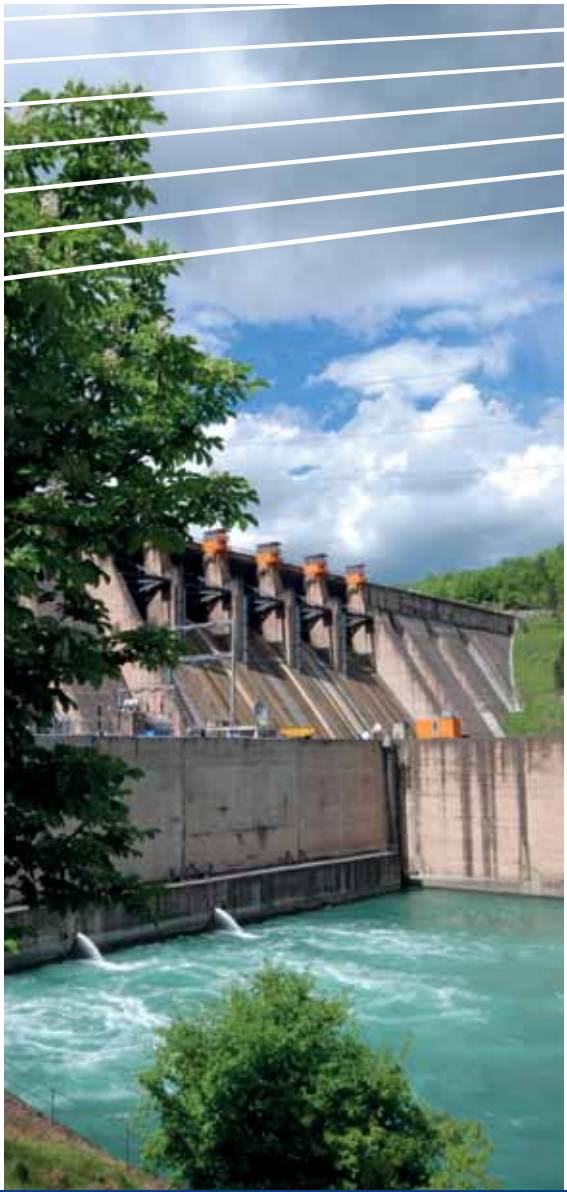
ANNUAL REPORT

ELECTRIC POWER INDUSTRY OF SERBIA

2012

Mission

Electric Power Industry of Serbia mission is secure electricity supply to all customers, under the most favourable market conditions, with continuous upgrading of the services, improvement of environmental protection and welfare of the community.



Vision

Electric Power Industry of Serbia vision is socially responsible, market-oriented and profitable company, competitive on the European market with a major impact in the region, recognized as a reliable partner among the local and international companies.

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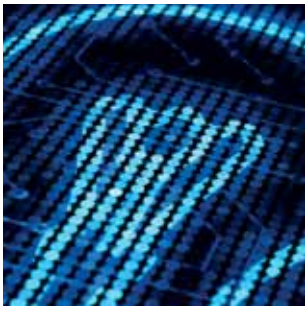
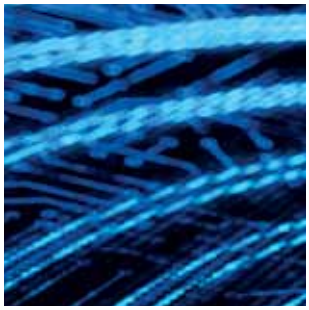
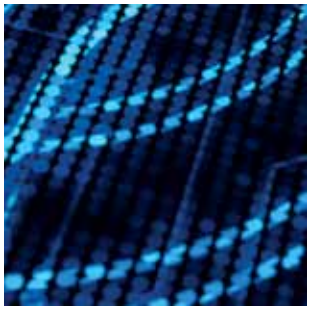






Aleksandar Obradović

Acting General Manager

Very complicated financial situation and company at vital development crossroads – were main characteristics of operation of Electric Power Industry of Serbia when I became the head of EPS in September, 2012. Difficult financial situation in EPS, that could have jeopardized performance of our core activites at one point, was a consequence of numerous accumulated problems that have not been tackled for years. At the same time, preparations of EPS for liberalized market were considered imperative of not only EPS owner, the Government of the Republic of Serbia and its efforts invested in Serbia's European Union accession, but of provisions of the Energy Law and Treaty Establishing the Energy Community of South Eastern Europe. However, important steps and iniciatives were undertaken and changes have been initiated so that EPS becomes successful, profitable and competitive company in the future.

Debts were enormous, but our outstanding receivables for electricity went up to RSD 100 billion as well. The price of electricity remained social category, but together with the competent ministry we were working on creating the conditions for the price to get more realistic market value next year.

Bankruptcy threat was eliminated in 2012. Certain obligations were delayed for 2013 and RSD 8.2 billion short-term loans were restructured. EPS revenues amounted to approximately RSD 190 billion whereas expenses amounted to approximately RSD 196 billion at the end of 2012.

The Government of the Republic of Serbia accepted Starting Points for Reorganization of PE Electric Power Industry of Serbia in November, 2012. Starting points include change of PE EPS legal form into joint stock company that implies corporatization, incorporation of one subsidiary as the Distribution System Operator and one subsidiary for supply. The aim is to achieve maximum operational efficiency, so that on the level of control company EPS JSC one single system of governance and management of finance and economics, legal affairs, IT support for all subsidiaries in order to optimize expenses and revenues in EPS is ensured.

Single goal of implementation of this document is to have more efficient and profitable EPS. Everyone who is against this concept is against efficiency and rationalization of the company. The process starts with internal changes, since no one else can create new, healthy company for us.

We immediately started preparation of legal acts that shall enable company reorganization and change of ownership structure of EPS into joint stock company. Changes we started should provide survival and development of EPS, as well as appropriate participation in the energy sector in the region. We gained strong support from the Ministry of Energy, Development and Environmental Protection and the Government of Serbia. Adopted Starting points enable EPS and top management to apply the latest management systems in the new governance model so that the system is optimized and company efficiency is increased.

Our technical capacities are obsolete and their parameters are below the level of the parameters of the leading energy utilities in Europe. However, generation and distribution capacities of EPS in extreme winter and summer conditions succeeded in meeting all demands of the customers. Electricity and coal production in 2012 was lower than planned, due to the weather conditions, as well as reduced economic activities in Serbia. I am proud of the fact that EPS employees demonstrate extraordinary abilities, eagerness and will every winter in order to meet the expectations of providing enough electricity for citizens and economy of Serbia.

For the purpose of more stable functioning of energy system, 1,169.9 GWh of electricity was bought on the free market and 251.4 GWh was sold. Electricity purchase worth EUR 30.7 million was contracted with "Elektroprivreda Republike Srpske" for 2013. It secured 70 percent of import needs in 2013.

Although the level of electricity losses in distribution activity is among the worse in Europe and it has direct impact on difficult financial situation, the losses in 2012 were 14.14 percent and they are reduced compared to the previous year.

During 2012, EPS was preparing for the opening of high voltage market, which is one of the obligations arising from the Energy Law. As of 2013, EPS is no longer the monopolist, it faced the competition and achieved success and kept 97 percent of high voltage market. EPS demonstrated to the customers that it is their strongest partner and that it deserved their trust for the continuation of cooperation.

We signed with German Development Bank (KfW) EUR 65 million loan agreement and nine million euro grant from the German Government, which shall enable the implementation of Environmental Protection in Mine Basin Kolubara Project. From the required funds necessary for the implementation of this Project worth EUR 181.6 million, EUR 80 million loan was earlier contracted with European Bank for Reconstruction and Development (EBRD), whereas EPS shall provide EUR 27 million from its own funds.

We initiated the changes for the purpose of more efficient EPS management system, especially in the field of public procurement and overhauls, in order to eliminate the belief that parts of EPS are places of corruption and misuses. At the end of 2012 we established separate organisational unit – Procurement Management and Control Department that shall manage centralised procurements for the entire EPS system. Activities for forming IT Department are undertaken as well.

Special attention shall be paid to health and safety at work. Health and safety at work is very important field that was neglected in the previous years. I strongly believe that we cannot have strong, successful and profitable company, if our employees do not feel safe and healthy, since the foundation of every company, including Electric Power Industry of Serbia, are the people not just power plants, transformer stations and cables.

Cooperation with employees is the most important and it is important to introduce them with structural changes that we have initiated in the process of corporatization and reorganizationof EPS. Only with active support of employees may we implement the changes which shall turn Electric Power Industry of Serbia into profitable company.

Aca Marković D.Sc.

Chairman of the Management Board

System of Electric Power Industry of Serbia had a stable operation in 2012, and the needs of electricity customers during the entire year were met. There were no electricity cuts even in the hardest winter conditions, and EPS demonstrated that it is the best at the most difficult times.

Production in Electric Power Industry of Serbia capacities was slightly lower in 2012 than in the previous year. It was the consequence of extreme winter and summer weather conditions, as well as the reduced electricity consumption caused by the fall of industry production.

The greatest merits go to employees that extract coal and produce electricity as well as those that work in distribution.

34,509 GWh of electricity was generated at the territory of Serbia without Kosovo and Metohija, and 39,892 GWh with the power plants from Kosovo in 2012. It is by three percent less than the planned generation and four percent less than generation in the previous year.

Coal and overburden production was also lower compared to the previous year: 37,513,241 tones of coal and 107,688,172 cubic meters of overburden were produced. Kostolac mine Drmno had the record production of overburden and exceeded annual production of 40 million cubic meters.

Overhauls were performed very successfully. In TPP Nikola Tesla overhauls of B2 and A5 units were finalized. Unit B2 in TPP Kostolac B was synchronized to the grid at the beginning of December. Capacity and reliability of these thermal units was increased. Rehabilitation of third unit was finalized and modernization of fourth unit was initiated in HPP Bajina Bašta and rehabilitation of unit A4 in HPP Đerdap was continued.

Most of the works on maintenance of distribution facilities of all voltage level was finalized as well. Transformer stations Inđija 2 and Neresnica were constructed.

Despite the fact that collection rate was 98.97 percent , that exceeds the plan, financial situation of the company was not positive. Our liquidity was endangered in second half of 2012 and funds for settlement of obligations towards contractors and vendors were missing. In such a situation we had to take loans from the banks. Main reasons for lack of money are old debts from 2011 as well as huge costs for procurement of missing electricity, crude oil and gas in winter season 2011/12. There was no electricity price increase that also had an impact on difficult financial situation.

Good cooperation with large global companies engaged in many Electric Power Industry of Serbia projects was continued . Austrian Andritz Hydro, Russian Silovije Mašini, German RWE, Chinese CMEC, Japanese Hitachi, French Alstom, as well as many other companies, that while working together, offered not only the latest knowledge but experience that our experts could apply later on as well. Interstate cooperation was also confirmed. We have cooperated with the domestic companies and thus provided Serbian economy with work: companies Energoprojekt Entel, Goša Montaža, Minel Kotlogradnja, Temoelektro Entel, ATB Sever, Izoprogres, Feromont, as well as with institutes Mihajlo Pupin, Nikola Tesla and Faculty of Mechanical Engineering in Belgrade.

Activities on development of renewable energy sources have been continued. Small hydro power plant Prvonek near Vranje started its operation in 2012, activities on the project of modernization of 15 existing and construction of eight small hydro power plants have been continued. EPS has signed 37 contracts on purchase of electricity from renewable energy sources from privileged producers.

Despite difficult conditions in which it operated in 2012, Electric Power Industry of Serbia confirmed that it is the renowned company and driver of Serbian economy. We had exceptional cooperation with the union, which enabled resolving all problems amicably.

Cooperation between management, Management Board and union should be an example of fair business cooperation.

A socially responsible company Electric Power Industry of Serbia according to it abilities supported all segments of society – health, education, science, arts, sport and religious institutions. EPS was one of the bronze sponsors of the Olympic Committee of Serbia for the participation of our athletes at the Olympic Games in London. We supported the Museum of Science and Technology and its efforts for the improvement of the work of the Department of the Electric Power Industry, Belgrade Philharmonic Orchestra, Clinical Centre of Serbia as well as the other important professional conferences. As part of the rewards in the fields of physics, chemistry, biology and similar sciences determined by Serbian Academy of Sciences and Arts, EPS became the donator of the reward for physics.

On the occasion of the Day of EPS, the Management Board traditionally gave donations to the institutions that needed them the most: Clinic for Mental Disorders Dr Laza Lazarević from Belgrade, Nursery school Sunce from Kuršumlija and the Commissariat for Refugees and Migration of the Republic of Serbia.

Company Data

Name of the company	Public Enterprise Electric Power Industry of Serbia Belgrade (PE EPS Belgrade)
Head Office	11 000 Belgrade, 2 Carice Milice St
Phone and Fax	+381 11 20 24 600, +381 11 26 27 160
Email, website	eps@eps.rs, www.eps.rs
Registration	Decision BD 80380/2005 Serbian Business Registers Agency
Registration number	20053658
TIN	103920327
Establishment	Public Enterprise Electric Power Industry of Serbia was established July 1st 2005 by the Government of the Republic of Serbia.

Organizational structure

Vertically organized enterprise that founded 12 subsidiaries and three public enterprises at Kosovo and Metohija. As of June 1999 EPS has not been operating its capacities at Kosovo and Metohija. On the basis of founding PE EPS has shares in subsidiaries:

- Company for cogeneration of thermoelectric power and heating energy Energija Novi Sad JSC Novi Sad, founded with Novi Sad City, in the amount of 50 percent of shares in Company's equity;
- Company Ibarske hidroelektrane Kraljevo, founded with Seci Energia S.p.A, Italy, with 49 percent of shares in Company's equity;
- Company Moravske hidroelektrane Beograd, founded with RWE Innogy, Germany, with 49 percent of shares in Company's equity.

Ownership structure 100 percent owned by the Republic of Serbia.

Management

Management Board, Supervisory Board and General Manager, all appointed by the Government of the Republic of Serbia. General Manager, Chairman of Management Board, Common functions Managers and Executive Directors form the management of the enterprise.

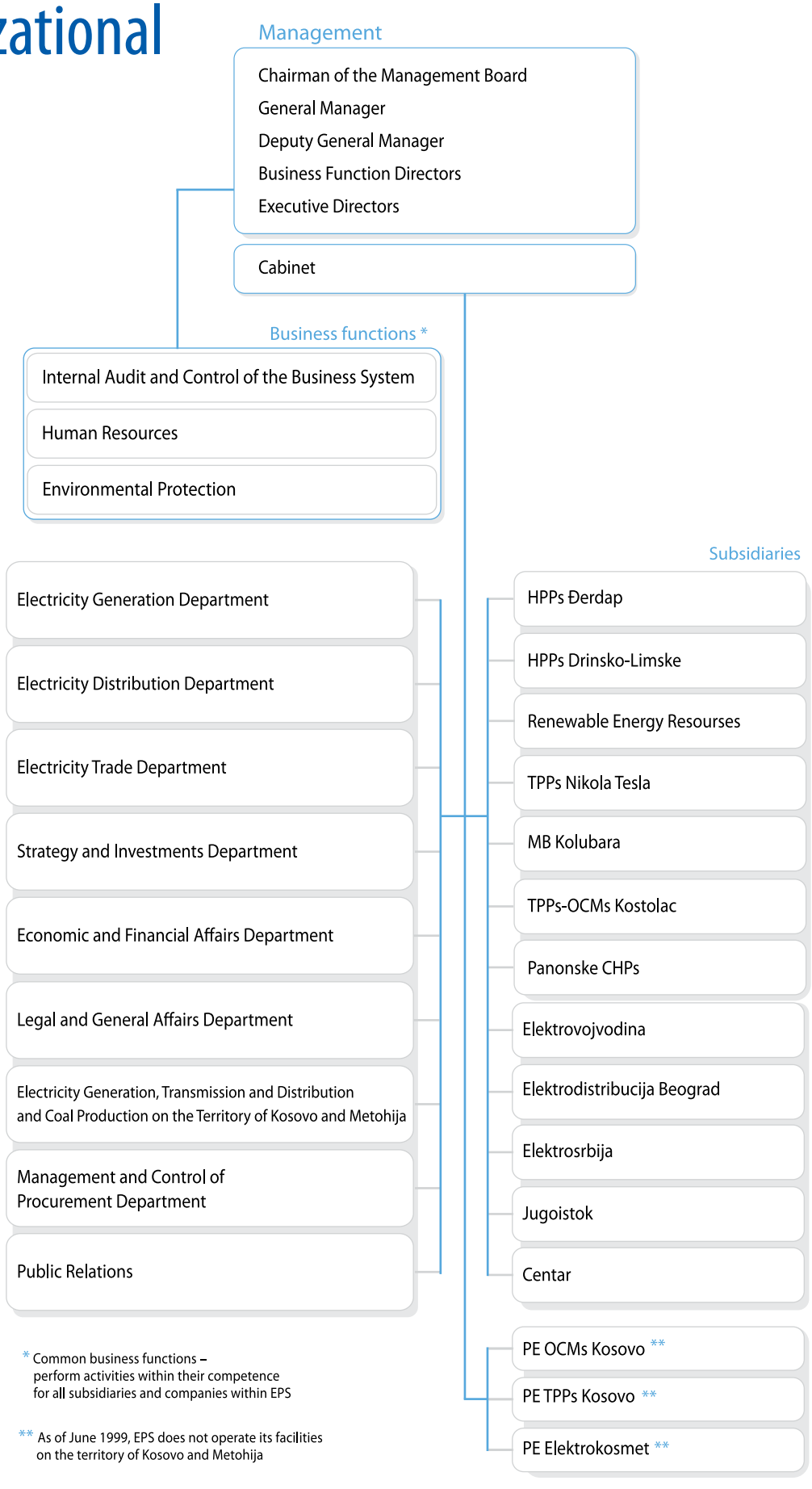
Activity

Main activity of PE EPS is electricity trade, and electricity generation and distribution, distribution system management, production, coal production, processing and transport, steam and hot water production in combined processes, are performed in subsidiaries founded by PE EPS for performing stated activities.

Number of employees: 28,839 (without Kosovo and Metohija)

33,452 (with Kosovo and Metohija)

Organizational Chart



* Common business functions – perform activities within their competence for all subsidiaries and companies within EPS

** As of June 1999, EPS does not operate its facilities on the territory of Kosovo and Metohija

EPS in Figures

GENERATION CAPACITIES
net output capacity

Kosovo and Metohija not included	7,124	MW
Kosovo and Metohija included	8,359	MW*

ELECTRICITY GENERATION

Kosovo and Metohija not included	34,509	GWh
Kosovo and Metohija included	39,892	GWh

COAL PRODUCTION

Kosovo and Metohija not included	37,513,241	t

OVERBURDEN REMOVAL

Kosovo and Metohija not included	107,688,172	bcm

EPS GROSS CONSUMPTION

Kosovo and Metohija not included	33,589	GWh
Kosovo and Metohija included	39,239	GWh

FINAL ELECTRICITY CONSUMPTION

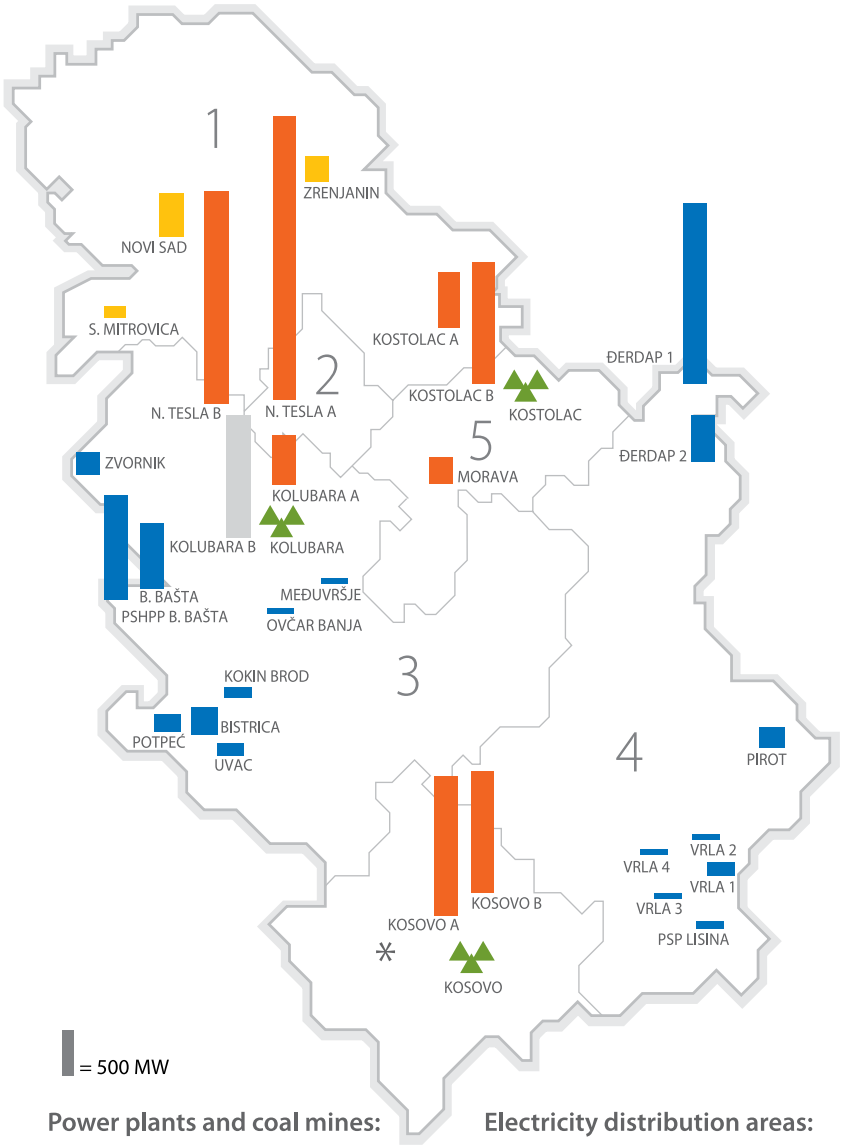
Kosovo and Metohija not included	27,980	GWh

NUMBER OF CUSTOMERS
Kosovo and Metohija not included

Total	3,553,988
At high and middle voltage	4,218
At low voltage	3,549,770

* As of June 1999, EPS does not operate its facilities on the territory of Kosovo and Metohija

EPS Installed Capacities



Power plants and coal mines:

- TPP
- TPP UNDER CONSTRUCTION
- CHP
- HPP
- COAL MINE

Electricity distribution areas:

1_Elektrovojvodina Ltd. Novi Sad
2_Elektrodistribucija Beograd Ltd. Beograd
3_Elektrosrbija Ltd. Kraljevo
4_Jugoistok Ltd. Niš
5_Centar Ltd. Kragujevac
*_PE Elektrokosmet, Priština

* As of June 1999, EPS does not operate its facilities on the territory of Kosovo and Metohija

Major Events

JANUARY

- Almost 20,000 applications were received for vacancy announcement of PE EPS for the employment of 110 interns.
- EPS participated as the only company from the region at the fifth World Conference on Energy Future and Renewable Sources, held in Abu Dhabi (The United Arab Emirates), where 650 companies from 35 countries participated.
- EPS became the "bronze" sponsor of Serbian Olympic Team.

FEBRUARY

- The Government of the Republic of Serbia declared the state of emergency on 5 February due to extremely low temperatures and abundant snow.
- Employees of the company MB Kolubara were honored with the Gold Medal for the service for the joint commitment and extreme effort in maintenance of energy system and stable coal supply for thermal power plants during state of emergency.
- EPS and German company Thyssen Krupp signed the contract worth almost EUR 18 million for the procurement of new excavator for coal excavation at the open cast mine Tamnava West Field in MB Kolubara.
- Trade Union of the employees of EPS celebrated 20 years of its existence.

MARCH

- Within common function of Human Resources Management, Sector for Health and Safety at Work was formed, in order to improve the field of health and safety at work at the company level.
- In Novi Pazar a customer shot the electricians who switched off electricity because of unauthorized consumption.

APRIL

- Works on the project package defined by the bilateral agreement signed by Serbia and China, started. First phase of the Project shall be rehabilitation of the Unit 2 at TPP Kostolac B.
- EPS, Novi Sad, Energija Novi Sad and the consortium of the producers signed the protocol of the initiation of negotiations for the conclusion of the contract for joint venture in revitalization of the existing and construction of the modern facility for combined generation of electricity and heating energy CHP Novi Sad.
- EPS became the donor of the award within the field of physics and related sciences, established by Serbian Academy of Sciences and Arts (SASA).
- Small hydro power plant Prvonek, 860 kVA capacity, commenced the operation on water management reservoir near Vranje.

MAY

- Students of the Faculty for Islamic Studies in Novi Pazar occupied the building of local electricity distribution company to protest against the electricity disconnection of the faculty. Electricity debt amounted to seven million RSD.
- Phone call was received with the false alarm that there was a bomb in the premises of the branch Elektrodistribucija Raška.

JUNE

- New system for the collection, transportation and disposal of ash and slag was put into operation at Unit 5 in TPP Kolubara, which will finally solve one of the largest environmental issues within the region of Lazarevac.
- New 92 tone heavy transformer unit, 112 MVA capacity, foreseen for the final phase of revitalization of H3 unit in HPP Bajina Bašta slipped from the transporter at Debelo Brdo.

- At the fifth ECS system top bench of the mine Drmno fossils of mammoths were discovered. Archaeologists estimate that this represents the cemetery of these prehistoric animals.

JULY

- New Government of the RS was selected. Zorana Mihajlović was selected as a head of the Ministry of Energy, Development and Environmental Protection and Milan Bačević as a head of the Ministry of Natural Resources, Mining and Spatial Planning.
- Serbian Constitutional Court adopted the decision not to apply comfort method any more but the simple interest bill method for default interest rate calculation.
- Low voltage transformer station at the street Batajnički Drum near Belgrade was broken and robbed. Estimated damage was RSD 3 million.
- Linemen from Vrnjačka Banja, employees of the company Elektrosrbija, were brutally assaulted in the village Ruđinci during disconnection of electricity because of the accumulated debt.

AUGUST

- After its revitalization, the third unit at HPP Bajina Bašta was successfully connected to the electricity system network.
- PE EPS initiated the activities on the preparation of Integrity Plan, in accordance with provisions of the Law on Anti-corruption Agency.

SEPTEMBER

- Government of the Republic of Serbia appointed Aleksandar Obradović as the Acting General Manager of PE Electric Power Industry of Serbia.
- German energy company RWE and EPS signed Memorandum of Understanding and strategic cooperation.

OCTOBER

- EPS and German Development Bank (KfW) signed contract on credit, EUR 65 million worth and EUR 9 million grant by the Government of Germany for the implementation of Environmental Improvement Project at Kolubara Mine Basin.
- EPS and Elektroprivreda Republike Srpske signed Power Purchase Agreement for 2013, EUR 30.7 million worth, thus securing 70 percent of EPS import needs in 2013.
- Exhumation and relocation of all lots from the cemetery in Vreoci village were completed enabling coal production.

NOVEMBER

- Government of the Republic of Serbia accepted the document “Starting Points for Reorganization of PE Electric Power Industry of Serbia” where EPS intentions to perform variety of changes regarding legal form and company reorganization were presented and which arise from the obligations undertaken by Stabilization and Association Agreement between Serbia and EU, Energy Law and Public Property Law.

DECEMBER

- After eight month long rehabilitation, Unit B2 at TPP Kostolac is connected to EPS network.

Work under Extreme Conditions

JANUARY

25.

- Cold wave started in Serbia.

- Trees were falling because of the weight of snow thus tearing the network on the territory of the company EDB. TS 35/10kV Ripanj was disconnected for several hours and most jeopardized were the settlements Barajevo, Rakovica and Ralja. Workers in some facilities worked two shifts a day.

- Many interruptions in the electricity supply happened on the territory of the company Jugoistok. There were outages in the areas of Bujanovac, Preševo and Vranje and mountain parts within the area of the distribution company Leskovac at the same time. Interruptions on the transmission line Aleksinac - Soko Banja 110 kV capacity occurred. Teams of linemen from Jugoistok were nonstop at the field. In order to temporary replace broken concrete poles, employees pulled wooden poles 800 meters up the cliff.

- Linemen teams of Elektrotimok made their way towards hardly accessible terrain of rural areas. The most difficult situation was on the territory of the facilities Bor, Knjaževac and Negotin.

- Winter emergency services MB Kolubara Auxiliary Mechanizations were cleaning the snow from all access roads towards Kolubara open cast mines and the workers were cleaning the roads on the territory of the municipality of Lazarevac.

- There were many outages of transmission line, 35 kV capacity, for the self-consumption of HPPs Bistirica, Kokin Brod and Uvac because of the heavy snow falls. Transport of the workers who work in shifts to and from work was disabled because roads were blocked by the snow.

26.

- Conductors in more than 1,200 tariff stations of the company Elektrosrbija broke due to snow accumulation. Breakdown was declared in the branches Valjevo, Lazarevac, Loznica, Užice and Čačak. 20,000 customers were left without electricity. All employees gave their maximum, without exception.

- Parts of Bor, Majdanpek, Boljevac, Vranje and Surdulica were left without supply.

27.

- Only another 100 tariff stations remained without supply on the territory of Elektrosrbija, and 900 out of 900,000 customers were without electricity.

FEBRUARY

1.

- All TENT units were operating at maximum level.
- Emergency situation measures were declared and maximum mobility of all employees at TTP OCM Kostolac and the most difficult situation was at the mine Drmno.

5.

- The Government of Serbia declared emergency state.

6.

- Termination of the operation of ECL System at Kolubara's Field D.
- Problems in the operation of drainage pumps at HPP Bajina Basta occurred because icicles, that were several meters long, represented danger for metal dam constructions. Level of engagement and readiness of all employees was increased.

7.

- Operation of ECS system stopped with lines full of coal and snow at Field D. Workers were emptying the lines that were about four kilometers long for 24 hours.
- Operation of the mine Drmno was in difficult situation: workers working outside worked in shorter shifts because of the wind Košava and low temperatures. Workers were obliged to wear PPE equipment.
- Ice on the surface of Sava River appeared after almost 30 years. Employees of TENT A in motor boats were breaking ice layers near pumping station in order to prevent congestion in the suction pumps.
- Maximum of electricity consumption at the level of the distribution company Centar. New record was set higher than steel company in Smedervo had been operating. Critical situation in Smederevo, Požarevac and Veliko Gradište.

8.

- Serbian Government at the extraordinary session approved to EPS and EMS to limit the electricity and capacity supply for some categories of customers and to switch off decorative and advertising lighting and to closing school. It was recommended to companies and institutions in business activity which does not include production to reduce work processes in order to prevent electricity reductions.
- During the first week of February at the mines in Kolubara 70 percent less coal was excavated than planned: at Field D 65 percent, at Tamnava West Field and Veliki Crljeni 69 and at Filed B 76 percent. Only 59 percent of planned amount of overburden was excavated.
- TENT's dumps A and B were filled with only 60, i.e. 52 percent of balanced amounts.
- Facility of the system for defrosting of Railways Transport TENT coaches was nonstop in the operation. Workers were breaking the snow on some parts of the railway and removed ice from the coaches and coal by hacks and picks.
- New record in electricity consumption was set for the second time – 162.2 million kWh were consumed at the territory of Serbia with Kosovo and Metohija. It was also annual record in consumption
- Navigation was cancelled in both sectors of Đerdap power plants. Ice layer 10 to 15 cm thick completely covered the lake of HPP Đerdap 1. Team for defense against ice worked nonstop. Serbian ice breaker Greben and Romanian Golijat were operating at critical locations.
- Elektrovojvodina recorded maximum daily consumption. All employees were at the highest level of readiness. Supply interruptions of some parts of demand area were being overcome by the supply from alternative directions.

9.

- None of the trains arrived at TENT B for 12 hours.
- Critical state at Kolubara mines. Parts of equipment and machines were frozen at the temperature of 30°C below zero.
- Large amounts of ice in the dam HPP Bajina Bašta made the operation of drainage pumps more difficult. Workers defrosted the pipeline mechanically, using torches, fan heaters and hot water.

11.

- In the night between 11th and 12th, the engine and coach derailed from the frozen rails near TENT A, causing discontinuation of coal transportation that for lasted several hours. Emergency response units of Railroad Transportation managed to remove 78 tone engine with special crane.
- Workers of Drmno removed snow which was high up to two meters and caused by the wind Košava near the village of Kličevac, in order to enable communication necessary for the supervision of the system for mine drainage.

13.

- For 24 hours only 30 percent of planned coal was delivered from open cast mines to TENT. Coal reserves from dumps were used; therefore their level of coal was at the critical level.
- 70 percent of the workers at TPP OCM Kostolac worked during the weekend as well. Many failures were removed during the operation.
- At the territory of Braničevo district it was snowing for 48 hours, it was extremely difficult to excavate coal, all thermal power plant units operated with maximum capacity.
- Hydrological conditions of the Danube became worse. Inflow was reduced to 2,000 m^3, so HPP Đerdap 1 generated only 40 percent of planned daily electricity generation. Also generation at HPP Đerdap 2 was below the plan.

14.

- Daily amount of the coal in TPP Kolubara was five to seven trains and needs were from 12 to 15 trains. Coal deficit was taken from the dump, which was then filled with 10 to 15 percent of coal only.
- Temperature rising and electricity consumption was reduced to about 150 million of kWh.

26.

- State of emergency was cancelled in Serbia.

JUNE

22.

- Extremely high temperatures were reaching up to 38°C. At Kolubara mines, coal and overburden generation was performed in extremely difficult conditions. High temperatures affected the work of employees and operation of equipment. The most difficult situation was for the employees that worked outside. Air conditioners were provided for excavators, spreaders, belt conveyors and vehicles of "Auxiliary Mechanization".

29.

- The state of emergency was declared due severe weather conditions at company TPP OCM Kostolac. Employees worked in smaller groups in shifts and shifted after short period of time. Emergency medical service unit was present at the mine and ambulance was working overtime. Measures for the protection of machines that were not designed for the operation at high temperatures were undertaken. Having in mind that the mine is more than 100m below the ground, temperature there was significantly higher, particularly in the coal system where the coal itself emits the heat.

JULY

5.

- Electricity consumption in Serbia was higher.
- Peaks were transferred from evening to afternoon. Used power was about 100 MW higher in the afternoon than in the evening. At the daily peak, between 12 p.m. and 2 p.m., 600 MW were necessary for the operation of air conditioners, which is equivalent to the power of PSHPP Bajina Bašta.
- Generation in run-of-the-river hydro power plants was less because of the drought that continued, so the balance minus was compensated from grater operation of reservoir HPPs. Generation from thermal power plants was balanced.

6.

- Installation of new runner in stator of the generator of the unit H3 in HPP Bajina Bašta started early in the morning in order to avoid high air temperatures and to facilitate the work of the contractors.

9.

- Working hours for the risk positions were changed in EDB: in the hottest periods of the day only urgent, emergency repairs were performed in the field and other activities, regarding the overhauls and reconstructions were performed in early morning and late afternoon. Cool water was provided regularly to the employees at the field and where it was possible the teams were shifted more often. Appropriate PP Equipment was provided (cotton overalls, UV protection sunglasses and hats protecting the back of head and neck.)

10.

- Colder weather and lower temperature, with showers were forecast, but that was insufficient for the improvement of overall hydro conditions.
- In July, generation at HPP Đerdap 1 was 23 percent less than planned.
- The hottest July since the temperature in Serbia has been measured.

AUGUST

15.

- Due to difficult hydrological situation and reduced inflows in hydro power plants, the most expensive resources – Panonske CHP were included in generation as well. Their last engagement was during the same month in 2007.

24.

- At some parts, it was possible to cross the Drina River on foot. Natural inflow amounted to 47 m^3/sec that was seven times less than average flow of 330 m^3/sec.
- HPP Bajina Bašta provided biological minimum necessary for flora and fauna of the Drina River.

28.

- There were several larger and smaller wildfires at several locations at the territory of the company Elektrosrbija. They were within areas of the branches Čačak, Užice and facility of Bajina Bašta on the territory of Tara. Electric power facilities, transformer stations and lines at every voltage level were endangered. Large number of precaution disconnections of electric power facilities and interruptions in electricity supply were necessary during the periods of fire extinguishment.

SEPTEMBER

3.

- Because the transmission lines which connect HPP Đerdap 2, 110 MVA, were jeopardized by the wildfire, the electricity supply from Đerdap power plants to EPS system was reduced. Customer supply was not affected.

15.

- Panonske CHP stopped generating electricity for EPS needs.

Economic and Financial Affairs

Continuation of unfavorable tendencies that started in the second part of 2011 with the new wave of global economy crisis colored economy of Serbia in 2012:

- reduction of economy activities,
- slowing down of rise of the export and import of goods,
- rise in balance of payments and fiscal imbalance,
- inflation rise,
- reduction in employment and rise in unemployment,
- realistic salary growth,
- rise of restriction of monetary policy and weakening of RSD,
- reduction of foreign currency reserves,
- slowing down of credit activity of the banks,
- high share of questionable credits in overall approved credits.

COMPARED TO 2011

Economic activities were reduced amounted to **1.9** percent

Industrial production was reduced amounted to **2.9** percent

Export was reduced amounted to **3.6** percent

Import was reduced amounted to **4.3** percent

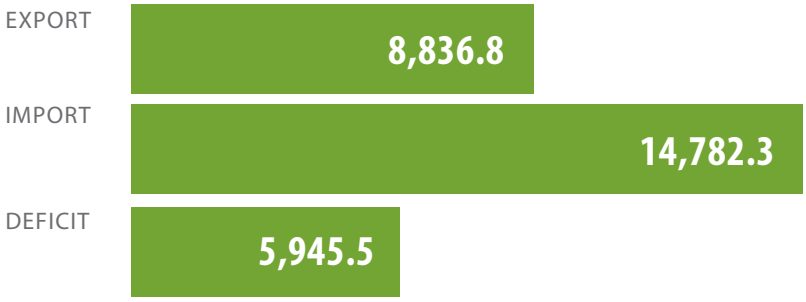
Inflation, measured with the index of consumer prices in December and compared to December 2011 was amounted to **12.2** percent

Annual growth of consumer prices was average amounted to **7.8** percent

Recessional tendencies in the economy of Serbia in great amount were the consequence of slowing down of economic and international economic activities in the euro zone and in the regional countries, as the most significant partners of Serbia in the field of trade and investments. Reduction in industrial production, particularly processing industry and slow growth of export and import, partially were the consequence of adverse weather conditions. Low temperatures in first two months of the year lead to production down time, problems in traffic and to electricity restrictions in parts of the economy. Long lasting drought in summer months lead to the reduction in agricultural production. U.S. Steel leaving domestic market contributed to the reduction in processing industry.

The highest growth of gross value added was recorded in information and communication sectors, then in professional, scientific, innovation and technical business activities and in administrative and support service business activities. The highest fall of GVA was recorded in sectors of agriculture, forestry and fisheries, as well as in the sectors of accommodation and food.

Production of metals, electricity, chemicals and chemical products and coal exploitation particularly affected the fall in industrial production.



Financial Results of EPS's Operation

In 2012 electricity generation was by 3 percent less than planned and by 4 percent less than it was in the previous year. There were significant monthly deviations in dynamics of electricity generation and consumption compared to the plan and previous year which was caused by climate and hydro conditions.

In previous 11 years electricity generation was increased by 15 % and simultaneously the electricity consumption rose by 13.1 %. This is the minimum surplus (difference between generation and consumption) achieved since 2004. It was the consequence of the reduction of generation and consumption compared to 2011, in all quarters.

EPS secured 94.3 percent of electricity annual needs from own generation. It was impossible for EPS to fulfill the demands of customer within its demand area during whole year because demand was not always the same. Electricity procurement of 2,070 GWh was by 38 percent higher than planned and by 14 percent less than procurement was in 2011. In order to meet high consumption, 903 GWh of electricity was procured in the first quarter of 2012 out of total commercial procurement in 2012 which amounted to 1,169.9 GWh.

Coal production in 2012 was as planned and seven percent less than it was in 2011.

Achieved revenue from heating energy and process steam was by 3 percent less than it was in 2011 and compared to the planned by 41 percent. Generation, i.e. placement of this type of energy is conditioned by the intensity of economic activities of customers and need for heating energy depending of temperature conditions.

Supply of 1,647 GWh to other companies is higher by 16 percent than it was planned and less by 21 percent than the year before.

External electricity supply within demand area of Serbia amounted to 27,326 GWh which is by 3 percent less than planned and by 2 percent less than the year before.

Percentage of the loss in electricity distribution was 14.14 percent as it was planned and it was by 1 percent less than the loss in 2011.

Loss in business operation of RSD 11,747 million is given in Financial Statement for 2012 and in consolidated Profit and Loss Statement of EPS and RSD 13,955 million was planned, whereby the following results are achieved:

- negative from business relation - RSD 5,468 million,
- positive from financial relations - RSD 3,319 million,
- negative from other relations - RSD 42,236 million.

Operational expenses given in consolidated Profit and Loss Statement of EPS in 2012 amounted to RSD 195.9 billion, which is by 4 percent higher than planned and 9 percent higher than achieved in the previous year.

Increase of expenses is mainly the result of increased procurement of electricity due to great drought. Electricity procurement costs which are given in the consolidated Profit and Loss Statement of EPS for 2012 are higher by 14 percent than realized in the year before. Energy procurement from external legal entities was performed in the conditions of extremely low temperatures, according to the conclusions and recommendation of the Serbian Government on rationalization of the power products consumption and preventing the adoption of the measures for limiting supply of energy and power products.

Accumulated losses in the business operation amount to RSD 134 billion.

Financial status of the company, from the liquidity and cost-effectiveness aspects, is still unfavorable in the conditions of great indebtedness from previous years. Total liabilities on 31.12.2012 amounted to RSD 201 billion and receivables amounted to RSD 185 billion (gross). Short-term liabilities were 62.5 percent of total liabilities.

Although the electricity export was not planned for 2012, 251 GWh was exported thus making RSD 1.44 billion revenue.

Achieved Electricity Prices

Average sales electricity price for external supply within demand area of EPS was 5.860 RSD/kWh.

Average electricity prices in the EPS consumption area (external supply)					
Category of consumption	Actual 2012	Plan 2012	Actual 2011	Indices	
	RSD/kWh				
	1	2	3	1/2	1/3
High voltage (110 kV)	4.222	4.101	3.928	103	107
Middle voltage – total	5.315	5.305	5.132	100	104
Total high and middle voltage	**5.055**	**4.965**	**4.790**	**102**	**106**
Low voltage (0.4 kV I level)	8.006	7.834	7.654	102	105
Mass consumption – total	5.833	5.798	5.585	101	104
- 0.4 kV II level	7.593	7.564	7.309	100	104
- households	5.598	5.564	5.355	101	105
Public lighting	5.244	5.245	5.054	100	104
Total low voltage	**6.153**	**6.099**	**5.892**	**101**	**104**
TOTAL	**5.860**	**5.790**	**5.587**	**101**	**105**

Achieved level of electricity price for external supply within demand area of Serbia was RSD 5.79/kWh, which enabled coverage of current operational costs and financing of only the part of the most necessary investments. It was impossible to provide necessary investment funds for the growing electricity consumption in the following period. There was no change in electricity price during 2012.

Long-term policy of non-economic electricity price caused extremely high specific consumption of electricity according to Gross National Product and irrational contribution of this type of energy in fulfilling overall final energy consumption in Serbia.

Electricity Trade

Serbian tariff customers were supplied with electricity in 2012 based on annual contracts between Electric Power Industry of Serbia and its own subsidiaries generating and distributing electricity. To provide safe and stable power system operation EPS was also selling electricity and power to the Serbian TSMO (Elektromreža Srbije) based on annual contracts.

EPS Trading was selling electricity on the domestic and regional markets. Purchase of the missing electricity took place following the Public Procurements Law.

1,169.9 GWh
PURCHASE

251.4 GWh
SALE

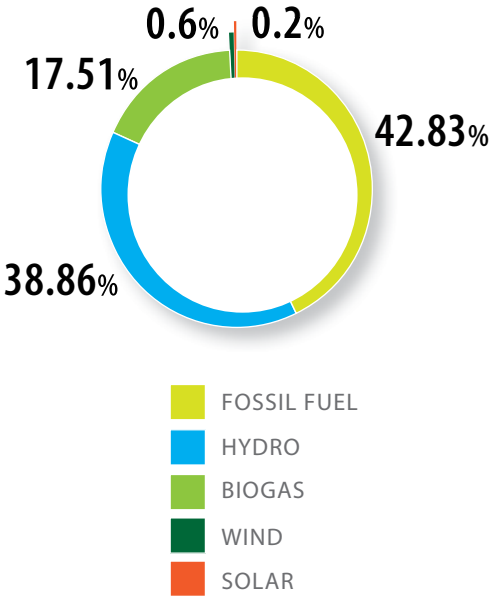
EPS traded with 17 companies - 15 licensed for electricity trade in Serbia and 2 foreign companies.

Cooperation with the Elektroprivreda Republike Srpske and Elektroprivreda Crne Gore in the field of electricity sale was based on annual contracts and contractual obligations. Similar to previous years, in 2012 the cooperation was also characterized by good relations.

Based on the Serbian Government decision and the signed contract, EPS Trading also purchased electricity from the privileged producers.

PRIVILEGED PRODUCERS

Out of the **37** privileged power producers EPS purchased **36,184** MWh of electricity under privileged prices



Power Balance and Operation of EPS Generation Capacities

Depending on the period and the considered power balance element, the implementation of the 2012 power balance has considerably deviated from the initial assumptions.

In terms of the actual temperatures in Belgrade, 2012 was one of the warmest years since the measurements began, as well as compared to the 120-year average. The highest temperature deviation was in February and during the summer.

Electricity consumption in 2012 (excluding Kosovo and Metohija) in all months was lower than planned (in the fourth quarter by about 600 GWh). In addition to the warmer weather, this was influenced by a significant industrial consumption reduction. Only in February, due to extremely low temperatures, especially in the first half of the month, consumption was higher by some 200 GWh.

Judging by the actual inflows, 2012 may be characterized as a dry year, wherefore the hydropower generation was lower. Lower thermal power generation was mostly influenced by coal transportation issues during the extremely cold February days. Owing to the lack of power in February combined heat and power plants were also in operation.

COMPARED TO THE 120-year AVERAGE

The average annual temperature was for **2.1°C** higher reaching **13.9°C**

February was **5°C** cooler

COMPARED TO ALL THE PREVIOUS MEASUREMENTS

Summer 2012 was the warmest, July was the warmest month, while June and August were the second warmest months

ELECTRICITY CONSUMPTION

It was **33,589** GWh (without Kosovo and Metohija), which is **3.1** percent less than the balance

Record consumption was broken on **7** February when it amounted to **141.4** GWh in total

HYDROPOWER PLANTS

Run-of-river hydropower plants generated **8,450** GWh , which is **10.3** percent less than planned

Only in the first quarter some **530** GWh less than planned was generated

Reservoir inflows were lower by about **120** GWh

The total hydropower deficit was **1,092** GWh

THERMAL POWER PLANTS

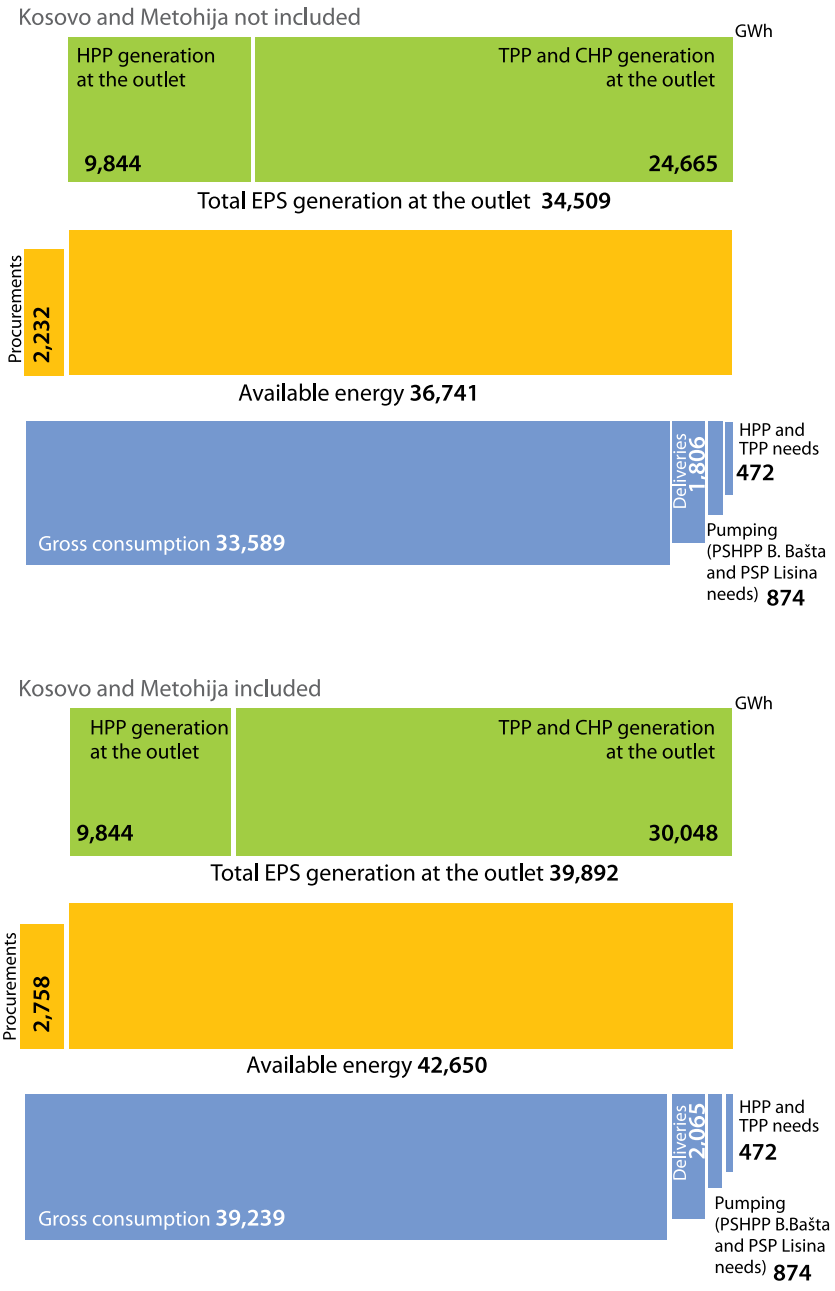
Coal-fired thermal power plants generated **24,275** GWh, which is **2.1** percent less than planned

Combined heat and power plants generated **390** GWh , of which **223** GWh in the first quarter, which is **57.18** percent of their total annual generation

To meet the power balance some 1,169.9 GWh of electricity was purchased on the open market, which is 676 GWh more than planned. Only in February 501 GWh was purchased to eliminate the effects of the significantly higher consumption, drought and lower coal production.

Some 251.4 GWh was sold on the free market in the second quarter when hydrological conditions were much better than the rest of the year.

ACHIEVED ELECTRIC POWER BALANCE



Open Cast Mines

In the year 2012 has been confirmed that the production of coal and overburden removal is a strategic activity in the energy sector of the Republic of Serbia. Not so by production results that were slightly weaker than those in 2011, as by the responsibility that mines had in the functioning of the system during extreme winter and summer temperatures.

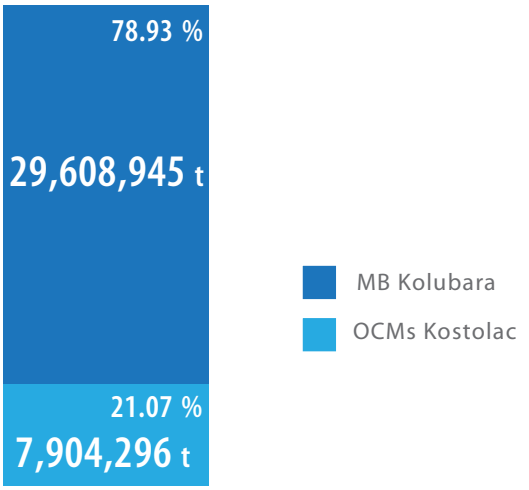
The year has begun with very low temperatures that are seriously threatened to completely prevent the production and transport of coal toward the thermal power plants. The second part of the year has been marked by a long drought and reduced power generation by hydro power plants. In the year 2012 coal mines and thermal power plants have had a great responsibility for stability of power in the country.

Coal production in the Republic of Serbia took place at the opencast mines of Kolubara and Kostolac basins, whose production is managed by the Electric Power Industry of Serbia. (From 1999, Electric Power Industry of Serbia does not operate its Kosovo and Metohija capacities.)

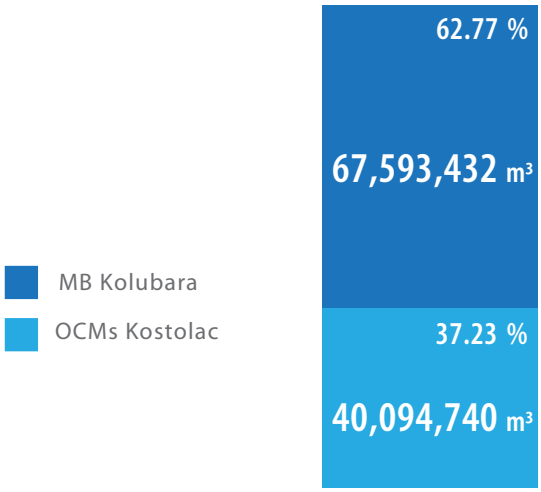
Out of the total electricity generation in 2012, almost 70.40 percent was generated by EPS thermal power plants firing coal originating from the Kolubara and Kostolac open cast mines. Coal produced by the MB Kolubara made possible the generation of some 55.60 percent of the total electricity generation of EPS, while the share of OCM Kostolac was 14.90 percent. The Morava TPP fired coal produced by the MB Kolubara, OCM Kostolac and PE Underground coal mining.

In the MB Kolubara mining of coal is done on four opencast mines: Field B, Field D, Veliki Crljeni and Tamnava West Field. They has supplied with coal TPP Kolubara, TPP Nikola Tesla A and B and TPP Morava.

In the EA TPP-OCM Kostolac mining of coal is done on the opencast mine Drmno from which has been supplied by coal TPP Kostolac A and B, and partly TPP Morava, which received coal from the PE Underground coal mining.



COAL EXPLOATATION AND ITS PERCENTAGE IN TOTAL PRODUCTION



OVERBURDEN REMOVAL AND ITS PERCENTAGE IN TOTAL PRODUCTION

Average calorific value of the coal supplied to the thermal power plants from the MB Kolubara was 7,608 kJ/kg, and from OCM Kostolac 8,075 kJ/kg.

The ratio of excavated overburden and coal was 2.28 m3/t at the MB Kolubara and 5.07 m^3/t at TPP-OCM Kostolac.

In the year 2012 on all opencast mines of EPS there were problems with the expropriation of land. Due to it the removal of overburden has been reduced at some mines.

However, the year 2012 has been certainly marked by the successful completion of the cemetery relocation in the Vreoci Village. Long delay of this work in the past has been caused problems which led to increasing of production costs and its decreasing on the largest opencast mine of Kolubara, Field D.

Unfortunately, consequences of this delay were felt for several more years that are until the reach of the full production on the replacement opencast mine, Field E, which opening is in process.

The success of resettlement in the Kostolac basin has been affected by agricultural areas and known archaeological site Viminacium. Exactly in June of the year 2012 at the uppermost bench of the fifth ECS system, at a depth of 10 to 12 meters, has been found the fossil remains of several mammoths, being a worldwide sensation. The dynamics of the archaeological research has been determined by which the operation of the opencast mine was not jeopardized.

COAL EXPLOATATION

37,513,241 tons of coal was produced at the opencast mines MB Kolubara and OCM Kostolac

OVERBURDEN REMOVAL PRODUCTION

107,688,172 cubic meters of overburden removal was produced at the opencast mines MB Kolubara and OCM Kostolac

RECORD

100.5 percent was achieving of balance of coal production at OCM Kostolac

Records in the overburden removal were achieved at mine Drmno in Kostolac:

207,509 m^3 - Daily (11^{th} of April)

4,315,525 m^3 -Monthly (March)

40,094,740 m^3 - Yearly (2012)

Mining Investments

In 2012 MB Kolubara finalised the Vreoci Village and Cemetery Relocation Project (671 households expropriated and a cemetery containing 4,450 graves relocated).

Procurement of a new bucket wheel excavator for the Tamnava West Field mine was initiated. This will maintain the current mine production with potential production increase in the next few years.

During 2012 negotiations were finalised with EBRD and KfW regarding the financing of the EPS Kolubara Environmental Improvement Project. The project comprises three lots: Field C ECS (bucket wheel excavator-conveyer system-spreader) system, Tamnava West Field Interburden Spreader (12,000m3/h) and a coal quality management system in the western part of the Kolubara Basin. During 2012 Field C ESC system supplier selection procedure was initiated. Contract signing is expected in the first quarter of 2013.

At the Kostolac Basin, Drmno mine stacker-reclaimer system was revitalised. Preparations were made for negotiations with the Chinese company CMEC for the purchase of additional coal production equipment to provide coal for the new B3 unit of the TPP Kostolac B.

Overhaul of the overburden removal and coal production/processing equipment

Capacities	Planned / systems	Implemented / systems
Overburden removal	17	15
Coal production	6	6
Coal processing	3	3

All the deadlines foreseen for the above overhaul works were observed, while the quality of works was in line with the required levels. The only issue was the procurement of individual parts, particularly bearings and gears, causing short delays in the overhaul works. There were also some issues with the overburden removal system (the fourth ECS system on Field D).

Individual Drmno mine overhaul works have not fully been completed due to inadequate overhaul preparation procedures (equipment inspection, delayed procurement of necessary parts, etc.).

There were also issues with the companies maintaining the basic mining equipment (Kolubara Metal in the Kolubara Basin and Prim in the Kostolac Basin) due to the difficult financial situation of these companies, as well as due to labour surplus, lack of projects and slow raw materials procurement process.

Veliki Crljeni mine ECS system was not overhauled given that all the necessary repairs have already been completed while the system was not in operation owing to the land expropriation issues.

The second dumping line - PKM-2 of the Drmno mine was revitalised. This included the replacement of the excavator and conveyer drive stations, introduction of excavator frequency regulation, revitalisation of the excavator hydraulic and lubrication systems plus all the foreseen railway works. The new bucket wheel drive gearbox was installed on the SRs-400 excavator providing greater excavator availability.

Field D bucket wheel excavator (G-III) was also revitalised at the Kolubara Basin. The outdated control system of the spreader O-1 ARS 8500 manufactured by Takraf operating at the Tamnava West Field mine was replaced by a state-of-the-art control system (PLC S7-400) manufactured by Siemens. On this occasion, the damaged control-signalling cables were also replaced. The same works were also implemented on the spreader O-5 ARS 1600 manufactured by Thyssen Krupp Fördertechnik on Field D.

Despite some difficulties in the procurement of mining equipment parts, open cast mine systems overhauls were implemented with a high level of quality, thus ensuring the required level of reliability and availability.

Power Plants

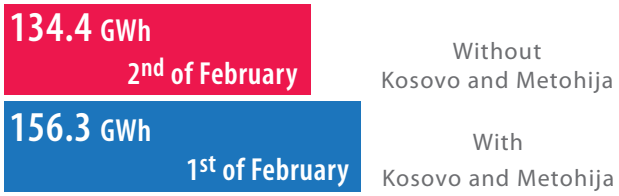
Power plants operated by Electric Power Industry of Serbia have generated 34,509 GWh in 2012, and with the Kosovo power plants production was 39,892 GWh of electricity. Due to the extreme winter and summer conditions generation has been reduced and the records from the previous year has not been reached. However, despite all difficulties caused by the climate, capacities of EPS have operated reliably and without limitation has supplied required amount of electricity.

EPS generation in 2012 (GWh)				
	Thermal Power Plants	CHP	Hydro Power Plants	TOTAL
Without Kosovo and Metohija	24,275	390	9,844	34,509
Kosovo and Metohija	5,383	-	-	5,383
TOTAL	**29,658**	**390**	**9,844**	**39,892**

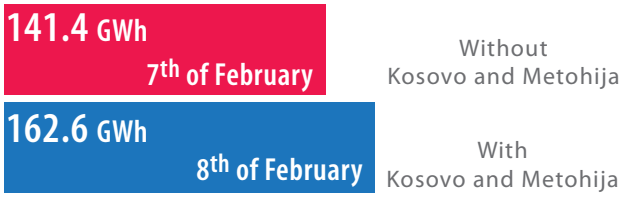
Unusually cold winter came as a continuation of a months-long drought and reduced inflows in rivers. Icy wave has begun of the January 26th and has lasted for the next three weeks. Government of the RS has declared an emergency in the country on 5th of February. And after all appeals to consumers to reduce energy consumption in every way, and considering that there was no reduction, EPS has made a decision to exclude industrial customers whose work is not of vital public interest thus avoiding the reduction of energy for households.

By this have been broken generating and consumption records as from January, 2010, during the "gas crisis".

MAXIMUM DAILY PRODUCTION



MAXIMUM DAILY CONSUMPTION



In the period from June-August has been recorded continuously four hot waves that lasted for ten days each (the third decade of June, the first two in July, the first and the last week in August). During the last summer there has been days with the average tropical temperatures higher than 30°C, but the hot waves lasted fewer numbers of days.

In this period, there have been days when the daily consumption peak was higher than the evening peak load.

Inflows were very low, so it has been engaged overrun reservoirs, especially in the peaks of consumption. As the summer kept coming, the production in the run-of- the river HPPs was getting smaller, and the energy content of reservoirs as of the 10th of June was continuously lower than planned. In order to maintain it, from the 15th of August till the 25th of September in production has been involved the most expensive resources, Panonske TPP - CHPs.

GENERATION AND CONSUMPTION

The largest ten-day consumption ever recorded in the history of EPS was from the **31**st of January up to **9**th of February 2012, when in Serbia without Kosovo and Metohija was average daily consumed **138.5** GWh of electricity

4 of EPS **30** daily maximum generations and **11** of **30** daily maximum consumption of power has been achieved in January and February of the year 2012

Thermal Power Plants

Thermal power plants of EPS at lignite have generated 29,658 GWh being thus involved in the total production with 74.4 percent. This production is lower than the planned for 2.3 percent and for 6.4 percent from the last year.

Available blocks of TENT and TPP Kostolac in January have achieved maximum monthly generation of 2,647.8 GWh, and have not achieved their individual maximums.

Thermal Power Plants Generation (GWh)		
TENT	19,152	Kosovo and Metohija Power Plants
TPP Kostolac	5,123	5,383
TOTAL	**24,275**	**29,658**

In comparison to the year 2011, total operating time at full operation of power plants in 2012 has been reduced, the blocks have spend more time in the scheduled downtime, unplanned downtime duration remains the same, systemic activities were lower, so the period at which the operating ready blocks have spend in cold reserve has been reduced as well the hot reserve time. It shows the tension of the system operation and requirement for the power throughout the year.

Reliability of the thermal power plants after the 12 years of investments has been brought at the level which blocks have had during the best "life cycle" with average age between 10 and 20 years.

RECORD

Thermo power plants of EPS have made three new plants records of daily generation

91.5 GWh - 14th of December

92.6 GWh - 18th of December

93.4 GWh - 19th of December

In thermal power plants during the icy wave has been maximally mobilized all available techniques and all employees. It was technically very demanding to maintain generation and equipment not being designed to work continuously at such low temperatures. The working conditions of all power plants were difficult, but nevertheless it has been operating reliable and provided to Serbia the largest amount of electricity required. Once again it was justified a years of investment in the modernization of thermal power plants, because the level of its operational readiness in the most difficult winter conditions was 96.7 percent.

Parameters	Achievement in 2012 (%)	In comparison to the 2011
Coefficient of scheduled downtime	**21.1**	increased by 6.2 percent
Engagement coefficient	**74.5**	lower by 6 percent
Available blocks	**0.6** in cold reserve	lower by 0.2 percent
Coefficient of capacity utilization	**70**	lower by 6.7 percent
Coefficient of reliability	**95.2**	lower by 0.2 percent

Railroad Transport

Railroad transports for the needs of the EA TENT thermal power plants have transported 27.9 million tons of coal, which is less for 600,000 tons from the consumed 28.5 million of tons.

Good transportation of coal has not been possible to achieve during the winter period. Then the supply was irregular and insufficient, and the coal has been used from stockyards in order to maintain continuity of production. Day and night coldness and snowstorms has forced workers to break the snowdrifts in some parts of the route and remove the snow from the switch-points. Emergency duties have been introduced. There were many hours of interruption in transportation of coal. The most dramatic was the 11th of February, when the locomotive and one wagon, due to frozen switch-point, has run off the rails in TENT A and damaged the railroad and contact grid.

RECORDS

Maximum monthly transportation of coal was achieved in March and amounted to **2.82** million of tons

Maximum daily transportation was achieved on **27** th of October and amounted to **104,800** tons

TPP-CHPs

TPP-CHPs have exceeded annual balanced tasks for more than 2.2 times, since they have generated 390 GWh of electricity. In addition to engaging during the Siberian ice waves, Panonske TPP-CHPs has operated in August, September and December. In February, they have generated more than 36 percent of its annual cumulative production. Although the EPS always carefully analyze and gravitate toward the most economic operation of these blocks, its involvement was necessary in the summer period, too. Due to severe weather conditions and reduced inflows to hydro power plants, Panonske has operated in August, too, although their last engagement during this month was in the year 2007.

Hydro Power Plants

Hydro power plants have in the year 2012 generated 9,844 GWh of electricity and thus in the total EPS generation have participated with 24.6 percent. This is less than the scheduled production for 6.3 percent and for 7.3 percent less than generated in the year 2011.

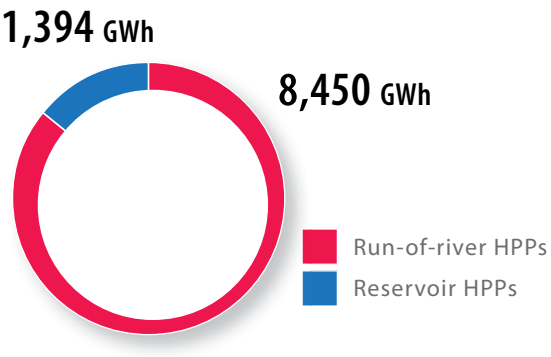
Generation has been lower than the long-term average in all three quarters, except in the second, when it was for 10 percent higher than the long-term average.

Neither on an annual basis, nor in one week inflows on the Danube were higher than average. Inflows on the Drina were higher than average only in the period from the 12th to 17th week (the end of March and the beginning of April). In the two periods, during the 21st and 22nd week (May) and during the 28th week (July), were at the average level.

For the first time after the year 1992, the HPP Đerdap 1 has not either in one month generated more than 600 GWh. HPP Bajina Bašta had the lowest monthly generation of 26.2 GWh in September.

Reservoir hydro power plants were engaged over the plan during all summer months, as well as in February and October, and the largest increasing was in February.

Parameters of the technical efficiency are depended on the technical condition of the equipment, but to a large extent on the inflow. At the efficiency and scope of hydro power plants the greatest impact



HYDRO POWER PLANTS GENERATION

241.8 GWh - the largest monthly engagement - in February

34 GWh - minimum monthly engagement - in November

in the 2012 had strong inflows and rehabilitation of units in HPP Bajina Bašta and HPP Đerdap 1. In comparison to the year 2011, hydro power plants were more engaged, operating with higher powers, which led to the increased use of capacities, with a slightly reduced reliability. It has been increased scheduled and unplanned downtimes, and time of reserves decreased (by 1.8 percent), which in addition to increased employment (for 1.5 percent) has resulted with a slight decrease in operational readiness (for 0.3 percent).

Parameters	Achievement in 2012 (%)	In comparison to the 2011
Coefficient of planned downtime	**16.7**	Increased by **0.4** percent
Coefficient of generation	**82.9**	Increased by **2.8** percent
Coefficient of capacity utilization	**39.4**	Increased by **2.6** percent

Maintenance of Power Plants

Maintenance program for power plants in the year 2012 has included the scheduled-preventive and corrective-emergency maintenance (current maintenance) and repairs (investment maintenance).

Current maintenance of power plants should provide high availability of the facilities. Therefore, the continuous state of the plants was followed by regular preventive controls and applying of various methods for technical diagnostics. Appropriate preventive measures and corrective maintenance of facilities, timely supply of spare parts and materials, hiring of employees, as well as specialized companies and institutions, has been removed the problems in the operation of facilities. All of these activities have maintained the level of operational readiness and stability in operation.

Due to the age of individual facilities and the remaining life time the more funds has been spent for the current maintenance.

Implementation of the Overhaul Program has begun in the March 2012 after the termination of emergency situation. Overhaul time for thermal power plants were aligned with the repair program of mining capacities and overhaul time for hydro power plants with hydrology and needs of the EPS electro power system. Such organization of repairs has been provided power generation by which power balance has been held in the steadiness.

Major Overhauls

HPP Đerdap 1
A4
Complete overhaul has started in the July 1st, 2011 and duration of works is scheduled to last for 12 months. Due to the delay in delivery of turbine equipment from Russia, the duration of works has been extended until the end of May 2013.

HPP Đerdap 2
A5
it has been machined contact rings and performed diagnostics and fixture of heads at coils of generator stator, it has been replaced substation exciter, the SHS pump, the ventilation capsule system has been repaired. Insulation pipes for rotor poles cooling have been replaced and hydro test was made. A review of fire protection systems and installation of equipment for hydraulic sizes measuring has been completed. It has been performed testing of blades, cleaning and survey of RK hub, reconstruction of the overflow pipeline and oil purification SP, distributor upstream and downstream review of 0.4 kV unit, review of sub-distributor JSS, corrosion protection in the duct and hydro accumulator, oil purification from the regulation system. It has been performed the test of hydro accumulator, treatment of damaged concrete surfaces in a flow duct, BPZ grid section corrosion protection.

HPP Đerdap 2
A6
During the repair has been carried out reconstruction of the excitation system equipment and distributor secondary equipment of the 6.3 kV transformer unit, as well as the review of the main equipment aggregate - generator, bearings, over aggregate hood, fast cap of front turbine gratings, turbine shaft, turbine impeller, turbine impeller blades, stationary device, turbine gasket, regulation system and facility for preparation of oil under pressure, lubrication system, rotor cooling system and generator stator, oil and water head, technical water system, upstream and downstream distributor of 0.4 kV aggregate.

HPP Bajina Bašta

A3

On the November 7th, 2011 started complete overhaul of aggregate, and was completed on the September 7th, 2012. It has been replaced the main equipment and part of auxiliary facilities on the aggregate (the new turbine impeller, new generator stator, excitation system, the input cap, switchgear). It is installed spare transformer unit (from aggregate A1) due to problems with delivery of a new transformer. After accepted testing and trial operation for a period of one month, the aggregate was commissioned in the regular operation.

HPP Bajina Bašta

A4

On the October 11th, 2012 has started repair of aggregate, with duration is scheduled for 12 months. All the big parts: shaft, turbine cover, turbine blades, hub and rotor arm and servo motors of conduction devices were transported to factories in Germany and Austria, where it is already started its repair and overhaul. After dismantling of the complete unit it has been noted it inclination, and it overhaul was started. It has been carried out a complete corrosion protection and generator stator housing was assembled.

TPP Nikola Tesla A

A5

Since the May 31st to October 14th 2012 the unit was under the overhaul. Repair of the CS boiler has been carried out – for overheating areas (P2, P3, and P5); intermediate heaters MP2, economizers EKO 1 and EKO 2. Six new mills has been installed, with higher capacity and better coal crushing with the reduction of NOx products, the new turbine modules VP and SP, units control system has been improved and turbine regulator has been modified, and feed pump were modernized.

In the period after the repair was performed optimizing the combustion process and new mills adjustment, as well as the unit operation as a whole, so that unit is currently operating with power higher than the nominal one (340 MW).

TPP Nikola Tesla B

Б1

On April 10th has started overhaul of unit B1 and was completed on October 17th, 2012. During an overhaul a new digital control and signalisation systems (DCS) were installed, it has been carried out repair of electro filter, works on CSK - 1, 2 and 4, MP2 and MP3 overheaters, installation of additional EKO 1a, and replacement of blades from 6 up to 15 degree of TSP (factory repair) and replacement of both TNP blades (repair in the power plants). Review of bearings has been carried on the TTNP and the internal module was replaced. Ignition of boiler was carried out on October 7th, following the adjustment of conditions in the new software, "Siemens", as well as due to washing of the boiler system and the turbine condenser. With achieved the required purity and steam parameters it was performed turbine start-up and adjustment of regulation, and then generator synchronisations and decoupling from the grid, and the necessary electrical tests were carried out, too. The unit is in operation with rated load, and occasionally with more than nominal one (640 MW).

TPP Kostolac B

Б2

On the April 1st started the second phase of the unit B2 repair and has been completed on December 10th, 2012. By the revised time schedule, duration of repairs has been extended. It has been performed replacement of one part of the evaporator, modernization of the steam overheater P1, modernization of the injector of steam for P2 overheater, replacing of the steam intermediate overheater MP2, replacement of the one EKO part, replacement of grating for afterburning and slag remover, heads replacement of recirculation channels and lining installation, repair of flue gas fan, fresh air and cold flue gas, partial replacement of the flue gas channel and the compensator, delivery and replacement of intermediate steam pipeline RB, reconstruction of electro filter, installation of a new electro filter, modernization of general groups OBL and OBM distributor and repair of unit transformer . it have been completed works on the unit pipeline system: cold pressure test with water, chemical wash of boiler piping system, drying of new installed recirculation channel lining, coal and angles burner, the first and the second cycle of overheating duct boiler blow. On December 10th, the unit was previously successfully synchronized and regular power generation started from the December 12th, 2012.

Electricity Distribution

Collection

Compared to the invoiced electricity, collection in 2012 totalled 98.97 percent, which is 2.97 percent more than planned. It is a well-known fact that this collection level is achieved by the developed EU countries, thus by this result EPS reached one of the most important standards in the country's power sector. Better collection rate was achieved by larger efforts of the distribution companies and by applying an entire set of collection measures stipulated by the law.

Collection Rate	
Subsidiary	%
Elektrodistribucija Beograd	**100.74**
Elektrovojvodina	**99.42**
Elektrosrbija	**99.24**
Jugoistok	**96.76**
Centar	**95.12**

Nevertheless, the total electricity debt of customers was on the rise, as the collection rate was lower than the invoiced electricity. This is a result of the economic situation and the lack of liquidity of large electricity customers.

ELECTRICITY DEBT

RSD **95** billion was electricity debt at the end of 2012

Reduction of losses

Compared to the previous five years, distribution losses increase tendency was discontinued. This resulted in the savings of some three million euros annually, which is the amount of EPS revenue increase.

Losses were reduced by continuous efforts of electricians who were also engaged on other tasks. The results would have been even better if it had been possible to hire additional electricians concentrating only on the above activities.

Losses result from the unauthorized use of electricity, as well as due to technical issues within the distribution system caused by the unread and obsolete meters.

EPS distribution subsidiaries are still not adequately supported by state authorities regarding the sanctioning of the unauthorized use of electricity and disconnection of large debtors. This is a major limiting factor in achieving better efficiency and reducing non-technical losses, primarily electricity thefts.

12,552 cases of the unauthorized electricity use were discovered during 526,576 inspections in 2012.

All distribution subsidiaries regularly inspect their customers to detect metering and registration irregularities and various forms of abuse. In addition, meters are regularly replaced to improve the overall state of the metering infrastructure and to maintain the calibration cycle.

Better results of distribution subsidiaries were also influenced by relocating metering points to the property boundary or to a public space as well as by better meter reading organisation targeting the reduction in the number of customers whose meters have not been read.

More than 190,000 meters replaced and 9,000 metering points relocated.

Activities undertaken to reduce non-technical losses and intensive investment activities aimed at reducing technical losses should yield the desired results.

Metering infrastructure modernisation project creating preconditions for the smart grid concept continued in 2012 given that this project will further reduce power losses.

Security of Supply

Maintenance plans were fully implemented by all distribution subsidiaries. Best results were achieved by Elektrovojvodina.

Number of outages and average outage time was approximately the same as in 2011, while the number of customers without power was reduced.

Maintenance of EPS distribution facilities was on a high level of quality. Supplied electricity quality and customer care were improved.

Total length of distribution lines increased by 2.3 percent compared to the previous year.

Total number of TS increased by 2.2 percent compared to the previous year, while the installed capacity increased by 6.3 percent compared to the previous year.

LOSSES

14.14 percent were losses in 2012, which is an improvement of **0.24** percent compared to 2012

It is estimated that with the current level of losses EPS is losing about **100** million euros

MAINTENANCE

Low voltage maintennce level in 2012 was by **25.7** percent higher than planned

TRANSFORMER STATIONS (TS)

34,010 - total number of TS

26,545.8 MVA Installed capacity

DISTRIBUTION NETWORK LENGTH (km)

Customer Relations Improvement

Electric Power Industry of Serbia is continuously striving to improve its customer relations. Direct communication with customers is primarily maintained by the distribution subsidiaries, as well as through the corporate Distribution Department - Trading and Tariff Customers Relations Sector.

In 2012, the majority of customers' complaints were related to electricity billing. Trading and Tariff Customers Relations Sector was contacted by 87 customers from the households category and 22 industrial customers.

A large number of complaints and requests came from the socially vulnerable customers unable to pay their electricity bills. Special attention was paid to establishing the cooperation with the Ministry of Labour and Social Affairs and the Ministry of Energy, Development and Environment to protect such customers in the best possible way.

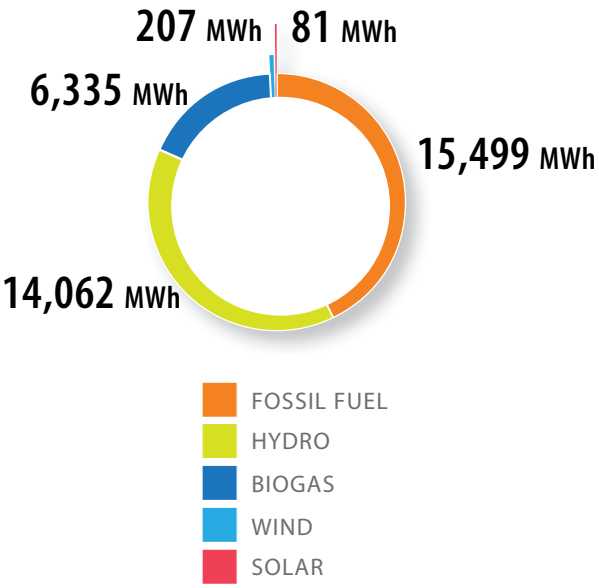
Improving customer relations is also reflected through providing discounts to customers who regularly pay their electricity bills, those unable to pay, as well as energy efficient customers.

Small Hydropower Plants and Privileged Producers

Electric Power Industry of Serbia owns and operates thirteen small hydropower plants (total installed capacity of 19.8 MVA). They are connected to the distribution sub-systems, six to Elektrosrbija and seven to Jugoistok networks.

Reduced small hydropower plant generation is the result of unfavourable weather conditions in 2012.

Two out of 13 small hydropower plants, Moravica and Pod Gradom were not in operation in 2012.



SMALL HYDROPOWER PLANTS

35,669 MWh of electricity produced small hydro power plants, which is **2.94** percent more than last year, but **25** percent less than the planned generation

Owing to the incentivised RES electricity prices, both in 2011 and 2012, 37 small private privileged producers were connected to the EPS distribution system, supplying some 36,184 MWh in 2012.

Cooperation with the Energy Agency (AERS)

Similar to the previous period intensive cooperation with AERS was also continued during 2012.

Monitoring of the Connection Costs Setting Methodology implementation was continued this year through joint meetings with the distribution subsidiaries' representatives. Certain changes have been made to the Methodology for the purpose of its precise and clear practical application. The essential change was the reduction of the customer share coefficient in system costs (from 0.8 to 0.3) leading to a decrease of the total connection costs.

Cooperation with AERS has also been continued in the field of rules and methodologies directly related to the distribution business (supplier change rules, distribution system access price setting methodology). Cooperation with the relevant ministry was maintained on the preparation of the Regulation on Electricity Supply.

Distribution Development and Strategic Planning

The main distribution sector development and strategic planning directions in 2012 involved the creation of conditions for a rapid and sustainable development in the next, mid-term (ten-year) period. EPS is committed to this due to the necessary reforms and future obligations defined by EU Directives and the Serbian Energy Law.

Distribution system development, planning and investment activities were primarily targeted at increasing the safety and reliability of the power system facilities. Reconstruction of existing and construction of new facilities will reduce the number and duration of failures, improve the customers' voltage conditions, reduce technical and non-technical losses and maintenance costs.

The strategic objectives of EPS distribution include the introduction of advanced networks, automation of network elements, smart grid, upgrade and modernisation of metering equipment for consumption monitoring and control by introducing an advanced smart metering infrastructure. This also includes the preliminary activities for the project involving the takeover of metering devices, metering-switching boxes and house connections of existing customers, followed by the development of information systems and telecommunications networks and environmental improvements by introducing energy efficient equipment ensuring lower auxiliary consumption and losses.

One of the essential segments of the future distribution system development is adjustment of distribution facilities to operation under higher distributed generation integration.

In achieving the strategic targets and objectives, EPS works closely with scientific institutions, multinational companies and equipment manufacturers. In 2012 this cooperation resulted in more studies commissioned to respond to the coming challenges. EPS Technical Committee adopted two studies, eight studies were submitted for approval, while three were in the development phase.

Strategic Projects

Three distribution projects were nominated as strategic projects meaning that they will be coordinated from the EPS HQ level. These projects will be implemented over a longer time period and in several organisational units (distribution subsidiaries). Their implementation requires considerable funds. In 2012 progress was made in the preparation and development of project documentation:

- Remote Reading and Control Project (RRCP)

First stage:

EPS Metering Project, an EIB and EBRD loan

Second stage:

Project involving the planned takeover of metering equipment, MRO and connections with existing customers, creating conditions for consumption management and control by advanced metering infrastructure (AMI) containing remote metering data management (MDM);

- Reconstruction, rehabilitation, expansion, modernisation and automation of TS 110/x kV taken over from the Serbian TSMO;
- Automation of MV network by introducing remote control of power facilities and state-of-the-art concepts (smart grid) in the field of power facilities automation.

Phase 3 of the World Bank project for the following power facilities was completed:
TS 110/x Inđija 2, TS 110/x Ilićevo,
TS 110/x Neresnica and TS 110/x Ribnica.

Strategic Challenges

Obligations stemming from EU directives and the Serbian Energy Law pose challenges for EPS especially when it comes to the distribution business.

To this end, in 2012 certain activities were undertaken and reforms initiated:

- Opening and liberalization of the electricity market,
- Restructuring and reorganisation of the system,
- Adjusting distribution facilities to operation under the conditions of higher distributed generation integration,
- Energy efficiency,
- Introduction of advanced networks and smart systems, MV network automation (SG), metering infrastructure reconstruction and modernisation (SM).

Distribution Investments Plan Implementation

The 2012 EPS Investment Plan for the distribution sector includes activities primarily focused on increasing the reliability and security of consumer supply, further distribution network development, upgrade and modernisation of metering equipment for consumption management and control, as well as the preparation of metering devices, metering-switching boxes and house connections of existing customers takeover project, followed by the information systems and telecommunications network development and environmental improvements.

A substantial part of the activities was devoted to the preparation of technical documents and obtaining permits and supporting documents for the construction of new and reconstruction of existing power facilities, as well as the implementation of the above tasks.

The above investments secured the quality of consumer supply, voltage profiles and operational readiness of the distribution system.

Existing investments are on the level of the current EPS group financial resources and significantly below the level of depreciation of fixed assets. Accordingly, they maintain the existing system performance, while not enabling the necessary improvements, development and meeting of obligations arising from new regulations and business conditions created by obligations undertaken under intergovernmental agreements..

DISTRIBUTION SUBSIDIARIES INVESTMENT

More than RSD **6.9** billion have invested distribution subsidiaries:

RSD **1.1** billion for 110 kV level

RSD **360** million for 35 kV level

RSD **3.7** billion for reconstruction of existing and construction of new 20 (10) kV facilities

RSD **1.74** billion for meter replacement, system and ITC technology modernisation, RES revitalisation (SHPPs) continuation of previous activities

Strategy and Investments

Continuation of the ongoing investment projects from the previous period, as well as considerable activities involving the preparation of the necessary documentation and exploring options to create conditions through strategic partnerships for the start of construction of new generation capacities with foreign partners represented key strategic and investment activities of the EPS generation in 2012.

Development and Strategic Planning

The most important projects, studies and activities linked with the scientific and research work, along with the preparation of the investment – technical documentation in EPS during 2012 include:

- Investment – technical documentation for the construction of an industrial railway between the TPP Kostolac B and the existing railway network;
- Spatial plan of the special purpose area for the Kostolac Coal Basin;
- Preliminary Study analysing the need and technical – economic feasibility of joint renewables and coal combustion by EPS thermal power plants;
- Prefeasibility Study with the Concept Design for the construction of the limestone river transport capacities, from the Jelenska Stena Quarry near Golubac to the TPP Kostolac B;
- Pre-Feasibility Study and the Concept Design for the (energy) use of all waste material created during the coal processing, low calorific value coal, biomass and combustible industrial waste of the MB Kolubara;
- Pre-Feasibility Study and the Concept Design for the thermal power plant firing Kolubara lignite of low calorific value in the circulating fluidized bed boiler;
- Analysis and optimisation of the CHPP Novi Sad operation in the 2010/11 heating season together with the online monitoring system development;

INVESTMENT STRUCTURE

RSD **32.2** billion invested PE EPS:

Own funds - **19.1**

Loans - **10.5**

Consumer funds - **1.4**

Donations - **1.2**

- Sampling and analysis of waste material created during coal processing, low calorific value coal, biomass and combustible industrial waste of the MB Kolubara;
- Preparation of tender documents for the procurement of the basic ECS system equipment for Field C, as part of the Kolubara Coal Basin Environmental Improvement Project;
- Preliminary Design with the Feasibility Study of the Klenovnik mine decommissioning;
- Preparation of inputs for the Rules prescribing the scope and content of the technical and other documentation foreseen by the Mining Law,
- Study examining the types of coal from the B, C, and E deposits aimed at identifying optimal operating, preparation, processing and valorisation conditions;
- Detailed Architectural Reconstruction Design with the HPP Zvornik expansion;

- Feasibility Study with the Preliminary Design examining the reconstruction of generating units and associated equipment of the HPP Potpeć;
- Pre-Feasibility Study with the Concept Design investigating the construction of an additional unit of the HPP Potpeć;
- PSHPP Bistrica construction feasibility analysis;
- Concept designs and pre-feasibility studies for eight small hydropower plants on existing water supply reservoirs;
- Concept designs and pre-feasibility studies for the reconstruction of 15 small hydropower plants owned by EPS;
- Wind potential examination in Kostolac.

Joint Ventures with Foreign Partners

Electric Power Industry of Serbia has in 2012 continued to stimulate foreign investments enabling the implementation of capital projects, including direct foreign investments providing the incorporation of companies, which is its principal strategic-investments policy. To this end, activities aimed at establishing different forms of business cooperation with the foreign partners were conducted, especially for:

- Selection and attracting of foreign partners for the thermal power plants firing the Kolubara Coal Basin coal (TPP Kolubara B, 2 x 375 MW and TPP Nikola Tesla B3, 740 MW);
- Selection and attracting the strategic partner to reconstruct or construct a new gas-steam plant at the CHPP Novi Sad;
- Implementation of investment projects with the Italian company SECI Energia S.p.A.;
- Implementation of investment projects with the German company RWE AG.

Based on the Preliminary Cooperation Agreement signed between PE EPS and the Italian company Edison as a potential strategic partner on the TPP Kolubara B construction project, the feasibility phase was initiated. Project teams negotiated the legal issues and agreed the basic principles of statutory and commercial contracts. In addition, the technical solution of the new plant was agreed during technical discussions. The main task of the feasibility phase is the technical due diligence involving engineering and certification of the existing equipment at the TPP Kolubara B site.

Cooperation Protocol between PE EPS and a consortium of Chinese companies CEE and the Chinese company SEC (signed in 2011) covers the financing, design, construction, commissioning, operation and maintenance of the thermal power plant, with the associated coal production project including Radljevo mine investments.

During 2012 a contract was signed for the Feasibility Study with the Preliminary Design examining Unit 3 construction (up to 800 MW) at the TPP Nikola Tesla B site with the Northeast Electric Power Design Institute of China as the contractor and Vattenfall Europe Power Consult GmbH as the subcontractor.

To follow up on the project involving the reconstruction of existing and/or construction of a new gas-steam plant CHPP Novi Sad site during 2012 technical part of the bid submitted by the consortium of three companies from Russia, Slovakia and Greece was negotiated. The bid was submitted to the Energija Novi Sad, a joint venture of PE EPS and the City of Novi Sad.

Intergovernmental agreements signed between the Serbian and Italian Governments created the basis for PE EPS and the Italian company SECI to start joint development of hydropower plants on the Ibar

River, HPP Kupinovo on the Sava River and hydropower plants along the middle section of the Drina River between the Bajina Basta and Zvornik HPPs (PE EPS has already established cooperation with the Elektroprivreda Republike Srpske on the above projects). With regard to the Ibar River hydropower potential use, in 2012 activities were carried out under the Ibar River Hydropower Plants Construction Feasibility Study with the Preliminary Design along the river section from Raska to Kraljevo. Fieldworks required for the preliminary designs were completed together with the draft system part of preliminary designs (adoption of basic technical parameters for all 10 cascade hydropower plants). In addition, development of the Dobre Strane and Bela Glava HPPs preliminary designs was initiated.

Memorandum of Cooperation between PE EPS and the German company RWE signed in November 2009 foresees the cooperation on the following construction projects: Djerdap 3 PSHPP, Velika Morava River HPPs and upper Drina River HPPs (in cooperation with the Elektroprivreda Republike Srpske). Designing activities for the Velika Morava HPPs involve revision of the prepared documentation (pre-feasibility study with the concept design) by the Republic Audit Committee and collection of the documentation required to draft preliminary designs by the competent state institutions. In addition, activities targeting the collection of the topographic information were also started, as well as the selection procedure for the Feasibility Study with the Preliminary Design contractor.

Enviromental protection

Overview of total of planned and realized assets in 2012 for enviromental protection grouped by subsidiaries, for EPS level and by types of activities (scientific and research papers - SRP and investment and technical documents - ITD, maintenace and investments)

Subsidiary / EPS		Planned funds	Realized funds
		(x10 ^{3} RSD)	
		Investments and maintenance	
MB Kolubara		123,678	51,252
TPPs-OCMs Kostolac		394,900	93,808
Total OCMs		**518,578**	**145,060**
TPPs Nikola Tesla		3,311,708	2,618,028.48
TPPs-OCMs Kostolac		11,026,300	1,059,499.1
Panonske CHPs		127,350	53,005.96
Total TPPs		**14,465,358**	**3,730,533.53**
HPPs Đerdap		374,300	272,003
HPPs Drinsko-Limske		90,650	36,588
Total HPPs		**464,590**	**308,591**
Elektrovojvodina		32,978	19,113
Elektrodistribucija Beograd		67,930	87,881
Elektrosrbija		20,000	1,805.58
ED Centar		6,000	3,425
Jugoistok		16,000	1,353.90
Total Distributions		**142,908**	**113,578.48**
EPS Departments SRP		393,010	36,156.35
EPS Departments ITD		354,630	25,480.29
Total EPS Departments		**747,640**	**61,636.64**
TOTAL PE EPS		3,640,914	1,380,670.64
Donations, loans and environmental tax	loans	11,804,504	2,329,299
	donations	830,716	649,430
TOTAL - PE EPS and donations, loans and environmental tax		**16,276,134**	**4,359,399.64**

INFORMATION AND COMMUNICATIONS TECHNOLOGIES

When it comes to the deployment of advanced information services within the Electric Power Industry of Serbia ICT infrastructure, one of the priority activities in 2012 was the existing ICT infrastructure safety.

Accordingly, private eps.local domain was migrated to the new platform. Active directory was improved to the Microsoft Windows Server 2008R2 platform including the expansion of the corresponding functionalities. Network and communications infrastructure of existing sites has considerably been improved for this purpose by expanding and migrating the existing local networks. Additionally, the first and the largest phase covering server infrastructure consolidation and central IT infrastructure management and monitoring upgrade was finalised.

Centralized IT infrastructure management and monitoring implies automated deployment of operating systems and software packages, virtual machines management installed during the software infrastructure consolidation, as well as centralised data backup. All the above items are based on the Microsoft System Centre products family.

Additional IT infrastructure improvements provided higher business productivity. Share Point Portal environment has for several years now presented a standard collaboration platform in PE EPS used to implement a number of highly successful IT projects. This platform was also used to implement an internal corporate portal of Electric Power Industry of Serbia and its subsidiaries.

Part of IT infrastructure improving business productivity also includes an integrated communications, e-mail exchange, calendar and business contacts management platforms. The strategic objective of Electric Power Industry of Serbia is to use a single platform ensuring integrated communications. To this end, a Microsoft Lync 2010 based platform environment was deployed demonstrating the potentials of the latest Microsoft technology. There are also plans to migrate the existing integrated communications infrastructure to the new versions of Microsoft Lync 2013 and Microsoft Exchange 2013.

Deployment of an integrated communications network is an essential project for the entire Electric Power Industry of Serbia system. In 2012 the remaining subsidiaries were connected into a single communications network. In addition to IP phones, business data exchange service was successfully introduced, while the control signals exchange service implementation was initiated.

Further communications network development will be continued next year through phased implementation of other services defined by the project. The project itself is implemented on the basis of the Preliminary Electric Power Industry of Serbia Communications Network Design developed by the Faculty of Electrical Engineering Faculty - University of Belgrade providing business-technical data exchange.

Deployment of the latest Microsoft technologies and services was also continued by all PE EPS subsidiaries. Solutions from the field of basic IT infrastructure safety and centralized management, as well as IT solutions ensuring business productivity, collaboration, e-mail exchange and integrated communications now represent a standard of the integrated PE EPS communications network.

Information technologies

In May 2012 a transfer was made to the new database versions and business information system software based on the new infrastructure with an advanced Oracle software platform.

Earlier Oracle database version was consolidated into a new 11g R2 Enterprise Edition version, while applications were transferred and upgraded from the previous versions to the WebLogic Suite server 10.3.0.4 version, together with other supporting services.

The new environment has considerably improved the functionality of the existing information system. Technological preconditions were created for automatic integration with other information systems, different data sources and services within the entire business environment. Modern management tools (Oracle Enterprise Manager 11g Grid Control) have substantially facilitated system performance monitoring and control. Implementation of Oracle solutions for high reliability systems (Oracle 11g Active Data Guard) has further increased the availability and safety levels.

Further system functionality upgrades were continued within the new technological environment. To achieve higher level of business reporting efficiency supporting payments management, a project involving liabilities management improvement within the entire Electric Power Industry of Serbia system was implemented.

By using the existing PE EPS optical telecommunications infrastructure, connections were established between subsidiaries and the coding system unified. Furthermore, this facilitated the creation of an integral DataWearhouse database and the daily data refresh and reporting system.

To provide higher level of efficiency of the business reporting system, accounting and financial records subsystems were upgraded and integrated.

Additional business analysis and reporting upgrades include the creation of a DataWarehouse with a higher level business data and its integration at the PE EPS level.

Legal Affairs

Activities regarding rationalization and restructuring of Electric Power Industry of Serbia in 2012 were performed with the aim of provision of necessary legal, economic, organizational and employees' conditions for realization of operational targets and investment development in the conditions of significantly changed regulations.

Regulations were regarding the legal positions of companies, conditions and manner of performance energy activities and coal production activities, obligations of implementing organizational changes, establishing of performance of energy activities in accordance with the legal conditions and aims of the Republic of Serbia within liberalization of electricity market, conditions and manner of gaining the property of public enterprises and their subsidiaries. This also includes the manner and conditions for project implementation of public-private partnership, which is particularly difficult due to world economic crisis and its negative effect on Serbian economy, poor financial conditions for business operation of EPS and conditions for business operation in our country.

In 2012 priority activities were aimed at:

- change of legal form of PE EPS and creation of conditions for the beginning of business operation of EPS control company in the form of joint stock company,
- connecting the control company and its subsidiaries as a group of companies,
- legal, organizational and functional unbundling of the existing distribution companies, i.e. organization in specific status forms of business activities of public electricity supply and electricity distribution, that is in accordance with the obligation stipulated by the Energy Law regarding the unbundling of vertically integrated entities including electricity distribution companies,
- development of initiated projects with strategic partnership for implementation of the projects regarding construction of energy facilities and establishment of joint ventures in which PE EPS, as a rule, has minority share of up to 49 percent of share in capital.

Corporatization of EPS is one of the prerequisites for the achievement of strategic goals in energy sector of the Republic of Serbia and it is in accordance with strategic goals of the Republic of Serbia on corporatization of public enterprizes. Therefore, bases for the initiation of the process of corporatization have been prepared based on three key elements:

- change of legal form of public enterprize into joint stock company and establishment of the bodies of joint stock company,
- determination of ownership rights for property and shares in subsidiaries and indirect determination of capital based on which the capital is determined for limited liability companies and joint stock companies,
- establishment of corporate management which includes harmonization of founding acts of subsidiaries with the changes arising from legal status change.

Government of the Republic of Serbia accepted document Starting Points for Reorganization of PE Electric Power Industry of Serbia on November 16, 2012.

Starting Points determines basic concept and direction of reorganization of PE EPS and subsidiaries, which as a priority activity foresees change of legal form.

New Law on Public Enterprizes was adopted in December, 2012, and deadline for harmonization with that Law was prescribed, which caused delay of corporatization activity for the following period.

Consideration of conditions and manner of acquisition of property for which PE EPS and its subsidiaries have right of use started in 2012. Law on Public Property amended concept of ownership rights for properties of public enterprizes and limited liability companies and joint stock companies established by the Republic of Serbia and their subsidiaries. Very important issue is the issue of ownership over electricity distribution networks, which are defined as goods of general interest and as such they are state owned i.e. public property of the Republic of Serbia.

Solving the issue of rights over electricity distribution networks and conditions and manners of acquisition of other property is significant for the final determination of capital and corporatization process. The Conclusion of the Government of Serbia from November 2012 included the principle based on which the conditions for acquisition of electricity distribution networks shall be created as one of the reorganization principles. Several meetings were held with competent Ministries and other state authorities during 2012, for the purpose of defining type of right, type of acts for acquisition and procedure applying for acquisition. Adoption of separate law was proposed which would create legal basis for acquisition of electricity distribution networks.

Amendments of founding acts of all subsidiaries of PE EPS were done in January 2012, for the purpose of harmonization with the Company Law. This law did not essentially change the basic concept of organizing and managing, nor the type and scope of rights and authorizations of PE EPS as parent company compared to subsidiaries. Basic amendments are in the more precise determination of the authorization for representation, creation of basis for the mandatory instructions of PE EPS as the parent company in accordance with the possibilities stipulated by the Law for joining the capital and the competence of the bodies was defined in detail as well.

New Energy Law stipulates that the system operator which is a part of vertically or horizontally integrated enterprize in respect of legal form, organization and decision making has to be independent from other activities which are not related to distribution system management. Considering the obligation of distribution activity unbundling, as well as the fact that the Government of the Republic of Serbia accepted Starting Points for Reorganization of PE Electric Power Industry of Serbia, preparation activities for the establishment of new subsidiary for electricity supply to which the Government would give the activity of public supply of electricity are undertaken. Within these activities, beside status issues, issues of receivables for supplied electricity, manner of organizing performance of activity of the supply of customers with public supply right as well as the consideration of other conditions for the performance of activity in the conditions of electricity market opening were additionally reviewed.

In order to achieve priority goals of energy policy of the Republic of Serbia planned for the period until 2015, the activities for realization of investments through corresponding forms of status connections were continued in order to complete the construction of TPP Kolubara B, construction of new unit TPP Nikola Tesla B and reconstruction f CHP Novi Sad. Implementation of Ibarske Hidroelektrane Project and Moravske Hidroelektrane Project and PSHPP Bistrica was continued, as well as the consideration of conditions for realization of Memorandum on Strategic Partnership with RWE from September 2012.

Activities for the preparation of Feasibility Study and preparation of companies Moravske Hidroelektrane and Ibarske Hidroelektrane established with strategic partners for the beginning of operation are undertaken for all forms of cooperation and joint ventures of PE EPS and strategic partners in this phase. Solving legal issues regarding investments into power plants construction and acquisition of necessary land was initiated.

Separate activity in accordance with planning documents of the Republic of Serbia in energy sector was consideration of conditions and preparation of ground principles for the construction of power plants by using renewable energy sources, as well as potential forms of cooperation with public enterprizes for water supply, based on project implementation in phases: Pre-Feasibility Study with Preliminary Design and Feasibility Study with Basic Design is developed in the first phase, and based on the results of the studies, conditions and manner of construction, as well as the manner and form of investment into construction are determined.

Human Resources Management Function

Electricity market opening and company restructuring are the greatest challenges for Human Resources Function in Electric Power Industry of Serbia.

Employee Professional Development

Aware of the fact that only by continuous, planned and meaningful investment into knowledge innovation and employees development, work efficiency can be increased and business operation improved, implementation of programs of professional development was continue in all parts of the company in 2012. All forms of professional development were included.

PROFESSIONAL DEVELOPMENT

Around **9,000** employees were included

RSD **125,633,714** was invested into employees development, which is **46** percent of total planned funds for these purposes

In order to reduce expenses, internal resources have been used intensely in all parts of the company, with orientation towards internal training which do not require great financial funds. Those were mostly regular periodic trainings in the field of health and safety at work, environmental protection and fire protection. Testing of employees that need to know prescribed measures and instructions for handling and maintaining devices and plants, as well as those handling hazardous materials are performed.

Foreign languages courses, computer skills improvement, obtaining and renewal of licenses, as well as so called "soft" skills (team work, communication and leadership skills) were conducted. Beside trainings, employees had the possibility of obtaining higher education degree, if it would be estimated that it is for the best interest of the company and that it would contribute to the quality of work performance.

Experts from Electric Power Industry of Serbia had the opportunity to visit professional seminars not only as the participants, but also as the presenters of their scientific papers. They had the opportunity to modernize their professional knowledge at domestic and foreign seminars, and use that knowledge in new project of the company.

Interns Employment

What is very important for development of competitive advantages of the company is to attract and employ young people with university degree.

At the beginning of 2012, Electric Power Industry of Serbia had vacancy announcement for employment of experts with university degree-interns under the name "The Best 110". More than 19,000 applications arrived. Out of 2,200 candidates, 110 were employed in 2012 for definite period of time of up to one year. 139 interns were employed for definite and indefinite period of time, with different levels of education in Electric Power Industry of Serbia in 2012.

Health and Safety at Work

Electric Power Industry of Serbia pays special attention to health and safety at work, the field which beside direct influence on business operation has even greater – social influence. For creation of healthy and safe conditions at work, as well as for provision of health protection for employees in EPS, more than RSD 666.5 million was invested in 2012.

Based on recognized and identified risks in the system, the whole spectrum of preventive measures was applied, and the biggest attention was paid to the usage of work equipment, means and equipment for personal protection at work, education of employees for safe and healthy work and provision of appropriate conditions of working environment.

In addition to these obligatory inspections and testing, special attention was paid to their regular maintenance, significant both for appropriate and safe work with equipment. The nature of operations and working activities performed by employees of EPS imposes use of means and equipment for protection at work, regardless of all other measures applied. Special attention is paid to the control of their use.

System for health and safety at work is designed in such a way that the focus is on the work place, i.e. implementation of measures which should provide safe and healthy work place. This system cannot function unless employees themselves are not actively and appropriately included.

Education of employees for safe and healthy work is therefore the most significant aspect, together with provision of information and notes, this type of education has not only the goal to introduce employees with risks and measures but also to improve relation of employees towards this area primarily through development their consciousness about that.

HEALTH AND SAFETY AT WORK

For preventive and periodic inspection and testing of work equipment – more than RSD **15** million

For examination of conditions of working environment – almost RSD **4.5** million

For the procurement of corresponding means and equipment for personal protection – more than RSD **313** million

Very often the programs for education of employees for safe and healthy work were extended by additional trainings. Around RSD 5.5 million was spent for implementation of these programs.

Significant aspect of care for employees was monitoring of their health condition.

For previous and periodic medical examinations of employees who work at positions with increased risk – RSD 116 million.

We are especially proud of the fact that we have provided health protection even for the employees who do not work at positions with increased risk, i.e. for those who we are not obliged to do it in accordance with health and safety regulations. This health protection includes specialist medical examinations

(gynecological, oncological) and regular medical check-ups. We sent employees diagnosed with some disease to rehabilitation, prevention of work disability or recreation, based on the recommendations of competent health institutions.

For specialist medical examinations and regular medical check-ups – more than RSD 63 million.

Rehabilitation and prevention of work disability – more than RSD 147 million.

Unfortunately, beside all undertaken measures, there were five fatal cases and 110 serious injuries at work in 2012.

There is enough space to improve this field. Therefore, Sector for Health and Safety at Work was established within common function of HR management. Our intention is to become leaders in this field in the following period through unified business policy and procedures by coordination of professional jobs at the level of the entire system.

Relations with Trade Unions

In difficult business conditions in 2012, trade unions and employees in EPS confirmed high conscience and loyalty to their company. On their own initiative or with the management, trade unions organized and conducted humanitarian and sports activities, showing their commitment to employees and care for their health.

Using the solidarity funds which are organized in all EPS subsidiaries and central solidarity fund, medical treatments and other types of health care of employees and their family members were financed. In this way those forms of health care not covered by health insurance were provided.

Sports games, which became tradition of gathering and competition, were held from qualification to final contests, in all branches, in all subsidiaries, business activity groups and in the end, the final contest for EPS winner was held. High level of physical readiness of the contestants, their skill in certain disciplines and long-term rivalry of teams made the games attractive not only for the participants but also for the residents of the places where they were held.

That is before all the result of regular physical and sports activities. During the entire year employees had been using different types of recreation in sports, health and recreation centers in the places where they live, in reputable spas and places popular for tourism in Serbia. Recreation activities were followed with useful information about the manner of keeping good health and preventing diseases.

All activities had their foundation in the provisions of collective agreements, which in each EPS subsidiary regulate the rights of employees and the relations between trade unions and management in the same manner. Flexibility and adjustment to specific circumstances and financial possibilities of social partners can be recognized.

EPS management and trade union extended the validity period of collective agreements for the period of three years. Thus, equal rights for employees in the entire system of EPS were secured, with the obligation of the parties to regulate the changes which shall occur in the process of transformation of Electric Power Industry of Serbia with annexes to the agreements. Basis to avoid conflict situations regarding rights of employees was created and to direct all energy to key activities in the improvement of organization and business processes, increase of competition and profitability of the company. Legal foundation for application and continuous development of stimulation models based on work results compared to planned goals and tasks was established.

Internal Audit and Business System Control

Internal Audit Function in Electric Power Industry of Serbia was established in 2011 in accordance with the Decision on Bases of Internal Organization of PE EPS.

This function helps company to meet its goals and task, objectively and independently. In accordance with the needs of the company, it estimates whether risks which can result in poor business operation have been removed or minimized.

Business function estimates results of risk management, evaluates adequacy and internal control systems efficiency, i.e. methods and procedures adopted by PE EPS management, with the aim of achieving business policy and more successful company management. Internal control system consists of policies and procedures adopted by PE EPS management. One of the main tasks of internal audit is consulting and advising function.

Internal audit can be monitored through three basic segments – as financial audit, business operation audit and management audit. It represents subsequent supervision, it has formal organizational structure, and the basic criteria used are the goals and policies of the company in accordance with internal audit standards and legal regulations.

In the performance of internal audit procedure, auditor also uses professional ethics codes. The procedure itself is done according to previously arranged phases which begin with internal audit planning, investigation and data collection, and end with analysis and reporting. Results are presented in certain form which requires objectiveness, concision and clarity, with the emphasis on the solution proposal.

During 2012 Internal Audit and Control performed the following:

1. Control of legality of business operation for 2011 in PE Open cast mines Kosovo, Obilić in restructuring,
2. Control of legality of business operation for 2011 in PE TPP Kosovo, Obilić in restructuring,
3. Control of legality of business operation for 2011 in PE Elektrokosmet, Priština,
4. Control of legality of business operation for 2011 in Department for generation, transmission and distribution of electricity on the territory of Kosovo and Metohija,
5. Audit of litigations for the receivables from customers for electricity consumed in Distribution Company Centar, Kragujevac, in the period from 01.01.2009 to 30.06.2012,
6. Audit of contract agreement between Company TPP OCM Kostolac and Energoprojekt ENTEL from Belgrade, regarding reconstruction of unit B2 of thermal power plant Kostolac and reconstruction of electrostatic precipitators,
7. Audit of the procurement procedure for terminal optical equipment and its use, upon the request of Anti-Corruption Team,
8. Audit of the procurement procedure for excavator tooth in Company MB Kolubara,
9. Audit of public procurement of small value for Kolubara B Project.

   Report on Realization of Files given by Anti-Corruption Team of the Ministry of Energy, Development and Environmental Protection was made for 2012.

   Internal Audit and Business System Control Function acted several times upon the request of Anti-Corruption Team of the Ministry of Energy, Development and Environmental Protection and undertook activities for certain subjects.
10. Public procurement system audit started in Company TENT, for 2012, with emphasis on business relations, i.e. contracts concluded with Feromont – Inženjering from Belgrade, also upon the request of Ministry of Energy, Development and Environmental Protection and its Anti-Corruption Team.

Integrated Management Systems

Stability and improvement of integrated management systems were confirmed during 2012 as well. Certification authority gave good marks to PE EPS and praises for supervision testing. Effort of the company to harmonize all standards, processes and procedures, to make all the business moves uniform and with recognizable form in order to present essence of the unique company in the best possible manner was recognized.

Most of the activities planned for 2012 was realized, and one of the most important achievements is implementation of electronic management of the quality management system documentation. Thus, more precise and faster communication and realization of certain activities was enabled, as well as the access to information regarding process improvement and this system. Integration of other management systems PE EPS selected was also enabled, as well as the connection of certain modules with subsidiaries.

Subsidiaries within Electric Power Industry of Serbia achieved significant level of integration of quality management system, environmental protection and health and safety at work, using among other things IT support and applications which meet the needs of management system. In some subsidiaries, information security management system was certified. Therefore, safe management of not only information related to management systems, but also other data related to business operation is provided. By integration of implemented management systems more efficient processes management is achieved with the fulfillment of standards requirements.

Technical regulatory requirements of the Republic of Serbia are successfully implemented in large projects for the preparation of the construction of power plants. Conditions are created for the systematic approach to activities of quality infrastructure within PE EPS, and therefore the systematic influence to all fields of infrastructure: to accreditation requirements, metrology, standardization and evaluation of compliance. Progress in this field and orientation towards the application of modern methods and tools of processes management can be seen from the given overview of the condition of integrated management systems in PE EPS and subsidiaries, from the first year of certification until the end of 2012.

Integrated Management Systems					
	QMS	EMS	OHSAS	ISMS	Comment
PE EPS	2008/TS 2011/TS	Ongoing project	Ongoing project		
Subsidiary	QMS	EMS	OHSAS	ISMS	Laboratory
HPPs Đerdap	2005/SGS 2011/SGS	2008/SGS 2011/SGS	2011/SGS	Ongoing project	
HPPs Drinsko-Limske	2009/SGS 2012/SGS	2009/SGS 2012/SGS	2009/SGS 2012/SGS	2011/SGS	
TPPs Nikola Tesla	2005/SGS 2011/SGS	2008/SGS 2011/SGS	2010/SGS		Laboratory accreditation is in progress: -Thermo technical -Vibrodiagnostics -Emission analysis according to ISO 17025
MB Kolubara	2009/BV 2012/BV	2009/BV 2012/BV	2010/BV		2007/ATS Laboratory for coal and waste water testing 2011/ATS • Centre for Testing of Coal and Waste Waters – branch Prerada (physical and chemical testing of solid fuel and enviromental samples and water sampling) 2012/ATS • Tamnava Laboratory (physical and chemical testing of solid fuel and water)
TPPs-OCMs Kostolac	2006/SGS 2012/SGS	2011/SGS	2012/SGS		
Panonske CHPs	2002/SGS 2011/BV	2008/TS 2011/BV	2010/SGS 2011/BV		
Elektrovojvodina	1998/QS/SZS, SGS 2010/Ct	2010/Ct	2010/Ct	Ongoing project	2011/ATS • Accredited control body for meters according to SRPS ISO/IEC 17020
Elektrodistribucija Beograd	2001/QS/SZS 2011/QMS/Ct	2010/Ct	2012/Ct	2012/Ct	2012/ATS• Accreditation of control body for meters according to SRPS ISO/IEC 17020
Elektrosrbija	2006/TS 2012/SGS	2007/ TS,SGS 2011/SGS	2009/TS,SGS 2012/SGS		Accreditation of control body for meters according to SRPS ISO/IEC 17020 is in progress
Jugoistok	2005/TS 2010/SGS	2010/SGS	2010/SGS		2012/ATS Accreditation of control body for meters according to SRPS ISO/IEC 17020. Obtaining authorizations from the Ministry of Finance and Economy is in progress
ED Centar	2012/SGS	2012/SGS	2012/SGS		2012/ATS• Accreditation of control body for meters according to SRPS ISO/IEC 17020

Legend:

QS	Quality System
QMS	Quality Management System, ISO 9001
EMS	Environment Management System, ISO 14001
OHSAS	Occupational Health and Safety Management System, BS OHSAS 18001
IMS	Integrated Management System
ISMS	Information Security Management Systems, ISO 27001

Certified Bodies:

SGS	Societe Generale de Surveillance
TS	TUV SUD
Ct	Certop
BV	Bureau Veritas
TR	TUV Rheinland
ATS	Accreditation Body of Serbia

Public Relations

The need for everyday and intensive communication of Electric Power Industry of Serbia with internal and external public makes public relations very important part of business operation of the company. All communication of EPS towards public in 2012 was in the function of true and timely notification of the public about business operation and results of the company, current situation in energy sector, as well as the most important topics related to EPS.

Electric Power Industry of Serbia was awarded for the fourth time as one of the companies that had the best communication with the media in 2012. Research "Journalist - Your Friend" conducted by public relations agency Pragma showed that. More than 300 journalists of the most relevant Serbian media evaluated the quality of relations with media in several categories and agreed that EPS in 2012 deserved the award.

Surely, communication of EPS with media during extreme coldness in February contributed to that. Every day, information relevant for all customers were coming from EPS, and media broadcast appeals from EPS for rational electricity consumption. Same as in January 2009, during "gas crisis", when all attention was focused on Electric Power Industry of Serbia, EPS did not leave customers, media and public without necessary information so significant at the moment during winter 2012.

Special attention was paid to introduction of internal and external public with the changes which shall take place in the initiated process of restructuring and corporatization of the company, as well as the upcoming liberalization of electricity market.

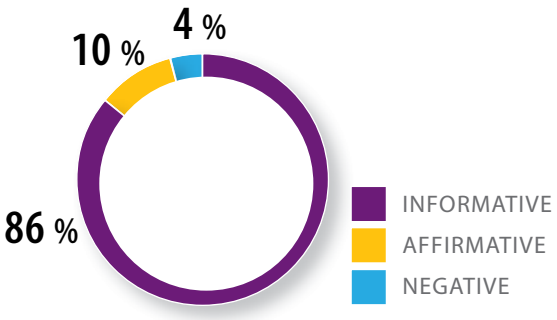
MEDIA

5,700 texts were published in newspapers

2,750 TV reports were broadcast, i.e. **127** hours duration

4,100 reports were published on internet portals

Informative news was about customer's debts for the electricity consumed, electricity consumption in conditions of harsh winter, appeals of EPS for rational consumption and electricity price. Texts/reports about investment into energy system, business results of EPS, overhauls and discounts for consumed electricity were affirmative. Misuses in MB Kolubara which caught the attention of public at the beginning of 2011 were still the subject of media which put EPS into negative context.



Company magazine "kWh", with the monthly circulation of 10,000 copies, dealt with all topics important for internal informing. Beside interviews with people who make top management of the company, interviews with representatives of competent Ministry, relevant institutions and universities, as well as with the representatives of domestic and foreign companies with which EPS cooperated were also published. Many of these texts, especially those which represented official positions of management, were taken over by external media as well. Internal magazines of EPS subsidiaries were also informing employees, and indirectly public as well.

Newsletter in e form "E-info" gave short information which later arrived to more than 700 addresses in EPS and outside it. During 2012 more than 450 numbers of newsletter were published.

Visitors of internet presentation of Electric Power Industry of Serbia could get basic information about business operation and organization of EPS, plans of the company, as well as the advice for rational electricity consumption at the address www.eps.rs. Daily review of press, announcements, latest news as well as photo and video material are posted on web site every day.

Socially responsible relation towards public represents the aspect of business operation which Electric Power Industry of Serbia as the modern company pays more and more attention to. EPS support to most important state institutions from all fields (science, education, health, culture, sport and religion) was present in 2012 as well. EPS helped Olympic Committee of Serbia to participate in the Olympic Games held in London, Serbian Academy of Sciences and Arts to establish award for the field of physics and related sciences, Clinical Center of Serbia, University of Belgrade and Commissariat for Refugees and Migrations.

Tables

Consolidated Balance Sheet of PE EPS and Subsidiaries

Item		EDP	Balance as of		Index
			12/31/2012	1/1/2012	
1	2	3	4	5	4/5
	Assets				RSD 000
A	**FIXED ASSETS (002+003+004+009)**	**001**	**955,702,400**	**1,150,468,565**	**83**
I	UNPAID REGISTERED CAPITAL	002	0	0	0
II	GOODWILL	003	0	0	0
III	INTANGIBLE INVESTMENTS	004	2,628,341	2,561,450	103
IV	PROPERTY, PLANT, EQUIPMENT AND BIOLOGICAL ASSETS (006+007+008)	005	950,608,272	1,145,542,711	83
1.	Property, plant and equipment	006	949,973,033	1,144,966,850	83
2.	Investement properties	007	374,790	379,070	99
3.	Biological assets	008	260,449	196,791	132
V	LONG-TERM FINANCIAL INVESTMENTS (010+011)	009	2,465,787	2,364,404	104
1.	Investments in capital	010	1,036,287	981,401	106
2.	Other long-term financial investments	011	1,429,500	1,383,003	103
B	**CURRENT ASSETS (013+014+015)**	**012**	**118,521,152**	**102,647,472**	**115**
I	INVENTORIES	013	26,861,274	27,283,424	98
II	FIXES ASSETS AVAILABLE FOR SALE AND ASSETS OF DISCOUNTING OPERATIONS	014	0	0	0
III	SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH (016+017+018+019+020)	015	91,659,878	75,364,048	122
1.	Receivables	016	74,383,295	66,244,940	112
2.	Receivables on account of prepaid income tax	017	726,343	0	0
3.	Short-term financial investments	018	1,899,191	2,422,660	78
4.	Cash equivalents and cash	019	13,460,762	5,922,037	227
5.	Value-added tax, accruals and prepaid expanses	020	1,190,287	774.411	154
IV	DEFFERED TAX ASSETS	021	0	0	0
C	**OPERATING ASSETS (001+012+021)**	**022**	**1,074,223,552**	**1,253,116,037**	**86**
D	**LOSS EXEEDING THE VALUE OF EQUITY**	**023**	**0**	**0**	**0**
E	**TOTAL ASSETS (022+023)**	**024**	**1,074,223,552**	**1,253,116,037**	**86**
F	**OFF-BALANCE SHEET ASSETS**	**025**	**258,937,204**	**186,598,910**	**139**

Item		EDP	Balance as of		Index
			12/31/2012	1/1/2012	
1	2	3	4	5	4/5
	Equity and Liabilities				RSD 000
A	**EQUITY (102+103+104+105+106-107+108-109+110)**	**101**	**780,953,152**	**1,013,150,764**	**77**
I	FIXED CAPITAL	102	359,988,038	359,982,519	100
II	UNPAID REGISTERED CAPITAL	103	0	0	0
III	RESERVES	104	0	0	0
IV	REVALUATION RESERVES	105	555,670,124	781,672,944	71
V	UNREALISED GAINS ON SECURITIES	106	12,539	21,952	57
VI	UNREALISED LOSSES ON SECURITIES	107	686,477	663,833	103
VII	НЕРАСПОРЕЂЕНИ ДОБИТАК	108	0	0	0
VIII	LOSS	109	134,031,072	127,862,818	105
IX	TREASURY SHARES	110	0	0	0
B	**LONG-TERM PROVISIONS AND LIABILITIES (112+113+116)**	**111**	**201,072,978**	**157,243,030**	**128**
I	LONG-TERM PROVISIONS	112	13,272,433	12,340,596	108
II	LONG-TERM LIABILITIES (114+115)	113	62,131,899	48,214,119	129
1.	Long-term loans	114	58,143,363	45,541,497	128
2.	Other long-term liabilities	115	3,988,536	2,672,622	149
III	SHORT-TERM LIABILITIES (117+118+119+120+121+122)	116	125,668,646	96,688,315	130
1.	Short-term financial liabilities	117	33,092,959	17,682,434	187
2.	Liabilities on account of assets available for sale and assets of discounting operations	118	0	0	0
3.	Operating liabilities	119	63,076,448	52,104,217	121
4.	Other short-term liabilities	120	3,864,932	3,174,403	122
5.	Liabilities on account of vat and other public revenues,accruals and deferred income	121	25,634,307	21,098,756	121
6.	Liabilities on account of income tax	122	0	2,628,505	0
C	**DEFFERED TAX LIABILITIES**	**123**	**92,197,422**	**82,722,243**	**111**
D	**TOTAL EQUITY AND LIABILITIES (101+111+123)**	**124**	**1,074,223,552**	**1,253,116,037**	**86**
E	**OFF-BALANCE SHEET ASSETS**	**125**	**258,937,204**	**186,598,910**	**139**

Consolidated Income Statement of PE EPS and Subsidiaries

ELEMENTS		ACTUAL 2012	PLAN 2012	ACTUAL 2011	Index	
1	2	3	4	5	(3/4)	(3/5)
I	**OPERATING REVENUE**	**190,405,822**	**192,543,170**	**190,326,893**	**99**	**100**
II	**OPERATING EXPENDITURE**	**195,874,098**	**187,718,796**	**179,349,820**	**104**	**109**
1.	Electricity procurement	25,962,566	20,496,513	22,675,997	127	114
2.	Material and fuel costs	17,722,986	15,782,538	14,153,902	112	125
3.	Maintenance	18,112,729	18,086,652	19,953,168	100	91
4.	Depreciation	44,397,781	43,193,887	42,962,224	103	103
5.	Employee costs	53,018,346	52,934,090	46,981,042	100	113
6.	Insurance	2,275,874	2,644,692	1,917,322	86	119
7.	Liabilities towards the state	13,301,213	14,653,100	10,551,367	91	126
9.	Other operating expenditure	21,082,603	19,927,324	20,154,798	106	105
I-II	**Operating profit/loss**	**-5,468,276**	**4,824,374**	**10,977,073**	**-113**	**-50**
III	**FINANCIAL REVENUE**	**13,534,264**	**11,374,855**	**9,891,008**	**119**	**137**
IV	**FINANCIAL EXPENDITURE**	**10,214,894**	**7,446,683**	**4,020,996**	**137**	**254**
III-IV	**Financial profit/loss**	**3,319,370**	**3,928,172**	**5,870,012**	**85**	**57**
V	**OTHER REVENUE**	**13,335,739**	**2,971,656**	**53,944,483**	**449**	**25**
VI	**OTHER EXPENDITURE**	**55,571,525**	**25,679,007**	**41,635,487**	**216**	**133**
V-VI	**Other profit/loss**	**-42,235,786**	**-22,707,351**	**12,308,996**	**0**	**-343**
VII	**PROFIT FROM DISCONTINUED OPERATIONS**	**0**	**0**	**0**	**0**	**0**
VIII	**LOSS FROM DISCONTINUED OPERATIONS**	**0**	**0**	**0**	**0**	**0**
VII-VIII	**Net profit/loss from discontinued operations**	**0**	**0**	**0**	**0**	**0**
A	**TOTAL REVENUE (I+III+V+VII)**	**217,275,825**	**206,889,681**	**254,162,384**	**105**	**85**
B	**TOTAL EXPENDITURES (II+IV+VI+VIII)**	**261,660,517**	**220,844,486**	**225,006,303**	**118**	**116**
A-B	Total profit / loss	-44,384,692	-13,954,805	29,156,081	0	-152
	Tax Expenditures	-659,296	0	-3,359,088	0	0
	Deffered Tax Revenues/Expenditure	33,296,674	0	571,156	0	5,830
	NET TOTAL PROFIT/LOSS	**-11,747,314**	**-13,954,805**	**26,368,149**	**0**	**-45**

Note

In “Annual Report of Electric Power Industry of Serbia 2012” the most important indicators and information on operation of the company were given for the indicated year. Texts were written based on data that have been submitted from all Departments of PE Electric Power Industry of Serbia, from the management and common business functions of the company.

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