

**INCOME STATEMENT**  
for the period January 1 to December 31 , 2010

in 000 RSD

Group accounts, account	P O S I T I O N	EDP	Amount		
			Note no.	Current year	Previous year
1	2	3	4	5	6
	<b>A. BUSINESS REVENUE AND EXPENSES</b>				
	<b>I. BUSINESS REVENUE (202+203+204-205+206)</b>	201		<b>20,234,478</b>	<b>21,588,101</b>
60 and 61	1. Sale revenue	202	8	24,198,178	20,007,949
62	2. Revenue from undertaking of outputs and goods for own purposes	203		37,589	36,998
630	3. Increase of inventories	204	9	693,282	2,440,586
631	4. Decrease of inventories	205	9	4,884,400	1,110,706
64 and 65	5. Other business revenue	206	10	189,829	213,274
	<b>II. BUSINESS EXPENSES (208 to 212)</b>	207		<b>19,641,614</b>	<b>20,484,727</b>
50	1. Cost value of sold goods	208	11	203,512	188,840
51	2. Cost of material	209	12	5,297,782	5,238,724
52	3. Staff costs	210	13	5,997,996	5,841,456
54	4. Depreciation and provisions costs	211	14	802,299	1,102,740
53 and 55	5. Other business expenses	212	15	7,340,025	8,112,967
	<b>III. PROFIT FROM OPERATIONS (201 - 207)</b>	213		<b>592,864</b>	<b>1,103,374</b>
	<b>IV. LOSS FROM OPERATIONS (207 - 201)</b>	214		-	-
66	V. FINANCIAL REVENUE	215	16	<b>2,670,287</b>	<b>1,813,320</b>
56	VI. FINANCIAL EXPENSES	216	16	<b>2,346,352</b>	<b>2,137,177</b>
67, 68	VII. OTHER REVENUE	217	17	<b>662,526</b>	<b>1,124,699</b>
57, 58	VIII. OTHER EXPENSES	218	17	<b>684,481</b>	<b>739,649</b>
	<b>IX. PROFIT FROM OPERATIONS BEFORE TAX (213-214+215-216+217-218)</b>	219		<b>894,844</b>	<b>1,164,567</b>
	<b>X. LOSS FROM OPERATIONS BEFORE TAX (214-213-215+216-217+218)</b>	220		-	-
69-59	XI. NET PROFIT FROM DISCONTINUED OPERATIONS	221		-	-
59-69	XII. NET LOSS FROM DISCONTINUED OPERATIONS	222	18	2,884	379
	<b>B. PROFIT BEFORE TAX (219-220+221-222)</b>	223		<b>891,960</b>	<b>1,164,188</b>
	<b>V. LOSS BEFORE TAX (220-219+222-221)</b>	224		-	-
	<b>G. INCOME TAX</b>			-	-
721	1. Tax expenses for the period	225		<b>145,048</b>	<b>92,534</b>
722	2. Deferred tax expenses for the period	226		-	<b>2,716</b>
722	3. Deferred tax revenues for the period	227		<b>1,845</b>	-
723	<b>D. EMPLOYER'S EARNINGS PAID</b>	228		-	-
	<b>Đ. NET PROFIT (223-224-225-226+227-228)</b>	229		<b>748,757</b>	<b>1,068,938</b>
	<b>E. NET LOSS (224-223+225+226-227+228)</b>	230		-	-
	<b>Ž. NET PROFIT BELONGING TO MINORITY INVESTORS</b>	231		<b>105,136</b>	<b>200,922</b>
	<b>Z. NET PROFIT BELONGING TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	232		<b>643,621</b>	<b>868,016</b>
	<b>I. EARNINGS PER SHARE</b>			-	-
	1. Basic earnings per share	233		-	-
	2. Decreased (diluted) earnings per share	234		-	-
	<b>Total revenue (201+215+217+221)</b>			<b>23,567,291</b>	<b>24,526,120</b>
	<b>Total expenses (207+216+218+222)</b>			<b>22,675,331</b>	<b>23,361,932</b>
	<b>Gross results</b>			<b>891,960</b>	<b>1,164,188</b>

**BALANCE SHEET**  
**on December 31, 2010**

in 000 RSD

Group accounts account	POSITION	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	<b>A. NON-CURRENT ASSETS (002+003+004+005+009)</b>	001		<b>8,872,679</b>	<b>7,973,821</b>
00	I. UNPAID SUBSCRIBED CAPITAL	002		-	-
012	II. GOODWILL	003		-	-
01 w/out 012	III. INTANGIBLE ASSETS	004		90,806	94,057
	IV. PROPERTY, PLANT, EQUIPMENT AND BIOLOGICAL ASSETS (006+007+008)	005		6,792,254	6,193,314
020,022,023, 026,027(part), 028(part) .029	1. Property, plant and equipment	006	20	6,340,811	6,004,128
024,027(part) 028(part)	2. Investment property	007	20	451,443	189,186
021,025,027 (part) and 028(part)	3. Biological assets	008		-	-
	V. LONG-TERM FINANCIAL INVESTMENTS (010+011)	009		<b>1,989,619</b>	<b>1,686,450</b>
030 to 032, 039(part)	1. Equity share	010	21	643,424	778,866
033 to 038, 039(part) less 037	2. Other long-term financial investments	011	22	1,346,195	907,584
	<b>B. CURRENT ASSETS (013+014+015)</b>	012		<b>16,460,454</b>	<b>18,023,578</b>
10 to 13,15	I. INVENTORIES	013	23	4,144,498	7,077,182
14	II. NON-CURRENT ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS	014		8,942	8,942
	III. SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH (016+017+018+019+020)	015		12,307,014	10,937,454
20, 21 and 22, except 223	1. Receivables	016	24	6,553,506	5,233,076
223	2. Receivables for overpaid income tax	017		110,120	137,570
23 less 237	3. Short-term financial investments	018	25	1,987,170	1,185,091
24	5. Cash equivalents and cash	019	26	2,877,078	2,969,494
27 and 28 except 288	4. VAT and accruals	020	27	779,140	1,412,223
288	<b>C. DEFERRED TAX ASSETS</b>	021		-	13,383
	<b>D. OPERATING ASSETS (001+012+021)</b>	022		<b>25,333,133</b>	<b>26,010,782</b>
29	<b>E. LOSS OVER CAPITAL</b>	023		-	-
	<b>F. TOTAL ASSETS (022+023)</b>	024		<b>25,333,133</b>	<b>26,010,782</b>
88	<b>G. OFF-BALANCE SHEET ITEMS</b>	025	40	<b>8,006,030</b>	<b>13,816,859</b>

Group accounts, account	POSITION	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	<b>CAPITAL AND LIABILITIES</b>				
	<b>A. CAPITAL (102+103+104+105+106-107+108-109-110)</b>	101		<b>10,201,589</b>	<b>9,242,189</b>
30	I. ISSUED AND OTHER CAPITAL	102	28	4,566,356	4,066,317
31	II. UNPAID SUBSCRIBED CAPITAL	103		-	-
32	III. RESERVES	104	29	578,431	532,332
330 i 331	IV. REVALUATION RESERVES	105	30	958,158	869,133
332	V. UNREALIZED GAINS BASED ON SECURITIES AVAILABLE FOR SALE	106		60,049	67,646
333	V. UNREALIZED LOSSES BASED ON SECURITIES AVAILABLE FOR SALE	107		19,865	17,626
34	VII. RETAINED EARNINGS	108	31	4,058,801	3,728,305
35	VIII. LOSS	109	31	-	-
037 and 237	IX. REDEEMED OWN SHARES	110		341	3,918
	<b>B. NON-CURRENT PROVISIONS AND LIABILITIES (112+113+116)</b>	111		<b>15,106,502</b>	<b>16,708,158</b>
40	I. NON-CURRENT PROVISIONS	112	32	867,380	932,350
41	II. NON-CURRENT LIABILITIES (114+115)	113		2,039,114	1,736,062
414, 415	1. Long-term credits	114	33	1,611,397	1,595,549
41 w/out 414 and 415	2. Other non-current liabilities	115	34	427,717	140,513
	<b>III. CURRENT LIABILITIES (117+118+119+120+121+122)</b>	116		<b>12,200,008</b>	<b>14,039,746</b>
42, except 427	1. Short-term financial liabilities	117	35	3,176,582	2,249,532
427	2. Liabilities from assets held for sale and assets from discontinued operations	118		-	-
43 and 44	3. Liabilities from business operations	119	36	6,711,561	9,643,544
45 i 46	4. Other short-term liabilities	120	37	817,519	787,456
47, 48 except 481 and 49 except 498	5. VAT and other public liabilities and accruals	121	38	1,494,346	1,316,774
481	6. Income tax liabilities	122		-	42,440
498	<b>C. DEFERRED TAX LIABILITIES</b>	123		<b>25,042</b>	<b>60,435</b>
	<b>D. TOTAL CAPITAL AND LIABILITIES (101+111+123)</b>	124		<b>25,333,133</b>	<b>26,010,782</b>
89	<b>E. OFF-BALANCE SHEET ITEMS</b>	125	40	<b>8,006,030</b>	<b>13,816,859</b>

**CASH FLOW STATEMENT**  
for the period January 1 to December 31 , 2010

in 000 RSD

Position	EDP	Amount	
		Current year	Previous year
1	2	3	4
<b>A. CASH FLOW FROM BUSINESS ACTIVITIES</b>			
<b>I. Cash flow from business activities (1 to 3)</b>	301	<b>21,676,694</b>	<b>22,300,666</b>
1. Sale and received advance payments	302	21,330,801	21,989,905
2. Received interests from business activities	303	61,926	79,061
3. Other cash flow from regular operations	304	283,967	231,700
<b>II. Cash outflow from business activities (1 to 5)</b>	305	<b>22,700,646</b>	<b>21,457,439</b>
1. Cash to suppliers and advances paid	306	14,658,334	14,542,816
2. Staff costs	307	6,614,675	5,477,383
3. Interests paid	308	283,396	296,135
4. Income tax	309	213,183	227,840
5. Other public duties	310	931,058	913,265
<b>III. Net cash flow from business activities (I-II)</b>	311	-	<b>843,227</b>
<b>IV. Net cash outflow from business activities (II-I)</b>	312	<b>1,023,952</b>	-
<b>B. CASH FLOW FROM INVESTMENTS</b>			
<b>I. Cash flow from investments (1 to 5)</b>	313	<b>2,602,035</b>	<b>340,287</b>
1. Sale of shares and stakes (net inflow)	314	4,216	41,860
2. Sale of intangible assets, property, plant, equipment and biological assets	315	54,363	24,418
3. Other financial investments (net inflow)	316	2,449,846	195,177
4. Interests received from investments	317	54,102	75,197
5. Dividends received	318	39,508	3,635
<b>II. Cash outflow from investments (1 to 3)</b>	319	<b>2,784,256</b>	<b>847,617</b>
1. Acquisition of shares and stakes (net outflow)	320	1,329	2,230
2. Acquisition of intangible assets, property, plant, equipment and biological assets	321	-	692,494
3. Other financial investments (net outflow)	322	2,468,724	152,893
<b>III. Net cash flow from investments (I-II)</b>	323	-	-
<b>IV. Net cash outflow from investments (II-I)</b>	324	<b>182,221</b>	<b>507,330</b>
<b>V. CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>I. Cash flow from financing activities (1 to 3)</b>	325	<b>1,754,618</b>	<b>1,092,997</b>
1. Increase of capital assets	326	-	8,612
2. Long-term and short-term credits (net inflow)	327	1,302,684	749,998
3. Other long-term and short-term liabilities	328	451,934	334,387
<b>II. Cash outflow from financing activities (1 to 4)</b>	329	<b>827,059</b>	<b>1,350,116</b>
1. Acquisition of own shares and stakes	330	-	4,954
Long and short-term credits and other liabilities (net outflow)	331	712,764	1,191,007
3. Finance leasing	332	95,528	57,957
4. Dividends paid	333	18,767	96,198
<b>III. Net cash flow from financing activities (I-II)</b>	334	<b>927,559</b>	-
<b>IV. Net cash outflow from financing activities (II-I)</b>	335	-	<b>257,119</b>
<b>G. TOTAL CASH FLOW (301+313+325)</b>	336	<b>26,033,347</b>	<b>23,733,950</b>
<b>D. TOTAL CASH OUTFLOW (305+319+329)</b>	337	<b>26,311,961</b>	<b>23,655,172</b>
<b>DJ. NET CASH FLOW (336-337)</b>	338	-	<b>78,778</b>
<b>E. NET CASH OUTFLOW (337-336)</b>	339	<b>278,614</b>	-
<b>Z. CASH AT THE BEGINNING OF THE ACCOUNTING PERIOD</b>	340	<b>2,969,494</b>	<b>3,085,355</b>
<b>Z. GAINS ON EXCHANGE</b>	341	<b>645,648</b>	<b>384,203</b>
<b>I. LOSS ON EXCHANGE</b>	342	<b>459,450</b>	<b>578,842</b>
<b>J. CASH AT THE END OF THE ACCOUNTING PERIOD</b> ( 338-339+340+341-342)	343	<b>2,877,078</b>	<b>2,969,494</b>

**STATEMENT OF CHANGES IN CAPITAL  
for the period January 1 to December 31, 2010**

in 000 RSD

No.	DESCRIPTION	EDP	Issued capital (group 30 without 309)	EDP	Other capital (account 309)	EDP	Unpaid sub-scribed capital (group 31)	EDP	Emission premium (account 320)	EDP	Reserves (account 321, 322)	EDP	Revaluation reserves (group 330,331)	EDP	Unrealized gains based on securities available for sale (account 332)	EDP	Unrealized losses based on securities available for sale (account 333)	EDP	Undistributed profit (group 34)	EDP	Loss to the capital value (group 35)	EDP	Redeemed own shares and stakes (account 037, 237)	EDP	Total (quant. 2+3+4+5+6+7+8-9+10-11-12)	EDP	Loss above capital (group 29)
		1	2	3	4	5	6	7	8	9	10	11	12	13	14												
1	Balance on January 1,	401	3,563,641	414	101,320	427	-	440	228,504	453	257,951	466	929,183	479	61,565	492	11,751	505	2,950,639	518	-	531	3,427	544	8,077,625	557	-
2	Correction of materially significant errors and changes in accounting policies in the previous year - increase	402	-	415	-	428	-	441	-	454	-	467	-	480	-	493	-	506	-	519	-	532	-	545	-	558	-
3	Correction of materially significant errors and changes in accounting policies in the previous year - decrease	403	-	416	-	429	-	442	-	455	-	468	-	481	-	494	-	507	-	520	-	533	-	546	-	559	-
4	Corrected initial balance on January 1, of the previous year (no.1+2-3)	404	3,563,641	417	101,320	430	-	443	228,504	456	257,951	469	929,183	482	61,565	495	11,751	508	2,950,639	521	-	534	3,427	547	8,077,625	560	-
5	Total increase in the previous year	405	461,479	418	11	431	-	444	5,736	457	44,606	470	53,161	483	13,882	496	9,258	509	1,781,362	522	-	535	4,647	548	2,346,332	561	-
6	Total decrease in the previous year	406	57,758	419	2,376	432	-	445	1,679	458	2,786	471	113,211	484	7,801	497	3,383	510	1,003,696	523	-	536	4,156	549	1,181,768	562	-
7	Balance on December 31, previous year (no.4+5-6)	407	3,967,362	420	98,955	433	-	446	232,561	459	299,771	472	869,133	485	67,646	498	17,626	511	3,728,305	524	-	537	3,918	550	9,242,189	563	-
8	Correction of materially significant errors and changes in accounting policies in the previous year - increase	408	-	421	-	434	-	447	-	460	-	473	-	486	-	499	-	512	-	525	-	538	-	551	-	564	-
9	Correction of materially significant errors and changes in accounting policies in the previous year - decrease	409	-	422	-	435	-	448	-	461	-	474	-	487	-	500	-	513	-	526	-	539	-	552	-	565	-
10	Corrected initial balance on January 1, of the current year (no.7+8-9)	410	3,967,362	423	98,955	436	-	449	232,561	462	299,771	475	869,133	488	67,646	501	17,626	514	3,728,305	527	-	540	3,918	553	9,242,189	566	-
11	Total increase in the current year	411	517,245	424	15,335	437	-	450	4,115	463	43,769	476	115,013	489	-	502	8,555	515	972,167	528	-	541	31	554	1,659,058	567	-
12	Total decrease in the current year	412	16,908	425	15,633	438	-	451	69	464	1,716	477	25,988	490	7,597	503	6,316	516	641,671	529	-	542	3,608	555	699,658	568	-
13	Balance on December 31, of the current year (no. 10+11-12)	413	4,467,699	426	98,657	439	-	452	236,607	465	341,824	478	958,158	491	60,049	504	19,865	517	4,058,801	530	-	543	341	556	10,201,589	569	-

STATISTICAL ANNEX  
for the period January 1 to December 31, 2010

AND GENERAL DATA ON THE LEGAL ENTITY, I.E. ENTREPRENEUR

DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4
1. Number of business months (designation from 1 to 12 )	601	12	12
2. Size designation (from 1 to 3)	602	3	3
3. Ownership designation (from 1 to 5)	603	2	2
4. Number of foreign (legal or physical) entities with equity share	604	-	-
5. Average number of employees based on the balance at the end of each month (whole number)	605	2,716	2,750

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

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Gross	Correction of value	Net (col.4-5)
1	2	3	4	5	6
o1	<b>1.Intangible assets</b>				
	1.1. Balance at the beginning of the year	606	221,046	126,989	94,057
	1.2. Increase (acquisitions) during the year	607	32,838	-	32,838
	1.3. Decrease (sale, removal from inventory and impairment) during the year	608		-	36,089
	1.4.Revaluation during the year	609		-	-
	1.5.Balance at the end of the year (606+607-608+609)	610	253,884	158,191	90,806
o2	<b>2. Real property, plant, equipment and biological assets</b>				
	2.1. Balance at the beginning of the year	611	12,342,188	6,148,874	6,193,314
	2.2. Increase (acquisitions) during the year	612	1,995,436	-	1,995,436
	2.3. Decrease (sale, removal from inventory and ensuring) during the year	613	709,412	-	1,396,496
	2.4. Revaluation during the year	614		-	-
	2.5. Balance at the end of the year (611+612-613+614)	615	13,628,212	6,835,958	6,792,254

III STRUCTURE OF INVENTORIES

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
10	1. Inventories	616	1,122,017	771,656
11	2. Unfinished production	617	1,209,541	5,409,328
12	3. Finished products	618	382,337	447,627
13	4. Goods	619	436,736	27,773
14	5. Non-current assets held for sale	620	8,942	8,942
15	6. Advances given	621	993,867	420,798
	<b>7.TOTAL (616+617+618+619+620+621=013 )</b>	<b>622</b>	<b>4,153,440</b>	<b>7,086,124</b>

IV STRUCTURE OF CAPITAL ASSETS

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
300	1. Share capital	623	4,467,557	3,982,995
	in it: foreign capital	624	-	-
301	2. Share of limited liability company	625	142	-
	in it: foreign capital	626	142	-
302	3. Shares of members of partnership and limited-partnership company	627	-	-
	in it: foreign capital	628	-	-
303	4. State-owned capital	629	-	-
304	5. Socially-owned capital	630	-	-
305	6. Cooperative shares	631	-	-
309	7. Other capital shares	632	98,657	83,322
30	<b>TOTAL: ( 623+625+627+629+630+631+632=102)</b>	<b>633</b>	<b>4,566,498</b>	<b>4,066,317</b>

**V EQUITY STRUCTURE**

 Number of shares as a whole number  
 Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
	<b>1. Ordinary shares</b>			
	1.1. Number of ordinary shares	634	10,105,589	10,105,589
part 300	1.2. Nominal value of ordinary shares - total	635	4,467,557	3,982,995
	<b>2. Priority shares</b>			
	2.1. Number of priority shares	636	-	-
part 300	2.2. Nominal value of priority shares - total	637	-	-
300	<b>3. TOAL - nominal value of shares ( 635+637= 623)</b>	<b>638</b>	<b>4,467,557</b>	<b>3,982,995</b>

**VI RECEIVABLES AND LIABILITIES**

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
20	1. Sale receivables (balance at the end of the year 639 ≤ 016)	639	6,214,024	4,976,350
43	2. Liabilities from operations (balance at the end of the year 640 ≤ 117)	640	6,429,681	9,415,107
part 228	3. Receivables during the year from insurance companies for damages (debt turnover without initial balance)	641	2,252	1,659
27	4. VAT paid during acquisition of goods and services (debt turnover without initial balance )	642	1,057,531	1,531,634
43	5. Business liabilities (receivables turnover without initial balance)	643	16,206,451	18,615,211
450	6. Liabilities for net income and income compensations (receivables turnover without initial balance)	644	3,699,995	3,912,005
451	7. Liabilities for salaries tax and salaries compensations paid by employees (receivables turnover without initial balance)	645	419,574	266,740
452	8. Liabilities for contributions on salaries and salaries compensations paid by employees (receivables turnover without initial balance)	646	679,351	403,710
461,462 and 723	9. Liabilities for dividends, profit share and employer's personal earnings (receivables turnover without initial balance)	647	9,573	258,301
465	10. Liabilities toward physical entities for compensations per contracts (receivables turnover without initial balance)	648	18,999	29,017
47	11. VAT collected during sale of products, goods and services (receivables turnover without initial balance)	649	1,010,818	1,708,895
	<b>12. Control summary (from 639 to 649)</b>	<b>650</b>	<b>35,748,249</b>	<b>41,118,629</b>

**VII OTHER EXPENSES AND EXPENDITURES**

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	DEP designation	Current year	Previous year
1	2	3	4	5
513	1. Fuel and energy costs	651	766,336	670,544
520	2. Salaries and salaries compensations (gross)	652	4,700,993	4,582,455
521	3. Tax expenses and contributions on salaries and salaries compensations paid by employer	653	595,132	610,411
522,523,524 and 525	4. Expenses for compensations to physical entities (gross) based on contracts	654	124,419	134,999
526	5. Expenses of compensations to BoD & Supervision Board members (gross)	655	41,364	38,874
529	6. Other personal expenses and compensations	656	536,088	474,717
53	7. Expenses of production services	657	5,217,748	6,275,364
533, part 540 and part 525	8. Lease expenses	658	536,864	435,255
part 533, part 540 & part 525	9. Expenses of land lease	659	12,474	-
536,537	10. Expenses of research and development	660	821	1,747
540	11. Depreciation expenses	661	689,911	622,384
552	12. Expenses of insurance premiums	662	102,059	82,063
553	13. Payroll expenses	663	218,471	179,229
554	14. Membership fees	664	14,971	13,026
555	15. Tax expenses	665	508,378	614,285
556	16. Contributions	666	2,330	442
562	17. Interests	667	304,075	285,190
part 560, part 561 and 562	18. Interests expenses and a part of financial expenses	668	333,919	304,248
part 560, part 561 and part 562	19. Interests expenses per credits and banks and dfo	669	113,866	103,959
part 579	20. Expenses for humanitarian, cultural, health, educational, scientific and religious purposes, for protection of the Environment and sports	670	35,507	11,311
	<b>21. Control summary (from 651 to 670)</b>	<b>671</b>	<b>14,855,726</b>	<b>15,440,503</b>

**VIII OTHER REVENUE**

Amounts in 000 RSD

Group accounts, account	DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4	5
60	1. Goods sale revenue	672	217,159	249,721
640	2. Revenue from premiums, subsidies, dotations, recourses, compensations and tax duties returns	673	948	5,465
641	3. Revenue from conditioned donations	674	838	238
part 650	4. Revenue from land lease	675	2,383	10,205
651	5. Membership revenue	676	4,067	5,464
part 660, part 661, 662	6. Interests revenue	677	387,131	142,752
part 660, part 661, and part 662	7. Revenue from interests per accounts and deposits in banks and other financial organizations	678	60,996	60,602
part 660, part 661 and part 669	8. Revenue from dividends and profit share	679	44,480	220,157
	<b>9. Control summary (from 672 to 679 )</b>	<b>680</b>	<b>718,002</b>	<b>694,604</b>

**IX OTHER DATA**

Amounts in 000 RSD

DESCRIPTION	EDP designation	Current year	Previous year
1	2	3	4
1. Liabilities for ascises (according to annual ascises calculation)	681	12	-
2. Calculated custom duties and other import duties (total annual amount according to calculation)	682	52,062	370
3. Capital subsidies and other state subsidies for construction and acquisition of capital assets and intangible assets	683	-	-
4. State allocations for premiums, recourses and covering of current operating expenses	684	-	-
5. Other state allocations	685	-	-
6. Received donations from abroad and other non-returnable assets in money or nature from foreign legal and physical entities	686	-	-
7. Personal income of entrepreneurs from net profit (filled in by entrepreneurs only)	687	-	-
<b>8. Control summary (from 681 to 687)</b>	<b>688</b>	<b>52,074</b>	<b>370</b>

**ENERGOPROJEKT GROUP, BELGRADE**

**NOTES TO THE  
CONSOLIDATED FINANCIAL STATEMENTS  
2010**



**ENERGOPROJEKT GROUP, BELGRADE**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR 2010**

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**CONSOLIDATED P&L ACCOUNT**  
for the period from January 1 to December 31 2010

(RSD thousand)

Account group, account	DESCRIPTION	ADP	Note	Total	
				Current year	Previous year
	<b>A. BUSINESS INCOME AND EXPENDITURE</b>				
	<b>I. BUSINESS INCOME (202+203+204-205+206)</b>	201		<b>20.234.478</b>	<b>21.588.101</b>
60&61	1. Return on sales	202	8	24.198.178	20.007.949
62	2. Own use of products, services and merchandise	203		37.589	36.998
630	3. Increase of finished goods, work in progress and services in progress	204	9	693.282	2.440.586
631	4. Decrease of finished goods, work in progress and services in progress	205	9	4.884.400	1.110.706
64&65	5. Other business revenue	206	10	189.829	213.274
	<b>II. BUSINESS EXPENDITURE</b>	207		<b>19.641.614</b>	<b>20.484.727</b>
50	1. Cost of merchandise sold	208	11	203.512	188.840
51	2. Cost of material	209	12	5.297.782	5.238.724
52	3. Costs of salaries, fringe benefits and other personal expenses	210	13	5.997.996	5.841.456
54	4. Costs of depreciation and provisions	211	14	802.299	1.102.740
53&55	5. Other business expenditure	212	15	7.340.025	8.112.967
	<b>III. BUSINESS PROFIT</b>	213		<b>592.864</b>	<b>1.103.374</b>
	<b>IV. BUSINESS LOSSES</b>	214			
66	<b>V. FINANCIAL INCOME</b>	215	16	<b>2.670.287</b>	<b>1.813.320</b>
56	<b>VI. FINANCIAL EXPENDITURE</b>	216	16	<b>2.346.352</b>	<b>2.137.177</b>
67,68	<b>VII. OTHER INCOME</b>	217	17	<b>662.526</b>	<b>1.124.699</b>
57,58	<b>VIII. OTHER EXPENDITURE</b>	218	17	<b>684.481</b>	<b>739.649</b>
	<b>IX. REGULAR BUSINESS REVENUE BEFORE TAX</b>	219		<b>894.844</b>	<b>1.164.567</b>
	<b>X. REGULAR BUSINESS LOSSES BEFORE TAX</b>	220			
69-59	<b>XI. NET PROFIT FROM SUSPENDED OPERATIONS</b>	221			
59-69	<b>XII. NET LOSSES FROM SUSPENDED OPERATIONS</b>	222	18	2.884	379
	<b>B. PROFIT BEFORE TAX</b>	223		<b>891.960</b>	<b>1.164.188</b>
	<b>C. LOSSES BEFORE TAX</b>	224			
	<b>D. CORPORATE INCOME TAX</b>				
721	1. Tax liabilities for the period	225		145.048	92.534
722	2. Deferred tax liabilities for the period	226			2.716
723	3. Deferred tax income for the period	227		1.845	
	<b>E. PERSONAL WAGES PAID TO EMPLOYER</b>	228			
	<b>F. NET PROFIT</b>	229		<b>748.757</b>	<b>1.068.938</b>
	<b>G. NET LOSS</b>	230			
	<b>H. NET PROFIT PAYABLE TO MINORITY STAKEHOLDERS</b>	231		105.136	200.922
	<b>I. NET PROFIT PAYABLE TO PARENT COMPANY OWNERS</b>	232		643.621	868.016
	<b>J. EARNINGS PER SHARE</b>				
	1. Basic earnings per share	233			
	2. Diluted earnings per share	234			

## CONSOLIDATED BALANCE SHEET

as at December 31 2010

(RSD thousand)

Account group, account	DESCRIPTION	ADP	Note	Total	
				Current year	Previous year
	<b>ASSETS</b>				
	<b>A. NON-CURRENT ASSETS</b>	001		<b>8.872.679</b>	<b>7.973.821</b>
00	<b>I. SUBSCRIBED CAPITAL, UNPAID</b>	002			
012	<b>II. GOODWILL</b>	003			
01 without 012	<b>III. INTANGIBLES</b>	004		90.806	94.057
	<b>IV. PROPERTY, PLANT, EQUIPMENT AND NATURAL ASSETS</b>	005		6.792.254	6.193.314
020,022,023,02 6,027(part),028 (part),029	1. Property, plant & equipment	006	20	6.340.811	6.004.128
024,027(part)& 028(part)	2. Investment property	007	20	451.443	189.186
021,025,027 (part)&028(part)	3. Natural assets	008			
	<b>V. LONG-TERM FINANCIAL INVESTMENTS</b>	009		1.989.619	1.686.450
030 do 032,039(part)	1. Share of Capital	010	21	643.424	778.866
033 do 038,039(part) less 037	2. Other long-term financial investments	011	22	1.346.195	907.584
	<b>B. CURRENT ASSETS</b>	012		<b>16.640.454</b>	<b>18.023.578</b>
10 to 13,15	<b>I. MATERIAL</b>	013	23	4.144.498	7.077.182
14	<b>II. ASSETS HELD FOR TRADING AND SUSPENDED BUSINESS ASSETS</b>	014		8.942	8.942
	<b>III. SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH</b>	015		12.307.014	10.937.454
20,21&22, except 223	1. Receivables	016	24	6.553.506	5.233.076
223	2. Receivables from prepaid income tax	017		110.120	137.570
23 less 237	3. Short-term financial investments	018	25	1.987.170	1.185.091
24	4. Cash and cash equivalents	019	26	2.877.078	2.969.494
27&28 except 288	5. VAT and deferred income	020	27	779.140	1.412.223
288	<b>IV. DEFERRED TAX ASSETS</b>	021			13.383
	<b>C. BUSINESS PROPERTY</b>	022		<b>25.333.133</b>	<b>26.010.782</b>
29	<b>D. LOSSES OVER CAPITAL</b>	023			
	<b>E. TOTAL ASSETS</b>	024		<b>25.333.133</b>	<b>26.010.782</b>
88	<b>F. OFF-BALANCE SHEET ASSETS</b>	025	40	<b>8.006.030</b>	<b>13.816.859</b>

## CONSOLIDATED BALANCE SHEET

as at December 31 2010 (cont'd)

Account group, account	DESCRIPTION	ADP	Note	(RSD thousand)	
				Total	
				Current year	Previous year
	<b>LIABILITIES</b>				
	<b>A. CAPITAL</b>	101		<b>10.201.589</b>	<b>9.242.189</b>
30	I. ORIGINAL AND OTHER CAPITAL	102	28	4.566.356	4.066.317
31	II. SUBSCRIBED CAPITAL, UNPAID	103			
32	III. RESERVES	104	29	578.431	532.332
330&331	IV. REVALUATION RESERVES	105	30	958.158	869.133
332	V. UNREALIZED PROFITS FROM SECURITIES	106	30	60.049	67.646
333	VI. UNREALIZED LOSSES FROM SECURITIES	107	30	19.865	17.626
34	VII. UNDISTRIBUTED PROFIT	108	31	4.058.801	3.950.945
35	VIII. LOSSES	109	31		222.640
037&237	IX. REDEEMED SHARES	110		341	3.918
	<b>B. LONG-TERM RESERVES AND LIABILITIES</b>	111		<b>15.106.502</b>	<b>16.708.158</b>
40	I. LONG-TERM RESERVES	112	32	867.380	932.350
41	II. LONG-TERM COMMITMENTS	113		2.039.114	1.736.062
414,415	1. Long-term loans	114	33	1.611.397	1.595.549
41 without 414&415	2. Other long-term commitments	115	34	427.717	140.513
	III. SHORT-TERM COMMITMENTS	116		12.200.008	14.039.746
42 except 427	1. Short-term financial commitments	117	35	3.176.582	2.249.532
427	2. Commitments for assets intended for sale and suspended business assets	118			
43&44	3. Business commitments	119	36	6.711.561	9.643.544
45&46	4. Other short-term commitments	120	37	817.519	787.456
47, 48 except 481&49 except 498	5. VAT and other public revenue and accruals	121	38	1.494.346	1.316.774
481	6. Corporate income tax	122			42.440
498	IV. DEFERRED TAX LIABILITIES	123		25.042	60.435
	<b>C. TOTAL LIABILITIES</b>	124		<b>25.333.133</b>	<b>26.010.782</b>
89	<b>D. OFF-BALANCE LIABILITIES</b>	125	40	<b>8.006.030</b>	<b>13.816.859</b>
	<b>MINORITY INTEREST (EQUITY)</b>			<b>1.081.234</b>	<b>1.000.533</b>

## CONSOLIDATED CASH FLOW STATEMENT

for the period from January 1 to December 31 2010

(RSD 000)

DESCRIPTION	ADP	Total	
		Current year	Previous year
<b>A. CASH FLOW FROM BUSINESS OPERATIONS</b>			
<b>I. Cash inflow from business operations</b>	301	<b>21.676.694</b>	<b>22.300.666</b>
1. Sales return and received advances	302	21.330.801	21.989.905
2. Received interest from business operations	303	61.926	79.061
3. Other cash inflows from regular business operations	304	283.967	231.700
<b>II. Cash outflow from business operations</b>	305	<b>22.700.646</b>	<b>21.457.439</b>
1. Payments to suppliers and advances given	306	14.658.334	14.542.816
2. Salaries, emoluments and other personal expenses	307	6.614.675	5.477.383
3. Paid interest	308	283.396	296.135
4. Income tax	309	213.183	227.840
5. Other public revenue expenses	310	931.058	913.265
<b>III. Net cash inflow from business operations</b>	311		<b>843.227</b>
<b>IV. Net cash outflow from business operations</b>	312	<b>1.023.952</b>	
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
<b>I. Cash inflow from investing activities</b>	313	<b>2.602.035</b>	<b>340.287</b>
1. Sale of shares and equity investments (net inflow)	314	4.216	41.860
2. Sale of intangible assets, plant, property, equipment & natural assets	315	54.363	24.418
3. Other financial investments (net inflow)	316	2.449.846	195.177
4. Received interest	317	54.102	75.197
5. Received dividends	318	39.508	3.635
<b>II. Cash outflow from investing activities</b>	319	<b>2.784.256</b>	<b>847.617</b>
1. Purchase of shares and equity investments (net outflow)	320	1.329	2.230
2. Purchase of intangible assets, plant, property, equipment & natural assets	321	314.203	692.494
3. Other financial investments (net outflow)	322	2.468.724	152.893
<b>III. Net cash inflow from investing activities</b>	323		
<b>IV. Net cash outflow from investing activities</b>	324	<b>182.221</b>	<b>507.330</b>

**CONSOLIDATED CASH FLOW STATEMENT – cont'd**

**for the period from January 1 to December 31 2010**

(RSD 000)

DESCRIPTION	ADP	Total	
		Current year	Previous year
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>I. Cash inflow from financing activities</b>	325	<b>1.754.618</b>	<b>1.092.997</b>
1. Increase of original capital	326		8.612
2. Long term and short term loans (net inflow)	327	1.302.684	749.998
3. Other long term and short term liabilities	328	451.934	334.387
<b>II. Cash outflow from financing activities</b>	329	<b>827.059</b>	<b>1.350.116</b>
1. Repurchase of treasury shares and equity	330		4.954
2. Long term and short term loans and other liabilities (net outflow)	331	712.764	1.191.007
3. Finance leasing	332	95.528	57.957
4. Paid dividends	333	18.767	96.198
<b>III. Net cash inflow from financing activities</b>	334	<b>927.559</b>	
<b>IV. Net cash outflow from financing activities</b>	335		<b>257.119</b>
<b>D. CASH INFLOW TOTAL</b>	336	<b>26.033.347</b>	<b>23.733.950</b>
<b>E. CASH OUTFLOW TOTAL</b>	337	<b>26.311.961</b>	<b>23.655.172</b>
<b>F. CASH INFLOW NET</b>	338		<b>78.778</b>
<b>G. CASH OUTFLOW NET</b>	339	<b>278.614</b>	
<b>H. OPENING CASH BALANCE</b>	340	<b>2.969.494</b>	<b>3.085.355</b>
<b>I. FX GAINS FROM CASH TRANSLATION</b>	341	645.648	384.203
<b>J. FX LOSSES FROM CASH TRANSLATION</b>	342	459.450	578.842
<b>K. CLOSING CASH BALANCE</b>	343	<b>2.877.078</b>	<b>2.969.494</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the period from January 1 to December 31 2010**

RSD 000

No.	ITEM	Original capital (group 30 w/o 309)	Other capital (a/c 309)	Registered capital unpaid (group 31)	Issuing premium (a/c 320)	Reserves (a/c 321, 322)	Revaluation reserves (group 33)	Unrealized profits from securities (332)	Unrealized losses from securities (333)	Undistributed profit (group 34)	Loss up to capital (group 35)	Repurchased shares and equity (a/c 037,237)	TOTAL	Loss over capital (group 29)
1	ADP	401	414	427	440	453	466	479	492	505	518	531	544	557
	Balance on January 1 of previous year 2009	<b>3.563.641</b>	<b>101.320</b>		<b>228.504</b>	<b>257.951</b>	<b>929.183</b>	<b>61.565</b>	<b>11.751</b>	<b>2.950.639</b>		<b>3.427</b>	<b>8.077.625</b>	
2	ADP	402	415	428	441	454	467	480	493	506	519	532	545	558
	Correction of significant material errors and changes in accounting policies in previous year - increase													
3	ADP	403	416	429	442	455	468	481	494	507	520	533	546	559
	Correction of significant material errors and changes in accounting policies in previous year - decrease													
4	ADP	404	417	430	443	456	469	482	495	508	521	534	547	560
	Restated opening balance on January 1 of previous year 2009 (No.1+2-3)	3.563.641	101.320		228.504	257.951	929.183	61.565	11.751	2.950.639		3.427	8.077.625	
5	ADP	405	418	431	444	457	470	483	496	509	522	535	548	561
	Total increase in previous year	461.479	11		5.736	44.606	53.161	13.882	9.258	1.781.362		4.647	2.346.332	
6	ADP	406	419	432	445	458	471	484	497	510	523	536	549	562
	Total decrease in previous year	57.758	2.376		1.679	2.786	113.211	7.801	3.383	1.003.696		4.156	1.181.768	
7	ADP	407	420	433	446	459	472	485	498	511	524	537	550	563
	Balance on December 31 of previous year 2009 (No.4+5-6)	<b>3.967.362</b>	<b>98.955</b>		<b>232.561</b>	<b>299771</b>	<b>869.133</b>	<b>67.646</b>	<b>17.626</b>	<b>3.728.305</b>		<b>3.918</b>	<b>9.242.189</b>	
8	ADP	408	421	434	447	460	473	486	499	512	525	538	551	564
	Correction of significant material errors and changes in accounting policies in current year - increase													
9	ADP	409	422	435	448	461	474	487	500	513	526	539	552	565
	Correction of significant material errors and changes in accounting policies in current year - decrease													
10	ADP	410	423	436	449	462	475	488	501	514	527	540	553	566
	Restated opening balance on January 1 of current year 2010 (No.7+8-9)	<b>3.967.362</b>	<b>98.955</b>		<b>232.561</b>	<b>299.771</b>	<b>869.133</b>	<b>67.646</b>	<b>17.626</b>	<b>3.728.305</b>		<b>3.918</b>	<b>9.242.189</b>	
11	ADP	411	424	437	450	463	476	489	502	515	528	541	554	567
	Total increase in current year	517.245	15.335		4.115	43.769	115.013		8.555	972.167		31	1.659.058	
12	ADP	412	425	438	451	464	477	490	503	516	529	542	555	568
	Total decrease in current year	16.908	15.633		69	1.716	25.988	7.597	6.316	641.671		3.608	699.658	
13	ADP	413	426	439	452	465	478	491	504	517	530	543	556	569
	Balance on December 31 of current year 2010 (No.10+11-12)	<b>4.467.699</b>	<b>98.657</b>		<b>236.607</b>	<b>341.824</b>	<b>958.158</b>	<b>60.049</b>	<b>19.865</b>	<b>4.058.801</b>		<b>341</b>	<b>10.201.589</b>	

**CONSOLIDATED STATISTICAL ANNEX  
FOR 2010**

**I GENERAL INFORMATION ON THE LEGAL ENTITY / ENTREPRENEUR**

I T E M	ADP	Current Year	Previous Year
1. Total months of operation (indicate from 1 to 12)	601	12	12
2. Size (indicate from 1 to 3)	602	3	3
3. Ownership (indicate from 1 to 5)	603	2	2
4. Number of foreign (legal or natural) parties with share of equity	604		
5. Average number of employees based on monthly account (whole number)	605	2.716	2.750

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

Account Group, Account	I T E M	ADP	RSD 000		
			Gross	Adjusted	Net (4-5)
01	<b>1. Intangible assets</b>				
	1.1. Opening balance	606	<b>221.046</b>	<b>126.989</b>	<b>94.057</b>
	1.2. Increase (purchases) during the year	607	32.838		32.838
	1.3. Decrease (disposal, depreciation and writing off) during the year	608	4.887		36.089
	1.4. Revaluation during the year	609			
	1.5. Balance at end of year	610	<b>248.997</b>	<b>158.191</b>	<b>90.806</b>
02	<b>2. Property, plant, equipment &amp; natural assets</b>				
	2.1. Opening balance	611	<b>12.342.188</b>	<b>6.148.874</b>	<b>6.193.314</b>
	2.2. Increase (purchases) during the year	612	1.995.436		1.995.436
	2.3. Decrease (disposal, depreciation and writing off) during the year	613	709.412		1.396.496
	2.4. Revaluation during the year	614			
	2.5. Balance at end of year	615	<b>13.628.212</b>	<b>6.835.958</b>	<b>6.792.254</b>

**III STRUCTURE OF INVENTORIES**

Account Group, Account	I T E M	ADP	RSD 000	
			Current Year	Previous Year
10	1. Materials	616	1.122.017	771.656
11	2. WIP (Work in Progress)	617	1.209.541	5.409.328
12	3. Finished products	618	382.337	447.627
13	4. Goods	619	436.736	27.773
14	5. Assets held for trading	620	8.942	8.942
15	6. Advances given	621	993.867	420.798
	<b>7. TOTAL</b>	622	<b>4.153.440</b>	<b>7.086.124</b>



#### IV STRUCTURE OF ORIGINAL CAPITAL

Account Group, Account	I T E M	ADP	RSD 000	
			Current Year	Previous Year
300	1. Share capital	623	4.467.557	3.982.995
	of which: foreign capital	624		
301	2. Share of limited liability companies	625	142	
	of which: foreign capital	626	142	
302	3. Investments by members of partnerships and limited partnerships	627		
	of which: foreign capital	628		
303	4. Government owned capital	629		
304	5. Socially owned capital	630		
305	6. Stakes in co-operatives	631		
309	7. Other original capital	632	98.657	83.322
30	<b>TOTAL</b>	633	<b>4.566.356</b>	<b>4.066.317</b>

#### V STRUCTURE OF SHARE CAPITAL

Account Group, Account	I T E M	ADP	Shares in whole numbers RSD 000	
			Current Year	Previous Year
	<b>1. Ordinary shares</b>			
	1.1 Number of ordinary shares	634	10.105.589	10.105.589
part of 300	1.2 Nominal value of ordinary shares - total	635	4.467.557	3.982.995
	<b>2. Preferred shares</b>			
	2.1 Number of preferred shares	636		
part of 300	2.2 Nominal value of preferred shares - total	637		
300	<b>TOTAL</b>	638	<b>4.467.557</b>	<b>3.982.995</b>

#### VI CLAIMS AND COMMITMENTS

Account Group, Account	I T E M	ADP	RSD 000	
			Current Year	Previous Year
20	1. Claims from sales arrangements (at end of year 639≤016)	639	6.214.024	4.976.350
43	2. Business commitments (at end of year 640≤0117)	640	6.429.681	9.415.107
part of 228	3. Damage claims during year from insurance companies (debit transactions with no opening balance)	641	2.252	1.659
27	4. VAT paid for procuring goods and services (annual according to tax reports)	642	1.057.531	1.531.634
43	5. Business commitments (debit transactions with no opening balance)	643	16.206.451	18.615.211
450	6. Net salaries and fringe benefits (debit transactions with no opening balance)	644	3.699.995	3.912.005
451	7. Salary taxes and duties paid by employee (debit transactions with no opening balance)	645	419.574	266.740
452	8. Contributions for salary and fringe benefits paid by employee (debit transactions with no opening balance)	646	679.351	403.710
461, 462 & 723	9. Dividends, share of profit and employer's remuneration (debit transactions with no opening balance)	647	9.573	258.301
465	10. Obligations to natural persons based on service contracts (debit transactions with no opening balance)	648	18.999	29.017
47	11. VAT paid on sale of products, goods and services (debit transactions with no opening balance)	649	1.010.818	1.708.895
	<b>12. Subtotal (from 639 to 649)</b>	650	<b>35.748.249</b>	<b>41.118.629</b>

## VII OTHER EXPENDITURE

Account Group, Account	I T E M	ADP	RSD 000	
			Current Year	Previous Year
513	1. Cost of fuel and energy	651	766.336	670.544
520	2. Salaries and emoluments (gross)	652	4.700.993	4.582.455
521	3. Salary taxes and contributions and emoluments paid by employer	653	595.132	610.411
522,523, 524&525	4. Obligations to natural persons (gross) based on service contracts	654	124.419	134.999
526	5. Remuneration for board members and the supervisory board (gross)	655	41.364	38.874
529	6. Other personal expenses and fees	656	536.088	474.717
53	7. Production service costs	657	5.217.748	6.275.364
533, part 540 & part 525	8. Leased property	658	536.864	435.255
part 533 part 540 & part 525	9. Leased land	659	12.474	
536,537	10. Research and development	660	821	1.747
540	11. Depreciation	661	689.911	622.384
552	12. Insurance premiums	662	102.059	82.063
553	13. Payment transaction costs	663	218.471	179.229
554	14. Membership fees	664	14.971	13.026
555	15. Taxes	665	508.378	614.285
556	16. Contributions	666	2.330	442
562	17. Interest expenses	667	304.075	285.190
part 560 part 561 & 562	18. Interest expenses and partial financial expenditure	668	333.919	304.248
part 560 part 561 & part 562	19. Interest on loans from banks and other financial organizations	669	113.866	103.959
part 579	20. Expenses for humanitarian, cultural, health care, educational, scientific and religious purposes, environmental protection and sports	670	35.507	11.311
	<b>21. Subtotal (from 651 to 670)</b>	<b>671</b>	<b>14.855.726</b>	<b>15.440.503</b>

## VIII OTHER INCOME

Account Group, Account	I T E M	ADP	RSD 000	
			Current Year	Previous Year
60	1. Sales return	672	217.159	249.721
640	2. Income premiums, subventions, subsidies, recourse, compensation and tax returns	673	948	5.465
641	3. Income from conditional donations	674	838	238
part 650	4. Income from lease of land	675	2.383	10.205
651	5. Income from membership fees	676	4.067	5.464
part 660, part 661 & part 662	6. Income from interest	677	387.131	142.752
part 660, part 661 & part 662	7. Income from interest on invoices and deposits in banks and other financial organizations	678	60.996	60.602
part 660, part 661, & part 669	8. Income from dividends and profit shares	679	44.480	220.157
	<b>9. Subtotal (from 672 to 679)</b>	<b>680</b>	<b>718.002</b>	<b>694.604</b>

## IX OTHER INFORMATION

I T E M	ADP	RSD 000	
		Current Year	Previous Year
1. Excise duties	681	12	
2. Customs and other import duties (annual amount according to account)	682	52.062	370
3. Capital subventions and other government grants for construction and purchase of fixed assets and intangible investments	683		
4. Government grants for premiums, subsidies and current operating expenses coverage	684		
5. Other government grants	685		
6. Accepted donations from abroad and other nonrefundable assets from foreign legal and natural persons in money or in kind	686		
7. Personal earnings of entrepreneur from net profit (entrepreneurs only)	687		
<b>8. Subtotal (from 681 to 687)</b>	<b>688</b>	<b>52.062</b>	<b>370</b>

**ENERGOPROJEKT GROUP, BELGRADE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. COMPANY BACKGROUND**

Energoprojekt Group, Belgrade (hereinafter: Group) consists of the parent limited company Energoprojekt Holding ad, 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 affiliate (1 limited) in which the Group holds 50% equity share. Operating units and legal entities have been established in Serbia and foreign countries by the parent company and its subsidiaries to engage in operations including building construction and fitting, research and investment building/systems programming, and sale of goods and services.

Energoprojekt Group was organized in 2010 as follows:

Activity	Subsidiaries	Business units for investment work abroad	Foreign companies
Planning and research	4	20	6
Building construction and fitting	3	50	7
Trade	1	-	-
Holding	1	-	8
Other	4	-	1
<b>Total</b>	<b>13</b>	<b>70</b>	<b>22</b>

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

On December 31 2010 the Energoprojekt had 2.589 employees (2009 - 2.683) excluding local staff in overseas companies.

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

**2. CONSOLIDATION GROUP**

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

**Local subsidiaries and affiliates:**

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

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	<i>Other</i>	
8.	EP Energodata a.d.	96,43
9.	EP Promet d.o.o.	100,00
10.	EP Garant a.d.o.	64,13
11.	Energoplast d.o.o.	60,00
	<i>Affiliates</i>	
12.	Enjub d.o.o.	50,00

The first eight local subsidiaries are themselves parent companies and are required to prepare consolidated financial statements.

Based on the General Meeting resolutions of the subsidiaries involved, on July 28 2010, the merger/absorption of Energo Managment Group d.o.o and EP Oprema a.d. was completed, whereby Energo Management Group d.o.o. was dissolved without entering a liquidation procedure while EP Oprema a.d. continued to operate with an equity increase.

**Foreign subsidiaries (foreign companies):**

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

Some of the foreign subsidiaries (Energoprojekt Middle East LLC Dubai, UAE, Energoprojekt (M) Sdn. Bhd., Malaysia, Energogvineja, Guinea and Zecco LTD Zambia) are registered as being owned by EP Holding but are in fact controlled by the subsidiaries.

In addition to those listed above the first level consolidation group also includes Energo Private Limited, Harare, Energoprojekt Co. Zimbabwe; EP Ghana-Ghana; Energo Uganda, Uganda; Enlisa Peru; ECOMEP-Dubai; Energo Nigeria - Nigeria; Zahinos-Cyprus; Enhisa S.A. Peru; EP Entel Oman; Energoprojekt Entel Qatar; Energo consult Abu Dhabi UAE; United Consulting Botswana and Energodata Montenegro, Montenegro.

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

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

**ENERGOPROJEKT GROUP, BELGRADE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS**

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

The Group's consolidated financial statements have been prepared in the form prescribed by the Regulation of the Form and Contents of Financial Statements submitted by companies, cooperatives, other legal entities and entrepreneurs (RS Official Gazette 114/06 and 119/08).

**3.1. Functional and reporting currency**

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

Figures in the financial statements are shown in thousands of RSD (functional currency and domicile currency) as at balance sheet date - December 31, 2010.

Comparative data is shown in thousands of RSD as at December 31, 2009.

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

	31.12.2010	31.12.2009
EUR	105,4982	95,8888
USD	79,2802	66,7285

Applied average annual exchange rates for the figures disclosed in the income statement for 2010 were as follows:

	31.12.2010	31.12.2009
EUR	103,0431	93,95
USD	77,9066	67,46

**4. MANAGEMENT ESTIMATION AND ASSESSMENT**

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

**ENERGOPROJEKT GROUP, BELGRADE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## **5. CONSOLIDATION**

### **5.1. Subsidiaries**

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

### **5.2. Affiliates**

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

### **5.3. Joint ventures**

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

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

### **5.4. Segment reporting**

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

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

## **6. PRINCIPAL ACCOUNTING POLICIES**

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

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The significant accounting policies are shown below:

**(a) Principles of valuation - assumptions**

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

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

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

**(b) Recognition of the elements of financial statements**

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

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

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

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

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

**(c) Profits/losses on translation of foreign currencies**

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



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**(d) Sales revenue**

Sales revenue is defined based on invoices and completed sales transactions until the end of the accounting period, provided a debtor-creditor relation was created on that date and that an invoice was issued. Revenues are measured at the fair value of the consideration received or receivables taking into account the amount of any trade discount and volume rebates allowed by the company. The difference between the fair value and the nominal amount is recognized as interest revenue.

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

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

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

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

**(e) Operating expenses**

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

The basic elements and principles of expense recognition are:

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

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**(f) Profit and losses**

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

Losses arising on the sale of assets by prices lower than book value, those arising on the disposal of none write off fixed assets, damages which can be refunded in whole or separately from insurances and by applying principle of decrease in assets value.

**(g) Financial revenues and expenses**

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

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

**(h) Income tax**

Income tax represents the amount that is calculated in accordance with Serbian Republic Law. Tax obligation is calculated at 10% on the taxable income (in 2007: 10%). The taxable income represents gross income in the income statement (prepared in accordance with the accounting regulations) less some revenue and expenditure according to the tax regulations. Tax deductions are also applied (investments in fixed assets in the entity's registered line of business and other tax deductions according to the tax regulations).

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

**(i) Deferred income tax**

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

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

Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences. Deferred tax assets and liabilities may also be offset against each other.

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**(k) Employee benefits**

**/i/ Pension insurance and employee benefits**

The Group members make payments on behalf of their employees to the Pension Fund of the Republic of Serbia. All employees are members of this pension fund. All contributions arising from said obligation are recognized as an expense/liability at the time of the transaction. The Group members do not have their own pension funds or post-employment plans in the event of termination hence there are no pension duties.

**/ii/ Health insurance**

The Group members pay health insurance contributions which are recognized as an expense/liability when calculated.

**/iii/ Retirement bonus**

The Group members pay to their employees a retirement bonus equal to three net salaries obtained in the month preceding the retirement month (according to the terms of the Particular Collective Agreement).

**/iv/ Post-employment benefits**

A severance wage is payable in cases of consensual termination of an employment contract when the employer and employee agree on termination of employment in exchange for a severance wage, subject to management approval.

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

**Intangible assets** are identifiable non monetary assets without physical substance controlled by the company if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise.

Intangible assets comprise of: goodwill, licenses, concession, trademarks, seals, accounting software, franchises, design and implementation of new products, processes or systems, copyrights, investment in other properties, plants and equipment, etc.

Property, plant and equipment are:

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

An item of property, plant and equipment is recognized as an asset:

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

An item of property, plant and equipment are initially measured at its cost – purchase price. The cost price consists of the invoiced amount plus any directly attributable costs of bringing the asset to

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working condition for its intended use. Cost price of aforementioned assets produced in the own production comprises of direct and indirect costs relating to this investment.

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

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

Subsequent expenses are treated as subsequent investment:

- if the item's useful life is extended, including an increase in its capacity;
- if a substantial improvement in the quality of output is achieved; and
- if a substantial reduction in previously assessed operating costs is achieved.

All other later subsequent expenses (maintenance costs, technical service, minor repairs etc.) are recognized as an expense when incurred.

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

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

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

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

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

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

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

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

**(I) Depreciation**

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

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

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

For the purposes of financial statements preparation, intangible assets are written off by the proportional method of amortization over a period of five years, excluding investments used over a fixed period, which are written off in accordance with the dates agreed in the contract.

Goodwill is not amortized but is subject to an impairment test conducted before the preparation of the financial reports in accordance with IAS.

Intangible assets with unlimited lifetime are not amortized.

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

For tax balance purposes, depreciation of intangible assets is applied according to the relevant regulations.

Internally generated goodwill is not recognized as an intangible asset.

After initial recognition, property, plant & equipment is disclosed at cost value less total depreciation and impairment losses.

The basis for depreciation of property, plant & equipment consists of cost less residual value of the asset.

Property, plant & equipment are systematically depreciated over the useful life of the asset.

For financial reporting purposes, depreciation is accounted for using the proportional method over the estimated useful life of the asset. The estimated useful life of the asset is reviewed if needed, and if expectations significantly differ from previous estimates, depreciation rates are adjusted for the current and future periods.

For tax balance purposes, property, plant & equipment is classified and depreciated according to rates prescribed under tax laws.

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

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The applicable depreciation rates are:

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

**(m) Financial investments**

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

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

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

A financial asset is classified as available for sale if it cannot be grouped into any of the other three categories of financial assets.

A financial asset is classified as hold to maturity, and not as available for sale, if the asset is part of portfolio of similar assets for which the trading model exists in order to obtain profit from short-term changes in price or dealer margins.

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

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

There is insufficient market stability, experience and liquidity in Serbia in the process of financial assets trading and official information from the market is not available. Therefore it is usually not possible to measure the fair value as required by IFRS.

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

**(n) Inventories**

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

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

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

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

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

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

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

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

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

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

**(o) Short term receivables and investments**

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

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

Short term trade receivables are measured by the cost stated in issued invoice. If the cost on the invoice is stated in the foreign currency, translation to the reporting 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 favor of revenues or against expenses. Receivables stated in the foreign currency as at the balance sheet date are translated by the ruling exchange rate and gains and losses arose are booked as revenue or expense for period.

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Short term financial investments held for trading are measured by cumulated depreciation, notwithstanding the company's tendency to hold them to maturity.

If it is probable that the company will not be able to collect all due receivables (principal plus interest) in accordance with the contractual terms for the issued loans, receivables or investments held to maturity, stated by cumulated depreciation, loss appears caused by depreciation or uncollectible receivables.

Indirect write off is applied to short term receivables and investments where recovery is uncertain, while direct write off is applied in duly documented cases when recovery is not possible.

The probability of recovery is evaluated in each specific case based on the relevant supporting documents (e.g. bankruptcy or liquidation of the debtor, excessive debt, disposal of property, forced or out-of-court settlement, obsolescence, court order, board resolution, and other cases where non-collectability is supported by credible documents).

**(p) Cash and cash equivalents**

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

**(r) Rentals**

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

**(s) Finance lease liabilities**

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

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

Finance lease liabilities are charged against accrued liabilities for non-due interests according to the repayment schedule.

**(t) Commitment and contingencies**

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

A contingent asset is not disclosed, unless an economic benefit is probable in the future. If the inflow is certain it can be recognized in the financial statement.



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**(u) Borrowing costs**

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

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

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

**(v) Impairment**

If an asset is impaired during the year the board of directors, based on a reasoned proposal of the managing director, assesses whether there are indications of asset impairment in accordance with IAS, or if there are indications of a reduction in the earlier recognized amortization of these assets.

If the indicators are present, the board of directors issues a resolution of the impairment amount or the amount deductible from previously recognized impairments.

At the end of the year, based on a reasoned proposal from the managing director and ALCO, the board of directors issues a resolution of the impairment amount or the amount deductible from previously recognized impairments.

**(w) Financial liabilities**

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

Short term liabilities represent those maturing one year from the maturity date, or from the balance sheet date.

Long term liabilities represent those maturing over one year from the financial statements date.

Long term liabilities maturing in up to one year from the financial statements date are disclosed as short term liabilities.

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

Direct write off is applied for decreasing liabilities based on legal provisions or under an out-of-court settlement etc.

**(x) Long term provisions**

A provision is recognized when:

1. the company has a present obligation (legal or constructive) as a result of a past event;

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2. it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
3. a reliable estimate can be made of the amount of the obligation.

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

Long term 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 liabilities covering (legal or constructive) as a result of a past event, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation which can be reliably estimated (e.g. lawsuits in progress), as well as reservations for issued guarantees.

Long term provision for expenses and risks are tracked by sorts and their reduction/cancellation is credited as income.

Provisions are not recognized for future operational losses.

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

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

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

Decisions regarding individual provisions are resolved by the each member's board of directors.

**(y) Effects of changes in accounting policies and correction of fundamental errors**

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

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

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

According to the newly adopted Regulation on amendments and supplements to the Regulation on Accounting and Accounting policies of Energoprojekt Group companies, which is applied to financial statements for 2010, a material significant error is defined as an error, which amounts to, separately and cumulatively with other errors, more than 1,5% of total income of the Company in the previous year.

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**(z) Foreign exchange rates**

Official exchange rates significant for the company's operations and translations of the figures in the financial statement into RSD were as follows:

	RSD	RSD
	<u>2010</u>	<u>2009</u>
EUR	105,4982 RSD	95,8888 RSD
USD	79,2802 RSD	66,7285 RSD
GBP	122,4161RSD	107,2582RSD
CHF	84,4458 RSD	64,4631 RSD
RUB	2,0865 RSD	2,0865 RSD
LYD	51,0847 RSD	51,0847 RSD

**6. FINANCIAL RISK MANAGEMENT**

**6.1 Financial risk factors**

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

Risk management is carried out by the Financial Department of the company under policies approved by that member's board of directors. The Financial Department identifies, evaluates and hedges financial risks in close co-operation with the operating units.

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

**a) Market risk**

**i) Foreign exchange risk**

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

**ii) Fair value risk**

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

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**iii) Interest rate risk**

The Group borrows assets on the financial market by the changeable interest rates, connected with Euribor, Belibor and reference interest rate issued by the NBS on the rep transactions. With an aim to avoid/limit risk of significant changes in the financial markets, the company borrows assets over short-term periods while insisting on receiving the bank's lowest margin with a mandatory clause allowing early repayment without additional penalties.

**b) Credit risk**

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

**c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of 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.

**7. SEGMENT INFORMATION**

**7.1. Primary reporting formats – business segment**

The Group is organized, local and abroad, in the following business segments as of 31 December 2010:

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

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**REPORTABLE SEGMENTS**

Business segments

	Planning and research		Building construction and fitting		Other		Total		Discontinued operations		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue from sales	3,968,159	4,140,197	14,305,720	17,474,093	7,323,797	1,837,194	25,597,676	23,451,484	(1,399,498)	(3,443,535)	24,198,178	20,007,949
<b>SEGMENT RESULT</b>	-	-										
Non-allocated expenses			3,908,348	3,169,671			3,908,348	3,169,671			3,908,348	3,169,671
<b>Profit from operations</b>	111,812	202,901	(308,752)	365,419	796,781	549,371	599,841	1,117,691	(6,977)	(14,317)	592,864	1,103,374
Interest return	70,598	24,018	262,020	65,662	53,361	33,402	385,979	123,082	(1,104)	(45)	384,875	123,037
Interest expenses	28,079	11,645	260,931	252,534	26,887	24,555	315,897	288,734	(11,822)	(3,544)	304,075	285,190
Income tax	4,962	19,198	42,045	26,251	98,041	47,085	145,048	92,534			145,048	92,534
Profit from regular operations	357,729	302,307	273,067	501,528	785,882	601,757	1,416,678	1,405,592	(521,834)	(241,025)	894,844	1,164,567
Losses from suspended operations		(64)	(505)	(315)	(2,379)		(2,884)	(379)			(2,884)	(379)
<b>Net profit</b>	352,926	281,909	232,084	475,382	685,580	553,951	1,270,590	1,311,242	(521,833)	(242,304)	748,757	1,068,938
<b>Total assets-consolidated</b>	5,651,037	4,366,729	17,039,041	13,880,900	13,313,398	16,582,038	36,003,476	34,829,667	(10,670,343)	(8,818,885)	25,333,133	26,010,782
<b>Total liabilities-consolidated</b>	5,651,037	4,366,729	17,039,041	13,880,900	13,313,398	16,582,038	36,003,476	34,829,667	(10,670,343)	(8,818,885)	25,333,133	26,010,782
Depreciation	66,497	62,121	536,711	476,510	86,703	83,753	689,911	622,384			689,911	622,384
Non-cash expenses without depreciation	17,824	1,047		27,937	61,726	24,694	79,550	53,678			79,550	53,678

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**Geographical segments**

RSD 000

	Serbia		ZND		Europe		Africa		Asia		USA		Other		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenues from sales	10.786.209	6.154.983	3.279.810	6.629.818	529.511	361.131	4.609.180	3.364.433	2.900.528	2.329.773	2.092.940	1.092.345		75.466	24.198.178	20.007.949
Revenues from goods trading	82.358	100.559		37.576	107.149		19.267	107.076	897	2.913	7.488	1.597			217.159	249.721
Revenues from provision of services	10.703.851	6.054.424	3.279.810	6.592.242	422.362	361.131	4.589.913	3.257.357	2.899.631	2.326.860	2.085.452	1.090.748		75.466	23.981.019	19.758.228
Assets-consolidated															25.333.133	26.010.782

**ENERGOPROJEKT GROUP, BELGRADE**  
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**8. REVENUES FROM SALES**

Revenues from goods, products and services sold and rendered on the local market totaled 10.786.209 thousand RSD (2009. 6.154.983 thousand RSD), on foreign markets 13.411.969 thousand RSD (2009. 13.852.966 thousand RSD), giving a grand total of 24.198.178 thousand RSD (2009. RSD 20.007.949 thousand).

**9. INCREASE (DECREASE) IN INVENTORIES**

	2010 (RSD 000)	2009 (RSD 000)
Increase in work in progress	693,282	2,440,586
Decrease in work in progress	(4,884,400)	(1,110,706)
<b>Total</b>	<b>(4,191,118)</b>	<b>1,329,880</b>

The inventories increase relates to an increase of work in progress and finished products in:

- EP Holding - Block 26, New Belgrade, increased by 182.601 thousand RSD,
- EP Visokogradnja - Blocks 24 and 22, Bežanijska Kosa, residential/office building “Sistet bara“, Igalo, and the Prokop Railway Station, Hotel Aktau, Z-070 cottages Aktau, Z-071 planning Siktivkar, Z-074 winery Sarijagas, Z-075 Schlumberger, Z-077 Kazmotransflot, Z-076 residential building Siktivkar in the total amount of 261.545 thousand RSD,
- EP Niskogradnja – operations of foreign units in Peru amount to 140.738 thousand RSD

The inventories decrease relates to the termination of the purchase contract for facilities in Block 26, Celina I, on 31.03.2010, Energoprojekt Holding a.d. in the amount of 4.685.990 thousand RSD. Reduced are also finished products for EP Visokogradnja for Block 29, facilities B3 and B9 and Bežanijska Kosa, Block 12 and 23.

**10. OTHER OPERATING INCOME**

	2010 (RSD 000)	2009 (RSD 000)
Premiums, subventions, subsidies, refunded amounts, compensation and tax refunds	948	5.465
Income from conditional donation	838	
Rents	70.923	100.482
Memberships	4.067	
Other	113.053	107.327
<b>Total</b>	<b>189.829</b>	<b>213.273</b>

Other operating income mostly relates to EP Niskogradnja (87.707 thousand RSD - income from sales of scrap iron in Uganda in the amount of 68.902 thousand RSD, other income from rents amount to 7.016 thousand RSD), EP Visokogradnja (income from rents in the amount of 28.645 thousand RSD), EP Garant in the amount of 23.737 thousand RSD (income from rents in the amount of 13.288

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thousand RSD, income from participation in damage claims related to coinsurance in Serbia in the amount of 4.644 thousand RSD, income from the reinsurance contract and retrocession in the amount of 5.617 thousand RSD, other income from non-life insurance in the amount of 188 thousand RSD), Zecco in the amount of 13.988 thousand RSD (income from rents in the amount of 12.504 thousand RSD and other business income in the amount of 1.484 thousand RSD).

**11. PURCHASE VALUE OF GOODS SOLD**

	2010 <u>(RSD 000)</u>	2009 <u>(RSD 000)</u>
Wholesale	(203,512)	(188,840)
Retail		
<b>Total</b>	<b><u>(203,512)</u></b>	<b><u>(188,840)</u></b>

The purchase value of goods sold (wholesale) relates to the purchase of computer equipment by EP Energodata (37.293 thousand RSD) and the purchase of goods by EP Industrija in Banja Luka, Mlekara in Laktasi in the amount of 96.857 thousand RSD and purchase of granulate by EP Industrija in the amount of 34.926 thousand RSD.

**12. MATERIAL COST**

	2010 <u>(RSD 000)</u>	2009 <u>(RSD 000)</u>
Raw material	(4,267,805)	(4,311,773)
Other material cost (overheads)	(263,641)	(256,407)
Fuel and energy	(766,336)	(670,544)
<b>Total</b>	<b><u>(5,297,782)</u></b>	<b><u>(5,238,724)</u></b>

The major part of material cost relates to raw material, specifically: EP Oprema (1.955.299 thousand RSD), EP Visokogradnja (1.079.386 thousand RSD) and EP Niskogradnja (946.554 thousand RSD). EP Niskogradnja contributed the most in the fuel and energy expenses with 576.230 thousand RSD.

**13. STAFF COSTS**

	2010 <u>(RSD 000)</u>	2009 <u>(RSD 000)</u>
Salaries and fringe benefits (gross)	(4,700,992)	(4,582,456)
Taxes and contributions on salaries and fringe benefits charged to employer	(595,132)	(610,411)
Remunerations according to temporary service contracts	(11,262)	(14,413)
Remunerations according to author's contracts	(34,128)	(59,071)
Remunerations according to temporary and provisional contracts	(72,624)	(33,475)
Remunerations to individuals according to other contracts	(6,405)	(28,040)
BoD and Supervisory Board	(41,364)	(38,874)
Other personal expenses remunerations	(536,089)	(474,716)
<b>Total</b>	<b><u>(5,997,996)</u></b>	<b><u>(5,841,456)</u></b>



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**14. DEPRECIATION AND PROVISION EXPENSES**

Depreciation and provision expenses totaled 802.299 thousand RSD (2009 1.102.740 thousand RSD) and relate to:

- Depreciation of PPE, in accordance with Note 5(l) in the amount of 689.911 thousand RSD (2009 622.384 thousand RSD), and
- Provision expenses in the amount of 112.388 thousand RSD (2009 480.356 thousand RSD).

Long term provision expenses largely relate to EP Garant with 77.430 thousand RSD and include impairment provisions and other non-life insurance provisions. Provisions for fees and other employee benefits (based on IAS 19) amount to 34.958 thousand RSD.

**15. OTHER OPERATING EXPENSES**

	2010 (RSD 000)	2009 (RSD 000)
<b><u>Costs of production services</u></b>		
Service costs of outputs	(3,757,380)	(4,992,148)
Transportation costs	(413,949)	(356,458)
Maintenance costs	(201,924)	(254,490)
Rental costs	(549,338)	(435,255)
Fairs exhibit costs	(1,653)	(1,444)
Advertising costs	(17,484)	(14,831)
Costs of researching activities	(821)	(1,747)
Costs of other services	(275,199)	(218,990)
<b>Total</b>	<b>(5,217,748)</b>	<b>(6,275,363)</b>
<b><u>Non-production costs</u></b>		
Costs of non-production services	(1,072,649)	(593,000)
Expense accounts	(61,581)	(64,484)
Insurance premium costs	(102,059)	(82,063)
Payment operation costs	(218,471)	(179,229)
Membership fees	(14,971)	(13,026)
Tax duties	(508,378)	(614,285)
Contribution costs	(2,330)	(442)
Other	(141,838)	(291,075)
<b>Total</b>	<b>(2,122,277)</b>	<b>(1,837,604)</b>
<b>Grand total</b>	<b>(7,340,025)</b>	<b>(8,112,967)</b>

The largest figure under other operating expenses involves the service costs of outputs (subcontractors) in: EP Visokogradnja (1.101.202 thousand RSD), EP Oprema (1.288.105 thousand RSD) and EP Niskogradnja (1.104.134 thousand RSD), while the remaining balance relates to the other Group members.

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Non material costs mainly apply to costs of non-production services and tax expenses. The largest non-production expense items are those relating to EP Entel (705.502 thousand RSD) in consultant fees, EP Visokogradnja (117.193 thousand RSD) and EP Niskogradnja (84.357 thousand RSD). The tax expenses mostly relate to EP Visokogradnja for the project in Kazakhstan and Z-066 Paper factory Siktivkar, and EP Niskogradnja for foreign units in Peru.

**16. REVENUES AND EXPENSES**

	2010	2009
	(RSD 000)	(RSD 000)
<b><u>Financial revenues</u></b>		
Financial income incurred with other associated companies	57,558	29,709
Income from interest	384,875	123,037
FX Gains	2,110,451	1,550,809
Income based on the currency clause	27,228	
Income from the participation in the profit of subsidiaries and joint investments	39,092	
Other financial income	51,083	109,765
<b>Total</b>	<b>2,670,287</b>	<b>1,813,320</b>
<b><u>Financial expenses</u></b>		
Financial expenses incurred with other associated companies	(7,519)	(17,373)
Costs of interest	(304,075)	(285,190)
FX losses	(1,932,427)	(1,794,379)
Expenditure based on the currency clause	(93,435)	
Other	(8,896)	(40,235)
<b>Total</b>	<b>(2,346,352)</b>	<b>(2,137,177)</b>

The positive net financial performance came mainly as the result of positive foreign exchange due to the Dinar depreciating in 2010, as the Dinar dropped by 10,02% against the Euro and 18,81% against the USD.

In EP Visokogradnja in 2010 interest income was posted based on works on SMIP in accordance with the effective court ruling in the amount of 239.203 thousand RSD. Interest expenses mean interest based on received loans and default interest.

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**17. OTHER REVENUES AND EXPENSES**

	2010	2009
	(RSD 000)	(RSD 000)
<b><u>Other revenues</u></b>		
Gains on disposals of intangible assets and property, plant and equipment	45,653	22,106
Gains on disposals of securities	4,744	351
Material sold	175	146,631
Surpluses	588	481
Collected written-off receivables	80,867	9,471
Hedging contract income	1,836	
Income from reduction of liabilities	93,584	124,800
Income from abolishing of long-term provisions	17,631	
Other	52,384	241,770
Income from valuation adjustments of property, plant and equipment	4,855	67
Income from valuation adjustments LT investments and securities	359,996	26,636
Income from valuation adjustments of receivables and ST financial investm		
	213	546,309
Income from valuation adjustments of other property		6,077
<b>Total</b>	<b>662,526</b>	<b>1,124,699</b>
<b><u>Other expenses</u></b>		
Losses on writing-offs and disposals of intangible assets and PPE	(26,182)	(13,101)
Losses based on sales of natural assets	(87)	
Losses on disposals of equity investments and securities	(2,284)	(33)
Losses on disposals of material	(2,517)	(995)
Shortages	(4,869)	(3,452)
Hedging contract expenses		
Expenses based on direct write offs applied to receivables	(54,818)	(34,845)
Expenses based on writing off materials and goods	(75)	
Other	(455,053)	(283,643)
Impairment of property, plant and equipment		(12,818)
Impairment of long-term investments and other securities	(51)	(787)
Impairment of receivables and short-term financial investments	(138,545)	(389,765)
Impairment of other property		(210)
<b>Total</b>	<b>(684,481)</b>	<b>(739,649)</b>

Income from valuation adjustments and long term financial investments and available-for-sale securities largely relates to EP Visokogradnja and its income from receivables valuation under the Prokop Railway Station project (266.011 thousand RSD) based on an effective court ruling. Receivables valuation adjustments was performed in accordance with the effective court ruling for receivables based on works performs for the Ministry of Foreign Affairs in the amount of 18.722 thousand RSD and valuation adjustment based on signed and collected Work protocol on Z-0189 Kirisa (collection on 03.02.2011) which was written off in previous years in the amount of 58.256 thousand RSD. EP Garant has income from valuation adjustment for securities and old frozen bonds in the amount of 11.887 thousand RSD.

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Income from valuation adjustments for decreased liabilities largely relates to EP Visokogradnja in the amount of 88.288 thousand RSD – crediting to income based on written off liabilities towards companies in former YU republics.

Other expenses relate mostly to EP Visokogradnja in the total amount of 387.011 thousand RSD, first of all as the result of posting of losses from negative lawsuits for Z-056 TRK Aktau – obligation towards the company Comers Consulting LTD in the amount of 372.989 thousand RSD. EP Energodata has written off the obsolete and dead stock and raw materials in the amount of 17.544 thousand RSD.

The largest expense items under other expenses apply to impairment of receivables and short term financial investments, particularly in relation to EP Niskogradnja – impairment of receivables by 94.241 thousand RSD from Intermost since Intermost as a consortium member (construction of the high-way Beograd-Novı Sad) declared bankruptcy, initiated judicial proceeding.

The major part of direct write off expenses relates to EP Energodata as a result of derecognition of certain balance sheet items: investments write off in the amount of 3.700 thousand RSD, advances write off in the amount of 10.400 thousand RSD, write off of obsolete and bad debts in the amount of 16.200 thousand RSD.

**18. NET PROFIT/(LOSS) OF DISCONTINUED OPERATIONS**

	2010 (RSD 000)	2009 (RSD 000)
Net profit from discontinued operations		
Net loss of discontinued operations	(2884)	(379)

**19. NET EARNINGS PER SHARE**

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

	2010	2009
Profit due to Group shareholders (in 000 RSD)	748.757	1.068.938
Weighted average number of issued ordinary shares	9.474.979	9.474.979
Net earnings per share (RSD per share)	79,02	112,82

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**20. PROPERTY, PLANT AND EQUIPMENT**

	Land and building	Plant and equipment	Investment property	Other plant property equipment	Equipment in construction and advances	Total
<u>Cost value</u>	(RSD 000)	(RSD 000)	(RSD 000)	(RSD 000)	(RSD 000)	(RSD 000)
<b>Balance on 01.01.2010 (Curr.year)</b>	<b>5,172,641</b>	<b>6,874,280</b>	<b>191,588</b>	<b>20,320</b>	<b>384,104</b>	<b>12,642,933</b>
Purchase	12,871	653,287			135,259	801,417
Increase by transfer from investment in progress	78,220	10,861			-89,081	0
Disposal and writing off	(287,608)	(338,200)		(42)	(171)	(626,021)
Transfer from/to	(114,314)	18,019	108,952	(12,657)		0
Revaluation-estimate	(56,652)	996	4,854		(32,426)	(83,228)
Increase (decrease) of advance payment					(163)	(163)
Exchange differences	150,853	186,727		22	34,803	372,405
Other	28,258	25,094	169,712	278	297,528	520,870
<b>At 31.12.2010 (Curr.year)</b>	<b>4,984,269</b>	<b>7,431,064</b>	<b>475,106</b>	<b>7,921</b>	<b>729,853</b>	<b>13,628,213</b>
<b><u>Value adjustment</u></b>						
Balance on 01.01.2010 (Curr.year)	<b>1,898,660</b>	<b>4,547,129</b>	<b>2,401</b>	<b>1,428</b>		<b>6,449,618</b>
Depreciation	88,934	594,818		156		683,908
Disposal and writing off	(207,809)	(191,025)		(41)		(398,875)
Transfer from/to	(22,498)	920	21,578			0
Revaluation-estimate		413				413
Exchange differences	3,619	69,794				73,413
Other	7,412	20,120	(316)	<b>266</b>		27,482
<b>At 31.12.2010 (curr.year)</b>	<b>1,768,318</b>	<b>5,042,169</b>	<b>23,663</b>	<b>1,809</b>	<b>0</b>	<b>6,835,959</b>
<b>Current value</b>						
<b>31.12.2010 (current year)</b>	<b>3,215,951</b>	<b>2,388,895</b>	<b>451,443</b>	<b>6,112</b>	<b>729,853</b>	<b>6,792,254</b>
<b>Current value</b>						
<b>31.12.2010 (previous year)</b>	<b>3,273,981</b>	<b>2,327,151</b>	<b>189,187</b>	<b>18,892</b>	<b>384,104</b>	<b>6,193,315</b>

The current value of intangible assets on 31/12/2010 is 90.806 thousand RSD.

<b>Total depreciation costs comprise of:</b>	2010	2009
	<b>700.441</b>	<b>622.384</b>
Depreciation of intangible assets	16.533	7.847
Depreciation of property and equipment	683.908	614.537

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**21. EQUITY INVESTMENTS**

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

Equity investments are disclosed:

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

Equity investments pertain to shares (stakes) in:

	2010. (RSD 000)	2009. (RSD 000)
a) Banks and other financial organizations	133.057	141.816
b) Other legal entities:	510.367	637.050
-Energopet	291.308	284.031
-Enjub		151.255
-Energobroker	4.371	15.985
-Energonigeria	199.872	158.038
Other	14.816	27.741
<b>Total</b>	<b>643.424</b>	<b>778.866</b>

The equity investments decrease in other legal entities reflects a change in the equity accounting methods applied in Enjub as of 2010 – proportional method instead of the equity method and Energobroker with equity participation below 20 % and therefore the nominal value is applied and not the equity method.

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**22. OTHER LONG TERM FINANCIAL INVESTMENTS**

Other long term financial investments include:

	2010. (RSD 000)	2009. (RSD 000)
a) Long term loans extended		
- in Serbia	266.010	
- in other countries	194.255	163.500
<b>Total</b>	<b>460.265</b>	<b>163.500</b>
b) FCY savings bonds	90.000	56.990
c) Housing loans for employees	58.616	60.035
d) Other	737.314	627.059
<b>Total</b>	<b>1.346.195</b>	<b>907.584</b>

The increase of long-term loans in Serbia in the amount of 266.010 thousand RSD refers in total to EP Visokogradnja based on posting of loan-based effective court ruling, granted to the company for the construction of „Prokop“ railway project. „Other“ refers to bank guarantee deposits of EP Entel in the amount of 576.961 thousand RSD, bills of exchange issued by EP Industrija for obtaining guarantees in the amount of 66.796 thousand RSD, and the amount of 93.557 thousand RSD refers to EP Visokogradnja.

**23. INVENTORIES**

	2010. (RSD 000)	2009. (RSD 000)
Raw material, spare parts and tools	1.122.018	773.892
Work in progress	1.209.540	5.409.328
Finished goods	382.337	447.627
Merchandise	436.736	25.537
Paid advances	993.867	420.798
<b>Total</b>	<b>4.144.498</b>	<b>7.077.182</b>

The increase in advances paid has EP Oprema based on consortium contract for the project TE „Kostolac“ and increase in raw material, spare parts and tools can be attributed to EP Visokogradnja and the completion of its work abroad.

The decrease of work in progress relates mainly to the construction of a building in Block 26 with participation on the balance sheet date 2009 was 4.503.390 thousand RSD. Item goods had 237.060 thousand RSD as inventory goods in EP Oprema in Nigeria, and 190.990 thousand RSD for goods to be delivered for EP Niskogradnja refer mainly to goods purchased to be delivered in Uganda (on the balance sheet date the goods has not yet crossed the border).

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**24. RECEIVABLES**

	2010. (RSD 000)	2009. (RSD 000)
<b><u>Receivables from sales</u></b>		
Buyers in Serbia	2.479.306	1.921.357
Buyers in other countries	3.734.718	3.058.827
<b>Total</b>	<b>6.214.024</b>	<b>4.980.184</b>
<b><u>Receivables from specific business operations</u></b>	<b>26.297</b>	<b>136.626</b>
<b><u>Other receivables</u></b>		
Receivables from employees	48.741	19.443
Receivables from government authorities and institutions		2.897
Receivables for other prepaid taxes and contributions	3.902	143.058
Other receivables	260.542	88.438
<b>Total</b>	<b>313.185</b>	<b>253.836</b>
<b>Grand total</b>	<b>6.553.506</b>	<b>5.370.646</b>

Increased receivables from domestic clients relate to EP Visokogradnja and increased receivables from clients abroad was due to increased business volume in foreign countries has likewise generated to more claims from foreign customers, especially when EP Niskogradnja and EP Oprema are concerned.

Tax and contributions prepayments predominantly apply to prepaid income tax claims for income generated by foreign business units of EP Niskogradnja.

**25. SHORT TERM FINANCIAL INVESTMENTS**

	2010 (RSD 000)	2009 (RSD 000)
Short fixed deposits	1.862.108	1.123.039
Short-term loans extended	65.021	19.266
Other	60.040	42.786
<b>Total</b>	<b>1.987.169</b>	<b>1.185.091</b>

Short fixed deposits with local banks relate to EP Garant (642.434 thousand RSD), EP Entel (1.017.795 thousand RSD) and EP Hidroinženjering (33.805 thousand RSD), EP Holding 59.345 thousand RSD and EP Visokogradnja 108.729 thousand RSD.

Short term loans extended consist primarily of a short term loan of 64.020 thousand RSD granted to Enjub d.o.o. by EP Holding in the amount of 50 % according to the proportional method applied in consolidated statements of Energoprojekt (Note 21. Equity participation).



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**26. CASH AND CASH EQUIVALENTS**

	2010 (RSD 000)	2009 (RSD 000)
<b><u>RSD</u></b>		
Current accounts	61.543	91.260
Petty cash	552	760
Securities		
Other	83.113	29.600
<b>Total</b>	<b>145.208</b>	<b>121.620</b>
<b><u>FCY</u></b>		
Foreign currency accounts	1.736.990	2.330.390
Petty cash	106.321	95.369
L/C	37.178	177.931
Other	850.394	243.931
Value-impaired or restricted pecuniary assets	987	253
<b>Total</b>	<b>2.731.870</b>	<b>2.847.874</b>
<b>Grand total</b>	<b>2.877.078</b>	<b>2.969.494</b>

Foreign currency accounts were mostly contributed to by EP Visokogradnja, EP Holding, EP Niskogradnja and EP Entel.

**27. VAT AND ACCRUALS**

	2010 (RSD 000)	2009 (RSD 000)
<b><u>Value added tax-accrued</u></b>	<b>46.836</b>	<b>270.349</b>
<b><u>Accrued income</u></b>		
Prepayments	230.259	203.343
Uninvoiced income receivables	268.076	869.486
Accrued exchange rate losses		46.053
Accrued commitments	410	
Other accruals	233.559	22.992
<b>Subtotal</b>	<b>732.304</b>	<b>1.141.874</b>
<b>Total</b>	<b>779.140</b>	<b>1.412.223</b>

The decrease in Uninvoiced income receivables predominantly relate to the project in Block 26 in connection with the collection of receivables for the uninvoiced income.

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**28. ISSUED AND OTHER CAPITAL**

Issued capital includes:

	2010 (RSD 000)	2009 (RSD 000)
Share capital	4.467.699	3.982.995
Other capital	98.657	83.322
<b>Total</b>	<b>4.566.356</b>	<b>4.066.317</b>

The General Meeting of EP Holding, at the XXXV meeting held 02.09.2010, resolved to issue ordinary shares of the VIII issue with no public offering for the purpose of converting undistributed profits into equity and replacing the shares and increasing their nominal value from 400 RSD to 440 RSD, following which EP Holding now has a total of 9.467.810 ordinary shares issued.

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		(total shares)
	Holding	9,467,810
minority shareholder in:	Energodata	13,930
	Visokogradnja	229,672
	Niskogradnja	99,724
	Oprema	112,939
	Hidroinž.	35,151
	Entel	58,042
	Urb. + Arh.	3,766
	Industrija	73,455
	Garant	11.100
	<b>TOTAL:</b>	<b><u>10.105.589</u></b>

40 % of the share capital of Energoplast d.o.o. is owned by foreign company CHARTERED OIL AND GAS LTD (minority interest).

Nominal value of shares of Energoprojekt Group members:

- Energoprojekt Holding a.d. – 440 RSD per share.
- Energoprojekt Garant a.d.o. – 3.980 RSD per share.
- Energoprojekt Urbanizam i arhitektura a.d. – 610 RSD per share.
- Energoprojekt Energodata a.d. – 400 RSD per share.
- All other subsidiaries – 410 RSD per share.

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Total shares (non-consolidated): 16.245.566.

As of December 31, 2009 EP Holding has redeemed a total of 9.796 treasury shares with a nominal value of 3.918 thousand RSD. The company has sold in 2010 9.020 of shares. According to the decision XXXV at the General meeting the nominal share value was increased from 400 RSD to 440 RSD. On 31.12.2010 the total number of redeemed share was 776, total nominal value 341 thousand RSD.

## 29. RESERVES

Reserves comprise of:

	2010 (RSD 000)	2009 (RSD 000)
Legal	248.538	187.426
Statutory and other	93.287	112.346
Issuing premium	236.606	232.560
<b>Total</b>	<b>578.431</b>	<b>532.332</b>

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

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

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

Reserves were increased in 2010 as a result of the distribution of profit generated by Group members, based on the relevant resolutions of their respective general meetings.

## 30. REVALUATION RESERVES, UNREALIZED PROFIT/LOSS FROM SECURITIES

	2010 (RSD 000)	2009 (RSD 000)
Revaluation reserves	958.158	869.133
Unrealized profit from available-for-sale securities	60.049	67.646
Unrealized losses from available-for-sale securities	19.865	17.626
<b>Total</b>	<b>998.342</b>	<b>954.405</b>

Revaluation reserves comprise revaluation surpluses of movements in fair value of property and equipment (determined by appraisal in accordance with IAS 16 and equity investment) and amounted to 770.459 thousand RSD. Reserves based on financial statements calculation displayed in another functional currency amount to 187.699 thousand RSD.

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Falling share prices on the Belgrade Stock Exchange for companies whose shares are in the portfolio of available-for-sale securities of Group members, were for the most part reflected in this figure: Undistributed profit and increase of Undistributed losses based on available-for-sale securities.

**31. UNDISTRIBUTED PROFIT AND LOSS**

Undistributed profit comprises:

	2010 (RSD 000)	2009 (RSD 000)
Consolidated net prior years profit	3.728.305	2.950.639
Changes during year	330.496	777.666
<b>Consolidated net profit as at 31 December</b>	<b>4.058.801</b>	<b>3.728.305</b>

Changes which occurred during the year are the result of profit generated in 2010 and the reduced profit distribution for 2009.

EP Holding profits as of December 31, 2009 were distributed according to the general meeting resolution from the XXXV meeting held 02.09.2010, under item 5 and 6 of the agenda.

The General Meeting of EP Holding resolved to allocate the full sum of the net current profits into the Company's provisions 5% and into non-allocated profits (445.392 thousand RSD).

Based on the same resolution, the non-allocated profits from previous years and the 2009 profits were both allocated to a share capital increase through the VIII ordinary shares issues without a public offering (Note 28).

**32. LONG TERM PROVISIONS**

Long term provisions are disclosed when:

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

Long term provisions comprise:

	2010 (RSD 000)	2009 (RSD 000)
Provision for expenses in warranty	393.161	430.035
Provision for employee benefits	182.621	167.635
Other	291.598	334.680
<b>Total</b>	<b>867.380</b>	<b>932.350</b>

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**33. LONG TERM LOANS**

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

	Currency	Interest rate	2010 (RSD 000)	2009 (RSD 000)
<u>Domestic:</u>				
"Astra Banka", Beograd	RSD		40.140	40.140
Societe Generale banka			237.162	355.863
Alpha bank			16.658	
Paris Club			240.554	
Legal entities and others	USD, EUR	7,5-10,5	852	
<b>Total</b>			<b>535.366</b>	<b>396.003</b>
<u>Foreign:</u>				
-Iraq:	USD			
Others	USD, EUR		1.076.031	1.199.546
<b>Total</b>			<b>1.076.031</b>	<b>1.199.546</b>
<b>Grand total</b>			<b>1.611.397</b>	<b>1.595.549</b>

The largest figures under long term loans relate to EP Niskogradnja (874.163 thousand RSD), followed by EP Energodata (358.961 thousand RSD) and EP Visokogradnja (120.663 thousand RSD).

Long term loans from Societe Generale Bank relate to: EP Visokogradnja, 80.523 thousand RSD loan for equipment purchase, and a 156.639 thousand RSD loan to EP Niskogradnja.

Long-term loan for EP Holding in the amount of 240.554 thousand RSD granted by the Development Fund of the Republic of Serbia in 2010 for current assets to assist short-term insolvency of subsidiaries in Serbia.

Other long term foreign loans mainly relate to EP Energodata – 358.961 thousand RSD loan from Alpha Bank London for settling obligations for ATMs, and EP Niskogradnja – long term loan for fixed assets purchase (foreign business units) in the amount of 68.989 thousand RSD, settling long term obligations in connection with Z-0163 "Navigation Lock" (488.829 thousand RSD) and obligations to the former Yugoslav republics (159.252 thousand RSD).

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**34. OTHER LONG TERM LIABILITIES**

Other long term liabilities include:

	2010 (RSD 000)	2009 (RSD 000)
Finance lease liabilities - long term	16.837	53.812
Other long term liabilities	410.880	86.701
<b>Total</b>	<b>427.717</b>	<b>140.513</b>

The increase of Other long-term liabilities refers to EP Industija a.d. based on long-term loan from the investor „Imlek“ Beograd in the amount of 368.016 thousand RSD. At the same time, related to the same project, EP Industrija a.d. has approximately the same receivables from Mlekara Banjaluka for performed works.

**35. SHORT TERM FINANCIAL LIABILITIES**

Short term financial liabilities include:

	Currency	2010 (RSD 000)	2009 (RSD 000)
<u>Short term RSD loans</u>		(Rsd. 000)	(Rsd. 000)
Domestic banks		702.403	975.396
Short term foreign currency loans			
	EUR, USD		
Domestic banks		1.448.561	652.349
<b>Total</b>		<b>2.150.964</b>	<b>1.627.745</b>
Other short term financial liabilities/current maturities of long term loans		517.959	446.141
Short term loans abroad	EUR, USD	507.659	175.646
Banks and legal entities			
<b>Total</b>		<b>3.176.582</b>	<b>2.249.532</b>

Short term RSD loans and loans with a FCY clause from local banks are predominated by EP Visokogradnja (846.181 thousand RSD), EP Niskogradnja (484.855 thousand RSD) and the Paris club (665.810 thousand RSD).

Short term FCY loans also include EP Visokogradnja's obligations of 194.705 thousand RSD, EP Niskogradnja of 126.534 thousand RSD, EP Energodata 88.138 thousand RSD, EP Holding 83.726 thousand RSD. Short term loan obligations in foreign countries refer to foreign units of EP Niskogradnja of 504.236 thousand RSD and include partially financial leasing obligations for the purchase of equipment in Peru.

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**36. LIABILITIES FROM OPERATIONS**

Liabilities from business operations include:

	2010 (RSD 000)	2009 (RSD 000)
<b><u>Liabilities from business operations</u></b>		
Received advances, short-term deposits and caution money	3.357.808	7.095.100
Trade payables - domestic	849.953	703.202
Trade payables - foreign	2.117.859	1.566.135
Other liabilities from business operations	104.061	48.602
<b>Total</b>	<b>6.429.681</b>	<b>9.413.039</b>
<u>Liabilities from specific operations</u>	281.880	230.505
<b>Grand total</b>	<b>6.711.561</b>	<b>9.643.544</b>

An advance of 5.093.608 thousand RSD was received under the sales agreement for a building under construction by EP Holding as part of the Block 26 – Unit I project (on 01.01.2010). Increased advance obligation has EP Oprema in the amount of 852.813 thousand RSD, out of which 809.175 thousand RSD refer to the project TE Kostolac and EP Niskogradnja in the amount of 230.722 thousand RSD.

EP Visokogradnja has increased obligation towards suppliers in the country.

Foreign suppliers mostly comprise EP Oprema (505.314 thousand RSD), EP Niskogradnja (428.335 thousand RSD), EP Visokogradnja (662.007 thousand RSD) and EP Entel (410.979 thousand RSD).

**37. OTHER SHORT TERM LIABILITIES**

	2010 (RSD 000)	2009 (RSD 000)
Salaries and emoluments	718.338	697.098
Dividends	22.579	46.261
Other liabilities	76.602	44.097
<b>Total</b>	<b>817.519</b>	<b>787.456</b>

**38. VAT AND OTHER PUBLIC DUTIES AND ACCRUALS**

	2010 (RSD 000)	2009 (RSD 000)
VAT and other public liabilities	412.034	498.889
Accruals	1.082.312	817.885
<b>Total</b>	<b>1.494.346</b>	<b>1.316.774</b>

Accrued costs are dominated by EP Entel with 577.907 thousand RSD in retention money (maturing in less than one year) and EP Garant with 266.896 thousand RSD in unearned premiums, impairment

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provisions and uninvoiced expenses in current period. Accrued costs for EP Oprema amount to 84.482 thousand RSD, and for EP Niskogradnja 55.049 thousand RSD.

**39. COMMITMENT AND CONTINGENCIES**

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

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

The list of most significant lawsuits is enclosed.

**40. OFF-BALANCE SHEET ITEMS**

The Group's off-balance assets and liabilities totaling 8.006.030 thousand RSD mostly relate to guarantees issued and received (advances, performance bonds) and external collateral issued against borrowed loans.

The subsidiary "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, which is registered as owned by a domestic natural person. The owner has mortgaged the property in the "Doha bank" according to the contract no. 52973 as collateral for issuing a tender guarantee and a performance guarantee.

**41. POST BALANCE SHEET EVENTS**

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

Notes prepared by:

Director: