroad, hiring foreign workers for projects, etc) in the total amount of 168.703 thousand RSD relates to EP Visokogradnja: 57.401 thousand RSD, EP Entel: 42.942 thousand RSD, EP Niskogradnja: 26.639 thousand RSD, EP Oprema: 21.052 thousand RSD, and other companies in the Energoprojekt Group 20.669 thousand RSD.

19. REVENUES AND EXPENSES

| | 2013 | 2012 |
|---|------------------|--------------------|
| | (RSD 000) | (RSD 000) |
| <u>Financial revenues</u> | | |
| Financial income incurred with other associated companies | 34,115 | 68,354 |
| Income from interest | 105,323 | 232,903 |
| FX gains | 648,421 | 1,322,057 |
| Other | 145,238 | 107,012 |
| Total | 933,097 | 1,730,326 |
| <u>Financial expenses</u> | | |
| Financial expenses incurred with other associated companies | (2,978) | (14,628) |
| Costs of interest | (270,738) | (306,965) |
| FX losses | (645,964) | (1,026,025) |
| Other | (1,112) | (16,050) |
| Total | (920,792) | (1,363,668) |

In 2013, the decrease in revenues and expenses came mainly as the result of a more stable foreign exchange rate RSD – EUR/USD compared to the same period in the previous year (on 31.12.2013 the dinar rate dropped since the beginning of the year by 0,81% against the EUR (31.12.2012: 8,67%) and has gone up against USD by 3,54% (31.12.2012: dropped by 6,56%).

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

20. OTHER REVENUES AND EXPENSES

| | 2013 | 2012 |
|---|------------------|------------------|
| | (RSD 000) | (RSD 000) |
| <u>Other revenues</u> | | |
| Gains on disposals of intangible assets and property, plant and equipment | 21,054 | 7,992 |
| Gains on disposals of securities | 4,063 | 112 |
| Surpluses | 1,479 | 707 |
| Collected written-off receivables | 48,755 | 65,071 |
| Income from reduction of liabilities | 289,323 | 57,154 |
| Income from abolishing of long-term provisions | 116,958 | 341 |
| Other | 141,554 | 79,844 |
| Income from valuation adjustments of property, plant and equipment | 114,864 | 39,732 |
| Income from valuation adjustments LT investments and securities | 4,357 | 15,202 |
| Income from valuation adjustments of receivables and ST financial investments | | |
| | 9,923 | 1,467 |
| Income from valuation adjustments of other property | 467 | 8 |
| Total | 752,797 | 267,630 |
| <u>Other expenses</u> | | |
| Losses on writing-offs and disposals of intangible assets and PPE | (43,959) | (24,423) |
| Losses based on sales of material | (1,015) | (3,108) |
| Shortages | (1,469) | (14,729) |
| Hedging contract expenses | (1,800) | (211) |
| Expenses based on direct write offs | (131,269) | (13,643) |
| Other | (89,748) | (98,343) |
| Impairment of property, plant and equipment | (67,465) | (19,922) |
| Impairment of long-term investments and other securities | (2,279) | (5,818) |
| Impairment of receivables and short-term financial investments | (91,221) | (64,399) |
| Impairment of other property | (6,024) | (68,780) |
| Total | (436,249) | (313,376) |

The most important figures under **other revenues** refer to:

• **Gains on disposals of intangible assets and property, plant and equipment** in the amount of 21.054 thousand RSD, refer mostly to the following companies:

- EP Niskogradnja: 15.317 thousand RSD, based on the sales of construction machines and equipment. The most important figure in the amount of 14.528 thousand RSD refers to the sales of fixed assets to the leasing company Sogelease Serbia;

- EP Visokogradnja: 3.013 thousand RSD refer to the sales of equipment;

- EP Entel: 1.515 thousand RSD; and other companies in the amount of 1.209 thousand RSD.

• **Gains on disposal of securities** in the amount of 4.063 thousand RSD relate mostly to revenues from sales of shares of Hipotekarna bank plc, Podgorica to EP Holding and EP Industrija;

• **Collected write-off receivables** in the amount of 48.755 thousand RSD relate mostly to collected receivables by EP Visokogradnja from Inex Interexport in the amount of 48.610 thousand RSD (written off in previous years);

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- **Income from reduction of liabilities** in the amount of 289.323 thousand RSD relates mainly to the transfer of EP Oprema liabilities from Al Wagena, Iraq in the amount of 253.364 thousand RSD, due to the general obsolescence (10 years) since the collection of the claim according to the UN decision, when the liability towards Al Wagen was created;
- **Income from abolishing of long-term provisions** in the amount of 116.958 thousand RSD relates mostly to EP Entel: 116.696 thousand RSD based on abolishing provisions in Energoprojekt Entel Ltd, Qatar (provisions for the successfully completed project were abolished after the certificate of completion was issued);
- **Other revenues** in the amount of 141.554 thousand RSD relate mostly to the following companies in the Energoprojekt Group:
 - EP Niskogradnja: 92.965 thousand RSD relate mostly to the cancellation of reporting currency translation effects for completed projects abroad: 61.871 thousand RSD and insurance indemnity for damages based on the complete destruction of equipment used in projects abroad (project Z-016 Chavimochic, Peru) in the amount of 26.469 thousand RSD;
 - EP Visokogradnja: 37.984 thousand RSD, out of which 19.513 thousand RSD relate to the cancellation of reporting currency translation effects for completed projects abroad; and other companies in the amount of 10.605 thousand RSD.
- **Income from valuation adjustment of property, plant and equipment** in the amount of 114.864 thousand RSD, as the result of estimated fair value of investment properties on 31.12.2013, relates mostly to Enjub: 32.996 thousand RSD, EP Energodata: 27.756 thousand RSD, EP Holding: 19.023 thousand RSD, EP Niskogradnja: 18.745 thousand RSD, Energoplast: 16.190 thousand RSD and other companies in the amount of 154 thousand RSD;
- **Income from valuation adjustment of long-term investments and available-for-sale securities** in the amount of 4.357 thousand RSD relates to EP Garant: 2.961 thousand RSD and EP Industrija: 1.396 thousand RSD based on the fair value of old frozen savings bonds;
- **Income from valuation adjustment of receivables and short-term financial investments** in the amount of 9.923 thousand RSD relates mostly to EP Garant in the amount of 9.776 thousand RSD based on the valuation adjustment of receivables;

The most important figures under **other expenses** relate to:

- **Losses on writing-offs and disposal of intangible assets and PPE** in the amount of 43.959 thousand RSD relate mostly to the following companies:
 - EP Niskogradnja: 34.452 thousand RSD based on writing-offs of fixed assets in Peru and sales of fixed assets to the leasing company Solease Serbia and fixed assets in Kazakhstan;
 - EP Visokogradnja: 8.014 thousand RSD based on the sales of equipment; and
 - EP Entel 1.168 thousand RSD.
- **Expenses based on direct write offs** in the amount of 131.269 thousand RSD, relate mostly to the following companies:
 - EP Niskogradnja: 60.198 thousand RSD out of which write offs abroad amount to 54.187 thousand RSD (Uganda and Peru), and in the country 6.011 thousand RSD and are the result of performed valuation of balance sheet items which the Company decided to write off according to provisions of IAS 39 and the prudence principle;

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- EP Visokogradnja: 35.317 thousand RSD based on the write off of uncollectible receivables from buyers;

- EP Oprema: 15.151 thousand RSD, first of all, based on the write off of non-recognised non-invoiced revenues from the investor Instalione Inabensa in the amount of 12.724 thousand RSD; and other companies in the amount of 20.603 thousand RSD.

• **Other expenses** in the amount of 89.748 thousand RSD relate mostly to the following companies in the Group:

- EP Visokogradnja: 30.557 thousand RSD, out of which the amount of 22.519 thousand RSD relates to the removal of reporting currency translation effects foreign completed projects;

- EP Niskogradnja: 30.548 thousand RSD out of which the amount of 19.218 thousand RSD relates to the retirement of inventories and material in the country and abroad (which cannot be longer used) and donations in the amount of 8.445 thousand RSD;

- EP Entel: 18.286 thousand RSD out of which the amount of 15.488 thousand RSD relates to the humanitarian, cultural and health related expenses; and other companies in the amount of 10.357 thousand RSD.

• **Impairment of the property, plant and equipment** in the amount of 67.465 thousand RSD, relates mostly to Enjub based on the evaluation of the fair value of investment properties on 31.12.2013 in the amount of 65.872 thousand RSD;

• **Impairment of receivables and short-term financial investments** in the amount of 91.221 thousand RSD relates mostly to:

- EP Oprema: the amount of 52.448 thousand RSD relates, first of all, to the impairment of receivables from buyers in the amount of 52.037 thousand RSD;

- EP Urbanizam i arhitektura: the amount of 15.480 thousand RSD relates, first of all, to the impairment of receivables from foreign buyers;

- Energoplast: 10.672 thousand RSD;

- EP Visokogradnja: 8.057 thousand RSD; and other companies in the amount of 4.564 thousand RSD.

21. NET PROFIT/(LOSS) OF DISCONTINUED OPERATIONS

| | 2013 | 2012 |
|---|-----------|-----------|
| | (RSD 000) | (RSD 000) |
| Net profit from discontinued operations | | |
| Net losses from discontinued operations | (13,617) | (37,156) |

Net profit from discontinued operations in the amount of 13.617 thousand RSD relates, first of all, to the correction of error from previous years in EP Niskogradnja. EP Niskogradnja has net losses from discontinued operations in the amount of 33.559 thousand RSD and EP Entel has net profit from discontinued operations in the amount of 29.251 thousand RSD.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

22. PROFIT BEFORE TAX

in 000 RSD

| Structure of gross results | 2013 | 2012 |
|---|-------------------|-------------------|
| <i>Operating income and expenses</i> | | |
| Operating income | 22.418.350 | 26.375.339 |
| Operating expenses | 22.134.384 | 25.646.895 |
| Operating result | 283.966 | 728.444 |
| <i>Financial revenues and expenses</i> | | |
| Financial revenues | 933.097 | 1.730.326 |
| Financial expenses | 920.792 | 1.363.668 |
| Financial result | 12.305 | 366.658 |
| <i>Other revenues and expenses</i> | | |
| Other revenues | 752.797 | 267.630 |
| Other expenses | 436.249 | 313.376 |
| Result from other revenues and expenses | 316.548 | (45.746) |
| <i>Effects of discontinued operations, accounting policy changes and accounting adjustments from previous years</i> | | |
| Income | | |
| Expenses | 13.617 | 37.156 |
| Net effect | (13.617) | (37.156) |
| <i>Total gross result</i> | | |
| TOTAL INCOME | 24.104.244 | 28.373.295 |
| TOTAL EXPENSES | 23.505.042 | 27.361.095 |
| PROFIT/LOSS BEFORE TAX | 599.202 | 1.012.200 |

The reduction of the result in 2013 in comparison to the previous year is a result of, first of all, discontinued works and delay in advance payment (due to difficulties in securing funds) by investors on the project RTB Bor as well as the begin of works on the project Hyatt Regency Rostov-on-Don by EP Visokogradnja. These issues were solved by the end of 2013.

23. NET EARNINGS PER SHARE

Net earnings per share are computed by dividing the profit of common shareholders by the weighted-average number of common shares outstanding during that period.

| | 2013 | 2012 |
|---|------------|------------|
| Profit due to Group shareholders (in 000 RSD) | 373.706 | 705.195 |
| Weighted average number of issued ordinary shares | 10.443.944 | 10.443.944 |
| Net earnings per share (RSD per share) | 35,78 | 67,52 |

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

According to the decision adopted by the General meeting of EP Holding on 28.06.2013, the equity was increased by issuing XI issue for the purpose of converting undistributed profit to equity (993.754 shares with a nominal value of 510,00 RSD) in the amount of 506.815 thousand RSD. The weighted average number of shares for 2013 is 10.443.944 RSD; the consolidated profit per share is 35,78 RSD.

24. INTANGIBLE INVESTMENTS

| | Concession, copyrights and similar rights | Other intangible investments | Intangible investments in progress | Advance payments for intangible investments | Total |
|--|--|---|---|--|----------------|
| | (RSD 000) | (RSD 000) | (RSD 000) | (RSD 000) | (RSD 000) |
| <u>Purchase value</u> | | | | | |
| 01.01.2013 | 48,135 | 96,263 | 16,388 | | 160,786 |
| Purchase | 2,385 | 409 | | 320 | 3,114 |
| Increase by transfer from investment in progress | | | | | |
| Disposals and write-offs | (283) | (5,193) | | | (5,476) |
| Transfer from/to | | | | | |
| FX exchange gains and losses | (902) | | | | (902) |
| Other increase (decrease) | | | | | |
| Balance on 31.12.2013 | 49,335 | 91,479 | 16,388 | 320 | 157,522 |
| <u>Value adjustment</u> | | | | | |
| Balance on 01.01.2013 | 31,131 | 59,176 | | | 90,307 |
| Depreciation | 5,557 | 6,839 | | | 12,396 |
| Disposals and write-offs | (70) | (5,193) | | | (5,263) |
| FX exchange gains and losses | (595) | | | | (595) |
| Balance on 31.12.2013 | 36,023 | 60,822 | - | - | 96,845 |
| Present value | | | | | |
| 31.12.2013 | 13,312 | 30,657 | 16,388 | 320 | 60,677 |
| Present value | | | | | |
| 31.12.2012 | 17,004 | 37,087 | 16,388 | | 70,479 |

As at 31/12/2013, concession, copyrights and similar rights and other intangible investments relate to various software used by the Energoprojekt Group for own purposes, depreciated pursuant to the accounting policies in force.

Intangible investments in progress on 31/12/2013 refer to investments of the Group in relation to the delivery, installation, implementation and maintenance of software products for BI (business intelligence) solution. In 2013 several activities were conducted in order to activate this software. The management of the Company believes that it will be activated in 2014.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

25. PROPERTY, PLANTS, EQUIPMENT AND INVESTMENT PROPERTY

| | Land and buildings | Plants and equipment | Investment property and inv.prop.in progress | Other PPE | Property and equipment in progress and advances | Total |
|---|-----------------------|-------------------------|---|---------------|--|-------------------|
| | (RSD 000) | (RSD 000) | (RSD 000) | (RSD 000) | (RSD 000) | (RSD 000) |
| <u>Purchase value</u> | | | | | | |
| Balance on 01.01.2013 | 5,449,181 | 8,118,342 | 2,009,556 | 34,284 | 214,432 | 15,825,795 |
| Purchase | 29,434 | 1,048,278 | | 10,924 | 259,257 | 1,347,893 |
| Increase by transfer from investment in progress | 286,787 | 80,802 | | | (367,589) | |
| Disposal and write-off | (45,564) | (298,721) | | | (1,196) | (345,481) |
| Transfer from/to | (3,869) | 2,170 | 1,511 | (2,170) | 2,358 | |
| Revaluation - assessment | | | 563,574 | | | 563,574 |
| Increase/reduction of advance pay. | | 6,537 | | | (6,537) | |
| FX exchange gains and losses | (2,136) | (21,585) | (36,519) | 2 | (2,876) | (63,114) |
| Other increase/decrease | (5,578) | 4,228 | 121 | | (498) | (1,727) |
| Balance on 31.12.2013 | 5,708,255 | 8,940,051 | 2,538,243 | 43,040 | 97,351 | 17,326,940 |
| <u>Value adjustment</u> | | | | | | |
| Balance on 01.01.2013 | 1,823,540 | 5,577,211 | | 5,459 | | 7,406,210 |
| Depreciation | 30,298 | 485,752 | | 5,762 | | 521,812 |
| Disposal and write-off | (51,321) | (251,474) | | | | (302,795) |
| Transfer from/to | | 1,881 | | (1,881) | | |
| Revaluation - assessment | (172,715) | | | | | (172,715) |
| FX exchange gains and losses | (305) | (16,369) | | | | (16,674) |
| Other increase/decrease | (4,699) | 197 | | | | (4,502) |
| Balance on 31.12.2013 | 1,624,798 | 5,797,198 | - | 9,340 | - | 7,431,336 |
| Present value | | | | | | |
| 31.12.2013 | 4,083,457 | 3,142,853 | 2,538,243 | 33,700 | 97,351 | 9,895,604 |
| Present value | | | | | | |
| 31.12.2012 | 3,625,641 | 2,541,131 | 2,009,556 | 28,825 | 214,432 | 8,419,585 |

| | 2013 | 2012 |
|--|----------------|----------------|
| Depreciation expenses | | |
| Depreciation of intangible investments | 12.396 | 18.479 |
| Depreciation of property and equipment | 521.812 | 439.102 |
| Total | 534.208 | 457.581 |

• The increase of the figure Land and buildings by transfer from investments in progress in the amount of 286.787 thousand RSD relates, first of all, to EP Entel based on the transfer of land and property in preparation to use, because the construction of business premises in Oman was completed (investments in 2013 for the same building amounted ca. to 250.000 thousand RSD).

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

Based on the decision of the Executive Board of the Company, current value per m² of office space in the Energoprojekt building was levelled to 54.300,00 RSD/m² and posted under the Buildings Value and Revaluation Reserves Adjustment Account in the amount of 172.715 thousand RSD.

On 31.12.2013, the residual value and the remaining useful lifetime for the property and equipment with significant accounting value were evaluated. The effect of the change in the accounting assessment influenced the change in depreciation costs for 2013 and consequently, the accounting value of assets on 31.12.2013 (Note 17).

• The increase (purchase) under **plants and equipment** in the amount of 1.048.278 thousand RSD relates mostly to EP Niskogradnja in the amount of 906.380 thousand RSD based on the purchase of plant and equipment for projects in the country and abroad (Peru and Uganda).

• **Investment properties** on 31.12.2013 amount to 2.538.243 thousand RSD.

The most important investment properties of the Group are as follows:

- Office and residential building in Moscow, Dom 12;
- Office and residential buildings of the Zambia Engineering and Contracting Company Limited, Zambia;
- Office building EP Niskogradnja in Peru, Cruz del Sur;
- Office building of EP Garant in Goce Delceva street, New Belgrade, residential building in the Boulevard Zoran Djindjic, New Belgrade and business premises in the YU business center, New Belgrade;
- Business premises of EP Energodata in Palmira Toljatija street (shopping mall Stari Merkator) New Belgrade and business premises in Nis;
- Business premises of Enjub in Jurija Gagarina street, New Belgrade;
- Business premises of EP Holding in Palmira Toljatija street (shopping mall Stari Merkator) New Belgrade.

The increase of investment properties in the amount of 563.574 thousand RSD relates mostly to the transfer from properties to investment properties and first valuation of investment properties of the foreign branch Zambia Engineering and Contracting Company Limited, Zambija.

Renting of investment properties of Energoprojekt Group has generated an income of 124.692 thousand RSD in the reporting period. It mostly relates to the income from renting the office and residential building in Moscow, Dom 12 in the amount of 42.338 thousand RSD (Note 13).

The valuation of the investment property was performed by independent valuers, who have appropriate professional qualifications and recent relevant work experience in the field of investment property.

The valuation of the value was performed based on numerous factors, such as: existing renting conditions, valuation of market conditions and valuation of the capitalization rate by using comparative market data, if possible.

Due to the current situation on the property market and reduced number of sales transactions with respect to previous years due to the economic crisis, the valuator has mostly used his knowledge of the market and professional judgment and less results of comparable transactions in the past.

Mortgage-related data for Energoprojekt properties is presented in the Note 47.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

26. EQUITY INVESTMENTS

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

Equity investments pertain to shares (stakes):

| | 2013 | 2012 |
|--------------------------------------|----------------|----------------|
| | (RSD 000) | (RSD 000) |
| a) Banks and financial organizations | 71,260 | 99,193 |
| b) Other legal entities: | 671,259 | 568,476 |
| - Energopet d.o.o. (33,33 %) | 348,744 | 297,262 |
| - Energonigeria ltd. (40,00%) | 311,356 | 259,767 |
| - Other | 11,159 | 11,447 |
| Total | 742,519 | 667,669 |

• **Equity investments that relate to banks and other financial organizations** amount to 71.260 thousand RSD and relate mostly to EP Holding in the amount of 48.222 thousand RSD (Jubmes bank plc, Belgrade, Aik bank plc, Nis, etc.), EP Entel: 20.504 thousand RSD, and other companies: 2.534 thousand RSD.

In 2013 equity investments in banks and other financial organizations were reduced by 27.993 thousand RSD through sale of shares held by Hipotekarna bank plc, Podgorica in EP Holding and EP Industrija (the sales of equity investment and securities generated a profit in the amount of 3.771 thousand RSD) and based on the harmonization of the value of securities in the securities portfolio of companies with their fair value on the secondary securities market on the financial statements preparation date.

• The increase of **equity investments in other legal entities** in the amount of 102.783 thousand RSD in comparison to 2012, was a result of the net results of affiliated entities in 2013 (Energopet ltd. and Energonigerija Ltd.) which are included using the equity method in mini consolidated financial statements of subsidiaries (EP Industrija and EP Oprema), as well as consolidated financial statements of Energoprojekt.

27. OTHER LONG-TERM FINANCIAL INVESTMENTS

Other long term financial investments include:

| | 2013 | 2012 |
|-----------------------------|----------------|----------------|
| | (RSD 000) | (RSD 000) |
| FCY savings bonds | 48,542 | 60,335 |
| Housing loans for employees | 56,410 | 57,510 |
| Other | 706,308 | 779,659 |
| Total | 811,260 | 897,504 |

• Other long-term financial investments in **FCY saving bonds** relate to EP Garant and EP Industrija in the amount of 35.788 thousand RSD and 12.754 thousand RSD respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

• **Long-term housing loans** are interest-free and in accordance with provisions of the contract and the Law on amendments and supplements of the Housing law, the Company applies instalment revalorization according to the price shifts in the Republic of Serbia for the respective calculation period. Most of 56.410 thousand RSD refers to EP Visokogradnja: 34.376 thousand RSD and EP Oprema: 11.990 thousand RSD, the amount of 10.044 thousand RSD refers to other companies.

• **Other long-term financial investments** in the amount of 706.308 thousand RSD relate mostly to the following companies:

- EP Entel: 433.455 thousand RSD, out of which the amount of 406.463 thousand RSD refers to long-term receivables for the guarantee deposit, which is mostly 10% from the invoiced value and is collectible upon completion of all works (Energoprojekt Entel Qatar: 384.726 thousand RSD and Energoprojekt Entel Oman L.L.C.: 21.737 thousand RSD). The deposit for bank guarantees (EP Entel) amounts to 23.730 thousand RSD, the amount of 3.262 thousand RSD refers to other long-term deposits;

- EP Oprema: 170.330 thousand RSD refers to long-term receivables based on guarantee deposits for a large number of projects;

- EP Visokogradnja: 82.406 thousand RSD refer to the complex Crni Vrh (not yet completed). The Company has 5% ownership rights based on the co-financing agreement; and other companies in the amount of 20.117 thousand RSD.

28. INVENTORIES

| | 2013 | 2012 |
|-------------------------------------|------------------|------------------|
| | (RSD 000) | (RSD 000) |
| Raw material, spare parts and tools | 1,146,045 | 921,827 |
| Work in progress | 1,386,426 | 1,270,563 |
| Finished goods | 170,340 | 213,952 |
| Merchandise | 269,609 | 65,651 |
| Paid advances | 714,333 | 584,169 |
| Total | 3,686,753 | 3,056,162 |

• **Raw material, spare parts and tools** amount to 1.146.045 thousand RSD and refer mostly to the following companies:

- EP Niskogradnja: 569.478 thousand RSD, inventories abroad amount to 445.182 thousand RSD (Uganda: 263.516 thousand RSD, Peru: 181.666 thousand RSD), in the country 124.296 thousand RSD. Stock levels, above all materials and spare parts, are determined by the work schedule and supply limitations in the relevant region;

- EP Visokogradnja: 319.979 thousand RSD, material: 314.080 thousand RSD (in the country: 117.625 thousand RSD, abroad: 196.455 thousand RSD), spare parts, tools in the amount of 5.899 thousand RSD relate to other countries. Large stocks relate to the following projects: Z-087 Aktau restaurant and night club: 30.223 thousand RSD, Z-088 Hotel Hayatt Rostov: 23.342 thousand RSD, Z-091 Astrahan: 41.943 thousand RSD and other;

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- EP Oprema: 181.866 thousand RSD, material refers to: 165.505 thousand RSD, tools and inventories: 16.361 thousand RSD; and other companies in the amount of 74.722 thousand RSD.

• **Work in progress** in the amount of 1.386.426 thousand RSD relates mostly to the following companies:

- EP Visokogradnja: 1.166.470 thousand RSD, out of which 649.521 thousand RSD relate to work in progress in the country (based on own investments in Belgrade in Cara Nikolaja street: 395.127 thousand RSD, Knez Danilova and Dalmatinska street: 79.669 thousand RSD, Bezanijska Kosa: 46.577 thousand RSD, Vozdovac: 25.938 thousand RSD and shopping mall Bor: 102.210 thousand RSD), 516.949 thousand RSD relate to work in progress abroad (based on works on the residential complex Sistet Bare in Montenegro);

- Enjub: the amount of 113.871 thousand RSD relates to buildings in Belgrade (Block 45, Block 70 and buildings in Rakovica); and

- EP Niskogradnja: the amount of 104.403 thousand RSD relates to the processed rock for the upper dam, processed rock for the filter, aggregate for concrete production and material for the lower dam (embankment) – projects abroad (Peru).

• **Finished goods** in the amount of 170.340 thousand RSD relate mostly to (109.492 thousand RSD) EP Visokogradnja, to property in Herceg Novi in the amount of 82.574 thousand RSD and Belgrade (Bezanijska Kosa and Block 29) in the amount 26.918 thousand RSD.

• The total value of **the merchandise** (269.609 thousand RSD) relates mostly to EP Oprema: 200.633 thousand RSD and EP Niskogradnja: 33.122 thousand RSD (relates almost entirely to invoiced material and spare parts for projects in Uganda, not delivered till 31.12.2013 - Goods in transit: 32.822 thousand RSD).

• **Advance payments** amount to 714.333 thousand RSD and relate, first of all, to EP Oprema, EP Visokogradnja and EP Niskogradnja.

- EP Oprema: advance payments amount to 269.694 thousand RSD and relate to advance payments to consortium partners and subcontractors for projects in the country: Thermal Power Plant Kostolac and RTB Bor (Copper mining company): 135.188 thousand RSD, advance payments for the construction of the embassy in Abuja, Nigeria: 43.402 thousand RSD, advance payments to foreign suppliers for projects abroad: 66.153 thousand RSD and advance payments to foreign suppliers for projects in Serbia: 24.951 thousand RSD;

- EP Visokogradnja: advance payments amount to 331.478 thousand RSD, out of which advance payments in the country amount to 118.006 thousand RSD, and abroad: 213.472 thousand RSD,

- EP Niskogradnja: advance payments amount to 73.873 thousand RSD, out of which advance payments abroad amount to 66.625 thousand RSD (Uganda: 61.080 thousand RSD, Peru: 5.213 thousand RSD and Kazakhstan: 332 thousand RSD), and advance payments to subcontractors for domestic projects amount to 7.248 thousand RSD (Interko: 2.889 thousand RSD, Consortium Elso Projekt ltd: 902 thousand RSD, Kuzet trade ltd: 835 thousand RSD, Nis Gazprom Neft: 817 thousand RSD, and others.).

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

29. FIXED ASSETS FOR SALE

Fixed assets for sale of the Energoprojekt Group 62.983 thousand RSD out of which: EP Niskogradnja in the amount of 50.688 thousand RSD, and Energoplast 12.295 thousand RSD.

- EP Niskogradnja: Fixed assets for sale:

| No. | Description | Location | m ² | Present value in 000 Rsd |
|-----|---|-------------------------|----------------|--------------------------|
| 1 | Land - Mombassa Road, Kenya | Nairobi, Kenya | 12.140,55 | 4,066 |
| 2 | Land "Santa Clara", Peru | Santa Clara, Lima, Peru | 23.009,70 | 18,601 |
| 3 | Warehouse "Santa Clara", Lima | Santa Clara, Lima, Peru | 792,35 | 22,273 |
| 4 | Business premises - Buenos Aires, Argentina | Buenos Aires, Argentina | 86,30 | 5,748 |
| | Total | | | 50,688 |

The reclassification of the land for sale was performed based on the decision of the EP Niskogradnja Chief executive officer, reached on 02.10.2012, on the sale of land in Kenya and Santa Clara – Lima with accompanying facilities (warehouse). The total value is 22.667 thousand RSD, and the value of facilities for sale amounts to 22.273 thousand RSD pursuant to ISFR 5.

The reclassification of facilities for sale with total value of 5.748 thousand RSD pursuant to ISFR 5 was performed based on the decision on the sale of office and residential space in Argentina, reached by respective authorities of the Company on 21.04.2011.

- Fixed assets for sale in Energoplast, refer to the tools for the production of one-piece stoppers: 5.354 thousand RSD and a mold for one-piece stoppers: 6.941 thousand RSD, located in company's premises.

30. RECEIVABLES

| | 2013 (RSD 000) | 2012 (RSD 000) |
|---|-------------------|-------------------|
| <u>Receivables from sales</u> | | |
| Domestic buyers | 1,491,728 | 1,366,766 |
| Foreign buyers | 5,022,022 | 5,328,185 |
| Total | 6,513,750 | 6,694,951 |
| <u>Receivables from specific business operations</u> | 24,124 | 26,098 |
| <u>Other receivables</u> | | |
| Receivables from employees | 27,235 | 25,732 |
| Receivables from government authorities and institutions | 65 | 431 |
| Receivables for other prepaid taxes and contributions | 26,494 | 4,616 |
| Other receivables | 346,015 | 364,177 |
| Total | 399,809 | 394,956 |
| Grand total | 6,937,683 | 7,116,005 |

• **Receivables from domestic buyers** in 2013 amount to 1.491.728 thousand RSD and relate to EP Oprema: 856.909 thousand RSD, EP Niskogradnja: 343.361 thousand RSD, Energoplast: 110.669 thousand RSD, EP Visokogradnja: 40.557 thousand RSD, EP Hidroinzenjering: 35.991 thousand RSD, EP Entel: 35.764 thousand RSD, EP Industrija: 32.402 thousand RSD and other in the amount of 36.075 thousand RSD.

EP Oprema: The most important receivables from domestic buyers are as follows:

- Internacional projekt services Ltd: 434.199 thousand RSD;
- SNC-Lavalin internacional INC: 262.950 thousand RSD;
- JP Elektromreza Serbia: 109.249 thousand RSD;
- Instalacine Inabensa: 48.221 thousand RSD; and others.

EP Niskogradnja: The most important receivables from domestic buyers are as follows:

- Azvirt, Belgrade: 166.437 thousand RSD;
- JP Putevi Serbia: 75.546 thousand RSD;
- Hidrogradjevinar: 39.669 thousand RSD;
- Ministry of Agriculture, Trade, Forestry and Water Commerce, Water directorate RS – JVP vode Vojvodine: 29.184 thousand RSD; and other.

• **Receivables from foreign buyers** in the total amount of 5.022.022 thousand RSD refer to EP Niskogradnja and relate to receivables from investors abroad in the amount of 2.302.444 thousand RSD, EP Entel: 1.113.938 thousand RSD, EP Visokogradnja: 831.239 thousand RSD, EP Hidroinzenjering: 367.916 thousand RSD, EP Oprema: 300.457 thousand RSD and other in the amount of 106.028 thousand RSD.

EP Niskogradnja: The most important receivables from buyers abroad relate to receivables in Uganda, first of all: 1.738.852 thousand RSD, then Peru and Kazahstanu:

- Uganda National Road Authority – Project Upgrading and strengthening of Kampala Gayaza Ziobwe Road, Uganda: 811.466 thousand RSD;
- Uganda National Road Authority - Project Overlay of Kawempe Kafu Road (166 km), Uganda: 777.712 thousand RSD;
- Kampala Capital City Authority – Kampala Streets B&D, Uganda: 116.477 thousand RSD;
- Kampala Capital City Authority – Kampala Streets, Uganda: 30.102 thousand RSD;
- Kampala Capital City Authority – Kampala Streets Jinja Road, Uganda: 3.095 thousand RSD;
- Consorcio Chota Cochabamba, Peru: 83.812 thousand RSD;
- Sindicato Energetico S.A. , Peru: 42.963 thousand RSD;
- Consorcio Pericos – San Ignacio, Peru: 28.858 thousand RSD;
- Consorcio Constructer S.A.C. , Peru: 19.898 thousand RSD; and other.

• **Receivables from specific business operations** in the amount of 24.124 thousand RSD refer mostly to EP Oprema: 18.914 thousand RSD and EP Garant: 4.133 thousand RSD, the amount of 1.077 thousand RSD relates to other companies in the Group.

• **Receivables for other prepaid taxes and contributions** amount to 26.494 thousand RSD and refer to EP Visokogradnja in the amount of 17.375 thousand RSD (prepaid income tax in Kazahstanu), Nana Offshore S.A.L, Lebanon: 6.662 thousand RSD (prepaid VAT from previous years), EP Hidroinzenjering: 2.310 thousand RSD and EP Industrija: 147 thousand RSD. Increase of receivables in 2013 in the amount of 21.878 thousand RSD was a result of receivables for income tax in Kazahstan (EP Visokogradnja).

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

• **Other receivables** amount to 346.015 thousand RSD and relate to, first of all, EP Niskogradnja in the amount of 300.007 thousand RSD (abroad – based on the receivables from the Tax Administration for prepaid income tax in Peru and Uganda, receivables in Peru based on external loans, receivables for prepaid VAT in Kazakhstan, etc). The amount of 46.008 thousand RSD relates to other companies in the Group (based on receivables for interest, receivables from funds based on paid salaries, etc).

31. SHORT TERM FINANCIAL INVESTMENTS

| | 2013 | 2012 |
|---------------------------|------------------|------------------|
| | (RSD 000) | (RSD 000) |
| Short fixed deposits | 1,725,725 | 2,252,993 |
| Short-term loans extended | 80,860 | 79,120 |
| Other | 25,303 | 38,183 |
| Total | 1,831,888 | 2,370,296 |

• **Short fixed deposits** in the amount of 1.725.725 thousand RSD relate to:

- EP Entel: 1.230.282 thousand RSD (deposited funds with domestic and foreign banks – overnight deposit at Beonia rate minus 200 basic points on an annual basis in Serbia and 1,5% annual interest abroad);
- EP Garant: 455.939 thousand RSD (deposited FCY funds with domestic banks with an interest rate between 2,34 and 3,50 % annually);
- EP Hidroinzenjering: 18.787 thousand RSD (deposited funds with Scotiabank, Peru as collateral for guarantees for projects Machupicchu II and Yarascay);
- EP Niskogradnja: 13.217 thousand RSD (9.474 thousand RSD refer to deposited funds with Banco Continental BBVA, Peru for a credit line approved for advance guarantees); and
- EP Industrija: 7.500 thousand RSD (deposited RSD funds with Unicredit bank, Belgrade).

• **Short-term loans** in the amount of 80.860 thousand RSD, relate mostly to EP Holding loans to Enjub (76.546 thousand RSD), 50% of the amount in accordance with the inclusion of the company using the proportional method in consolidated financial statements of the Energoprojekt Group.

• **Other short-term financial investments** in the amount of 25.303 thousand RSD relate to:

- EP Garant: 14.764 thousand RSD and EP Industrija: 6.768 thousand RSD (part of long-term deposits and investments with one-year maturity – old frozen bonds);
- EP Visokogradnja: 3.012 thousand RSD (deposits for guarantees abroad: 2.890 thousand RSD and deposits for apartments: 122 thousand RSD);
- EP Niskogradnja: 681 thousand RSD and EP Holding: 78 thousand RSD (short-term loans to employees).

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

32. CASH AND CASH EQUIVALENTS

| | 2013 | 2012 |
|---|------------------|------------------|
| | (RSD 000) | (RSD 000) |
| <u>RSD</u> | | |
| Current accounts | 133,796 | 59,728 |
| Petty cash | 109 | 267 |
| Short-term deposits | 67,628 | 779,730 |
| Other | 2,467 | 721 |
| Total | 204,000 | 840,446 |
| <u>FCY</u> | | |
| Foreign currency accounts | 2,626,795 | 2,183,860 |
| Petty cash | 76,999 | 92,245 |
| L/C | 102,419 | 52,247 |
| Other | 75,668 | 186,687 |
| Value-impaired or restricted pecuniary assets | 2 | |
| Total | 2,881,883 | 2,515,039 |
| Grand total | 3,085,883 | 3,355,485 |

• **Short-term deposits** in the amount of 67.628 thousand RSD relate to time deposits of EP Oprema with domestic banks.

• **FCY accounts** refers mostly to the EP Visokogradnja, EP Niskogradnja, EP Entel, EP Garant and EP Hidroinzenjering.

• **L/C in foreign currency** in the amount of 102.419 thousand RSD relate to EP Oprema.

• **Other funds in foreign currency** in the amount of 75.668 thousand RSD relate mostly to EP Holding: 70.038 thousand RSD (based on FCY short-term deposits) and EP Hidroinzenjering: 4.550 thousand RSD (based on guarantee deposits for rented apartments in Jordan, collateral for the guarantee for the project Ourkis, Algeria etc).

33. ADDED VALUE TAX AND ACTIVE ACCRUALS

| | 2013 | 2012 |
|---------------------------------|------------------|------------------|
| | (RSD 000) | (RSD 000) |
| <u>Added value tax</u> | 29,982 | 27,401 |
| <u>Active accruals</u> | | |
| Prepayments | 178,379 | 131,613 |
| Non-invoiced income receivables | 1,349,188 | 895,363 |
| Accrued VAT | 28,431 | 42,228 |
| Accrued commitments | 193 | 115,062 |
| Other active accruals | 84,694 | 93,321 |
| Total | 1,640,885 | 1,277,587 |
| Grand total | 1,670,867 | 1,304,988 |

• **Receivables on non-invoiced income** in the amount of 1.349.188 thousand RSD relate mostly to EP Visokogradnja that refers to receivables based on progress certificates issued to the investor for verification, but not verified before the balance sheet was prepared and income that was expressed, considering the principle of prudence, in accordance with incurred expenses for which Annexes to the Contracts have to be signed. The Company applies the International Accounting Standard 11 – Construction contracts and expresses the income in proportion to completed works.

- Receivables on non-invoiced income that relate to EP Visokogradnja in the amount of 638.878 thousand RSD include mostly the following:

Receivables on non-invoiced income from investors abroad: 482.414 thousand RSD; refers to the following project:

Z-068 Hotel Aktau: 173.895 thousand RSD;

Z-087 Restaurant and Night Club Aktau: 122.297 thousand RSD;

Z-088 Hotel Hyatt Rostov-on-Don: 77.058 thousand RSD;

Z-074 Winery Sarijagas: 36.583 thousand RSD,

Z-093 Opstezitije Uhta: 29.316 thousand RSD;

Z-085 Uhta: 17.967 thousand RSD;

Z-092 Horizonti Siktivkar: 17.335 thousand RSD;

Z-086 Hotel and SRC Atirau: 4.008 thousand RSD;

Z-090 Design of the Telekom Center: 3.955 thousand RSD;

Receivables on non-invoiced income in the country: 156.464 thousand RSD relate to the following projects:

Prokop: 123.003 thousand RSD;

Sulfuric acid factory and smeltery, Bor: 22.802 thousand RSD; and

Cable-car for the project Crni Vrh, Bor: 10.659 thousand RSD.

- Receivables on non-invoiced income that relate to EP Niskogradnja in the amount of 389.595 thousand RSD, refer to the following:

Receivables on non-invoiced income from investors abroad: 285.895 thousand RSD, refer to the following projects:

Z-019 Cochabamba - Chota, Peru - receivables from investors based on certified preliminary progress certificates for completed works in 2013: 163.175 thousand RSD;

Z-023 Pericos, Peru - receivables from investors based on certified preliminary progress certificates for completed works in 2013: 70.479 thousand RSD;

Z-014 Yanacocha, Peru – receivables from investors based on approved but non-invoiced arbitration requests in 2013: 39.010 thousand RSD;

Z-019 Cochabamba Chota, Peru - from Conalvias SAS for non-invoiced services: 12.399 thousand RSD;

Z-024 Chancay y Rucuy, Peru- receivables from investors based on certified preliminary progress certificates for completed works in 2013: 832 thousand RSD;

Receivables on non-invoiced income in the country: 103.700 thousand RSD refers to the following projects:

Tunnel Sarani - receivables from investors based on certified preliminary progress certificates for completed works in 2013: 99.254 thousand RSD;

Elementary School Takovski Ustanak – receivables for completed reconstruction works in 2013: 2.650 thousand RSD; and

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

Lot1.1. Novi Sad - receivables from investors based on certified preliminary progress certificates for completed works in 2013: 1.796 thousand RSD.

- Receivables on non-invoiced income for EP Holding in the amount of 171.315 thousand RSD relate to:

The completion of the agreement on the construction of the embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria, a turnkey project, on the cadastral lot No. 313, registered in the registry of immovable property, cadastral zone A00 in the amount of 171.168 thousand RSD; and receivables from Telekom Serbia plc in the amount of 147 thousand RSD based on the renting of the roof terrace of Energoprojekt building for November and December of the reporting year.

- Receivables on non-invoiced income for EP Hidroinzenjering in the amount of 99.778 thousand RSD relate to:

„Dredging of the Danube riverbed”, financed by the European Delegation in Serbia in the amount of 50.010 thousand RSD (only final invoice upon work completion will be issued and this is delayed only because of slow administration, though the project was submitted upon completion to the respective Ministry for review; and Project Djedra, Algeria in the amount of 49.768 thousand RSD for which warranties were submitted on 15.12.2013, which is the main reason for activating receivables on non-invoiced income.

- Other companies in the Energoprojekt Group that have receivables on non-invoiced income include the following: EP Oprema: 29.790 thousand RSD, EP Industrija: 17.204 thousand RSD; and EP Urbanizam i arhitektura: 2.628 thousand RSD.

34. EQUITY AND OTHER CAPITAL

Equity includes the following capital types:

| | 2013 | 2012 |
|-----------------------------|------------------|------------------|
| | (RSD 000) | (RSD 000) |
| Share capital | 5,839,150 | 5,411,258 |
| Limited liability companies | 9,289 | 9,289 |
| Other capital | 91,279 | 91,417 |
| Total | 5,939,718 | 5,511,964 |

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.

At the 41st annual General Meeting of EP Holding shareholders, held on 28.06.2013, decisions were reached (item 3 of the agenda) regarding the following:

- The distribution of undistributed profit for 2012,
- XI issue of ordinary shares without public offering for the payment of dividends.

The total amount of net profit of EP Holding for 2012 was 505.370.307,96 thousand RSD. The amount of undistributed profit from previous years was 284.872.483,11 RSD. The total amount of undistributed profit was 790.242.791,07 RSD.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

The above mentioned amount for undistributed profit was distributed according to the decision reached by the Assembly as follows:

- the amount of 506.814.540,00 RSD will be used to increase the equity by issuing XI issue for the purpose of converting undistributed profit to equity (993.754 shares with a nominal value of 510,00 RSD).
- The balance of 283.428.251,07 RSD remains unallocated.

The decision was recorded in accounting books on 28.06.2013 and filed with the Serbian Business Registers Agency on 09.07.2013.

The share capital of EP Holding on the balance sheet date consists of 10.931.292 ordinary shares each with a nominal value of 510,00 RSD (5.574.959 thousand RSD).

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

35. RESERVES

Reserves comprise of:

| | 2013 (RSD 000) | 2012 (RSD 000) |
|---------------------|-------------------|-------------------|
| Legal | 237,952 | 237,952 |
| Statutory and other | 136,314 | 424,251 |
| Issuing premium | 237,014 | 237,014 |
| Total | 611,280 | 899,217 |

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

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

The decrease in reserves in the reporting period derives from the transfer of funds from Other reserves to Undistributed profit in EP Entel based on the 39th meeting of the Board of Directors held on 20.02.2014.

36. REVALUATION RESERVES, UNREALIZED PROFIT/LOSS FROM SECURITIES

| | 2013 (RSD 000) | 2012 (RSD 000) |
|--|-------------------|-------------------|
| Revaluation reserves | 2.272.779 | 1.748.834 |
| Unrealized profit from available-for-sale securities | 7.138 | 14.599 |
| Unrealized losses from available-for-sale securities | (38.561) | (25.798) |
| Total | 2.241.356 | 1.737.635 |

• **Revaluation reserves** relate to gain/losses of the fair value of property and equipment, as well as reserves based on the financial statements calculation displayed in another functional currency than the presentation currency (reporting currency).

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- Revaluation reserves in the amount of 587.730 thousand RSD relate mostly to the foreign branch Zambia Engineering and Contracting Company Limited, Zambia and are resulting, first of all, from effects of the first assessment of the fair value of investment properties in 2013, when properties to be rented were transferred from properties to investment properties in the amount of 584.263 thousand RSD;
- Revaluation reserves that relate to Nana Offshore S.A.L, Lebanon in the amount of 540.422 thousand RSD relate to the first assessment of the investment property – business premises Dom 12 in Moscow (2011);
- Revaluation reserves that relate to EP Industrija in the amount of 250.671 thousand RSD relate to revaluation reserves based on the gain/losses of the fair value of property (aliquot part 33,33%) Energopet ltd, included in the consolidated statements of EP Industry using the equity method: 197.896 thousand RSD, business premises Energoprojekt: 50.410 thousand RSD and other properties: 2.365 thousand RSD);
- Revaluation reserves of EP Niskogradnja in the amount of 247.280 thousand RSD relate to the revaluation reserves based on the gain/losses of the fair value of property: 241.370 thousand RSD (55% buildings Cruz del Sur, Lima, Peru: 170.146 thousand RSD in 2012 and office space in the Energoprojekt building: 71.224 thousand RSD in 2013) and reserves based on the financial statements calculation displayed in another functional currency than the reporting currency: 5.910 thousand RSD;
- EP Entel: revaluation reserves amount to 137.069 thousand RSD and relate to revaluation reserves based on the gain/losses of the fair value of property: 78.111 thousand (office space in the Energoprojekt building) and reserves based on the translation of financial statements into the reporting currency: 58.958 thousand RSD;
- U EP Visokogradnja revaluation reserves in the amount of 114.772 thousand RSD relate to the gain/losses of the fair value of property and equipment: 113.872 thousand RSD (equipment: 69.152 thousand RSD, investment properties: 13.692 thousand RSD and office space in the Energoprojekt building: 31.028 thousand RSD) and reserves based on the translation of financial statements into the reporting currency: 900 thousand RSD;
- U EP Hidroinženjering revaluation reserves in the amount of 113.982 thousand RSD relate to the gain/losses of the fair value of property (office space in the Energoprojekt building), and revaluation reserves in other companies in the Energoprojekt Group amount to 285.762 thousand RSD.

The increase of net revaluation reserves in comparison to the previous year amounts to 523.945 thousand RSD is the result, first of all, of:

On one side, the increase of revaluation reserves related to properties is based on:

- the first assessment of the fair value of investment properties in the foreign branch Zambia Engineering and Contracting Company Limited, Zambia during translation from properties to investment properties in the amount of 584.263 thousand RSD;
- the current value per m² of office space in the Energoprojekt building that was levelled based on the decision of respective boards of companies in the total amount of 172.716 thousand RSD; and other.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

On the other side, the decrease of revaluation reserves based on the financial statements calculation displayed in another functional currency than the reporting currency, first of all in EP Niskogradnja in the amount of 61.871 thousand RSD and EP Visokogradnja in the amount of 89.327 thousand RSD; and other.

- The price drop of shares at the Belgrade Stock Exchange for those companies, whose shares are in the portfolio of available-for-sale securities in the Energoprojekt Group, influenced mostly the drop of **Unrealized profits** and the rise of **Unrealized profits based on available-for-sale securities**.

37. UNDISTRIBUTED PROFIT AND LOSS

Undistributed profit comprises:

| | 2013 | 2012 |
|---|------------------|------------------|
| | (RSD 000) | (RSD 000) |
| Consolidated net prior years profit | 4,574,445 | 3,975,463 |
| Changes during the year | 74,842 | 598,982 |
| Consolidated net profit as at 31.12.2013 | 4,649,287 | 4,574,445 |

Changes which occurred during the year are the result of gain generated in 2013 and distribution deductions in 2012.

The distribution of the undistributed profit on 31.12.2012 was performed based on the resolution adopted by the general meeting of Energoprojekt Holding (41st meeting, item 3 of the agenda, held on 28.06.2013) - Note no. 34.

38. LONG-TERM PROVISIONS

Long term provisions are disclosed when:

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

Long term provisions comprise:

| | 2013 | 2012 |
|--|------------------|------------------|
| | (RSD 000) | (RSD 000) |
| Provision for expenses in warranty | 566,095 | 705,158 |
| Provision for fees and other employee benefits | 300,373 | 280,851 |
| Other | 392,715 | 402,656 |
| Total | 1,259,183 | 1,388,665 |

• **Provisions for warranty related expenses** in the amount of 566.095 thousand RSD relate to EP Entel and Enjub:

- **Provisions for warranty related expenses** in EP Entel in the amount of 565.215 thousand RSD relate to expense provisions for substantial changes in contract items where additional works are not chargeable. In 2013, provisions in the amount of 123.952 thousand RSD were removed from this account. The calculation for expense provisions in the warranty period was performed based on the best assessment by the management and previous experience and it is expected to be payable in less than 5 years. The actual liability may differ from the provision, depending on future developments. These provisions were not discounted since these effects are not materially significant.

- Enjub: provisions for warranty related expenses in the amount of 880 thousand RSD relate to expenses that may occur in a specific time period that was foreseen for possible afterclaims by buyers concerning construction and other works on buildings that have already been put to use (for the building in Rakovica: 380 thousand RSD, for the building in the Block 70 B: 500 thousand RSD).

• **Provisions for fees and other employee benefits** (provisions for non-due retirement bonus upon retirement), are displayed based on the actuarial calculation performed by experts of the Energoprojekt Group.

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.

The decrease of the provision amount based on the present value of retirement bonus for the entire Energoprojekt Group (by 0,57%) in the balance sheet on 31.12.2013 in comparison to 31.12.2012, was a result of several changed factors:

- On one hand, changes of some factors affect the increase of the provision amount (1,50% increase in the number of employees and 4,79% increase of the projected retirement amount);
- On the other hand, changes of some factors affect the decrease of the provision amount (2,42% decrease of the average years in service in the Company and increase of the difference between the annual discount rate and the average annual expected salary growth rate of 0,50%).

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

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

- *first, according to employee gender, working experience and years of service in the Company; considering the expected annual fluctuation and mortality rate (estimated annual fluctuation and mortality rate), an estimation was made of the number of employees that will exercise the right to a retirement bonus, as well as the period during which this bonus will be paid out;*
- *Second, considering provisions of the Collective agreement, the bonus amount was valued 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.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

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 6% and*
- *discount rate of 9% .*

Since the annual discount rate is necessary to determine the present value of (undue) retirement bonuses, as well as the average annual growth of salaries in the Company, these values will be specified later in the text.

The rate of 9% was accepted as the annual discount rate. In the paragraph 78, IAS 19 and paragraph BC 33 in the Basis for Conclusions IAS 19, it is explicitly stated that the rate used for discount should be defined according to market yields at the balance sheet date for high yield corporate bonds. In countries where there is no developed market for such bonds, market yields (at the balance sheet date) for government bonds should be used. The value date and deadlines for bonds should be in accordance with the value date and deadlines for liabilities for income after employment.

Since the financial market of Serbia is insufficiently developed, the real annual yield from the purchase of government bonds with the Republic of Serbia as the guarantor should be used as a reference for the determination of the discount rate on the balance sheet date. According to the above, the discount rate was determined according to the annual yield of government bonds, issued on 30.12.2013 by the Public Debt Administration of the Ministry of Finance of the Republic of Serbia. These bonds were issued with an annual interest rate of 8,89%. Since the maturity of reference securities (371 days) is shorter than the average estimated maturity for income that is the subject of this calculation, in view of requirements from paragraph 81, IAS 19, the discount rate was estimated considering longer maturity.

The annual expected wage growth in the Company is planned at a level of 6%.

The annual discount rate and the annual wage growth depend upon the inflation rate. The Memorandum of the National Bank of Serbia on the target inflation rate till 2016, adopted at the meeting of the Executive Board of NBS on 18.10.2013, among other things, determines the target inflation rate for 2014 of 4%, with permissible deviation (positive and negative) of 1,5 percentage points. According to the above and considering the decrease in inflation in 2013 and the expectation that structural reforms and price liberalization will not be performed as indicated in the Memorandum, it would be realistic, for the next-year inflation and within permitted framework foreseen by the Memorandum, to plan the inflation with maximum permissible positive deviation of 1%.

The provision will be estimated according to the planned annual inflation of 5%. It can be concluded that the Company planned a long-term annual wage growth of 1% and the long-term annual real discount rate was planned at 4%.

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 6% and long-term annual discount rate of 9%, assumes an unchanged inflation rate in future. This assumption is requested in the paragraph 75, IAS 19.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

• **Other long-term provisions** in the amount of 392.715 thousand RSD relate to:

- EP Holding 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, New Belgrade no. 507, concluded between the consortium „Energoprojekt – Napred“ and Trinity Capital ltd.

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

Provisioning was pursuant to IAS 37 „Provisions, Contingent Liabilities and Contingent Assets“, due to the Outcome 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 31.12.2013 there is still Outcome 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 ltd. Therefore, the management assesses that conditions for the cancellation of the provision at the balance sheet date have not been met yet;

- EP Niskogradnja in the amount of 97.097 thousand RSD that relate to the obligation of the Company towards the subcontractor based on the project Z-0163 „Navigation Lock“, Iraq. The provision amount was determined according to the identical methodology as prescribed by the Government of Iraq, based on which the Company has collected its receivables with respect to the mentioned project;

- EP Entel in the amount of 22.838 thousand RSD refers to provisions based on lawsuits against the Company. Decrease in the amount of 837 thousand RSD was a result of exchange rate gains in 2013. Other long-term provisions are calculated based on the best assessment of the management and are not discounted since the discount impact is not materially significant;

- EP Enjub in the amount of 9.009 thousand RSD refers mostly to provisions based on ongoing lawsuits (the Legal Department has given an assessment on possible unfavourable outcome) and other.

- EP Garant in the amount of 3.771 thousand RSD relate to the risk equalization provisions (decreased by 9.104 thousand RSD in comparison to 2012).

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

39. LONG-TERM LOANS

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

| | Annual interest rate | Currency | 2013 (RSD 000) | 2012 (RSD 000) |
|-----------------------|--|----------|-------------------|-------------------|
| <u>Domestic</u> | | | | |
| Development Fund | 4.50% | EUR | | 148,997 |
| Societe Generale bank | 3M Euribor + 5,00% | EUR | 8,818 | 113,719 |
| Alpha bank | 3M Euribor + 5,75% | EUR | 148,393 | 110,331 |
| Erste bank | 2,50% - 3,50% | EUR | | 165,030 |
| VTB bank | 3M Libor + 3,25%; RKS (11,00%) + 1,20% | EUR, RSD | 66,232 | 15,571 |
| Komercijalna banka | 9.00% | RSD | 50,001 | 10,681 |
| Total | | | 273,444 | 564,329 |
| <u>Foreign</u> | | | | |
| Other | | | 184,180 | 378,911 |
| Total | | | 184,180 | 378,911 |
| Grand total | | | 457,624 | 943,240 |

• **Long-term domestic loans** in the amount of 273.444 thousand RSD relate to EP Energodata in the amount of 148.393 thousand RSD (Alpha bank), EP Visokogradnja in the amount of 76.510 thousand RSD (VTB bank: 59.843 thousand RSD and Komercijalna banka: 16.667 thousand RSD), EP Niskogradnja in the amount of 25.485 thousand RSD (Komercijalna banka: 16.667 thousand RSD and Societe Generale bank: 8.818 thousand RSD), EP Holding in the amount of 16.667 thousand RSD (Komercijalna banka) and Energoplast in the amount of 6.389 thousand RSD (VTB bank).

• **Long-term loans granted abroad** in the amount of 184.180 thousand RSD relate to EP Niskogradnja (liabilities towards associates from former YU republics engaged on the project Hydroelectric power station Banieya II, Guinea: 160.856 thousand RSD). Considering the fact that the succession process of former YU republics is not finished and in view of the principle of prudence, the management of the Company believes that, at this moment, there are no favourable conditions to write off the above mentioned liabilities. The long-term loan in the amount of 23.324 thousand RSD (Caterpillar Chile) for the purchase of equipment was approved in USD according to the annual interest rate of 5,95%.

Data on long-term loans are presented in the Note 47.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

40. OTHER LONG-TERM LIABILITIES

Other long term liabilities include:

| | 2013 | 2012 |
|---------------------------------------|----------------|----------------|
| | (RSD 000) | (RSD 000) |
| Finance lease liabilities - long term | 219,107 | 60,783 |
| Other long-term liabilities | 615,434 | 903,216 |
| Total | 834,541 | 963,999 |

• **Finance lease liabilities – long-term** in the amount of 219.107 thousand RSD refer mostly to EP Niskogradnja (215.042 thousand RSD).

Detailed information on liabilities based on financial lease in EP Niskogradnja is presented in the following table.

| Creditor | Currency | Balance of liabilities in currency | Balance of liabilities In 000 RSD | Repayment and due date | Annual interest rate |
|---|----------|------------------------------------|-----------------------------------|-----------------------------------|----------------------|
| Domestic financial lease liabilities | | | | | |
| S-leasing | EUR | 107.810 | 12.360 | Per month 01.12.2015 | 6m EURIBOR + 4,25% |
| Soglease | EUR | 1.949.440 | 223.488 | 15.11.2016 | ≈ 4,41% |
| Total domestic | | | 235.848 | | |
| Foreign financial lease liabilities | | | | | |
| HSBC bank leasing, Peru | USD | 726.400 | 60.384 | Per month 01.07.2015 | 7,00% |
| Banco Financiero, Peru | USD | 486.030 | 40.403 | Per month 16.02.2015 | 7,50% |
| Leasing Peru S.A. | USD | 642.028 | 53.371 | Per month 15.01.2015.- 05.05.2016 | 5,95% |
| Banco Santander, Peru | USD | 63.968 | 5.318 | Per month 01.08.2014 | 5,95% |
| Scotiabank, Peru | USD | 1.105.136 | 91.868 | Per month 02.05.2015 | 6,00% |
| Total foreign | | | 251.343 | | |
| TOTAL | | | 487.191 | | |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

The following table presents financial lease liabilities in RSD on 31.12.2013, divided to:

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

| Creditor | in 000 RSD | |
|-------------------------|---------------------|----------------------|
| | Long-term liability | Short-term liability |
| S-leasing | 6.321 | 6.039 |
| Sogelease | 139.915 | 83.573 |
| HSBC bank leasing, Peru | 14.979 | 45.405 |
| Banco Financiero, Peru | 6.010 | 34.393 |
| Leasing Peru s.a. | 22.764 | 30.607 |
| Banco Santander, Peru | | 5.318 |
| Scotiabank,Peru | 25.052 | 66.816 |
| TOTAL | 215.042 | 272.149 |

• **Other long-term liabilities** in the amount of 615.434 thousand RSD refer to the following companies:

- EP Niskogradnja: 462.194 thousand RSD relate to the part of the liability for received advance for the Project Sarani tunnel with due date 01.01.2015 in accordance with adopted work schedule and advance repayment related to the project;

- EP Visokogradnja: 84.903 thousand RSD relate to obligations towards former owners of plots, who have sold the land for the construction of residential and office buildings and where the Company agreed to settle them with the property that will be built in Cara Nikolaja Street. The liability is presented according to the price, designed for future properties;

- EP Oprema: 66.626 thousand RSD relates to the guarantee deposit of the supplier as follows:

| Supplier | in 000 RSD | |
|---------------------------|---------------|----------------|
| | 2013 | 2012 |
| Modranska Potrubni | | 39.369 |
| Balcken Durr | | 26.889 |
| SES – TLMACE | | 40.217 |
| NB Celik ltd | 13.778 | 12.618 |
| Mont R | 23.532 | |
| ATB FOD | 13.251 | |
| Energotehnika Juzna Backa | 1.971 | |
| Feromont Inzenjering | 2.682 | |
| ELWO | | 19.178 |
| Mikom ltd | 11.412 | 7.576 |
| Other | | 39.796 |
| TOTAL | 66.626 | 185.643 |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- Enjub: 1.711 thousand RSD relate to liabilities based on received deposits from tenants of investment properties.

The decrease of other long-term liabilities in the amount of 287.782 thousand RSD in comparison to 2012 is the result of, first of all, decreased long-term liabilities based on guarantee deposits by suppliers to EP Oprema in the amount of 119.017 thousand RSD.

41. SHORT-TERM FINANCIAL LIABILITIES

Short-term financial liabilities include:

| | 2013 (RSD 000) | 2012 (RSD 000) |
|--|-------------------|-------------------|
| Short term RSD loans - domestic banks | 669,498 | 727,812 |
| Short term loans with FCY clause - domestic banks and other | 1,453,737 | 188,010 |
| Total | 2,123,235 | 915,822 |
| Other short term financial liabilities/current maturities of long term loans and other long-term liabilities | 1,037,271 | 1,339,655 |
| Short-term loans abroad and current maturities of long-term loans abroad | 412,426 | 494,485 |
| Total | 3,572,932 | 2,749,962 |

• **Short term RSD loans and short term loans with FCY clause from local banks** in the amount of 2.123.235 thousand RSD refer to EP Visokogradnja: 1.228.642 thousand RSD, EP Niskogradnja: 709.836 thousand RSD, EP Energodata: 83.071 thousand RSD, EP Hidroinzenjering: 68.786 thousand RSD and Enjub: 32.900 thousand RSD.

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- Detailed information on short-term loans related to EP Visokogradnja is presented in the following table.

| Bank | Currency | Approval date | Due date | Annual interest rate | Repayment manner | Remaining debt in 000 RSD | Collateral |
|-----------------------|----------|---------------------------------|------------|--------------------------|-----------------------------------|---------------------------|--|
| Societe Generale Bank | EUR | 19.02.2011 | 30.09.2014 | 3 months Euribor + 4% | lump sum | 171.963 | Bills of exchange, guarantee by EP Holding, EP Niskogradnja |
| Societe Generale Bank | EUR | 22.12.2011 | 30.09.2014 | 3 months Euribor + 4% | lump sum | 217.820 | Bills of exchange guarantee by EP Holding, EP Niskogradnja |
| Societe Generale Bank | EUR | 26.04.2012 | 30.09.2014 | 3 months Euribor + 4% | lump sum | 114.642 | Bills of exchange, guarantee by EP Holding, EP Niskogradnja |
| UniCredit Bank | EUR | 25.10.2012 | 31.07.2014 | 1 month Euribor + 4,70% | lump sum | 114.642 | Bills of exchange, guarantee by EP Holding, EP Niskogradnja, EP Oprema |
| UniCredit Bank | EUR | 26.04.2012 | 30.09.2014 | 1 month Euribor + 4,70% | lump sum | 114.642 | Bills of exchange, guarantee by EP Holding, EP Niskogradnja, EP Oprema |
| Alpha Bank | EUR | 13.02.2013 | 13.02.2014 | 3 month Euribor + 5,95% | lump sum | 114.642 | Bills of exchange, guarantee by EP Holding, EP Oprema |
| Hypo Alpe Adria Bank | EUR | 05.09-17.09 16.10-13.11.2013 | 09.08.2014 | 3 months Euribor + 5,30% | lump sum | 229.284 | Bills of exchange, guarantee by EP Holding, EP Niskogradnja, EP Oprema |
| Erste Bank | EUR | 18.11.2013 | 13.11.2014 | 3 months Euribor + 5,95% | Per month (grace period 6 months) | 41.007 | Bills of exchange, guarantee by EP Holding |
| Vojvodjanska Banka | RSD | 07.06.2013 | 07.06.2014 | 1 month BELIBOR + 2% | Per month (grace period 6 months) | 110.000 | Bills of exchange, guarantee by EP Holding, EP Oprema |
| TOTAL | | | | | | 1.228.642 | |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- Detailed information on short-term loans related to EP Niskogradnja is presented in the following table.

| Bank | Currency | Balance of liabilities in currency | Repayment | Balance of | Annual interest rate |
|---------------------------------|----------|------------------------------------|------------------------|------------------------|------------------------------------|
| | | | and due date | liabilities in 000 RSD | |
| Societe Generale Bank | EUR | 311.390 | Lump sum 30.09.2014 | 35.698 | 3m EURIBOR + 4,0% |
| Societe Generale Bank | EUR | 900.000 | Lump sum 30.09.2014 | 103.178 | 3m EURIBOR + 4,0% |
| Hypo-Alpe-Adria Bank | EUR | 700.000 | Lump sum 09.08.2014 | 80.249 | 3m EURIBOR + 5,3% |
| Societe Generale Bank-overdraft | RSD | 260.116.519 | Lump sum 30.09.2014 | 260.117 | 1m BELIBOR + 1.4% |
| VTB Bank | RSD | 47.000.000 | Lump sum 16.12.2014 | 47.000 | Reference interest rate NBS - 0.5% |
| Societe Generale Bank | RSD | 12.594.000 | Lump sum 30.09.2014 | 12.594 | No interest |
| UniCredit Bank | RSD | 171.000.000 | Lump sum 31.07.2014 | 171.000 | 1m BELIBOR + 1.2% |
| TOTAL | | | | 709.836 | |

- Detailed information on short-term loans related to EP Hidroinzenjering is presented in the following table.

| Bank | Currency | Approval date | Due date | Annual interest rate | Repayment manner | Remaining debt in 000 RSD | Collateral |
|-----------------------|----------|---------------|------------|----------------------|------------------|---------------------------|---|
| Societe Generale Bank | EUR | 26.07.2013 | 26.07.2014 | 3M EUR + 4,00% | On maturity | 34.393 | Guarantee by EP Holding/ EP Viskogradnja/ EP Niskogradnja |
| Hypo Alpe Adria Bank | EUR | 03.09.2013 | 09.08.2014 | 3M EUR + 5,30% | On maturity | 34.393 | Guarantee by EP Holding |
| TOTAL | | | | | | 68.786 | |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- Detailed information on short-term loans related to EP Energodata is presented in the following table.

| Bank | Currency | Approval date | Due date | Annual interest rate | Repayment manner | Remaining debt in 000 RSD | Collateral |
|--------------|----------|--|--|----------------------|---|---------------------------|------------------------------------|
| Alpha bank | EUR | 18.03.2013 | 18.09.2014 | 2.50% | Per month (grace period 5 months) | 55.557 | Guarantee by EP Holding/ EP Oprema |
| Alpha bank | EUR | 16.09.2013 15.10.2013 29.10.2013 17.12.2013 | 16.09.2014 15.10.2014 29.10.2014 17.12.2014 | 3M EUR + 5.95% | Within 12 months from the Within 12 months of disbursement of the loan (no repayment plan) | 27.514 | Guarantee by EP Holding/ EP Oprema |
| TOTAL | | | | | | 83.071 | |

- **Short term loans with a FCY clause from local banks** related to Enjub in the amount of 32.900 thousand RSD refer to the loan from the Kulina ltd.. (50% of the liability amount).

• **Other short-term liabilities and current maturities of long-term loans from local banks** in the amount of 1.037.271 thousand RSD relate mostly to the following:

-EP Niskogradnja: 441.124 thousand RSD (current maturities of long-term loans: 168.975 thousand RSD and current maturities of financial lease liabilities: 272.149 thousand RSD);

-EP Visokogradnja: 242.368 thousand RSD (current maturities of long-term loans: 242.311 thousand RSD and other: 57 thousand RSD);

- EP Holding: 229.798 thousand RSD (current maturities of long-term loans: 229.538 thousand RSD and Visa account liabilities: 260 thousand RSD);

-EP Energodata: 65.732 thousand RSD (current maturities of long-term loans: 65.002 thousand RSD and current maturities of financial lease liabilities: 730 thousand RSD); and other companies in the Energoprojekt Group in the amount of 58.249 thousand RSD.

• **Liabilities related to short-term loans and current maturities of long-term loans in other countries** in the amount of 412.426 thousand RSD relate to:

- EP Niskogradnja in the amount of 401.756 thousand RSD (liabilities related to short-term loans in other countries: 398.318 thousand RSD and current maturities of long-term loans in other countries: 3.438 thousand RSD); and

- EP Visokogradnja in the amount of 10.670 thousand RSD (liabilities related to short-term loans in other countries).

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

42. LIABILITIES FROM OPERATIONS

Liabilities from business operations include:

| | 2013 | 2012 |
|--|------------------|------------------|
| | (RSD 000) | (RSD 000) |
| <u>Liabilities from business operations</u> | | |
| Received advances, short-term deposits and caution money | 3,023,719 | 2,944,597 |
| Domestic suppliers | 963,154 | 854,003 |
| Foreign suppliers | 2,037,856 | 2,036,149 |
| Other liabilities from business operations | 8,113 | 8,211 |
| Total | 6,032,842 | 5,842,960 |
| Liabilities from specific operations | 278,134 | 300,879 |
| Total | 6,310,976 | 6,143,839 |

• **Received advance payments** in the amount of 3.023.719 thousand RSD relate mostly to the following companies in the Energoprojekt Group:

- EP Visokogradnja, the amount of 1.086.386 thousand RSD relates mostly to received advance payments from investors related to the following projects: Z-088 Rostov: 537.873 thousand RSD; Z-089 Aktau hospital: 68.125 thousand RSD; Z-068 Aktau hotel: 60.382 thousand RSD; Z-091 Astrahan: 37.127 thousand RSD, Z-074 Sarijagas winery: 25.920 thousand RSD; Z-087 Aktau restaurant and night club: 14.070 thousand RSD; and received advance payments by Energoprojekt Ghana Ltd: 301.752 thousand RSD;

- EP Niskogradnja, the amount of 1.009.090 thousand RSD refers mostly to received advance payments related to the following projects abroad: Z-023 Pericos, Peru: 390.058 thousand RSD; Z-019 Cochabamba, Chota: 115.001 thousand RSD; Z-028 Lugoba, Uganda: 74.807 thousand RSD; Z-029 Mutundwe, Uganda: 73.079 thousand RSD; Z-026 Jinja road, Uganda: 58.462 thousand RSD; and the following projects in the country: Sarani tunnel: 272.548 thousand RSD; Lot 1.1. Novi Sad: 20.760 thousand RSD and the Tisa project: 2.419 thousand RSD;

- EP Oprema, the amount of 667.723 thousand RSD relates, first of all, to received payments from investors related to the projects RTB Bor and the Thermal Power Plant TE Kostolac;

- EP Hidroinzenjering in the amount of 133.961 thousand RSD, foreign branch Zambia Engineering and Contracting Company Limited, Zambia: 70.565 thousand RSD, EP Industrija: 21.142 thousand RSD, and other companies in the amount of 34.852 thousand RSD.

• **Liabilities to domestic suppliers**, the amount of 963.154 thousand RSD mostly relates to the following: EP Niskogradnja: 393.106 thousand RSD; EP Oprema: 303.210 thousand RSD; EP Visokogradnja: 183.261 thousand RSD; EP Energodata: 23.651 thousand RSD; EP Holding: 12.949 thousand RSD and other companies in the amount of 46.977 thousand RSD.

The most important liabilities of EP Niskogradnja to domestic suppliers, according to the balance sheet date are:

- OMV Serbia: 62.229 thousand RSD;
- Evrogradnja: 46.755 thousand RSD;
- Atlas Copco: 34.134 thousand RSD;
- Hidrogradjevinar: 26.276 thousand RSD;
- Erozija plc, Valjevo: 21.453 thousand RSD;
- Dunav grupa agregati plc: 16.755 thousand RSD; and other.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

The most important liabilities of EP Oprema to domestic suppliers are as follows:

- Mont-R: 89.209 thousand RSD;
- Minel Kotlogradnja: 33.965 thousand RSD;
- ATB Fod ltd: 29.317 thousand RSD;
- Energomontaza: 27.854 thousand RSD,
- Feromont Inzenjering: 24.798 thousand RSD,
- Energotehnika Juzna Backa: 18.134 thousand RSD;
- Elektrovat ltd: 17.167 thousand RSD; and other.

• **Liabilities to foreign suppliers** in the amount of 2.037.856 thousand RSD relate mostly to the following: EP Niskogradnja: 525.209 thousand RSD (Peru, Uganda and Kazakhstan); EP Visokogradnja: 514.610 thousand RSD; EP Entel: 496.897 thousand RSD; EP Oprema: 426.398 thousand RSD; Energoplast: 43.595 thousand RSD and other companies in the amount of 31.147 thousand RSD.

Liabilities to suppliers abroad related to EP Niskogradnja are as follows:

- Shell ltd., Uganda: 69.687 thousand RSD;
- Consorcio Constructor, Peru: 52.094 thousand RSD;
- Orbenor S.A.C, Peru: 49.189 thousand RSD;
- Lual Contratistas S.A.C., Peru: 25.501 thousand RSD;
- Corporacion de Infraestructura S.A.C., Peru: 24.310 thousand RSD;
- Termocotank s.a., Uganda: 23.259 thousand RSD;
- Repsol YPF Marketing, Peru: 22.849 thousand RSD; and other.

• **Other liabilities** in the amount of 8.113 thousand RSD relate mostly to: EP Garant: 3.574 thousand RSD (liabilities for insurance premiums and reinsurance, etc.) and EP Niskogradnja: 3.469 thousand RSD.

• **Liabilities from specific operations** in the amount of 278.134 thousand RSD relate mostly to EP Visokogradnja: 183.015 thousand RSD (obligations to GP „Rad“ based on works in Iraq – ongoing lawsuit) and EP Entel: 95.071 thousand RSD (obligation to partners in accordance with the contract for Phase VI and Phase VII in Qatar).

43. OTHER SHORT TERM LIABILITIES

| | 2013 (RSD 000) | 2012 (RSD 000) |
|-------------------------|-------------------|-------------------|
| Salaries and emoluments | 1,174,415 | 1,015,373 |
| Dividends | 141,401 | 57,381 |
| Other liabilities | 84,258 | 62,183 |
| Total | 1,400,074 | 1,134,937 |

• **Salaries and emoluments** in the amount of 1.174.415 thousand RSD relate mostly to EP Visokogradnja in the amount of 439.233 thousand RSD (liabilities /net, taxes and contributions, liabilities to Chambers/ for November and December salaries, paid in January and February 2014, part of outstanding salaries abroad and allowances for 2013), EP Entel: 365.504 thousand RSD, EP

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

Niskogradnja: 151.606 thousand RSD, EP Hidroinzenjering: 88.485 thousand RSD, EP Oprema: 28.487 thousand RSD and other.

The increase in liabilities for salaries and emoluments in comparison to 2012, relates mostly to EP Visokogradnja, since, in 2013, salaries for two months and 2013 allowances have not been paid.

• **Dividends** in the amount of 141.401 thousand RSD relate mostly to Energoplast in the amount of 112.000 thousand RSD, Enjub: 15.222 thousand RSD (50% liabilities to Kulina ltd.) and EP Holding: 7.511 thousand RSD; 6.668 thousand RSD relate to other companies in the Energoprojekt Group.

Increase in dividends is a result of, first of all, increase in respective liabilities related to Energoplast (in 2012: 9.139 thousand RSD).

• **Other liabilities** in the amount of 84.258 thousand RSD, relate to interest, employees, members of the management, contract fees for natural persons and other liabilities. Other liabilities relate mostly to EP Visokogradnja in the amount of 27.287 thousand RSD (interests, employees, etc) and Enjub: 15.621 thousand RSD (mostly VAT-related interests from previous years according to the decision reached by the Tax Administration: 9.447 thousand RSD and loans from Kulina ltd: 4.340 thousand RSD); 41.350 thousand RSD relate to other companies in the Energoprojekt Group.

44. VAT AND OTHER PUBLIC DUTIES AND ACCRUALS

| | 2013 | 2012 |
|----------------------------------|----------------|----------------|
| | (RSD 000) | (RSD 000) |
| VAT and other public liabilities | 349,615 | 301,508 |
| Accruals | 609,866 | 400,905 |
| Total | 959,481 | 702,413 |

• **VAT and other public liabilities** in the amount of 349.615 thousand RSD relate mostly to:

- EP Visokogradnja in the amount of 267.900 thousand RSD relate mostly to liabilities in other countries, first of all, to VAT-related liabilities for the received advance payment for the project Z-088 Hotel Hyatt in Rostov: 100.411 thousand RSD and income tax-related liabilities in other countries: 58.285 thousand RSD;

- EP Niskogradnja: 45.773 thousand RSD relate mostly to VAT-related liabilities in Peru (IGV): 32.393 thousand RSD and domestic VAT-related liabilities: 4.072 thousand RSD, which was settled timely, at the beginning of 2014; and

- EP Holding: 6.789 thousand RSD relate mostly to the VAT-related liability based on the difference between the calculated tax and the previous tax obligation that was settled timely, at the beginning of 2014 in the amount of 5.887 thousand RSD; and other companies in the amount of 29.153 thousand RSD.

• **Accruals**, in the amount of 609.866 thousand RSD, predominantly include to the following companies in the Energoprojekt Group:

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- EP Garant: 245.852 thousand RSD. This amount relates to transferable non-life insurance premiums, coinsurance premiums, liability provisions and other accruals;
- EP Niskogradnja: 181.372 thousand RSD. This amount refers to accrued expenses related to domestic and foreign projects (Peru and Uganda): 165.635 thousand RSD and VAT liabilities: 15.737 thousand RSD;
- EP Oprema: 126.121 thousand RSD. This amount relates to collected guarantees for Elwo: 91.805 thousand RSD, VAT accruals: 24.464 thousand RSD and accrued expenses: 9.852 thousand RSD; and
- EP Visokogradnja: 55.034 thousand RSD. This amount refers, first of all, to calculated future expenses in the amount of 47.661 thousand RSD, related to the Project Z-087 Aktau Restaurant and Night Club (investor included some works that will be performed in 2014, in the progress certificate) and VAT accruals: 5.033 thousand RSD; and other companies in the amount of 1.487 thousand RSD.

45. COMMITMENT AND CONTINGENCIES

There is a number of ongoing lawsuits against members of Energoprojekt Group in the country.

The following table contains a list of the most important lawsuits.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|-----|--|--|---|-------------------|---------------------------------|--------------------------|--|
| 1. | Aleksandar Vasojević | EP Holding | Annulment of resolutions from the XXXVII EGM | | Commercial Court of Belgrade | 2014 | Unfounded |
| 2. | New company | EP Holding and GP Napred | Establishment of ownership rights | | Commercial Court of Belgrade | 2014 | Outcome uncertain, suspended proceedings |
| 3. | EP Holding | Stari grad municipality | Ownership claim | | First Primary Court of Belgrade | 2014 | Founded |
| 4. | EP Holding | Ministry of Finance – Tax Administration | Prepaid tax refund | 26.959.260,00 RSD | Constitutional Court | | Founded |
| 5. | Milan Raonić | EP Holding | Copyright claim | 7.000.000,00 RSD | Higher Court of Belgrade | 2014 | Partially Founded |
| 6. | Association of Small Shareholders, Association of Pensioners, Jovan Korolija and Ivan Petrović | EP Holding | Annulment of resolutions from the XXXVII EGM | | Commercial Court of Belgrade | 2014 | Unfounded |
| 7. | Radomir Banjac | EP Holding | Naknada štete | 4.400.000,00 RSD | First Primary Court of Belgrade | 2015 | Unfounded |
| 8. | Sreta Ivanisevic | EP Holding | Compensation for expropriated property (Bezanija) | | First Primary Court of Belgrade | Outcome uncertain | Outcome uncertain |
| 9. | Vladan and Tomislav Krdzic | EP Holding | Damage claim (free shares not allotted to the plaintiffs) | 444.000,00 RSD | Commercial Court of Belgrade | 2014 | Unfounded |
| 10. | Serbian government | EP Holding | Establishment of apartment ownership | | Commercial Court of Belgrade | 2014 | Founded |
| 11. | Ivana Pekovic | EP Holding | Establishment of ownership rights | | First Primary Court of Belgrade | 2014 | Founded |
| 12. | Rajko Ljubojevic | EP Holding | Expropriation | | First Primary Court of Belgrade | 2015 | Outcome uncertain |
| 13. | EP Holding | Zekstra grupa ltd. | Damage claim (roof repairs at G. Delceva 38) | 7.032,68 EUR | Commercial Court of Belgrade | 2014 | Founded |

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|-----|---------------------------------|---|--|---|---------------------------------|--------------------------|--|
| 14. | EP Holding | Serbian government, EPS power co, Epsturs d.o.o and Montenegro government | Establishment of ideal share of ownership of Hotel Park in Budva | | Primary Court of Herceg Novi | Outcome uncertain | Founded |
| 15. | EP Holding | Ivan Music | Damage claim (roof repairs at G. Delceva 38) | 250,61 EUR | First Primary Court of Belgrade | 2014 | Founded |
| 16. | EP Holding | City of Belgrade, Land Development Agency, Serbia | Debt (Arena) | 208.000.245,40 RSD | Commercial Court of Belgrade | 2014 | Founded |
| 17. | Marko Martinoli | EP Holding and EP Niskogradnja | Share squeeze-out | 2.163.932,00 RSD | Commercial Court of Belgrade | 2014 | Outcome uncertain |
| 18. | EP Visokogradnja | Kosmaj mermer | Establishment of separate claim | 400.000,00 RSD incl. interest as of 29/01/1998 | CCB | 2014 | Outcome uncertain. suspended proceedings |
| 19. | Kosmaj mermer | EP Visokogradnja | Establishment of unfoundedness of separate claim | | CCB | 2014 | Outcome uncertain. Depends on pending lawsuit |
| 20. | EP Visokogradnja | FMPE Bačka Topola in bankruptcy | Claim assessment in bankruptcy proceedings | 3.511.710,47 RSD | CC Subotica | Ended | Settlement through bankruptcy proceedings unlikely |
| 21. | Vasilev Grozda | EP Visokogradnja | Performance and damage claim | 900.000,00 RSD | First Primary Court of Belgrade | 2014 | Legal suit dismissed by first instance court |
| 22. | EP Visokogradnja Vesna Perincic | Vesna Perincic EP Visokogradnja | Debt claim | 88.500,00 RSD from the claim and 250.000,00 RSD from the counterclaim | First Primary Court of Belgrade | 2014 | Both lawsuit and countersuit dismissed by first instance court |
| 23. | EP Visokogradnja | Promex TV Zvornik | Debt claim | 667.104,25 RSD | CCB | 2014 | Legal suit upheld by first instance court |
| 24. | EP Visokogradnja | GIK Banat | Debt claim | 4.172.333,47 RSD | CC Zrenjanin | | Claim recognized in bankruptcy |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|-----|--------------------|--------------------------|--|------------------|------------------------------------|--------------------------|---|
| 25. | EP Visokogradnja | SZR. CA ART | Debt claim | 212.457,60 RSD | CC Novi Sad | 2014 | Founded |
| 26. | Reb Darko | EP Visokogradnja | Debt claim | 64.740,01 EUR | I osnovnisud | 2014 | Legal suit dismissed by first instance court |
| 27. | EP Visokogradnja | LHR | Debt claim | 580.000,00 RSD | CCB | 2014 | Founded |
| 28. | Stamenović Božidar | EP Visokogradnja | Unfounded acquisition | 487.179,65 RSD | First Primary Court of Belgrade | 2014 | Legal suit dismissed by first instance court |
| 29. | EP Visokogradnja | Trudbenik gradnja | Claim recognized in bankruptcy proceedings | 2.767.501,76 RSD | CCB | | Settlement uncertain |
| 30. | EP Visokogradnja | Herceg Novi municipality | Debt claim | 42.000,00 EUR | PS Podgorica | 2014 | Returned to first instance procedure after review of the respondent |
| 31. | Bomaran ltd. | EP Visokogradnja | Debt claim | 1.440.900,00 RSD | CCB | 2014 | Legal suit upheld by first instance court |
| 32. | Gajic Slobodan | EP Visokogradnja | Damage claim | 450.000,00 RSD | Primary Court of Sremska Mitrovica | 2012 | Legal suit partly upheld by first instance court up to the sum of 240.000,00 RSD, |
| 33. | EP Visokogradnja | Lipa Papir | Debt | 2.142.004,69 RSD | CCB | | Respondent's accounts are blocked, settlement is unlikely |
| 34. | Đorđe Mikša | EP Visokogradnja | Contractual penalty | 512.000,00 RSD | First Primary Court of Belgrade | 2014 | Outcome uncertain |
| 35. | Jagoda Mikša | EP Visokogradnja | Contractual penalty | 504.000,00 RSD | First Primary Court of Belgrade | 2014 | Legal suit upheld by first instance court |
| 36. | Sladan Pavlović | EP Visokogradnja | Damage claim | 1.700.000,00 RSD | First Primary Court of Belgrade | 2014 | Partially Founded |
| 37. | EP Visokogradnja | Cvitan Dragan | Debt | 212.067,77 RSD | First Primary Court of Belgrade | 2014 | Founded |
| 38. | Natasa Milojevic | EP Visokogradnja | Establishment of ownership rights | 100.000,00 RSD | First Primary Court | 2014 | Outcome uncertain |
| 39. | EP Visokogradnja | Beton gradnja ltd. | Debt | 271.813,90 RSD | CCB | 2014 | Founded |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|-----|-------------------------------|--|--|--------------------|---------------------------------|--------------------------|--|
| 40. | EP Visokogradnja | Alumaks sistemi ltd. | Damage claim (block 29) | 31.605.600,00 RSD | CCB | 2014 | Legal suit dismissed by first instance court |
| 41. | EP Visokogradnja | Veso Romic | Unfounded acquisition of wealth | 35.301.780,00 RSD | CCB | 2014 | Founded |
| 42. | EP Visokogradnja | Beocvor | Debt (Prokop) | 290.385.390,00 RSD | | | Founded |
| 43. | EP Visokogradnja | Jugobanka a.d. in bankruptcy | Claim registration | 5.000.000,00 USD | CCB | | Founded |
| 44. | EP Visokogradnja | Beobanka a.d. in bankruptcy | Claim registration | 1.031.053,82 USD | CCB | | Founded |
| 45. | EP Visokogradnja | Banex trade in bankruptcy | Debt 800.203,44 GBP collected 8.478.580,00 RSD | | CCB | | Founded |
| 46. | EP Visokogradnja | Belim plc. | Debt under settlement agreement | 612.000,00 USD | CCB | | Founded |
| 47. | EP Visokogradnja | Astra banka plc in bankruptcy | Claim registration | 396.944,99 USD | CCB | | Founded |
| 48. | EP Visokogradnja | City of Belgrade, Land Development Agency, Serbia | Debt (Arena) | 17.549.287,81 USD | CCB | | Founded |
| 49. | EP Visokogradnja | JP Zeleznice, Beocvor | Debt (Prokop) | 407.301.020,00 RSD | CCB | | Founded |
| 50. | GP Rad in bankruptcy | EP Visokogradnja, EP Niskogradnja, EP Oprema and EP Promet | Debt, works in Iraq | 2.250.188,60 USD | CCB | | Legal suit upheld by first instance court |
| 51. | Astra banka plc in bankruptcy | EP Visokogradnja | Loan agreements | 40.000.000,00 RSD | CCB | | Unfounded |
| 52. | Bozo Tomasevic | EP Visokogradnja | Annulment of employment contract termination | 140.000,00 RSD | First Primary Court of Belgrade | 2014 | Unfounded |
| 53. | Aleksandar Petrovic | EP Visokogradnja | Contract termination and damage claim | 3.500.000,00 RSD | First Primary Court of Belgrade | 2014 | Partially founded |
| 54. | Sava Krajinovic | EP Visokogradnja | Unfounded acquisition of wealth | 269.000,00 RSD | First Primary Court of Belgrade | 2014 | Unfounded |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|-----|--------------------------------------|-----------------------|--|-------------------|---------------------------------|--------------------------|--|
| 55. | Ljiljana Damyano | EP Visokogradnja | Performance and damage claim | 350.000,00 RSD | First Primary Court of Belgrade | 2014 | Unfounded |
| 56. | Tubic Aleksandra | EP Visokogradnja | Damage claim | 300.000,00 EUR | Primary Court of Herceg Novi | 2014 | Unfounded, audit submitted by the plaintiffs |
| 57. | SIEN ltd | EP Visokogradnja | Debt, SMIP | 438.530,00 RSD | CCB | | Partially founded |
| 58. | Residential building, B.M.Pupina 10e | EP Visokogradnja | Unfounded acquisition of wealth | 2.000.000,00 RSD | First Primary Court of Belgrade | | Unsubstantiated, proceedings suspended |
| 59. | Kombit | EP Visokogradnja | Debt (Prokop) | 1.269.860,00 RSD | CCB | | Partially founded |
| 60. | Milorad Vasic | EP Visokogradnja | Damage claim (block 12) | 31.235.250,00 RSD | Higher Court of Belgrade | 2014 | Partially founded |
| 61. | EP Visokogradnja | Sinisa i Dragan Romic | Contesting of share transfer agreement | | Commercial Court of Belgrade | 2015 | Founded |
| 62. | Kojic Milan | EP Visokogradnja | Debt-salaries | 1.130,00 EUR | First Primary Court of Belgrade | 2014 | Unfounded |
| 63. | EP Visokogradnja plc | Farmakom MB d.o.o | Debt | 1.340.520,00 RSD | Commercial Court of Valjevo | 2015 | Founded |
| 64. | EP Visokogradnja plc | LP Gas d.o.o. | Debt | 1.644.012,60 RSD | Commercial Court of Belgrade | 2015 | Founded |
| 65. | Drago Stupar and others | EP Visokogradnja | Establishment of land ownership rights | | Primary Court of Herceg Novi | 2014 | Founded |
| 66. | Dusan Petrovic and others | EP Visokogradnja | Share appraisal | | Commercial Court of Belgrade | 2014 | Unfounded |
| 67. | Sasa Boskovic | EP Visokogradnja | Share appraisal | | Commercial Court of Belgrade | 2014 | Unfounded |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|-----|---|----------------------------|---|--------------------------------------|---------------------------------|--------------------------|---|
| 68. | EP Visokogradnja | „Izolacija“ plc | Claim registration | 1.235.111,46 RSD | Commercial Court of Belgrade | 2014 | Founded |
| 69. | Shpolskiy Leonid | EP Visokogradnja | Damage claim – water leaking into apartment | | Primary Court of Herceg Novi | 2014 | Unfounded |
| 70. | Vladimir Markovic | EP Urbanizam i arhitektura | Foreign currency salary | 10.147,80 USD | Higher Court of Belgrade | Outcome uncertain | Legal suit upheld by first instance court |
| 71. | Branko Lakcević, Vladimir Peric, Danica Pantic, Ivan Pantic | EP Urbanizam i arhitektura | Foreign currency salary | 87.678,09 RSD | First Primary Court of Belgrade | Outcome uncertain | Founded, expired in our view |
| 72. | Milan Raonic | EP Urbanizam i arhitektura | Annual vacation benefits and salary differences | 322.688,89 RSD | Court of Appeals in Belgrade | Outcome uncertain | Outcome uncertain, legal suit dismissed by first instance court |
| 73. | Novica Veljkovic | EP Urbanizam i arhitektura | Annulment of Annex III of employment contract | 88.426,53 RSD incl. accrued interest | Court of Appeals in Belgrade | Outcome uncertain | Outcome uncertain |
| 74. | Novica Veljkovic | EP Urbanizam i arhitektura | Annulment of Annex IV of employment contract | 17.000,00 RSD | First Primary Court | Outcome uncertain | Part of the claim was effectively dismissed by court, the rest is pending |
| 75. | Miroslav Stefanovic | EP Urbanizam i arhitektura | Salary differences | 33.995,00 RSD | First Primary Court | Outcome uncertain | Part of the court ruling upheld, while the part concerning interest was returned for repeat proceedings |
| 76. | EP Urbanizam i arhitektura | Miodrag Cvijic | Debt | 1.523.072,42 RSD | First Primary Court of Belgrade | Outcome uncertain | Founded, execution proceedings in progress |
| 77. | Tamara Vukadinovic | EP Urbanizam i arhitektura | Annulment of employment contract termination | 50.000,00 RSD | First Primary Court of Belgrade | Outcome uncertain | Outcome uncertain |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|-----|----------------------------|--------------------------------------|--|--------------------|---------------------------------|--------------------------------|--|
| 78. | Jelena Davidovic | EP Urbanizam i arhitektura | Annulment of employment contract termination | 87.666,66 RSD | First Primary Court of Belgrade | Outcome uncertain | Outcome uncertain |
| 79. | Katarina Cvejic | EP Urbanizam i arhitektura | Payment of the fee according to the temporary service contract | | First Primary Court of Belgrade | Outcome uncertain | Unfounded |
| 80. | EP Urbanizam i arhitektura | Herceg Novi municipality, Montenegro | Invoices | 11.090,00 EUR | Commercial Court of Podgorica | Outcome uncertain | Founded |
| 81. | EP Oprema | DGP Zlatibor | Fee for work performed | 42.000.000,00 RSD | CC Belgrade | Ended | Founded, settlement difficult, debtor has filed for bankruptcy |
| 82. | EP Oprema | Graditelj Leskovac | Contracted services | 71.129.042,82 RSD | CC Leskovac | Ended | Founded, settlement difficult, debtor has filed for bankruptcy |
| 83. | EP Oprema i EP Holding | Medvedja municipality | Refund of given | 120.000.000,00 RSD | CC Leskovac | First instance court procedure | Founded |
| 84. | EP Oprema | Serbian Clinical Centre | Debt for works | 255.544,13 EUR | CC Belgrade | 2014 | Founded. Hearing completed, court ruling is pending Main hearing reopened by court decision; lawsuit in progress |
| 85. | EP Oprema | Serbian Clinical Centre | Damage claim | 1.559,000,00 EUR | Commercial Court of Belgrade | 2014 | Founded, first instance proceedings are in progress |
| 86. | EP Oprema | Nemanja Ivočić | Unfounded acquisition | 64.600,50 RSD | First Primary Court of Belgrade | 2014 | Founded Court expected to schedule a hearing |
| 87. | Zastava Automobili | EP Oprema | Fulfillment of obligations | | CC Kragujevac | 2014 | Unsubstantiated Second instance decision is pending |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|-----|----------------------------|-------------------------------|----------------------|-------------------|---------------------------------|--------------------------|--|
| 88. | Branka Mihajlovic | EP Oprema and JP Elektromreže | Damage claim | 200.000,00 RSD | Primary Court in Leskovac | 2014 | Founded, expert's opinion accepted. Final verdict in favour of the plaintiff |
| 89. | Vodovod Leskovac | EP Oprema | Contract termination | 92.000.000,00 RSD | CC Leskovac | 2014 | Partially founded |
| 90. | EP Oprema | Beogradska arena | Damage claim | 4.817.705,00 RSD | CC Belgrade | 2014 | Founded |
| 91. | Tekic Sinisa | EP Oprema | Damage claim | 160.254,00 RSD | First Primary Court of Belgrade | 2014 | Unfounded |
| 92. | Stanojkovic Milorad | EP Oprema i JP Elektromreže | Damage claim | 10.000,00 RSD | Primary Court of Vranje | 2014 | Partly founded First instance proceedings are in progress |
| 93. | Marinković Staniša | EP Oprema -umešač | Damage claim | 304.000,00 RSD | Primary Court of Vranje | 2014 | Partly founded First instance proceedings are in progress |
| 94. | Stanojlovic Cedomir | EP Oprema-intervener | Damage claim | 261.000,00 RSD | Primary Court of Vranje | 2014 | Partially founded First instance proceedings are in progress |
| 95. | Ristic Cedomir | EP Oprema-intervener | Damage claim | 63.000,00 RSD | Primary Court of Vranje | 2014 | Partly founded First instance proceedings are in progress |
| 96. | Milan Ilic and Nenad Babic | EP Oprema | Workplace injury | 4.200.000,00 RSD | First Primary Court of Belgrade | 2014 | Partly founded First instance ruling in favour of EPO – plaintiffs dismissed; plaintiffs appealed; First instance ruling partly overturned, case returned for repeat proceedings. |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|------|---|--|--|-------------------|--|--|--|
| 97. | Milan Cvetkovic | EP Oprema JP Elektromreže Srbije | Damage claim | 1.328.270,00 RSD | Primary Court | 2015 | Partially founded |
| 98. | Novica Cirkovic | EP Oprema JP Elektromreže Srbije | Damage claim | 100.000,00 RSD | Primary Court | 2015 | Partially founded |
| 99. | Vladan Stankovic | EP Oprema | Damage claim | | Primary Court | Primary Court | Partially founded |
| 100. | Dunav Osiguranje | EP Niskogradnja | Recourse claim | 278.230,00 RSD | Commercial Court of Belgrade | 2014 | Valid claim |
| 101. | Pension and Disability Insurance Fund Belgrade branch | EP Niskogradnja | Recourse claim | 419.600,10 RSD | Commercial Court of Belgrade | Outcome uncertain, u prekidu do okončanja kriv. postupka | Outcome uncertain |
| 102. | National Health Insurance Fund Belgrade | EP Niskogradnja | Recourse claim | 468.345,00 RSD | Commercial Court of Appeals in Belgrade | Outcome uncertain | Outcome uncertain, Legal suit upheld by first instance court |
| 103. | Dunav osiguranje | EP Niskogradnja | Recourse claim for indemnity | 2.500.000,00 RSD | Commercial Court of Belgrade | 2014 | Founded |
| 104. | Aleksandar Babic and others | EP Niskogradnja | Bonus payout | 40.906,00 EUR | First Primary Court of Belgrade | 2014 | Unfounded |
| 105. | Gordana i Veselin Medenica | EP Niskogradnja | Damage claim – workplace injury | 3.200.000,00 RSD | First Primary Court of Belgrade | 2014 | Outcome uncertain |
| 106. | Milko Tadic | EP Niskogradnja | Annulment of employment contract termination | | First Primary Court of Belgrade | 2014 | Unfounded |
| 107. | Bosna putevi Sarajevo | EP Niskogradnja | Debt, trip to Yemen | 17.604.299,00 USD | Commercial Court of Belgrade | Outcome uncertain | Unfounded |
| 108. | Vladimir Marinkovic | EP Niskogradnja | Overtime work, Peru | 5.552,84 USD | First Primary Court of Belgrade | 2014 | Unfounded |
| 109. | Danica Mutapovic | EP Niskogradnja | Bonuses, Peru | 11.416,43 USD | First Primary Court of Belgrade | 2014 | Unfounded |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|------|-----------------------------|--------------------------------------|-----------------------------------|-------------------------------------|---------------------------------|--------------------------|---|
| 110. | Dragan Neskovic and others | EP Niskogradnja | Bonuses, Peru | 62.574,37 USD | First Primary Court of Belgrade | 2014 | Unfounded |
| 111. | Intermost ltd in bankruptcy | EP Niskogradnja | Payment for materials(Novi Sad) | 189.827.985,00 RSD | Commercial Court of Belgrade | 2014 | Outcome uncertain |
| 112. | EP Niskogradnja | Media Max doo | Debt | 456.541,00 RSD | Commercial Court of Belgrade | 2014 | Founded |
| 113. | EP Niskogradnja | Intermost ltd. in bankruptcy | Debt (Novi Sad) | 378.685.160,00 RSD | Commercial Court of Belgrade | 2014 | Founded |
| 114. | EP Niskogradnja | UniCredit bank plc. Mostar | Advance payment bond | 7.000.000,00 KM | Općinski sud Sarajevo | Outcome uncertain | Founded |
| 115. | EP Niskogradnja | UniCredit bank plc. Mostar | Contract performance bond | 3.500.000,00 KM | Municipal Court of Sarajevo | Outcome uncertain | Founded |
| 116. | EP Niskogradnja | UniCredit bank pkc. Mostar | Advance payment bond | 4.000.000,00 KM | Municipal Court of Sarajevo | Outcome uncertain | Founded |
| 117. | EP Niskogradnja | JIK Banka plc. in bankruptcy | Claim registration | 218.000,00 USD | Commercial Court of Belgrade | Outcome uncertain | Founded |
| 118. | EP Niskogradnja | Jugobanka plc. New York office | Claim registration | 455.877,88 USD 12.060.320,00 RSD | Commercial Court of Belgrade | Outcome uncertain | Founded |
| 119. | EP Niskogradnja | Beogradska banka plc. in bankruptcy | Claim registration | 4.546,10 USD 16.278.517,00 RSD | Commercial Court of Belgrade | Outcome uncertain | Founded |
| 120. | Simic Ljubisa | JP Putevi Srbije and EP Niskogradnja | Damage claim | 4.598,80 EUR | First Primary Court of Belgrade | 2015 | Unsubstantiated lawsuit against EP Niskogradnja |
| 121. | Mladen Perisic | EP Niskogradnja | Appraisal of ordinary share value | | Commercial Court of Belgrade | 2015 | Unfounded |
| 122. | EGP Investments and others | EP Niskogradnja | Appraisal of ordinary share value | | Commercial Court of Belgrade | 2015 | Unfounded |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|------|---------------------|----------------------------------|--|--------------------------------------|---|--------------------------|-------------------|
| 123. | UTMA Komerc ltd. | EP Niskogradnja | Appraisal of ordinary share value | | Commercial Court of Belgrade | 2015 | Unfounded |
| 124. | Dragan Tomic | EP Niskogradnja | Appraisal of ordinary share value | | Commercial Court of Belgrade | 2015 | Unfounded |
| 125. | Dragomir Ostojic | EP Niskogradnja | Appraisal of ordinary share value | | Commercial Court of Belgrade | 2015 | Unfounded |
| 126. | Igor and Sasa Sebic | EP Niskogradnja | Appraisal of ordinary share value | | Commercial Court of Belgrade | 2015 | Unfounded |
| 127. | Sasa Boskovic | EP Niskogradnja | Appraisal of ordinary share value | | Commercial Court of Belgrade | 2015 | Unfounded |
| 128. | Minel Dinamo ltd. | EP Niskogradnja | Debt | 146.800,00 RSD | Commercial Court | 2015 | Outcome uncertain |
| 129. | Milanka Bacic | EP Industrija | Annulment of allotment resolution for solidarity apartments | | First Primary Court of Belgrade, 9-P1-4419/10 | 2014 | Outcome uncertain |
| 130. | Milanka Bančić | EP Industrija | Purchase of solidarity apartment-out of court | | First Primary Court of Belgrade,8-R1-948/10 | 2014 | Outcome uncertain |
| 131. | Marko Martinoli | EP Industrija | Annulment of GM resolution | | Commercial Court of Belgrade, 29-P-5056/2012 | 2014 | Outcome uncertain |
| 132. | EP Industrija | Jugoremedija plc.- in bankruptcy | Bankruptcy proceedings-claim registration and claim assessment | 321.416,18 EUR reported claim amount | Commercial Court of Zrenjanin, St-300/2012 | | Outcome uncertain |
| 133. | Marko Martinoli | EP Entel | Annulment of a separate finance statement | | Commercial Court | Outcome uncertain | Outcome uncertain |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|------|-------------------------------------|---|---|------------------------------------|---------------------------------|--|--------------------------------|
| 134. | EP Energodata | "Sipad komerc" in bankruptcy | Non payment of completed | 258.586,20 + interest | Commercial Court | Execution decision obtained, respondent has filed for bankruptcy | Settlement amount is uncertain |
| 135. | EP Hidroinzenjering | COKA MUNICIPALITY (Investor) Capital Investments Fund of Vojvodina Province (financier) | Unsettled debt claim | 2.384.304,00 RSD and 45.912,00 RSD | Commercial Court of Novi Sad | First instance ruling by end 2014 | Outcome uncertain |
| 136. | Counterlawsuit by Coka municipality | Counter respondent EP-Hidroinzenjering | Contract termination due to default | | Commercial Court of Novi Sad | First instance ruling by end 2014 | Outcome uncertain |
| 137. | S.Stojic | EP Hidroinzenjering | Unpaid salaries claim for services abroad | 6.466,00 USD (482.865,00 RSD) | First Primary Court of Belgrade | Pending appeal by plaintiff S.Stojic, end of 2014 | Favourable |
| 138. | M. Djordjevic | EP-Hidroinzenjering | Annulment of employment contract annex stipulating minimum salary | Claim does not specify cash amount | First Primary Court of Belgrade | First instance ruling in our favour. Appeal filed. End of 2014 | Favourable |
| 139. | P. Stanisic and J. Blagojevic | EP Hidroinzenjering | Annulment of Housing Committee resolution | Not a pecuniary claim | First Primary Court of Belgrade | First instance ruling by end 2014 | Outcome uncertain |
| 140. | M. Bojic | EP Hidroinzenjering | Unpaid salaries and food allowance claim for services abroad | 8.340,00 USD (622.811,00 RSD) | First Primary Court of Belgrade | First instance ruling in our favour, appeal filed. End of 2014 | Outcome uncertain |
| 141. | Lj. Selenic | EP Hidroinzenjering kao drugotuženi | Damage claim for objects damaged during removal from premises | Principal debt 950.000,00 RSD | First Primary Court of Belgrade | First instance ruling by end 2014 | Favourable |
| 142. | S.Ilic | EP Hidroinzenjering | Unpaid salaries claim for overtime work | Principal debt 950.000,00 RSD | First Primary Court of Belgrade | First instance ruling by end 2014 | Favourable |

"ENERGOPROJEKT" GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

46. OFF-BALANCE ASSETS AND LIABILITIES

The Group's off-balance assets and liabilities totalling 14.660.709 thousand RSD refer to:

- guarantees issued and received (tender guarantees, advances, performance bonds, guarantee deposit, etc.), letter of credits and bills of exchange in the amount of 13.078.864 thousand RSD;
- land use rights in the amount of 1.129.795 thousand RSD; and
- Other in the amount of 452.050 thousand RSD.

47. MORTGAGES REGISTERED IN FAVOR OR AGAINST COMPANIES FROM THE ENERGOPROJEKT GROUP

- Mortgage registered against **Energoprojekt**

The subsidiary "Energoprojekt Entel" LLC Doha, Qatar reserves the disposal and usufruct right with regard to the property of total area of 4.488 m², located on *cadastral parcels number* 65582, 65583, 65584, 65585, 65586, 65587, 65588, 65589 and 65590 with area of 10.736 m², in Doha - Qatar, Zone 44, East Al Najja, Al Mumtaza Street Doha Qatar, registered owner is a local private individual. The owner has mortgaged the property in the "Doha bank" according to the contract no. 52973 as collateral for issuing tender and performance guarantees.

In order to secure a credit line approved by Scotiabank Peru EP Niskogradnja mortgaged its property for the sum of 832.627 thousand RSD which accounts for 84,39% of the total appraised value of the mortgaged property. Value assessment was performed by the valuator Provalua S.A.A.- Provsa, authorized by the respective authority in Peru – Superintendencia de Banca, Seguros y AFP.

To secure the advance guarantee EP Hidroinzenjering has mortgaged properties in Peru: office 601 and the parking lot no. 14, on the sixth and first floor of the building facing the Los Rosales street (now Amador Merino Reyna) 460, San Isidro district, Lima, Peru, registered on records no. 234244 and 234237 of the Property register of Lima, Peru.

Loans, granted to Energoplast in 2012, are secured by a lien: long-term loan granted by the VTB bank was secured by a lien on the equipment for the production of stoppers and the long-term loan granted by the Komercijalna banka was secured by a lien on receivables under Contract and Annex between Energoplast and the buyer Knjaz Milos, Arandjelovac.

As collateral against a long term bank loan from Alpha Bank, EP Energodata provided a pledge on its fixed assets - ATM machines which are leased to Credit Agricole Bank.

The overdraft loan granted by the Indo-Zambia bank to Zecco Zambia was secured by a lien on the mortgage over two properties: Plot 5251 REM and Plot 3148 Mukwa Road.

Enjub registered a mortgage on part of it's office space (shop space) in Rakovica in favour of the New Belgrade Tax Administration as a surety against a tax liability, which has been brought to dispute in court, and is currently in second instance proceedings, as well as a mortgage on part of it's office space for lease (apartments and shop spaces) in New Belgrade in favour of Kulina ltd. as collateral against a loan.

"ENERGOPROJEKT" GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

• **Mortgages registered in favour companies from the Energoprojekt Group**

To secure the repayment of the loan pursuant to contract no. 423/367, in the amount of 137.500 EUR, granted by EP Holding by Enjub Ltd, the extrajudicial mortgage for the entire loan amount was registered for apartments in Jurija Gagarina 91A, second and third floor, cadastral plot no. 5089/9, cadastral municipality New Belgrade, registered in the registry of immovable property no. 4550, cadastral municipality New Belgrade in favour of the Company.

48. POST BALANCE SHEET EVENTS

EP Holding plc. has performed in April 2014, based on Articles 515 and 516 of the Law on Enterprises, compulsory redemption of shares of the following companies: Energoprojekt Hidroinzenjering plc. Belgrade, Energoprojekt Energodata plc. Belgrade, Energoprojekt Urbanizam i arhitektura plc Belgrade and Energoprojekt Visokogradnja plc. Belgrade.

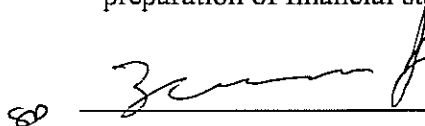
Shares were repurchased from all remaining shareholders, are not under lien or otherwise blocked, in accordance with the terms of the Decisions on Compulsory Share Buyout issued by the General Meetings of the mentioned companies.

Today, the percentage of EP Holding plc. ownership in above mentioned companies is as follows:

| | |
|------------------------------------|----------|
| 1. EP Visokogradnja plc. | 99,93 % |
| 2. EP Hidroinzenjering plc. | 99,99 % |
| 3. EP Urbanizam i arhitektura plc. | 100,00 % |
| 4. EP Energodata plc. | 100,00 % |

In Belgrade,
17.04.2014.

Person responsible for
preparation of financial statements



Dimitraki Zipovski, Ph D in Economics



Legal representative



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

2. AUDIT REPORT (the whole report)

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

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of the Company
"Energoprojekt Holding" a.d. Beograd**

We have audited the accompanying consolidated financial statements of the company "Energoprojekt Holding" a.d. Beograd and its consolidated subsidiaries (hereinafter referred to together as "Sistem Energoprojekt"), which comprise the consolidated balance sheet as of 31 December 2013, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated statistical annex is an integral part of the accompanying consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management of Sistem Energoprojekt is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting regulations prevailing in the Republic of Serbia, based on the Law on Accounting ("Official Gazette of RS", no. 62/2013), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of the Company
"Energoprojekt Holding" a.d. Beograd (Continued)

Opinion

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of Sistem Energoprojekt as of 31 December 2013 and its financial performance and its cash flows for the year then ended, in accordance with the accounting regulations prevailing in the Republic of Serbia.

Belgrade, 25 April 2014



Igor Radmanović
Certified Auditor

**CONSOLIDATED
BALANCE SHEET
on December 31, 2013**

in 000 RSD

| Group accounts account | POSITION | EDP | Note no. | Amount | |
|--|--|-----|-------------|-----------------|------------------|
| | | | | Current year | Previous year |
| 1 | 2 | 3 | 4 | 5 | 6 |
| | A. NON-CURRENT ASSETS (002+003+004+005+009) | 001 | | 11.510.060 | 10.055.237 |
| 00 | I. UNPAID SUBSCRIBED CAPITAL | 002 | | | |
| 012 | II. GOODWILL | 003 | | | |
| 01 w/out 012 | III. INTANGIBLE ASSETS | 004 | 24 | 60.677 | 70.479 |
| | IV. PROPERTY, PLANT, EQUIPMENT AND BIOLOGICAL ASSETS (006+007+008) | 005 | | 9.895.604 | 8.419.585 |
| 020,022,023, 026,027(part), 028(part), 029 | 1. Property, plant and equipment | 006 | 25 | 7.357.361 | 6.410.039 |
| 024,027(part) 028(part) | 2. Investment property | 007 | 25 | 2.538.243 | 2.009.556 |
| 021,025,027 (part) and 028(part) | 3. Biological assets | 008 | | | |
| | V. LONG-TERM FINANCIAL INVESTMENTS (010+011) | 009 | | 1.553.779 | 1.565.173 |
| 030 to 032, 039(part) | 1. Equity share | 010 | 26 | 742.519 | 667.669 |
| 033 to 038, 039(part) less 037 | 2. Other long-term financial investments | 011 | 27 | 811.260 | 897.504 |
| | B. CURRENT ASSETS (013+014+015) | 012 | | 17.361.456 | 17.267.092 |
| 10 to 13.15 | I. INVENTORIES | 013 | 28 | 3.686.753 | 3.056.162 |
| 14 | II. NON-CURRENT ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS | 014 | 29 | 62.983 | 64.156 |
| | III. SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH (016+017+018+019+020) | 015 | | 13.611.720 | 14.146.774 |
| 20, 21 and 22, except 223 | 1. Receivables | 016 | 30 | 6.937.683 | 7.116.005 |
| 223 | 2. Receivables for overpaid income tax | 017 | | 85.399 | |
| 23 less 237 | 3. Short-term financial investments | 018 | 31 | 1.831.888 | 2.370.296 |
| 24 | 5. Cash equivalents and cash | 019 | 32 | 3.085.883 | 3.355.485 |
| 27 and 28 except 288 | 4. VAT and accruals | 020 | 33 | 1.670.867 | 1.304.988 |
| 288 | C. DEFERRED TAX ASSETS | 021 | | | |
| | D. OPERATING ASSETS (001+012+021) | 022 | | 28.871.516 | 27.322.329 |
| 29 | E. LOSS OVER CAPITAL | 023 | | | |
| | F. TOTAL ASSETS (022+023) | 024 | | 28.871.516 | 27.322.329 |
| 88 | G. OFF-BALANCE SHEET ITEMS | 025 | 46 | 14.660.709 | 14.076.978 |

in 000 RSD

| Group accounts, account | POSITION | EDP | Note no. | Amount | |
|--|--|-----|-------------|-----------------|------------------|
| | | | | Current year | Previous year |
| 1 | 2 | 3 | 4 | 5 | 6 |
| | CAPITAL AND LIABILITIES | | | | |
| | A. CAPITAL (102+103+104+105+106+107+108+109+110) | 101 | | 13.441.641 | 12.723.261 |
| 30 | I. ISSUED AND OTHER CAPITAL | 102 | 34 | 5.939.718 | 5.511.964 |
| 31 | II. UNPAID SUBSCRIBED CAPITAL | 103 | | | |
| 32 | III. RESERVES | 104 | 35 | 611.280 | 899.217 |
| 330 i 331 | IV. REVALUATION RESERVES | 105 | 36 | 2.272.779 | 1.748.834 |
| 332 | V. UNREALIZED GAINS BASED ON SECURITIES AVAILABLE FOR SALE | 106 | 36 | 7.138 | 14.599 |
| 333 | V. UNREALIZED LOSSES BASED ON SECURITIES AVAILABLE FOR SALE | 107 | 36 | 38.561 | 25.798 |
| 34 | VII. RETAINED EARNINGS | 108 | 37 | 4.649.287 | 4.574.445 |
| 35 | VIII. LOSS | 109 | | | |
| 037 and 237 | IX. REDEEMED OWN SHARES | 110 | | | |
| | B. NON-CURRENT PROVISIONS AND LIABILITIES (112+113+116) | 111 | | 15.295.061 | 14.511.935 |
| 40 | I. NON-CURRENT PROVISIONS | 112 | 38 | 1.259.183 | 1.388.663 |
| 41 | II. NON-CURRENT LIABILITIES (114+115) | 113 | | 1.292.165 | 1.907.239 |
| 414, 415 | 1. Long-term credits | 114 | 39 | 457.624 | 943.240 |
| 41 w/out 414 and 415 | 2. Other non-current liabilities | 115 | 40 | 834.541 | 963.999 |
| | III. CURRENT LIABILITIES (117+118+119+120+121+122) | 116 | | 12.743.713 | 11.216.031 |
| 42, except 427 | 1. Short-term financial liabilities | 117 | 41 | 3.572.932 | 2.749.962 |
| 427 | 2. Liabilities from assets held for sale and assets from discontinued operations | 118 | | | |
| 43 and 44 | 3. Liabilities from business operations | 119 | 42 | 6.310.976 | 6.143.839 |
| 45 i 46 | 4. Other short-term liabilities | 120 | 43 | 1.400.074 | 1.134.937 |
| 47, 48 except 481 and 49 except 498 | 5. VAT and other public liabilities and accruals | 121 | 44 | 959.481 | 702.413 |
| 481 | 6. Income tax liabilities | 122 | | 500.250 | 484.880 |
| 498 | C. DEFERRED TAX LIABILITIES | 123 | | 134.814 | 87.133 |
| | D. TOTAL CAPITAL AND LIABILITIES (101+111+123) | 124 | | 28.871.516 | 27.322.329 |
| 89 | E. OFF-BALANCE SHEET ITEMS | 125 | 46 | 14.660.709 | 14.076.978 |
| | NON-CONTROLLING INTEREST | | | 1.123.468 | 1.337.239 |

In Belgrade,

Person responsible for
preparation of financial
statements

Zivobur



date: 17.04.2014
legal representative

ENERGOPROJEKT GROUP, BELGRADE

**CONSOLIDATED
INCOME STATEMENT**
for the period January 1 to December 31, 2013

in 000 RSD

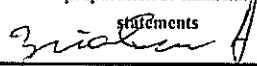
| Group accounts, account | POSITION | EDP | Note no. | Amount | |
|-------------------------|--|-----|----------|--------------|---------------|
| | | | | Current year | Previous year |
| 1 | 2 | 3 | 4 | 5 | 6 |
| | A. BUSINESS REVENUE AND EXPENSES | | | | |
| | I. BUSINESS REVENUE (202+203+204+205+206) | 201 | | 22.418.350 | 26.375.339 |
| 60 and 61 | 1. Sale revenue | 202 | 11 | 21.955.385 | 25.634.951 |
| 62 | 2. Revenue from undertaking of outputs and goods for own purposes | 203 | | 71.511 | 58.673 |
| 630 | 3. Increase of inventories | 204 | 12 | 162.544 | 612.474 |
| 631 | 4. Decrease of inventories | 205 | 12 | 72.072 | 219.082 |
| 64 and 65 | 5. Other business revenue | 206 | 13 | 300.982 | 288.323 |
| | II. BUSINESS EXPENSES (208 to 212) | 207 | | 22.134.384 | 25.646.895 |
| 50 | 1. Cost value of sold goods | 208 | 14 | 253.607 | 345.095 |
| 51 | 2. Cost of material | 209 | 15 | 6.500.193 | 9.256.476 |
| 52 | 3. Staff costs | 210 | 16 | 7.888.157 | 7.057.296 |
| 54 | 4. Depreciation and provisions costs | 211 | 17 | 603.729 | 516.510 |
| 53 and 55 | 5. Other business expenses | 212 | 18 | 6.888.698 | 8.471.518 |
| | III. PROFIT FROM OPERATIONS (201 - 207) | 213 | | 283.966 | 728.444 |
| | IV. LOSS FROM OPERATIONS (207 - 201) | 214 | | | |
| 66 | V. FINANCIAL REVENUE | 215 | 19 | 933.097 | 1.730.326 |
| 56 | VI. FINANCIAL EXPENSES | 216 | 19 | 920.792 | 1.363.668 |
| 67, 68 | VII. OTHER REVENUE | 217 | 20 | 752.797 | 267.630 |
| 57, 58 | VIII. OTHER EXPENSES | 218 | 20 | 436.249 | 313.376 |
| | IX. PROFIT FROM OPERATIONS BEFORE TAX (213-214+215-216+217-218) | 219 | | 612.819 | 1.049.356 |
| | 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 | 21 | 13.617 | 37.156 |
| | B. PROFIT BEFORE TAX (219-220+221-222) | 223 | 22 | 599.202 | 1.012.200 |
| | V. LOSS BEFORE TAX (220-219+222-221) | 224 | | | |
| | G. INCOME TAX | | | | |
| 721 | 1. Tax expenses for the period | 225 | | 104.164 | 89.446 |
| 722 | 2. Deferred tax expenses for the period | 226 | | 34.882 | 25.810 |
| 722 | 3. Deferred tax revenues for the period | 227 | | | |
| 723 | D. EMPLOYER'S EARNINGS PAID | 228 | | | |
| | Đ. NET PROFIT (223-224-225-226+227-228) | 229 | | 460.156 | 896.944 |
| | E. NET LOSS (224-223+225+226-227+228) | 230 | | | |
| | Z. NET PROFIT BELONGING TO MINORITY INVESTORS | 231 | | 86.450 | 191.749 |
| | Z. NET PROFIT BELONGING TO EQUITY HOLDERS OF THE PARENT COMPANY | 232 | | 373.706 | 705.195 |
| | I. EARNINGS PER SHARE | | | | |
| | 1. Basic earnings per share | 233 | 23 | | |
| | 2. Decreased (diluted) earnings per share | 234 | | | |

In Belgrade,

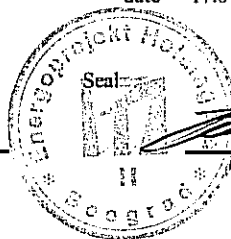
date 17.04.2014.

Person responsible for
preparation of financial
statements

57)



Legal representative



**CONSOLIDATED
CASH FLOW STATEMENT**
for the period January 1 to December 31, 2013

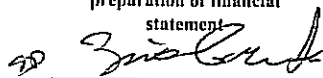
in 000 RSD

| Position | EDP | Amount | |
|---|-----|--------------|---------------|
| | | Current year | Previous year |
| 1 | 2 | 3 | 4 |
| A. CASH FLOW FROM BUSINESS ACTIVITIES | | | |
| I. Cash flow from business activities (1 to 3) | 301 | 24.516.259 | 26.847.296 |
| 1. Sale and received advance payments | 302 | 24.262.261 | 25.913.039 |
| 2. Received interests from business activities | 303 | 24.082 | 54.972 |
| 3. Other cash flow from regular operations | 304 | 229.916 | 879.285 |
| II. Cash outflow from business activities (1 to 5) | 305 | 24.794.297 | 26.755.138 |
| 1. Cash to suppliers and advances paid | 306 | 15.965.966 | 18.434.674 |
| 2. Staff costs | 307 | 7.511.500 | 6.925.208 |
| 3. Interests paid | 308 | 260.353 | 277.251 |
| 4. Income tax | 309 | 189.943 | 272.523 |
| 5. Other public duties | 310 | 866.535 | 845.482 |
| III. Net cash flow from business activities (I-II) | 311 | | 92.158 |
| IV. Net cash outflow from business activities (II-I) | 312 | 278.038 | |
| B. CASH FLOW FROM INVESTMENTS | | | |
| I. Cash flow from investments (1 to 5) | 313 | 3.537.738 | 4.816.802 |
| 1. Sale of shares and stakes (net inflow) | 314 | 10.468 | 2.000 |
| 2. Sale of intangible assets, property, plant, equipment and biological assets | 315 | 12.828 | 187.984 |
| 3. Other financial investments (net inflow) | 316 | 3.391.470 | 4.505.941 |
| 4. Interests received from investments | 317 | 84.567 | 90.076 |
| 5. Dividends received | 318 | 38.405 | 30.801 |
| II. Cash outflow from investments (1 to 3) | 319 | 3.661.878 | 4.313.445 |
| 1. Acquisition of shares and stakes (net outflow) | 320 | 159.167 | |
| 2. Acquisition of intangible assets, property, plant, equipment and biological assets | 321 | 585.710 | 846.629 |
| 3. Other financial investments (net outflow) | 322 | 2.917.001 | 3.466.816 |
| III. Net cash flow from investments (I-II) | 323 | | 503.357 |
| IV. Net cash outflow from investments (II-I) | 324 | 124.140 | |
| V. CASH FLOW FROM FINANCING ACTIVITIES | | | |
| I. Cash flow from financing activities (1 to 3) | 325 | 1.874.263 | 2.479.743 |
| 1. Increase of capital assets | 326 | | |
| 2. Long-term and short-term credits (net inflow) | 327 | 1.817.787 | 1.245.512 |
| 3. Other long-term and short-term liabilities | 328 | 56.476 | 1.234.231 |
| II. Cash outflow from financing activities (1 to 4) | 329 | 1.782.030 | 2.729.399 |
| 1. Acquisition of own shares and stakes | 330 | | |
| Long and short-term credits and other liabilities (net outflow) | 331 | 1.350.496 | 2.514.883 |
| 3. Finance leasing | 332 | 367.318 | 155.202 |
| 4. Dividends paid | 333 | 64.216 | 59.314 |
| III. Net cash flow from financing activities (I-II) | 334 | 92.233 | |
| IV. Net cash outflow from financing activities (II-I) | 335 | | 249.656 |
| G. TOTAL CASH FLOW (301+313+325) | 336 | 29.928.260 | 34.143.841 |
| D. TOTAL CASH OUTFLOW (305+319+329) | 337 | 30.238.205 | 33.797.982 |
| D.I. NET CASH FLOW (336-337) | 338 | | 345.859 |
| E. NET CASH OUTFLOW (337-336) | 339 | 309.945 | |
| Z. CASH AT THE BEGINNING OF THE ACCOUNTING PERIOD | 340 | 3.355.485 | 2.941.524 |
| Z. GAINS ON EXCHANGE | 341 | 139.243 | 205.080 |
| I. LOSS ON EXCHANGE | 342 | 98.900 | 136.978 |
| J. CASH AT THE END OF THE ACCOUNTING PERIOD (338-339+340+341-342) | 343 | 3.085.883 | 3.355.485 |

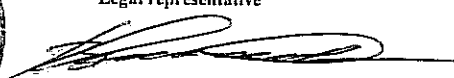
In Belgrade,

date 17.04.2014.

Person responsible for
preparation of financial
statement




Legal representative



CONSOLIDATED
STATEMENT OF CHANGES IN CAPITAL
for the period January 1 to December 31, 2013

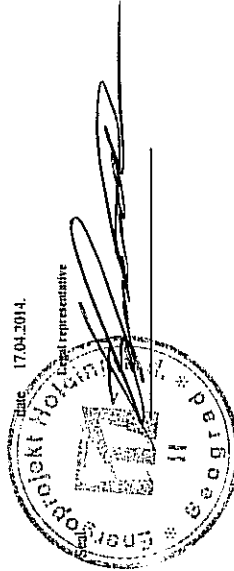
| No. | DESCRIPTION | in (MKD) BSD | | | | | | | | | | | | | | | | | | | | | | | |
|-----|--|--------------|-----------|-----|--------|-----|-----|---------|-----|---------|-----|-----------|-------|--------|-----|--------|-----|-----------|-----|-----|-----|------------|-----|--|-----|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | | | | | | | | | | |
| 1 | Balance on January 1, previous year | 501 | 5,126,415 | 414 | 96,688 | 427 | 440 | 337,036 | 453 | 660,877 | 466 | 1,635,478 | 479 | 16,022 | 492 | 21,071 | 505 | 3,975,463 | 518 | 531 | 544 | 11,715,908 | 557 | | |
| 2 | Correction of materially significant errors and changes in accounting policies in the previous year - increase | 502 | | 415 | | 428 | 441 | | 454 | 467 | | 480 | | | 493 | | 506 | | 519 | 532 | 545 | | | | 558 |
| 3 | Correction of materially significant errors and changes in accounting policies in the previous year - decrease | 403 | | 416 | | 429 | 442 | | 455 | 468 | | 481 | | | 494 | | 507 | | 520 | 533 | 546 | | | | 559 |
| 4 | Corrected initial balance on January 1, of the previous year (no. 1+2-3) | 404 | 5,126,415 | 417 | 96,688 | 430 | 443 | 337,036 | 456 | 660,877 | 469 | 1,635,478 | 482 | 16,022 | 495 | 21,071 | 508 | 3,975,463 | 521 | 534 | 547 | 11,715,908 | 560 | | |
| 5 | Total increase in the previous year | 405 | 1,256,049 | 418 | 2,221 | 431 | 444 | | 457 | 17,795 | 470 | 123,356 | 483 | 1,791 | 496 | 3,727 | 509 | 598,982 | 522 | 535 | 548 | 1,987,967 | 561 | | |
| 6 | Total decrease in the previous year | 406 | 935,138 | 419 | 5,271 | 432 | 445 | 22 | 458 | 16,409 | 471 | 2,464 | 484 | 3,174 | 497 | 510 | 510 | | 523 | 536 | 549 | 980,814 | 562 | | |
| 7 | Balance on December 31, previous year (no. 4+5-6) | 407 | 5,397,326 | 420 | 11,458 | 433 | 446 | 337,014 | 459 | 662,203 | 472 | 1,748,834 | 485 | 14,599 | 498 | 25,798 | 511 | 4,574,445 | 524 | 537 | 550 | 12,723,261 | 563 | | |
| 8 | Correction of materially significant errors and changes in accounting policies in the previous year - increase | 408 | | 421 | | 434 | 447 | | 460 | 473 | | 486 | | | 499 | | 512 | | 525 | 538 | 551 | | | | 564 |
| 9 | Correction of materially significant errors and changes in accounting policies in the previous year - decrease | 409 | | 422 | | 435 | 448 | | 461 | 474 | | 487 | | | 500 | | 513 | | 526 | 539 | 552 | | | | 565 |
| 10 | Corrected initial balance on January 1, of the current year (no. 7+8-9) | 410 | 5,397,326 | 423 | 11,458 | 436 | 449 | 337,014 | 463 | 662,203 | 476 | 1,748,834 | 488 | 14,599 | 501 | 25,798 | 514 | 4,574,445 | 527 | 540 | 553 | 12,723,261 | 566 | | |
| 11 | Total increase in the current year | 411 | 580,774 | 424 | | 437 | 450 | | 464 | 376 | | 489 | 1,498 | 13,619 | 502 | 13,619 | 515 | 384,322 | 528 | 541 | 554 | 2,882,879 | 567 | | |
| 12 | Total decrease in the current year | 412 | 129,661 | 425 | 23,359 | 438 | 451 | | 465 | 287,937 | 477 | 407,159 | 490 | 8,959 | 503 | 2,856 | 516 | 309,480 | 529 | 542 | 555 | 1,363,899 | 568 | | |
| 13 | Balance on December 31, of the current year (no. 10+11-12) | 413 | 5,848,439 | 426 | 91,279 | 439 | 452 | 337,014 | 468 | 374,266 | 478 | 2,273,779 | 491 | 21,138 | 504 | 38,661 | 517 | 4,649,287 | 530 | 543 | 556 | 13,441,641 | 569 | | |

In Belgrade,

Person responsible for
preparation of financial
statements

17.04.2014.

Legal representative



CONSOLIDATED
STATISTICAL ANNEX
for the period January 1 to December 31, 2013

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

| DESCRIPTION | EDP | Current year | Previous year |
|---|-----|--------------|---------------|
| 1 | 2 | 3 | 4 |
| 1. Number of business months (designation from 1 to 12) | 601 | 12 | 12 |
| 2. Size designation (from 1 to 4) | 602 | 3 | 3 |
| 3. Ownership designation (from 1 to 5) | 603 | 2 | 2 |
| 4. Number of foreign (legal or physical) entities with equity share | 604 | 246 | 243 |
| 5. Average number of employees based on the balance at the end of each month (whole number) | 605 | 2,305 | 2,385 |

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

Amounts in 000 RSD

| Group accounts, account | DESCRIPTION | EDP | Gross | Correction of value | Net |
|-------------------------|---|-----|------------|---------------------|-----------|
| | | | | | (col.4-5) |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 01 | 1. Intangible assets | | | | |
| | 1.1. Balance at the beginning of the year | 606 | 160,786 | 90,307 | 70,479 |
| | 1.2. Increase (acquisitions) during the year | 607 | 3,114 | | 3,114 |
| | 1.3. Decrease (sale, removal from inventory and impairment) during the year | 608 | 6,378 | | 12,916 |
| | 1.4. Revaluation during the year | 609 | | | |
| | 1.5. Balance at the end of the year (606+607-608+609) | 610 | 157,522 | 96,845 | 60,677 |
| 02 | 2. Real property, plant, equipment and biological assets | | | | |
| | 2.1. Balance at the beginning of the year | 611 | 15,825,795 | 7,406,210 | 8,419,585 |
| | 2.2. Increase (acquisitions) during the year | 612 | 1,347,893 | | 1,347,893 |
| | 2.3. Decrease (sale, removal from inventory and ensuring) during the year | 613 | 416,389 | | 608,877 |
| | 2.4. Revaluation during the year | 614 | 564,288 | | 737,003 |
| | 2.5. Balance at the end of the year (611+612-613+614) | 615 | 17,321,587 | 7,425,983 | 9,895,604 |

III STRUCTURE OF INVENTORIES

Amounts in 000 RSD

| Group accounts, account | DESCRIPTION | EDP | Current year | Previous year |
|-------------------------|--|-----|--------------|---------------|
| 1 | 2 | 3 | 4 | 5 |
| 10 | 1. Inventories | 616 | 1,146,045 | 921,827 |
| 11 | 2. Unfinished production | 617 | 1,386,426 | 1,270,562 |
| 12 | 3. Finished products | 618 | 170,340 | 213,952 |
| 13 | 4. Goods | 619 | 269,609 | 65,651 |
| 14 | 5. Non-current assets held for sale | 620 | 62,983 | 64,156 |
| 15 | 6. Advances given | 621 | 714,333 | 584,170 |
| | 7. TOTAL (616+617+618+619+620+621=013) | 622 | 3,749,736 | 3,120,318 |

IV STRUCTURE OF CAPITAL ASSETS

Amounts in 000 RSD

| Group accounts, account | DESCRIPTION | EDP | Current year | Previous year |
|-------------------------|---|-----|--------------|---------------|
| 1 | 2 | 3 | 4 | 5 |
| 300 | 1. Share capital | 623 | 5,839,150 | 5,388,037 |
| | in it: foreign capital | 624 | 384,250 | 215,418 |
| 301 | 2. Share of limited liability company | 625 | 9,289 | 9,289 |
| | in it: foreign capital | 626 | 9,289 | 9,289 |
| 302 | 3. Shares of members of partnership and limited-partnership company | 627 | | |
| | in it: foreign capital | 628 | | |
| 303 | 4. State-owned capital | 629 | | |
| 304 | 5. Socially-owned capital | 630 | | |
| 305 | 6. Cooperative shares | 631 | | |
| 309 | 7. Other capital shares | 632 | 91,279 | 114,638 |
| 30 | TOTAL: (623+625+627+629+630+631+632=102) | 633 | 5,939,718 | 5,511,964 |

V EQUITY STRUCTURE

Number of shares as a whole number
Amounts in 000 RSD

| Group accounts, account | DESCRIPTION | EDP | Current year | Previous year |
|-------------------------|---|------------|------------------|------------------|
| 1 | 2 | 3 | 4 | 5 |
| | 1. Ordinary shares | | | |
| | 1.1. Number of ordinary shares | 634 | 11,464,903 | 10,575,319 |
| part 300 | 1.2. Nominal value of ordinary shares - total | 635 | 5,839,150 | 5,388,037 |
| | 2. Priority shares | | | |
| | 2.1. Number of priority shares | 636 | | |
| part 300 | 2.2. Nominal value of priority shares - total | 637 | | |
| 300 | 3. TOTAL - nominal value of shares (635+637= 623) | 638 | 5,839,150 | 5,388,037 |

VI RECEIVABLES AND LIABILITIES

Amounts in 000 RSD

| Group accounts, account | DESCRIPTION | EDP | Current year | Previous year |
|-------------------------|--|-----|--------------|---------------|
| 1 | 2 | 3 | 4 | 5 |
| 20 | 1. Sale receivables (balance at the end of the year 639 ± 016) | 639 | 6,513,750 | 6,694,951 |
| 43 | 2. Liabilities from operations (balance at the end of the year 640 ≤117) | 640 | 6,032,842 | 5,842,960 |
| part 228 | 3. Receivables during the year from insurance companies for damages (debt turnover without initial balance) | 641 | 4,026 | 3,928 |
| 27 | 4. VAT paid during acquisition of goods and services (debt turnover without initial balance) | 642 | 647,725 | 1,652,466 |
| 43 | 5. Business liabilities (receivables turnover without initial balance) | 643 | 10,463,364 | 24,967,611 |
| 450 | 6. Liabilities for net income and income compensations (receivables turnover without initial balance) | 644 | 4,963,886 | 4,354,459 |
| 451 | 7. Liabilities for salaries tax and salaries compensations paid by employees (receivables turnover without initial balance) | 645 | 596,247 | 551,486 |
| 452 | 8. Liabilities for contributions on salaries and salaries compensations paid by employees (receivables turnover without initial balance) | 646 | 833,813 | 871,876 |
| 461,462 and 723 | 9. Liabilities for dividends, profit share and employer's personal earnings (receivables turnover without initial balance) | 647 | 458,580 | 191,855 |
| 465 | 10. Liabilities toward physical entities for compensations per contracts (receivables turnover without initial balance) | 648 | 99,977 | 84,947 |
| 47 | 11. VAT collected during sale of products, goods and services (receivables turnover without initial balance) | 649 | 758,637 | 2,003,609 |
| | 12. Control summary (from 639 to 649) | 650 | 31,372,847 | 47,220,148 |

VII OTHER EXPENSES AND EXPENDITURES

Amounts in 000 RSD

| Group accounts, account | DESCRIPTION | EDP | Current year | Previous year |
|---------------------------------|---|-----|--------------|---------------|
| 1 | 2 | 3 | 4 | 5 |
| 513 | 1. Fuel and energy costs | 651 | 1,354,929 | 986,618 |
| 520 | 2. Salaries and salaries compensations (gross) | 652 | 6,281,334 | 5,553,854 |
| 521 | 3. Tax expenses and contributions on salaries and salaries compensations paid by employer | 653 | 710,582 | 668,889 |
| 522,523,524 and 525 | 4. Expenses for compensations to physical entities (gross) based on contracts | 654 | 252,705 | 215,650 |
| 526 | 5. Expenses of compensations to BoD & Supervision Board members (gross) | 655 | 24,240 | 29,191 |
| 529 | 6. Other personal expenses and compensations | 656 | 619,296 | 589,712 |
| 53 | 7. Expenses of production services | 657 | 5,438,844 | 6,575,678 |
| 533, part 540 and part 525 | 8. Lease expenses | 658 | 681,491 | 480,142 |
| part 533, part 540 & part 525 | 9. Expenses of land lease | 659 | | 12,979 |
| 536,537 | 10. Expenses of research and development | 660 | 1,829 | 2,753 |
| 540 | 11. Depreciation expenses | 661 | 534,208 | 457,582 |
| 552 | 12. Expenses of insurance premiums | 662 | 120,131 | 91,491 |
| 553 | 13. Payroll expenses | 663 | 202,202 | 253,120 |
| 554 | 14. Membership fees | 664 | 20,144 | 27,750 |
| 555 | 15. Tax expenses | 665 | 112,864 | 187,408 |
| 556 | 16. Contributions | 666 | 1,007 | 1,270 |
| 562 | 17. Interests | 667 | 270,738 | 306,965 |
| part 560, part 561 and 562 | 18. Interests expenses and a part of financial expenses | 668 | 273,717 | 321,593 |
| part 560, part 561 and part 562 | 19. Interests expenses per credits and banks and dfo | 669 | 91,884 | 57,275 |
| part 579 | 20. Expenses for humanitarian, cultural, health, educational, scientific and religious purposes, for protection of the Environment and sports | 670 | 36,123 | 22,573 |
| | 21. Control summary (from 651 to 670) | 671 | 17,028,268 | 16,842,493 |

VIII OTHER REVENUE

Amounts in 000 RSD

| Group accounts, account | DESCRIPTION | EDP | Current year | Previous year |
|----------------------------------|---|-----|--------------|---------------|
| 1 | 2 | 3 | 4 | 5 |
| 60 | 1. Goods sale revenue | 672 | 290.913 | 1.244.618 |
| 640 | 2. Revenue from premiums, subsidies, donations, recourses, compensations and tax duties returns | 673 | 1.533 | 663 |
| 641 | 3. Revenue from conditioned donations | 674 | | |
| part 650 | 4. Revenue from land lease | 675 | 2.941 | 3.087 |
| 651 | 5. Membership revenue | 676 | | |
| part 660, part 661, 662 | 6. Interests revenue | 677 | 139.438 | 232.903 |
| part 660, part 661, and part 662 | 7. Revenue from interests per accounts and deposits in banks and other financial organizations | 678 | 81.618 | 55.446 |
| part 660, part 661 and part 669 | 8. Revenue from dividends and profit share | 679 | 111.544 | 107.012 |
| | 9. Control summary (from 672 to 679) | 680 | 627.987 | 1.643.729 |

IX OTHER DATA

Amounts in 000 RSD

| DESCRIPTION | EDP | Current year | Previous year |
|---|-----|--------------|---------------|
| 1 | 2 | 3 | 4 |
| 1. Liabilities for excises (according to annual excises calculation) | 681 | | |
| 2. Calculated customs duties and other import duties (total annual amount according to calculation) | 682 | 39.584 | 8.615 |
| 3. Capital subsidies and other state subsidies for construction and acquisition of capital assets and intangible assets | 683 | | |
| 4. State allocations for premiums, recourses and covering of current operating expenses | 684 | | |
| 5. Other state allocations | 685 | 543 | 260 |
| 6. Received donations from abroad and other non-returnable assets in money or nature from foreign legal and physical entities | 686 | | |
| 7. Personal income of entrepreneurs from net profit (filled in by entrepreneurs only) | 687 | | |
| 8. Control summary (from 681 to 687) | 688 | 40.127 | 8.875 |

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

Amounts in 000 RSD

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

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

Amounts in 000 RSD

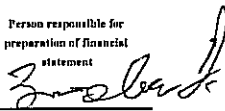
| DESCRIPTION | EDP code | Current year | Previous year |
|---|----------|--------------|---------------|
| 1 | 2 | 3 | 4 |
| 1. Opening balance of the accrued net effect of the contractual currency clause | 697 | | |
| 2. Accrued net effect of the contractual currency clause | 698 | | |
| 3. Proportional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

In Belgrade,

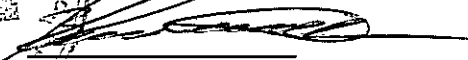
date 17.04.2014.

Person responsible for
preparation of financial
statement

69




Legal representative



"ENERGOPROJEKT" GROUP, BELGRADE

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
2013**

Belgrade, 2014

"ENERGOPROJEKT" GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

C O N T E N T S

| | |
|---|----|
| FINANCIAL STATEMENTS FORMS | 5 |
| 1. COMPANY BACKGROUND | 15 |
| 2. CONSOLIDATION GROUP | 15 |
| 3. BASIS FOR THE PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS | 17 |
| 4. MANAGEMENT ESTIMATION AND ASSESSMENT..... | 19 |
| 5. CONSOLIDATION | 19 |
| 5.1. Subsidiaries..... | 19 |
| 5.2. Affiliates | 19 |
| 5.3. Joint ventures | 20 |
| 5.4. Segment reporting | 20 |
| 6. ACCOUNTING PRINCIPLES | 20 |
| 7. OVERVIEW OF PRINCIPAL ACCOUNTING POLICIES | 21 |
| 7.1. Valuation | 21 |
| 7.2. Effects of foreign exchange rates | 22 |
| 7.3. Revenues..... | 23 |
| 7.4. Expenses | 23 |
| 7.5. Interest and other borrowing costs | 24 |
| 7.6. Income tax | 24 |
| 7.7. Intangible investments | 25 |
| 7.8. Property, plants and equipment | 26 |
| 7.9. Finance lease | 26 |
| 7.10. Depreciation of intangible assets, property, plants and equipment | 27 |
| 7.11. Decrease in the value of intangible assets, property, plants and equipment | 27 |
| 7.12. Investment property | 28 |
| 7.13. Inventories | 29 |
| 7.14. Fixed assets intended for sale | 30 |
| 7.15. Financial instruments | 30 |
| 7.16. Cash and cash equivalents | 32 |
| 7.17. Short term receivables | 32 |
| 7.18. Financial investments..... | 33 |
| 7.19. Liabilities | 34 |
| 7.20. Provisions, contingent liability and contingent asset | 34 |
| 7.21. Employee benefits..... | 35 |

"ENERGOPROJEKT" GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| | |
|--|----|
| 8. CORRECTION OF ERRORS FROM PRIOR PERIODS, MATERIAL ERRORS AND CORRECTION OF THE OPENING BALANCE..... | 36 |
| 9. FINANCIAL RISKS | 37 |
| 9.1. Credit risk | 38 |
| 9.2. Market risk..... | 39 |
| 9.3. Liquidity risk | 39 |
| 10. SEGMENT INFORMATION | 40 |
| 10.1. Primary reporting formats – business segment..... | 40 |

PROFIT AND LOSS ACCOUNT

| | |
|---|----|
| 11. Sales revenues | 43 |
| 12. Increase/decrease in inventories..... | 43 |
| 13. Other operating revenues | 44 |
| 14. Purchase value of goods sold..... | 45 |
| 15. Material costs | 46 |
| 16. Staff costs | 47 |
| 17. Depreciation and provision expenses..... | 47 |
| 18. Other operating expenses | 48 |
| 19. Revenues and expenses | 49 |
| 20. Other revenues and expenses | 50 |
| 21. Net profit (loss) of discontinued operations..... | 52 |
| 22. Profit before tax | 53 |
| 23. Net earnings per share..... | 53 |

BALANCE SHEET

| | |
|--|----|
| 24. Intangible investments | 54 |
| 25. Property, plants and equipment | 55 |
| 26. Equity investments..... | 57 |
| 27. Other long-term financial investments..... | 57 |
| 28. Inventories..... | 58 |
| 29. Fixed assets for sale | 60 |
| 30. Receivables | 60 |
| 31. Short term financial investments | 62 |
| 32. Cash and cash equivalents..... | 63 |
| 33. Added value tax and active accruals | 63 |
| 34. Equity and other capital | 65 |
| 35. Reserves | 66 |
| 36. Revaluation reserves, unrealized profit/loss from securities | 66 |
| 37. Undistributed profit and loss..... | 68 |
| 38. Long-term provisions | 68 |
| 39. Long-term loans | 72 |
| 40. Other long-term liabilities | 73 |
| 41. Short-term financial liabilities | 75 |

"ENERGOPROJEKT" GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| | |
|--|----|
| 42. Liabilities from operations | 79 |
| 43. Other short-term liabilities | 80 |
| 44. VAT and other public duties and accruals | 81 |
| 45. Commitment and contingencies | 82 |
| 46. Off-balance assets and liabilities | 95 |
| 47. Mortgages registered in favour or against companies from the Energoprojekt Group.. | 95 |
| 48. Post balance sheet events | 96 |

"ENERGOPROJEKT" GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the period from January 1 to December 31 2013

(thousand RSD)

| Account group, account | DESCRIPTION | ADP | Note | Amount | |
|------------------------|---|-----|------|-------------------|-------------------|
| | | | | Current year | Previous year |
| | A. INCOME AND EXPENDITURE FROM REGULAR OPERATIONS | | | | |
| | I. BUSINESS INCOME | 201 | | 22.418.350 | 26.375.339 |
| 60 and 61 | 1. Return on sales | 202 | 11 | 21.955.385 | 25.634.951 |
| 62 | 2. Own use of products, services and merchandise | 203 | | 71.511 | 58.673 |
| 630 | 3. Increase in inventories | 204 | 12 | 162.544 | 612.474 |
| 631 | 4. Decrease in inventories | 205 | 12 | 72.072 | 219.082 |
| 64 and 65 | 5. Other business revenues | 206 | 13 | 300.982 | 288.323 |
| | II. BUSINESS EXPENDITURE | 207 | | 22.134.384 | 25.646.895 |
| 50 | 1. Cost of merchandise sold | 208 | 14 | 253.607 | 345.095 |
| 51 | 2. Cost of material | 209 | 15 | 6.500.193 | 9.256.476 |
| 52 | 3. Costs of salaries, fringe benefits and other personal expenses | 210 | 16 | 7.888.157 | 7.057.296 |
| 54 | 4. Costs of depreciation and provisions | 211 | 17 | 603.729 | 516.510 |
| 53 and 55 | 5. Other business expenditure | 212 | 18 | 6.888.698 | 8.471.518 |
| | III. BUSINESS PROFIT | 213 | | 283.966 | 728.444 |
| | IV. BUSINESS LOSSES | 214 | | | |
| 66 | V. FINANCIAL INCOME | 215 | 19 | 933.097 | 1.730.326 |
| 56 | VI. FINANCIAL EXPENDITURE | 216 | 19 | 920.792 | 1.363.668 |
| 67,68 | VII. OTHER INCOME | 217 | 20 | 752.797 | 267.630 |
| 57,58 | VIII. OTHER EXPENDITURE | 218 | 20 | 436.249 | 313.376 |
| | IX. OPERATING REVENUE BEFORE TAX | 219 | | 612.819 | 1.049.356 |
| | X. OPERATING LOSSES BEFORE TAX | 220 | | | |
| 69-59 | XI. NET PROFIT OF DISCONTINUED OPERATIONS | 221 | | | |
| 59-69 | XII. NET LOSS OF DISCONTINUED OPERATIONS | 222 | 21 | 13.617 | 37.156 |
| | B. PROFIT BEFORE TAX | 223 | 22 | 599.202 | 1.012.200 |
| | C. LOSSES BEFORE TAX | 224 | | | |
| | D. CORPORATE INCOME TAX | | | | |
| 721 | 1. Tax liabilities | 225 | | 104.164 | 89.446 |
| 722 | 2. Deferred tax liabilities | 226 | | 34.882 | 25.810 |
| 723 | 3. Deferred tax income | 227 | | | |
| | E. PERSONAL WAGES PAID TO EMPLOYER | 228 | | | |
| | F. NET PROFIT | 229 | | 460.156 | 896.944 |
| | G. NET LOSSES | 230 | | | |
| | H. NET PROFIT PAYABLE TO MINORITY STAKEHOLDERS | 231 | | 86.450 | 191.749 |
| | I. NET PROFIT PAYABLE TO PARENT COMPANY OWNERS | 232 | | 373.706 | 705.195 |
| | J. EARNINGS PER SHARE | | | | |
| | 1. Basic earnings per share | 233 | 23 | | |
| | 2. Diluted earnings per share | 234 | | | |

"ENERGOPROJEKT" GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

CONSOLIDATED BALANCE SHEET

As at 31. 12.2013

(thousand RSD)

| Account group, account | ITEM | ADP | Note No. | Amount | |
|---|---|-----|-------------|-------------------|-------------------|
| | | | | Current year | Previous year |
| | A S S E T S | | | | |
| | A. NON-CURRENT ASSETS | 001 | | 11.510.060 | 10.055.237 |
| 00 | I. SUBSCRIBED CAPITAL, UNPAID | 002 | | | |
| 012 | II. GOODWILL | 003 | | | |
| 01 without 012 | III. INTANGIBLE ASSETS | 004 | 24 | 60.677 | 70.479 |
| | IV. PROPERTY, PLANT, EQUIPMENT AND NATURAL ASSETS | 005 | | 9.895.604 | 8.419.585 |
| 020,022,023,02 6,027(part),028 (part),029 | 1. Property, plant, equipment | 006 | 25 | 7.357.361 | 6.410.029 |
| 024,027(part) and 028(part) | 2. Investment property | 007 | 25 | 2.538.243 | 2.009.556 |
| 021,025,027 (part) and 028 (part) | 3. Natural assets | 008 | | | |
| | IV. LONG-TERM FINANCIAL INVESTMENTS | 009 | | 1.553.779 | 1.565.173 |
| 030 to 032,039 (part) | 1. Share of Capital | 010 | 26 | 742.519 | 667.669 |
| 033 to 038,039(part) minus 037 | 2. Other long-term financial investments | 011 | 27 | 811.260 | 897.504 |
| | B. CURRENT ASSETS | 012 | | 17.361.456 | 17.267.092 |
| 10 to 13,15 | I. MATERIAL | 013 | 28 | 3.686.753 | 3.056.162 |
| 14 | II. ASSETS HELD FOR TRADING AND ASSETS FROM DISCONTINUED OPERATIONS | 014 | 29 | 62.983 | 64.156 |
| | III. SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH | 015 | | 13.611.720 | 14.146.774 |
| 20,21 and 22, except 223 | 1. Receivables | 016 | 30 | 6.937.683 | 7.116.005 |
| 223 | 2. Receivables from prepaid income tax | 017 | | 85.399 | |
| 23 minus 237 | 3. Short-term financial investments | 018 | 31 | 1.831.888 | 2.370.296 |
| 24 | 4. Cash and cash equivalents | 019 | 32 | 3.085.883 | 3.355.485 |
| 27 and 28 except 288 | 5. VAT and deferred income | 020 | 33 | 1.670.867 | 1.304.988 |
| 288 | III. DEFERRED TAX ASSETS | 021 | | | |
| | C. BUSINESS PROPERTY | 022 | | 28.871.516 | 27.322.329 |
| 29 | D. LOSSES OVER CAPITAL | 023 | | | |
| | E. TOTAL ASSETS | 024 | | 28.871.516 | 27.322.329 |
| 88 | F. OFF-BALANCE SHEET ITEMS | 025 | 46 | 14.660.709 | 14.076.978 |

"ENERGOPROJEKT" GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

CONSOLIDATED BALANCE SHEET

As at 31. 12.2013 - continued

(thousand RSD)

| Account group, account | ITEM | ADP | Note No. | Amount | |
|-------------------------------------|--|-----|----------|-------------------|-------------------|
| | | | | Current year | Previous year |
| | LIABILITIES | | | | |
| | A. CAPITAL | 101 | | 13.441.641 | 12.723.261 |
| 30 | I. ORIGINAL AND OTHER CAPITAL | 102 | 34 | 5.939.718 | 5.511.964 |
| 31 | II. SUBSCRIBED CAPITAL, UNPAID | 103 | | | |
| 32 | III. RESERVES | 104 | 35 | 611.280 | 899.217 |
| 330 and 331 | IV. REVALUATION RESERVES | 105 | 36 | 2.272.779 | 1.748.834 |
| 332 | V. Unrealized gains from securities | 106 | 36 | 7.138 | 14.599 |
| 333 | VI. Unrealized losses from securities | 107 | 36 | 38.561 | 25.798 |
| 34 | VII. UNDISTRIBUTED PROFIT | 108 | 37 | 4.649.287 | 4.574.445 |
| 35 | VIII. LOSSES | 109 | | | |
| 037 and 237 | IX. REPURCHASED SHARES | 110 | | | |
| | B. LONG-TERM PROVISIONS AND LIABILITIES | 111 | | 15.295.061 | 14.511.935 |
| 40 | I. LONG-TERM PROVISIONS | 112 | 38 | 1.259.183 | 1.388.665 |
| 41 | II. LONG-TERM LIABILITIES | 113 | | 1.292.165 | 1.907.239 |
| 414,415 | 1. Long-term loans | 114 | 39 | 457.624 | 943.240 |
| 41 without 414 and 415 | 2. Other long-term liabilities | 115 | 40 | 834.541 | 963.999 |
| | III. SHORT-TERM LIABILITIES | 116 | | 12.743.713 | 11.216.031 |
| 42 except 427 | 1. Short-term financial liabilities | 117 | 41 | 3.572.932 | 2.749.962 |
| 427 | 2. Liabilities for assets held for trading and assets related to discontinued operations | 118 | | | |
| 43 and 44 | 3. Liabilities from operations | 119 | 42 | 6.310.976 | 6.143.839 |
| 45 and 46 | 4. Other Short-term liabilities | 120 | 43 | 1.400.074 | 1.134.937 |
| 47, 48 except 481 and 49 except 498 | 5. VAT and other public duties and accruals | 121 | 44 | 959.481 | 702.413 |
| 481 | 6. Liabilities related to the income tax | 122 | | 500.250 | 484.880 |
| 498 | IV. DEFERRED TAX LIABILITIES | 123 | | 134.814 | 87.133 |
| | C. TOTAL LIABILITIES | 124 | | 28.871.516 | 27.322.329 |
| 89 | D. OFF-BALANCE SHEET ITEMS | 125 | 46 | 14.660.709 | 14.076.978 |
| | MINORITY INTEREST (EQUITY) | | | 1.123.468 | 1.337.239 |

"ENERGOPROJEKT" GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

CONSOLIDATED CASH FLOW STATEMENT
for the period from January 1 to December 31 2013

(thousand RSD)

| ITEM | ADP | Amount | |
|---|-----|-------------------|-------------------|
| | | Current year | Previous year |
| A. CASH FLOW FROM BUSINESS OPERATIONS | | | |
| I. Cash flow from business operations | 301 | 24.516.259 | 26.847.296 |
| 1. Sales return and received advances | 302 | 24.262.261 | 25.913.039 |
| 2. Received interest from business operations | 303 | 24.082 | 54.972 |
| 3. Other cash inflows from regular business operations | 304 | 229.916 | 879.285 |
| II. Cash outflow from business operations | 305 | 24.794.297 | 26.755.138 |
| 1. Payments to suppliers and advances given | 306 | 15.965.966 | 18.434.674 |
| 2. Salaries, emoluments and other personal expenses | 307 | 7.511.500 | 6.925.208 |
| 3. Paid interest | 308 | 260.353 | 277.251 |
| 4. Income tax | 309 | 189.943 | 272.523 |
| 5. Other public revenue expenses | 310 | 866.535 | 845.482 |
| III. Net cash inflow from business operations | 311 | | 92.158 |
| IV. Net cash outflow from business operations | 312 | 278.038 | |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | |
| I. Cash inflow from investing activities | 313 | 3.537.738 | 4.816.802 |
| 1. Sale of shares and equity investments (net inflow) | 314 | 10.468 | 2.000 |
| 2. Sale of intangible assets, plant, property, equipment & natural assets | 315 | 12.828 | 187.984 |
| 3. Other financial investments (net inflow) | 316 | 3.391.470 | 4.505.941 |
| 4. Received interest | 317 | 84.567 | 90.076 |
| 5. Received dividends | 318 | 38.405 | 30.801 |
| II. Cash outflow from investing activities | 319 | 3.661.878 | 4.313.445 |
| 1. Purchase of shares and equity investments (net outflow) | 320 | 159.167 | |
| 2. Purchase of intangible assets, plant, property, equipment & natural assets | 321 | 585.710 | 846.629 |
| 3. Other financial investments (net outflow) | 322 | 2.917.001 | 3.466.816 |
| III. Net cash inflow from investing activities | 323 | | 503.357 |
| IV. Net cash outflow from investing activities | 324 | 124.140 | |

"ENERGOPROJEKT" GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

CONSOLIDATED CASH FLOW STATEMENT - continued

for the period from January 1 to December 31 2013

(thousand RSD)

| ITEM | ADP | Amount | |
|---|-----|-------------------|-------------------|
| | | Current year | Previous year |
| C. CASH FLOW FROM INVESTMENT ACTIVITIES | | | |
| I. Cash inflow from financing activities | 325 | 1.874.263 | 2.479.743 |
| 1. Increase of original capital | 326 | | |
| 2. Long term and short term loans (net inflow) | 327 | 1.817.787 | 1.245.512 |
| 3. Other long term and short term liabilities | 328 | 56.476 | 1.234.231 |
| II. Cash outflow from financing activities | 329 | 1.782.030 | 2.729.399 |
| 1. Repurchase of treasury shares and equity | 330 | | |
| 2. Long term and short term loans and other liabilities (net outflow) | 331 | 1.350.496 | 2.514.883 |
| 3. Finance leasing | 332 | 367.318 | 155.202 |
| 4. Paid dividends | 333 | 64.216 | 59.314 |
| III. Net cash inflow from financing activities | 334 | 92.233 | |
| IV. Net cash outflow from financing activities | 335 | | 249.656 |
| D. CASH INFLOW TOTAL | 336 | 29.928.260 | 34.143.841 |
| E. CASH OUTFLOW TOTAL | 337 | 30.238.205 | 33.797.982 |
| F. CASH INFLOW NET | 338 | | 345.859 |
| G. CASH OUTFLOW NET | 339 | 309.945 | |
| H. OPENING CASH BALANCE | 340 | 3.355.485 | 2.941.524 |
| I. FX GAINS FROM CASH TRANSLATION | 341 | 139.243 | 205.080 |
| J. FX LOSSES FROM CASH TRANSLATION | 342 | 98.900 | 136.978 |
| K. CLOSING CASH BALANCE | 343 | 3.085.883 | 3.355.485 |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

CONSOLIDATED STATEMENT ON CHANGES IN EQUITY CAPITAL
for the period from January 1 to December 31 2013

(thousand RSD)

| No. | DESCRIPTION | Original capital (group 30 w/o 309) | Other capital (a/c 309) | Registered capital unpaid (group 31) | Issuing premium (a/c 320) | Reserves (a/c 321, 322) | Revaluation reserves (group 33) | Unrealized profits from securities (332) | Unrealized losses from securities (333) | Undistributed profit (group 34) | Losses over capital (group 35) | Repurchased shares and equity (a/c 037,237) | TOTAL | Losses over capital (group 29) |
|-----|--|-------------------------------------|-------------------------|--------------------------------------|---------------------------|-------------------------|---------------------------------|--|---|---------------------------------|--------------------------------|---|-------------------|--------------------------------|
| 1 | ADP | 401 | 414 | 427 | 440 | 453 | 466 | 479 | 492 | 505 | 518 | 531 | 544 | 557 |
| | Balance on 01.01. of the previous year | 5.126.415 | 96.688 | | 237.036 | 660.877 | 1.625.478 | 16.022 | 22.071 | 3.975.463 | | | 11.715.908 | |
| 2 | ADP | 402 | 415 | 428 | 441 | 454 | 467 | 480 | 493 | 506 | 519 | 532 | 545 | 558 |
| | Correction of the prior years material significant errors and changes in accounting policies – increase | | | | | | | | | | | | | |
| 3 | ADP | 403 | 416 | 429 | 442 | 455 | 468 | 481 | 494 | 507 | 520 | 533 | 546 | 559 |
| | Correction of the prior years material significant errors and changes in accounting policies – decrease | | | | | | | | | | | | | |
| 4 | ADP | 404 | 417 | 430 | 443 | 456 | 469 | 482 | 495 | 508 | 521 | 534 | 547 | 560 |
| | Restated opening balance on 01.01. of the previous year (no.1+2-3) | 5.126.415 | 96.688 | | 237.036 | 660.877 | 1.625.478 | 16.022 | 22.071 | 3.975.463 | | | 11.715.908 | |
| 5 | ADP | 405 | 418 | 431 | 444 | 457 | 470 | 483 | 496 | 509 | 522 | 535 | 548 | 561 |
| | Total increase in the previous year | 1.226.049 | 23.221 | | | 17.735 | 123.356 | 1.751 | 3.727 | 598.982 | | | 1.987.367 | |
| 6 | ADP | 406 | 419 | 432 | 445 | 458 | 471 | 484 | 497 | 510 | 523 | 536 | 549 | 562 |
| | Total decrease in the previous year | 955.138 | 5.271 | | 22 | 16.409 | | 3.174 | | | | | 980.014 | |
| 7 | ADP | 407 | 420 | 433 | 446 | 459 | 472 | 485 | 498 | 511 | 524 | 537 | 550 | 563 |
| | Balance on 31.12. of the previous year (no.4+5-6) | 5.397.326 | 114.638 | | 237.014 | 662.203 | 1.748.834 | 14.599 | 25.798 | 4.574.445 | | | 12.723.261 | |
| 8 | ADP | 408 | 421 | 434 | 447 | 460 | 473 | 486 | 499 | 512 | 525 | 538 | 551 | 564 |
| | Correction of the current year material significant errors and changes in accounting policies – increase | | | | | | | | | | | | | |
| 9 | ADP | 409 | 422 | 435 | 448 | 461 | 474 | 487 | 500 | 513 | 526 | 539 | 552 | 565 |
| | Correction of the current year material significant errors and changes in accounting policies – decrease | | | | | | | | | | | | | |
| 10 | ADP | 410 | 423 | 436 | 449 | 462 | 475 | 488 | 501 | 514 | 527 | 540 | 553 | 566 |
| | Restated opening balance on 01.01. of the current year (no.7+8-9) | 5.397.326 | 114.638 | | 237.014 | 662.203 | 1.748.834 | 14.599 | 25.798 | 4.574.445 | | | 12.723.261 | |
| 11 | ADP | 411 | 424 | 437 | 450 | 463 | 476 | 489 | 502 | 515 | 528 | 541 | 554 | 567 |
| | Total increase in the current year | 580.774 | | | | | 931.104 | 1.498 | 15.619 | 584.322 | | | 2.082.079 | |
| 12 | ADP | 412 | 425 | 438 | 451 | 464 | 477 | 490 | 503 | 516 | 529 | 542 | 555 | 568 |
| | Total decrease in the current year | 129.661 | 23.359 | | | 287.937 | 407.159 | 8.959 | 2.856 | 509.480 | | | 1.363.699 | |
| 13 | ADP | 413 | 426 | 439 | 452 | 465 | 478 | 491 | 504 | 517 | 530 | 543 | 556 | 569 |
| | Balance on 31.12. of the current year (no.10+11-12) | 5.848.439 | 91.279 | | 237.014 | 374.266 | 2.272.779 | 7.138 | 38.561 | 4.649.287 | | | 13.441.641 | |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

**Consolidated statistical annex
for 2013**

I GENERAL INFORMATION ABOUT THE LEGAL ENTITY/ENTREPRENEUR

| DESCRIPTION | AOP | Current year | Previous year |
|--|-----|--------------|---------------|
| 1. Total months of operation (indicate from 1 to 12) | 601 | 12 | 12 |
| 2. Size (indicate from 1 to 4) | 602 | 3 | 3 |
| 3. Ownership (indicate from to 5) | 603 | 2 | 2 |
| 4. Number of foreign (legal or natural) parties with share of equity | 604 | 246 | 243 |
| 5. Average number of employees based on monthly account (whole number) | 605 | 2.305 | 2.385 |

II GROSS CHANGES IN INTANGIBLE INVESTMENTS AND PROPERTY, PLANTS, EQUIPMENT AND NATURAL ASSETS

| Account group, acc. | DESCRIPTION | ADP | in 000 RSD | | |
|---------------------|--|-----|-------------------|------------------|------------------|
| | | | Gross | Value adjustment | Net (col. 4-5) |
| 01 | 1. Intangible investments | | | | |
| | 1.1. Opening balance | 606 | 160.786 | 90.307 | 70.479 |
| | 1.2. Increase (purchase) during the year | 607 | 3.114 | | 3.114 |
| | 1.3. Reduction (disposal, retirement and depreciation) during the year | 608 | 6.378 | | 12.916 |
| | 1.4. Revaluation during the year | 609 | | | |
| | 1.5. End-of-year balance | 610 | 157.522 | 96.845 | 60.677 |
| 02 | 2. Property, plants, equipment and natural assets | | | | |
| | 2.1. Opening balance | 611 | 15.825.795 | 7.406.210 | 8.419.585 |
| | 2.2. Increase (purchase) during the year | 612 | 1.347.893 | | 1.347.893 |
| | 2.3. Reduction (disposal, retirement and depreciation) during the year | 613 | 416.389 | | 608.877 |
| | 2.4. Revaluation during the year | 614 | 564.288 | | 737.003 |
| | 2.5. End-of-year balance | 615 | 17.321.587 | 7.425.983 | 9.895.604 |

III STRUCTURE OF INVENTORIES

| Account group, acc. | DESCRIPTION | ADP | in 000 RSD | |
|---------------------|----------------------------|-----|------------------|------------------|
| | | | Current year | Previous year |
| 10 | 1. Stocked material | 616 | 1.146.045 | 921.827 |
| 11 | 2. Work in progress | 617 | 1.386.426 | 1.270.562 |
| 12 | 3. Finished products | 618 | 170.340 | 213.952 |
| 13 | 4. Goods | 619 | 269.609 | 65.651 |
| 14 | 5. Assets held for trading | 620 | 62.983 | 64.156 |
| 15 | 6. Advances given | 621 | 714.333 | 584.170 |
| | 7. TOTAL | 622 | 3.749.736 | 3.120.318 |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

IV STRUCTURE OF ORIGINAL CAPITAL

| Account group, acc. | DESCRIPTION | ADP | in 000 RSD | |
|---------------------|--|-----|------------------|------------------|
| | | | Current year | Current year |
| 300 | 1. Share capital | 623 | 5.839.150 | 5.388.037 |
| | of which foreign capital | 624 | 384.250 | 215.418 |
| 301 | 2. Share of limited liability company | 625 | 9.289 | 9.289 |
| | of which foreign capital | 626 | 9.289 | 9.289 |
| 302 | 3. Investments by members of partnerships and limited partnerships | 627 | | |
| | of which: foreign capital | 628 | | |
| 303 | 4. Government owned capital | 629 | | |
| 304 | 5. Socially owned capital | 630 | | |
| 305 | 6. Cooperative shares | 631 | | |
| 309 | 7. Other equity | 632 | 91.279 | 114.638 |
| 30 | TOTAL | 633 | 5.939.718 | 5.511.964 |

V STRUCTURE OF SHARE CAPITAL

| Account group, acc. | DESCRIPTION | ADP | Total shares as a whole number in thousands of RSD | |
|---------------------|---|-----|--|------------------|
| | | | Current year | Previous year |
| | 1. Ordinary shares | | | |
| | 1.1. Number of ordinary shares | 634 | 11.464.903 | 10.575.319 |
| Part of 300 | 1.2. Nominal value of ordinary shares - total | 635 | 5.839.150 | 5.388.037 |
| | 2. Preferred shares | | | |
| | 2.1 Number of preferred shares | 636 | | |
| part of 300 | 2.2 Nominal value of preferred shares - total | 637 | | |
| 300 | TOTAL | 638 | 5.839.150 | 5.388.037 |

VI CLAIMS AND COMMITMENTS

| Account group, acc. | DESCRIPTION | ADP | in 000 RSD | |
|---------------------|--|-----|--------------|---------------|
| | | | Current year | Previous year |
| 20 | 1. Claims from sales arrangements (end-of-year balance 639≤016) | 639 | 6.513.750 | 6.694.951 |
| 43 | 2. Business commitments (end-of-year balance 640≤0117) | 640 | 6.032.842 | 5.842.960 |
| part 228 | 3. Damage claims during year from insurance companies (debit transactions, no opening balance) | 641 | 4.026 | 3.928 |
| 27 | 4. VAT - previous tax (annual amount according to tax reports) | 642 | 647.725 | 1.652.466 |
| 43 | 5. Business commitments (debit transactions with no opening balance) | 643 | 10.463.364 | 24.967.611 |
| 450 | 6. Net wages and emoluments (credit transactions with no opening balance) | 644 | 4.963.886 | 4.354.459 |

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| | | | | |
|------------------|--|------------|-------------------|-------------------|
| 451 | 7. Salary taxes and duties paid by employee (credit transactions with no opening balance) | 645 | 596.247 | 551.486 |
| 452 | 8. Salary contributions and emoluments paid by employee (credit transactions with no opening balance) | 646 | 833.813 | 871.876 |
| 461, 462 and 723 | 9. Dividends, share of profit and employer's remuneration (credit transactions with no opening balance) | 647 | 458.580 | 191.855 |
| 465 | 10. Obligations to natural entities based on service contracts (credit transactions with no opening balance) | 648 | 99.977 | 84.947 |
| 47 | 11. VAT liabilities (annual amount according to tax reports) | 649 | 758.637 | 2.003.609 |
| | 12. Subtotal (from 639 to 649) | 650 | 31.372.846 | 47.220.148 |

VII OTHER EXPENDITURE

| Account group, acc. | DESCRIPTION | ADP | in 000 RSD | |
|---|---|-----|--------------|---------------|
| | | | Current year | Previous year |
| 513 | 1. Cost of fuel and energy | 651 | 1.354.929 | 986.618 |
| 520 | 2. Wages and emoluments (gross) | 652 | 6.281.334 | 5.553.854 |
| 521 | 3. Salary taxes and contributions and emoluments paid by employer | 653 | 710.582 | 668.889 |
| 522,523,524 and 525 | 4. Obligations to natural entities (gross) based on service contracts | 654 | 252.705 | 215.650 |
| 526 | 5. Remuneration for board members and the Supervisory Board (gross) | 655 | 24.240 | 29.191 |
| 529 | 6. Other personal expenses and fees | 656 | 619.296 | 589.712 |
| 53 | 7. Production service costs | 657 | 5.438.844 | 6.575.678 |
| 533, part of 540 and part of 525 | 8. Rents | 658 | 681.491 | 480.142 |
| part of 533, part of 540 and part of 525 | 9. Leasehold | 659 | | 12.979 |
| 536,537 | 10. Research and development | 660 | 1.829 | 2.753 |
| 540 | 11. Depreciation | 661 | 534.208 | 457.582 |
| 552 | 12. Insurance premiums | 662 | 120.131 | 91.491 |
| 553 | 13. Payment transaction costs | 663 | 202.202 | 253.120 |
| 554 | 14. Membership fees | 664 | 20.144 | 27.750 |
| 555 | 15. Taxes | 665 | 112.864 | 187.408 |
| 556 | 16. Contributions | 666 | 1.007 | 1.270 |
| 562 | 17. Interest expenses | 667 | 270.738 | 306.965 |
| part of 560, part of 561 and 562 | 18. Interest expenses and partial financial expenditure | 668 | 273.717 | 321.593 |
| part of 560, part of 561, and part of 562 | 19. Interest on loans from banks and other financial organizations | 669 | 91.884 | 57.275 |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| | | | | |
|-------------|--|-----|-------------------|-------------------|
| part of 579 | 20. Expenses for humanitarian, cultural, healthcare, educational, scientific and religious purposes, environmental protection and sports | 670 | 36.123 | 22.573 |
| | 21. Subtotal (from 651 to 670) | 671 | 17.028.268 | 16.842.493 |

VIII OTHER INCOME

| Account group, acc. | DESCRIPTION | ADP | in 000 RSD | |
|---|---|-----|----------------|------------------|
| | | | Current year | Previous year |
| 60 | 1. Sales return | 672 | 290.913 | 1.244.618 |
| 640 | 2. Income from premiums, subsidies, grants, compensation and tax refunds | 673 | 1.533 | 663 |
| 641 | 3. Income from conditional donations | 674 | | |
| part of 650 | 4. Income from lease of land | 675 | 2.941 | 3.087 |
| 651 | 5. Income from membership fees | 676 | | |
| part of 660, part of 661 and part of 662 | 6. Income from interest | 677 | 139.438 | 232.903 |
| part of 660, part of 661 and part of 662 | 7. Income from interest on invoices and deposits in banks and other financial organizations | 678 | 81.618 | 55.446 |
| part of 660, part of 661, and part of 669 | 8. Income from dividends and profit shares | 679 | 111.544 | 107.012 |
| | 9. Subtotal (from 672 to 679) | 680 | 627.987 | 1.643.729 |

IX OTHER INFORMATION

| DESCRIPTION | ADP | in 000 RSD | |
|---|-----|---------------|---------------|
| | | Current year | Previous year |
| 1. Excise duties | 681 | | |
| 2. Customs and other import duties (annual amount according to account) | 682 | 39.584 | 8.615 |
| 3. Capital subventions and other government grants for construction and purchase of fixed assets and intangibles | 683 | | |
| 4. Government grants for premiums, subsidies and covering current operating expenses | 684 | | |
| 5. Other government grants | 685 | 543 | 260 |
| 6. Accepted donations from abroad and other non-refundable assets from foreign legal and natural entities in money or in kind | 686 | | |
| 7. Personal earnings of entrepreneur from net profit (entrepreneurs only) | 687 | | |
| 8. Subtotal (from 681 to 687) | 688 | 40.127 | 8.875 |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

1. COMPANY BACKGROUND

Energoprojekt Group, Belgrade (hereinafter: Group) consists of the parent limited company Energoprojekt Holding ad, Belgrade (hereinafter: EP Holding) and its 11 subsidiaries, 10 of which are direct subordinates (9 share-based and 1 limited company) and 1 indirectly subordinated through other subsidiaries (1 limited) and one affiliate (1 limited) in which the Group holds 50% equity share. Operating units and legal entities have been established in Serbia and foreign countries by the parent company and its subsidiaries to engage in operations including building construction and fitting, research and investment building/systems programming, and sale of goods and services.

Energoprojekt Group was organized in 2013 as follows:

| Activity | Subsidiaries | Business units for investment work abroad | Foreign companies |
|-----------------------------------|--------------|--|-------------------|
| Planning and research | 4 | 22 | 8 |
| Building construction and fitting | 3 | 72 | 7 |
| Holding | 1 | | |
| Other | 5 | | 4 |
| Total | 13 | 94 | 19 |

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

On December 31 2013 the Energoprojekt had 2.305 employees (2012 - 2.266) excluding local staff in overseas companies.

Energoprojekt Holding plc shares are A-listed on the Belgrade Stock Exchange, while some subsidiary shares are traded over-the-counter on the Belgrade Stock Exchange.

2. CONSOLIDATION GROUP

The consolidation group consists of the parent company EP Holding and its local subsidiaries, affiliates and foreign subsidiaries (foreign companies listed below):

Local subsidiaries and affiliates:

| No. | Name | % ownership |
|---|----------------------|-------------|
| <i>Building construction and fitting</i> | | |
| 1. | EP Visokogradnja plc | 92,53 |
| 2. | EP Niskogradnja plc | 100,00 |
| 3. | EP Oprema plc | 67,87 |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

Planning and research

| | | |
|----|--------------------------------|-------|
| 4. | EP Urbanizam i arhitektura plc | 94,40 |
| 5. | EP Industrija plc | 62,77 |
| 6. | EP Entel plc | 86,26 |
| 7. | EP Hidroinzenjering plc | 94,84 |

Other

| | | |
|-----|-------------------|--------|
| 8. | EP Energodata plc | 96,43 |
| 9. | EP Promet ltd | 100,00 |
| 10. | EP Garant plc | 92,94 |
| 11. | Energoplast ltd | 60,00 |

Affiliates

| | | |
|-----|-----------|-------|
| 12. | Enjub ltd | 50,00 |
|-----|-----------|-------|

EP Visokogradnja plc, EP Niskogradnja plc, EP Oprema plc, EP Industrija plc, EP Entel plc, EP Hidroinzenjering plc. and EP Energodata plc. are not just subsidiaries but also parent companies with own consolidated financial statements.

Foreign subsidiaries (foreign companies):

| No. | Name | % ownership |
|-----|--|-------------|
| 1. | Zambia Engineering and Contracting Company Limited, Zambia | 100,00 |
| 2. | Energoprojekt Holding Guinee S.A, Guinea | 100,00 |
| 3. | I.N.E.C. Engineering Company Limited, Great Britain | 100,00 |
| 4. | Encom GmbH Consulting, Engineering & Trading, Germany | 100,00 |
| 5. | Nana Offshore S.A.L, Lebanon | 100,00 |
| 6. | Energoprojekt (Private) Limited, Zimbabwe | 100,00 |

Some of the foreign subsidiaries (Energoprojekt Holding Guinee S.A, Guinea and Zambia Engineering and Contracting Company Limited, Zambia) are registered as being owned by EP Holding but are in fact controlled by the subsidiaries.

In addition to those listed above the first level consolidation group also includes ECO MEP Tehnology, Dubai, UAE; Energoprojekt Ghana Ltd., Accra, Ghana; Energoprojekt Montenegro ltd, Montenegro; Energo Uganda Company Ltd, Kampala, Uganda; Enlisa S.A., Lima, Peru; Energo Nigeria Ltd., Lagos, Nigeria (40%); Energoprojekt Oprema Crna Gora ltd, Podgorica, Montenegro; Enhisa S.A, Lima, Peru; Zahinos Ltd., Cyprus; EP Entel L.L.C., Muscat, Sultanate Oman; Energoprojekt Entel L.L.C., Doha, Qatar; Energoconsult L.L.C., Abu Dhabi, UAE and Energoprojekt Energodata Montenegro ltd, Montenegro.

Energoplast ltd and Energopet ltd ((33,33 % equity), two local affiliates, were also introduced to the first level consolidation group; the Group's consolidated financial statements however did not process Energoplast ltd by equity method, applying instead the full consolidation method because it entered the group as a subsidiary, as described earlier.

Foreign branch Energo (Private) Limited, Zimbabwe was included in 2013 in the Energoprojekt Group consolidation. In 2012 when it was included in the first-instance EP Visokogradnja consolidation, since the legal consolidation was performed and it was registered in the local registry as 100% owned by EP Holding plc.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

Starting from January 1 2004 the operations of the foreign units are included in the relevant financial statements, with a detailed overview of the units provided in the notes to consolidated financial statements of the relevant subsidiary.

3. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

In the Republic of Serbia, the Law on Accounting and Auditing (RS Official Gazette 62/2013) is the main legal document that deals with various issues related to accounting activities.

Financial statements for 2013 of the Company were prepared and presented according to the provision of the Law on Accounting and Auditing (RS Official Gazette no. 46/2006, 111/2009 and 99/2011 – hereinafter: the previous Law). The previous Law determines that legal entities and entrepreneurs shall maintain business books, recognize and value assets, liabilities, revenues and expenses; prepare, present, deliver and publish financial statements, according to:

- Legislation,
- Professional regulations and
- Internal regulations.

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

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

- The Law on Accounting (RS Official Gazette No. 62/2013);
- Previous Law on Accounting and Auditing (RS Official Gazette No. 46/2006, 111/2009 and 99/2011);
- Legal Entities Income Tax Law (RS Official Gazette No. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011 and 119/2012, 47/2013 and 108/2013);
- The VAT Law (RS Official Gazette No. 84/2004, 86/2004, 61/2005, 61/2007, 93/2012, 108/2013 and 6/2014);
- Regulation of the Form and Contents of Financial Statements submitted by companies, cooperatives, other legal entities and entrepreneurs (RS Official Gazette No. 114/2006, 5/2007, 119/2008, 2/2010, 101/12 and 118/12);
- Regulation on the Chart of Accounts and Contents of Accounts in the Chart of Accounts for companies, cooperatives, other legal entities and entrepreneurs (RS Official Gazette No. 114/2006, 119/2008, 9/2009, 4/2010, 3/2011 and 101/2012);
- Regulation on supplements and amendments to the Regulation on the Chart of Accounts for companies, cooperatives, other legal entities and entrepreneurs (RS Official Gazette No. 114/2006, 119/2008, 9/2009, 4/2010 i 3/2011 and 101/2012);
- Regulation on the Content of the Profit and Loss account and other Income Tax related issues (legal entities) (RS Official Gazette No. 99/2010, 8/2011, 13/2012 and 8/2013 and 20/2014);
- Regulation on the Content of the Tax Return for the Calculation of Income Tax for Legal Entities (RS Official Gazette No 24/2014);
- Regulation on the Classification of Fixed Assets into Groups and Determination of depreciation for tax purposes (RS Official Gazette No. 116/2004 and 99/2010).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- Regulation on Transfer-Pricing and Methods that are applied according to the principle „out of arm's reach“ when determining the price for transactions between related parties (RS Official Gazette no. 61/2003),
- Regulation on supplements and amendments to the Regulation on Transfer-Pricing and Methods that are applied according to the principle „out of arm's reach“ when determining the price for transactions between related parties (RS Official Gazette no. 8/2014).

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

The decision of the Minister of Finance of the Republic of Serbia, published in the RS Official Gazette no. 77/2010 (25.10.2010), approved the translations of main IAS and IFRS texts that comprise the IAS and IFRS, issued by the International Accounting Standards Committee till 01.01.2009 and interpretations of the IFRS Interpretations Committee till 01.01.2009 in the form they were published or adopted.

Please note that, in specific cases, not all respective IAS/IFRS provisions and Interpretations were considered in the preparation of consolidated 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 consolidated financial statements of the Company do not comply with IFRS with regard to the following:

- In the Republic of Serbia, financial statements for 2013, in compliance with the Law on accounting (RS Official Gazette No. 62/2013), are prepared in the form prescribed by the Regulation of the Form and Contents of Financial Statements submitted by companies, cooperatives, other legal entities and entrepreneurs (RS Official Gazette No. 114/2006, 5/2007, 119/2008, 2/2010, 101/12 and 118/12), which is not in compliance with the presentation and titles of specific financial statements for general purpose and the presentation of certain figures in the statement as prescribed by the revised IAS 1 – „Presentation of financial statements“ and
- Off-balance sheet assets and liabilities are presented on the balance sheet, yet these items, according to professional regulations, do not represent neither assets nor liabilities of the Company.

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

The Regulation on Accounting and Accounting policies of the Company, adopted on 22.10.2012 by the Executive Board of EP Holding and the Regulation on the amendment of the Regulation on

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

Accounting and Accounting policies of the Company No. 10 of 21.01.2013 (formulate unique accounting policies that are obligatory for all member of the consolidation group) were used in the preparation of consolidated financial statements as a legal document that represents **internal regulations of the Company**. For the preparation of consolidated financial statements, if the applied accounting policies of subsidiaries differ from common policies, they are quantified and the effects of these differences are eliminated (if materially significant).

Consolidated financial statements of the Company for 2013 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 (RS Official Gazette No. 114/2006, 5/2007, 119/2008, 2/2010, 101/12 and 118/12).

This Regulation prescribes, among other things, that data in the Balance sheet, Profit and Loss account, Cash flow statement, Report on changes in equity capital, Note to the financial statements and Statistical annex are entered in thousand RSD and the number of employees as a whole number and the same is applied to explanations presented in these Notes.

4. MANAGEMENT ESTIMATION AND ASSESSMENT

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

5. CONSOLIDATION

5.1. Subsidiaries

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

5.2. Affiliates

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

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

5.3. Joint ventures

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

A detailed list of subsidiaries, affiliates and joint ventures which together with EP Holding comprise the Group for consolidation Energoprojekt Group is shown in Note No. 2.

5.4. Segment reporting

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

6. PRINCIPAL ACCOUNTING POLICIES

In the preparation of consolidated financial statements, the following principles were applied:

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

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

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

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

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

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

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

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

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

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 (Note no. 3). If certain accounting aspects are not clearly defined in the Regulation, applied accounting policies are based on the legislation, professional and internal regulations in force.

In accordance with IAS 21, the RSD represents **functional and reporting currency in financial statements of the Company**. Besides data for the current year, financial statements of the Company contain data from financial statements from 2012 as **comparative data**. All transactions that are in other currencies than the functional currency are treated as FY transactions.

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

7.1. Valuation

The Company has to use the best possible valuations and reasonable assumptions in the preparation and presentation of financial statements according to professional regulations and legislation in force in

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

the Republic of Serbia. Though, actual future results may vary, valuations and assumptions are based on information available at the balance sheet date.

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

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

7.2. Effects of foreign exchange rates

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

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

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

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

Official NBS middle exchange rates

| Currency | 31.12.2013 | 31.12.2012 |
|----------|-----------------|------------|
| | Amount in dinar | |
| 1 EUR | 114,6421 | 113,7183 |
| 1 USD | 83,1282 | 86,1763 |

Applied average exchange rates for the profit and loss account in 2013 and 2012 were:

| Currency | 31.12.2013 | 31.12.2012 |
|----------|-----------------|------------|
| | Amount in dinar | |
| 1 EUR | 113,1369 | 113,1277 |
| 1 USD | 85,1730 | 88,1169 |

7.3. Revenues

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

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

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

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

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

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

7.4. Expenses

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

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

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

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

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

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

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.

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.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

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

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

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

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

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

7.7. Intangible investments

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

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

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

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

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

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

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

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

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

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

- unlimited or
- limited.

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

7.8. Property, plants and equipment

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

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

7.9. Finance lease

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

In case of a **financial lease**, pursuant to IAS 17 – Leases, the lessee performs **initial measurement** of the lease by recognizing it as an asset and liability in the balance sheet, according to amounts that equal to the fair value of the asset-lease object at the begin of the lease duration or according to the present value of minimum payments for the lease, if it is lesser. The 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.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

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

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

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

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

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

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

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

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

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

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

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

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

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

Recoverable amount is a greater value than:

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

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

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

An 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.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

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.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

7.14. Fixed assets intended for sale

The Company recognizes and expresses a fixed asset (or available group) as an **asset intended for sale**, if its accounting value may be recovered through a sale transaction and not further use. To 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 an asset intended for sale is **measured** (expressed) at a lower value than:

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

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

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

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

Fixed assets intended for sale are not depreciated.

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

7.15. Financial instruments

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

Financial assets and liabilities pursuant to IAS 32, may have many manifestations, such as: cash, instrument of equity of another entity, contractual right to collect cash or another financial asset or trade in financial assets and liabilities with another entity, potentially 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 profit and loss account,
- held-to-maturity investments,
- Loans and receivables and
- available-for-sale financial assets.

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

A Financial asset or liability classified in this category has to 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 profit and loss account

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

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

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

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

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

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

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

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

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

- investments in capital instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and it is measured at cost.

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

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

7.16. Cash and cash equivalents

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

7.17. Short term receivables

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

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

In the assessment of the decrease in value, the Company has endured losses due to the decrease in value if there is objective proof (for example, large financial difficulties of the debtor, unusual breach of contract by the debtor, potential bankruptcy of the debtor, etc) to support the decrease in value as a

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

result of an event that took place after the initial recognition of assets and the respective loss affects estimated future cash flows from financial assets or group of financial assets that may be reliably valued. If there is no evidence, valuers will use their experience and sound judgment in the valuation of the collectibility of receivables.

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

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

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

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

The indirect and direct write-off of receivables is applied only based on relevant circumstances and the balance sheet.

Expected losses from future events, or events after the balance sheet date, regardless how probable, are not recognizable, but disclosed in Notes to financial statements.

7.18. Financial investments

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

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

Long-term financial investments include various investments, such as: equity investments in subsidiaries, equity investments in affiliates, equity investments in other legal persons, long-term loans, long-term securities and other long-term financial investments.

Investments into subsidiaries, joint ventures and affiliates, based on relevant provisions of IAS 27 – Consolidated and separate financial statements, are included in Company's books according to the purchase method. Though, if, according to IAS 36, it is established that the recoverable investment value is less than the purchase (accounting) value, the Company shall reduce the investment value to the recoverable amount and the reduction (impairment) is presented as an expense at the time of occurrence. The Company acknowledges the income from subsidiaries, affiliates and joint ventures in its separate financial statements, if the right to a dividend was established.

Regarding the subsequent measurement of long-term financial investments, the classification performed by management depending on the nature of the financial instrument, is relevant (financial asset or liability according to the fair value through the profit and loss account, investments held to maturity, loans and receivables and financial assets ready-for-sale).

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

7.19. Liabilities

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

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

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

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

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

7.20. Provisions, contingent liability and contingent asset

A provision, according to IAS 37 - *Provisions, contingent liability and contingent assets*, means a liability of Outcome 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 Outcome 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 re-valued (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 re-valued (at least at the balance sheet date) to ensure that financial statements reflect the development of the event. If it is certain that the outflow of economic benefit based on contingent assets, related asset and revenue are recognized in financial statements of the Company for the period when they occurred.

7.21. Employee benefits

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

- taxes and compulsory social security contributions
- retirement bonus.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

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. 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 revenues for the period in which they were identified.

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

9. FINANCIAL RISKS

Outcome 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 leads to various risk exposures for legal entities that may impact their future position on the market.

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.

9.1. 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.

9.2. 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 and USD.

• **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 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.

9.3. 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.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate sources of funding and the ability to close out market positions, due to the dynamic nature of the business. The Group aims to maintain flexibility in funding by collecting their funds from buyers and investments of available funds. Besides the aforementioned, in accordance with the Group's policy, the Group makes Back to Back Agreements with the business partners whereby the possible risk connected to a possible default is transferred/shared between contractual parties.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

10. SEGMENT INFORMATION

10.1. Primary reporting formats – business segment

The Group is organized, local and abroad, in the following business segments as of 31 December 2012:

- 1) Planning and research,
- 2) Building construction and fitting and
- 3) Other.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

REPORTABLE SEGMENTS

Business segments

in 000 RSD

| | Planning and research | | Building construction and fitting | | Other | | Total | | Eliminations | | Consolidated | |
|-------------------------------------|-----------------------|-----------|-----------------------------------|------------|------------|------------|------------|------------|--------------|-------------|--------------|------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues from sales | 4,547,037 | 4,427,830 | 17,865,460 | 22,496,542 | 1,458,477 | 1,592,556 | 23,870,974 | 28,516,928 | (1,915,589) | (2,881,977) | 21,955,385 | 25,634,951 |
| SEGMENT RESULT | | | | | | | | | | | | |
| Business profit | 165,990 | 281,147 | (60,504) | 655,475 | 186,971 | 234,933 | 292,457 | 1,171,555 | (8,491) | (443,111) | 283,966 | 728,444 |
| Income from interest | 27,039 | 62,405 | 52,061 | 137,414 | 27,222 | 33,478 | 106,322 | 233,297 | (999) | (394) | 105,323 | 232,903 |
| Interest expenses | 5,283 | 31,444 | 231,892 | 242,419 | 33,615 | 35,428 | 270,790 | 309,291 | (52) | (2,326) | 270,738 | 306,965 |
| Income tax | 23,163 | 1,748 | 47,228 | 40,144 | 33,773 | 47,554 | 104,164 | 89,446 | | | 104,164 | 89,446 |
| Profit from regular operations | 362,134 | 469,667 | 32,704 | 740,126 | 545,950 | 643,722 | 940,788 | 1,853,515 | (327,969) | (804,159) | 612,819 | 1,049,356 |
| Losses from discontinued operations | 4,254 | 594 | 34,664 | 35,538 | 4,426 | 3,170 | 14,093 | 39,302 | (476) | (2,146) | 13,617 | 37,156 |
| Net profit | 359,980 | 460,652 | (80,947) | 643,501 | 508,616 | 594,820 | 787,649 | 1,698,973 | (327,493) | (802,029) | 460,156 | 896,944 |
| Total assets | 6,314,072 | 5,930,522 | 18,822,886 | 17,181,757 | 12,017,964 | 12,064,523 | 37,154,922 | 35,176,802 | (8,283,406) | (7,854,473) | 28,871,516 | 27,322,329 |
| Total liabilities | 6,314,072 | 5,930,522 | 18,822,886 | 17,181,757 | 12,017,964 | 12,064,523 | 37,154,922 | 35,176,802 | (8,283,406) | (7,854,473) | 28,871,516 | 27,322,329 |
| Depreciation | 46,241 | 51,244 | 425,911 | 335,988 | 55,192 | 63,687 | 527,344 | 450,919 | 6,864 | 6,662 | 534,208 | 457,581 |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

Geographical segments

In 000 RSD

| | Serbia | | ZND | | Europe | | Africa | | Asia | | USA | | Total | |
|--|-----------|-----------|-----------|-----------|---------|---------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues from sales | 4,877,388 | 8,814,270 | 3,179,685 | 3,945,741 | 215,929 | 268,633 | 7,260,911 | 7,915,304 | 3,054,276 | 2,937,063 | 3,367,196 | 1,753,940 | 21,955,385 | 25,634,951 |
| Revenues from sales of goods | 100,910 | 138,676 | 3,594 | 161,617 | 18,489 | 9,972 | 33,387 | 47,056 | | 613 | 134,533 | | 290,913 | 357,934 |
| Revenues from sales of products and services | 4,776,478 | 8,675,594 | 3,176,091 | 3,784,124 | 197,440 | 258,661 | 7,227,524 | 7,868,248 | 3,054,276 | 2,936,450 | 3,232,663 | 1,753,940 | 21,664,472 | 25,277,017 |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

11. SALES REVENUES

| | 2013 | 2012 |
|--|-------------------|-------------------|
| | (RSD 000) | (RSD 000) |
| Income from the sales of goods, products and services on the local | 4,877,388 | 8,814,270 |
| Income from the sales of goods, products and services on the foreign | 17,077,997 | 16,820,681 |
| Total | 21,955,385 | 25,634,951 |

The most important figure under Income from the sales of goods, products and services in 2013 relates to the following companies in the Energoprojekt Group:

- EP Niskogradnja in the amount of 7.053.231 thousand RSD, out of which the amount of 1.256.170 thousand RSD is related to domestic sales (the most important is the sale to the buyers JP Putevi Srbije, Azvirt and JVP Vode Vojvodine), and the amount of 5.797.061 thousand RSD is related to sales abroad (Uganda and Peru);
- EP Visokogradnja in the amount of 5.045.925 thousand RSD, out of which the amount of 120.776 thousand RSD is related to domestic sales, and the amount of 4.925.149 thousand RSD is related to sales abroad (the most important revenues are related to Ghana, Russia and Kazakhstan and the following projects: Z-082 Ezva, Z-085 Uhta, Z-088 Rostov, Z-089 Aktau hospital, Z-091 Astrahan, Z-087 Aktau restaurant, Z-092 Horizonti Siktivkar etc.);
- EP Oprema in the amount of 4.654.774 thousand RSD, out of which the amount of 2.501.052 thousand RSD is related to domestic sales (the most important sale to buyers International Project Service Ogranak, Termoelektrane i kopovi Kostolac, JP Elektromreza Serbia), the amount of 2.153.722 thousand RSD is related to sales abroad (the most important are revenues from Nigeria);
- EP Entel in the amount of 3.204.325 thousand RSD, out of which the amount of 164.090 thousand RSD is related to domestic sales (the most important sale to the Electric Power Industry of Serbia), the amount of 3.040.235 thousand RSD is related to sales abroad (Qatar, Oman and UAE);
- EP Hidroinzenjering in the amount of 804.133 thousand RSD, out of which the amount of 124.861 thousand RSD is related to domestic sales (the most important sale to buyers JP EPS Belgrade, Drinsko-Limske HE Bajina Basta, JVP Vode Vojvodine etc.), the amount of 679.272 thousand RSD is related to sales abroad (the most important part refers to Algeria and Peru) and other companies in the amount of 1.192.997 thousand RSD (domestic: 710.439 thousand RSD and foreign: 482.558 thousand RSD).

12. INCREASE /(DECREASE) IN INVENTORIES

| | 2013 | 2012 |
|-------------------------|---------------|----------------|
| | (RSD 000) | (RSD 000) |
| Increase in inventories | 162,544 | 612,474 |
| Decrease in inventories | (72,072) | (219,082) |
| Total | 90,472 | 393,392 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

• In 2013 the **increase in inventories** (162.544 thousand RSD) mostly relates to the increase of work in progress:

- EP Visokogradnja (93.491 thousand RSD), mostly the increase of work in progress related to the construction of business and residential buildings in Cara Nikolaja Street in Belgrade, amounting to 92.972 thousand RSD; and

- EP Niskogradnja (66.953 thousand RSD), based on the manufactured material for the production of a buffer layer, asphalt, fraction for concrete related to the projects Z-019 Cochabamba Chota and Z-023 Pericos in Peru.

• **The decrease in inventories** in 2013 (72.072 thousand RSD) relates to:

- EP Visokogradnja (63.991 thousand RSD) related to: sold property in Bezanjska Kosa and Block 29, New Belgrade: 6.237 thousand RSD and Herceg Novi: 16.348 thousand RSD and impairment of work in progress related to residential buildings Sistet Bare in Igalo, Montenegro: 40.013 thousand RSD and finished products (apartments) in Herceg Novi, Montenegro: 1.393 thousand RSD;

- EP Niskogradnja (8.081 thousand RSD), relates to the manufactured material for the production of a buffer layer, asphalt, fraction for concrete and fabricated material for the vertical traffic signalization - projects Z-014 Yanacocha and Z-019 Cochabamba Chota, Peru.

13. OTHER OPERATING INCOME

| | 2013 (RSD 000) | 2012 (RSD 000) |
|--|-------------------|-------------------|
| Premiums, subventions, subsidies, refunded amounts, compensation and tax refunds | 1,533 | 663 |
| Rents | 124,692 | 103,646 |
| Other | 174,757 | 184,014 |
| Total | 300,982 | 288,323 |

• **The income from premiums, subventions, subsidies, refunded amounts, compensation and tax refunds** (1.533 thousand RSD), relates mostly to the following companies:

- EP Niskogradnja (1.323 thousand RSD) based on the refund of expenses related to the opening of branch offices in Zambia and Moscow. Funds were appropriated by the Agency for Foreign Investments and Export Promotion, based on the Regulation governing the procedure, appropriation and refunds of state aid and in accordance with the Programme for boosting competitiveness and internationalization of the Serbian economy. Funds were appropriated as de minimis aid; and

- EP Energodata (208 thousand RSD), based on funds for subventions by the National Employment Service for the employment of disabled persons.

• **Income from rents** (124.692 thousand RSD) relates mostly from the following companies: Nana Offshore S.A.L, Lebanon (42.338 thousand RSD), Zambia Engineering and Contracting Company Limited, Zambia (20.705 thousand RSD), EP Visokogradnja (10.611 thousand RSD relate, first of all, to Energoprojekt Ghana Ltd., Akra, Ghana), EP Niskogradnja (10.530 thousand RSD), Enjub (9.564 thousand RSD), EP Energodata (7.630 thousand RSD), EP Garant (7.125 thousand RSD) and Ergo (Private) Limited, Zimbabwe (7.009 thousand RSD) and other companies in the amount of 9.180 thousand RSD.

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- **Other operating income** (174.757 thousand RSD), relates mostly from the following companies:
 - EP Niskogradnja: 147.910 thousand RSD, out of which 139.240 thousand RSD relate to the refund of expenses based on agreements with subcontractors related to the project Tisa (133.461 thousand RSD) and the refund of expenses are based on the agreement with subcontractors related to the project Lot 1.1 , Novi Sad (5.779 thousand RSD);
 - EP Garant: 10.519 thousand RSD, out of which 10.396 thousand RSD relate to revenues from technical reserve insurance fund deposits and investments;
 - EP Visokogradnja: 7.008 thousand RSD relate to re-invoiced electricity and water bills to lessees (based on renting properties in Stara Pazova and Belgrade);
 - EP Holding: 5.235 thousand RSD refer mostly to the refund of expenses from Napred Razvoj plc based on the auditor's fee for an extraordinary audit. Pursuant to Article 463 of the Companies Law, since the proposal for extraordinary audit was unfounded, Energoprojekt Holding plc. is entitled to a refund of all audit expenses from the shareholder who proposed the extraordinary audit – the company Napred Razvoj plc;
 - EP Hidroinzenjering: 3.013 thousand RSD refer to the partial refund of expenses from the Consortium related to projects Alto Piura, M.Picchu and Yarascay; and other companies (1.072 thousand RSD).

14. PURCHASE VALUE OF GOODS SOLD

| | 2013 (RSD 000) | 2012 (RSD 000) |
|------------------------------|-------------------|-------------------|
| Purchase value of goods sold | (253,607) | (345,095) |
| Total | (253,607) | (345,095) |

- **The purchase value of goods sold** (253.607 thousand RSD) relates to the sold goods in the country and abroad in 2013 and mostly to the following companies:
 - EP Energodata: 65.920 thousand RSD for the purchase of ATMs, software, hardware, licences and graphic design material;
 - Energoplast: 33.509 thousand RSD for the purchase of stoppers for resale;
 - EP Oprema: 11.503 thousand RSD for the purchase value of sold goods to Energonigerija ltd, Nigeria;
 - EP Visokogradnja: 7.611 thousand RSD, out of which 4.295 thousand RSD for the purchase value of sold goods in the country and 3.316 thousand RSD for the purchase value of sold goods abroad;
 - EP Industrija: 7.749 thousand RSD for the purchase of granules;
 - EP Niskogradnja: 4.595 thousand RSD refer to the price of stocked material sold to subcontractors; and other companies (122.720 thousand RSD).

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

15. MATERIAL COSTS

| | 2013 | 2012 |
|----------------------------|--------------------|--------------------|
| | (RSD 000) | (RSD 000) |
| Raw material | (4,782,970) | (7,996,951) |
| Other material (overheads) | (362,294) | (272,907) |
| Fuel and energy | (1,354,929) | (986,618) |
| Total | (6,500,193) | (9,256,476) |

• **Material costs** (4.782.970 thousand RSD), relate mostly to the following companies in the Energoprojekt Group:

- EP Oprema: 1.772.627 thousand RSD refers to material costs related to the projects in Nigeria and in Serbia (mostly refers to projects Kostolac and RTB Bor);

- EP Visokogradnja: 1.573.186 thousand RSD, refers mostly to costs related to domestic projects: 236.960 thousand RSD and foreign projects: 1.193.965 thousand RSD;

- EP Niskogradnja: 1.149.899 thousand RSD refers mostly to costs related to foreign projects: 787.010 thousand RSD and domestic projects: 362.889 thousand RSD;

- Energoplast: 228.864 thousand RSD refers to the purchase of material for the production of stoppers: 219.705 thousand RSD and packaging costs: 9.159 thousand RSD; and other companies in the amount of 58.394 thousand RSD.

• The major part in **other material (overheads)** in the amount of 362.294 thousand RSD relate to EP Niskogradnja 231.311 thousand RSD, EP Visokogradnja: 43.865 thousand RSD, EP Entel: 36.387 thousand RSD, Energoplast: 18.199 thousand RSD and other companies in the Energoprojekt Group in the amount of 32.532 thousand RSD.

• The major part in **fuel and energy expenses** in the amount of 1.354.929 thousand RSD relates to EP Niskogradnja: 1.071.523 thousand RSD, as the result of increased use of own equipment and machines for new domestic projects (Tunnel Sarani) and foreign projects (Peru), as well as hiring of subcontractors with lease of equipment with the Company responsible for supplying all energy generating products; EP Visokogradnja: 137.087 thousand RSD, EP Entel: 47.420 thousand RSD, EP Oprema: 23.541 thousand RSD and other companies in the amount of 75.358 thousand RSD.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

16. STAFF COSTS

| | 2013 | 2012 |
|---|--------------------|--------------------|
| | (RSD 000) | (RSD 000) |
| Salaries and fringe benefits (gross) | (6,281,334) | (5,553,854) |
| Taxes and contributions on salaries and fringe benefits charged to employer | (710,582) | (668,889) |
| Remunerations according to temporary service contracts | (38,657) | (30,822) |
| Remunerations according to author's contracts | (34,344) | (64,237) |
| Remunerations according to temporary and provisional contracts | (109,036) | (74,687) |
| Remunerations to individuals according to other contracts | (70,668) | (45,904) |
| BoD and Supervisory Board | (24,240) | (29,191) |
| Other personal expenses and remunerations | (619,296) | (589,712) |
| Total | (7,888,157) | (7,057,296) |

• The increase of costs for salaries and fringe benefits (gross) and taxes and contributions on salaries and fringe benefits charged to employer in 2013 in the amount of 769.173 thousand RSD refer, first of all, to EP Niskogradnja based on the increased operations (new domestic and foreign projects), work on shifts and overtime, tunnel and construction site-related extra costs etc. in the amount of 490.314 thousand RSD.

17. DEPRECIATION AND PROVISION EXPENSES

| | 2013 | 2012 |
|--|------------------|------------------|
| | (RSD 000) | (RSD 000) |
| Depreciation expenses | | |
| Depreciation of intangible investments | (12,396) | (18,479) |
| Depreciation of property and equipment | (521,812) | (439,102) |
| Total | (534,208) | (457,581) |
| Provision expenses | (69,521) | (58,929) |
| Total | (603,729) | (516,510) |

• Total **depreciation expenses** amount 534.208 thousand RSD. On 31.12.2013 the residual value and the remaining useful lifetime of properties and equipment of significant accounting value were estimated. The effect of the change in accounting estimate influenced the change in the depreciation expenses for 2013 and thereby, subsequently, the accounting value of assets on 31.12.2013.

• The major part of **provision expenses** in the amount of 69.521 thousand RSD, relates mostly to provision expenses in EP Entel: 39.754 thousand RSD (provisions for retirement bonuses of employees abroad), EP Garant: 15.264 thousand RSD (provisions for incurred reported, yet not solved damage), EP Niskogradnja: 7.304 thousand RSD (provisions for retirement bonuses) and other companies in the amount of 7.199 thousand RSD.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

18. OTHER OPERATING EXPENSES

| | 2013 | 2012 |
|--|--------------------|--------------------|
| | (RSD 000) | (RSD 000) |
| <u>Costs of production services</u> | | |
| Service costs of outputs | (3,813,889) | (5,162,775) |
| Transportation costs | (494,052) | (440,650) |
| Maintenance costs | (143,734) | (165,426) |
| Rental costs | (681,491) | (480,142) |
| Fairs exhibit costs | (1,869) | (2,477) |
| Advertising costs | (12,212) | (21,308) |
| Costs of researching activities | (1,829) | (2,753) |
| Costs of other services | (289,768) | (300,147) |
| Total | (5,438,844) | (6,575,678) |
| <u>Non-production costs</u> | | |
| Costs of non-production services | (758,578) | (729,383) |
| Expense accounts | (66,225) | (67,132) |
| Insurance premium costs | (120,131) | (91,491) |
| Payment operation costs | (202,202) | (253,120) |
| Membership fees | (20,144) | (27,750) |
| Tax duties | (112,864) | (187,408) |
| Contribution costs | (1,007) | (1,271) |
| Other | (168,703) | (538,285) |
| Total | (1,449,854) | (1,895,840) |
| Grand total | (6,888,698) | (8,471,518) |

Other operating expenses comprise of production services costs and non-material costs.

The most important figures under **production service costs** relate to the following:

- **Service costs of outputs** in the amount of 3.813.889 thousand RSD, relate mostly to the following subsidiaries:

- EP Niskogradnja: 1.232.326 thousand RSD relate to expenses based on subcontracting agreements in the country and abroad;

- EP Oprema: 1.194.993 thousand relate mostly to subcontractors and consortium partners in various projects;

- EP Visokogradnja: 1.083.971 thousand RSD relate to expenses of associates and subcontractors (projects in the country and abroad);

- EP Entel: 95.902 thousand RSD relate to the engagement of subcontractors in the companies in Qatar, Oman and UAE;

- EP Hidroinzenjering: 92.980 thousand RSD relate to expenses of domestic subcontractors, Algeria and Peru; and other companies in the amount of 113.717 thousand RSD.

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

• **Transportation costs** in the amount of 494.052 thousand RSD relate mostly to EP Entel: 188.151 thousand RSD, EP Niskogradnja: 135.462 thousand RSD, EP Visokogradnja: 123.426 thousand RSD, and other companies in the Energoprojekt Group: 47.013 thousand RSD.

• **Rental costs** in the amount of 681.491 thousand RSD relate mostly to the following companies in the Energoprojekt Group:

- EP Niskogradnja: 297.196 thousand RSD rental costs of equipment, field work expenses, office, residential and warehouse space in the country and abroad;

- EP Entel: 220.828 thousand RSD, relate mostly apartment rental fees in the company's foreign branches;

- EP Visokogradnja: 121.952 thousand RSD, relate predominantly to rental costs in foreign countries; and other companies in the amount of 41.515 thousand RSD.

The most important figures under **non-material costs** relates to the following:

• The largest separate **costs of non-production services** in the amount of 758.578 thousand RSD (consulting services, professional training of employees, lawyers' fees, financial audit, health, legal and other services) relate to EP Entel in the amount of 335.855 thousand RSD (first of all, consulting services for Energoprojekt Entel Ltd, Qatar in the amount of 242.371 thousand RSD), EP Visokogradnja in the amount of 134.100 thousand RSD and EP Niskogradnja in the amount of 210.405 thousand RSD and other companies in the amount of 78.218 thousand RSD.

• The largest figure under **other non-material costs** (administrative, legal and other fees, technical literature, advertisements, tenders, sponsorships and donations, fees for visa services for business trips abroad, hiring foreign workers for projects, etc) in the total amount of 168.703 thousand RSD relates to EP Visokogradnja: 57.401 thousand RSD, EP Entel: 42.942 thousand RSD, EP Niskogradnja: 26.639 thousand RSD, EP Oprema: 21.052 thousand RSD, and other companies in the Energoprojekt Group 20.669 thousand RSD.

19. REVENUES AND EXPENSES

| | 2013 | 2012 |
|---|------------------|--------------------|
| | (RSD 000) | (RSD 000) |
| <u>Financial revenues</u> | | |
| Financial income incurred with other associated companies | 34,115 | 68,354 |
| Income from interest | 105,323 | 232,903 |
| FX gains | 648,421 | 1,322,057 |
| Other | 145,238 | 107,012 |
| Total | 933,097 | 1,730,326 |
| <u>Financial expenses</u> | | |
| Financial expenses incurred with other associated companies | (2,978) | (14,628) |
| Costs of interest | (270,738) | (306,965) |
| FX losses | (645,964) | (1,026,025) |
| Other | (1,112) | (16,050) |
| Total | (920,792) | (1,363,668) |

In 2013, the decrease in revenues and expenses came mainly as the result of a more stable foreign exchange rate RSD – EUR/USD compared to the same period in the previous year (on 31.12.2013 the dinar rate dropped since the beginning of the year by 0,81% against the EUR (31.12.2012: 8,67%) and has gone up against USD by 3,54% (31.12.2012: dropped by 6,56%).

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

20. OTHER REVENUES AND EXPENSES

| | 2013 | 2012 |
|---|------------------|------------------|
| | (RSD 000) | (RSD 000) |
| <u>Other revenues</u> | | |
| Gains on disposals of intangible assets and property, plant and equipment | 21,054 | 7,992 |
| Gains on disposals of securities | 4,063 | 112 |
| Surpluses | 1,479 | 707 |
| Collected written-off receivables | 48,755 | 65,071 |
| Income from reduction of liabilities | 289,323 | 57,154 |
| Income from abolishing of long-term provisions | 116,958 | 341 |
| Other | 141,554 | 79,844 |
| Income from valuation adjustments of property, plant and equipment | 114,864 | 39,732 |
| Income from valuation adjustments LT investments and securities | 4,357 | 15,202 |
| Income from valuation adjustments of receivables and ST financial investments | | |
| | 9,923 | 1,467 |
| Income from valuation adjustments of other property | 467 | 8 |
| Total | 752,797 | 267,630 |
| <u>Other expenses</u> | | |
| Losses on writing-offs and disposals of intangible assets and PPE | (43,959) | (24,423) |
| Losses based on sales of material | (1,015) | (3,108) |
| Shortages | (1,469) | (14,729) |
| Hedging contract expenses | (1,800) | (211) |
| Expenses based on direct write offs | (131,269) | (13,643) |
| Other | (89,748) | (98,343) |
| Impairment of property, plant and equipment | (67,465) | (19,922) |
| Impairment of long-term investments and other securities | (2,279) | (5,818) |
| Impairment of receivables and short-term financial investments | (91,221) | (64,399) |
| Impairment of other property | (6,024) | (68,780) |
| Total | (436,249) | (313,376) |

The most important figures under **other revenues** refer to:

• **Gains on disposals of intangible assets and property, plant and equipment** in the amount of 21.054 thousand RSD, refer mostly to the following companies:

- EP Niskogradnja: 15.317 thousand RSD, based on the sales of construction machines and equipment. The most important figure in the amount of 14.528 thousand RSD refers to the sales of fixed assets to the leasing company Sogelease Serbia;

- EP Visokogradnja: 3.013 thousand RSD refer to the sales of equipment;

- EP Entel: 1.515 thousand RSD; and other companies in the amount of 1.209 thousand RSD.

• **Gains on disposal of securities** in the amount of 4.063 thousand RSD relate mostly to revenues from sales of shares of Hipotekarna bank plc, Podgorica to EP Holding and EP Industrija;

• **Collected write-off receivables** in the amount of 48.755 thousand RSD relate mostly to collected receivables by EP Visokogradnja from Inex Interexport in the amount of 48.610 thousand RSD (written off in previous years);

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- **Income from reduction of liabilities** in the amount of 289.323 thousand RSD relates mainly to the transfer of EP Oprema liabilities from Al Wagena, Iraq in the amount of 253.364 thousand RSD, due to the general obsolescence (10 years) since the collection of the claim according to the UN decision, when the liability towards Al Wagen was created;
- **Income from abolishing of long-term provisions** in the amount of 116.958 thousand RSD relates mostly to EP Entel: 116.696 thousand RSD based on abolishing provisions in Energoprojekt Entel Ltd, Qatar (provisions for the successfully completed project were abolished after the certificate of completion was issued);
- **Other revenues** in the amount of 141.554 thousand RSD relate mostly to the following companies in the Energoprojekt Group:
 - EP Niskogradnja: 92.965 thousand RSD relate mostly to the cancellation of reporting currency translation effects for completed projects abroad: 61.871 thousand RSD and insurance indemnity for damages based on the complete destruction of equipment used in projects abroad (project Z-016 Chavimochic, Peru) in the amount of 26.469 thousand RSD;
 - EP Visokogradnja: 37.984 thousand RSD, out of which 19.513 thousand RSD relate to the cancellation of reporting currency translation effects for completed projects abroad; and other companies in the amount of 10.605 thousand RSD.
- **Income from valuation adjustment of property, plant and equipment** in the amount of 114.864 thousand RSD, as the result of estimated fair value of investment properties on 31.12.2013, relates mostly to Enjub: 32.996 thousand RSD, EP Energodata: 27.756 thousand RSD, EP Holding: 19.023 thousand RSD, EP Niskogradnja: 18.745 thousand RSD, Energoplast: 16.190 thousand RSD and other companies in the amount of 154 thousand RSD;
- **Income from valuation adjustment of long-term investments and available-for-sale securities** in the amount of 4.357 thousand RSD relates to EP Garant: 2.961 thousand RSD and EP Industrija: 1.396 thousand RSD based on the fair value of old frozen savings bonds;
- **Income from valuation adjustment of receivables and short-term financial investments** in the amount of 9.923 thousand RSD relates mostly to EP Garant in the amount of 9.776 thousand RSD based on the valuation adjustment of receivables;

The most important figures under **other expenses** relate to:

- **Losses on writing-offs and disposal of intangible assets and PPE** in the amount of 43.959 thousand RSD relate mostly to the following companies:
 - EP Niskogradnja: 34.452 thousand RSD based on writing-offs of fixed assets in Peru and sales of fixed assets to the leasing company Solease Serbia and fixed assets in Kazakhstan;
 - EP Visokogradnja: 8.014 thousand RSD based on the sales of equipment; and
 - EP Entel 1.168 thousand RSD.
- **Expenses based on direct write offs** in the amount of 131.269 thousand RSD, relate mostly to the following companies:
 - EP Niskogradnja: 60.198 thousand RSD out of which write offs abroad amount to 54.187 thousand RSD (Uganda and Peru), and in the country 6.011 thousand RSD and are the result of performed valuation of balance sheet items which the Company decided to write off according to provisions of IAS 39 and the prudence principle;

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- EP Visokogradnja: 35.317 thousand RSD based on the write off of uncollectible receivables from buyers;

- EP Oprema: 15.151 thousand RSD, first of all, based on the write off of non-recognised non-invoiced revenues from the investor Instalione Inabensa in the amount of 12.724 thousand RSD; and other companies in the amount of 20.603 thousand RSD.

• **Other expenses** in the amount of 89.748 thousand RSD relate mostly to the following companies in the Group:

- EP Visokogradnja: 30.557 thousand RSD, out of which the amount of 22.519 thousand RSD relates to the removal of reporting currency translation effects foreign completed projects;

- EP Niskogradnja: 30.548 thousand RSD out of which the amount of 19.218 thousand RSD relates to the retirement of inventories and material in the country and abroad (which cannot be longer used) and donations in the amount of 8.445 thousand RSD;

- EP Entel: 18.286 thousand RSD out of which the amount of 15.488 thousand RSD relates to the humanitarian, cultural and health related expenses; and other companies in the amount of 10.357 thousand RSD.

• **Impairment of the property, plant and equipment** in the amount of 67.465 thousand RSD, relates mostly to Enjub based on the evaluation of the fair value of investment properties on 31.12.2013 in the amount of 65.872 thousand RSD;

• **Impairment of receivables and short-term financial investments** in the amount of 91.221 thousand RSD relates mostly to:

- EP Oprema: the amount of 52.448 thousand RSD relates, first of all, to the impairment of receivables from buyers in the amount of 52.037 thousand RSD;

- EP Urbanizam i arhitektura: the amount of 15.480 thousand RSD relates, first of all, to the impairment of receivables from foreign buyers;

- Energoplast: 10.672 thousand RSD;

- EP Visokogradnja: 8.057 thousand RSD; and other companies in the amount of 4.564 thousand RSD.

21. NET PROFIT/(LOSS) OF DISCONTINUED OPERATIONS

| | 2013 | 2012 |
|---|-----------|-----------|
| | (RSD 000) | (RSD 000) |
| Net profit from discontinued operations | | |
| Net losses from discontinued operations | (13,617) | (37,156) |

Net profit from discontinued operations in the amount of 13.617 thousand RSD relates, first of all, to the correction of error from previous years in EP Niskogradnja. EP Niskogradnja has net losses from discontinued operations in the amount of 33.559 thousand RSD and EP Entel has net profit from discontinued operations in the amount of 29.251 thousand RSD.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

22. PROFIT BEFORE TAX

in 000 RSD

| Structure of gross results | 2013 | 2012 |
|---|-------------------|-------------------|
| <i>Operating income and expenses</i> | | |
| Operating income | 22.418.350 | 26.375.339 |
| Operating expenses | 22.134.384 | 25.646.895 |
| Operating result | 283.966 | 728.444 |
| <i>Financial revenues and expenses</i> | | |
| Financial revenues | 933.097 | 1.730.326 |
| Financial expenses | 920.792 | 1.363.668 |
| Financial result | 12.305 | 366.658 |
| <i>Other revenues and expenses</i> | | |
| Other revenues | 752.797 | 267.630 |
| Other expenses | 436.249 | 313.376 |
| Result from other revenues and expenses | 316.548 | (45.746) |
| <i>Effects of discontinued operations, accounting policy changes and accounting adjustments from previous years</i> | | |
| Income | | |
| Expenses | 13.617 | 37.156 |
| Net effect | (13.617) | (37.156) |
| <i>Total gross result</i> | | |
| TOTAL INCOME | 24.104.244 | 28.373.295 |
| TOTAL EXPENSES | 23.505.042 | 27.361.095 |
| PROFIT/LOSS BEFORE TAX | 599.202 | 1.012.200 |

The reduction of the result in 2013 in comparison to the previous year is a result of, first of all, discontinued works and delay in advance payment (due to difficulties in securing funds) by investors on the project RTB Bor as well as the begin of works on the project Hyatt Regency Rostov-on-Don by EP Visokogradnja. These issues were solved by the end of 2013.

23. NET EARNINGS PER SHARE

Net earnings per share are computed by dividing the profit of common shareholders by the weighted-average number of common shares outstanding during that period.

| | 2013 | 2012 |
|---|------------|------------|
| Profit due to Group shareholders (in 000 RSD) | 373.706 | 705.195 |
| Weighted average number of issued ordinary shares | 10.443.944 | 10.443.944 |
| Net earnings per share (RSD per share) | 35,78 | 67,52 |

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

According to the decision adopted by the General meeting of EP Holding on 28.06.2013, the equity was increased by issuing XI issue for the purpose of converting undistributed profit to equity (993.754 shares with a nominal value of 510,00 RSD) in the amount of 506.815 thousand RSD. The weighted average number of shares for 2013 is 10.443.944 RSD; the consolidated profit per share is 35,78 RSD.

24. INTANGIBLE INVESTMENTS

| | Concession, copyrights and similar rights | Other intangible investments | Intangible investments in progress | Advance payments for intangible investments | Total |
|--|--|---|---|--|----------------|
| | (RSD 000) | (RSD 000) | (RSD 000) | (RSD 000) | (RSD 000) |
| <u>Purchase value</u> | | | | | |
| 01.01.2013 | 48,135 | 96,263 | 16,388 | | 160,786 |
| Purchase | 2,385 | 409 | | 320 | 3,114 |
| Increase by transfer from investment in progress | | | | | |
| Disposals and write-offs | (283) | (5,193) | | | (5,476) |
| Transfer from/to | | | | | |
| FX exchange gains and losses | (902) | | | | (902) |
| Other increase (decrease) | | | | | |
| Balance on 31.12.2013 | 49,335 | 91,479 | 16,388 | 320 | 157,522 |
| <u>Value adjustment</u> | | | | | |
| Balance on 01.01.2013 | 31,131 | 59,176 | | | 90,307 |
| Depreciation | 5,557 | 6,839 | | | 12,396 |
| Disposals and write-offs | (70) | (5,193) | | | (5,263) |
| FX exchange gains and losses | (595) | | | | (595) |
| Balance on 31.12.2013 | 36,023 | 60,822 | - | - | 96,845 |
| Present value | | | | | |
| 31.12.2013 | 13,312 | 30,657 | 16,388 | 320 | 60,677 |
| Present value | | | | | |
| 31.12.2012 | 17,004 | 37,087 | 16,388 | | 70,479 |

As at 31/12/2013, concession, copyrights and similar rights and other intangible investments relate to various software used by the Energoprojekt Group for own purposes, depreciated pursuant to the accounting policies in force.

Intangible investments in progress on 31/12/2013 refer to investments of the Group in relation to the delivery, installation, implementation and maintenance of software products for BI (business intelligence) solution. In 2013 several activities were conducted in order to activate this software. The management of the Company believes that it will be activated in 2014.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

25. PROPERTY, PLANTS, EQUIPMENT AND INVESTMENT PROPERTY

| | Land and buildings | Plants and equipment | Investment property and inv.prop.in progress | Other PPE | Property and equipment in progress and advances | Total |
|---|-----------------------|-------------------------|---|---------------|--|-------------------|
| | (RSD 000) | (RSD 000) | (RSD 000) | (RSD 000) | (RSD 000) | (RSD 000) |
| <u>Purchase value</u> | | | | | | |
| Balance on 01.01.2013 | 5,449,181 | 8,118,342 | 2,009,556 | 34,284 | 214,432 | 15,825,795 |
| Purchase | 29,434 | 1,048,278 | | 10,924 | 259,257 | 1,347,893 |
| Increase by transfer from investment in progress | 286,787 | 80,802 | | | (367,589) | |
| Disposal and write-off | (45,564) | (298,721) | | | (1,196) | (345,481) |
| Transfer from/to | (3,869) | 2,170 | 1,511 | (2,170) | 2,358 | |
| Revaluation - assessment | | | 563,574 | | | 563,574 |
| Increase/reduction of advance pay. | | 6,537 | | | (6,537) | |
| FX exchange gains and losses | (2,136) | (21,585) | (36,519) | 2 | (2,876) | (63,114) |
| Other increase/decrease | (5,578) | 4,228 | 121 | | (498) | (1,727) |
| Balance on 31.12.2013 | 5,708,255 | 8,940,051 | 2,538,243 | 43,040 | 97,351 | 17,326,940 |
| <u>Value adjustment</u> | | | | | | |
| Balance on 01.01.2013 | 1,823,540 | 5,577,211 | | 5,459 | | 7,406,210 |
| Depreciation | 30,298 | 485,752 | | 5,762 | | 521,812 |
| Disposal and write-off | (51,321) | (251,474) | | | | (302,795) |
| Transfer from/to | | 1,881 | | (1,881) | | |
| Revaluation - assessment | (172,715) | | | | | (172,715) |
| FX exchange gains and losses | (305) | (16,369) | | | | (16,674) |
| Other increase/decrease | (4,699) | 197 | | | | (4,502) |
| Balance on 31.12.2013 | 1,624,798 | 5,797,198 | - | 9,340 | - | 7,431,336 |
| Present value | | | | | | |
| 31.12.2013 | 4,083,457 | 3,142,853 | 2,538,243 | 33,700 | 97,351 | 9,895,604 |
| Present value | | | | | | |
| 31.12.2012 | 3,625,641 | 2,541,131 | 2,009,556 | 28,825 | 214,432 | 8,419,585 |

| | 2013 | 2012 |
|--|----------------|----------------|
| Depreciation expenses | | |
| Depreciation of intangible investments | 12.396 | 18.479 |
| Depreciation of property and equipment | 521.812 | 439.102 |
| Total | 534.208 | 457.581 |

• The increase of the figure Land and buildings by transfer from investments in progress in the amount of 286.787 thousand RSD relates, first of all, to EP Entel based on the transfer of land and property in preparation to use, because the construction of business premises in Oman was completed (investments in 2013 for the same building amounted ca. to 250.000 thousand RSD).

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

Based on the decision of the Executive Board of the Company, current value per m² of office space in the Energoprojekt building was levelled to 54.300,00 RSD/m² and posted under the Buildings Value and Revaluation Reserves Adjustment Account in the amount of 172.715 thousand RSD.

On 31.12.2013, the residual value and the remaining useful lifetime for the property and equipment with significant accounting value were evaluated. The effect of the change in the accounting assessment influenced the change in depreciation costs for 2013 and consequently, the accounting value of assets on 31.12.2013 (Note 17).

• The increase (purchase) under **plants and equipment** in the amount of 1.048.278 thousand RSD relates mostly to EP Niskogradnja in the amount of 906.380 thousand RSD based on the purchase of plant and equipment for projects in the country and abroad (Peru and Uganda).

• **Investment properties** on 31.12.2013 amount to 2.538.243 thousand RSD.

The most important investment properties of the Group are as follows:

- Office and residential building in Moscow, Dom 12;
- Office and residential buildings of the Zambia Engineering and Contracting Company Limited, Zambia;
- Office building EP Niskogradnja in Peru, Cruz del Sur;
- Office building of EP Garant in Goce Delceva street, New Belgrade, residential building in the Boulevard Zoran Djindjic, New Belgrade and business premises in the YU business center, New Belgrade;
- Business premises of EP Energodata in Palmira Toljatija street (shopping mall Stari Merkator) New Belgrade and business premises in Nis;
- Business premises of Enjub in Jurija Gagarina street, New Belgrade;
- Business premises of EP Holding in Palmira Toljatija street (shopping mall Stari Merkator) New Belgrade.

The increase of investment properties in the amount of 563.574 thousand RSD relates mostly to the transfer from properties to investment properties and first valuation of investment properties of the foreign branch Zambia Engineering and Contracting Company Limited, Zambija.

Renting of investment properties of Energoprojekt Group has generated an income of 124.692 thousand RSD in the reporting period. It mostly relates to the income from renting the office and residential building in Moscow, Dom 12 in the amount of 42.338 thousand RSD (Note 13).

The valuation of the investment property was performed by independent valuers, who have appropriate professional qualifications and recent relevant work experience in the field of investment property.

The valuation of the value was performed based on numerous factors, such as: existing renting conditions, valuation of market conditions and valuation of the capitalization rate by using comparative market data, if possible.

Due to the current situation on the property market and reduced number of sales transactions with respect to previous years due to the economic crisis, the valuator has mostly used his knowledge of the market and professional judgment and less results of comparable transactions in the past.

Mortgage-related data for Energoprojekt properties is presented in the Note 47.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

26. EQUITY INVESTMENTS

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

Equity investments pertain to shares (stakes):

| | 2013 | 2012 |
|--------------------------------------|----------------|----------------|
| | (RSD 000) | (RSD 000) |
| a) Banks and financial organizations | 71,260 | 99,193 |
| b) Other legal entities: | 671,259 | 568,476 |
| - Energopet d.o.o. (33,33 %) | 348,744 | 297,262 |
| - Energonigeria ltd. (40,00%) | 311,356 | 259,767 |
| - Other | 11,159 | 11,447 |
| Total | 742,519 | 667,669 |

• **Equity investments that relate to banks and other financial organizations** amount to 71.260 thousand RSD and relate mostly to EP Holding in the amount of 48.222 thousand RSD (Jubmes bank plc, Belgrade, Aik bank plc, Nis, etc.), EP Entel: 20.504 thousand RSD, and other companies: 2.534 thousand RSD.

In 2013 equity investments in banks and other financial organizations were reduced by 27.993 thousand RSD through sale of shares held by Hipotekarna bank plc, Podgorica in EP Holding and EP Industrija (the sales of equity investment and securities generated a profit in the amount of 3.771 thousand RSD) and based on the harmonization of the value of securities in the securities portfolio of companies with their fair value on the secondary securities market on the financial statements preparation date.

• The increase of **equity investments in other legal entities** in the amount of 102.783 thousand RSD in comparison to 2012, was a result of the net results of affiliated entities in 2013 (Energopet ltd. and Energonigerija Ltd.) which are included using the equity method in mini consolidated financial statements of subsidiaries (EP Industrija and EP Oprema), as well as consolidated financial statements of Energoprojekt.

27. OTHER LONG-TERM FINANCIAL INVESTMENTS

Other long term financial investments include:

| | 2013 | 2012 |
|-----------------------------|----------------|----------------|
| | (RSD 000) | (RSD 000) |
| FCY savings bonds | 48,542 | 60,335 |
| Housing loans for employees | 56,410 | 57,510 |
| Other | 706,308 | 779,659 |
| Total | 811,260 | 897,504 |

• Other long-term financial investments in **FCY saving bonds** relate to EP Garant and EP Industrija in the amount of 35.788 thousand RSD and 12.754 thousand RSD respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

• **Long-term housing loans** are interest-free and in accordance with provisions of the contract and the Law on amendments and supplements of the Housing law, the Company applies instalment revalorization according to the price shifts in the Republic of Serbia for the respective calculation period. Most of 56.410 thousand RSD refers to EP Visokogradnja: 34.376 thousand RSD and EP Oprema: 11.990 thousand RSD, the amount of 10.044 thousand RSD refers to other companies.

• **Other long-term financial investments** in the amount of 706.308 thousand RSD relate mostly to the following companies:

- EP Entel: 433.455 thousand RSD, out of which the amount of 406.463 thousand RSD refers to long-term receivables for the guarantee deposit, which is mostly 10% from the invoiced value and is collectible upon completion of all works (Energoprojekt Entel Qatar: 384.726 thousand RSD and Energoprojekt Entel Oman L.L.C.: 21.737 thousand RSD). The deposit for bank guarantees (EP Entel) amounts to 23.730 thousand RSD, the amount of 3.262 thousand RSD refers to other long-term deposits;

- EP Oprema: 170.330 thousand RSD refers to long-term receivables based on guarantee deposits for a large number of projects;

- EP Visokogradnja: 82.406 thousand RSD refer to the complex Crni Vrh (not yet completed). The Company has 5% ownership rights based on the co-financing agreement; and other companies in the amount of 20.117 thousand RSD.

28. INVENTORIES

| | 2013 | 2012 |
|-------------------------------------|------------------|------------------|
| | (RSD 000) | (RSD 000) |
| Raw material, spare parts and tools | 1,146,045 | 921,827 |
| Work in progress | 1,386,426 | 1,270,563 |
| Finished goods | 170,340 | 213,952 |
| Merchandise | 269,609 | 65,651 |
| Paid advances | 714,333 | 584,169 |
| Total | 3,686,753 | 3,056,162 |

• **Raw material, spare parts and tools** amount to 1.146.045 thousand RSD and refer mostly to the following companies:

- EP Niskogradnja: 569.478 thousand RSD, inventories abroad amount to 445.182 thousand RSD (Uganda: 263.516 thousand RSD, Peru: 181.666 thousand RSD), in the country 124.296 thousand RSD. Stock levels, above all materials and spare parts, are determined by the work schedule and supply limitations in the relevant region;

- EP Visokogradnja: 319.979 thousand RSD, material: 314.080 thousand RSD (in the country: 117.625 thousand RSD, abroad: 196.455 thousand RSD), spare parts, tools in the amount of 5.899 thousand RSD relate to other countries. Large stocks relate to the following projects: Z-087 Aktau restaurant and night club: 30.223 thousand RSD, Z-088 Hotel Hayatt Rostov: 23.342 thousand RSD, Z-091 Astrahan: 41.943 thousand RSD and other;

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- EP Oprema: 181.866 thousand RSD, material refers to: 165.505 thousand RSD, tools and inventories: 16.361 thousand RSD; and other companies in the amount of 74.722 thousand RSD.

• **Work in progress** in the amount of 1.386.426 thousand RSD relates mostly to the following companies:

- EP Visokogradnja: 1.166.470 thousand RSD, out of which 649.521 thousand RSD relate to work in progress in the country (based on own investments in Belgrade in Cara Nikolaja street: 395.127 thousand RSD, Knez Danilova and Dalmatinska street: 79.669 thousand RSD, Bezanijska Kosa: 46.577 thousand RSD, Vozdovac: 25.938 thousand RSD and shopping mall Bor: 102.210 thousand RSD), 516.949 thousand RSD relate to work in progress abroad (based on works on the residential complex Sistet Bare in Montenegro);

- Enjub: the amount of 113.871 thousand RSD relates to buildings in Belgrade (Block 45, Block 70 and buildings in Rakovica); and

- EP Niskogradnja: the amount of 104.403 thousand RSD relates to the processed rock for the upper dam, processed rock for the filter, aggregate for concrete production and material for the lower dam (embankment) – projects abroad (Peru).

• **Finished goods** in the amount of 170.340 thousand RSD relate mostly to (109.492 thousand RSD) EP Visokogradnja, to property in Herceg Novi in the amount of 82.574 thousand RSD and Belgrade (Bezanijska Kosa and Block 29) in the amount 26.918 thousand RSD.

• The total value of **the merchandise** (269.609 thousand RSD) relates mostly to EP Oprema: 200.633 thousand RSD and EP Niskogradnja: 33.122 thousand RSD (relates almost entirely to invoiced material and spare parts for projects in Uganda, not delivered till 31.12.2013 - Goods in transit: 32.822 thousand RSD).

• **Advance payments** amount to 714.333 thousand RSD and relate, first of all, to EP Oprema, EP Visokogradnja and EP Niskogradnja.

- EP Oprema: advance payments amount to 269.694 thousand RSD and relate to advance payments to consortium partners and subcontractors for projects in the country: Thermal Power Plant Kostolac and RTB Bor (Copper mining company): 135.188 thousand RSD, advance payments for the construction of the embassy in Abuja, Nigeria: 43.402 thousand RSD, advance payments to foreign suppliers for projects abroad: 66.153 thousand RSD and advance payments to foreign suppliers for projects in Serbia: 24.951 thousand RSD;

- EP Visokogradnja: advance payments amount to 331.478 thousand RSD, out of which advance payments in the country amount to 118.006 thousand RSD, and abroad: 213.472 thousand RSD,

- EP Niskogradnja: advance payments amount to 73.873 thousand RSD, out of which advance payments abroad amount to 66.625 thousand RSD (Uganda: 61.080 thousand RSD, Peru: 5.213 thousand RSD and Kazakhstan: 332 thousand RSD), and advance payments to subcontractors for domestic projects amount to 7.248 thousand RSD (Interko: 2.889 thousand RSD, Consortium Elso Projekt ltd: 902 thousand RSD, Kuzet trade ltd: 835 thousand RSD, Nis Gazprom Neft: 817 thousand RSD, and others.).

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

29. FIXED ASSETS FOR SALE

Fixed assets for sale of the Energoprojekt Group 62.983 thousand RSD out of which: EP Niskogradnja in the amount of 50.688 thousand RSD, and Energoplast 12.295 thousand RSD.

- EP Niskogradnja: Fixed assets for sale:

| No. | Description | Location | m ² | Present value in 000 Rsd |
|-----|---|-------------------------|----------------|--------------------------|
| 1 | Land - Mombassa Road, Kenya | Nairobi, Kenya | 12.140,55 | 4,066 |
| 2 | Land "Santa Clara", Peru | Santa Clara, Lima, Peru | 23.009,70 | 18,601 |
| 3 | Warehouse "Santa Clara", Lima | Santa Clara, Lima, Peru | 792,35 | 22,273 |
| 4 | Business premises - Buenos Aires, Argentina | Buenos Aires, Argentina | 86,30 | 5,748 |
| | Total | | | 50,688 |

The reclassification of the land for sale was performed based on the decision of the EP Niskogradnja Chief executive officer, reached on 02.10.2012, on the sale of land in Kenya and Santa Clara – Lima with accompanying facilities (warehouse). The total value is 22.667 thousand RSD, and the value of facilities for sale amounts to 22.273 thousand RSD pursuant to ISFR 5.

The reclassification of facilities for sale with total value of 5.748 thousand RSD pursuant to ISFR 5 was performed based on the decision on the sale of office and residential space in Argentina, reached by respective authorities of the Company on 21.04.2011.

- Fixed assets for sale in Energoplast, refer to the tools for the production of one-piece stoppers: 5.354 thousand RSD and a mold for one-piece stoppers: 6.941 thousand RSD, located in company's premises.

30. RECEIVABLES

| | 2013 (RSD 000) | 2012 (RSD 000) |
|---|-------------------|-------------------|
| <u>Receivables from sales</u> | | |
| Domestic buyers | 1,491,728 | 1,366,766 |
| Foreign buyers | 5,022,022 | 5,328,185 |
| Total | 6,513,750 | 6,694,951 |
| <u>Receivables from specific business operations</u> | 24,124 | 26,098 |
| <u>Other receivables</u> | | |
| Receivables from employees | 27,235 | 25,732 |
| Receivables from government authorities and institutions | 65 | 431 |
| Receivables for other prepaid taxes and contributions | 26,494 | 4,616 |
| Other receivables | 346,015 | 364,177 |
| Total | 399,809 | 394,956 |
| Grand total | 6,937,683 | 7,116,005 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

• **Receivables from domestic buyers** in 2013 amount to 1.491.728 thousand RSD and relate to EP Oprema: 856.909 thousand RSD, EP Niskogradnja: 343.361 thousand RSD, Energoplast: 110.669 thousand RSD, EP Visokogradnja: 40.557 thousand RSD, EP Hidroinzenjering: 35.991 thousand RSD, EP Entel: 35.764 thousand RSD, EP Industrija: 32.402 thousand RSD and other in the amount of 36.075 thousand RSD.

EP Oprema: The most important receivables from domestic buyers are as follows:

- Internacional projekt services Ltd: 434.199 thousand RSD;
- SNC-Lavalin internacional INC: 262.950 thousand RSD;
- JP Elektromreza Serbia: 109.249 thousand RSD;
- Instalacine Inabensa: 48.221 thousand RSD; and others.

EP Niskogradnja: The most important receivables from domestic buyers are as follows:

- Azvirt, Belgrade: 166.437 thousand RSD;
- JP Putevi Serbia: 75.546 thousand RSD;
- Hidrogradjevinar: 39.669 thousand RSD;
- Ministry of Agriculture, Trade, Forestry and Water Commerce, Water directorate RS – JVP vode Vojvodine: 29.184 thousand RSD; and other.

• **Receivables from foreign buyers** in the total amount of 5.022.022 thousand RSD refer to EP Niskogradnja and relate to receivables from investors abroad in the amount of 2.302.444 thousand RSD, EP Entel: 1.113.938 thousand RSD, EP Visokogradnja: 831.239 thousand RSD, EP Hidroinzenjering: 367.916 thousand RSD, EP Oprema: 300.457 thousand RSD and other in the amount of 106.028 thousand RSD.

EP Niskogradnja: The most important receivables from buyers abroad relate to receivables in Uganda, first of all: 1.738.852 thousand RSD, then Peru and Kazahstanu:

- Uganda National Road Authority – Project Upgrading and strengthening of Kampala Gayaza Ziobwe Road, Uganda: 811.466 thousand RSD;
- Uganda National Road Authority - Project Overlay of Kawempe Kafu Road (166 km), Uganda: 777.712 thousand RSD;
- Kampala Capital City Authority – Kampala Streets B&D, Uganda: 116.477 thousand RSD;
- Kampala Capital City Authority – Kampala Streets, Uganda: 30.102 thousand RSD;
- Kampala Capital City Authority – Kampala Streets Jinja Road, Uganda: 3.095 thousand RSD;
- Consorcio Chota Cochabamba, Peru: 83.812 thousand RSD;
- Sindicato Energetico S.A. , Peru: 42.963 thousand RSD;
- Consorcio Pericos – San Ignacio, Peru: 28.858 thousand RSD;
- Consorcio Constructer S.A.C. , Peru: 19.898 thousand RSD; and other.

• **Receivables from specific business operations** in the amount of 24.124 thousand RSD refer mostly to EP Oprema: 18.914 thousand RSD and EP Garant: 4.133 thousand RSD, the amount of 1.077 thousand RSD relates to other companies in the Group.

• **Receivables for other prepaid taxes and contributions** amount to 26.494 thousand RSD and refer to EP Visokogradnja in the amount of 17.375 thousand RSD (prepaid income tax in Kazahstanu), Nana Offshore S.A.L, Lebanon: 6.662 thousand RSD (prepaid VAT from previous years), EP Hidroinzenjering: 2.310 thousand RSD and EP Industrija: 147 thousand RSD. Increase of receivables in 2013 in the amount of 21.878 thousand RSD was a result of receivables for income tax in Kazahstan (EP Visokogradnja).

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

• **Other receivables** amount to 346.015 thousand RSD and relate to, first of all, EP Niskogradnja in the amount of 300.007 thousand RSD (abroad – based on the receivables from the Tax Administration for prepaid income tax in Peru and Uganda, receivables in Peru based on external loans, receivables for prepaid VAT in Kazakhstan, etc). The amount of 46.008 thousand RSD relates to other companies in the Group (based on receivables for interest, receivables from funds based on paid salaries, etc).

31. SHORT TERM FINANCIAL INVESTMENTS

| | 2013 | 2012 |
|---------------------------|------------------|------------------|
| | (RSD 000) | (RSD 000) |
| Short fixed deposits | 1,725,725 | 2,252,993 |
| Short-term loans extended | 80,860 | 79,120 |
| Other | 25,303 | 38,183 |
| Total | 1,831,888 | 2,370,296 |

• **Short fixed deposits** in the amount of 1.725.725 thousand RSD relate to:

- EP Entel: 1.230.282 thousand RSD (deposited funds with domestic and foreign banks – overnight deposit at Beonia rate minus 200 basic points on an annual basis in Serbia and 1,5% annual interest abroad);
- EP Garant: 455.939 thousand RSD (deposited FCY funds with domestic banks with an interest rate between 2,34 and 3,50 % annually);
- EP Hidroinzenjering: 18.787 thousand RSD (deposited funds with Scotiabank, Peru as collateral for guarantees for projects Machupicchu II and Yarascay);
- EP Niskogradnja: 13.217 thousand RSD (9.474 thousand RSD refer to deposited funds with Banco Continental BBVA, Peru for a credit line approved for advance guarantees); and
- EP Industrija: 7.500 thousand RSD (deposited RSD funds with Unicredit bank, Belgrade).

• **Short-term loans** in the amount of 80.860 thousand RSD, relate mostly to EP Holding loans to Enjub (76.546 thousand RSD), 50% of the amount in accordance with the inclusion of the company using the proportional method in consolidated financial statements of the Energoprojekt Group.

• **Other short-term financial investments** in the amount of 25.303 thousand RSD relate to:

- EP Garant: 14.764 thousand RSD and EP Industrija: 6.768 thousand RSD (part of long-term deposits and investments with one-year maturity – old frozen bonds);
- EP Visokogradnja: 3.012 thousand RSD (deposits for guarantees abroad: 2.890 thousand RSD and deposits for apartments: 122 thousand RSD);
- EP Niskogradnja: 681 thousand RSD and EP Holding: 78 thousand RSD (short-term loans to employees).

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

32. CASH AND CASH EQUIVALENTS

| | 2013 (RSD 000) | 2012 (RSD 000) |
|---|-------------------|-------------------|
| <u>RSD</u> | | |
| Current accounts | 133,796 | 59,728 |
| Petty cash | 109 | 267 |
| Short-term deposits | 67,628 | 779,730 |
| Other | 2,467 | 721 |
| Total | 204,000 | 840,446 |
| <u>FCY</u> | | |
| Foreign currency accounts | 2,626,795 | 2,183,860 |
| Petty cash | 76,999 | 92,245 |
| L/C | 102,419 | 52,247 |
| Other | 75,668 | 186,687 |
| Value-impaired or restricted pecuniary assets | 2 | |
| Total | 2,881,883 | 2,515,039 |
| Grand total | 3,085,883 | 3,355,485 |

• **Short-term deposits** in the amount of 67.628 thousand RSD relate to time deposits of EP Oprema with domestic banks.

• **FCY accounts** refers mostly to the EP Visokogradnja, EP Niskogradnja, EP Entel, EP Garant and EP Hidroinzenjering.

• **L/C in foreign currency** in the amount of 102.419 thousand RSD relate to EP Oprema.

• **Other funds in foreign currency** in the amount of 75.668 thousand RSD relate mostly to EP Holding: 70.038 thousand RSD (based on FCY short-term deposits) and EP Hidroinzenjering: 4.550 thousand RSD (based on guarantee deposits for rented apartments in Jordan, collateral for the guarantee for the project Ourkis, Algeria etc).

33. ADDED VALUE TAX AND ACTIVE ACCRUALS

| | 2013 (RSD 000) | 2012 (RSD 000) |
|---------------------------------|-------------------|-------------------|
| <u>Added value tax</u> | 29,982 | 27,401 |
| <u>Active accruals</u> | | |
| Prepayments | 178,379 | 131,613 |
| Non-invoiced income receivables | 1,349,188 | 895,363 |
| Accrued VAT | 28,431 | 42,228 |
| Accrued commitments | 193 | 115,062 |
| Other active accruals | 84,694 | 93,321 |
| Total | 1,640,885 | 1,277,587 |
| Grand total | 1,670,867 | 1,304,988 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

• **Receivables on non-invoiced income** in the amount of 1.349.188 thousand RSD relate mostly to EP Visokogradnja that refers to receivables based on progress certificates issued to the investor for verification, but not verified before the balance sheet was prepared and income that was expressed, considering the principle of prudence, in accordance with incurred expenses for which Annexes to the Contracts have to be signed. The Company applies the International Accounting Standard 11 – Construction contracts and expresses the income in proportion to completed works.

- Receivables on non-invoiced income that relate to EP Visokogradnja in the amount of 638.878 thousand RSD include mostly the following:

Receivables on non-invoiced income from investors abroad: 482.414 thousand RSD; refers to the following project:

Z-068 Hotel Aktau: 173.895 thousand RSD;

Z-087 Restaurant and Night Club Aktau: 122.297 thousand RSD;

Z-088 Hotel Hyatt Rostov-on-Don: 77.058 thousand RSD;

Z-074 Winery Sarijagas: 36.583 thousand RSD,

Z-093 Opstezitije Uhta: 29.316 thousand RSD;

Z-085 Uhta: 17.967 thousand RSD;

Z-092 Horizonti Siktivkar: 17.335 thousand RSD;

Z-086 Hotel and SRC Atirau: 4.008 thousand RSD;

Z-090 Design of the Telekom Center: 3.955 thousand RSD;

Receivables on non-invoiced income in the country: 156.464 thousand RSD relate to the following projects:

Prokop: 123.003 thousand RSD;

Sulfuric acid factory and smeltery, Bor: 22.802 thousand RSD; and

Cable-car for the project Crni Vrh, Bor: 10.659 thousand RSD.

- Receivables on non-invoiced income that relate to EP Niskogradnja in the amount of 389.595 thousand RSD, refer to the following:

Receivables on non-invoiced income from investors abroad: 285.895 thousand RSD, refer to the following projects:

Z-019 Cochabamba - Chota, Peru - receivables from investors based on certified preliminary progress certificates for completed works in 2013: 163.175 thousand RSD;

Z-023 Pericos, Peru - receivables from investors based on certified preliminary progress certificates for completed works in 2013: 70.479 thousand RSD;

Z-014 Yanacocha, Peru – receivables from investors based on approved but non-invoiced arbitration requests in 2013: 39.010 thousand RSD;

Z-019 Cochabamba Chota, Peru - from Conalvias SAS for non-invoiced services: 12.399 thousand RSD;

Z-024 Chancay y Rucuy, Peru- receivables from investors based on certified preliminary progress certificates for completed works in 2013: 832 thousand RSD;

Receivables on non-invoiced income in the country: 103.700 thousand RSD refers to the following projects:

Tunnel Sarani - receivables from investors based on certified preliminary progress certificates for completed works in 2013: 99.254 thousand RSD;

Elementary School Takovski Ustanak – receivables for completed reconstruction works in 2013: 2.650 thousand RSD; and

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

Lot1.1. Novi Sad - receivables from investors based on certified preliminary progress certificates for completed works in 2013: 1.796 thousand RSD.

- Receivables on non-invoiced income for EP Holding in the amount of 171.315 thousand RSD relate to:

The completion of the agreement on the construction of the embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria, a turnkey project, on the cadastral lot No. 313, registered in the registry of immovable property, cadastral zone A00 in the amount of 171.168 thousand RSD; and receivables from Telekom Serbia plc in the amount of 147 thousand RSD based on the renting of the roof terrace of Energoprojekt building for November and December of the reporting year.

- Receivables on non-invoiced income for EP Hidroinzenjering in the amount of 99.778 thousand RSD relate to:

„Dredging of the Danube riverbed”, financed by the European Delegation in Serbia in the amount of 50.010 thousand RSD (only final invoice upon work completion will be issued and this is delayed only because of slow administration, though the project was submitted upon completion to the respective Ministry for review; and Project Djedra, Algeria in the amount of 49.768 thousand RSD for which warranties were submitted on 15.12.2013, which is the main reason for activating receivables on non-invoiced income.

- Other companies in the Energoprojekt Group that have receivables on non-invoiced income include the following: EP Oprema: 29.790 thousand RSD, EP Industrija: 17.204 thousand RSD; and EP Urbanizam i arhitektura: 2.628 thousand RSD.

34. EQUITY AND OTHER CAPITAL

Equity includes the following capital types:

| | 2013 (RSD 000) | 2012 (RSD 000) |
|-----------------------------|-------------------|-------------------|
| Share capital | 5,839,150 | 5,411,258 |
| Limited liability companies | 9,289 | 9,289 |
| Other capital | 91,279 | 91,417 |
| Total | 5,939,718 | 5,511,964 |

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.

At the 41st annual General Meeting of EP Holding shareholders, held on 28.06.2013, decisions were reached (item 3 of the agenda) regarding the following:

- The distribution of undistributed profit for 2012,
- XI issue of ordinary shares without public offering for the payment of dividends.

The total amount of net profit of EP Holding for 2012 was 505.370.307,96 thousand RSD. The amount of undistributed profit from previous years was 284.872.483,11 RSD. The total amount of undistributed profit was 790.242.791,07 RSD.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

The above mentioned amount for undistributed profit was distributed according to the decision reached by the Assembly as follows:

- the amount of 506.814.540,00 RSD will be used to increase the equity by issuing XI issue for the purpose of converting undistributed profit to equity (993.754 shares with a nominal value of 510,00 RSD).
- The balance of 283.428.251,07 RSD remains unallocated.

The decision was recorded in accounting books on 28.06.2013 and filed with the Serbian Business Registers Agency on 09.07.2013.

The share capital of EP Holding on the balance sheet date consists of 10.931.292 ordinary shares each with a nominal value of 510,00 RSD (5.574.959 thousand RSD).

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

35. RESERVES

Reserves comprise of:

| | 2013 (RSD 000) | 2012 (RSD 000) |
|---------------------|-------------------|-------------------|
| Legal | 237,952 | 237,952 |
| Statutory and other | 136,314 | 424,251 |
| Issuing premium | 237,014 | 237,014 |
| Total | 611,280 | 899,217 |

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

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

The decrease in reserves in the reporting period derives from the transfer of funds from Other reserves to Undistributed profit in EP Entel based on the 39th meeting of the Board of Directors held on 20.02.2014.

36. REVALUATION RESERVES, UNREALIZED PROFIT/LOSS FROM SECURITIES

| | 2013 (RSD 000) | 2012 (RSD 000) |
|--|-------------------|-------------------|
| Revaluation reserves | 2.272.779 | 1.748.834 |
| Unrealized profit from available-for-sale securities | 7.138 | 14.599 |
| Unrealized losses from available-for-sale securities | (38.561) | (25.798) |
| Total | 2.241.356 | 1.737.635 |

• **Revaluation reserves** relate to gain/losses of the fair value of property and equipment, as well as reserves based on the financial statements calculation displayed in another functional currency than the presentation currency (reporting currency).

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- Revaluation reserves in the amount of 587.730 thousand RSD relate mostly to the foreign branch Zambia Engineering and Contracting Company Limited, Zambia and are resulting, first of all, from effects of the first assessment of the fair value of investment properties in 2013, when properties to be rented were transferred from properties to investment properties in the amount of 584.263 thousand RSD;
- Revaluation reserves that relate to Nana Offshore S.A.L, Lebanon in the amount of 540.422 thousand RSD relate to the first assessment of the investment property – business premises Dom 12 in Moscow (2011);
- Revaluation reserves that relate to EP Industrija in the amount of 250.671 thousand RSD relate to revaluation reserves based on the gain/losses of the fair value of property (aliquot part 33,33%) Energopet ltd, included in the consolidated statements of EP Industry using the equity method: 197.896 thousand RSD, business premises Energoprojekt: 50.410 thousand RSD and other properties: 2.365 thousand RSD);
- Revaluation reserves of EP Niskogradnja in the amount of 247.280 thousand RSD relate to the revaluation reserves based on the gain/losses of the fair value of property: 241.370 thousand RSD (55% buildings Cruz del Sur, Lima, Peru: 170.146 thousand RSD in 2012 and office space in the Energoprojekt building: 71.224 thousand RSD in 2013) and reserves based on the financial statements calculation displayed in another functional currency than the reporting currency: 5.910 thousand RSD;
- EP Entel: revaluation reserves amount to 137.069 thousand RSD and relate to revaluation reserves based on the gain/losses of the fair value of property: 78.111 thousand (office space in the Energoprojekt building) and reserves based on the translation of financial statements into the reporting currency: 58.958 thousand RSD;
- U EP Visokogradnja revaluation reserves in the amount of 114.772 thousand RSD relate to the gain/losses of the fair value of property and equipment: 113.872 thousand RSD (equipment: 69.152 thousand RSD, investment properties: 13.692 thousand RSD and office space in the Energoprojekt building: 31.028 thousand RSD) and reserves based on the translation of financial statements into the reporting currency: 900 thousand RSD;
- U EP Hidroinzenjering revaluation reserves in the amount of 113.982 thousand RSD relate to the gain/losses of the fair value of property (office space in the Energoprojekt building), and revaluation reserves in other companies in the Energoprojekt Group amount to 285.762 thousand RSD.

The increase of net revaluation reserves in comparison to the previous year amounts to 523.945 thousand RSD is the result, first of all, of:

On one side, the increase of revaluation reserves related to properties is based on:

- the first assessment of the fair value of investment properties in the foreign branch Zambia Engineering and Contracting Company Limited, Zambia during translation from properties to investment properties in the amount of 584.263 thousand RSD;
- the current value per m2 of office space in the Energoprojekt building that was levelled based on the decision of respective boards of companies in the total amount of 172.716 thousand RSD; and other.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

On the other side, the decrease of revaluation reserves based on the financial statements calculation displayed in another functional currency than the reporting currency, first of all in EP Niskogradnja in the amount of 61.871 thousand RSD and EP Visokogradnja in the amount of 89.327 thousand RSD; and other.

- The price drop of shares at the Belgrade Stock Exchange for those companies, whose shares are in the portfolio of available-for-sale securities in the Energoprojekt Group, influenced mostly the drop of **Unrealized profits** and the rise of **Unrealized profits based on available-for-sale securities**.

37. UNDISTRIBUTED PROFIT AND LOSS

Undistributed profit comprises:

| | 2013 | 2012 |
|---|------------------|------------------|
| | (RSD 000) | (RSD 000) |
| Consolidated net prior years profit | 4,574,445 | 3,975,463 |
| Changes during the year | 74,842 | 598,982 |
| Consolidated net profit as at 31.12.2013 | 4,649,287 | 4,574,445 |

Changes which occurred during the year are the result of gain generated in 2013 and distribution deductions in 2012.

The distribution of the undistributed profit on 31.12.2012 was performed based on the resolution adopted by the general meeting of Energoprojekt Holding (41st meeting, item 3 of the agenda, held on 28.06.2013) - Note no. 34.

38. LONG-TERM PROVISIONS

Long term provisions are disclosed when:

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

Long term provisions comprise:

| | 2013 | 2012 |
|--|------------------|------------------|
| | (RSD 000) | (RSD 000) |
| Provision for expenses in warranty | 566,095 | 705,158 |
| Provision for fees and other employee benefits | 300,373 | 280,851 |
| Other | 392,715 | 402,656 |
| Total | 1,259,183 | 1,388,665 |

• **Provisions for warranty related expenses** in the amount of 566.095 thousand RSD relate to EP Entel and Enjub:

- **Provisions for warranty related expenses** in EP Entel in the amount of 565.215 thousand RSD relate to expense provisions for substantial changes in contract items where additional works are not chargeable. In 2013, provisions in the amount of 123.952 thousand RSD were removed from this account. The calculation for expense provisions in the warranty period was performed based on the best assessment by the management and previous experience and it is expected to be payable in less than 5 years. The actual liability may differ from the provision, depending on future developments. These provisions were not discounted since these effects are not materially significant.

- Enjub: provisions for warranty related expenses in the amount of 880 thousand RSD relate to expenses that may occur in a specific time period that was foreseen for possible afterclaims by buyers concerning construction and other works on buildings that have already been put to use (for the building in Rakovica: 380 thousand RSD, for the building in the Block 70 B: 500 thousand RSD).

• **Provisions for fees and other employee benefits** (provisions for non-due retirement bonus upon retirement), are displayed based on the actuarial calculation performed by experts of the Energoprojekt Group.

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.

The decrease of the provision amount based on the present value of retirement bonus for the entire Energoprojekt Group (by 0,57%) in the balance sheet on 31.12.2013 in comparison to 31.12.2012, was a result of several changed factors:

- On one hand, changes of some factors affect the increase of the provision amount (1,50% increase in the number of employees and 4,79% increase of the projected retirement amount);
- On the other hand, changes of some factors affect the decrease of the provision amount (2,42% decrease of the average years in service in the Company and increase of the difference between the annual discount rate and the average annual expected salary growth rate of 0,50%).

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

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

- *first, according to employee gender, working experience and years of service in the Company; considering the expected annual fluctuation and mortality rate (estimated annual fluctuation and mortality rate), an estimation was made of the number of employees that will exercise the right to a retirement bonus, as well as the period during which this bonus will be paid out;*
- *Second, considering provisions of the Collective agreement, the bonus amount was valued 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.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

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 6% and*
- *discount rate of 9% .*

Since the annual discount rate is necessary to determine the present value of (undue) retirement bonuses, as well as the average annual growth of salaries in the Company, these values will be specified later in the text.

The rate of 9% was accepted as the annual discount rate. In the paragraph 78, IAS 19 and paragraph BC 33 in the Basis for Conclusions IAS 19, it is explicitly stated that the rate used for discount should be defined according to market yields at the balance sheet date for high yield corporate bonds. In countries where there is no developed market for such bonds, market yields (at the balance sheet date) for government bonds should be used. The value date and deadlines for bonds should be in accordance with the value date and deadlines for liabilities for income after employment.

Since the financial market of Serbia is insufficiently developed, the real annual yield from the purchase of government bonds with the Republic of Serbia as the guarantor should be used as a reference for the determination of the discount rate on the balance sheet date. According to the above, the discount rate was determined according to the annual yield of government bonds, issued on 30.12.2013 by the Public Debt Administration of the Ministry of Finance of the Republic of Serbia. These bonds were issued with an annual interest rate of 8,89%. Since the maturity of reference securities (371 days) is shorter than the average estimated maturity for income that is the subject of this calculation, in view of requirements from paragraph 81, IAS 19, the discount rate was estimated considering longer maturity.

The annual expected wage growth in the Company is planned at a level of 6%.

The annual discount rate and the annual wage growth depend upon the inflation rate. The Memorandum of the National Bank of Serbia on the target inflation rate till 2016, adopted at the meeting of the Executive Board of NBS on 18.10.2013, among other things, determines the target inflation rate for 2014 of 4%, with permissible deviation (positive and negative) of 1,5 percentage points. According to the above and considering the decrease in inflation in 2013 and the expectation that structural reforms and price liberalization will not be performed as indicated in the Memorandum, it would be realistic, for the next-year inflation and within permitted framework foreseen by the Memorandum, to plan the inflation with maximum permissible positive deviation of 1%.

The provision will be estimated according to the planned annual inflation of 5%. It can be concluded that the Company planned a long-term annual wage growth of 1% and the long-term annual real discount rate was planned at 4%.

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 6% and long-term annual discount rate of 9%, assumes an unchanged inflation rate in future. This assumption is requested in the paragraph 75, IAS 19.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

• **Other long-term provisions** in the amount of 392.715 thousand RSD relate to:

- EP Holding 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, New Belgrade no. 507, concluded between the consortium „Energoprojekt – Napred“ and Trinity Capital ltd.

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

Provisioning was pursuant to IAS 37 „Provisions, Contingent Liabilities and Contingent Assets“, due to the Outcome 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 31.12.2013 there is still Outcome 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 ltd. Therefore, the management assesses that conditions for the cancellation of the provision at the balance sheet date have not been met yet;

- EP Niskogradnja in the amount of 97.097 thousand RSD that relate to the obligation of the Company towards the subcontractor based on the project Z-0163 „Navigation Lock“, Iraq. The provision amount was determined according to the identical methodology as prescribed by the Government of Iraq, based on which the Company has collected its receivables with respect to the mentioned project;

- EP Entel in the amount of 22.838 thousand RSD refers to provisions based on lawsuits against the Company. Decrease in the amount of 837 thousand RSD was a result of exchange rate gains in 2013. Other long-term provisions are calculated based on the best assessment of the management and are not discounted since the discount impact is not materially significant;

- EP Enjub in the amount of 9.009 thousand RSD refers mostly to provisions based on ongoing lawsuits (the Legal Department has given an assessment on possible unfavourable outcome) and other.

- EP Garant in the amount of 3.771 thousand RSD relate to the risk equalization provisions (decreased by 9.104 thousand RSD in comparison to 2012).

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

39. LONG-TERM LOANS

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

| | Annual interest rate | Currency | 2013 (RSD 000) | 2012 (RSD 000) |
|-----------------------|--|----------|-------------------|-------------------|
| <u>Domestic</u> | | | | |
| Development Fund | 4.50% | EUR | | 148,997 |
| Societe Generale bank | 3M Euribor + 5,00% | EUR | 8,818 | 113,719 |
| Alpha bank | 3M Euribor + 5,75% | EUR | 148,393 | 110,331 |
| Erste bank | 2,50% - 3,50% | EUR | | 165,030 |
| VTB bank | 3M Libor + 3,25%; RKS (11,00%) + 1,20% | EUR, RSD | 66,232 | 15,571 |
| Komercijalna banka | 9.00% | RSD | 50,001 | 10,681 |
| Total | | | 273,444 | 564,329 |
| <u>Foreign</u> | | | | |
| Other | | | 184,180 | 378,911 |
| Total | | | 184,180 | 378,911 |
| Grand total | | | 457,624 | 943,240 |

• **Long-term domestic loans** in the amount of 273.444 thousand RSD relate to EP Energodata in the amount of 148.393 thousand RSD (Alpha bank), EP Visokogradnja in the amount of 76.510 thousand RSD (VTB bank: 59.843 thousand RSD and Komercijalna banka: 16.667 thousand RSD), EP Niskogradnja in the amount of 25.485 thousand RSD (Komercijalna banka: 16.667 thousand RSD and Societe Generale bank: 8.818 thousand RSD), EP Holding in the amount of 16.667 thousand RSD (Komercijalna banka) and Energoplast in the amount of 6.389 thousand RSD (VTB bank).

• **Long-term loans granted abroad** in the amount of 184.180 thousand RSD relate to EP Niskogradnja (liabilities towards associates from former YU republics engaged on the project Hydroelectric power station Banieya II, Guinea: 160.856 thousand RSD. Considering the fact that the succession process of former YU republics is not finished and in view of the principle of prudence, the management of the Company believes that, at this moment, there are no favourable conditions to write off the above mentioned liabilities. The long-term loan in the amount of 23.324 thousand RSD (Caterpillar Chile) for the purchase of equipment was approved in USD according to the annual interest rate of 5,95%).

Data on long-term loans are presented in the Note 47.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

40. OTHER LONG-TERM LIABILITIES

Other long term liabilities include:

| | 2013 | 2012 |
|---------------------------------------|----------------|----------------|
| | (RSD 000) | (RSD 000) |
| Finance lease liabilities - long term | 219,107 | 60,783 |
| Other long-term liabilities | 615,434 | 903,216 |
| Total | 834,541 | 963,999 |

• **Finance lease liabilities – long-term** in the amount of 219.107 thousand RSD refer mostly to EP Niskogradnja (215.042 thousand RSD).

Detailed information on liabilities based on financial lease in EP Niskogradnja is presented in the following table.

| Creditor | Currency | Balance of liabilities in currency | Balance of liabilities In 000 RSD | Repayment and due date | Annual interest rate |
|---|----------|------------------------------------|-----------------------------------|-----------------------------------|----------------------|
| Domestic financial lease liabilities | | | | | |
| S-leasing | EUR | 107.810 | 12.360 | Per month 01.12.2015 | 6m EURIBOR + 4,25% |
| Soglease | EUR | 1.949.440 | 223.488 | 15.11.2016 | ≈ 4,41% |
| Total domestic | | | 235.848 | | |
| Foreign financial lease liabilities | | | | | |
| HSBC bank leasing, Peru | USD | 726.400 | 60.384 | Per month 01.07.2015 | 7,00% |
| Banco Financiero, Peru | USD | 486.030 | 40.403 | Per month 16.02.2015 | 7,50% |
| Leasing Peru S.A. | USD | 642.028 | 53.371 | Per month 15.01.2015.- 05.05.2016 | 5,95% |
| Banco Santander, Peru | USD | 63.968 | 5.318 | Per month 01.08.2014 | 5,95% |
| Scotiabank, Peru | USD | 1.105.136 | 91.868 | Per month 02.05.2015 | 6,00% |
| Total foreign | | | 251.343 | | |
| TOTAL | | | 487.191 | | |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

The following table presents financial lease liabilities in RSD on 31.12.2013, divided to:

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

| Creditor | in 000 RSD | |
|-------------------------|---------------------|----------------------|
| | Long-term liability | Short-term liability |
| S-leasing | 6.321 | 6.039 |
| Soglease | 139.915 | 83.573 |
| HSBC bank leasing, Peru | 14.979 | 45.405 |
| Banco Financiero, Peru | 6.010 | 34.393 |
| Leasing Peru s.a. | 22.764 | 30.607 |
| Banco Santander, Peru | | 5.318 |
| Scotiabank,Peru | 25.052 | 66.816 |
| TOTAL | 215.042 | 272.149 |

• **Other long-term liabilities** in the amount of 615.434 thousand RSD refer to the following companies:

- EP Niskogradnja: 462.194 thousand RSD relate to the part of the liability for received advance for the Project Sarani tunnel with due date 01.01.2015 in accordance with adopted work schedule and advance repayment related to the project;

- EP Visokogradnja: 84.903 thousand RSD relate to obligations towards former owners of plots, who have sold the land for the construction of residential and office buildings and where the Company agreed to settle them with the property that will be built in Cara Nikolaja Street. The liability is presented according to the price, designed for future properties;

- EP Oprema: 66.626 thousand RSD relates to the guarantee deposit of the supplier as follows:

| Supplier | in 000 RSD | |
|---------------------------|---------------|----------------|
| | 2013 | 2012 |
| Modranska Potrubni | | 39.369 |
| Balcken Durr | | 26.889 |
| SES – TLMACE | | 40.217 |
| NB Celik ltd | 13.778 | 12.618 |
| Mont R | 23.532 | |
| ATB FOD | 13.251 | |
| Energotehnika Juzna Backa | 1.971 | |
| Feromont Inzenjering | 2.682 | |
| ELWO | | 19.178 |
| Mikom ltd | 11.412 | 7.576 |
| Other | | 39.796 |
| TOTAL | 66.626 | 185.643 |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- Enjub: 1.711 thousand RSD relate to liabilities based on received deposits from tenants of investment properties.

The decrease of other long-term liabilities in the amount of 287.782 thousand RSD in comparison to 2012 is the result of, first of all, decreased long-term liabilities based on guarantee deposits by suppliers to EP Oprema in the amount of 119.017 thousand RSD.

41. SHORT-TERM FINANCIAL LIABILITIES

Short-term financial liabilities include:

| | 2013 (RSD 000) | 2012 (RSD 000) |
|--|-------------------|-------------------|
| Short term RSD loans - domestic banks | 669,498 | 727,812 |
| Short term loans with FCY clause - domestic banks and other | 1,453,737 | 188,010 |
| Total | 2,123,235 | 915,822 |
| Other short term financial liabilities/current maturities of long term loans and other long-term liabilities | 1,037,271 | 1,339,655 |
| Short-term loans abroad and current maturities of long-term loans abroad | 412,426 | 494,485 |
| Total | 3,572,932 | 2,749,962 |

• **Short term RSD loans and short term loans with FCY clause from local banks** in the amount of 2.123.235 thousand RSD refer to EP Visokogradnja: 1.228.642 thousand RSD, EP Niskogradnja: 709.836 thousand RSD, EP Energodata: 83.071 thousand RSD, EP Hidroinzenjering: 68.786 thousand RSD and Enjub: 32.900 thousand RSD.

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- Detailed information on short-term loans related to EP Visokogradnja is presented in the following table.

| Bank | Currency | Approval date | Due date | Annual interest rate | Repayment manner | Remaining debt in 000 RSD | Collateral |
|-----------------------|----------|---------------------------------|------------|--------------------------|-----------------------------------|---------------------------|--|
| Societe Generale Bank | EUR | 19.02.2011 | 30.09.2014 | 3 months Euribor + 4% | lump sum | 171.963 | Bills of exchange, guarantee by EP Holding, EP Niskogradnja |
| Societe Generale Bank | EUR | 22.12.2011 | 30.09.2014 | 3 months Euribor + 4% | lump sum | 217.820 | Bills of exchange guarantee by EP Holding, EP Niskogradnja |
| Societe Generale Bank | EUR | 26.04.2012 | 30.09.2014 | 3 months Euribor + 4% | lump sum | 114.642 | Bills of exchange, guarantee by EP Holding, EP Niskogradnja |
| UniCredit Bank | EUR | 25.10.2012 | 31.07.2014 | 1 month Euribor + 4,70% | lump sum | 114.642 | Bills of exchange, guarantee by EP Holding, EP Niskogradnja, EP Oprema |
| UniCredit Bank | EUR | 26.04.2012 | 30.09.2014 | 1 month Euribor + 4,70% | lump sum | 114.642 | Bills of exchange, guarantee by EP Holding, EP Niskogradnja, EP Oprema |
| Alpha Bank | EUR | 13.02.2013 | 13.02.2014 | 3 month Euribor + 5,95% | lump sum | 114.642 | Bills of exchange, guarantee by EP Holding, EP Oprema |
| Hypo Alpe Adria Bank | EUR | 05.09-17.09 16.10-13.11.2013 | 09.08.2014 | 3 months Euribor + 5,30% | lump sum | 229.284 | Bills of exchange, guarantee by EP Holding, EP Niskogradnja, EP Oprema |
| Erste Bank | EUR | 18.11.2013 | 13.11.2014 | 3 months Euribor + 5,95% | Per month (grace period 6 months) | 41.007 | Bills of exchange, guarantee by EP Holding |
| Vojvodjanska Banka | RSD | 07.06.2013 | 07.06.2014 | 1 month BELIBOR + 2% | Per month (grace period 6 months) | 110.000 | Bills of exchange, guarantee by EP Holding, EP Oprema |
| TOTAL | | | | | | 1.228.642 | |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- Detailed information on short-term loans related to EP Niskogradnja is presented in the following table.

| Bank | Currency | Balance of liabilities in currency | Repayment | Balance of | Annual interest rate |
|---------------------------------|----------|------------------------------------|------------------------|------------------------|------------------------------------|
| | | | and due date | liabilities in 000 RSD | |
| Societe Generale Bank | EUR | 311.390 | Lump sum 30.09.2014 | 35.698 | 3m EURIBOR + 4,0% |
| Societe Generale Bank | EUR | 900.000 | Lump sum 30.09.2014 | 103.178 | 3m EURIBOR + 4,0% |
| Hypo-Alpe-Adria Bank | EUR | 700.000 | Lump sum 09.08.2014 | 80.249 | 3m EURIBOR + 5,3% |
| Societe Generale Bank-overdraft | RSD | 260.116.519 | Lump sum 30.09.2014 | 260.117 | 1m BELIBOR + 1.4% |
| VTB Bank | RSD | 47.000.000 | Lump sum 16.12.2014 | 47.000 | Reference interest rate NBS - 0.5% |
| Societe Generale Bank | RSD | 12.594.000 | Lump sum 30.09.2014 | 12.594 | No interest |
| UniCredit Bank | RSD | 171.000.000 | Lump sum 31.07.2014 | 171.000 | 1m BELIBOR + 1.2% |
| TOTAL | | | | 709.836 | |

- Detailed information on short-term loans related to EP Hidroinzenjering is presented in the following table.

| Bank | Currency | Approval date | Due date | Annual interest rate | Repayment manner | Remaining debt in 000 RSD | Collateral |
|-----------------------|----------|---------------|------------|----------------------|------------------|---------------------------|---|
| Societe Generale Bank | EUR | 26.07.2013 | 26.07.2014 | 3M EUR + 4,00% | On maturity | 34.393 | Guarantee by EP Holding/ EP Viskogradnja/ EP Niskogradnja |
| Hypo Alpe Adria Bank | EUR | 03.09.2013 | 09.08.2014 | 3M EUR + 5,30% | On maturity | 34.393 | Guarantee by EP Holding |
| TOTAL | | | | | | 68.786 | |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- Detailed information on short-term loans related to EP Energodata is presented in the following table.

| Bank | Currency | Approval date | Due date | Annual interest rate | Repayment manner | Remaining debt in 000 RSD | Collateral |
|--------------|----------|--|--|----------------------|---|---------------------------|------------------------------------|
| Alpha bank | EUR | 18.03.2013 | 18.09.2014 | 2.50% | Per month (grace period 5 months) | 55.557 | Guarantee by EP Holding/ EP Oprema |
| Alpha bank | EUR | 16.09.2013 15.10.2013 29.10.2013 17.12.2013 | 16.09.2014 15.10.2014 29.10.2014 17.12.2014 | 3M EUR + 5.95% | Within 12 months from the Within 12 months of disbursement of the loan (no repayment plan) | 27.514 | Guarantee by EP Holding/ EP Oprema |
| TOTAL | | | | | | 83.071 | |

- **Short term loans with a FCY clause from local banks** related to Enjub in the amount of 32.900 thousand RSD refer to the loan from the Kulina ltd.. (50% of the liability amount).

• **Other short-term liabilities and current maturities of long-term loans from local banks** in the amount of 1.037.271 thousand RSD relate mostly to the following:

-EP Niskogradnja: 441.124 thousand RSD (current maturities of long-term loans: 168.975 thousand RSD and current maturities of financial lease liabilities: 272.149 thousand RSD);

-EP Visokogradnja: 242.368 thousand RSD (current maturities of long-term loans: 242.311 thousand RSD and other: 57 thousand RSD);

- EP Holding: 229.798 thousand RSD (current maturities of long-term loans: 229.538 thousand RSD and Visa account liabilities: 260 thousand RSD);

-EP Energodata: 65.732 thousand RSD (current maturities of long-term loans: 65.002 thousand RSD and current maturities of financial lease liabilities: 730 thousand RSD); and other companies in the Energoprojekt Group in the amount of 58.249 thousand RSD.

• **Liabilities related to short-term loans and current maturities of long-term loans in other countries** in the amount of 412.426 thousand RSD relate to:

- EP Niskogradnja in the amount of 401.756 thousand RSD (liabilities related to short-term loans in other countries: 398.318 thousand RSD and current maturities of long-term loans in other countries: 3.438 thousand RSD); and

- EP Visokogradnja in the amount of 10.670 thousand RSD (liabilities related to short-term loans in other countries).

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

42. LIABILITIES FROM OPERATIONS

Liabilities from business operations include:

| | 2013 | 2012 |
|--|------------------|------------------|
| | (RSD 000) | (RSD 000) |
| <u>Liabilities from business operations</u> | | |
| Received advances, short-term deposits and caution money | 3,023,719 | 2,944,597 |
| Domestic suppliers | 963,154 | 854,003 |
| Foreign suppliers | 2,037,856 | 2,036,149 |
| Other liabilities from business operations | 8,113 | 8,211 |
| Total | 6,032,842 | 5,842,960 |
| Liabilities from specific operations | 278,134 | 300,879 |
| Total | 6,310,976 | 6,143,839 |

• **Received advance payments** in the amount of 3.023.719 thousand RSD relate mostly to the following companies in the Energoprojekt Group:

- EP Visokogradnja, the amount of 1.086.386 thousand RSD relates mostly to received advance payments from investors related to the following projects: Z-088 Rostov: 537.873 thousand RSD; Z-089 Aktau hospital: 68.125 thousand RSD; Z-068 Aktau hotel: 60.382 thousand RSD; Z-091 Astrahan: 37.127 thousand RSD, Z-074 Sarijagas winery: 25.920 thousand RSD; Z-087 Aktau restaurant and night club: 14.070 thousand RSD; and received advance payments by Energoprojekt Ghana Ltd: 301.752 thousand RSD;

- EP Niskogradnja, the amount of 1.009.090 thousand RSD refers mostly to received advance payments related to the following projects abroad: Z-023 Pericos, Peru: 390.058 thousand RSD; Z-019 Cochabamba, Chota: 115.001 thousand RSD; Z-028 Lugoba, Uganda: 74.807 thousand RSD; Z-029 Mutundwe, Uganda: 73.079 thousand RSD; Z-026 Jinja road, Uganda: 58.462 thousand RSD; and the following projects in the country: Sarani tunnel: 272.548 thousand RSD; Lot 1.1. Novi Sad: 20.760 thousand RSD and the Tisa project: 2.419 thousand RSD;

- EP Oprema, the amount of 667.723 thousand RSD relates, first of all, to received payments from investors related to the projects RTB Bor and the Thermal Power Plant TE Kostolac;

- EP Hidroinzenjering in the amount of 133.961 thousand RSD, foreign branch Zambia Engineering and Contracting Company Limited, Zambia: 70.565 thousand RSD, EP Industrija: 21.142 thousand RSD, and other companies in the amount of 34.852 thousand RSD.

• **Liabilities to domestic suppliers**, the amount of 963.154 thousand RSD mostly relates to the following: EP Niskogradnja: 393.106 thousand RSD; EP Oprema: 303.210 thousand RSD; EP Visokogradnja: 183.261 thousand RSD; EP Energodata: 23.651 thousand RSD; EP Holding: 12.949 thousand RSD and other companies in the amount of 46.977 thousand RSD.

The most important liabilities of EP Niskogradnja to domestic suppliers, according to the balance sheet date are:

- OMV Serbia: 62.229 thousand RSD;
- Evrogradnja: 46.755 thousand RSD;
- Atlas Copco: 34.134 thousand RSD;
- Hidrogradjevinar: 26.276 thousand RSD;
- Erozija plc, Valjevo: 21.453 thousand RSD;
- Dunav grupa agregati plc: 16.755 thousand RSD; and other.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

The most important liabilities of EP Oprema to domestic suppliers are as follows:

- Mont-R: 89.209 thousand RSD;
- Minel Kotlogradnja: 33.965 thousand RSD;
- ATB Fod ltd: 29.317 thousand RSD;
- Energomontaza: 27.854 thousand RSD,
- Feromont Inzenjering: 24.798 thousand RSD,
- Energotehnika Juzna Backa: 18.134 thousand RSD;
- Elektrovat ltd: 17.167 thousand RSD; and other.

• **Liabilities to foreign suppliers** in the amount of 2.037.856 thousand RSD relate mostly to the following: EP Niskogradnja: 525.209 thousand RSD (Peru, Uganda and Kazakhstan); EP Visokogradnja: 514.610 thousand RSD; EP Entel: 496.897 thousand RSD; EP Oprema: 426.398 thousand RSD; Energoplast: 43.595 thousand RSD and other companies in the amount of 31.147 thousand RSD.

Liabilities to suppliers abroad related to EP Niskogradnja are as follows:

- Shell ltd., Uganda: 69.687 thousand RSD;
- Consorcio Constructor, Peru: 52.094 thousand RSD;
- Orbenor S.A.C, Peru: 49.189 thousand RSD;
- Lual Contratistas S.A.C., Peru: 25.501 thousand RSD;
- Corporacion de Infraestructura S.A.C., Peru: 24.310 thousand RSD;
- Termocotank s.a., Uganda: 23.259 thousand RSD;
- Repsol YPF Marketing, Peru: 22.849 thousand RSD; and other.

• **Other liabilities** in the amount of 8.113 thousand RSD relate mostly to: EP Garant: 3.574 thousand RSD (liabilities for insurance premiums and reinsurance, etc.) and EP Niskogradnja: 3.469 thousand RSD.

• **Liabilities from specific operations** in the amount of 278.134 thousand RSD relate mostly to EP Visokogradnja: 183.015 thousand RSD (obligations to GP „Rad“ based on works in Iraq – ongoing lawsuit) and EP Entel: 95.071 thousand RSD (obligation to partners in accordance with the contract for Phase VI and Phase VII in Qatar).

43. OTHER SHORT TERM LIABILITIES

| | 2013 (RSD 000) | 2012 (RSD 000) |
|-------------------------|-------------------|-------------------|
| Salaries and emoluments | 1,174,415 | 1,015,373 |
| Dividends | 141,401 | 57,381 |
| Other liabilities | 84,258 | 62,183 |
| Total | 1,400,074 | 1,134,937 |

• **Salaries and emoluments** in the amount of 1.174.415 thousand RSD relate mostly to EP Visokogradnja in the amount of 439.233 thousand RSD (liabilities /net, taxes and contributions, liabilities to Chambers/ for November and December salaries, paid in January and February 2014, part of outstanding salaries abroad and allowances for 2013), EP Entel: 365.504 thousand RSD, EP

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

Niskogradnja: 151.606 thousand RSD, EP Hidroinzenjering: 88.485 thousand RSD, EP Oprema: 28.487 thousand RSD and other.

The increase in liabilities for salaries and emoluments in comparison to 2012, relates mostly to EP Visokogradnja, since, in 2013, salaries for two months and 2013 allowances have not been paid.

• **Dividends** in the amount of 141.401 thousand RSD relate mostly to Energoplast in the amount of 112.000 thousand RSD, Enjub: 15.222 thousand RSD (50% liabilities to Kulina ltd.) and EP Holding: 7.511 thousand RSD; 6.668 thousand RSD relate to other companies in the Energoprojekt Group.

Increase in dividends is a result of, first of all, increase in respective liabilities related to Energoplast (in 2012: 9.139 thousand RSD).

• **Other liabilities** in the amount of 84.258 thousand RSD, relate to interest, employees, members of the management, contract fees for natural persons and other liabilities. Other liabilities relate mostly to EP Visokogradnja in the amount of 27.287 thousand RSD (interests, employees, etc) and Enjub: 15.621 thousand RSD (mostly VAT-related interests from previous years according to the decision reached by the Tax Administration: 9.447 thousand RSD and loans from Kulina ltd: 4.340 thousand RSD); 41.350 thousand RSD relate to other companies in the Energoprojekt Group.

44. VAT AND OTHER PUBLIC DUTIES AND ACCRUALS

| | 2013 (RSD 000) | 2012 (RSD 000) |
|----------------------------------|-------------------|-------------------|
| VAT and other public liabilities | 349,615 | 301,508 |
| Accruals | 609,866 | 400,905 |
| Total | 959,481 | 702,413 |

• **VAT and other public liabilities** in the amount of 349.615 thousand RSD relate mostly to:

- EP Visokogradnja in the amount of 267.900 thousand RSD relate mostly to liabilities in other countries, first of all, to VAT-related liabilities for the received advance payment for the project Z-088 Hotel Hyatt in Rostov: 100.411 thousand RSD and income tax-related liabilities in other countries: 58.285 thousand RSD;

- EP Niskogradnja: 45.773 thousand RSD relate mostly to VAT-related liabilities in Peru (IGV): 32.393 thousand RSD and domestic VAT-related liabilities: 4.072 thousand RSD, which was settled timely, at the beginning of 2014; and

- EP Holding: 6.789 thousand RSD relate mostly to the VAT-related liability based on the difference between the calculated tax and the previous tax obligation that was settled timely, at the beginning of 2014 in the amount of 5.887 thousand RSD; and other companies in the amount of 29.153 thousand RSD.

• **Accruals**, in the amount of 609.866 thousand RSD, predominantly include to the following companies in the Energoprojekt Group:

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

- EP Garant: 245.852 thousand RSD. This amount relates to transferable non-life insurance premiums, coinsurance premiums, liability provisions and other accruals;
- EP Niskogradnja: 181.372 thousand RSD. This amount refers to accrued expenses related to domestic and foreign projects (Peru and Uganda): 165.635 thousand RSD and VAT liabilities: 15.737 thousand RSD;
- EP Oprema: 126.121 thousand RSD. This amount relates to collected guarantees for Elwo: 91.805 thousand RSD, VAT accruals: 24.464 thousand RSD and accrued expenses: 9.852 thousand RSD; and
- EP Visokogradnja: 55.034 thousand RSD. This amount refers, first of all, to calculated future expenses in the amount of 47.661 thousand RSD, related to the Project Z-087 Aktau Restaurant and Night Club (investor included some works that will be performed in 2014, in the progress certificate) and VAT accruals: 5.033 thousand RSD; and other companies in the amount of 1.487 thousand RSD.

45. COMMITMENT AND CONTINGENCIES

There is a number of ongoing lawsuits against members of Energoprojekt Group in the country.

The following table contains a list of the most important lawsuits.

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|-----|--|--|---|-------------------|---------------------------------|--------------------------|--|
| 1. | Aleksandar Vasojević | EP Holding | Annulment of resolutions from the XXXVII EGM | | Commercial Court of Belgrade | 2014 | Unfounded |
| 2. | New company | EP Holding and GP Napred | Establishment of ownership rights | | Commercial Court of Belgrade | 2014 | Outcome uncertain, suspended proceedings |
| 3. | EP Holding | Stari grad municipality | Ownership claim | | First Primary Court of Belgrade | 2014 | Founded |
| 4. | EP Holding | Ministry of Finance – Tax Administration | Prepaid tax refund | 26.959.260,00 RSD | Constitutional Court | | Founded |
| 5. | Milan Raonić | EP Holding | Copyright claim | 7.000.000,00 RSD | Higher Court of Belgrade | 2014 | Partially Founded |
| 6. | Association of Small Shareholders, Association of Pensioners, Jovan Korolija and Ivan Petrović | EP Holding | Annulment of resolutions from the XXXVII EGM | | Commercial Court of Belgrade | 2014 | Unfounded |
| 7. | Radomir Banjac | EP Holding | Naknada štete | 4.400.000,00 RSD | First Primary Court of Belgrade | 2015 | Unfounded |
| 8. | Sreta Ivanisevic | EP Holding | Compensation for expropriated property (Bezanija) | | First Primary Court of Belgrade | Outcome uncertain | Outcome uncertain |
| 9. | Vladan and Tomislav Krdzic | EP Holding | Damage claim (free shares not allotted to the plaintiffs) | 444.000,00 RSD | Commercial Court of Belgrade | 2014 | Unfounded |
| 10. | Serbian government | EP Holding | Establishment of apartment ownership | | Commercial Court of Belgrade | 2014 | Founded |
| 11. | Ivana Pekovic | EP Holding | Establishment of ownership rights | | First Primary Court of Belgrade | 2014 | Founded |
| 12. | Rajko Ljubojevic | EP Holding | Expropriation | | First Primary Court of Belgrade | 2015 | Outcome uncertain |
| 13. | EP Holding | Zekstra grupa ltd. | Damage claim (roof repairs at G. Delceva 38) | 7.032,68 EUR | Commercial Court of Belgrade | 2014 | Founded |

„ENERGOPROJEKT“ GROUP, BELGRADE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|------------|---------------------------------|---|--|---|---------------------------------|---------------------------------|--|
| 14. | EP Holding | Serbian government, EPS power co, Epsturs d.o.o and Montenegro government | Establishment of ideal share of ownership of Hotel Park in Budva | | Primary Court of Herceg Novi | Outcome uncertain | Founded |
| 15. | EP Holding | Ivan Music | Damage claim (roof repairs at G. Delceva 38) | 250,61 EUR | First Primary Court of Belgrade | 2014 | Founded |
| 16. | EP Holding | City of Belgrade, Land Development Agency, Serbia | Debt (Arena) | 208.000.245,40 RSD | Commercial Court of Belgrade | 2014 | Founded |
| 17. | Marko Martinoli | EP Holding and EP Niskogradnja | Share squeeze-out | 2.163.932,00 RSD | Commercial Court of Belgrade | 2014 | Outcome uncertain |
| 18. | EP Visokogradnja | Kosmaj mermer | Establishment of separate claim | 400.000,00 RSD incl. interest as of 29/01/1998 | CCB | 2014 | Outcome uncertain. suspended proceedings |
| 19. | Kosmaj mermer | EP Visokogradnja | Establishment of unfoundedness of separate claim | | CCB | 2014 | Outcome uncertain. Depends on pending lawsuit |
| 20. | EP Visokogradnja | FMPE Bačka Topola in bankruptcy | Claim assessment in bankruptcy proceedings | 3.511.710,47 RSD | CC Subotica | Ended | Settlement through bankruptcy proceedings unlikely |
| 21. | Vasilev Grozda | EP Visokogradnja | Performance and damage claim | 900.000,00 RSD | First Primary Court of Belgrade | 2014 | Legal suit dismissed by first instance court |
| 22. | EP Visokogradnja Vesna Perincic | Vesna Perincic EP Visokogradnja | Debt claim | 88.500,00 RSD from the claim and 250.000,00 RSD from the counterclaim | First Primary Court of Belgrade | 2014 | Both lawsuit and countersuit dismissed by first instance court |
| 23. | EP Visokogradnja | Promex TV Zvornik | Debt claim | 667.104,25 RSD | CCB | 2014 | Legal suit upheld by first instance court |
| 24. | EP Visokogradnja | GIK Banat | Debt claim | 4.172.333,47 RSD | CC Zrenjanin | | Claim recognized in bankruptcy |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|-----|--------------------|--------------------------|--|------------------|------------------------------------|--------------------------|---|
| 25. | EP Visokogradnja | SZR. CA ART | Debt claim | 212.457,60 RSD | CC Novi Sad | 2014 | Founded |
| 26. | Reb Darko | EP Visokogradnja | Debt claim | 64.740,01 EUR | I osnovnisud | 2014 | Legal suit dismissed by first instance court |
| 27. | EP Visokogradnja | LHR | Debt claim | 580.000,00 RSD | CCB | 2014 | Founded |
| 28. | Stamenović Božidar | EP Visokogradnja | Unfounded acquisition | 487.179,65 RSD | First Primary Court of Belgrade | 2014 | Legal suit dismissed by first instance court |
| 29. | EP Visokogradnja | Trudbenik gradnja | Claim recognized in bankruptcy proceedings | 2.767.501,76 RSD | CCB | | Settlement uncertain |
| 30. | EP Visokogradnja | Herceg Novi municipality | Debt claim | 42.000,00 EUR | PS Podgorica | 2014 | Returned to first instance procedure after review of the respondent |
| 31. | Bomaran ltd. | EP Visokogradnja | Debt claim | 1.440.900,00 RSD | CCB | 2014 | Legal suit upheld by first instance court |
| 32. | Gajic Slobodan | EP Visokogradnja | Damage claim | 450.000,00 RSD | Primary Court of Sremska Mitrovica | 2012 | Legal suit partly upheld by first instance court up to the sum of 240.000,00 RSD, |
| 33. | EP Visokogradnja | Lipa Papir | Debt | 2.142.004,69 RSD | CCB | | Respondent's accounts are blocked, settlement is unlikely |
| 34. | Đorđe Mikša | EP Visokogradnja | Contractual penalty | 512.000,00 RSD | First Primary Court of Belgrade | 2014 | Outcome uncertain |
| 35. | Jagoda Mikša | EP Visokogradnja | Contractual penalty | 504.000,00 RSD | First Primary Court of Belgrade | 2014 | Legal suit upheld by first instance court |
| 36. | Sladan Pavlović | EP Visokogradnja | Damage claim | 1.700.000,00 RSD | First Primary Court of Belgrade | 2014 | Partially Founded |
| 37. | EP Visokogradnja | Cvitan Dragan | Debt | 212.067,77 RSD | First Primary Court of Belgrade | 2014 | Founded |
| 38. | Natasa Milojevic | EP Visokogradnja | Establishment of ownership rights | 100.000,00 RSD | First Primary Court | 2014 | Outcome uncertain |
| 39. | EP Visokogradnja | Beton gradnja ltd. | Debt | 271.813,90 RSD | CCB | 2014 | Founded |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|-----|-------------------------------|--|---|--------------------|---------------------------------|--------------------------|--|
| 40. | EP Visokogradnja | Alumaks sistemi ltd. | Damage claim (block 29) | 31.605.600,00 RSD | CCB | 2014 | Legal suit dismissed by first instance court |
| 41. | EP Visokogradnja | Veso Romic | Unfounded acquisition of wealth | 35.301.780,00 RSD | CCB | 2014 | Founded |
| 42. | EP Visokogradnja | Beocvor | Debt (Prokop) | 290.385.390,00 RSD | | | Founded |
| 43. | EP Visokogradnja | Jugobanka a.d. in bankruptcy | Claim registration | 5.000.000,00 USD | CCB | | Founded |
| 44. | EP Visokogradnja | Beobanka a.d. in bankruptcy | Claim registration | 1.031.053,82 USD | CCB | | Founded |
| 45. | EP Visokogradnja | Banex trade in bankruptcy | Debt 800.203,44 GBP collected 8.478.580,00 RSD | | CCB | | Founded |
| 46. | EP Visokogradnja | Belim plc. | Debt under settlement agreement | 612.000,00 USD | CCB | | Founded |
| 47. | EP Visokogradnja | Astra banka plc in bankruptcy | Claim registration | 396.944,99 USD | CCB | | Founded |
| 48. | EP Visokogradnja | City of Belgrade, Land Development Agency, Serbia | Debt (Arena) | 17.549.287,81 USD | CCB | | Founded |
| 49. | EP Visokogradnja | JP Zeleznice, Beocvor | Debt (Prokop) | 407.301.020,00 RSD | CCB | | Founded |
| 50. | GP Rad in bankruptcy | EP Visokogradnja, EP Niskogradnja, EP Oprema and EP Promet | Debt, works in Iraq | 2.250.188,60 USD | CCB | | Legal suit upheld by first instance court |
| 51. | Astra banka plc in bankruptcy | EP Visokogradnja | Loan agreements | 40.000.000,00 RSD | CCB | | Unfounded |
| 52. | Bozo Tomasevic | EP Visokogradnja | Annulment of employment contract termination | 140.000,00 RSD | First Primary Court of Belgrade | 2014 | Unfounded |
| 53. | Aleksandar Petrovic | EP Visokogradnja | Contract termination and damage claim | 3.500.000,00 RSD | First Primary Court of Belgrade | 2014 | Partially founded |
| 54. | Sava Krajinovic | EP Visokogradnja | Unfounded acquisition of wealth | 269.000,00 RSD | First Primary Court of Belgrade | 2014 | Unfounded |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|-----|--------------------------------------|-----------------------|--|-------------------|---------------------------------|--------------------------|--|
| 55. | Ljiljana Damyano | EP Visokogradnja | Performance and damage claim | 350.000,00 RSD | First Primary Court of Belgrade | 2014 | Unfounded |
| 56. | Tubic Aleksandra | EP Visokogradnja | Damage claim | 300.000,00 EUR | Primary Court of Herceg Novi | 2014 | Unfounded, audit submitted by the plaintiffs |
| 57. | SIEN ltd | EP Visokogradnja | Debt, SMIP | 438.530,00 RSD | CCB | | Partially founded |
| 58. | Residential building, B.M.Pupina 10e | EP Visokogradnja | Unfounded acquisition of wealth | 2.000.000,00 RSD | First Primary Court of Belgrade | | Unsubstantiated, proceedings suspended |
| 59. | Kombit | EP Visokogradnja | Debt (Prokop) | 1.269.860,00 RSD | CCB | | Partially founded |
| 60. | Milorad Vasic | EP Visokogradnja | Damage claim (block 12) | 31.235.250,00 RSD | Higher Court of Belgrade | 2014 | Partially founded |
| 61. | EP Visokogradnja | Sinisa i Dragan Romic | Contesting of share transfer agreement | | Commercial Court of Belgrade | 2015 | Founded |
| 62. | Kojic Milan | EP Visokogradnja | Debt-salaries | 1.130,00 EUR | First Primary Court of Belgrade | 2014 | Unfounded |
| 63. | EP Visokogradnja plc | Farmakom MB d.o.o | Debt | 1.340.520,00 RSD | Commercial Court of Valjevo | 2015 | Founded |
| 64. | EP Visokogradnja plc | LP Gas d.o.o. | Debt | 1.644.012,60 RSD | Commercial Court of Belgrade | 2015 | Founded |
| 65. | Drago Stupar and others | EP Visokogradnja | Establishment of land ownership rights | | Primary Court of Herceg Novi | 2014 | Founded |
| 66. | Dusan Petrovic and others | EP Visokogradnja | Share appraisal | | Commercial Court of Belgrade | 2014 | Unfounded |
| 67. | Sasa Boskovic | EP Visokogradnja | Share appraisal | | Commercial Court of Belgrade | 2014 | Unfounded |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|-----|---|----------------------------|---|--------------------------------------|---------------------------------|--------------------------|---|
| 68. | EP Visokogradnja | „Izolacija“ plc | Claim registration | 1.235.111,46 RSD | Commercial Court of Belgrade | 2014 | Founded |
| 69. | Shpolskiy Leonid | EP Visokogradnja | Damage claim – water leaking into apartment | | Primary Court of Herceg Novi | 2014 | Unfounded |
| 70. | Vladimir Markovic | EP Urbanizam i arhitektura | Foreign currency salary | 10.147,80 USD | Higher Court of Belgrade | Outcome uncertain | Legal suit upheld by first instance court |
| 71. | Branko Lakcević, Vladimir Peric, Danica Pantic, Ivan Pantic | EP Urbanizam i arhitektura | Foreign currency salary | 87.678,09 RSD | First Primary Court of Belgrade | Outcome uncertain | Founded, expired in our view |
| 72. | Milan Raonic | EP Urbanizam i arhitektura | Annual vacation benefits and salary differences | 322.688,89 RSD | Court of Appeals in Belgrade | Outcome uncertain | Outcome uncertain, legal suit dismissed by first instance court |
| 73. | Novica Veljkovic | EP Urbanizam i arhitektura | Annulment of Annex III of employment contract | 88.426,53 RSD incl. accrued interest | Court of Appeals in Belgrade | Outcome uncertain | Outcome uncertain |
| 74. | Novica Veljkovic | EP Urbanizam i arhitektura | Annulment of Annex IV of employment contract | 17.000,00 RSD | First Primary Court | Outcome uncertain | Part of the claim was effectively dismissed by court, the rest is pending |
| 75. | Miroslav Stefanovic | EP Urbanizam i arhitektura | Salary differences | 33.995,00 RSD | First Primary Court | Outcome uncertain | Part of the court ruling upheld, while the part concerning interest was returned for repeat proceedings |
| 76. | EP Urbanizam i arhitektura | Miodrag Cvijic | Debt | 1.523.072,42 RSD | First Primary Court of Belgrade | Outcome uncertain | Founded, execution proceedings in progress |
| 77. | Tamara Vukadinovic | EP Urbanizam i arhitektura | Annulment of employment contract termination | 50.000,00 RSD | First Primary Court of Belgrade | Outcome uncertain | Outcome uncertain |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|-----|----------------------------|--------------------------------------|--|--------------------|---------------------------------|--------------------------------|--|
| 78. | Jelena Davidovic | EP Urbanizam i arhitektura | Annulment of employment contract termination | 87.666,66 RSD | First Primary Court of Belgrade | Outcome uncertain | Outcome uncertain |
| 79. | Katarina Cvejic | EP Urbanizam i arhitektura | Payment of the fee according to the temporary service contract | | First Primary Court of Belgrade | Outcome uncertain | Unfounded |
| 80. | EP Urbanizam i arhitektura | Herceg Novi municipality, Montenegro | Invoices | 11.090,00 EUR | Commercial Court of Podgorica | Outcome uncertain | Founded |
| 81. | EP Oprema | DGP Zlatibor | Fee for work performed | 42.000.000,00 RSD | CC Belgrade | Ended | Founded, settlement difficult, debtor has filed for bankruptcy |
| 82. | EP Oprema | Graditelj Leskovac | Contracted services | 71.129.042,82 RSD | CC Leskovac | Ended | Founded, settlement difficult, debtor has filed for bankruptcy |
| 83. | EP Oprema i EP Holding | Medvedja municipality | Refund of given | 120.000.000,00 RSD | CC Leskovac | First instance court procedure | Founded |
| 84. | EP Oprema | Serbian Clinical Centre | Debt for works | 255.544,13 EUR | CC Belgrade | 2014 | Founded. Hearing completed, court ruling is pending Main hearing reopened by court decision; lawsuit in progress |
| 85. | EP Oprema | Serbian Clinical Centre | Damage claim | 1.559,000,00 EUR | Commercial Court of Belgrade | 2014 | Founded, first instance proceedings are in progress |
| 86. | EP Oprema | Nemanja Ivočić | Unfounded acquisition | 64.600,50 RSD | First Primary Court of Belgrade | 2014 | Founded Court expected to schedule a hearing |
| 87. | Zastava Automobili | EP Oprema | Fulfillment of obligations | | CC Kragujevac | 2014 | Unsubstantiated Second instance decision is pending |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|-----|----------------------------|-------------------------------|----------------------|-------------------|---------------------------------|--------------------------|--|
| 88. | Branka Mihajlovic | EP Oprema and JP Elektromreže | Damage claim | 200.000,00 RSD | Primary Court in Leskovac | 2014 | Founded, expert's opinion accepted. Final verdict in favour of the plaintiff |
| 89. | Vodovod Leskovac | EP Oprema | Contract termination | 92.000.000,00 RSD | CC Leskovac | 2014 | Partially founded |
| 90. | EP Oprema | Beogradska arena | Damage claim | 4.817.705,00 RSD | CC Belgrade | 2014 | Founded |
| 91. | Tekic Sinisa | EP Oprema | Damage claim | 160.254,00 RSD | First Primary Court of Belgrade | 2014 | Unfounded |
| 92. | Stanojkovic Milorad | EP Oprema i JP Elektromreže | Damage claim | 10.000,00 RSD | Primary Court of Vranje | 2014 | Partly founded First instance proceedings are in progress |
| 93. | Marinković Staniša | EP Oprema -umešač | Damage claim | 304.000,00 RSD | Primary Court of Vranje | 2014 | Partly founded First instance proceedings are in progress |
| 94. | Stanojlovic Cedomir | EP Oprema-intervener | Damage claim | 261.000,00 RSD | Primary Court of Vranje | 2014 | Partially founded First instance proceedings are in progress |
| 95. | Ristic Cedomir | EP Oprema-intervener | Damage claim | 63.000,00 RSD | Primary Court of Vranje | 2014 | Partly founded First instance proceedings are in progress |
| 96. | Milan Ilic and Nenad Babic | EP Oprema | Workplace injury | 4.200.000,00 RSD | First Primary Court of Belgrade | 2014 | Partly founded First instance ruling in favour of EPO – plaintiffs dismissed; plaintiffs appealed; First instance ruling partly overturned, case returned for repeat proceedings. |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|------|---|--|--|-------------------|--|--|--|
| 97. | Milan Cvetkovic | EP Oprema JP Elektromreže Srbije | Damage claim | 1.328.270,00 RSD | Primary Court | 2015 | Partially founded |
| 98. | Novica Cirkovic | EP Oprema JP Elektromreže Srbije | Damage claim | 100.000,00 RSD | Primary Court | 2015 | Partially founded |
| 99. | Vladan Stankovic | EP Oprema | Damage claim | | Primary Court | Primary Court | Partially founded |
| 100. | Dunav Osiguranje | EP Niskogradnja | Recourse claim | 278.230,00 RSD | Commercial Court of Belgrade | 2014 | Valid claim |
| 101. | Pension and Disability Insurance Fund Belgrade branch | EP Niskogradnja | Recourse claim | 419.600,10 RSD | Commercial Court of Belgrade | Outcome uncertain, u prekidu do okončanja kriv. postupka | Outcome uncertain |
| 102. | National Health Insurance Fund Belgrade | EP Niskogradnja | Recourse claim | 468.345,00 RSD | Commercial Court of Appeals in Belgrade | Outcome uncertain | Outcome uncertain, Legal suit upheld by first instance court |
| 103. | Dunav osiguranje | EP Niskogradnja | Recourse claim for indemnity | 2.500.000,00 RSD | Commercial Court of Belgrade | 2014 | Founded |
| 104. | Aleksandar Babic and others | EP Niskogradnja | Bonus payout | 40.906,00 EUR | First Primary Court of Belgrade | 2014 | Unfounded |
| 105. | Gordana i Veselin Medenica | EP Niskogradnja | Damage claim – workplace injury | 3.200.000,00 RSD | First Primary Court of Belgrade | 2014 | Outcome uncertain |
| 106. | Milko Tadic | EP Niskogradnja | Annulment of employment contract termination | | First Primary Court of Belgrade | 2014 | Unfounded |
| 107. | Bosna putevi Sarajevo | EP Niskogradnja | Debt, trip to Yemen | 17.604.299,00 USD | Commercial Court of Belgrade | Outcome uncertain | Unfounded |
| 108. | Vladimir Marinkovic | EP Niskogradnja | Overtime work, Peru | 5.552,84 USD | First Primary Court of Belgrade | 2014 | Unfounded |
| 109. | Danica Mutapovic | EP Niskogradnja | Bonuses, Peru | 11.416,43 USD | First Primary Court of Belgrade | 2014 | Unfounded |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|------|-----------------------------|--------------------------------------|-----------------------------------|-------------------------------------|---------------------------------|--------------------------|---|
| 110. | Dragan Neskovic and others | EP Niskogradnja | Bonuses, Peru | 62.574,37 USD | First Primary Court of Belgrade | 2014 | Unfounded |
| 111. | Intermost ltd in bankruptcy | EP Niskogradnja | Payment for materials(Novi Sad) | 189.827.985,00 RSD | Commercial Court of Belgrade | 2014 | Outcome uncertain |
| 112. | EP Niskogradnja | Media Max doo | Debt | 456.541,00 RSD | Commercial Court of Belgrade | 2014 | Founded |
| 113. | EP Niskogradnja | Intermost ltd. in bankruptcy | Debt (Novi Sad) | 378.685.160,00 RSD | Commercial Court of Belgrade | 2014 | Founded |
| 114. | EP Niskogradnja | UniCredit bank plc. Mostar | Advance payment bond | 7.000.000,00 KM | Općinski sud Sarajevo | Outcome uncertain | Founded |
| 115. | EP Niskogradnja | UniCredit bank plc. Mostar | Contract performance bond | 3.500.000,00 KM | Municipal Court of Sarajevo | Outcome uncertain | Founded |
| 116. | EP Niskogradnja | UniCredit bank pkc. Mostar | Advance payment bond | 4.000.000,00 KM | Municipal Court of Sarajevo | Outcome uncertain | Founded |
| 117. | EP Niskogradnja | JIK Banka plc. in bankruptcy | Claim registration | 218.000,00 USD | Commercial Court of Belgrade | Outcome uncertain | Founded |
| 118. | EP Niskogradnja | Jugobanka plc. New York office | Claim registration | 455.877,88 USD 12.060.320,00 RSD | Commercial Court of Belgrade | Outcome uncertain | Founded |
| 119. | EP Niskogradnja | Beogradska banka plc. in bankruptcy | Claim registration | 4.546,10 USD 16.278.517,00 RSD | Commercial Court of Belgrade | Outcome uncertain | Founded |
| 120. | Simic Ljubisa | JP Putevi Srbije and EP Niskogradnja | Damage claim | 4.598,80 EUR | First Primary Court of Belgrade | 2015 | Unsubstantiated lawsuit against EP Niskogradnja |
| 121. | Mladen Perisic | EP Niskogradnja | Appraisal of ordinary share value | | Commercial Court of Belgrade | 2015 | Unfounded |
| 122. | EGP Investments and others | EP Niskogradnja | Appraisal of ordinary share value | | Commercial Court of Belgrade | 2015 | Unfounded |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|------|---------------------|----------------------------------|--|--------------------------------------|---|--------------------------|-------------------|
| 123. | UTMA Komerc ltd. | EP Niskogradnja | Appraisal of ordinary share value | | Commercial Court of Belgrade | 2015 | Unfounded |
| 124. | Dragan Tomic | EP Niskogradnja | Appraisal of ordinary share value | | Commercial Court of Belgrade | 2015 | Unfounded |
| 125. | Dragomir Ostojic | EP Niskogradnja | Appraisal of ordinary share value | | Commercial Court of Belgrade | 2015 | Unfounded |
| 126. | Igor and Sasa Sebic | EP Niskogradnja | Appraisal of ordinary share value | | Commercial Court of Belgrade | 2015 | Unfounded |
| 127. | Sasa Boskovic | EP Niskogradnja | Appraisal of ordinary share value | | Commercial Court of Belgrade | 2015 | Unfounded |
| 128. | Minel Dinamo ltd. | EP Niskogradnja | Debt | 146.800,00 RSD | Commercial Court | 2015 | Outcome uncertain |
| 129. | Milanka Bacic | EP Industrija | Annulment of allotment resolution for solidarity apartments | | First Primary Court of Belgrade, 9-P1-4419/10 | 2014 | Outcome uncertain |
| 130. | Milanka Bančić | EP Industrija | Purchase of solidarity apartment-out of court | | First Primary Court of Belgrade,8-R1-948/10 | 2014 | Outcome uncertain |
| 131. | Marko Martinoli | EP Industrija | Annulment of GM resolution | | Commercial Court of Belgrade, 29-P-5056/2012 | 2014 | Outcome uncertain |
| 132. | EP Industrija | Jugoremedija plc.- in bankruptcy | Bankruptcy proceedings-claim registration and claim assessment | 321.416,18 EUR reported claim amount | Commercial Court of Zrenjanin, St-300/2012 | | Outcome uncertain |
| 133. | Marko Martinoli | EP Entel | Annulment of a separate finance statement | | Commercial Court | Outcome uncertain | Outcome uncertain |

„ENERGOPROJEKT“ GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

| No. | Plaintiff | Respondent | Legal grounds | Value | Competent court | Expected date of closure | Expected outcome |
|------|-------------------------------------|---|---|------------------------------------|---------------------------------|--|--------------------------------|
| 134. | EP Energodata | "Sipad komerc" in bankruptcy | Non payment of completed | 258.586,20 + interest | Commercial Court | Execution decision obtained, respondent has filed for bankruptcy | Settlement amount is uncertain |
| 135. | EP Hidroinzenjering | COKA MUNICIPALITY (Investor) Capital Investments Fund of Vojvodina Province (financier) | Unsettled debt claim | 2.384.304,00 RSD and 45.912,00 RSD | Commercial Court of Novi Sad | First instance ruling by end 2014 | Outcome uncertain |
| 136. | Counterlawsuit by Coka municipality | Counter respondent EP-Hidroinzenjering | Contract termination due to default | | Commercial Court of Novi Sad | First instance ruling by end 2014 | Outcome uncertain |
| 137. | S.Stojic | EP Hidroinzenjering | Unpaid salaries claim for services abroad | 6.466,00 USD (482.865,00 RSD) | First Primary Court of Belgrade | Pending appeal by plaintiff S.Stojic, end of 2014 | Favourable |
| 138. | M. Djordjevic | EP-Hidroinzenjering | Annulment of employment contract annex stipulating minimum salary | Claim does not specify cash amount | First Primary Court of Belgrade | First instance ruling in our favour. Appeal filed. End of 2014 | Favourable |
| 139. | P. Stanisic and J. Blagojevic | EP Hidroinzenjering | Annulment of Housing Committee resolution | Not a pecuniary claim | First Primary Court of Belgrade | First instance ruling by end 2014 | Outcome uncertain |
| 140. | M. Bojic | EP Hidroinzenjering | Unpaid salaries and food allowance claim for services abroad | 8.340,00 USD (622.811,00 RSD) | First Primary Court of Belgrade | First instance ruling in our favour, appeal filed. End of 2014 | Outcome uncertain |
| 141. | Lj. Selenic | EP Hidroinzenjering kao drugotuženi | Damage claim for objects damaged during removal from premises | Principal debt 950.000,00 RSD | First Primary Court of Belgrade | First instance ruling by end 2014 | Favourable |
| 142. | S.Ilic | EP Hidroinzenjering | Unpaid salaries claim for overtime work | Principal debt 950.000,00 RSD | First Primary Court of Belgrade | First instance ruling by end 2014 | Favourable |

"ENERGOPROJEKT" GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

46. OFF-BALANCE ASSETS AND LIABILITIES

The Group's off-balance assets and liabilities totalling 14.660.709 thousand RSD refer to:

- guarantees issued and received (tender guarantees, advances, performance bonds, guarantee deposit, etc.), letter of credits and bills of exchange in the amount of 13.078.864 thousand RSD;
- land use rights in the amount of 1.129.795 thousand RSD; and
- Other in the amount of 452.050 thousand RSD.

47. MORTGAGES REGISTERED IN FAVOR OR AGAINST COMPANIES FROM THE ENERGOPROJEKT GROUP

- Mortgage registered against **Energoprojekt**

The subsidiary "Energoprojekt Entel" LLC Doha, Qatar reserves the disposal and usufruct right with regard to the property of total area of 4.488 m², located on *cadastral parcels number* 65582, 65583, 65584, 65585, 65586, 65587, 65588, 65589 and 65590 with area of 10.736 m², in Doha - Qatar, Zone 44, East Al Najja, Al Mumtaza Street Doha Qatar, registered owner is a local private individual. The owner has mortgaged the property in the "Doha bank" according to the contract no. 52973 as collateral for issuing tender and performance guarantees.

In order to secure a credit line approved by Scotiabank Peru EP Niskogradnja mortgaged its property for the sum of 832.627 thousand RSD which accounts for 84,39% of the total appraised value of the mortgaged property. Value assessment was performed by the valuator Provalua S.A.A.- Provsa, authorized by the respective authority in Peru – Superintendencia de Banca, Seguros y AFP.

To secure the advance guarantee EP Hidroinzenjering has mortgaged properties in Peru: office 601 and the parking lot no. 14, on the sixth and first floor of the building facing the Los Rosales street (now Amador Merino Reyna) 460, San Isidro district, Lima, Peru, registered on records no. 234244 and 234237 of the Property register of Lima, Peru.

Loans, granted to Energoplast in 2012, are secured by a lien: long-term loan granted by the VTB bank was secured by a lien on the equipment for the production of stoppers and the long-term loan granted by the Komercijalna banka was secured by a lien on receivables under Contract and Annex between Energoplast and the buyer Knjaz Milos, Arandjelovac.

As collateral against a long term bank loan from Alpha Bank, EP Energodata provided a pledge on its fixed assets - ATM machines which are leased to Credit Agricole Bank.

The overdraft loan granted by the Indo-Zambia bank to Zecco Zambia was secured by a lien on the mortgage over two properties: Plot 5251 REM and Plot 3148 Mukwa Road.

Enjub registered a mortgage on part of it's office space (shop space) in Rakovica in favour of the New Belgrade Tax Administration as a surety against a tax liability, which has been brought to dispute in court, and is currently in second instance proceedings, as well as a mortgage on part of it's office space for lease (apartments and shop spaces) in New Belgrade in favour of Kulina ltd. as collateral against a loan.

"ENERGOPROJEKT" GROUP, BELGRADE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

• **Mortgages registered in favour companies from the Energoprojekt Group**

To secure the repayment of the loan pursuant to contract no. 423/367, in the amount of 137.500 EUR, granted by EP Holding by Enjub Ltd, the extrajudicial mortgage for the entire loan amount was registered for apartments in Jurija Gagarina 91A, second and third floor, cadastral plot no. 5089/9, cadastral municipality New Belgrade, registered in the registry of immovable property no. 4550, cadastral municipality New Belgrade in favour of the Company.

48. POST BALANCE SHEET EVENTS

EP Holding plc. has performed in April 2014, based on Articles 515 and 516 of the Law on Enterprises, compulsory redemption of shares of the following companies: Energoprojekt Hidroinzenjering plc. Belgrade, Energoprojekt Energodata plc. Belgrade, Energoprojekt Urbanizam i arhitektura plc Belgrade and Energoprojekt Visokogradnja plc. Belgrade.

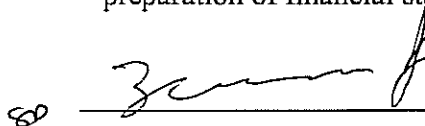
Shares were repurchased from all remaining shareholders, are not under lien or otherwise blocked, in accordance with the terms of the Decisions on Compulsory Share Buyout issued by the General Meetings of the mentioned companies.

Today, the percentage of EP Holding plc. ownership in above mentioned companies is as follows:

| | |
|------------------------------------|----------|
| 1. EP Visokogradnja plc. | 99,93 % |
| 2. EP Hidroinzenjering plc. | 99,99 % |
| 3. EP Urbanizam i arhitektura plc. | 100,00 % |
| 4. EP Energodata plc. | 100,00 % |

In Belgrade,
17.04.2014.

Person responsible for
preparation of financial statements



Dimitraki Zipovski, Ph D in Economics



Legal representative



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

3. ANNUAL BUSINESS REPORT

- General information;
 - Brief review of business activities and the organizational structure;
 - Presentation of company's development, financial position and business results, including the relevant financial and non-financial indicators as well as personnel related issues;
 - Description of the anticipated company growth in the next time period, changes in company's business policies and main risks and threats to which the company is exposed;
 - Major business events after the expiration of the business year included in the report;
 - Major business deals with related parties;
 - Activities of the company in the field of research and development;
 - Information on investments related to environmental protection issues;
 - Information on the repurchase of own shares or equity;
 - Branches;
 - Financial instruments used to evaluate the financial position and successful operations;
 - Goals and policies related to financial risk management and the protection policy for each important type of planned transaction for which the protection is used; exposure to price risk, credit risk, liquidity risk and cash flow risk, risk management strategy and evaluation of their effectiveness;
 - Statement on the implementation of the corporate governance code.
-

Note:

The Annual Business Report and the Consolidated Annual Business Report are presented as one report and contain information that is important to the economic entity.

General information

Business name: Energoprojekt Holding plc

Seat and address: Belgrade, Mihaila Pupina Boulevard 12

ID Number: 07023014

Tax Identification Number: 100001513

Website and e-mail address: www.energoprojekt.rs ; ep@energoprojekt.rs

Number and date of the decision on the registration with the Companies Register: BD 8020/2005

Activity (code and description): 06420 - Holding operations

Number of employees (average number in 2013): 72

Name, seat, address of the auditor: BDO ltd. Belgrade, Knez Mihailova 10

Number of shareholders (on 31.12.2013): 8.052

Ten biggest shareholders (on 31.12.2013):

| No. | Name and surname (business name) | Number of shares | Participation in equity |
|-----|--|------------------|-------------------------|
| 1. | Republic of Serbia | 3.671.205 | 33,58% |
| 2. | Napred Razvoj plc Novi Beograd | 1.892.679 | 17,31% |
| 3. | East Capital (Lux) - Balkan Fund | 370.593 | 3,39% |
| 4. | Gustavia Fonder Aktiebolag | 126.000 | 1,15% |
| 5. | Raiffeisen bank PLC – custody | 109.337 | 1,00% |
| 6. | Raiffeisen bank PLC - custody | 98.477 | 0,90% |
| 7. | Raiffeisen bank PLC Belgrade - custody | 97.351 | 0,89% |
| 8. | Erste bank AD Novi Sad - custody | 91.477 | 0,84% |
| 9. | Unicredit bank Serbia PLC – collective account | 62.715 | 0,57% |
| 10. | Polunin Discovery Funds | 58.965 | 0,54% |

Equity: Share capital 5.574.958.920 RSD

Number of issued shares - regular: 10.931.292

Nominal value of one share 510 RSD

ISIN number: RSHOLDE58279

CIF code: ESVUFR

Price of shares in the reporting period:

- Last price (on 31.12.2013): 720 RSD/share
- The highest price: 794 RSD/share
- The lowest price: 531 RSD/share

Market capitalization (on 31.12.2013): 7.870.530.240 RSD

Name of the organized market where the shares are listed: Belgrade Stock Exchange, Novi Beograd, Omladinskih brigada 1

The shares of Energoprojekt Holding plc. have a quoted market price and are listed on the regular market - "Prime listing" of the Belgrade Stock Exchange.

Shares of other companies included in the Energoprojekt Group are listed on the „Open market“ of the Belgrade Stock Exchange (Energoprojekt Entel plc, Energoprojekt Industrija plc, Energoprojekt Visokogradnja plc, and Energoprojekt Niskogradnja plc) and "MTP Belex" market segment of the Belgrade Stock Exchange (Energoprojekt Oprema plc, Energoprojekt Hidroinzenjering plc, Energoprojekt Urbanizam i arhitektura plc, Energoprojekt Energodata plc. and Energoprojekt Garant a.d.o).

Brief review of business activities and the organizational structure

The "Energoprojekt Group" consists of Energoprojekt Holding plc. (the controlling parent company) and its domestic and foreign subsidiaries.

Companies included in the Energoprojekt Group are interrelated by their share in capital, since Energoprojekt Holding plc. is directly or indirectly (through subsidiaries) the majority owner of all members of the Group.

Energoprojekt Holding plc. is the controlling parent company and it finances and manages subsidiaries. Besides energy and water management, Energoprojekt activities include design and construction of industrial facilities, public and residential buildings, telecommunication systems. It provides also services related to the planning and environmental protection, IT, trade, properties and insurance.

Considering its revenues, besides the domestic market, the most important markets are markets in African countries (Nigeria, Uganda, Ghana, Algeria, Zambia, Guinea), Kazakhstan, Russia, Near East (Qatar, UAE, Oman, Jordan) and South America (Peru).

Information on subsidiaries (the most important consolidation subjects):

| No. | Business name | Seat and address |
|-----|--|---------------------------------------|
| 1. | Energoprojekt Visokogradnja plc. | Mihaila Pupina Boulevard 12, Belgrade |
| 2. | Energoprojekt Niskogradnja plc. | Mihaila Pupina Boulevard 12, Belgrade |
| 3. | Energoprojekt Oprema plc. | Mihaila Pupina Boulevard 12, Belgrade |
| 4. | Energoprojekt Entel plc. | Mihaila Pupina Boulevard 12, Belgrade |
| 5. | Energoprojekt Hidroinzenjering plc. | Mihaila Pupina Boulevard 12, Belgrade |
| 6. | Energoprojekt Industrija plc. | Mihaila Pupina Boulevard 12, Belgrade |
| 7. | Energoprojekt Energodata plc. | Mihaila Pupina Boulevard 12, Belgrade |
| 8. | Energoprojekt Urbanizam i Arhitektura plc. | Mihaila Pupina Boulevard 12, Belgrade |
| 9. | Energoprojekt Garant a.d.o. | Mihaila Pupina Boulevard 12, Belgrade |

Data on the Company's management

Members of the Supervisory Board (on 31.12.2013):

| Name, surname and residence shares | Education/present position | No. of ENHL |
|---------------------------------------|---|-------------|
| 1. Dragan Veljic, Belgrade, president | VII-2 level, lawyer, EPS | 0 |
| 2. Milun Trivunac, Belgrade, member | VII-1 level, economist, Privatization Agency, Republic of Serbia | 0 |

| | | |
|---|--|-------|
| 3. Dragan Aleksic, Belgrade, member | VII-2 level, economist, | 1.172 |
| | Head of Sector, Energoprojekt Holding | |
| 4. Branislav Ivkovic, Belgrade, member | VIII level, engineer, | 1.000 |
| | Full professor at the Faculty of Civil Engineering in Belgrade | |
| 5. Slobodan Jovanovic, Belgrade, member | VII-1 level, engineer, | 1.299 |
| | Consultant, Energoprojekt Holding | |
| 6. Aleksandar Glisic, Belgrade, member | VII-2 level, engineer, | 1.197 |
| | Leading engineer, Energoprojekt Hidroinzenjering | |
| 7. Vladimir Sekulic, Belgrade, member | VII-1 level, economist, | 1.220 |
| | Main broker in BDD M&V Investments | |

Members of the Executive Committee (on 31.12.2013):

| Name, surname and residence | Education/present position | No. of ENHL shares |
|--------------------------------------|--|--------------------|
| 1. Vladimir Milovanovic, Belgrade | VII-1 level, engineer, Chief Executive Officer, Energoprojekt Holding | 15.323 |
| 2. Dimitraki Zipovski, Belgrade, | VIII level, economist, Executive Director for Finance, Accounting and Planning, Energoprojekt Holding | 11.378 |
| 3. Zoran Jovanovic, Belgrade, | VII-2 level, lawyer, Executive Director of Legal Affairs, Energoprojekt Holding | 7.924 |
| 4. Zoran Radosavljevic, Belgrade, | VII-1 level, engineer, Executive Director for Corporative Projects, Development and Quality, Energoprojekt Holding | 2.541 |
| 5. Dragan Tadic, | VII-1 level, engineer, | 8.328 |

Belgrade,

Executive Director for "Real Estate" Projects,

Energoprojekt Holding

Presentation of company's development, financial position and business results, including the relevant financial and non-financial indicators as well as personnel related issues

The Energoprojekt Group, Belgrade consists of the parent company - Energoprojekt Holding plc, Belgrade and 11 subsidiaries, out of which 10 are direct (9 share-based and 1 limited company) and 1 indirectly subordinated through other subsidiaries (1 limited) and one affiliate (1 limited) in which the Group holds 50% equity share. Operating units have been established in Serbia and foreign countries by the parent company and its subsidiaries to perform investment works and engage in operations including building construction and fitting, research and investment building/systems programming, and sale of goods and services.

Energoprojekt Group was organized in 2013 as follows:

| Activity | Business units for | | |
|--------------------------------------|---|----------------------------------|-------------------|
| | Subsidiaries investment work abroad and and affiliates | representative offices abroad | Foreign companies |
| Planning and research | 4 | 22 | 8 |
| Building construction and fitting | 3 | 72 | 7 |
| Holding | 1 | - | - |
| Other | 5 | - | 4 |
| Total | 13 | 94 | 19 |

The consolidation group consists of the parent company Energoprojekt Holding plc and the following subsidiaries and affiliates in Serbia, as well as subsidiaries abroad – foreign companies:

Local subsidiaries and affiliates:

| No. | Name | % ownership |
|---|--------------------------------|-------------|
| <i>Building construction and fitting</i> | | |
| 1. | EP Visokogradnja plc | 92,53 |
| 2. | EP Niskogradnja plc | 100,00 |
| 3. | EP Oprema plc | 67,87 |
| <i>Planning and research</i> | | |
| 4. | EP Urbanizam i arhitektura plc | 94,40 |
| 5. | EP Industrija plc | 62,77 |
| 6. | EP Entel plc | 86,26 |
| 7. | EP Hidroinzenjering plc | 94,84 |
| <i>Other</i> | | |
| 8. | EP Energodata plc | 96,43 |
| 9. | EP Promet ltd | 100,00 |
| 10. | EP Garant a.d.o. | 92,94 |
| 11. | Energoplast ltd. | 60,00 |
| <i>Affiliates</i> | | |
| 12. | Enjub ltd | 50,00 |

Among the subsidiaries in the country, EP Visokogradnja plc, EP Niskogradnja plc, EP Oprema plc, EP Industrija plc, EP Entel plc, EP Hidroinzenjering plc. and EP Energodata plc. are parent companies as well and they prepare their own consolidated financial statements.

Foreign subsidiaries (foreign companies):

| No. | Name | % ownership |
|-----|--|-------------|
| 1. | Zambia Engineering and Contracting Company Limited, Zambia | 100,00 |
| 2. | Energoprojekt Holding Guinee S.A, Guinea | 100,00 |
| 3. | I.N.E.C. Engineering Company Limited, Great Britain | 100,00 |
| 4. | Encom GmbH Consulting, Engineering & Trading, Germany | 100,00 |
| 5. | Nana Offshore S.A.L, Lebanon | 100,00 |
| 6. | Energo (Private) Limited, Zimbabwe | 100,00 |

Some of the foreign subsidiaries (Energoprojekt Holding Guinee S.A, Guinea and Zecco LTD, Zambia and Zambia Engineering and Contracting Company Limited, Zambia) are registered as being owned by EP Holding plc, but are in fact controlled by the subsidiaries.

In addition to those listed above the first level consolidation group also includes ECO MEP Tehnology, Dubai, UAE, Energoprojekt Ghana LTD, Akra, Ghana; Energoprojekt Montenegro ltd, Montenegro; Energo Uganda Company LTD., Uganda; Enlisa S.A., Lima, Peru; Energo Nigeria Ltd., Lagos, Nigeria (40%); Energoprojekt Oprema Crna Gora ltd, Podgorica, Montenegro; Zahinos LTD, Cyprus; Enhisa S.A., Lima, Peru; EP Entel L.L.C., Muscat, Sultanate Oman; Energoprojekt Entel L.L.C., Doha, Qatar; Energo consult L.L.C, Abu Dhabi, UAE and Energoprojekt Energodata Montenegro ltd, Montenegro.

Energoplast ltd. and Energopet ltd. (33,33 %), two local affiliates, were also introduced to the first level consolidation group; the Group's consolidated financial statements however did not process Energoplast ltd. by equity method, applying instead the full consolidation method because it entered the group as a subsidiary, as described earlier.

Foreign branch Energo (Private) Limited, Zimbabwe was included in 2013 in the Energoprojekt Group consolidation. In 2012 when it was included in the first-instance EP Visokogradnja consolidation, since the legal consolidation was performed and it was registered in the local registry as 100% owned by EP Holding plc.

Starting from January 1 2004 the operations of the foreign units are included in the relevant separate financial statements, with a detailed overview of the units provided in the notes to consolidated and separate financial statements of subsidiaries.

Reliable presentation of the development and business results of the company, its financial status and assets evaluation data are presented in detail and explained in the "Notes to financial statements for 2013". The following table indicates only some of the relevant business parameters of the parent company (Energoprojekt Holding plc) and Energoprojekt Group, parameters that are important to understand properly the matter at hand.

The structure of complete obtained business results of **Energoprojekt Holding plc. (parent company)** in 2013 is as follows:

| Structure of gross results | <i>in 000 RSD</i> | |
|---|-------------------|------------------|
| | <i>2013</i> | <i>2012</i> |
| <i>Operating income and expenses</i> | | |
| Operating income | 551.185 | 476.714 |
| Operating expenses | 475.204 | 423.681 |
| Business result | 75.981 | 53.033 |
| <i>Financial revenues and expenses</i> | | |
| Financial revenues | 364.531 | 567.842 |
| Financial expenses | 21.196 | 62.957 |
| Financial result | 343.335 | 504.885 |
| <i>Other revenues and expenses</i> | | |
| Other revenues | 22.879 | 2.421 |
| Other expenses | 21.294 | 17.654 |
| Result from other revenues and expenses | 1.585 | (15.233) |
| <i>Effects of suspended operations, changes in the accounting policy and correction of fundamental errors</i> | | |
| Revenues | 9 | - |
| Expenses | 666 | 941 |
| Net effect | (657) | (941) |
| <i>Total gross results</i> | | |
| TOTAL REVENUES | 938.604 | 1.046.977 |
| TOTAL EXPENSES | 518.360 | 505.233 |

| | | |
|-------------------------------|----------------|----------------|
| PROFIT/LOSS BEFORE TAX | 420.244 | 541.744 |
|-------------------------------|----------------|----------------|

Net profit per share:

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

| <i>Indicator</i> | <i>2013</i> | <i>2012</i> |
|---------------------------------------|--------------|--------------|
| Net profit (loss) in 000 RSD | 399.088 | 504.856 |
| Average number of shares for one year | 10.443.944 | 10.443.944 |
| Net profit per share in RSD | 38,21 | 48,34 |

The following table indicates the most important business indicators of the Company in 2013:

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

| <i>Liquidity indicators</i> | <i>Satisfactory general standards</i> | <i>2013</i> | <i>2012</i> |
|-----------------------------|---------------------------------------|---------------|---------------|
| Current ratio | 2 : 1 | 3,54:1 | 2,89:1 |
| Rigorous ratio | 1 : 1 | 3,37:1 | 2,64:1 |
| Operating cash flow ratio | | 0,44:1 | 0,82:1 |

| | | | |
|---------------------------------------|----------------|----------------|----------------|
| Net working capital (in thousand RSD) | Positive value | 883.794 | 770.779 |
|---------------------------------------|----------------|----------------|----------------|

The results of the ration analysis indicates that the Company was **liquid** during 2013, meaning that it had no difficulties to fulfill due liabilities and maintain the necessary scope and structure of the working capital and good creditworthiness.

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

| Profitability indicator | in 000 RSD | |
|---|------------------|------------------|
| | 2013 | 2012 |
| Net profit/loss | 399.088 | 504.856 |
| <i>Average capital</i> | | |
| Capital at the beginning | 7.665.770 | 7.167.219 |
| Capital at the end of a year | 8.054.188 | 7.665.770 |
| Average capital | 7.859.979 | 7.416.494 |
| Average return rate on own capital | 5.08% | 6,81% |

Considering data from the table above, it is clear that the results of operations in 2012 and 2013, with regard to the sustainability of capital, may be estimated as satisfactory and therefore the Company is **not exposed to any capital risk**.

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

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

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

| Financial structure indicators | in 000 RSD | |
|--------------------------------|------------|-----------|
| | 2013 | 2012 |
| Liabilities | 651.503 | 886.544 |
| Total funds | 8.705.866 | 8.552.314 |

| | | |
|--|------------------|------------------|
| Ratio of borrowed funds to total assets | 0,07:1 | 0,10:1 |
| <i>Long-term assets</i> | | |
| Capital | 8.054.188 | 7.665.770 |
| Long-term provisions and long-term liabilities | 303.864 | 478.299 |
| Total | 8.358.052 | 8.144.069 |
| Total assets | 8.705.866 | 8.552.314 |
| Ratio of long-term to total assets | 0,96:1 | 0,95:1 |

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

Net debt means the difference between:

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

| Parameters for the net debt to capital ratio | <i>in 000 RSD</i> | |
|---|-------------------|----------------|
| | <i>2013</i> | <i>2012</i> |
| <i>Net debt</i> | | |
| Financial commitments | 364.481 | 602.869 |
| Cash and cash equivalents | 151.476 | 333.972 |
| Total | 213.005 | 268.897 |
| Capital | 8.054.188 | 7.665.770 |
| NET DEBT TO CAPITAL RATIO | 1:37,81 | 1:28,51 |

The structure of complete obtained business results of Energoprojekt Group in 2013 is as follows:

| | <i>in 000 RSD</i> | |
|--|-------------------|----------------|
| Structure of gross results | <i>2013</i> | <i>2012</i> |
| <i>Operating income and expenses</i> | | |
| Operating income | 22.418.350 | 26.375.339 |
| Operating expenses | 22.134.384 | 25.646.895 |
| Business result | 283.966 | 728.444 |
| <i>Financial revenues and expenses</i> | | |
| Financial revenues | 933.097 | 1.730.326 |
| Financial expenses | 920.792 | 1.363.668 |
| Financial result | 12.305 | 366.658 |

| <i>Other revenues and expenses</i> | | |
|---|-------------------|-------------------|
| Other revenues | 752.797 | 267.630 |
| Other expenses | 436.249 | 313.376 |
| Result from other revenues and expenses | 316.548 | (45.746) |
| <i>Effects of suspended operations, changes in the accounting policy and correction of fundamental errors</i> | | |
| Revenues | | |
| Expenses | 13.617 | 37.156 |
| Net effect | (13.617) | (37.156) |
| <i>Total gross results</i> | | |
| TOTAL REVENUES | 24.104.244 | 28.373.295 |
| TOTAL EXPENSES | 23.505.042 | 27.361.095 |
| PROFIT/LOSS BEFORE TAX | 599.202 | 1.012.200 |

The reduction of the business result in 2013 in comparison to the previous year is a result of, first of all, discontinued works and delay in advance payment (due to difficulties in securing funds) by investors on the project RTB Bor as well as the begin of works on the project Hyatt Regency Rostov-on-Don by EP Visokogradnja. These issues were solved by the end of 2013.

Earnings per share:

Net earnings per share are computed by dividing the profit of common shareholders by the weighted-average number of common shares outstanding during that period.

| <i>Indicator</i> | <i>2013</i> | <i>2012</i> |
|--|--------------|--------------|
| Owners (of the parent company) share of the net profit (loss) in 000 RSD | 373.706 | 705.195 |
| Average number of shares for one year | 10.443.944 | 10.443.944 |
| Net profit per share in RSD | 35,78 | 67,52 |

At the General meeting of EP Holding plc. held on 28.06.2013, the amount of 506.814 thousand RSD will be used to increase the equity by issuing XI issue for the purpose of converting undistributed profit to equity, (993.754 shares with a nominal value of 510,00 RSD).

The weighted average number of shares for 2013 is 10.443.944, so that the consolidated earnings per share is 35,78 RSD.

On December 31 2013, Energoprojekt had 2.280 employees (2.104 full-time and 176 part-time), 1.794 employees in Serbia and 486 abroad (excluding local staff in overseas companies), 42% with university or high school degree, 39% with secondary education or high qualifications, 19% with qualifications.

The description of the anticipated development of the company in the next time period, changes in business policies of the company and main risks and threats to which the company is exposed

The anticipated development of the company in the next time period will be achieved according to adopted strategic documents of the company:

- ***„The mid-term (4-year) programme of Energoprojekt Holding plc. business policy and the Energoprojekt Group for the period from 2011 till 2015“*** (adopted at the XXXVI Annual General Meeting of Energoprojekt Holding plc. shareholders, held on 30.06.2011);
- ***"The programme for the implementation of the business policy of Energoprojekt Holding plc. and Energoprojekt Group for the period from 2011 till 2015"*** adopted by a resolution passed at the XXXVI Annual General Meeting of Energoprojekt Holding plc. shareholders (adopted at the Second Meeting of the Board of Directors of Energoprojekt Holding plc. held on 29.07.2011, on proposal of the Chief Executive Officer). The adopted mid-term work programme will be implemented through a variety of projects (in total 18 projects) for which respective work teams are formed and project activities dynamics has been defined;
- ***„Basic business guidelines of the Energoprojekt Group“*** in the following mandate period (adopted at the second meeting of the Supervisory Board of Energoprojekt Holding plc. held on 23.03.2012, on proposal of the Chief Executive Officer).
- ***"Annual business plan of Energoprojekt Holding plc. and Energoprojekt Group for 2014"*** (adopted at the 113th meeting of the Executive Board of Energoprojekt Holding plc. held on 19.12.2013).

Considering the strategic commitment to a permanent and sustainable development of Energoprojekt Group, focused towards a continuous increase of profitability and volume of operations on traditional markets (domestic and foreign), cost-effective engagement of resources, as well as global macro-economic flows, the following business tasks are planned for 2014:

Priority tasks:

- To engage in activities related to the Business policy implementation program of Energoprojekt Holding plc. and companies included in the Energoprojekt Group from 2011-2015.
- To establish a business and information system adjusted to the needs of Energoprojekt Holding plc.
- To continue financial and business consolidation of individual subsidiaries included in the Energoprojekt Group that, in the previous period, has presented bad business results due to various circumstances (in terms of revenues, profit, staff, expectation of new contracts and loans).

Other business tasks:

- To enhance the efficiency of the management system and to allocate individual responsibilities in all processes.
- To reinforce the management and business processes systems in subsidiaries (for the purpose of increasing revenues and profit with operational costs optimization) and to reduce the operational risk level. To establish an adequate management structure that will raise the team spirit to a higher level.
- To revitalize decreasing or stagnating business activities and to launch new development projects.
- To raise the operational level – negotiations on active markets. To analyze historical markets and understand the possibility of returning to these markets. To carry out an organized and designed approach at new markets. To analyze the business policy in the real estate domain.
- To implement reengineering of business processes and staff restructuring in all companies included in the Energoprojekt Group. To perform respective analysis of existing financial and personnel resources. To achieve a better use of own resources and regular payment of salaries.
- To establish internal monitoring and internal audit of operations in Energoprojekt Holding plc. and the Energoprojekt Group (procedures, staffing, operation).
- To secure sustainable growth and development of the Energoprojekt Group, to increase the value of the share capital and payment of dividends.
- To secure transparency in operations and presentation of Energoprojekt to the public by providing relevant information through the Stock Exchange and regular

communication with domestic and foreign investors, partners and professionals in the general public.

The most important threats and dangers to which the company is exposed: expansion and escalation of the global economic crisis and the euro zone crisis; foreign companies from most populated countries with cheap manpower as competition; institutional changes on the local and selected foreign markets; business operations depend on the political stability of the market where Energoprojekt is implementing projects, etc.

Energoprojekt's business activities in the country and at foreign markets require the implementation of a system for early risks identification and management as an integral part of all executive functions, one of the basic functions being the internal audit of the company. The risk management strategy will be developed in-depth and systematically in the next time period.

Major business events after the expiration of the business year included in the report

There were no major business events from the balance sheet date till the publication date of the respective statement that would influence the credibility of the presented financial statements.

Please note that the income tax may change and therefore also the net profit for 2013 (due to transfer pricing). The legal deadline for the submission of the tax balance is 29.06.2014.

Pursuant to provisions of Articles 515 and 516 of the Law on Enterprises and decisions on the compulsory repurchase of shares adopted on general meetings (held on 31.03.2014), Energoprojekt Holding plc has performed compulsory repurchase of shares from all remaining shareholders in the following subsidiaries: Energoprojekt Visokogradnja plc, Energoprojekt Hidroinzenjering plc, Energoprojekt Urbanizam i arhitektura plc. and Energoprojekt Energodata plc. Shares were repurchased from all remaining shareholders who are not under lien or otherwise blocked, in accordance with the terms of the Decisions on Compulsory Share Buyout issued by the General Meetings of the mentioned companies

Relevant business news on major events are published, on a regular basis, on the website of Energoprojekt (<http://www.energoprojekt.rs>) and the Belgrade Stock Exchange (in Serbian and English language), in keeping with the obligations of A-listed companies on the Belgrade Stock Exchange.

Transactions with related parties

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

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

| Structure of revenues and expenses from related parties | <i>in 000 RSD</i> | |
|---|-------------------|----------------|
| | <i>2013</i> | <i>2012</i> |
| <i>Income</i> | | |
| EP Garant a.d.o. | 57.673 | 35.811 |
| EP Visokogradnja plc | 109.551 | 214.296 |
| EP Niskogradnja plc | 123.119 | 201.584 |
| EP Hidroinzenjering plc | 31.817 | 37.918 |
| EP Entel plc | 232.694 | 227.934 |
| EP Energodata plc | 10.715 | 17.746 |
| EP Industrija plc | 19.407 | 26.001 |
| EP Urbanizam i arhitektura plc | 8.933 | 12.523 |
| EP Oprema plc | 167.642 | 166.934 |
| I.N.E.C. Engineering Company Limited | 18 | - |
| Encom GmbH Consulting, Engineering & Trading | - | 150 |
| EP Montenegro ltd. | - | 277 |
| Total | 761.569 | 941.174 |
| <i>Expenses</i> | | |
| EP Garant a.d.o. | 573 | 394 |
| EP Visokogradnja plc | 30.766 | 16.135 |
| EP Niskogradnja plc | 5.207 | 5.047 |
| EP Hidroinzenjering plc | 56 | 279 |
| EP Entel plc | 611 | 1.478 |
| EP Energodata plc | 13.684 | 13.506 |
| EP Industrija plc | 49 | 268 |

| | | |
|--|----------------|----------------|
| EP Promet ltd. | 520 | 555 |
| EP Urbanizam i arhitektura plc | 2.483 | 3.146 |
| EP Oprema plc | 136.725 | 65.495 |
| I.N.E.C. Engineering Company Limited | 1.334 | 3.500 |
| Encom GmbH Consulting, Engineering & Trading | 8.800 | 10.966 |
| EP Montenegro ltd. | - | 3.466 |
| Total | 200.808 | 124.235 |

| The structure of receivables and liabilities to related parties | in 000 RSD | |
|---|------------------|------------------|
| | 2013 | 2012 |
| <i>Receivables</i> | | |
| EP Garant a.d.o. | 629 | 172 |
| EP Visokogradnja plc | 482.410 | 361.432 |
| EP Niskogradnja plc | 674.028 | 744.624 |
| EP Hidroinzenjering plc | 50.818 | 54.779 |
| EP Entel plc | 9.053 | 9.890 |
| EP Energodata plc | 68.042 | 62.256 |
| EP Industrija plc | 57.790 | 39.265 |
| EP Urbanizam i arhitektura plc | 46.383 | 36.061 |
| EP Oprema plc | 65.430 | 9.251 |
| Total | 1.454.583 | 1.317.730 |
| <i>Liabilities</i> | | |
| EP Visokogradnja plc | 11.639 | 61 |
| EP Niskogradnja plc | 26 | - |
| EP Entel plc | 15 | 100 |
| EP Energodata plc | 787 | 543 |
| EP Industrija plc. | 83 | - |
| EP Urbanizam i arhitektura plc. | - | 337 |
| EP Oprema plc. | 33.886 | 35.779 |
| Encom GmbH Consulting, Engineering & Trading | 19.604 | 10.803 |
| Total | 66.040 | 47.623 |

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.

Pursuant to provisions of Articles 515 and 516 of the Law on Enterprises and decisions on the compulsory repurchase of shares (adopted on the 8th extraordinary general meeting of shareholders of Energoprojekt Niskogradnja plc. held on 06.12.2013), Energoprojekt Holding plc has performed compulsory repurchase of shares from all remaining shareholders in Energoprojekt Niskogradnja plc.

Research and development activities of the Company

During the mid-term period, an appropriate business information system will be selected and implemented, a system that corresponds to the actual scope of business activities and planned business growth and that will enable, beside financial management, also personnel management, asset management and fixed assets management.

Own investments of Energoprojekt and related parties in previous years were limited to investments in construction works (residential areas and business premises), for sales on the market. The law on public-private partnership and increased interest in investments related to some sectors such as energy sector, acquisition of other companies, etc. imposes the need to develop methods for the identification of potential investments as well as identification of possible effects on business activities of Energoprojekt Holding plc. and the Energoprojekt Group.

Information on investments related to environmental protection issues

Energoprojekt Holding plc. develops and upgrades its own integrated management system (IMS) that includes quality management (harmonized with ISO 9001:2008), environmental protection management (harmonized with ISO 14001:2004) and health and safety at work management (harmonized with OHSAS 18001:2007).

Business activities are regularly harmonized with applicable requests of positive legal regulations related to environmental protection; environmental protection programs are developed and efforts are made to implement them consistently. These programs are implemented using the analysis and evaluation of environmental impacts or risks as well as using respective technical and technological solutions and instructions for the removal and/or reduction of adverse impact to the environment. In this sense, Energoprojekt management organizes and monitors constantly, as well as reviews and conducts activities related to all organizational parts, divisions and individuals to ensure complete compliance with this IMS policy.

Company's environmental protection activities are integrated and carried out in compliance with the business philosophy and joint activities of companies included in the Energoprojekt Group. For example, the „Waste Management Project“ is implemented in coordination and in compliance with the „Waste Management Regulation for the Energoprojekt Building“. The participation of representatives of each companies included in the Energoprojekt Group in the waste management working team represents a guarantee that all planned activities will be carried out in the most cost-effective and efficient manner: i.e. the selection of various office supplies (used paper, used batteries, storage batteries, retirement of electrical and electronic devices), recycling of the same, as well as their storage in compliance with prescribed standards, etc.

Information on the repurchase of own shares or equity;

The company has no own shares. The company has not acquired own shares since the previous annual statement was prepared.

Branches;

Energoprojekt Holding plc. has no registered branches in Serbia.

The seat of the parent company and subsidiaries is in Mihaila Pupina Boulevard no. 12, Novi Beograd.

Detailed review and business results of foreign companies included in the Energoprojekt Group are presented in Notes to separate and consolidated financial statements of respective companies.

Financial instruments used to evaluate the financial position and successful operations;

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

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

- Financial asset or liability at fair value through the profit and loss account,
- held-to-maturity investments,
- Loans and receivables and

- available-for-sale financial assets.

Notes to financial statements describe in detail all relevant financial instruments that are important to the evaluation of the financial position and successful performance.

Goals and policies related to financial risk management and the protection policy for each important type of planned transaction for which the protection is used; exposure to price risk, credit risk, liquidity risk and cash flow risk, risk management strategy and evaluation of their effectiveness;

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.

Credit risk

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

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

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

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 and USD.

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

• **The 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.

Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate sources of funding and the ability to close out market positions, due to the dynamic nature of the business. The Group aims to maintain flexibility in funding by collecting their funds from buyers and investments of available funds. Besides the aforementioned, in accordance with the Group's policy, the Group makes Back to Back Agreements with the business partners whereby the possible risk connected to a possible default is transferred/shared between contractual parties.

The underlying problems are defined and solved in compliance with adopted internal regulations of the Company:

- *"The Regulation on the basics of the internal audit and risk management system in Energoprojekt Holding plc."* (adopted at 121st meeting of the Executive Board of Energoprojekt Holding plc. held on 27.01.2014);

- " *The Regulation on the operation of the internal supervision division of Energoprojekt Holding plc.*" (adopted at 94th meeting of the Executive Board of Energoprojekt Holding plc. held on 23.09.2013).
- " *The Regulation on accounting and accounting policies of Energoprojekt Holding plc.*" (adopted at 47th meeting of the Executive Board of Energoprojekt Holding plc. held on 21.01.2013).

All companies included in the Energoprojekt Group have adopted and are implementing their own separate regulations that govern the matter in question.

Most of already mentioned and some of other risks that have not been mentioned, are the subject of Notes to Financial Statements (focusing mostly at the evaluation of financial risks: credit risk, market risk and liquidity risk) and/or other internal regulations of the Company.

Statement on the implementation of the Corporate Governance Code

Energoprojekt Holding plc. applies its own Corporate Governance Code (adopted at the 11th meeting of the Board of Directors of Energoprojekt Holding plc. held on 26.01.2012). The Code is available to the public at the following web-site of the Company: www.energoprojekt.rs.

The Corporate Governance Code of Energoprojekt Holding plc. defines the principles of corporate governance and organisational culture, which must be observed by the corporate management of Energoprojekt Holding plc., especially in relation to the rights of shareholders, the corporate management's scope and method of work, and the transparency and disclosure of the Company's operations. The main goal of the Code is to introduce good corporate business practices balancing the influence of corporate management, ensuring consistency of the control system and strengthening trust from shareholders and investors in the Company with an aim to achieve long-term business development of the Company.

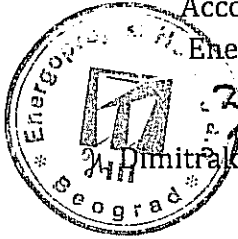
The Bodies of the Company make an effort to further develop the principles established by the Code, if necessary, within the scope of other general regulations of the Company. In respect of the implementation, there are no significant deviations from the rules of the Corporate Governance Code.

In accordance with the Listing Regulation of the Belgrade Stock Exchange, at the time of publishing of the annual business report, Energoprojekt Holding plc. also submits and

publicly discloses a completed Questionnaire on Corporate Management Practices and consents to its publishing on the BELEX website.

All companies included in the Energoprojekt Group have adopted and are implementing its own Corporate Governance Codes that govern the matter at hand.

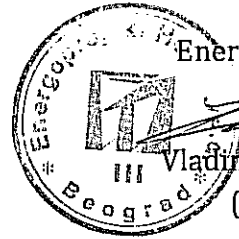
Executive Director for Finance,
Accounting and Planning
Energoprojekt Holding plc



Dimitaraki

Dimitaraki Zipovski, Ph D in Economics

Chief Executive Officer



Energoprojekt Holding plc

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

*This is an English translation of
Independent Auditor's Report on Annual Business Report*

**INDEPENDENT AUDITOR'S REPORT
ON ANNUAL BUSINESS REPORT**

TO THE SHAREHOLDERS OF THE COMPANY
"ENERGOPROJEKT HOLDING" a.d. BELGRADE

We have audited the accompanying standalone and consolidated financial statements of the Company "Energoprojekt Holding" a.d. Belgrade (hereinafter the "Company") for the year ended 31 December 2013 and disclosed in the annual statement, i.e., annual consolidated statement of the Company for the year ended 31 December 2013 under item 1, on which we issued an opinion on 6 March 2014, i.e., 25 April 2014.

Management's Responsibility for the Annual Business Report

Management is responsible for the preparation and fair presentation of the annual business reports in accordance with the requirements of the Law on Capital Market ("Official Gazette of the Republic of Serbia", no. 31/2011).

Auditor's Responsibility

Our responsibility is to express an opinion on the conformity of the annual business reports of the Company for the year ended 31 December 2013 with the standalone and consolidated financial statements for the year then ended. Our procedures in this regard were performed in accordance with International Standard on Auditing 720 "The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements", and are only limited to the compliance of the annual business reports with the audited standalone and consolidated financial statements.

This Standard requires that we plan and perform the procedures in the manner that will enable us to obtain reasonable assurance as to whether the other financial information included in the annual business reports comply with the audited standalone and consolidated financial statements. We believe that the procedures implemented provide a reasonable basis for expressing our opinion.

Opinion

In our opinion, other financial information disclosed in the annual business report or consolidated annual report of the Company for the year ended 31 December 2013 comply, in all material respects, with the audited standalone and consolidated financial statements of the Company for the year then ended.

Belgrade, 28 April 2014



Igor Radmanović
Certified Auditor



4. STATEMENT OF RESPONSIBILITY (BY PERSONS WHO PREPARED THE REPORTS)

To the best of our knowledge, the Annual Consolidated Financial Statement of Energoprojekt Group for 2013 was prepared by implementing respective international standards for financial reporting and provides true and objective data on the assets, liabilities, financial status and business activities, profit and losses, cash flows and changes in equity capital of the company, including companies included in consolidated reports.

Person responsible for the preparation of the Annual Statement:

Energoprojekt Holding plc



Executive Director for Finance, Accounting and Planning

Đurađ Zupovski, Ph D in Economics

Legal representative:

Energoprojekt Holding plc



Chief Executive Officer

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

5. DECISION BY THE RELEVANT DEPARTMENT OF THE COMPANY TO ADOPT ANNUAL CONSOLIDATED FINANCIAL STATEMENTS *

Note *:

- The financial consolidated statement of Energoprojekt Group for 2013 was approved on 24.04.2014 at the 24th Meeting of the Supervisory Board of the issuing party. The Annual Consolidated Statement of the Company was still not adopted on the publishing date by the competent body of the Company (General Meeting). The entire decision of the relevant body on the adoption of the Annual Consolidated Statement will be subsequently published.

6. DECISION ON THE DISTRIBUTION OF PROFIT OR LOSS COVERAGE *

Note *:

- The decision on the distribution of profit for 2013 (Energoprojekt Holding plc. and all subsidiaries of Energoprojekt Group) will be reached at the Regular General Meeting of the Company. The entire decision of the relevant body on profit distribution will be subsequently published.

A public company is required to prepare an annual consolidated statement, publish it openly and submit it to the Committee, and to submit these statements to the regulated market or multilateral trade platform, if company's securities are traded at least four months after the completion of each business year and it is also required to ensure that the Annual Financial Statement is available to the public for at least five years after publication.

The company is responsible for the accuracy and truthfulness of data included in the Annual Consolidated Statement.

In Belgrade, April 2014

Person responsible for the preparation of the
Annual Statement:


Legal representative:

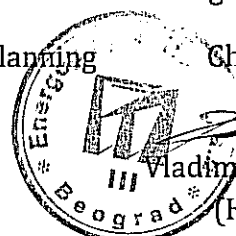
Energoprojekt Holding plc

Energoprojekt Holding plc

Executive Director for Finance, Accounting and Planning

Chief Executive Officer

 *Dimitrakj Zipovski*
Dimitrakj Zipovski, Ph D in Economics

 *Vladimir Milovanovic*
Vladimir Milovanovic, Dipl.Ing.
(Hons.)ME, Ms(PM)