

# Semi-Annual Consolidated Statement Energoprojekt Group 2014

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Belgrade, August 2014

Pursuant to Article 53 of the Capital Market Law („Official Gazette of the Republic of Serbia“ No. 31/2011) and Article 9 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:**

**SEMI-ANNUAL CONSOLIDATED STATEMENT**

**ENERGOPROJEKT GROUP 2014**

C O N T E N T S

1. SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS ENERGOPROJEKT GROUP FOR 2014

(Balance sheet, Income statement, Cash flow statement, Statement of Changes in Equity, Notes to Financial Statements)

2. BUSINESS REPORT

(Note: The Business Report and the Consolidated Business Report are presented together as a single report and contain vital information for the economic entity)

3. STATEMENT OF RESPONSIBILITY (BY PERSONS WHO PREPARED THE REPORTS)

4. DECISION BY THE RELEVANT DEPARTMENT OF THE COMPANY TO ADOPT THE SEMI-ANNUAL CONSOLIDATED STATEMENT ENERGOPROJEKT GROUP 2014 \*  
(Note)

1. SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS  
ENERGOPROJEKT GROUP FOR 2014 (Balance sheet, Income  
statement, Cash flow statement, Statement of Changes in Equity, Notes  
to Financial Statements)

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Reporting period:

from 1.1.2014

until 30.6.2014

### Quarterly Financial Statement for Businesses KFI-PD

Business name: ENERGOPROJEKT HOLDING p.l.c.

Reg. No.: 07023014

Postal code, city: 11070

NOVI BEOGRAD

Street and number: BULEVAR MIHAILA PUPINA 12

E-mail: ep@energoprojekt.rs

Website: www.energoprojekt.rs

Consolidated/individual: CONSOLIDATED - Energoprojekt Group

Approved (yes/no): Yes

Audited (yes/no): No

Consolidation group:<sup>a</sup>

Head office:

Reg. No.:

Energoprojekt Visokogradnja p.l.c.

Beograd, Bulevar M.Pupina 12

07073151

Energoprojekt Niskogradnja p.l.c.

Beograd, Bulevar M.Pupina 12

07073160

Energoprojekt Oprema p.l.c.

Beograd, Bulevar M.Pupina 12

07073186

Energoprojekt Entel p.l.c.

Beograd, Bulevar M.Pupina 12

07470975

Energoprojekt Hidroinženjering p.l.c.

Beograd, Bulevar M.Pupina 12

07023065

Energoprojekt Industrija p.l.c.

Beograd, Bulevar M.Pupina 12

07073224

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(name and surname of contact person)

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Name and surname: VLADIMIR MILOVANOVIC

(authorized officer)

<sup>a</sup>Consolidated financial statements for 2nd quarter (half-year) only

**BALANCE SHEET**

as at 30.06.2014

in RSD thousands

Description	ADP	Total	
		end of quarter current year	31-Dec previous year
1	2	3	4
<b>ASSETS</b>			
<b>A. NON-CURRENT ASSETS (002 + 003 + 004 + 005 + 009)</b>	<b>001</b>	12,128,260	11,432,524
I SUBSCRIBED CAPITAL, UNPAID	002		
II GOODWILL	003		
III INTANGIBLES	004	66,285	60,677
<b>IV PROPERTY, PLANT, EQUIPMENT AND NATURAL ASSETS (006 + 007 + 008)</b>	<b>005</b>	10,253,418	9,735,869
1. Property, plant & equipment	006	8,023,272	7,357,216
2. Investment property	007	2,230,146	2,378,653
3. Natural assets	008		
<b>V LONG-TERM FINANCIAL INVESTMENTS (010+011)</b>	<b>009</b>	1,808,557	1,635,978
1. Share of Capital	010	869,232	824,718
2. Other long-term financial investments	011	939,325	811,260
<b>B. CURRENT ASSETS (013 + 014 + 015)</b>	<b>012</b>	19,817,667	17,332,520
I. MATERIAL	013	4,160,703	3,568,739
II. ASSETS HELD FOR TRADING AND SUSPENDED BUSINESS ASSETS	014	66,890	62,983
<b>III SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH (016 + 017 + 018 + 019 + 020)</b>	<b>015</b>	15,590,074	13,700,798
1. Receivables	016	9,061,960	6,950,254
2. Receivables from prepaid income tax	017	140,112	85,399
3. Short-term financial investments	018	1,727,620	1,908,434
4. Cash and cash equivalents	019	1,630,119	3,085,871
5. VAT and deferred income	020	3,030,263	1,670,840
C. DEFERRED TAX ASSETS	021		
<b>D. BUSINESS PROPERTY (001 + 012 + 021)</b>	<b>022</b>	31,945,927	28,765,044
E. LOSSES OVER CAPITAL	023		
<b>F. TOTAL ASSETS (022 + 023)</b>	<b>024</b>	31,945,927	28,765,044
G. OFF-BALANCE SHEET ASSETS	025	22,107,245	14,675,930
<b>LIABILITIES</b>			
<b>A. CAPITAL (102+103+104+105+106-107+108-109-110)</b>	<b>101</b>	13,229,863	13,427,596
I ORIGINAL CAPITAL	102	5,821,323	5,939,718
II SUBSCRIBED CAPITAL, UNPAID	103		
III RESERVES	104	611,301	611,280
IV REVALUATION RESERVES	105	2,222,334	2,272,779
V UNREALIZED GAINS FROM SECURITIES	106	8,068	7,138
VI UNREALIZED LOSSES FROM SECURITIES	107	54,546	38,561
VII UNDISTRIBUTED PROFIT	108	4,621,383	4,635,242
VIII LOSSES	109		
IX REDEEMED TREASURY SHARES	110		
<b>B. LONG-TERM PROVISIONS AND LIABILITIES (112 + 113 + 116)</b>	<b>111</b>	18,581,382	15,196,854
I LONG-TERM PROVISIONS	112	1,264,129	1,249,294
<b>II LONG-TERM COMMITMENTS (114 + 115)</b>	<b>113</b>	1,238,016	1,290,454
1. Long-term loans	114	411,823	457,624
2. Other long-term commitments	115	826,193	832,830
<b>III SHORT-TERM COMMITMENTS (117 + 118 + 119 + 120 + 121 + 122)</b>	<b>116</b>	16,079,237	12,657,106
1. Short-term financial commitments	117	3,777,908	3,540,032
2. Commitments for assets held for trading and suspended business assets	118		
3. Business commitments	119	7,665,512	6,304,222
4. Other short-term commitments and accruals	120	2,152,901	1,364,759
5. VAT and other public revenue, accruals	121	1,982,877	950,980
6. Corporate income tax	122	500,039	497,113
C. DEFERRED TAX LIABILITIES	123	134,682	140,594
<b>D. TOTAL LIABILITIES (101 + 111 + 123)</b>	<b>124</b>	31,945,927	28,765,044
E. OFF-BALANCE SHEET LIABILITIES	125	22,107,245	14,675,930

P&L ACCOUNT

from 01.01.2014 until 30.06.2014

in RSD thousands

Description	ADP	Total			
		current period		previous period	
		quarter	cumulative	quarter	cumulative
1	2	3	4	5	6
<b>A. BUSINESS INCOME AND EXPENDITURE</b>					
<b>I. BUSINESS INCOME (202+203+204-205+206)</b>	<b>201</b>		14,074,973		10,097,681
1. Sales revenue	202		13,960,848		9,678,461
2. Own use of products, services and merchandise	203		17,525		58,647
3. Increase of finished goods, WIP and services in progress	204		55,924		242,152
4. Decrease of finished goods, WIP and services in progress	205		43,577		2,410
5. Other business revenues	206		84,253		120,831
<b>II. BUSINESS EXPENDITURE (208 to 212)</b>	<b>207</b>		13,563,012		10,109,783
1. Cost of merchandise sold	208		180,177		146,578
2. Cost of material	209		4,635,960		2,872,873
3. Costs of salaries, fringe benefits and other personal expenses	210		4,468,177		3,571,294
4. Costs of depreciation and provisions	211		312,438		283,725
5. Other business expenses	212		3,966,260		3,235,313
<b>III BUSINESS PROFIT (201 - 207)</b>	<b>213</b>		511,961		
<b>IV BUSINESS LOSSES (207 - 201)</b>	<b>214</b>				12,102
V FINANCIAL INCOME	215		563,207		453,303
VI FINANCIAL EXPENDITURE	216		503,626		395,909
VII OTHER INCOME	217		67,048		56,388
VIII OTHER EXPENDITURE	218		63,344		72,047
<b>IX OPERATING REVENUE BEFORE TAX (213 - 214 + 215 - 216 + 217 - 218)</b>	<b>219</b>		575,246		29,633
<b>X OPERATING LOSSES BEFORE TAX (214 - 213 - 215 + 216 - 217 + 218)</b>	<b>220</b>				
XI NET PROFIT FROM SUSPENDED OPERATIONS	221		5,620		
XII NET LOSSES FROM SUSPENDED OPERATIONS	222				33,531
<b>B. PROFIT BEFORE TAX (219 - 220 + 221 - 222)</b>	<b>223</b>		580,866		
<b>C. LOSSES BEFORE TAX (220 - 219 + 222 - 221)</b>	<b>224</b>				3,898
<b>D. INCOME TAX</b>					
1. Tax liabilities for the period	225		37,432		88,227
2. Deferred tax liabilities for the period	226		2,426		1,422
3. Deferred tax income for the period	227				
E. Salaries paid to employer	228				
<b>F. NET PROFIT (223 - 224 - 225 + 226 + 227 - 228)</b>	<b>229</b>		541,008		
<b>G. NET LOSS (224 - 223 + 225 + 226 - 227 + 228)</b>	<b>230</b>				93,547
H. NET PROFIT PAYABLE TO MINORITY STAKEHOLDERS	231		81,509		
I. NET PROFIT PAYABLE TO PARENT COMPANY OWNERS	232		459,499		
<b>J. EARNINGS PER SHARE</b>					
1. Basic earnings per share	233				
2. Diluted earnings per share	234				

## CASH FLOW STATEMENT

from 01.01.2014 until 30.06.2014

in RSD thousands

Description	ADP	Total	
		cumulative for current year quarter	cumulative for previous year quarter
1	2	3	4
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>I Cash proceeds from operating activities (1 to 3)</b>	<b>301</b>	13,051,580	9,276,416
1. Proceeds from sale and prepayments	302	12,923,321	9,075,174
2. Proceeds from received interest from operating activities	303	10,013	11,372
3. Other proceeds from operating activities	304	118,246	189,870
<b>II Cash outflows from operating activities (1 to 5)</b>	<b>305</b>	13,836,601	10,657,255
1. Suppliers and given prepayments	306	8,869,843	6,614,346
2. Salaries, fringe benefits and other staff expenses	307	4,127,489	3,401,141
3. Payment of interests	308	165,602	97,424
4. Payment of income taxes	309	148,679	110,991
5. Payment of other public revenue expenses	310	524,988	433,353
<b>III Net cash receipts from operating activities (I-II)</b>	<b>311</b>		
<b>IV Net cash payments from operating activities (II-I)</b>	<b>312</b>	785,021	1,380,839
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
<b>I Proceeds from investing activities (1 to 5)</b>	<b>313</b>	49,667	1,695,830
1. Proceeds from sale of shares and equity (net receipts)	314		
2. Proceeds from sale of intangibles, property, plant, equipment, and natural assets	315	8,659	946
3. Other financial investments (net receipts)	316		1,649,471
4. Proceeds from interests	317	22,811	45,405
5. Proceeds from dividends	318	18,197	8
<b>II Cash outflow from investing activities (1 to 3)</b>	<b>319</b>	903,845	1,537,666
1. Purchase of shares and equity (net payments)	320	131,034	
2. Purchase of intangibles, property, plant, equipment, and natural assets	321	680,225	223,021
3. Other financial investments (net payments)	322	92,586	1,314,645
<b>III Net cash receipts from investing activities (I-II)</b>	<b>323</b>		158,164
<b>IV Net cash payments from investing activities (II-I)</b>	<b>324</b>	854,178	
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>I Cash receipts from financing activities (1 to 3)</b>	<b>325</b>	303,949	1,201,754
1. Increase in share capital	326		
2. Long term and short term loans (net receipts)	327	284,273	1,198,715
3. Other long term and short term commitments	328	19,676	3,039
<b>II Cash payments from financing activities (1 до 4)</b>	<b>329</b>	213,875	896,139
1. Purchase of treasury shares and equity	330		
2. Long term and short term loans and other liabilities (net payments)	331		770,169
3. Finance lease	332	203,184	111,850
4. Payment of dividends	333	10,691	14,120
<b>III Net cash receipts from financing activities (I-II)</b>	<b>334</b>	90,074	305,615
<b>IV Net cash payments from financing activities (II-I)</b>	<b>335</b>		
<b>D. TOTAL CASH RECEIPTS (301 + 313 + 325)</b>	<b>336</b>	13,405,196	12,174,000
<b>E. TOTAL CASH PAYMENTS (305 + 319 + 329)</b>	<b>337</b>	14,954,321	13,091,060
<b>F. NET CASH RECEIPTS (336 - 337)</b>	<b>338</b>		
<b>G. NET CASH PAYMENTS (337 - 336)</b>	<b>339</b>	1,549,125	917,060
H. CASH AT BEGINNING OF REPORTING PERIOD	340	3,085,871	3,355,473
I. EXCHANGE RATE GAINS FROM CASH TRANSLATION	341	116,693	106,389
J. EXCHANGE RATE LOSSES FROM CASH TRANSLATION	342	23,320	51,723
<b>K. CASH AT END OF REPORTING PERIOD (338 - 339 + 340 + 341 - 342)</b>	<b>343</b>	1,630,119	2,493,079

**STATEMENT ON CHANGE IN EQUITY**

from  until

in RSD thousands

Description	ADP	Shareholders equity (group 30 w/out 309)	ADP	Other capital (no. 309)	ADP	Subscribed capital, unpaid (group 31)	ADP	Issue premium (no. 320)	ADP	Reserves (no. 321, 322)	ADP	Revaluation reserves (accounts 330 and 331)	ADP	Unrealized gains from securities (account 332)	ADP	Unrealized losses from securities (account 333)	ADP	Undistributed profit (group 34)	ADP	Losses up to capital (group 35)	ADP	Redeemed treasury shares and equity (no. 037, 237)	ADP	Total (col. 2+3+4+5+6+7+8+9+10+11-12)	ADP	Losses over capital (group 29)
1		2		3		4		5		6		7		8		9		10		11		12		13		14
<b>Balance on 01-Jan previous year ____</b>	401	5,397,326	414	114,638	427		440	237,014	453	662,203	466	1,748,834	479	14,599	492	25,798	505	4,575,609	518		531		544	12,724,425	557	
Adjustment for material errors and changes in accounting policies in previous year - increase	402		415		428		441		454		467		480		493		506		519		532		545		558	
Adjustment for material errors and changes in accounting policies in previous year - decrease	403		416		429		442		455		468		481		494		507		520		533		546		559	
<b>Restated balance on 01-Jan previous year ____ (no. 1+2-3)</b>	404	5,397,326	417	114,638	430		443	237,014	456	662,203	469	1,748,834	482	14,599	495	25,798	508	4,575,609	521		534		547	12,724,425	560	
Total increase in previous year	405	590,774	418		431		444		457		470	931,104	483	1,498	496	15,619	509	2,189,655	522		535		548	3,687,412	561	
Total decrease in previous year	406	129,661	419	23,359	432		445		458	287,937	471	407,159	484	8,959	497	2,856	510	2,130,022	523		536		549	2,984,241	562	
<b>Balance on 31-Dec previous year ____ (no. 4+5-6)</b>	407	5,848,439	420	91,279	433		446	237,014	459	374,266	472	2,272,779	485	7,138	498	38,561	511	4,635,242	524		537		550	13,427,596	563	
Adjustment for material errors and changes in accounting policies in current year - increase	408		421		434		447		460		473		486		499		512		525		538		551		564	
Adjustment for material errors and changes in accounting policies in current year - decrease	409		422		435		448		461		474		487		500		513		526		539		552		565	
<b>Restated balance on 01-Jan current year ____ (no. 7+8-9)</b>	410	5,848,439	423	91,279	436		449	237,014	462	374,266	475	2,272,779	488	7,138	501	38,561	514	4,635,242	527		540		553	13,427,596	566	
Total increase in current year	411	23,722	424		437		450		463	21	476	33,363	489	930	502	15,985	515	1,211,495	528		541		554	1,253,546	567	
Total decrease in current year	412	137,478	425	4,639	438		451		464		477	83,808	490		503		516	1,225,354	529		542		555	1,451,279	568	
<b>Balance at end quarter current year ____ (no. 10+11-12)</b>	413	5,734,683	426	86,640	439		452	237,014	465	374,287	478	2,222,334	491	8,068	504	54,546	517	4,621,383	530		543		556	13,229,863	569	



***ENERGOPROJEKT GROUP, BELGRADE***

**NOTES TO THE SEMI-ANNUAL  
CONSOLIDATED FINANCIAL STATEMENTS  
2014**

Belgrade, 2014

**ENERGOPROJEKT GROUP, BELGRADE**  
**NOTE TO THE SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR 2014**

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**FOR THE YEAR 2014**

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**ENERGOPROJEKT GROUP, BELGRADE**  
**NOTE TO THE SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR 2014**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**for the period from 01. 01. to 30. 06. 2014**

( thousand RSD)

Account group, account	DESCRIPTION	ADP	Note	Amount	
				30.06.2014	30.06.2013
	<b>A. BUSINESS INCOME AND EXPENDITURE</b>				
	<b>I. BUSINESS INCOME (202+203+204-205+206)</b>	201		<b>14,074,973</b>	<b>10,097,681</b>
60 and 61	1. Sales revenue	202	10	13,960,848	9,678,461
62	2. Own use of products, services and merchandise	203		17,525	58,647
630	3. Increase of finished goods, WIP and services in progress	204	11	55,924	242,152
631	4. Decrease of finished goods, WIP and services in progress	205	11	43,577	2,410
64 and 65	5. Other business revenues	206	12	84,253	120,831
	<b>II. BUSINESS EXPENDITURE (208 to 212)</b>	207		<b>13,563,012</b>	<b>10,109,783</b>
50	1. Cost of merchandise sold	208	13	180,117	146,578
51	2. Cost of material	209	14	4,635,960	2,872,873
52	3. Costs of salaries, fringe benefits and other personal expenses	210	15	4,468,177	3,571,294
54	4. Costs of depreciation and provisions	211	16	312,438	283,725
53 and 55	5. Other business expenses	212	17	3,966,260	3,235,313
	<b>III. BUSINESS PROFIT (201-207)</b>	213		<b>511,961</b>	
	<b>IV. BUSINESS LOSSES (207-201)</b>	214			<b>12,102</b>
66	<b>V. FINANCIAL INCOME</b>	215	18	563,207	453,303
56	<b>VI. FINANCIAL EXPENDITURE</b>	216	18	503,626	395,909
67,68	<b>VII. OTHER INCOME</b>	217	19	67,048	56,388
57,58	<b>VIII. OTHER EXPENDITURE</b>	218	19	63,344	72,047
	<b>IX. OPERATING REVENUE BEFORE TAX (213-214+215-216+217-218)</b>	219		<b>575,246</b>	<b>29,633</b>
	<b>X. OPERATING LOSSES BEFORE TAX (214-213-215+216-217+218)</b>	220			
69-59	XI. NET PROFIT FROM SUSPENDED OPERATIONS	221		5,620	
59-69	XII. NET LOSSES FROM SUSPENDED OPERATIONS	222	20		33,531
	<b>B. PROFIT BEFORE TAX (219-220+221-222)</b>	223	20	<b>580,866</b>	
	<b>C. LOSSES BEFORE TAX (220-219+222-221)</b>	224	22		<b>3,898</b>
	<b>D. INCOME TAX</b>		22		
721	1. Tax liabilities for the period	225		37,432	88,227
722	2. Deferred tax liabilities for the period	226		2,426	1,422
723	3. Deferred tax income for the period	227			
	<b>E. SALARIES PAID TO EMPLOYER</b>	228			
	<b>F. NET PROFIT (223-224-225-226+227-228)</b>	229		<b>541,008</b>	
	<b>G. NET LOSS (224-223+225+226-227+228)</b>	230			<b>93,547</b>
	<b>H. NET PROFIT PAYABLE TO MINORITY STAKEHOLDERS</b>	231		<b>81,509</b>	
	<b>I. NET PROFIT PAYABLE TO PARENT COMPANY OWNERS</b>	232		<b>459,499</b>	
	<b>J. EARNINGS PER SHARE</b>				
	1. Basic earnings per share	233	21		
	2. Diluted earnings per share	234			

**ENERGOPROJEKT GROUP, BELGRADE**  
**NOTE TO THE SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR 2014**

**CONSOLIDATED BALANCE SHEET**

As at 30.06.2014

( thousand RSD)

Account group, account	ITEM	ADP	Note No.	Amount	
				30.06.2014	31.12.2013
	<b>A S S E T S</b>				
	<b>A. NON-CURRENT ASSETS (002+003+004+005+009)</b>	001		<b>12,128,260</b>	<b>11,432,524</b>
00	I. SUBSCRIBED CAPITAL, UNPAID	002			
012	II. GOODWILL	003			
01 without 012	III. INTANGIBLES	004	23	66,285	60,677
	IV. PROPERTY, PLANT, EQUIPMENT AND NATURAL ASSETS (006+007+008)	005		<b>10,253,418</b>	<b>9,735,869</b>
020,022,023,02 6,027(part),028 (part),029	1. Property, plant, equipment	006	24	8,023,272	7,357,216
024,027(part) and 028(part)	2. Investment property	007	24	2,230,146	2,378,653
021,025,027 (part) and 028 (part)	3. Natural assets	008			
	IV. LONG-TERM FINANCIAL INVESTMENTS (010+011)	009		<b>1,808,557</b>	<b>1,635,978</b>
030 to 032,039 (part)	1. Share of Capital	010	25	869,232	824,718
033 to 038,039(part) minus 037	2. Other long-term financial investments	011	26	939,325	811,260
	<b>B. CURRENT ASSETS (013+014+015)</b>	012		<b>19,817,667</b>	<b>17,332,520</b>
10 to 13,15	I. MATERIAL	013	27	4,160,703	3,568,739
14	II. ASSETS HELD FOR TRADING AND SUSPENDED BUSINESS ASSETS	014	28	66,890	62,983
	III. SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH (016+017+018+019+020)	015		<b>15,590,074</b>	<b>13,700,798</b>
20,21 and 22, except 223	1. Receivables	016	29	9,061,960	6,950,254
223	2. Receivables from prepaid income tax	017		140,112	85,399
23 minus 237	3. Short-term financial investments	018	30	1,727,620	1,908,434
24	4. Cash and cash equivalents	019	31	1,630,119	3,085,871
27 and 28 except 288	5. VAT and deferred income	020	32	3,030,263	1,670,840
288	<b>C. DEFERRED TAX ASSETS</b>	021			
	<b>D. BUSINESS PROPERTY (001+012+021)</b>	022		<b>31,945,927</b>	<b>28,765,044</b>
29	<b>E. LOSSES OVER CAPITAL</b>	023			
	<b>F. TOTAL ASSETS (022+023)</b>	024		<b>31,945,927</b>	<b>28,765,044</b>
88	<b>G. OFF-BALANCE SHEET ASSETS</b>	025	45	22,107,245	14,675,930

**ENERGOPROJEKT GROUP, BELGRADE**  
**NOTE TO THE SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR 2014**

**CONSOLIDATED BALANCE SHEET**

As at 30.06.2014 - continued

( thousand RSD)

Account group, account	ITEM	ADP	Note No.	Amount	
				30.06.2014	31.12.2013
	<b>LIABILITIES</b>				
	<b>A. CAPITAL (102+103+104+105+106+107+108-109-110)</b>	101		<b>13,229,863</b>	<b>13,427,596</b>
30	I. ORIGINAL CAPITAL	102	33	5,821,323	5,939,718
31	II. SUBSCRIBED CAPITAL, UNPAID	103			
32	III. RESERVES	104	34	611,301	611,280
330 and 331	IV. REVALUATION RESERVES	105	35	2,222,334	2,272,779
332	V. Unrealized gains from securities	106	35	8,068	7,138
333	VI. Unrealized losses from securities	107	35	54,546	38,561
34	VII. UNDISTRIBUTED PROFIT	108	36	4,621,383	4,635,242
35	VIII. LOSSES	109			
037 and 237	IX. REDEEMED TREASURY SHARES	110			
	<b>B. LONG-TERM PROVISIONS AND LIABILITIES (112+113+116)</b>	111		<b>18,581,382</b>	<b>15,196,854</b>
40	I. LONG-TERM PROVISIONS	112	37	1,264,129	1,249,294
41	II. LONG-TERM COMMITMENTS (114+115)	113		1,238,016	1,290,454
414,415	1. Long-term loans	114	38	411,823	457,624
41 without 414 and 415	2. Other long-term commitments	115	39	826,193	832,830
	<b>III. SHORT-TERM COMMITMENTS (117+118+119+120+121+122)</b>	116		<b>16,079,237</b>	<b>12,657,106</b>
42 except 427	1. Short-term financial commitments	117	40	3,777,908	3,540,032
427	2. Commitments for assets held for trading and suspended business assets	118			
43 and 44	3. Business commitments	119	41	7,665,512	6,304,222
45 and 46	4. Other short-term commitments and accruals	120	42	2,152,901	1,364,759
47, 48 except 481 and 49 except 498	5. VAT and other public revenue, accruals	121	43	1,982,877	950,980
481	6. Corporate income tax	122		500,039	497,113
498	<b>C. DEFERRED TAX LIABILITIES</b>	123		<b>134,682</b>	<b>140,594</b>
	<b>D. TOTAL LIABILITIES (101+111+123)</b>	124		<b>31,945,927</b>	<b>28,765,044</b>
89	<b>E. OFF-BALANCE SHEET LIABILITIES</b>	125	45	<b>22,107,245</b>	<b>14,675,930</b>
	<b>MINORITY INTEREST</b>			<b>914,899</b>	<b>1,123,468</b>

**ENERGOPROJEKT GROUP, BELGRADE**  
**NOTE TO THE SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR 2014**

**CONSOLIDATED CASH FLOW STATEMENT**  
**For the period from 01.01.2014 to 30.06.2014**

( thousand RSD)

ITEM	ADP	Amount	
		30.06.2014	30.06.2013
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>I. Cash proceeds from operating activities (1 to 3)</b>	301	<b>13,051,580</b>	<b>9,276,416</b>
1. Proceeds from sale and payments	302	12,923,321	9,075,174
2. Proceeds from received interest from operating activities	303	10,013	11,372
3. Other proceeds from operating activities	304	118,246	189,870
<b>II. Cash outflow from operating activities (1 to 5)</b>	305	<b>13,836,601</b>	<b>10,657,255</b>
1. Suppliers and given prepayments	306	8,869,843	6,614,346
2. Salaries, fringe benefits and other staff expenses	307	4,127,489	3,401,141
3. Payment of interests	308	165,602	97,424
4. Payment of income taxes	309	148,679	110,991
5. Payment of other public revenue expenses	310	524,988	433,353
<b>III. Net cash receipt from operating activities(I-II)</b>	311		
<b>IV. Net cash payments from operating activities (II-I)</b>	312	<b>785,021</b>	<b>1,380,839</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
<b>I. Proceeds from investing activities (1 to 5)</b>	313	<b>49,667</b>	<b>1,695,830</b>
1. Proceeds from sale of shares and equity (net receipts)	314		
2. Proceeds from sale of intangibles, property, plant, equipment and natural assets	315	8,659	946
3. Other financial investments (net receipts)	316		1,649,471
4. Proceeds from interests	317	22,811	45,405
5. Proceeds from dividends	318	18,197	8
<b>II. Cash outflow from investing activities (1 to 3)</b>	319	<b>903,845</b>	<b>1,537,666</b>
1. Purchase of shares and equity (net payments)	320	131,034	
2. Purchase of intangibles, property, plant, equipment and natural assets	321	680,225	223,021
3. Other financial investments (net payments)	322	92,586	1,314,645
<b>III. Net cash receipts from investing activities (I to II)</b>	323		<b>158,164</b>
<b>IV. Net cash payments from investing activities (II to I)</b>	324	<b>854,178</b>	



**ENERGOPROJEKT GROUP, BELGRADE**  
**NOTE TO THE SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR 2014**

**CONSOLIDATED CASH FLOW STATEMENT - continued**  
**For the period from 01.01.2014 to 30.06.2014**

( thousand RSD)

ITEM	ADP	Amount	
		30.06.2014	30.06.2013
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>I. Cash receipt from financing activities (1 to 3)</b>	325	<b>303,949</b>	<b>1,201,754</b>
1. Increase in share capital	326		
2. Long term and short term loans (net receipt)	327	284,273	1,198,715
3. Other long term and short term commitments	328	19,676	3,039
<b>II. Cash payments from financing activities (1 to 4)</b>	329	<b>213,875</b>	<b>869,139</b>
1. Purchase of treasury shares and equity	330		
2. Long term and short term loans and other liabilities (net payments)	331		770,169
3. Finance lease	332	203,184	111,850
4. Payment of dividends	333	10,691	14,120
<b>III. Net cash receipt from financing activities (I to II)</b>	334	<b>90,074</b>	<b>305,615</b>
<b>IV. Net cash payments from financing activities (II to I)</b>	335		
<b>D. TOTAL CASH RECEIPTS(301+313+325)</b>	336	<b>13,405,196</b>	<b>12,174,000</b>
<b>E. TOTAL CASH PAYMENTS(305+319+329)</b>	337	<b>14,954,321</b>	<b>13,091,060</b>
<b>F. NET CASH RECEIPTS(336-337)</b>	338		
<b>G. NET CASH PAYMENTS(337-336)</b>	339	<b>1,549,125</b>	<b>917,060</b>
<b>H. CASH AT BEGINNING OF REPORTING PERIOD</b>	340	<b>3,085,871</b>	<b>3,355,473</b>
<b>I. EXCHANGE RATE GAINS FROM CASH TRANSLATION</b>	341	<b>116,693</b>	<b>106,389</b>
<b>J. EXCHANGE RATE LOSSES FROM CASH TRANSLATION</b>	342	<b>23,320</b>	<b>51,723</b>
<b>K. CASH AT THE END OF REPORTING PERIOD (338-339+340+341-342)</b>	343	<b>1,630,119</b>	<b>2,493,079</b>

**ENERGOPROJEKT GROUP, BELGRADE**

**NOTES TO THE SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS FOR 2014**

**CONSOLIDATED STATEMENT ON CHANGES IN EQUITY CAPITAL**

**for the period from 01.01.2014 to 30.06.2014**

No.	DESCRIPTION	Original capital (group 30 w/o 309)	Other capital (a/c 309)	Subscribed capital unpaid (group 31)	Issue premium (a/c 320)	Reserves (a/c 321, 322)	Revaluation reserves (accounts 33 and 331)	Unrealized gains from securities (332)	Unrealized losses from securities (333)	Undistributed profit (group 34)	Losses up to capital (group 35)	Redeemed treasury, shares and equity (no. 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. previous year	<b>5,397,326</b>	<b>114,638</b>		<b>237,014</b>	<b>662,203</b>	<b>1,748,834</b>	<b>14,599</b>	<b>25,798</b>	<b>4,575,609</b>			<b>12,724,425</b>	
2	ADP	402	415	428	441	454	467	480	493	506	519	532	545	558
	Adjustment for material errors and changes in accounting policies in previous year – increase													
3	ADP	403	416	429	442	455	468	481	494	507	520	533	546	559
	Adjustment for material errors and changes in accounting policies in previous year — decrease													
4	ADP	404	417	430	443	456	469	482	495	508	521	534	547	560
	Restated balance on 01.01. previous year (no.1+2-3)	<b>5,397,326</b>	<b>114,638</b>		<b>237,014</b>	<b>662,203</b>	<b>1,748,834</b>	<b>14,599</b>	<b>25,798</b>	<b>4,575,609</b>			<b>12,724,425</b>	
5	ADP	405	418	431	444	457	470	483	496	509	522	535	548	561
	Total increase in previous year	580,774					931,104	1,498	15,619	2,189,655			3,687,412	
6	ADP	406	419	432	445	458	471	484	497	510	523	536	549	562
	Total decrease in previous year	129,661	23,359			287,937	407,159	8,959	2,856	2,130,022			2,984,241	
7	ADP	407	420	433	446	459	472	485	498	511	524	537	550	563
	Balance on 31.12. previous year (no. 4+5-6)	<b>5,848,439</b>	<b>91,279</b>		<b>237,014</b>	<b>374,266</b>	<b>2,272,779</b>	<b>7,138</b>	<b>38,561</b>	<b>4,635,242</b>			<b>13,427,596</b>	
8	ADP	408	421	434	447	460	473	486	499	512	525	538	551	564
	Adjustment for material errors and changes in accounting policies in current year – increase													
9	ADP	409	422	435	448	461	474	487	500	513	526	539	552	565
	Adjustment for material errors and changes in accounting policies in current year – decrease													
10	ADP	410	423	436	449	462	475	488	501	514	527	540	553	566
	Restated balance on 01.01. current year (no.7+8-9)	<b>5,848,439</b>	<b>91,279</b>		<b>237,014</b>	<b>374,266</b>	<b>2,272,779</b>	<b>7,138</b>	<b>38,561</b>	<b>4,635,242</b>			<b>13,427,596</b>	
11	ADP	411	424	437	450	463	476	489	502	515	528	541	554	567
	Total increase in current year	23,722				21	33,363	930	15,985	1,211,495			1,253,546	
12	ADP	412	425	438	451	464	477	490	503	516	529	542	555	568
	Total decrease in current year	137,478	4,639				83,808			1,225,354			1,451,279	
13	ADP	413	426	439	452	465	478	491	504	517	530	543	556	569
	Balance at the end quarter current year (no. 10+11-12)	<b>5,734,683</b>	<b>86,640</b>		<b>237,014</b>	<b>374,287</b>	<b>2,222,334</b>	<b>8,068</b>	<b>54,546</b>	<b>4,621,383</b>			<b>13,229,863</b>	

**ENERGOPROJEKT GROUP, BELGRADE**  
**NOTES TO THE SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR 2014**

**1. COMPANY BACKGROUND**

Energoprojekt Group, Belgrade (hereinafter: Energoprojekt Group) consists of the parent limited company Energoprojekt Holding plc, Beograd (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 joint company, hereinafter joint venture (1 limited) in which the Group holds 50% equity share. Business units for investment works and regional offices have been established in subsidiaries in foreign countries (94 in total) and own companies in Serbia and in foreign countries (11 subsidiaries in foreign countries, 1 affiliate abroad and 2 affiliated companies in Serbia) to engage in operations including building construction and fitting, planning, preparation of a study, research and investment building/systems programming, sale of goods and services, etc.

Energoprojekt Group was organized in 2014 as follows:

Activity	Subsidiaries, affiliates and joint ventures in Serbia	Business units for investment works and regional offices abroad	Subsidiaries and affiliates abroad
Planning and research	4	20	5
Building construction and fitting	4	74	9
Holding	1		
Other	5		4
<b>Total</b>	<b>14</b>	<b>94</b>	<b>18</b>

The Group and its subsidiaries are seated in Novi Beograd, Mihajla Pupina Boulevard 12.

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.

Semi-annual financial statements for 2014 that are the subject of these Notes **are consolidated financial statements of the Energoprojekt Group**, approved by the Executive Board of the Company on 13.08.2014, at the 162nd meeting.

**2. CONSOLIDATION GROUP**

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

**ENERGOPROJEKT GROUP, BELGRADE**  
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**Local subsidiaries and joint companies:**

No.	Name	% ownership
<b><i>Subsidiaries</i></b>		
<b><i>Building construction and fitting</i></b>		
1.	EP Visokogradnja plc	99,93
2.	EP Niskogradnja plc	100,00
3.	EP Oprema plc	67,87
<b><i>Planning and research</i></b>		
4.	EP Urbanizam i arhitektura plc	100,00
5.	EP Industrija plc	62,77
6.	EP Entel plc	86,26
7.	EP Hidroinzenjering plc	99,99
<b><i>Other</i></b>		
8.	EP Energodata plc	100,00
9.	EP Promet ltd	100,00
10.	EP Garant plc	92,94
11.	Energoplast ltd	60,00
<b><i>Joint companies</i></b>		
<b><i>Building construction and fitting</i></b>		
12.	Enjub ltd	50,00

**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, UK	100,00
4.	Encom GmbH Consulting, Engineering & Trading, Germany	100,00
5.	Dom 12 S.A.L, Lebanon	100,00
6.	Energo (Private) Limited, Zimbabwe	100,00

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

EP Visokogradnja plc, EP Niskogradnja plc, EP Oprema plc, EP Industrija plc, EP Entel plc, EP Hidroinzenjering plc. and EP Energodata plc. are also parent companies with own consolidated financial statements. The following subsidiaries and affiliates (see table below) are included in the first-level consolidation.

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No.	Name	Included in the first-level consolidation
<b><i>Abroad</i></b>		
<b><i>Subsidiaries abroad – foreign companies</i></b>		
1.	Energoprojekt Ghana Ltd, Akra, Ghana	EP Visokogradnja plc
2.	Energoprojekt Montenegro ltd, Montenegro	EP Visokogradnja plc
3.	Energoprojekt Uganda Company Ltd, Kampala, Uganda	EP Niskogradnja plc
4.	Enlisa S.A, Lima, Peru	EP Niskogradnja plc
5.	Energoprojekt Oprema Crna Gora ltd, Podgorica, Montenegro	EP Oprema plc
6.	Enhisa S.A., Lima, Peru	EP Hidroinzenjering plc
7.	Zahinos Ltd, Cyprus	EP Industrija plc
8.	EP Entel L.L.C, Muskat, Sultanate of Oman	EP Entel plc
9.	Energoprojekt Entel L.L.C., Doha, Qatar	EP Entel plc
10.	Energoprojekt Entel L.L.C., Abu Dhabi, UAE	EP Entel plc
11.	Energoprojekt Energodata Montenegro ltd, Montenegro	EP Energodata plc
<b><i>Affiliates in foreign countries</i></b>		
12.	Energoprojekt Nigerija Ltd, Lagos, Nigeria (40,00%)	EP Oprema plc
<b><i>Serbia</i></b>		
<b><i>Affiliates in Serbia</i></b>		
1.	Energopet ltd. (33,33 %)	EP Industrija plc
2.	Energoplast ltd. (40,00% + 20,00%)	EP Industrija plc (40,00%), EP Entel (20,00%)

The Group's consolidated financial statements did not process Energoplast ltd by equity method, through the first level consolidation with EP Industrija (40,00%) and EP Entel (20,00%), applying instead the full consolidation method because it entered the group as a subsidiary, with 60,00% as described earlier.

The foreign company ECO MEP Technology, Dubai, UAE was excluded from the first level consolidation in 2014, in comparison to 2013, since it is in the process of closure.

**ENERGOPROJEKT GROUP, BELGRADE**  
**NOTES TO THE SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR 2014**

### **3. BASIS FOR THE PREPARATION AND PRESENTATION OF CONSOLIDATED 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.

The Law on Accounting prescribes that financial statements (prepared until 30.12.2014) will be prepared according to the provision of the previous 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).
- 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),

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- 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, semi-annual financial statements for 2014, 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 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

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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).

The semi-annual consolidated financial statements of the Company for 2014 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, the content of items 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 for companies, cooperatives, other legal entities and entrepreneurs that have double entry accounting.

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

#### **4. MANAGEMENT ESTIMATION AND ASSESSMENT**

The preparation of 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.

The preparation and presentation of consolidated financial statements according to professional regulations and legislation in force in the Republic of Serbia, requires that the management of the Company performs estimations and assumptions reflecting on the reporting figures of assets, commitments, revenues and expenses. Though, actual future results may differ from estimated, estimations and assumptions are based on available information on the balance sheet date.

Financial statements are prepared under the assumption that the Company will operate for an unlimited period and will continue its operations in the future.

Companies included in the consolidation of Energoprojekt Group operate on four continents and include, as previously stated, a large number of domestic and foreign entities. Such a complex group, primarily operating on foreign markets, has no objective possibility to timely ensure necessary documentation to comply with requirements related to deadlines for the preparation of semi-annual balance sheets in accordance with legal regulations. This refers especially to companies operating in Africa (Uganda) and South America (Peru).

In addition to the above, members of Energoprojekt Group have various activities. The main activity for most companies is building construction and fitting, particularly performance of works over a long period in time, requiring special approvals for projects by supervisory authorities, so that the result and ownership status in the balance sheets are directly affected by external factors that cannot be completely controlled by our company and management.



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With regard to new regulations introducing the obligation to submit semi-annual financial statements, Energoprojekt Holding a.d. requested on 04/06/2012 from the Securities Commission, Belgrade Stock Exchange and the Listings Committee to extend deadlines for the submission and publication of semi-annual consolidated financial statements. The respective initiative of EP Holding has not resulted in a decision by regulatory bodies to extend the deadline. Considering the above mentioned specificities in operations of members of Energoprojekt Group, these semi-annual consolidated financial statements are prepared based on many assessments performed by the management of subsidiaries included in the consolidation in order to provide a reliable overview of the Groups financial position and results.

Considering deadlines prescribed by law for the preparation of Semi-Annual Consolidated Financial Statements, the management of companies included in the Energoprojekt Group performed assessments of receivables/income and liabilities/expenses, as follows:

- In the preparation of the Semi-Annual Consolidated Balance, **Energoprojekt Visokogradnja plc** directly included income and expenses under some balance sheet items. Considering the specificities of the construction business, the project implementation is verified upon submission of progress certificates to the Investor. The Investor and the supervisory body control and verify progress certificates. On the balance sheet preparation date verified progress certificates for June 2013 were not received and the management performed income assessment based on submitted progress certificates and based on that, an increase of work in progress on the following construction sites was presented:

Project title-calculated income	in 000 RSD
Z-085 Uhta Siktivkar	67.133
Z-087 Restaurant and night club Aktau	18.968
Z-092 Horizonti complex Siktivkar	69.618
Z-091 Schlumberger Astrahan	185.266
Z-080 Design of Aktau hospital	5.909
Smelter and sulfuric acid factory in Bor	8.054
Prokop	12.485
<b>Total</b>	<b>427.433</b>

Salary, taxes and contribution expenses for June 2014 were calculated. The estimate is based on salary expenses for May 2014.

Income tax in Russia, related to the project Z-085 Uhta (82.972 thousand RSD) was calculated. The Republic of Serbia has signed the Double Taxation Avoidance Agreement with the Russian Federation for investment works in the duration of 18 months, but since the time period will be extended, the calculated tax will be paid in Russia.

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Expenses related to performed works and services by subcontractors and suppliers were calculated, yet invoices were not received for the following projects before these statements were prepared:

Project title-calculated income	in 000 RSD
Smelter and sulfuric acid factory in Bor	3.464
Z-087 Restaurant and night club Aktau	9.261
Z-089 Aktau hospital	1.274
Z-085 Uhta	10.555
Z-091 Schlumberger Astrahan	42.277
Z-093 Opstezitije Uhta	4.050
Energoprojekt Ghana Ltd, Akra, Ghana - „Bank of Ghana” project	16.877
<b>Total</b>	<b>87.758</b>

Posted in the Accruals section (calculated revenues in the future period) are progress certificates submitted to investors that contain material that will be installed in the future, and this was used as the basis for income apportionment for the following projects:

Project title-calculated income	in 000 RSD
Z-089 Aktau hospital	61.734
Z-091 Schlumberger Astrahan	113.194
<b>Total</b>	<b>174.928</b>

• Considering deadlines prescribed by law for the preparation of Semi-Annual Financial Statements, the management of **EP Niskogradnja** performed assessments of receivables/income and liabilities/expenses, as follows:

Projects abroad:

1. Pursuant to provisions of the Contract, the certification of performed works by the supervisory authority on the project in Peru (Z-019 Chochabamba - Chota, Z-023 Pericos and Z-030 Chancay and Rucuy), deviates significantly from the reporting date for the preparation of Semi-Annual Financial Statement. The Director and authorities on projects performed assessments of receivables/income based on respective documentation (measurement books, geodetic surveys, etc). Considering, especially, that there are „back to back“ contracts with associates related to this project, as well as the fact that, due to specific market conditions, there is a significant interval between performed services/ deliveries and the submission of invoices, the Director and authorities performed the assessment of liabilities/expenses based on respective documentation
2. Rents, based on valid lease contracts for apartments in the Cruz del Sur building, Lima, Peru, were included for the project Z-0188.
3. The calculation for project Z-021 Kampala Streets, Uganda, includes income on the basis of the final calculation, based on a submitted request still pending certification. The Director and authorities on projects in Uganda performed assessments of liabilities/expenses based on respective documentation.

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Projects in Serbia:

1. Based on reports-assessments of the Director on projects „Lot 1,1, Novi Sad“, „Tisa embankment“ and „Railway Pancevo liabilities/expenses were calculated based on subcontracting services or performed works in June of the current year (for which no invoices were received till the reporting date).
2. Income was calculated for performed works (April-May of the current year) for the project „Sarani Tunnel“ according to issued requests for temporary progress certificates. Based on respective documentation, the Director and authorities performed the assessment of receivables/expenses for the month of June.
3. Calculated liabilities/expenses in the logistics center refer to expenses for outstanding retirement bonuses, overhead expenses, expenses for other benefits (scholarships, rents, Board of Directors), etc.

As explained above, the following calculations were included in the Semi-Annual Financial Statement:

in 000 RSD

Project	281 Uninvoiced income receivables
<b>A b r o a d</b>	
Z-0188 Chira Piura III, Peru	759
Z-019 Cochabamba Chota, Peru	173,749
Z-014 Yanacocha, Peru	674
Z-023 Pericos, Peru	390,150
Z-030 Chancay and Rucuy, Peru	294,388
Z-021 Six Kampala Streets, Uganda	15,683
<b>S e r b i a</b>	
Project “Sarani tunnel”	284,488
<b>Total</b>	<b>1,159,891</b>

in 000 RSD

Project	490 Calculated expenses in advance
<b>A b r o a d</b>	
Z-0188 Chira Piura III, Peru	2,945
Z-014 Yanacocha, Peru	13,552
Z-019 Cochabamba Chota, Peru	36,768
Z-016 Chavimochic, Peru	413
Z-023 Pericos, Peru	104,136
Z-030 Chancay and Rucuy, Peru	186,412
Projects in Uganda	56,185
IC EnergoUganda /expenses according to the middle rate/	576
<b>S e r b i a</b>	
Logistics center	4,158
Project “Sarani tunnel”	20,818
Project Lot 1.1. Novi Sad	7,249
Project Railway Pancevo	23,944
<b>Total</b>	<b>457,156</b>

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• **EP Oprema – Deferred income** include receivables based on expenses for which invoices have not been received yet or invoices were issued after the balance sheet date (149.766 thousand RSD) as shown below:

Uninvoiced income structure	in 000 RSD
Energo Nigerija Ltd., Lagos, Nigeria	120.453
Elektrovojvodina	11.609
Minel Transformatori	10.371
SNC Lavalin	7.333
Total	149.766

Accruals include estimated expenses of consortium partners and subcontractors for which invoices have not been received yet for the reporting period 2014 (349.989 thousand RSD). Calculated expenses of subcontractors for the Project RTB Bor amount to 247.416 thousand RSD, calculated expenses for unissued invoices from LS Kranovo amount to 9.852 thousand RSD and collected guarantees for Elwo amount to 92.721 thousand RSD.

• **EP Hidroinzenjering** – estimation of receivables, for the project River dredging (on behalf of the European Delegation in Serbia) was performed based on the completion status (final invoice). For the project Djedra dam in Algeria, the estimation of receivables was performed according to the stage of completion (due to delayed certification of the accompanying documents to the invoices, as the basis for issuing invoices under the contract) and the income was recognized for the calculation period when the service was rendered (116.634 thousand RSD).

The provision for the accompanying subcontractor expenses on the Project Yarascay, Peru in the amount of 10.783 thousand RSD is posted in the Accruals section.

• **EP Industrija** – Uninvoiced income abroad includes calculation of performed works according to contracts concluded with the investor Engineering & Procurement Services in the amount of 24.111 thousand RSD, investor Kazhra in the amount of 5.789 thousand RSD and the investor Tetrapak in the amount of 1.158 thousand RSD.

Uninvoiced income in Serbia includes calculations for performed works according to the contract with the investor Rapp Zastava in the amount of 1.129 thousand RSD and the investor Institut za majku i dete (The Institute for Medical Care of Mother and Child of Serbia) in the amount of 690 thousand RSD.

Energoplast – in the process of preparing the semi-annual balance sheet for 2014, the costs of staff, electricity and telephone services for month six of the current year are covered under the expenses for month five of the reporting year.

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## **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 decisions on the transfer of profit, are accounted for in consolidated financial statements using the equity method. Under the equity method, the investment is 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 loss, the difference of the greater loss against capital is recognized as an expenditure of the parent company.

### **5.3. Joint ventures**

According to the Regulation on accounting and accounting policies, Energoprojekt Group members are required to apply the proportional consolidation method for joint ventures when preparing consolidated financial statements.

In light of the legal changes (Law on Accounting, Decision on the establishment of a Conceptual framework for financial reporting and basic IAS and IFRS texts, etc), a new Regulation on accounting and accounting policies is currently in preparation.

In accordance with the new IFRS 11 – Mutual arrangements, which companies are legally required to comply with when preparing financial statements on 31.12.2014, the equity consolidation method is applied for joint ventures..

Given that an earlier implementation of IFRS is permitted and recommended by professional regulations when joint ventures are concerned, the equity method was applied in consolidated financial statements of Energoprojekt Group both for the reporting period and the comparative period in the previous year.

The review of subsidiaries, affiliates and joint ventures included in the Energoprojekt Group together with EP Holding is presented in the Note no. 2.

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#### **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. ACCOUNTING PRINCIPLES**

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.

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

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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 (Note no. 5.3).

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 2013 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 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.

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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.

Gains/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	30.06.2014	31.12.2013	30.06.2013	31.12.2012
	<i>Amount in dinar</i>			
1 EUR	115,7853	114,6421	114,1715	113,7183
1 USD	84,8493	83,1282	87,4141	86,1763

Applied average exchange rates for the profit and loss account in 2014 and 2013 were:

Currency	30.06.2014	30.06.2013
	<i>Amount in dinar</i>	
1 EUR	115,6612	111,9268
1 USD	84,3848	85,2626



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### **7.3. Sales revenues**

**Sales 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: business revenues, financial revenues and other revenues (including also revenues from the property value adjustment).

The most important **Business 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 business revenues) and other business 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 business expenses, financial expenses and other expenses (including impairment-related expenses).

**Business 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.

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### **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 or 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.

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

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

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

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

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

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

## **7.7. Intangible investments**

**Intangibles (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.

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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.

An **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, plant 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, plant and equipment is not applied only if assets of lesser value, which 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, plant 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.

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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.

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 intangibles, property, plant and equipment**

The asset value (non-material assets, property, plant 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 loose 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.

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### **7.11. Decrease in the value of intangible assets, property, plant and equipment**

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

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

**Recoverable amount** is a greater value than:

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

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

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

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

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

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

### **7.12. Investment property**

**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.

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

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

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

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

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

### **7.13. Inventories**

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

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

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

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

**The purchase price** (cost price) includes all:

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

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

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

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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 costs of material and indirect costs, or general production costs.

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

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

#### **7.14. Fixed assets intended for sale**

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

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

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

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

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

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

*Costs of sale* are costs directly attributable to the sale of assets.  
Fixed assets intended for sale are not depreciated.

A written-off asset, as well as an asset with an insignificant non write off value will not be recognized.

#### **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



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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 income or expenses in the balance sheet.

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

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

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

The Company may indicate that a financial instrument is disclosed through the profit and loss account only if relevant information is obtained, since the inconsistency of measurement or recognition that would occur in the measurement of assets or liabilities or recognition of gains or losses is eliminated or considerably prevented; or a group of financial assets, liabilities or both is managed and performances 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:

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- 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 gains/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 gains (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.

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**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 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 collectability 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.

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### **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).

### **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 commitments), short-term commitments from operations (suppliers and other liabilities from operations) and other short-term commitments.

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*Short-term commitments* are commitments expected to be settled within one year from the balance sheet date including the part of *long-term commitments* and long-term commitments are commitments 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 business 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.

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**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.

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*.

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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 net 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. 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.

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**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 fulfill contractual or legal obligations; etc.

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

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

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

Generally, comparing markets of developed economies, companies that operate on markets with insufficient economic development, macroeconomic stability and high insolvency, such as the Republic of Serbia, are significantly exposed to financial risks. Insufficient development of the financial market makes it impossible to use a wide spectrum of *hedging* instruments, characteristic for developed markets. Companies that operate in the Republic of Serbia do not have the possibility to use many derivative



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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 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.

### **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.

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- **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 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.

## 10. SALES REVENUES

	30.06.2014	30.06.2013
	(RSD 000)	(RSD 000)
Income from the sales of goods, products and services on the local	2,454,299	2,542,111
Income from the sales of goods, products and services on the foreign	11,506,549	7,136,350
<b>Total</b>	<b>13,960,848</b>	<b>9,678,461</b>

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

- EP Visokogradnja in the amount of 4.608.634 thousand RSD, out of which the amount of 63.899 thousand RSD (first of projects: Bor and Prokop) is related to domestic sales, and the amount of 4.544.735 thousand RSD (first of all Energoprojekt Ghana Ltd, Akra, Ghana: 1.035.701 thousand RSD, projects in Russia and Kazakhstan: Z-085 Uhta; Z-088 Hotel Hyatt Rostov; Z-089 Aktau hospital; Z-091 Astrahan Schlumberger; Z-087 Aktau restaurant; Z-092 Horizonti Siktivkar; etc.) is related to sales abroad;
- EP Niskogradnja in the amount of 3.994.580 thousand RSD, out of which the amount of 992.214 thousand RSD (first of all projects: Sarani tunnel, Pancevo railway, Beograd – Novi Sad high-way, Tisa etc.) is related to domestic sales, and the amount of: 3.002.366 thousand RSD (projects in Peru: 1.797.815 thousand RSD and Uganda: 1.204.551 thousand RSD) is related to sales abroad;

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- EP Oprema in the amount of 2.482.768 thousand RSD, out of which the amount of 882.535 thousand RSD (the most important is sales to International Project Service Ogranak and SNC – Lavalin) is related to domestic sales, and the amount of 1.600.233 thousand RSD (first of all projects in Nigeria) is related to sales abroad;

- EP Entel in the amount of 1.748.472 thousand RSD, out of which the amount of 65.433 thousand RSD (the most important sale was to Electric Power Industry of Serbia) is related to domestic sales, and the amount of 1.683.039 thousand RSD (Energoprojekt Entel L.L.C., Doha, Qatar; EP Entel L.L.C, Muskat, Sultanate of Oman; and Energoconsult L.L.C., Abu Dhabi, UAE) ) is related to sales abroad;

- EP Hidroinzenjering in the amount of 355.132 thousand RSD, out of which the amount of 76.501 thousand RSD (the most important sales were to JP EPS Beograd, Drinsko-Limske Hydro Power Plant Bajina Basta, Djerdap Kladovo etc.) is related to domestic sales, and the amount of 278.631 thousand RSD (first of all projects in Algeria and Peru) is related to sales abroad; and other companies in the amount of 771.262 thousand RSD (domestic: 373.717 thousand RSD and abroad: 397.545 thousand RSD).

**11. INCREASE /(DECREASE) IN INVENTORIES**

	30.06.2014	30.06.2013
	(RSD 000)	(RSD 000)
Increase in inventories	55,924	242,152
Decrease in inventories	(43,577)	(2,410)
<b>Total</b>	<b>12,347</b>	<b>239,742</b>

• In the reporting period the **increase in inventories** (55.924 thousand RSD) relates to EP Visokogradnja, based on the increase of work in progress related to the construction of business and residential buildings in Cara Nikolaja Street in Belgrade.

• **The decrease in inventories** in the amount of 43.577 thousand RSD relates mostly to:

- EP Visokogradnja in the amount of 2.235 thousand RSD, based on the sold property in Herceg Novi: 2.057 thousand RSD and Block 12, Novi Beograd: 178 thousand RSD; and

- EP Niskogradnja in the amount of 40.702 thousand RSD relates to the manufactured material for the production of a buffer layer, asphalt, fraction for concrete and fabricated material for the projects Z-019 Cochabamba Chota and Z-023 Pericos, in Peru.

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**12. OTHER BUSINESS REVENUES**

	30.06.2014	30.06.2013
	(RSD 000)	(RSD 000)
Premiums, subventions, subsidies, refunded amounts, compensation and tax refunds	50	
Rents	50,669	59,595
Other	33,534	61,236
<b>Total</b>	<b>84,253</b>	<b>120,831</b>

• **The income from premiums, subventions, subsidies, refunded amounts, compensation and tax refunds** in the amount of 50 thousand RSD relate to EP Energodata, based on funds for subventions by the National Employment Service for the employment of disabled persons.

• **Income from rents** in the amount of 50.669 thousand RSD, relate mostly from the following companies: Dom 12 S.A.L, Lebanon: 18.272 thousand RSD, Zambia Engineering and Contracting Company Limited, Zambia: 11.395 thousand RSD, EP Niskogradnja: 4.588 thousand RSD, EP Energodata: 3.772 thousand RSD, EP Garant: 3.691 thousand RSD, EP Visokogradnja: 3.158 thousand RSD, Energo (Private) Limited, Zimbabwe: 2.177 thousand RSD, Energoprojekt Holding Guinee S.A, Guinea: 1.449 thousand RSD, I.N.E.C. Engineering Company Limited, UK: 1.408 thousand RSD and other companies in the Energoprojekt Group: 759 thousand RSD.

• **Other business revenues** in the amount of 33.534 thousand RSD, relate mostly from the following companies:

- EP Niskogradnja: 24.256 thousand RSD, out of which the amount of 22.469 thousand RSD relate to the refund of expenses based on agreements with subcontractors related to the project Tisa: 20.302 thousand RSD and the Project Lot 1.1, Novi Sad: 2.167 thousand RSD;

- EP Garant: 3.523 thousand RSD relate to revenues from technical reserve insurance fund deposits and investments (revenues from technical reserve insurance fund deposits and investments in comparison to the total income from deposits and investments of the Group have been established in proportion to the average condition of technical reserves and participation of this deposit in the average condition of respective forms of balance sheet assets during the reporting period in accordance with internal regulations on technical reserve deposits)

- EP Visokogradnja: 2.944 thousand RSD relate to various re-invoiced expenses;

- EP Hidroinzenjering: 2.183 thousand RSD refer to the refund of expenses from the Consortium related to the project Machupicchu, Peru; and other companies in the amount of 628 thousand RSD.

The reduction of other business revenues in comparison to the previous year (27.702 thousand RSD) relates mostly to EP Niskogradnja in the amount of 21.843 thousand RSD based on the reduced refund of expenses from agreements with subcontractors related, first of all, to the Project Tisa.

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**13. COST OF MERCHANDISE SOLD**

	30.06.2014 (RSD 000)	30.06.2013 (RSD 000)
Cost of merchandise sold	180,177	146,578
<b>Total</b>	<b>180,177</b>	<b>146,578</b>

• **Cost of merchandise sold** in the amount of 180.177 thousand RSD, relates to the sold goods in the country and abroad in 2013 and mostly to the following companies:

- EP Niskogradnja: 57.991 thousand RSD refer to the price of stocked material (fuel and spare parts) sold to subcontractors on projects in Peru in order to ensure smooth operations;
- EP Energodata: 32.721 thousand RSD for the purchase of ATMs, software, hardware, licenses and graphic design material; and
- Energoplast: 17.791 thousand RSD for the purchase of stoppers for resale.

The increase of cost of merchandise sold in comparison to the comparative period in the previous year in the amount of 33.599 thousand RSD is a result, first of all, of the increased volume in operations in Peru in EP Niskogradnja.

**14. COST OF MATERIAL**

	30.06.2014 (RSD 000)	30.06.2013 (RSD 000)
Raw material	3,844,412	2,157,580
Other material (overheads)	170,107	128,820
Fuel and energy	621,441	586,473
<b>Total</b>	<b>4,635,960</b>	<b>2,872,873</b>

• **Cost of material** (3.844.412 thousand RSD), relate mostly to the following companies in the Energoprojekt Group:

- EP Visokogradnja: 1.571.544 thousand RSD, refers mostly to costs for projects abroad (1.431.901 thousand RSD), and domestic: 139.643 thousand RSD;
- EP Oprema: 1.342.920 thousand RSD refers mostly to costs of raw material for projects in Nigeria: 1.244.251 thousand RSD and projects in Serbia: 98.669 thousand RSD;
- EP Niskogradnja: 783.431 thousand RSD refers mostly to costs related to foreign projects (472.512 thousand RSD), and domestic: 310.919 thousand RSD;
- Energoplast: 126.760 thousand RSD refers to the purchase of material for the production of stoppers: 121.902 thousand RSD and packaging costs: 4.069 thousand RSD; and other companies in the amount of 19.757 thousand RSD.

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The increase in cost of material in the amount of 1.686.832 thousand RSD in comparison to the comparative period in the previous year refer mostly to EP Visokogradnja: 996.809 thousand RSD (new projects abroad), EP Niskogradnja: 343.715 thousand RSD (intensified works on all projects in Serbia and abroad, for projects that were in the mobilization phase in the previous year and new projects in Serbia and abroad); and EP Oprema: 338.258 thousand RSD (increased scope of work on projects in Nigeria).

- The major part in **other material (overheads)** in the amount of 170.107 thousand RSD relate to: EP Niskogradnja: 75.281 thousand RSD, EP Visokogradnja: 57.841 thousand RSD, EP Entel: 20.331 thousand RSD, and other companies in the Energoprojekt Group in the amount of 16.654 thousand RSD.

- The major part in **fuel and energy expenses** in the amount of 621.441 thousand RSD relate to: EP Niskogradnja: 474.035 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: 88.311 thousand RSD, EP Entel: 20.072 thousand RSD, EP Holding: 8.224 thousand RSD, EP Oprema: 6.717 thousand RSD and other companies in the amount of 24.082 thousand RSD.

**15. COSTS OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES**

	30.06.2014 (RSD 000)	30.06.2013 (RSD 000)
Salaries and fringe benefits (gross)	3,383,587	2,842,914
Taxes and contributions on salaries and fringe benefits charged to employer	463,074	335,338
Remunerations according to temporary service contracts	6,499	18,668
Remunerations according to author's contracts	13,661	25,162
Remunerations according to temporary and provisional contracts	65,164	39,568
Remunerations to individuals according to other contracts	64,275	26,902
BoD and Supervisory Board	10,851	11,626
Other personal expenses and remunerations	461,066	271,116
<b>Total</b>	<b>4,468,177</b>	<b>3,571,294</b>

- Costs for salaries and fringe benefits (gross) and taxes and contributions on salaries and fringe benefits charged to employer in the amount of 3.846.661 thousand RSD refer, first of all, to EP Visokogradnja: 1.295.944 thousand RSD, EP Entel: 907.602 thousand RSD, EP Niskogradnja: 906.250 thousand RSD and other companies in the Energoprojekt Group in the amount of 736.865 thousand RSD. In comparison to the previous year, the increase of these costs in the amount of 668.409 thousand RSD is a result of, first of all, increase in EP Visokogradnja: 348.163 thousand RSD (based on increasing operations - new projects abroad), EP Niskogradnja: 193.624 thousand RSD (due to increasing operations (new projects in Serbia and abroad), ), work on shifts and overtime, tunnel and construction site-related extra costs etc.) and EP Entel: 147.762 thousand RSD (based on increased operations abroad).

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• **Other personal expenses and remunerations** in the amount of 461.066 thousand RSD relate mostly to EP Visokogradnja in the amount of 298.885 thousand RSD, first of all, based on expenses for accommodation, food, transportation and other expenses for workers on projects abroad.

The increase of other personal expenses and remunerations in the amount of 189.950 thousand RSD is a result of, first of all, the increase of these expenses in EP Visokogradnja in the amount of 132.985 thousand RSD (due to increasing operations – new projects abroad).

**16. COSTS OF DEPRECIATION AND PROVISIONS**

	30.06.2014	30.06.2013
	(RSD 000)	(RSD 000)
<b>Costs of depreciation</b>		
Depreciation of intangible investments	6,134	5,817
Depreciation of property and equipment	291,133	247,491
<b>Total</b>	<b>297,267</b>	<b>253,308</b>
<b>Costs of depreciation</b>	15,171	30,417
<b>Total</b>	<b>312,438</b>	<b>283,725</b>

• **Total costs of depreciation** amount to 297.267 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 on 30.06.2014 and thereby, subsequently, the accounting value of assets on 30.06.2014.

• **Costs of provisions** in the amount of 15.171 thousand RSD refer to EP Entel: 15.154 thousand RSD (the most important are provisions for retirement bonuses for workers abroad) and EP Garant: 17 thousand RSD (based on the provision of the „prevention“ – for financing the activities for the prevention of various risks)

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**17. OTHER BUSINESS EXPENSES**

	30.06.2014	30.06.2013
	(RSD 000)	(RSD 000)
<b><u>Costs of production services</u></b>		
Service costs of outputs	2,364,069	1,737,900
Transportation costs	254,970	190,172
Maintenance costs	96,222	64,660
Rental costs	404,904	377,648
Fairs exhibit costs	5,559	1,308
Advertising costs	5,829	5,680
Costs of researching activities	4,452	348
Costs of other services	66,240	107,908
<b>Total</b>	<b>3,202,245</b>	<b>2,485,624</b>
<b><u>Non-production costs</u></b>		
Costs of non-production services	249,973	249,865
Expense accounts	38,398	26,332
Insurance premium costs	84,237	52,260
Payment operation costs	146,293	90,623
Membership fees	7,098	13,852
Tax duties	159,016	65,640
Contribution costs	2,360	573
Other	76,640	250,544
<b>Total</b>	<b>764,015</b>	<b>749,689</b>
<b>Grand total</b>	<b>3,966,260</b>	<b>3,235,313</b>

Other business 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 2.364.069 thousand RSD, relate mostly to the following subsidiaries:
  - EP Visokogradnja: 790.941 thousand RSD relate to increased expenses of associates and subcontractors (projects in the country and abroad), first of all Energoprojekt Ghana Ltd., Akra, Ghana, in comparison to the comparative period in the previous year (increased by 442.810 thousand RSD);
  - EP Niskogradnja: 747.245 thousand relate to expenses based on subcontracting agreements in the country and abroad (Uganda and Peru), increased by 253.341 thousand RSD in comparison to the comparative period in the previous year;
  - EP Oprema: 608.570 thousand RSD relate mostly to subcontractors and consortium partners in various projects;
  - EP Entel: 89.363 thousand RSD relate to the engagement of subcontractors in the companies Energoprojekt Entel L.L.C., Doha, Qatar; EP Entel L.L.C., Muskat, Sultanate of Oman; Energoconsult L.L.C., Abu Dhabi, UAE;
  - EP Hidroinzenjering: 41.065 thousand RSD relate to expenses of domestic subcontractors, Algeria and Peru; and other companies in the amount of 86.885 thousand RSD.



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- **Transportation costs** in the amount of 254.970 thousand RSD relate to EP Entel: 95.852 thousand RSD, EP Visokogradnja: 71.445 thousand RSD, EP Niskogradnja: 44.762 thousand RSD, EP Oprema: 32.190 thousand RSD, and other companies in the Energoprojekt Group: 10.721 thousand RSD.

**Rental costs** in the amount of 404.904 thousand RSD relate mostly to the following companies in the Energoprojekt Group:

- EP Entel: 166.367 thousand RSD relate mostly apartment rental fees in the company's foreign branches;
- EP Niskogradnja: 125.326 thousand RSD rental costs of equipment, field work expenses, office, residential and warehouse space in the country and abroad (Uganda and Peru);
- EP Visokogradnja: 98.829 thousand RSD, , relate predominantly to rental costs in foreign countries; and other companies in the amount of 14.382 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 249.973 thousand RSD (consulting services, professional training of employees, lawyers' fees, financial audit, health, legal and other services) relate to EP Entel: 95.186 thousand RSD, EP Visokogradnja: 59.926 thousand RSD, EP Niskogradnja: 51.885 thousand RSD, and other companies in the Energoprojekt Group in the amount of 42.976 thousand RSD.

- **Insurance premium costs** amount to 84.237 thousand RSD and relate mostly to EP Niskogradnja: 40.838 thousand RSD and EP Entel: 28.837 thousand RSD.

- **Payment operation costs** amount to 146.293 thousand RSD and relate mostly to EP Visokogradnja: 56.515 thousand RSD, EP Niskogradnja: 42.874 thousand RSD, EP Oprema: 17.652 thousand RSD, EP Entel: 16.194 thousand RSD and EP Hidroinzenjering: 10.041 thousand RSD. The increase in payment operation costs in comparison to the comparative period in the previous year (55.670 thousand RSD) is a result, first of all, of the increase in fees for foreign projects guarantees (EP Visokogradnja).

- **Tax duties** amount to 159.016 thousand RSD and relate mostly to EP Visokogradnja in the amount of 96.661 thousand RSD (first of all, based on the income tax in Russia in the amount of 82.972 thousand RSD).

- **Tax duties**, in comparison to the previous year, relate mostly to the property tax duties to the new method of determining the tax basis for calculating property tax for 2014 pursuant to the new Law on property tax (Official Gazette of the Republic of Serbia, no. 26/2001, "Official Journal of the Federal Republic of Yugoslavia, no. 42/2002 – decision by the Federal Institutional Court, Official Gazette of the Republic of Serbia, no. 80/2002, 80/2002 – other law, 135/2004, 61/2007, 5/2009, 101/2010, 24/2011, 78/2011, 57/2012 – decision of the Constitutional Court and 47/2013).

- 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 76.640 thousand RSD relates to EP Visokogradnja: 39.499 thousand RSD and EP Entel: 18.820 thousand RSD, and other companies in the Energoprojekt Group 18.321 thousand RSD.

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**18. FINANCIAL INCOME AND FINANCIAL EXPENDITURE**

	30.06.2014	30.06.2013
	(RSD 000)	(RSD 000)
<b><u>Financial income</u></b>		
Financial income from transactions with subsidiaries	108,839	39,721
Income from interest	21,327	49,472
FX gains	380,095	321,443
Other financial revenues	52,946	42,667
<b>Total</b>	<b>563,207</b>	<b>453,303</b>
<b><u>Financial expenditure</u></b>		
Financial expenses from transactions with subsidiaries	907	296
Costs of interest	182,880	115,781
FX losses	319,797	279,387
Other financial expenses	42	445
<b>Total</b>	<b>503,626</b>	<b>395,909</b>

• **Financial income from transactions with subsidiaries** in the amount of 108.839 thousand RSD relate to the achieved net results of affiliates (in the first half of 2014): Energopet ltd: 24.604 thousand RSD and Energo Nigerija ltd, Lagos, Nigeria: 77.318 thousand RSD that were included, using the equity method, through the first level consolidation in consolidated financial statements of subsidiaries EP Industrija and EP Oprema and into consolidated financial statements of the Energoprojekt Group. Financial income from subsidiaries relate also to the financial income from Enjub ltd. in the amount of 6.917 thousand RSD – this amount refers, first of all, to the income from interest for the loan to EP Holding in the amount of 6.892 thousand RSD.

• **Financial expenses from transactions with subsidiaries** in the amount of 907 thousand RSD relate to the net loss of Enjub ltd. that was, using the equity method, included in consolidated financial statements of the Energoprojekt Group.

• **Costs of interest** include loan interest and default interest expenses from debtor/creditor relationships. Costs of interest in the amount of 182.880 thousand RSD relate mostly to EP Visokogradnja: 62.988 thousand RSD, EP Niskogradnja: 88.793 thousand RSD, EP Holding: 10.849 thousand RSD, and other companies in the Energoprojekt Group (20.250 thousand RSD).

Financial income and expenditure were increased in the reporting period, but the positive net financial performance remained almost the same (30.06.2014: 59.581 thousand RSD, 30.06.2013: 57.394 thousand RSD). The Dinar rate dropped, from the beginning of the year till 30.06.2014 by 1% against EUR (30.06.2013: 0,39%), and by 2,07% against USD (30.06.2013: 1,44%).

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**19. OTHER INCOME AND EXPENDITURE**

	30.06.2014	30.06.2013
	(RSD 000)	(RSD 000)
<b><u>Other income</u></b>		
Gains on disposals of intangible assets and property, plant and equipment	10,716	5,238
Gains on disposals of securities	127	290
Sale of material	144	
Surpluses	4	
Collected written-off receivables	7,136	9,763
Income from reduction of liabilities		346
Income from abolishing of long-term provisions	114	
Other	45,212	26,787
Income from valuation adjustments LT investments and available-for-sale securities	2,314	2,636
Income from valuation adjustments of receivables and ST financial investments	1,281	11,328
<b>Total</b>	<b>67,048</b>	<b>56,388</b>
<b><u>Other expenditure</u></b>		
Losses on writing-offs and disposals of intangible assets and PPE	587	1,295
Losses based on the sale of capital share and securities	4,190	
Losses based on sales of material		600
Shortages		107
Hedging contract expenses		10
Expenses based on direct write offs	20,297	8,970
Other	30,895	50,217
Impairment of long-term investments and other securities		
Impairment of receivables and short-term financial investments	7,375	10,848
<b>Total</b>	<b>63,344</b>	<b>72,047</b>

The most important figures under **Other income** refer to:

- **Gains on disposals of intangible assets and property, plant and equipment** in the amount of 10.716 thousand RSD, refer mostly to the following companies in the Energoprojekt Group:
  - EP Hidroinzenjering: 6.424 thousand RSD, based on the sales of an apartment and reclassification from *Properties* to *Available-for-sale fixed assets*;
  - EP Oprema: 1.468 thousand RSD based on the sales of an apartment from the Solidarity Fund that was recorded under *Properties*;
  - EP Entel: 1.078 thousand RSD based on the sales of equipment in Energoprojekt Entel Ltd, Qatar; and other companies in the amount of 1.746 thousand RSD.
- **Collected write-off receivables** in the amount of 7.136 thousand RSD relate to Energoplast, based on collected receivables from buyers (written off in previous years).
- **Other income** in the amount of 45.212 thousand RSD, relates mostly to EP Entel: 41.175 thousand RSD, relates to the elimination of reporting currency translation effects for projects completed in other countries; and other companies in the Energoprojekt Group: 4.037 thousand RSD.

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• **Income from valuation adjustment of long-term investments and available-for-sale securities** in the amount of 2.314 thousand RSD relates to EP Garant: 1.528 thousand RSD and EP Industrija: 786 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 1.281 thousand RSD relates EP Urbanizam i arhitektura, based on the collection of impaired claims from the Herceg Novi municipality.

The most important figures under **Other expenditure** relate to:

• **Losses on direct write-offs** in the amount of 20.297 thousand RSD relate to EP Hidroinzenjering: 14.087 thousand RSD, according to the projects Beni Slimane and Soubella in Algeria, since the Client has not accepted part of the works completed; and Dom 12 S.A.L, Lebanon: 6.046 thousand RSD on the basis of obsolete VAT claims write-off;

• **Other expenses** in the amount of 30.895 thousand RSD relate mostly to the following companies in the Energoprojekt Group:

- EP Entel: 12.459 thousand RSD based on humanitarian, cultural and health related expenses;

- EP Oprema: 7.174 thousand RSD relate mostly to donations in the amount of 6.341 thousand RSD;

- EP Visokogradnja: 4.600 thousand RSD, based on indemnification, fines etc;

- EP Niskogradnja: 2.424 thousand RSD, relate mostly to Uganda, on the basis of expenses related to the transportation of explosives, traffic regulation on work sites, lawsuits and out-of-court settlements in the amount of 4.238 thousand RSD.

• **Impairment of receivables and short-term financial investments** in the amount of 7.375 thousand RSD relates mostly to Energoplast in the amount of 6.885 thousand RSD.

## **20. NET PROFIT/(LOSSES) FROM SUSPENDED OPERATIONS**

	30.06.2014	30.06.2013
	(RSD 000)	(RSD 000)
Net profit from suspended operations	5,620	
Net losses from suspended operations		33,531

**Net profit from suspended operations** in the amount of 5.620 thousand RSD relates, first of all, to the correction of error from previous years in EP Entel. EP Entel has net profit from suspended operation in the amount of 10.693 thousand RSD (foreign branch Energoprojekt Entel ltd, Qatar). EP Niskogradnja has net losses from suspended operations in the amount of 5.729 thousand RSD (expenses related to the income tax in Peru, invoiced by the Consortium to partners after the submission of the tax balance sheet, expenses related to the income tax in Uganda, income from final progress certificates and interest, etc).

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**21. PROFIT BEFORE TAX**

*In 000 RSD*

<b>Structure of gross results</b>	<i>30.06.2014</i>	<i>30.06.2013</i>
<i>Business revenues and expenses</i>		
Business revenues	14,074,973	10,097,681
Business expenses	(13,563,012)	(10,109,783)
<b>Business result</b>	<b>511,961</b>	<b>(12,102)</b>
<i>Financial revenues and expenses</i>		
Financial revenues	563,207	453,303
Financial expenses	(503,626)	(395,909)
<b>Financial result</b>	<b>59,581</b>	<b>57,394</b>
<i>Other revenues and expenses</i>		
Other revenues	67,048	56,388
Other expenses	(63,344)	(72,047)
<b>Result from other revenues and expenses</b>	<b>3,704</b>	<b>(15,659)</b>
<i>Effects of suspended operations, accounting policy changes and accounting adjustments from previous years</i>		
Net profit (losses) from suspended operations	5,620	(33,531)
<i>Total gross result</i>		
<b>TOTAL INCOME</b>	<b>14,710,848</b>	<b>10,607,372</b>
<b>TOTAL EXPENSES</b>	<b>(14,129,982)</b>	<b>(10,611,270)</b>
<b>GAINS/LOSSES BEFORE TAX</b>	<b>580,866</b>	<b>(3,898)</b>

The total profit of the Energoprojekt Group in the reporting year in the amount of 580.866 thousand RSD relates mostly to the consolidated profit in the amount of 511.961 thousand RSD, including, first of all, EP Niskogradnja, EP Oprema and EP Entel. In comparison to the previous year, almost all companies in the Energoprojekt Group have achieved better business results as a result of the increase in business activities (new projects abroad).

**22. EARNINGS PER SHARE**

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

Net profit due to Group shareholders in the reporting period amounts to 464.351 thousand RSD. The Average weighted number of issued ordinary shares amounts to 10.931.292 shares and earnings per share on 30.06.2014 was 85,86 RSD per share.

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**23. INTANGIBLES**

	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)
<b><u>Purchase value</u></b>					
<b>01.01.2014</b>	<b>49,335</b>	<b>91,479</b>	<b>16,388</b>	<b>320</b>	<b>157,522</b>
Purchase	3,701	6,234	1,672		11,607
Increase by transfer from investment in progress					
Disposals and write-offs					
Transfer from/to		320		(320)	
FX exchange gains and losses	550				550
Other increase (decrease)					
<b>Balance on 30.06.2014</b>	<b>53,586</b>	<b>98,033</b>	<b>18,060</b>		<b>169,679</b>
<b><u>Value adjustment</u></b>					
<b>01.01.2014</b>	<b>36,023</b>	<b>60,822</b>			<b>96,845</b>
Depreciation	2,617	3,517			6,134
Disposals and write-offs					
FX exchange gains and losses	415				415
<b>Balance on 30.06.2014</b>	<b>39,055</b>	<b>64,339</b>	-	-	<b>103,394</b>
<b>Present value</b>					
<b>30.06.2014</b>	<b>14,531</b>	<b>33,694</b>	<b>18,060</b>		<b>66,285</b>
<b>Present value</b>					
<b>31.12.2013</b>	<b>13,312</b>	<b>30,657</b>	<b>16,388</b>	<b>320</b>	<b>60,677</b>

As at 30.06.2014, 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 30.06.2014 refer to investments of the Group in relation to the delivery, installation, implementation and maintenance of software products for BI (business intelligence) solution. In 2014 several activities were conducted in order to activate this software.

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**24. PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings	Plant 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)
<b><u>Purchase value</u></b>						
<b>Balance on 01.01.2014</b>	<b>5,709,362</b>	<b>8,936,172</b>	<b>2,378,653</b>	<b>43,040</b>	<b>97,351</b>	<b>17,164,578</b>
Purchase	2,509	699,093			170,724	872,326
Increase by transfer from investment in progress		13,379			(786)	12,593
Disposal and write-off	(4,542)	(75,419)				(79,961)
Transfer from/to	101,141		(101,141)			
Revaluation - assessment						
Increase/reduction of advance pay.						
FX exchange gains and losses	8,747	(30,130)	(45,869)	3	489	(66,760)
Other increase/decrease	231		(1,497)			(1,266)
<b>Balance on 30.06.2014</b>	<b>5,817,448</b>	<b>9,543,095</b>	<b>2,230,146</b>	<b>43,043</b>	<b>267,778</b>	<b>17,901,510</b>
<b><u>Value adjustment</u></b>						
<b>Balance on 01.01.2014</b>	<b>1,625,905</b>	<b>5,793,464</b>		<b>9,340</b>		<b>7,428,709</b>
Depreciation	19,766	267,393		3,974		291,133
Disposal and write-off	(699)	(27,745)				(28,444)
Transfer from/to						
Revaluation - assessment						
FX exchange gains and losses	(4,566)	(40,325)				(44,891)
Other increase/decrease	908	677				1,585
<b>Balance on 30.06.2014</b>	<b>1,641,314</b>	<b>5,993,464</b>	<b>-</b>	<b>13,314</b>	<b>-</b>	<b>7,648,092</b>
<b>Present value</b>						
<b>30.06.2014</b>	<b>4,176,134</b>	<b>3,549,631</b>	<b>2,230,146</b>	<b>29,729</b>	<b>267,778</b>	<b>10,253,418</b>
<b>Present value</b>						
<b>31.12.2013</b>	<b>4,083,457</b>	<b>3,142,708</b>	<b>2,378,653</b>	<b>33,700</b>	<b>97,351</b>	<b>9,735,869</b>

	30.06.2014 (RSD 000)	30.06.2013 (RSD 000)
<b>Depreciation expenses</b>		
Depreciation of intangible investments	6,134	5,817
Depreciation of property and equipment	291,133	247,491
<b>Total</b>	<b>297,267</b>	<b>253,308</b>

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 on 30.06.2014 and consequently, the accounting value of assets on 30.06.2014 (Note 16).

- The increase (purchase) under **Plant and equipment** in the amount of 699.093 thousand RSD relates mostly to EP Niskogradnja in the amount of 510.084 thousand RSD based on the purchase of plant and equipment for projects in the country and abroad (Peru and Uganda).

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• **Investment properties** on 30.06.2014 amount to 2.230.146 thousand RSD.

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

- Office and residential building in Moscow, Dom 12 S.A.L, Lebanon;
- 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, Novi Beograd, residential building in the Boulevard Zoran Djindjic, Novi Beograd and business premises in the YU business center, Novi Beograd;
- Business premises of EP Energodata in Palmira Toljatija street (shopping mall Stari Merkator) Novi Beograd;
- Business premises of EP Holding in Palmira Toljatija street (shopping mall Stari Merkator) Novi Beograd.

Business premises of Zambia Engineering and Contracting Company Limited, Zambia were partially transferred from *Investment properties* to *Properties* in the amount of 101.141 thousand RSD.

Renting of investment properties of Energoprojekt Group has generated an income of 43.167 thousand RSD in the reporting period. It mostly relates to the income from renting the office and residential building in Moscow in the amount of 18.272 thousand RSD and some business premises in Zambia in the amount of 11.395 thousand RSD (Note 12).

On 30.06.2014, the valuation of the investment properties was not performed, since it was performed on 31.12.2013 by independent valuers, who have appropriate professional qualifications and recent relevant work experience in the field of investment property.

Mortgage-related data for Energoprojekt properties is presented in the Note 46.

## 25. SHARE OF CAPITAL

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

Share of Capital pertain to shares (stakes):

	30.06.2014	31.12.2013
	(RSD 000)	(RSD 000)
a) Banks and financial organizations	<b>34,942</b>	<b>71,260</b>
b) Other legal entities:	<b>834,290</b>	<b>753,458</b>
- Energopet ltd. (33,33% )	373,521	348,744
- Enjub d.o.o. (50,00%)	81,293	82,199
- Energo Nigerija Ltd., Lagos, Nigeria (40,00%)	373,433	311,356
Other	6,043	11,159
<b>Total</b>	<b>869,232</b>	<b>824,718</b>



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• **Share of Capital that relate to banks and other financial organizations** amount to 34.942 thousand RSD and relate mostly to EP Holding in the amount of 32.540 thousand RSD (Jubmes bank plc, Belgrade, Fima See Activist plc, Belgrade, Energobroker plc, Belgrade and Dunav osiguranje plc, Belgrade, etc).

In 2014 share of Capital in banks and other financial organizations were reduced by 36.318 thousand RSD through sale of shares held by Aik banka plc, Belgrade in the amount of 21.298 thousand RSD in EP Entel and EP Holding (the sales of the share of capital and securities generated a loss in the amount of 4.190 thousand RSD); reposting of financial investments into shares of Belgrade Stock Exchange in EP Garant by order of the NBS to *Short-term financial investments* (5.054 thousand RSD) and 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 **share of Capital in other legal entities** in comparison to the previous year in the amount of 80.832 thousand RSD, was a result of the net results of affiliated entities in 2013 (Energopet ltd. and Energo Nigerija Ltd, Lagos, Nigeria) which are included using the equity method through the first level consolidation in consolidated financial statements of subsidiaries (EP Industrija and EP Oprema), as well as consolidated financial statements of the Energoprojekt Group.

The position *Share of Capital-other legal entities* includes also share of Enjub ltd. capital, which, according to IFRS 11 – *Joint arrangements* are included in the consolidated financial statements of the Energoprojekt Group using the equity method. Comparative data in the semi-annual consolidated financial statements of the Energoprojekt Group are presented using the equity method and not proportional consolidation method as presented in consolidated financial statements of the Energoprojekt Group on 31.12.2013 (Note no. 5.3).

Financial information on Enjub ltd. (in amounts up to 50%, which is the share in capital of the parent company in the capital of the joint venture) is presented in the following table:

	<i>(RSD 000)</i>	
	<i>30.06.2014</i>	<i>31.12.2013</i>
Working capital	159.704	159.734
Fixed assets	122.485	122.168
Deferred tax assets	5.780	5.780
<b>Assets</b>	<b>287.969</b>	<b>287.682</b>
Equity	81.293	82.199
Long-term provisions and liabilities	11.611	11.600
Short-term liabilities	195.065	193.883
<b>Liabilities</b>	<b>287.969</b>	<b>287.682</b>
	<i>30.06.2014</i>	<i>30.06.2013</i>
Revenues	5.517	7.523
<b>Profit (loss) in the current period</b>	<b>(907)</b>	<b>(289)</b>

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**26. OTHER LONG-TERM FINANCIAL INVESTMENTS**

Other long term financial investments include:

	30.06.2014	31.12.2013
	(RSD 000)	(RSD 000)
FCY savings bonds	24,829	48,542
Housing loans for employees	55,574	56,410
Other	858,922	706,308
<b>Total</b>	<b>939,325</b>	<b>811,260</b>

• Other long-term financial investments in **FCY saving bonds** in the amount of 24.829 thousand RSD relate to EP Industrija. The reduction of 23.713 thousand RSD in the reporting period is a result of, on one hand, reposting investments in FCY old saving bonds for EP Garant, by order of NBS, to *Short-term financial investments* in the amount of 35.788 thousand RSD, and on the other hand, increase in investments for the same reasons in EP Industrija in the amount of 12.075 thousand RSD.

• **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 installment revalorization according to the price shifts in the Republic of Serbia for the respective calculation period. Most of 55.574 thousand refers to EP Visokogradnja: 34.139 thousand RSD, EP Oprema: 11.658 thousand RSD and EP Niskogradnja: 4.779 thousand RSD, the amount of 4.998 thousand RSD refers to other companies in the Group

• **Other long-term financial investments** in the amount of 858.922 thousand RSD, relate mostly to the following companies in the Group:

- EP Entel: 484.782 thousand RSD, out of which the amount of 456.082 thousand RSD refers to long-term receivables for the guarantee deposit, which is mostly 10% from the invoiced value and is collectible upon expiration of the guarantee (in foreign companies Energoprojekt Entel Qatar: 433.880 thousand RSD and Energoprojekt Entel Oman L.L.C: 22.202 thousand RSD);

- EP Oprema: 291.548 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

- EP Niskogradnja: 186 thousand RSD refers to an apartment deposit.

The increase of other long-term financial investments in the reporting period in the amount of 152.614 thousand RSD relates mostly to the increase of long-term investments for the guarantee deposit in EP Oprema and EP Entel.

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**27. MATERIAL**

	30.06.2014 (RSD 000)	31.12.2013 (RSD 000)
Raw material, spare parts and tools	1,528,989	1,146,045
Work in progress	1,286,707	1,272,555
Finished goods	163,341	166,217
Merchandise	18,259	269,609
Paid advances	1,163,407	714,313
<b>Total</b>	<b>4,160,703</b>	<b>3,568,739</b>

• **Raw material, spare parts and tools** amount to 1.528.989 thousand and refer mostly to the following companies in the Group:

- EP Niskogradnja: 685.475 thousand RSD, inventories abroad amount to 538.603 thousand RSD (Uganda: 350.997 thousand RSD, Peru: 187.606 thousand RSD), in the country 146.872 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: 571.200 thousand RSD, inventories abroad amount to 457.697 thousand RSD, in the country 113.503 thousand RSD;
- EP Oprema: 194.517 thousand RSD, material refers to: 176.383 thousand RSD, tools and inventories: 18.134 thousand RSD;
- Energoplast: 55.424 thousand RSD, material refers to: 40.958 thousand RSD, spare parts: 14.466 thousand RSD; and other companies in the amount of 22.373 thousand RSD.

The increase in material, spare parts, tools and inventories in comparison to the previous year in the amount of 382.944 thousand RSD relate to, first of all, EP Visokogradnja: 251.221 thousand RSD and EP Niskogradnja: 115.997 thousand RSD.

• **Work in progress** in the amount of 1.286.707 thousand RSD, relates mostly to the following companies in the Group:

- EP Visokogradnja: 1.222.394 thousand RSD, out of which 705.445 thousand RSD relate to work in progress in the country (based on own investments in Belgrade in Cara Nikolaja street: 451.051 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), and abroad 516.949 thousand RSD (based on works on the residential complex Sistet Bare in Montenegro); and
- EP Niskogradnja: 62.632 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).

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• **Finished goods** in the amount of 163.341 thousand RSD, relate mostly to EP Visokogradnja (107.257 thousand RSD) to property in Herceg Novi in the amount of 80.517 thousand RSD and Belgrade (Bezanijska Kosa and Block 29) in the amount 26.740 thousand RSD.

• The total value of **the merchandise** 18.259 thousand RSD, relates mostly to EP Niskogradnja: 7.030 thousand RSD (relates almost entirely to invoiced material and spare parts for projects abroad (Peru and Uganda), not delivered till 30.06.2014 - Goods in transit: 6.873 thousand RSD) and EP Energodata: 4.500 thousand RSD (ATM inventories in the amount of 1.851 thousand RSD, etc).

The decrease in inventories of goods in 2014 in comparison to the previous year amounts to 251.350 thousand RSD and relate, first of all, to EP Oprema: 200.633 thousand RSD (projects in Nigeria), EP Niskogradnja: 26.092 thousand RSD and EP Energodata: 9.516 thousand RSD.

• **Advance payments** amount to 1.163.407 thousand RSD and relate, first of all, to EP Oprema, EP Visokogradnja and EP Niskogradnja.

- EP Oprema: advance payments amount to 482.104 thousand RSD and relate to advance payments for the construction of the embassy in Abuja, Nigeria: 43.835 thousand RSD, advance payments to foreign suppliers for projects abroad: 55.350 thousand RSD, advance payments to consortium partners and subcontractors for projects in the country Thermal Power Plant Kostolac and RTB Bor and advance payments to domestic suppliers for projects in Serbia: 382.919 thousand RSD;

- EP Visokogradnja: advance payments amount to 413.285 thousand RSD, out of which advance payments abroad amount to 317.574 thousand RSD, and in the country: 95.711 thousand RSD.

- EP Niskogradnja advance payments amount to 194.652 thousand RSD, out of which advance payments abroad amount to 176.867 thousand RSD (Uganda: 90.547 thousand RSD and Peru: 86.320 thousand RSD), and advance payments to subcontractors for domestic projects amount to 17.785 thousand RSD.

## **28. ASSETS HELD FOR TRADING AND SUSPENDED BUSINESS ASSETS**

Assets held for trading and suspended business assets of the Energoprojekt Group amount to 66.890 thousand RSD, out of which EP Niskogradnja in the amount of 50.688 thousand RSD, Energoplast 12.295 thousand RSD and EP Energodata in the amount of 3.907 thousand RSD.

- Fixed assets for sale in EP Niskogradnja:

<b>No.</b>	<b>Description</b>	<b>Location</b>	<b>m<sup>2</sup></b>	<b>Present value in 000 Rsd</b>
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
	<b>Total</b>			<b>50,688</b>

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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 IFRS 5.

The reclassification of facilities for sale with total value of 5.748 thousand RSD pursuant to IFRS 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 in the amount of 12.295 thousand RSD, 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.

- Fixed assets for sale in EP Energodata in the amount of 3.907 thousand RSD refer to business premises in Nis, moved in the reporting period from the position *Investment properties*.

## 29. RECEIVABLES

	30.06.2014 (RSD 000)	31.12.2013 (RSD 000)
<b><u>Receivables from sales</u></b>		
Domestic buyers	1,106,178	1,493,759
Foreign buyers	7,446,666	5,022,022
<b>Total</b>	<b>8,552,844</b>	<b>6,515,781</b>
<b><u>Receivables from specific business operations</u></b>	<b>29,536</b>	<b>24,545</b>
<b><u>Other receivables</u></b>		
Receivables from employees	34,511	27,235
Receivables from government authorities and institutions		65
Receivables for other prepaid taxes and contributions	2,274	26,494
Other receivables	442,795	356,134
<b>Total</b>	<b>479,580</b>	<b>409,928</b>
<b>Grand total</b>	<b>9,061,960</b>	<b>6,950,254</b>

• **Receivables from domestic buyers** in the reporting period amount to 1.106.178 thousand RSD and relate to EP Niskogradnja: 400.553 thousand RSD, EP Oprema: 378.084 thousand RSD, Energoplast: 138.985 thousand RSD, EP Entel: 48.042 thousand RSD, EP Hidroinzenjering: 46.216 thousand RSD, EP Visokogradnja: 36.398 thousand RSD, EP Industrija: 18.645 thousand RSD and other companies in the Energoprojekt Group in the amount of 39.255 thousand RSD.

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

- AzVirt, Belgrade: 261.456 thousand RSD (Project „Sarani tunnel“);
- Hidrogradjevinar: 51.333 thousand RSD (Project: “Tisa”);
- Water directorate RS: 31,671 thousand RSD (Project “Tisa”); and other.

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

- Internacional projekt services: 173.688 thousand RSD;
- SNC-Lavalin internacional INC: 142.302 thousand RSD; and other.

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• **Receivables from foreign buyers** in the total amount of 7.446.666 thousand RSD refer to EP Niskogradnja in the amount of 2.899.527 thousand RSD, EP Visokogradnja: 1.972.161 thousand RSD, EP Entel: 1.452.327 thousand RSD, EP Oprema: 654.934 thousand RSD, EP Hidroinzenjering: 277.016 thousand RSD, and other companies in the Energoprojekt Group in the amount of 190.701 thousand RSD.

The most important receivables from buyers abroad in EP Niskogradnja relate to receivables in Uganda: 2.532.824 thousand RSD, Peru: 366.240 thousand RSD and Kazakhstan: 463 thousand RSD.

The most important receivables from buyers in Uganda relate to:

- Uganda National Roads Authority, Uganda (UNRA) Z-017: 933.003 thousand RSD;
- Ministry of Works and Transport Z-010: 736,191 thousand RSD;
- Uganda National Roads Authority, Uganda (UNRA) Z-027: 246.558 thousand RSD;
- Ministry of Works and Transport Ntung.-Kagamba, IC Energo Uganda: 185.021 thousand RSD;
- Kampala Capital City Authority, Uganda Z-026: 160.445 thousand RSD;
- The Civil Aviation Authority Z-032 IC Energo Uganda: 132.895 thousand RSD; and other.

The most important receivables from buyers in Peru relate to:

- Consorcio Pericos San Ignacio, Peru: 138.829 thousand RSD;
- Consorcio Chota Cochabamba, Peru: 65.949 thousand RSD;
- Empresa Administradora Chungar SAC, Peru: 51.246 thousand RSD; and other.

• **Receivables from specific business operations** in the amount of 29.536 thousand RSD refer mostly to EP Oprema: 20.173 thousand RSD.

• **Receivables for other prepaid taxes and contributions** amount to 2.274 thousand RSD and refer to EP Hidroinzenjering: 1.702 thousand RSD (prepaid taxes and contributions for Enhisa, Peru), foreign branch Zambia Engineering and Contracting Company Limited: 463 thousand RSD (based on the income tax) and EP Industrija: 109 thousand RSD (based on the prepaid property tax).

• **Other receivables** amount to 442.795 thousand RSD and relate to, first of all, EP Niskogradnja in the amount of 368.108 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 Uganda and Kazakhstan, receivables from the Tax authority for prepaid income taxes and contributions in Kazakhstan, etc),. The amount of 74.687 thousand RSD relates to other companies in the Group (based on receivables for interest, receivables from funds based on paid salaries, etc).

### 30. SHORT TERM FINANCIAL INVESTMENTS

	30.06.2014 (RSD 000)	31.12.2013 (RSD 000)
Short fixed deposits	1,521,092	1,725,725
Short-term loans extended	155,546	157,406
Other	50,982	25,303
<b>Total</b>	<b>1,727,620</b>	<b>1,908,434</b>

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• **Short fixed deposits** in the amount of 1.521.092 thousand RSD relate mostly to:

- EP Entel: 1.024.973 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) and in comparison to the previous year, the amount was reduced by 205.309 thousand RSD; and

- EP Garant: 496.115 thousand RSD (deposited FCY funds with domestic banks with an interest rate between 2,34 and 3,50 % annually).

• **Short-term loans** in the amount of 155.546 thousand RSD, relate mostly to EP Holding loans to Enjub (154.620 thousand RSD).

• **Other short-term financial investments** in the amount of 50.982 thousand RSD relate to:

- EP Garant: 41.879 thousand RSD relate to short-term financial investments in FCY saving bonds: 36.825 thousand RSD (reposted in the reporting period by order of NBS from the position – *Other long-term financial investments*) and shares on the Belgrade Stock Exchange: 5.054 thousand RSD (reposted in the reporting period from the position – Share of Capital in banks and other financial organizations);

- EP Niskogradnja: 4.802 thousand RSD relate mostly to deposited funds in Uganda according to local regulations (4.270 thousand RSD) – work permits for non-citizens of the Republic of Uganda);

- EP Energodata: 2.883 thousand RSD (short-term loans granted to workers in the foreign branch Energoprojekt Energodata Montenegro ltd);

- EP Visokogradnja: 1.236 thousand RSD (deposits for guarantees abroad: 1.056 thousand RSD and apartment deposits: 180 thousand RSD); and

- EP Holding and Energoplast in the total amount of 182 thousand RSD (short-term loans granted to workers).

### 31. CASH AND CASH EQUIVALENTS

	30.06.2014	31.12.2013
	(RSD 000)	(RSD 000)
<b><u>RSD</u></b>		
Current accounts	70,060	133,784
Treasury	424	109
Short-term deposits	15,000	67,628
Other	911	2,467
<b>Total</b>	<b>86,395</b>	<b>203,988</b>
<b><u>FCY</u></b>		
Foreign currency accounts	900,302	2,626,795
Treasury	81,846	76,999
L/C	57,380	102,419
Other	471,984	75,668
Value-impaired or restricted pecuniary assets	32,212	2
<b>Total</b>	<b>1,543,724</b>	<b>2,881,883</b>
<b>Grand total</b>	<b>1,630,119</b>	<b>3,085,871</b>

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- **Short-term deposits** in the amount of 15.000 thousand RSD ate to time deposits of EP Oprema with domestic banks
- **Other funds in RSD** in the amount of 911 thousand RSD relate to EP Niskogradnja: 898 thousand RSD based on the Solidarity Fund (1% of wages) and EP Enegodata: 13 thousand RSD.
- **FCY accounts** include EP Niskogradnja, EP Entel, EP Oprema, EP Hidroinzenjering and EP Garant.
- **L/C** in the amount of 57.380 thousand RSD relate to EP Visokogradnja.
- **Other funds in foreign currency** in the amount of 471.984 thousand RSD, relate to short-term deposits in foreign currency in EP Visokogradnja: 279.024 thousand RSD (Energoprojekt Ghana Ltd, Akra, Ghana), EP Oprema: 118.670 thousand RSD, EP Holding: 66.168 thousand RSD and Dom 12 S.A.L, Lebanon: 7.543 thousand RSD, as well as funds with banks based on debit cards in EP Hidroinzenjering: 579 thousand RSD.
- **Funds with restricted use or decreased value** in the amount of 32.212 thousand RSD relate to EP Hidroinzenjering and bank deposits as collateral for guarantees for projects Ourkiss, Alto Piura, Yarascay and Machu Picchu. Funds will be available upon release of the guarantees in question. These funds were included on 31.12.2013 in Short-term financial investments.

**32. VAT AND DEFERRED INCOME**

	30.06.2014 (RSD 000)	31.12.2013 (RSD 000)
<b><u>VAT</u></b>	<b>71,615</b>	<b>29,982</b>
<b><u>Deferred income</u></b>		
Prepayments	193,283	178,379
Non-invoiced income receivables	2,700,573	1,349,188
Accrued VAT	9,139	28,404
Accrued commitments	1,832	193
Other active accruals	53,821	84,694
<b>Total</b>	<b>2,958,648</b>	<b>1,640,858</b>
<b>Grand total</b>	<b>3,030,263</b>	<b>1,670,840</b>

- **Receivables on non-invoiced income** in the amount of 2.700.573 thousand RSD relate mostly to EP Niskogradnja in the amount of 1.214.187 thousand RSD.

- EP Niskogradnja: The structure of receivables for the non-invoice income for 2014 (Note 4) is presented in the following table.



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in 000 RSD

Project	281 Uninvoiced income receivables	Receivables
<b>A b r o a d</b>		
Z-0188 Chira Piura III, Peru	<b>759</b>	<b>759</b>
Income from rents, CDS for 06.2014	759	759
Z-019 Cochabamba Chota, Peru	<b>173,749</b>	<b>173,749</b>
Progress - completed 05.2014	62,208	62,208
Progress - completed 06.2014	109,956	109,956
Revenues from the sales of goods 06.2014	1,581	1,581
Other calculated revenues	4	4
Z-014 Yanacocha, Peru	<b>674</b>	<b>674</b>
MGG 60.21% AP12 06.2014	674	674
Z-023 Pericos, Peru	<b>390,150</b>	<b>390,150</b>
Progress - completed 05.2014	222,867	222,867
Progress - completed 06.2014	163,263	163,263
Revenues from the sales of goods 06.2014	4,020	4,020
Z-030 Chancay y Rucuy	<b>294,388</b>	<b>294,388</b>
Progress - completed 05.2014	121,476	121,476
Progress - completed 06.2014	170,702	170,702
Revenues from the sales of goods 06.2014	2,210	2,210
Z-021 Six Kampala streets, Uganda	<b>15,683</b>	<b>15,683</b>
Final settlement – non-invoiced	15,683	15,683
<b>S e r b i a</b>		
Sarani Tunnel	<b>284,488</b>	<b>284,488</b>
Progress - completed 05.2014	116,632	116,632
Progress - completed 06.2014	167,856	167,856
<b>Total for 2014</b>	<b>1,159,891</b>	<b>1,159,891</b>

Receivables on non-invoiced income in the amount of 54.296 thousand RSD that were recorded in the previous period, relate to the respective part of realized income that has not been invoiced to the Consortiums as of 31.12.2013 (projects in Peru).

- EP Visokogradnja: receivables on non-invoiced income in the amount of 928.767 thousand RSD relate to receivables based on progress certificates issued to the investor for certification, 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.

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The structure of receivables for non-invoice income from investors abroad is presented in the following table.

Structure of receivables for non-invoice income abroad	in 000 RSD
Z-091 Astrahan Schlumberger	298.460
Z-068 Hotel Aktau	175.629
Z-085 Uhta	84.854
Z-092 Horizonti Siktivkar	81.982
Z-074 Winery Sarijagas	36.948
Z-088 Hotel Hyatt Rostov-on-Don	27.570
Z-087 Restaurant and Night Club Aktau	18.947
Z-080 Aktau hospital	5.909
Z-086 Hotel and SRC Atirau	4.047
Z-090 Design of the Telekom Center	3.994
<b>Total</b>	<b>738.340</b>

The structure of receivables for non-invoice income in the country is presented in the following table.

Structure of receivables for non-invoice income in the country	in 000 RSD
Prokop	135.490
Sulfuric acid factory and smeltery, Bor	44.278
Cable-car for the project Crni Vrh, Bor	10.659
<b>Total</b>	<b>190.427</b>

The structure of receivables for non-invoice income for EP Visokogradnja for 2014 is presented in the Note 4.

- EP Holding: receivables for non-invoice income amount to 242.415 thousand RSD and 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 242.267 thousand RSD; and

Receivables from Telekom Serbia plc in the amount of 148 thousand RSD, based on the renting of the roof terrace of Energoprojekt building for May and June of the reporting year.

- EP Oprema: receivables for non-invoice income amount to 149.766 thousand RSD and relate to calculated income based on expenses that have not been invoiced as of the balance sheet date or have been invoiced after, as presented in the following table:

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Structure of receivables for non-invoice income	in 000 RSD
Energo Nigerija Ltd., Lagos, Nigeria	120.453
Elektrovojvodina	11.609
Minel Transformatori	10.371
SNC Lavalin	7.333
<b>Total</b>	<b>149.766</b>

- EP Hidroinzenjering: The assessment of income was performed according to the completion level, meaning that the income was recognized in the calculation period when the service was rendered (116.634 thousand RSD) and refers to the project „Dredging of the Danube riverbed” financed by the European Delegation in Serbia (only final invoice upon work completion will be issued) and the project “Djedra” in Algeria (due to delayed certification of the accompanying documents to the invoices, as the basis for issuing invoices under the contract).

- Other companies in the Energoprojekt Group that have receivables on non-invoiced income include the following: EP Industrija: 40.847 thousand RSD, Energoprojekt Holding Guinee S.A, Guinea: 5.329 thousand RSD and EP Urbanizam i arhitektura: 2.628 thousand RSD.

### 33. ORIGINAL CAPITAL

The original capital includes:

	30.06.2014 (RSD 000)	31.12.2013 (RSD 000)
Share capital	5,725,394	5,839,150
Limited liability companies	9,289	9,289
Other capital	86,640	91,279
<b>Total</b>	<b>5,821,323</b>	<b>5,939,718</b>

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

The 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 per share (5.574.959 thousand RSD).

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

• **Limited liability companies** in the amount of 9.289 thousand RSD relate to Energoplast ltd. (40,00%)

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**34. RESERVES**

Reserves comprise of:

	30.06.2014	31.12.2013
	(RSD 000)	(RSD 000)
Legal	218,858	237,952
Statutory and other	155,429	136,314
Issuing premium	237,014	237,014
<b>Total</b>	<b>611,301</b>	<b>611,280</b>

• **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

• **Issuing premium** is the positive difference between the actual sales value of the shares and their nominal value

**35. REVALUATION RESERVES, UNREALIZED GAINS/LOSSES FROM SECURITIES**

	30.06.2014	31.12.2013
	(RSD 000)	(RSD 000)
Revaluation reserves	2,222,334	2,272,779
Unrealized gains from available-for-sale securities	8,068	7,138
Unrealized losses from available-for-sale securities	(54,546)	(38,561)
<b>Total</b>	<b>2,175,856</b>	<b>2,241,356</b>

• **Revaluation reserves** relate to gains/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).

- 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 the foreign branch Zambia Engineering and Contracting Company Limited, Zambia amount to 525.640 thousand RSD and relate to, first of all, 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;

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- Revaluation reserves that relate to EP Industrija in the amount of 250.671 thousand RSD relate to revaluation reserves based on the gains/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 246.099 thousand RSD relate to the revaluation reserves based on the gains/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: 4.729 thousand RSD;
- EP Visokogradnja: revaluation reserves in the amount of 125.468 thousand RSD relate to the gains/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 financial statements calculation displayed in another functional currency than the reporting currency: 11.596 thousand RSD;
- EP Hidroinzenjering revaluation reserves in the amount of 113.984 thousand RSD relate to the gains/losses of the fair value of property: 113.982 thousand RSD (office space in the Energoprojekt building) and reserves based on the financial statements calculation displayed in another functional currency than the reporting currency: 2 thousand RSD;
- EP Oprema: revaluation reserves in the amount of 104.662 thousand relate to the gains/losses of the fair value of property: 86.563 thousand RSD (Energoprojekt building and office space in Kragujevac) and reserves based on the financial statements calculation displayed in another functional currency than the reporting currency: 18.099 thousand RSD.
- EP Entel revaluation reserves amount to 103.377 thousand RSD and relate to revaluation reserves based on the gains/losses of the fair value of property: 78.111 thousand RSD (office space in the Energoprojekt building) and reserves based on the financial statements calculation displayed in another functional currency than the reporting currency: 25.266 thousand RSD; revaluation reserves in other companies in the Energoprojekt Group amount to 212.011 thousand RSD.

The decrease in revaluation reserves in comparison to the previous year in the amount of 50.445 thousand RSD, relates, first of all, to the decrease in revaluation reserves based on the financial statements calculation displayed in another functional currency than the reporting currency - EP Entel in the amount of 33.692 thousand RSD.

- The change in the price 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 rise of **Unrealized profits** and **Unrealized losses based on available-for-sale securities**.

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**36. UNDISTRIBUTED PROFIT**

Undistributed profit comprises:

	30.06.2014	31.12.2013
	(RSD 000)	(RSD 000)
Consolidated net prior years profit	4,635,242	4,575,609
Changes during the year	(13,859)	59,633
<b>Consolidated net profit as at 30.06.2014</b>	<b>4,621,383</b>	<b>4,635,242</b>

Changes which occurred during the year are the result of the gain generated in 2014 and distribution deductions.

At the 42nd General Meeting of EP Holding held on 17.06.2014, the decision was reached (item 3 of the agenda) regarding the distribution of the undistributed profit as at 31.12.2013 in the amount of 684.911 thousand RSD as follows:

- For the payment of dividends, gross - 36,00 RSD per share to EP Holding plc shareholders (total amount of 393.527 thousand RSD);
- Remaining amount of 291.384 thousand RSD will be allocated to undistributed profit.

The dividend will be paid to shareholders on 15.12.2014.

**37. LONG-TERM PROVISIONS**

- 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 include:

	30.06.2014	31.12.2013
	(RSD 000)	(RSD 000)
Provision for expenses in warranty	576,921	565,215
Provision for fees and other employee benefits	303,030	300,373
Other	384,178	383,706
<b>Total</b>	<b>1,264,129</b>	<b>1,249,294</b>

• **Provisions for warranty related expenses** in the amount of 576.921 thousand RSD relate to EP Entel based on expense provisions for substantial changes in contract items where additional works are not chargeable. 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.

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EP Entel - The amount of long-term provisions for warranty related expenses has changed in comparison to the previous year only due to exchange rate fluctuations for the dinar and local currencies (the amount of long-term provisions in the local currency remains unchanged).

• **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 on 31.12.2013, which were decreased in the reporting period by paid retirement bonuses, on one hand, and increased due to the increased number of workers abroad in EP Entel, on the other hand.

• **Other long-term provisions** in the amount of 384.178 thousand RSD refer 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, Novi Beograd no. 507, concluded between the consortium „Energoprojekt – Napred“ and Trinity Capital Ltd.

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

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

On 30.06.2014 there is still an outcome uncertainty with regard to the application of the legislation that may affect the fulfillment of all obligations assumed by the Company and possible activation of issued bills of exchange by Trinity Capital Ltd. Therefore, the management assesses that conditions for the cancellation of the provision at the balance sheet date have not been met yet;

- 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 23.310 thousand RSD, refers to provisions based on lawsuits against the Company. Increase in the amount of 472 thousand RSD was a result of exchange rate gains in 2014. 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; and

- EP Garant in the amount of 3.771 thousand RSD relate to the risk equalization provisions.

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**38. 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	30.06.2014 (RSD 000)	31.12.2013 (RSD 000)
<u>Domestic</u>				
Societe Generale bank	3M Euribor + 5,00%	EUR	8.906	8.818
Alpha bank	3M Euribor + 5,75%	EUR	115.572	148.393
VTB bank	3M Libor + 3,25%; RKS (11,00%) + 1,20%	EUR, RSD	66.018	66.232
Komercijalna banka	9,00%	RSD	33.334	50.001
<b>Total</b>			<b>223.830</b>	<b>273.444</b>
<u>Foreign</u>				
Other			187.993	184.180
<b>Total</b>			<b>187.993</b>	<b>184.180</b>
<b>Grand total</b>			<b>411.823</b>	<b>457.624</b>

• **Long-term domestic loans** in the amount of 223.830 thousand ate to EP Energodata in the amount of 115.572 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 25.573 thousand RSD (Komercijalna banka: 16.667 thousand RSD and Societe Generale bank: 8.906 thousand RSD) and Energoplast in the amount of 6.175 thousand RSD (VTB bank).

• **Long-term loans granted abroad** in the amount of 187.993 thousand RSD relate to EP Niskogradnja (liabilities towards associates from former YU republics engaged on the project Hydroelectric power station Banieya II, Guinea: 164.186 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 Caterpillar for the purchase of equipment was approved in USD according to the annual interest rate of 5,95% (30.854 thousand RSD).

Data on long-term loans are presented in the Note 46.



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**39. OTHER LONG-TERM COMMITMENTS**

Other long term commitments include:

	30.06.2014	31.12.2013
	(RSD 000)	(RSD 000)
Finance lease commitments - long term	274.488	219.107
Other long-term commitments	551.705	613.723
<b>Total</b>	<b>826.193</b>	<b>832.830</b>

• **Finance lease liabilities – long-term** in the amount of 274.488 thousand RSD refer mostly to EP Niskogradnja in the amount of 271.285 thousand RSD.

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

Creditor	Currency	Balance of commitments in currency	Balance of commitments In 000 RSD	Repayment and due date	Annual interest rate
<i>Domestic financial lease commitments</i>					
S-leasing	EUR	81,772	9,468	Per month 01.12.2015	6m EURIBOR+4,25%
Sogelease	EUR	1,679,708	194,487	Per month 15.06.2016 - 15.03.2017	6m EURIBOR+margin=4,41%
<b>Total in the country</b>			<b>203,955</b>		
<i>Foreign financial lease commitments</i>					
GNB leasing, Peru /ex HSBC/	USD	1,082,094	91,815	Per month 01.07.2014 - 01.05.2016	7%
Banco Financiero, Peru	USD	317,727	26,959	Per month 16.02.2015	7,50%
Leasing Peru S.A.	USD	492,999	41,831	Per month 15.01.2015 - 05.05.2016	5,95%
Banco Santander, Peru	USD	18,518	1,571	Per month 01.08.2014	5,95%
Scotiabank, Peru	USD	775,912	65,836	Per month 01.04.2015	6,00%
<b>Total foreign</b>			<b>228,011</b>		
<b>TOTAL</b>			<b>431,966</b>		

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The following table presents financial lease commitments in RSD on 30.06.2014, divided to:

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

Creditor	in 000 RSD	
	Long-term commitment	Short-term commitment
S-leasing	6,384	3,084
Sogelease	151,819	42,668
GNB leasing, Peru	58,141	33,674
Banco Financiero, Peru	6,135	20,824
Leasing Peru S.A.	23,235	18,595
Banco Santander, Peru	-	1,571
Scotiabank, Peru	25,571	40,265
<b>TOTAL</b>	<b>271,285</b>	<b>160,681</b>

• **Other long-term commitments** in the amount of 551.705 thousand RSD refer to the following companies:

- EP Niskogradnja: 466.803 thousand relate to the part of the commitment 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; and

- EP Visokogradnja: 84.902 thousand RSD relate to commitments 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.

The decrease of other long-term commitments in the reporting period in the amount of 62.018 thousand RSD is the result of, first of all, the elimination of long-term commitments based on guarantee deposits by suppliers to EP Oprema.

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**40. SHORT-TERM FINANCIAL COMMITMENTS**

Short-term financial commitments include:

	30.06.2014. (RSD 000)	31.12.2013 (RSD 000)
Short term RSD loans - domestic banks	2,366,435	669,498
Short term loans with FCY clause - domestic banks and other	487,263	1,421,567
<b>Total</b>	<b>2,853,698</b>	<b>2,091,065</b>
Other short term financial commitments/current maturities of long term loans and other long-term commitments	489,417	1,036,541
Short-term loans abroad and current maturities of long-term loans abroad	434,793	412,426
<b>Total</b>	<b>3,777,908</b>	<b>3,540,032</b>

• **Short term RSD loans and short term loans with FCY clause from local banks** in the amount of 2.853.698 thousand RSD refer to EP Visokogradnja: 1.438.882 thousand RSD (Societe Generale bank: 509.455 thousand RSD, Alpha bank: 332.883 thousand RSD, Unicredit bank: 231.571 thousand RSD, Hypo Alpe Adria bank: 231.571 thousand RSD, Erste bank: 96.636 thousand RSD and Vojvodjanska banka: 36.766 thousand RSD), EP Niskogradnja: 1.238.860 thousand RSD (Societe Generale bank: 574.810 thousand RSD, Alpha bank: 365.000, Unicredit bank: 171.000 thousand RSD, Hypo Alpe Adria bank: 81.050 thousand RSD and VTB bank: 47.000 thousand RSD), EP Energodata: 86.322 thousand RSD (Alpha bank: 86.322 thousand RSD), EP Hidroinzenjering: 69.634 thousand RSD (Societe Generale bank: 34.817 thousand RSD and Hypo Alpe Adria bank: 34.817 thousand RSD) and EP Holding: 20.000 RSD (Alpha bank).

• **Other short-term commitments and current maturities of long-term loans from local banks** in the amount of 489.417 thousand RSD relate mostly to the following:

-EP Niskogradnja: 211.828 thousand RSD (current maturities of long-term loans: 51.147 thousand RSD and current maturities of financial lease liabilities: 160.681 thousand RSD);

-EP Holding: 126.669 thousand RSD (current maturities of long-term loans: 126.669 thousand RSD);

-EP Visokogradnja: 76.182 thousand RSD (current maturities of long-term loans: 76.125 thousand RSD and other: 57 thousand RSD);

-EP Energodata: 68.196 thousand RSD (current maturities of long-term loans: 67.621 thousand RSD and current maturities of financial lease liabilities: 575 thousand RSD); and other companies in the Energoprojekt Group in the amount of 6.542 thousand RSD.

• **Commitments related to short-term loans and current maturities of long-term loans in other countries** in the amount of 434.793 thousand RSD relate to:

- EP Niskogradnja in the amount of 424.974 thousand RSD (commitments related to short-term loans in other countries: 417.926 thousand RSD and current maturities of long-term loans in other countries: 7.048 thousand RSD); and

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- EP Visokogradnja in the amount of 9.819 thousand RSD (commitments related to short-term loans in other countries).

**41. BUSINESS COMMITMENTS**

Commitments from business operations include:

	30.06.2014	31.12.2013
	(RSD 000)	(RSD 000)
<b><u>Commitments from business operations</u></b>		
Received advances, short-term deposits and caution money	3.950.940	3.024.053
Domestic suppliers	870.560	956.588
Foreign suppliers	2.545.707	2.037.856
Other commitments from business operations	7.230	7.591
<b>Total</b>	<b>7.374.437</b>	<b>6.026.088</b>
Commitments from specific operations	291.075	278.134
<b>Total</b>	<b>7.665.512</b>	<b>6.304.222</b>

• **Received advance payments** in the amount of 3.950.940 thousand RSD relate mostly to the following companies in the Energoprojekt Group:

- EP Niskogradnja, the amount of 1.866.201 thousand RSD refers mostly to received advance payments related to the following projects abroad: Z-027 Jinja road, Uganda: 661.850 thousand RSD; Z-023 Pericos, Peru: 360.288 thousand RSD; Z-030 Chancay and Rucuy, Peru: 263.498 thousand RSD; Z-032 Nakasangola, Uganda: 185.707 thousand RSD; Z-028 Lugoba, Uganda: 74.257 thousand RSD; Z-029 Mutundwe, Uganda: 72.542 thousand RSD; Z-019 Cochabamba, Chota: 39.051 thousand RSD; received advance payments for projects in Serbia: Sarani tunnel: 191.115 thousand RSD; Lot 1.1. Novi Sad: 15.632 thousand RSD; and other: 2.261 thousand RSD (relates mostly to the received deposit based on the rental agreement for apartments in the building Cruz del Sur, Peru in the amount of 1.860 thousand RSD);

- EP Oprema, the amount of 925.184 thousand RSD, relates, first of all, to received advance payments from investors related to the projects RTB Bor and the Thermal Power Plant TE Kostolac;

- EP Visokogradnja, the amount of 869.710 thousand RSD relates mostly to received advance payments from investors related to the following projects abroad: Z-088 Rostov: 562.891 thousand RSD; Z-068 Aktau hotel: 60.985 thousand RSD; Z-074 Sarijagas winery: 25.528 thousand RSD; Z-089 Aktau hospital: 21.539 thousand RSD; Z-092 Horizont Siktivkar: 21.308 thousand RSD; received advance payments by Energoprojekt Ghana Ltd., Akra, Ghana: 150.154 thousand RSD; received advance payments in Serbia: 175.812 thousand RSD;

- EP Hidroinznjering in the amount of 143.864 thousand RSD, relate mostly to projects in Algeria and the project „Dredging of the Danube riverbed“; foreign branch Zambia Engineering and Contracting Company Limited, Zambia: 60.228 thousand RSD;

- EP Industrija: 44.559 thousand RSD, and other companies in the amount of 41.194 thousand RSD.

• **Commitments to domestic suppliers**, in the amount of 870.560 thousand RSD mostly relate to the following: EP Niskogradnja: 439.476 thousand RSD; EP Oprema: 187.644 thousand RSD; EP Visokogradnja: 174.346 thousand RSD; EP Energodata: 20.125 thousand RSD; EP Holding: 10.415 thousand RSD and other companies in the amount of 38.554 thousand RSD.

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The most important commitments of EP Niskogradnja to domestic suppliers are:

- Atlas Copco plc: 49.945 thousand RSD;
- Hidrogradjevinar plc: 28.244 thousand RSD;
- OMV Serbia: 28.058 thousand RSD;
- Hidro Baza ltd: 19.813 thousand RSD;
- Dunav Grupa Agregati: 19.397 thousand RSD;
- Tehnometal ltd: 17.132 thousand RSD;
- Kamenolom Slovac ltd: 16.436 thousand RSD; and other.

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

- Minel kotlogradnja plc: 31.148 thousand RSD;
- Mont-R ltd: 28.510 thousand RSD;
- Energomontaza plc: 28.132 thousand RSD;
- ATB FOD ltd: 14.540 thousand RSD;
- Mikom ltd: 12.501 thousand RSD; and other.

• **Commitments to foreign suppliers** in the amount of 2.545.707 thousand RSD relate mostly to the following: EP Visokogradnja: 920.597 thousand RSD; EP Niskogradnja: 616.766 thousand RSD; EP Oprema: 521.966 thousand RSD; EP Entel: 387.428 thousand RSD; Energoplast: 72.337 thousand RSD and other companies in the Energoprojekt Group in the amount of 26.613 thousand RSD.

Commitments of EP Visokogradnja to foreign suppliers relate mostly to Energoprojekt Ghana Ltd, Akra, Ghana: 60.613 thousand RSD and the following project abroad:

- Z-085 Business building Uhta: 284.362 thousand RSD;
- Z-091 Astrahan Schlumberger: 206.976 thousand RSD;
- Z-088 Hyatt Hotel Rostov: 97.389 thousand RSD;
- Z-092 Horizont Siktivkar: 93.676 thousand RSD and other.

EP Niskogradnja - The most important commitments to foreign suppliers are as follows:

- Petroleos del Peru Petroperu SA, Peru: 55.791;
- IESA SA, Peru: 50.588;
- Consorcio Constructer SAC, Peru: 55.042;
- Orbenor SAC, Peru: 40.694;
- Shell Ltd, Uganda: 30.335 thousand RSD;
- Johesa, Peru: 15.495;
- Termcotank Geneva, Uganda: 11.408 thousand RSD; and other

EP Oprema: The most important commitments to foreign suppliers are as follows:

- Crompton Ltd: 159.471 thousand RSD;
- Elwo S.A: 66.888 thousand RSD;
- ABB Sweden: 62.751 thousand RSD;
- Modranska potrubni a.s: 39.960 thousand RSD;
- Klaus Faber AG: 36.807 thousand RSD and other.

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• **Other business commitments** in the amount of 7.230 thousand RSD relate mostly to: EP Garant: 5.407 thousand RSD (commitments for insurance premiums and reinsurance, etc), EP Niskogradnja: 936 thousand RSD and EP Visokogradnja: 887 thousand RSD.

• **Commitments from specific operations** in the amount of 291.075 thousand RSD relate mostly to EP Visokogradnja: 194.036 thousand RSD, commitments to GP „Rad“ based on works in Iraq – ongoing lawsuit) and EP Entel: 97.039 thousand RSD (commitment to partners in accordance with the contract for Phase VII in Qatar).

**42. OTHER SHORT TERM COMMITMENTS AND ACCRUALS**

	30.06.2014 (RSD 000)	31.12.2013 (RSD 000)
Salaries and emoluments	1.448.717	1.169.943
Dividends	640.888	126.179
Other commitments	63.296	68.637
<b>Total</b>	<b>2.152.901</b>	<b>1.364.759</b>

• **Salaries and emoluments** in the amount of 1.448.717 thousand RSD relate mostly to EP Visokogradnja in the amount of 755.855 thousand RSD ((liabilities /net, taxes and contributions, liabilities to Chambers / for salaries in Serbia and abroad), EP Niskogradnja: 318.771 thousand RSD, EP Entel: 165.431 thousand RSD, EP Hidroinzenjering: 85.992 thousand RSD, EP Oprema: 31.539 thousand RSD and other companies in the Energoprojekt Group.

The increase in commitments for salaries and emoluments in comparison to the previous year relates mostly to EP Visokogradnja, since the salaries in Serbia for May and June 2014 have not been paid yet, salaries abroad for 2013 and 2014 (partially) and allowances for January-June 2014.

• **Dividends** in the amount of 640.888 thousand RSD relate mostly to EP Holding: 405.335 thousand RSD, Energoplast: 102.800 thousand RSD, EP Oprema: 92.817 thousand RSD, EP Entel: 35.833 thousand RSD, and other companies in the Energoprojekt Group in the amount of 4.103 thousand RSD.

The increase in dividends, in comparison to the previous year, relates, first of all, to EP Holding in the amount of 397.824 thousand RSD and is the result of the decision from the 42nd General Meeting of EP Holding shareholders on the distribution of undistributed profit for the payment of dividends in the amount of 36,00 RSD per share (gross) or the total amount of 393.527 thousand RSD.

• **Other commitments** in the amount of 63.296 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 28.332 thousand RSD (mostly interests, commitments to employees and natural persons, etc), EP Niskogradnja: 13.583 thousand RSD and EP Entel: 9.180 thousand RSD, and other companies in the Energoprojekt Group in the amount of 12.201 thousand RSD.

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**43. VAT AND OTHER PUBLIC REVENUES, ACCRUALS**

	30.06.2014	31.12.2013
	(RSD 000)	(RSD 000)
VAT and other public revenues	468.128	341.114
Accruals	1.514.749	609.866
<b>Total</b>	<b>1.982.877</b>	<b>950.980</b>

• **VAT and other public commitments** in the amount of 468.128 thousand RSD relate, first of all, to:

- EP Visokogradnja in the amount of 337.068 thousand RSD, relate mostly to VAT-related liabilities (in the country and abroad) in the amount of 228.323 thousand RSD and other commitments (income tax-related liabilities in other countries) in the amount of 108.745 thousand RSD;

- EP Oprema: 63.119 thousand RSD relate mostly to VAT-related liabilities in the amount of 46.986 thousand RSD and other commitments (income tax-related liabilities in other countries and other fees) in the amount of 16.133 thousand RSD;

- EP Holding: 24.301 thousand RSD, relate mostly to property tax-related commitment for 2014 in the amount of 17.725 thousand RSD;

- EP Niskogradnja: 20.383 thousand RSD relate mostly to, first of all, to VAT-related liabilities in Peru: 14.228 thousand RSD; and other companies in the Energoprojekt Group in the amount of 23.257 thousand RSD.

• **Accruals**, in the amount of 1.514.749 thousand RSD, predominantly include to the following companies in the Energoprojekt Group:

- EP Niskogradnja: 550.989 thousand RSD, This amount refers to accrued expenses related to domestic and foreign projects (Peru and Uganda) in the amount of 503.375 thousand RSD;

- EP Visokogradnja: the amount of 383.394 thousand RSD refers, first of all, to calculated future expenses in the amount of 208.346 thousand RSD (suppliers have not issued any invoices for these expenses as of the date of the financial statements and these expenses relate to the period till 30.06.2014) and to calculated future income in the amount of 175.046 thousand RSD according to progress certificates submitted to investors, which contain expenses that were not incurred in the period covered, because the investor had included in these progress certificates materials that are not yet installed.

- EP Oprema: 349.989 thousand RSD relates to calculated expenses of the subcontractor for the project RTB Bor: 247.416 thousand RSD, not received invoice by LS Kranova: 9.852 thousand RSD, and collected guarantees for Elwo: 92.721 thousand RSD;

- EP Garant: 183.138 thousand RSD, relates mostly to transferable insurance premiums and liability provisions.

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**44. COMMITMENT AND CONTINGENCIES**

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

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

Information on the lawsuits is presented below:



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No.	Plaintiff	Respondent	Legal grounds	Value	Competent court	Expected date of closure	Expected outcome
1.	Aleksandar Vasojevic	EP Holding	Annulment of resolutions from the XXXVII EGM		Commercial Court of Belgrade	2014	Unsubstantiated
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 Raonic	EP VG, EP UiA and EP Holding	Copyright claim	7.000.000,00 RSD	Higher Court of Belgrade	2014	Outcome uncertain
6.	Association of Small Shareholders, Association of Pensioners, Jovan Korolija and Ivan Petrovic	EP Holding	Annulment of resolutions from the XXXVII EGM		Commercial Court of Belgrade	2014	Unsubstantiated
7.	Radomir Banjac	Damage claim	4.400.000,00 RSD	First Primary Court of Belgrade	Damage claim	2015	Unsubstantiated
8.	Sreta Ivanisevic	Compensation for expropriated property (Bezanija)		First Primary Court of Belgrade	Compensation for expropriated property (Bezanija)	Outcome uncertain	Outcome uncertain
9.	Vladan i Tomislav Krdzic	EP Holding	Damage claim (free shares not allotted to the plaintiffs)	444.000,00 RSD	Commercial Court of Belgrade	2014	Unsubstantiated
10.	Republic of Serbia	EP Holding	Establishment of apartment ownership		Commercial Court of Belgrade	2014	Founded
11.	Ivana Pekovic	EP Holding	Ownership claim		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

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No.	Plaintiff	Respondent	Legal grounds	Value	Competent court	Expected date of closure	Expected outcome
14.	EP Holding	Serbian government, EPS power co, Epsturs ltd. 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.	Belim plc, initiated bankruptcy proceedings	EP Holding	Unfounded acquisition of wealth	89.393.916,52 RSD	Commercial Court of Belgrade	2014	Outcome uncertain
19.	EP Holding	BMP plc	Share appraisal		Commercial Court of Belgrade	2014	Founded
20.	EP Visokogradnja	Kosmaj mermer	Establishment of separate claim	400.000,00 RSD incl. interest as of 29/01/1998	CCB	2015	Founded
21.	Kosmaj mermer	EP Visokogradnja	Establishment of unfoundedness of separate claim		CCB	2015	Unsubstantiated
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 the First Instance Court
23.	EP Visokogradnja	Promex TV Zvornik	Debt claim	667.104,25 RSD	CCB	2014	Legal suit upheld by the First Instance Court
24.	Reb Darko	EP Visokogradnja	Debt claim	64.740,01 EUR	First Primary Court of Belgrade	2014	Legal suit dismissed by the First Instance Court

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No.	Plaintiff	Respondent	Legal grounds	Value	Competent court	Expected date of closure	Expected outcome
25.	EP Visokogradnja	LHR	Debt claim	580.000,00 RSD	CCB	2015	Founded
26.	Stamenovic Bozidar	EP Visokogradnja	Unfounded acquisition	487.179,65 RSD	First Primary Court of Belgrade	2014	Legal suit dismissed by the First Instance Court in repeated proceedings
27.	EP Visokogradnja	Trudbenik gradnja	Claim recognized in bankruptcy proceedings	2.767.501,76 RSD	CCB		Settlement uncertain
28.	Bomaran ltd.	EP Visokogradnja	Debt claim	1.440.900,00 RSD	CCB	2014	Legal suit upheld by First Instance Court
29.	Gajic Slobodan	EP Visokogradnja	Damage claim	450.000,00 RSD	Primary Court of Sremska Mitrovica	2014	Legal suit upheld by First Instance Court partially, in the amount of 240.000,00 RSD
30.	Djordje Miksa	EP Visokogradnja	Contractual penalty	512.000,00 RSD	First Primary Court of Belgrade	2014	Outcome uncertain
31.	Jagoda Miksa	EP Visokogradnja	Contractual penalty	504.000,00 RSD	First Primary Court of Belgrade	2014	Legal suit upheld by First Instance Court
32.	Sladjan Pavlovic	EP Visokogradnja	Damage claim	1.700.000,00 RSD	First Primary Court of Belgrade	2015	Partially founded
33.	EP Visokogradnja	Cvitan Dragan	Debt	212.067,77 RSD	First Primary Court of Belgrade	2014	Founded
34.	Natasa Milojevic	EP Visokogradnja	Establishment of ownership rights	100.000,00 RSD	First Primary Court	2014	Legal suit dismissed by the First Instance Court
35.	EP Visokogradnja	Beton gradnja ltd.	Debt	271.813,90 RSD	CCB	2014	Founded
36.	EP Visokogradnja	Alumaks sistemi ltd.	Damage claim (block 29)	31.605.600,00 RSD	CCB	2015	Repeated proceedings initiated by the Second Instance Court
37.	EP Visokogradnja	Veso Romc	Unfounded acquisition of wealth	35.301.780,00 RSD	CCB	2014	Founded
38.	EP Visokogradnja	Beocvor	Debt (Prokop)	290.385.390,00 RSD		2014	Founded

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No.	Plaintiff	Respondent	Legal grounds	Value	Competent court	Expected date of closure	Expected outcome
39.	EP Visokogradnja	Jugobanka plc. in bankruptcy	Claim registration	5.000.000,00 USD	CCB		Founded, Claim recognized in bankruptcy proceedings
40.	EP Visokogradnja	Beobanka plc. in bankruptcy	Claim registration	1.031.053,82 USD	CCB		Founded, Claim recognized in bankruptcy proceedings
41.	EP Visokogradnja	Banex trade in bankruptcy	Debt 800.203,44 GBP collected 8.478.580,00 RSD		CCB		Founded
42.	EP Visokogradnja	Belim plc.	Debt under settlement agreement	612.000,00 USD	CCB	Ended	Founded, outstanding
43.	EP Visokogradnja	Grad Beograd, Direkcija za gradj. Zemljiste, RS	Dug (Arena)	208.000.245,40 RSD	PSB	2014	Founded, returned to first instance procedure
44.	EP Visokogradnja	JP Zeleznice, Beocvor	Debt (Prokop)	407.301.020,00 RSD	CCB	2014	Founded
45.	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 the First Instance Court
46.	Bozo Tomasevic	EP Visokogradnja	Annulment of employment contract termination	140.000,00 RSD	First Primary Court of Belgrade	2014	Unsubstantiated
47.	Aleksandar Petrovic	EP Visokogradnja	Contract termination and damage claim	3.500.000,00 RSD	First Primary Court of Belgrade	2014	Partially founded
48.	Sava Krajinovic	EP Visokogradnja	Unfounded acquisition of wealth	269.000,00 RSD	First Primary Court of Belgrade	2014	Unsubstantiated
49.	Ljiljana Damjano	EP Visokogradnja	Performance and damage claim	350.000,00 RSD	First Primary Court of Belgrade	2014	Unsubstantiated
50.	SIEN Ltd.	EP Visokogradnja	Debt, SMIP	438.530,00 RSD	CCB		Partially founded
51.	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
52.	Kombit	EP Visokogradnja	Debt (Prokop)	1.269.860,00 RSD	CCB		Partially founded
53.	Milorad Vasic	EP Visokogradnja	Damage claim (block 12)	31.235.250,00 RSD	Higher Court of Belgrade	2014	Partially founded
54.	EP Visokogradnja	Sinisa and Dragan Romic	Contesting of share transfer agreement		Commercial Court of Belgrade	2015	Founded

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No.	Plaintiff	Respondent	Legal grounds	Value	Competent court	Expected date of closure	Expected outcome
55.	Kojic Milan	EP Visokogradnja	Debt-salaries	1.130,00 EUR	First Primary Court of Belgrade	2014	Unsubstantiated
56.	EP Visokogradnja	Farmakom MB d.o.o	Debt	1.340.520,00 RSD	Commercial Court of Valjevo	2015	Outcome uncertain – not likely
57.	EP Visokogradnja	LP Gas ltd.	Debt	1.644.012,60 RSD	Commercial Court of Belgrade	2015	Outcome uncertain
58.	Drago Stupar and others	EP Visokogradnja	Establishment of ownership rights (land)		OS Herceg Novi	2014	Founded
59.	Dusan Petrovic, Vladimir Glisovic i EGP Investments	EP Visokogradnja	Share appraisal		Commercial Court of Belgrade	2015	Outcome uncertain
60.	Sasa Boskovic	EP Visokogradnja	Share appraisal		Commercial Court of Belgrade	2015	Outcome uncertain
61.	Husein Smailovic	EP Visokogradnja plc	Assessment of monthly rent as compensation for damages	59.000,00 RSD per month beginning with Jan 2010	First Primary Court of Belgrade	2015	Outcome uncertain. Partially founded
62.	EGP Investments	EP Viskogradnja plc	Share appraisal		Commercial Court of Belgrade	2014	Outcome uncertain
63.	Ostojic Dragomir, Djuric Milorad i Jorgic broker plc	EP Visokogradnja plc	Share appraisal		CCB	2014	Outcome uncertain
64.	EP Visokogradnja	Republic of Serbia	Convalidation of the contract (Vozdovac)		Higher Court of Belgrade	2014	Outcome uncertain
65.	EP Visokogradnja	PIK Zemun (Agricultural Industrial Complex), in the process of restructuring	Debt	33.705,46 RSD	CCB	2015	Founded, enforced settlement procedure suspended, because the debtor is in the process of restructuring
66.	EP Visokogradnja	Construction craft workshop Krstic, owned	Debt	115.776,00 RSD incl. accrued interest	CCB	2015	Founded. Enforced settlement initiated

**ENERGOPROJEKT GROUP, BELGRADE**  
**NOTES TO THE SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**  
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No.	Plaintiff	Respondent	Legal grounds	Value	Competent court	Expected date of closure	Expected outcome
		by Krstic Radomir					
67.	EP Visokogradnja	Private craft shop Kvirin, owned by Tanaskovic Milan	Debt	31.642,40 RSD	CCB	2015	Founded. Enforced settlement
68.	EP Visokogradnja	Practical long range rifle shooting club Delta	Debt	147.397,60 RSD incl. accrued interest	CCB	2014	Founded. Enforced settlement
69.	EP Visokogradnja	Port express ltd.	Debt	102.015,38 RSD	Commercial Court of Subotica	2014	Founded
70.	EP Visokogradnja	Munja Lux ltd.	Debt	84.043,00 RSD	CCB	2014	Founded
71.	Dragan Petrovic	EP Visokogradnja	Annulment of employment contract termination		III Primary Court of Belgrade	2016	Outcome uncertain
72.	Fond PIO	Kolex and EP Viskogradnja	Confirmation of contract annulment		Higher Court of Belgrade	2015	Outcome uncertain
73.	Zorica Grujic Kis and Zlatica Mazibrada	EP Visokogradnja, RS, Novi Beograd Municipality and the City of Belgrade	Establishment of ownership rights over building land (Block 22)		III Primary Court	2015	Outcome uncertain
74.	Mag Etrol	EP Visokogradnja	Debt	205.968,00 RSD	CCB	2014	Founded. Court settlement
75.	Energetika i održavanje ltd.	EP Visokogradnja	Debt	6.169.405,40 RSD	CCB	2014	Founded. Court settlement

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No.	Plaintiff	Respondent	Legal grounds	Value	Competent court	Expected date of closure	Expected outcome
76.	EP Visokogradnja	Archery Association	Debt	70.803,28 RSD			Outdated claim
77.	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
78.	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
79.	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
80.	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
81.	EP Urbanizam i arhitektura	Miodrag Cvijic	Debt	1.523.072,42 RSD	First Primary Court of Belgrade	Outcome uncertain	Founded, execution proceedings in progress
82.	Tamara Vukadinovic	EP Urbanizam i arhitektura	Annulment of employment contract termination	50.000,00 RSD	First Primary Court of Belgrade	Outcome uncertain	Outcome uncertain
83.	Jelena Davidovic	EP Urbanizam i arhitektura	Annulment of employment contract termination	87.666,66 RSD	First Primary Court of Belgrade	Outcome uncertain	Outcome uncertain
84.	Katarina Cvejic	EP Urbanizam i arhitektura	Payment of the fee based on a temporary service agreement		First Primary Court of Belgrade	Outcome uncertain	Unsubstantiated
85.	Vladimir Markovic	EP Urbanizam i arhitektura	Foreign currency salary	10.147,80 USD	Higher Court of Belgrade	Outcome uncertain	Legal suit upheld by the First Instance Court
86.	Branko Lakcevic, 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

**ENERGOPROJEKT GROUP, BELGRADE**  
**NOTES TO THE SEMI-ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**  
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No.	Plaintiff	Respondent	Legal grounds	Value	Competent court	Expected date of closure	Expected outcome
87.	EP Oprema	Graditelj Leskovac	Contracted services	71.129.042,82 RSD	CC Leskovac	Ended	Founded settlement difficult, debtor has filed for bankruptcy
88.	EP Oprema i EP Holding	Medvedja municipality	Refund of given	120.000.000,00 RSD	CC Leskovac	First Instance procedure	Founded
89.	EP Oprema	DGP Zlatibor	Fee for work performed	42.000.000,00 RSD	CC Belgrade	Ended	Founded, settlement difficult, debtor has filed for bankruptcy
90.	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
91.	EP Oprema	Serbian Clinical Centre	Damage claim	1.559,000,00 EUR	Commercial Court of Belgrade	2014	Founded, first instance proceedings are in progress
92.	EP Oprema	Nemanja Iovic	Unfounded acquisition	64.600,50 RSD	First Primary Court of Belgrade	2014	Founded Court expected to schedule a hearing
93.	Vodovod Leskovac	EP Oprema	Contract termination	92.000.000,00 RSD	CC Leskovac	2014	Partially founded
94.	EP Oprema	Beogradska arena	Damage claim	4.817.705,00 RSD	CC Belgrade	2014	Founded
95.	Tekic Sinisa	EP Oprema	Damage claim	160.254,00 RSD	First Primary Court of Belgrade	2014	Unsubstantiated
96.	Stanojkovic Milorad	EP Oprema and JP Elektromreze	Damage claim	10.000,00 RSD	Primary Court of Vranje	2014	Partly founded First instance proceedings are in progress
97.	Marinkovic Stanisa	EP Oprema -intervener	Damage claim	304.000,00 RSD	Primary Court of Vranje	2014	Partly founded First instance proceedings are in



**ENERGOPROJEKT GROUP, BELGRADE**  
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No.	Plaintiff	Respondent	Legal grounds	Value	Competent court	Expected date of closure	Expected outcome
							progress
98.	Stanojlovic Cedomir	EP Oprema-intervener	Damage claim	261.000,00 RSD	Primary Court of Vranje	2014	Partly founded First instance proceedings are in progress
99.	Ristic Cedomir	EP Oprema-intervener	Damage claim	63.000,00 RSD	Primary Court of Vranje	2014	Partly founded First instance proceedings are in progress
100.	Milan Ilic i 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.
101.	Milan Cvetkovic	EP Oprema JP Elektromreze Srbije	Damage claim	1.328.270,00 RSD	Primary Court	2015	Partially founded
102.	Novica Cirkovic	EP Oprema JP Elektromreze Srbije	Damage claim	100.000,00 RSD	Primary Court	2015	Partially founded
103.	Minel Trafo (in bankruptcy)	EP Oprema	Recovery of claim	1.692.237,79 RSD	Commercial Court of Belgrade	2014	Ruling in favour of plaintiff, under appeal
104.	Dunav Osiguranje	EP Niskogradnja	Recourse claim for indemnity	2.500.000,00 RSD	Commercial Court of Belgrade	2014	Legal suit upheld by the First Instance Court
105.	Pension and Disability Insurance Fund, Branch Belgrade	EP Niskogradnja	Recourse claim for indemnity	419.600,10 RSD	Commercial Court of Belgrade	Outcome uncertain, suspended pending the outcome of the criminal proceedings	Outcome uncertain

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No.	Plaintiff	Respondent	Legal grounds	Value	Competent court	Expected date of closure	Expected outcome
106.	Republic Health Insurance Fund, Branch Belgrade	EP Niskogradnja	Recourse claim for indemnity	468.345,00 RSD	Court of Appeals in Belgrade	Outcome uncertain	Outcome uncertain Legal suit upheld by the First Instance Court
107.	Dunav insurance company	EP Niskogradnja	Recourse claim for indemnity	2.500.000,00 RSD	Commercial Court of Belgrade	2014	Founded
108.	Aleksandar Babic et al.	EP Niskogradnja	Bonus payout	40.906,00 EUR	First Primary Court of Belgrade	2014	Unsubstantiated
109.	Gordana and Veselin Medenica	EP Niskogradnja	Damage claim – workplace injury	3.200.000,00 RSD	First Primary Court of Belgrade	2014	Outcome uncertain
110.	Milko Tadic	EP Niskogradnja	Annulment of employment contract termination		First Primary Court of Belgrade	2014	Unsubstantiated
111.	Bosna putevi Sarajevo	EP Niskogradnja	Debt, trip to Yemen	17.604.299,00 USD	Commercial Court of Belgrade	Outcome uncertain	Unsubstantiated
112.	Vladimir Marinkovic	EP Niskogradnja	Overtime work, Peru	5.552,84 USD	First Primary Court of Belgrade	2014	Unsubstantiated
113.	Danica Mutapovic	EP Niskogradnja	Bonuses, Peru	11.416,43 USD	First Primary Court of Belgrade	2014	Unsubstantiated
114.	Dragan Neskovic et al.	EP Niskogradnja	Bonuses, Peru	62.574,37 USD	First Primary Court of Belgrade	2014	Unsubstantiated
115.	Intermost doo in bankruptcy	EP Niskogradnja	Payment for materials (Novi Sad)	189.827.985,00 RSD	Commercial Court of Belgrade	2014	Outcome uncertain
116.	Jovan Cvokic i dr.	EP Niskogradnja	Bonuses	20.145,11 EUR	Primary Court of Belgrade	2014	Unsubstantiated
117.	EP Niskogradnja	Internacional CG in the process of restructuring	Debt	182.056,00 RSD	Commercial Court of Belgrade	2014	Founded
118.	Dragan Kuveljic	EP Niskogradnja	Share appraisal		Commercial Court of Belgrade	2014	Outcome uncertain

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No.	Plaintiff	Respondent	Legal grounds	Value	Competent court	Expected date of closure	Expected outcome
119.	Angelina and Dejan Lukic	EP Niskogradnja	Damage claim	2.000.000,00 RSD	Primary Court of Belgrade	2015	Unsubstantiated
120.	EP Niskogradnja	Intermost ltd. in bankruptcy	Debt (Novi Sad)	378.685.160,00 RSD	Commercial Court of Belgrade	2014	Founded
121.	EP Niskogradnja	UniCredit bank plc. Mostar	Advance payment bond	7.000.000,00 KM	Municipal Court of Sarajevo	Outcome uncertain	Founded
122.	EP Niskogradnja	UniCredit bank plc. Mostar	Contract performance bond	3.500.000,00 KM	Municipal Court of Sarajevo	Outcome uncertain	Founded
123.	EP Niskogradnja	UniCredit bank plc. Mostar	Advance payment bond	4.000.000,00 KM	Municipal Court of Sarajevo	Outcome uncertain	Founded
124.	EP Niskogradnja	JIK Banka plc. in bankruptcy	Claim registration	218.000,00 USD	Commercial Court of Belgrade	Outcome uncertain	Founded
125.	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
126.	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
127.	Simic Ljubisa	1. JP Putevi Srbije 2. EP Niskogradnja	Damage claim	4.598,80 EUR	First Primary Court of Belgrade	2015	Unsubstantiated lawsuit against EP Niskogradnja
128.	Mladen Perisic	EP Niskogradnja	Share appraisal		Commercial Court of Belgrade	2015	Unsubstantiated
129.	EGP Investments	EP Niskogradnja	Share appraisal		Commercial Court of Belgrade	2015	Unsubstantiated
130.	UTMA Komerc ltd.	EP Niskogradnja	Share appraisal		Commercial Court of Belgrade	2015	Unsubstantiated
131.	Dragan Tomic	EP Niskogradnja	Share appraisal		Commercial Court of Belgrade	2015	Unsubstantiated

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No.	Plaintiff	Respondent	Legal grounds	Value	Competent court	Expected date of closure	Expected outcome
132.	Dragomir Ostojic	EP Niskogradnja	Share appraisal		Commercial Court of Belgrade	2015	Unsubstantiated
133.	Igor and Sasa Sebic	EP Niskogradnja	Share appraisal		Commercial Court of Belgrade	2015	Unsubstantiated
134.	Sasa Boskovic	EP Niskogradnja	Share appraisal		Commercial Court of Belgrade	2015	Unsubstantiated
135.	Milanka Bancic	EP Industrija	Annulment of allotment resolution for solidarity apartments		First Primary Court of Belgrade, 9-P1-4419/10	2014	Outcome uncertain
136.	Milanka Bancic	EP Industrija	Purchase of solidarity apartment-out of court		First Primary Court of Belgrade,8-R1-948/10	2014	Outcome uncertain
137.	Marko Martinoli	EP Industrija	Annulment of GM resolution		Commercial Court of Belgrade, 29-P-5056/2012	2014	Outcome uncertain
138.	EP Industrija	Jugoremedija a.d.- 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
139.	EP Industrija	Jugoremedija plc.- in bankruptcy	Establishment of claim	19.146.240,15 RSD	Commercial Court of Zrenjanin	2014	Outcome uncertain
140.	Marko Martinoli	EP Entel	Annulment of separate financial statement		Commercial Court	Outcome uncertain	Outcome uncertain
141.	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
142.	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 the end of 2014	Outcome uncertain
143.	Counterclaim COKA MUNICIPALITY	Counter respondent EP-Hidroinzenjering	Contract termination due to delayed performance		Commercial Court of Novi Sad	First instance ruling by the end of 2014	Outcome uncertain

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**45. OFF-BALANCE SHEET LIABILITIES**

The Group's off-balance sheet liabilities totaling 22.107.245 thousand RSD refer to:

- guarantees issued and received (tender guarantees, advances, performance bonds, guarantee deposit, etc.) and letter of credits in the amount of 16.472.568 thousand RSD;
- land use rights in the amount of 5.150.156 thousand RSD; and
- Other in the amount of 484.521 thousand RSD.

**46. MORTGAGES REGISTERED IN FAVOUR OR AGAINST COMPANIES FROM THE ENERGOPROJEKT GROUP**

- **Mortgage registered against Energoprojekt**

The company "Energoprojekt Entel" LLC Doha, Qatar reserves the disposal and usufruct right with regard to the property of total area of 4.488 m<sup>2</sup>, located on *cadastral parcels number* 65582, 65583, 65584, 65585, 65586, 65587, 65588, 65589 and 65590 with area of 10.736 m<sup>2</sup>, in Doha - Qatar, Zone 44, East Al Naija, 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 849.865 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.

As collateral against long term bank loan from VTB bank, Energoplast provided a pledge on its equipment for the production of stoppers.

- 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.

- **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 Novi Beograd, registered in the registry of immovable property no. 4550, cadastral municipality Novi Beograd in favour of the Company.

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**47. POST BALANCE SHEET EVENTS**

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

In Belgrade,  
11.08.2014

## 2. BUSINESS REPORT

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- Reliable presentation of the development and business results of the company, its financial status and property assessment;
  - Description of the anticipated company growth in the next time period, changes in company's business policies and main risks and threats to which the company is exposed;
  - Major business events after the expiration of the business year included in the report;
  - Major business deals with related parties;
  - Activities of the company in the field of research and development;
- 

Note:

The Business Report and the Consolidated Business Report are presented together as a single report and contain vital information for the economic entity.

## **Reliable presentation of the development and business results of the company, its financial status and assets evaluation data**

Reliable presentation of the development and business results of Energoprojekt Holding plc (parent company) and the Energoprojekt Group, their financial status and assets evaluation data are presented in detail and explained in the "Notes to financial statements" (Chapter 1 of the respective report).

In 2014, Energoprojekt Group has planned to conclude new contracts in *Serbia* and abroad in the amount of *293,3 million EUR, in particular: in Serbia 62,4 million EUR (21%) and abroad 230,9 million EUR (79%)*. In the first half of 2014, new contracts were signed in the total amount of *245,8 million EUR: in Serbia 141,5 million EUR (58%) and abroad 104,3 million EUR (42%)*, which is 84% of the annual plan for new contracts

On the last day of the reporting period, the Energoprojekt Group had new contracts worth ca. 484 million EUR (in Serbia 190 million EUR; abroad 294 million EUR).

## **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 at the 2nd Meeting of the Board of Directors of Energoprojekt Holding plc held on 29.07.2011). The adopted mid-term work programme will be implemented through a variety of projects (in total 16 projects) for which respective work teams are formed and project activities dynamics have 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.

In the future, it is expected that the Energoprojekt Group will play a more important role in the upcoming cycle of investments into infrastructural projects in Serbia, such as highways, hydro and thermal energy, renewable energy sources, ecology and public and social infrastructure buildings.

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.

At the 42nd repeated General Meeting of Energoprojekt Holding plc shareholders, held on 17.06.2014, the following relevant Resolutions were adopted: Resolution to adopt the annual consolidated report of the Energoprojekt Group for 2013; Resolution to adopt the annual report of Energoprojekt Holding plc for 2013; Resolution to distribute undistributed profit; Resolution to adopt the report of the Supervisory Board of Energoprojekt Holding plc and Resolution on the appointment of auditors for 2014 and their service fee; Resolution on the amendment of the Articles of Association of Energoprojekt Holding plc; Resolution on the appointment of members of the Supervisory Board of Energoprojekt Holding plc. and the Resolution on the repurchase of own shares of Energoprojekt Holding plc.

Other companies within the Energoprojekt Group have held regular general meetings of shareholders within the legal deadline and all presented resolutions have been adopted.

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**

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. Detailed explanation is given in the "Note to financial statements".

Energoprojekt Holding plc, in accordance with provisions of Articles 515 and 516 of the Law on Enterprises and resolutions on the compulsory share buyout adopted on general meetings (held on 31.03.2014), has performed the compulsory share buyout from all remaining shareholders in subsidiaries Energoprojekt Visokogradnja plc, Energoprojekt Hidroinzenjering plc, Energoprojekt Urbanizam i arhitektura plc. and Energoprojekt Energodata plc. Shares were repurchased from all remaining shareholders that are not under lien or otherwise blocked in accordance with the terms of the Resolutions on the compulsory share buyout adopted at the general meetings of the respective companies.

## **Research and development activities of the Company**

Energoprojekt Holding plc. implements and upgrades its own integrated management system (IMS) that includes quality management (in compliance with ISO 9001:2008), management of environmental protection activities (in compliance with ISO 14001:2004) and the management of health and safety at work (in compliance with OHSAS 18001:2007).

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.

### 3. STATEMENT OF RESPONSIBILITY (BY PERSONS WHO PREPARED THE REPORTS)

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To the best of our knowledge, the Semi-Annual Consolidated Financial Statement of Energoprojekt Group for 2014 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 statements.

Pursuant to the Capital Market Law („Official Gazette of the Republic of Serbia“ No. 31/2011), we hereby declare that respective financial statements have not been revised.

Person responsible for the preparation of the Report:


Legal representative:

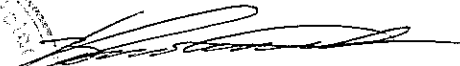
Energoprojekt Holding plc

Energoprojekt Holding plc

Executive Director for Finance, Accounting and Planning

Chief Executive Officer

  
Dr. Dimitraki Zipovski, BSc(Econ)

  
Vladimir Milovanovic, BSc(Eng)

4. DECISION BY THE RELEVANT DEPARTMENT OF THE COMPANY TO  
ADOPT THE SEMI-ANNUAL CONSOLIDATED STATEMENT OF  
ENERGOPROJEKT GROUP FOR 2014 \*

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Note \*:

- The semi-annual consolidated statement of Energoprojekt Group for 2014 was approved and adopted on 13.08.2014 at the 162nd Meeting of the Executive Committee of the reporting company.

In Belgrade, August 2014

Person responsible for the preparation of the Report:

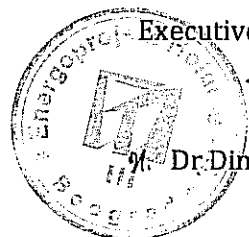
Legal representative:

Energoprojekt Holding plc

Energoprojekt Holding plc

Executive Director for Finance, Accounting and Planning

Chief Executive Officer



Dr. Dimitraki Zipovski, BSc(Econ)



Vladimir Milovanovic, BSc(Eng)