ELECTRIC POWER INDUSTRY OF SERBIA

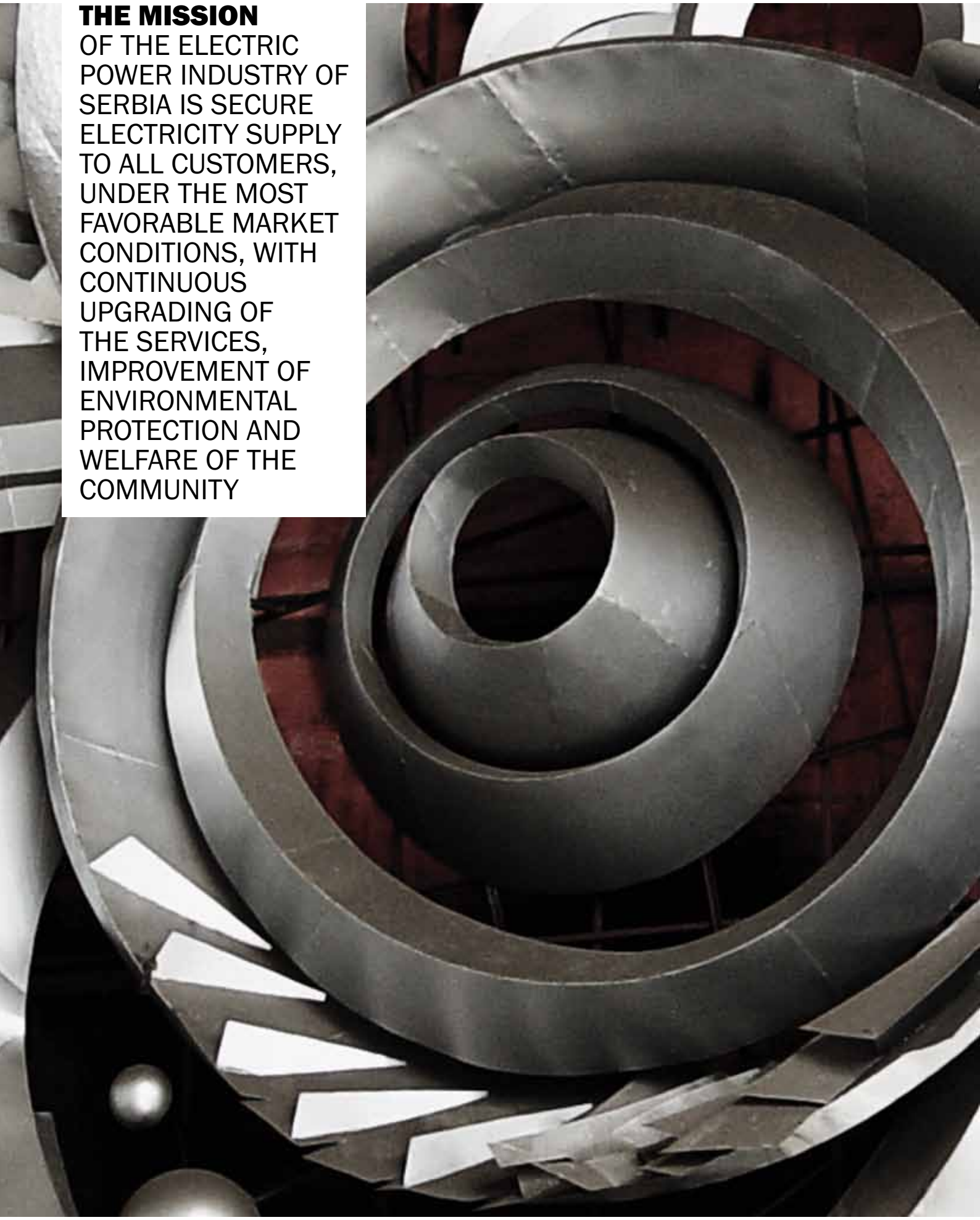
ANNUAL REPORT 2008

ЕПС

ELECTRIC POWER INDUSTRY
OF SERBIA

ANNUAL REPORT 2008

THE MISSION OF THE ELECTRIC POWER INDUSTRY OF SERBIA IS SECURE ELECTRICITY SUPPLY TO ALL CUSTOMERS, UNDER THE MOST FAVORABLE MARKET CONDITIONS, WITH CONTINUOUS UPGRADING OF THE SERVICES, IMPROVEMENT OF ENVIRONMENTAL PROTECTION AND WELFARE OF THE COMMUNITY



THE VISION
OF THE ELECTRIC POWER INDUSTRY OF SERBIA IS TO BE A SOCIALLY ACCOUNTABLE, 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

DRAGOMIR MARKOVIĆ
General Manager

IN 2008, ELECTRIC POWER INDUSTRY OF SERBIA BROKE ALMOST ALL RECORDS IN GENERATION FROM THE PREVIOUS YEAR. IN 2007, THE OUTPUT OF ALMOST ALL THERMAL POWER PLANTS, 30 YEARS OLD ON AVERAGE, WAS HIGHER THAT THE OUTPUT OF POWER PLANTS A FEW DECADES EARLIER. MAJOR REHABILITATION WORKS THAT CONTINUED IN 2008 AS WELL AS MAINTENANCE OF CAPACITIES IMPROVED THE WORK PARAMETERS RESULTING IN THE RECORD PRODUCTION IN 2008.

Owing to high production EPS provided completely stable power situation during the year and steady supply of electricity, primarily domestic electricity. The company imported as little as 60 per cent of electricity compared to the plans, and was able to export during certain intervals of the year.

However, EPS did not make a profit. The operating loss amounted to c. RSD 27 billion for two reasons – low business efficiency and unfair electricity price. The problems have been identified and solutions are known, as other utilities in transition, especially those in the region, faced the same problems.

To improve solutions and remove limitations, it is crucial to make changes in the relative legislature. For EPS to be competent in the regional market, the company must operate under the same or similar legal and regulatory conditions, just like the company's competitors in the region. For that reason, EPS is playing an active part in promoting changes of the present business environment.

EPS is in favor of changes that will enable the Energy Agency to take on responsibility of fixing the prices of power products and, in this way, we will be able to open up the energy market, the commitment undertaken by Serbia when the country ratified the Energy Charter.

Company restructuring is one of the priorities. Shortcomings of the existing organizational forms and directions of changes that should improve the efficiency of PE EPS have been set down in cooperation with a foreign consultant (Arthur D. Little). Prior to entering strategic partnerships in the construction of thermal power plants, the company will be incorporated as a government-owned joint stock company.

The program of development of EPS by the year 2015 anticipates investment of approximately 9.2 billion euros. EPS will be building three new capacities (TPP Kolubara B, TPP Nikola Tesla B3 and CHP Novi Sad) in conjunction with strategic partners. This will mark the beginning of the transformation of ownership in the Serbian power sector.

PETAR KNEŽEVIĆ
Chairman of the Management Board

IN TERMS OF COMPANY PERFORMANCE THE YEAR 2008 IS THE RECORD YEAR. EPS GENERATED MORE THAN 35 BILLION kWh, THE LARGEST ANNUAL GENERATIONS WERE MADE BY CEs TPPs NIKOLA TESLA AND THE MINING BASIN KOLUBARA. HOWEVER, IT WOULD NOT HAVE BEEN POSSIBLE IF, IN THE PAST COUPLE OF YEARS, WE HAD NOT BEEN INVESTING IN THESE CAPACITIES, DUE TO WHICH SOME 30 YEARS OLD THERMAL POWER UNITS NOW OPERATE BETTER THAN WHEN THEY WERE NEW.

Every dinar or euro invested in the generation capacities has produced multiple returns, and will be providing returns in the future. Also, EPS would be able to provide steady supply of electricity to all consumers. As in the past, EPS will be a driving force and promoter of the development of domestic economy. With the rising demand in the market, the company will be able to export any surplus.

The rehabilitation of power plants meant upgrading, introducing new technologies and increasing energy efficiency. The capacity of generation units increased wherever and whenever it was technically and economically justified.

The units operating within EPS are now on equal footing with the same or similar units in the most developed electric power industry in Europe.

EPS is facing an ever increasing consumption of electricity while the price of kWh is unfair and the existing generation units are working at full capacity. Therefore, it is clear that it is necessary to build new power plants to achieve the goals, mission and vision of Electric Power Industry of Serbia. The idea of EPS is to build these plants together with strategic partners and the neighboring utilities.

The Management Board passed numerous decisions enabling the company to present documents to the Government of the Republic of Serbia that led to instigating relevant procedures to attract strategic partners, who have adequate financial and business credibility in the European market and who would be able to contribute their capital and knowledge, to invest in order to improve company operations and activities. Decisions of the company Management Board created preconditions for the cooperation with the neighboring utilities on joint projects.

The Management Board of PE EPS had actively monitored the implementation of the approved projects and had timely passed relevant decisions (tenders for the completion of construction of TPP Kolubara B, TPP Nikola Tesla B, establishment of the joint venture with Electric Power Industry of Republic of Srpska for the construction of the hydro power plant on the Drina river).

To increase production of coal and secure safe supply to new capacities in the future, investments have been made in the mining sector (setting up new open cast mines, building new production systems and rehabilitating the present ones) for the last three decades. In the future, an estimated amount of 2.7 billion euros will be invested in the mining sector alone. The rehabilitation works of the hydro power plants (Djerdap 1, Bajina Basta, Zvornik...), which are supposed to increase their capacities, will commence in 2009.

Upgrading the remote control of loading and consumption at a distribution level, introducing remote metering and disconnecting consumers and upgrading the metering equipment is also one of the top priorities of EPS. Our goal is to increase sales and collection rate by reducing technical and commercial (unauthorized) losses of electricity. The plans provide for procurement and replacement of 2.4 million meters along with the systems enabling remote control, reading and cutting off in the next 6 to 7 years... The value of the project is estimated at 350 million euros. Total value of the project amounts to 500 million euros, since there are 3.4 million meters in Serbia.

Accession to the regional market is not only the desire of EPS but it has become the legal obligation after the formation of the Energy Community of South East Europe. For this reason, for EPS trading in electricity is as important as the production in the pits and generation in the power plants.

After completing a number of environmental projects in the past six years, EPS has become a leader in this field in Serbia. We have achieved this through EU donations made, foreign loans and own funds, and with the financial aid from the government that allowed us to invest the proceeds of the ecological tax into these projects. The Green Book of Electric Power Industry of Serbia lists all the projects that have to be completed by 2015. To do this 1.2 million billion euros is required. EPS is resolved to complete all these projects.

The commercial use of the powerful telecommunication system with more than 3500 km of the state-of-the-art optical cables is supposed to improve the efficiency of the company. To raise the energy efficiency of the EPS system is a basic objective of each and every investment plan.

As in any company, the goal of the restructuring process is to improve the efficiency in all company business segments. One significant aspect is to improve the efficiency of employees not only by downsizing but by professional training and development. Therefore, the human resources function will gain importance in the forthcoming period. The goal has been set – EPS has to be an important player in the regional market.

General Manager
DRAGOMIR MARKOVIĆ

In 2008 works on improving and upgrading the organization and operations of EPS continued. The following tasks were set as priorities: creating conditions for company corporatization, efficient participation in capital markets and power activities, cooperation with state authorities to improve the legal framework concerning the method and conditions of conducting business.

The Management Board approved the evaluation made by the chartered assessor concerning the book value of the company (more than seven billion euros) that was higher by about four billion than a few years ago. The company is set to improve the concept of transfer pricing that would simulate the higher level of market-oriented business and ensure competitiveness of all entities operating within EPS.

As far as planning of overhauls and investment activities in the capacities is concerned, the position was confirmed that to regenerate capacities and to increase domestic generation and company value is in the best interest of Serbia.

Both the company employees and business partners, who performed their tasks as best they could, must be given the credit for the excellent performance of the company. This fact was highlighted by the Management Board of PE EPS many times.

The Management Board approved the proposed mid-term plan of activities of EPS until 2015. The plan included all key projects: projects to continue rehabilitation of thermal power plants and to proceed with the rehabilitation of hydro power plants, to open up new pits, upgrade the existing coal pits, build new units, environmental protection projects... The main goals of the plan are: to provide funds for an increased competitiveness of PE EPS in the regional electricity market in the South East Europe.

In order for EPS to be able to contribute their own funds and to provide financial support to the implementation of all these projects, it is planned to gradually increase the kWh price in order to achieve the fair market value.

In 2008 the Management Board passed decisions on raising electricity prices on two occasions. However, at the price level of 4.53 din/kWh the company can cover the current operating expenditure, however, the company can only partially finance investment in maintaining the attained production level. For the time being, there are no funds for development.

Within the electricity price policy, the Management Board has decided to keep in force the decision on granting discounts for timely payment of electricity bills as a measure of business policy that should result in a higher rate of collection. According to the practice from previous years and in order to facilitate payment of electricity bills to vulnerable consumers the Management Board passed a new decision on discounts in 2008. This benefit was granted only to electricity rate payers from the category “consumption”, the “household” group, provided they pay their bills on time.

Depending on financial capacities, EPS as a socially responsible company made contributions to the health care, education, culture and sport... The Management Board approved financial support to many scientific and professional events and individuals who had represented Serbia across the world, always taking into account the purpose, efficiency and responsible utilization of the state-owned assets.

The year 2008 was the turning point in the business operations of EPS – the exceptional performance, many broken records, and financial loss. Many strategic activities were started. Although EPS is ready for future challenges, the company points out that the support of the Government of the Republic fo Serbia and the broader community is necessary.

Chairman of the Management Board
PETAR KNEŽEVIĆ

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ABOUT EPS

Title

PUBLIC ENTERPRISE "ELECTRIC POWER INDUSTRY OF SERBIA" (PE EPS)

Main Office	11000 Belgrade, 2 Carice Milice St.
Phone	+ 381 11 20 24 600
Fax	+ 381 11 26 27 160
E-mail	eps@eps.rs
Website	www.eps.rs
Registration	Decision BD 80380/2005 with the Serbian Business Registers Agency
Registration number	20053658
PIN	103920327

FOUNDATION

The Public Enterprise Electric Power Industry of Serbia was founded by Decision of the Government of the Republic of Serbia which was put into force on 1 July 2005

ORGANIZATIONAL STRUCTURE

Vertically organized enterprise consisting of 11 corporate enterprises

OWNERSHIP STRUCTURE

100% property of the Republic of Serbia

COMPANY MANAGEMENT

Management Board, Supervisory Board, General Manager – all appointed by the Government of the Republic of Serbia. Managers of head departments and sectors within the EPS Headquarters, as well as Managers of corporate enterprises, form the Management of the Electric Power Industry of Serbia.

BUSINESS ASSETS

528,820,421,000 RSD

ACTIVITIES

Electricity generation; electricity distribution and distribution system control; electricity trading; coal production, processing and transport; steam and hot water generation in combined processes; water utilization and use; wholesale trade of solid, liquid and gaseous fuels and similar products; metals and metal ores and other trade; services in river and lake traffic; exploration and development; designing, construction and maintenance of energy, mining and other facilities; designing, construction, maintenance and operation of telecommunication facilities and devices; engineering.

ORGANIZATIONAL STRUCTURE

MANAGEMENT BOARD

GENERAL MANAGER

HEAD DEPARTMENTS

Energy generation

Electricity trade

Electricity distribution

Strategy and investments

Economic and financial affairs

Legal affairs and human resources

Electricity generation, transmission and distribution and coal production on the territory of Kosovo and Metohija

COAL AND POWER GENERATION

CE HPPs Djerdap ltd, Kladovo

CE HPPs Drinsko Limske ltd, Bajina Bašta

CE TPPs Nikola Tesla ltd, Obrenovac

CE MB Kolubara ltd, Lazarevac

CE TPPs and OCMs Kostolac ltd, Kostolac

CE Panonske CHPs ltd, Novi Sad

PE OCMs Kosovo, Obilić*

PE TPPs Kosovo, Obilić*

ELECTRICITY DISTRIBUTION

CE Elektrovojvodina ltd, Novi Sad

CE Elektrodistribucija Beograd ltd, Beograd

CE Elektrosrbija ltd, Kraljevo

CE Jugoistok ltd, Niš

CE Centar ltd, Kragujevac

PE Elektrokosmet, Priština*

SECTORS

Internal control and revision

Public relations

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

MAP OF ELECTRIC POWER SYSTEM

Power plants and coal mines:

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

Electricity distribution areas:

1__ ELEKTROVOJVODINA, NOVI SAD

2__ ELEKTRODISTRIBUCIJA BEOGRAD

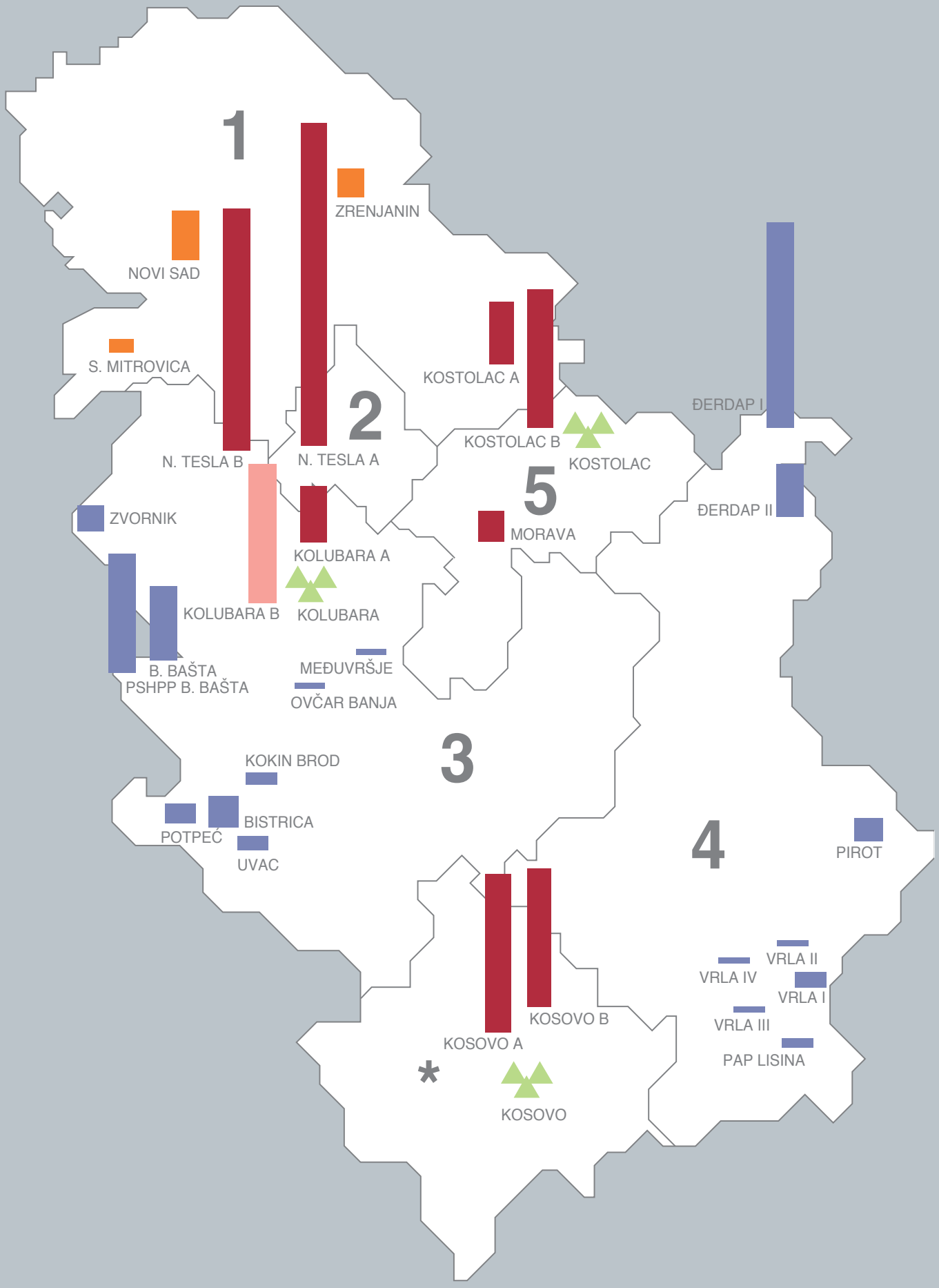
3__ ELEKTROSRBIJA, KRALJEVO

4__ JUGOISTOK, NIŠ

5__ CENTAR, KRAGUJEVAC

*__ ELEKTROKOSMET, PRIŠTINA

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


1
ZRENJANIN
NOVI SAD
S. MITROVICA
N. TESLA B
N. TESLA A
2
KOSTOLAC A
KOSTOLAC B
KOSTOLAC
ĐERDAP I
ĐERDAP II
5
MORAVA
ZVORNIK
KOLUBARA A
KOLUBARA B
KOLUBARA
B. BAŠTA
PSHPP B. BAŠTA
MEĐUVRŠJE
OVČAR BANJA
3
KOKIN BROD
BISTRICA
POTPEĆ
UVAC
4
PIROT
VRLA II
VRLA IV
VRLA I
VRLA III
PAP LISINA
KOSOVO B
KOSOVO A
*
KOSOVO

EPS IN 2008

INSTALLED CAPACITIES (NET OUTPUT CAPACITY)

8,359 MW*

ELECTRICITY GENERATION

35,039 GWh
(Kosovo and Metohija not included)

39,715 GWh
(Kosovo and Metohija included)

COAL PRODUCTION

(Kosovo and Metohija not included)

37,951,494 t

OVERBURDEN REMOVAL

(Kosovo and Metohija not included)

107,247,241 m^3/bm

EPS GROSS CONSUME

33,697 GWh
(Kosovo and Metohija not included)

38,910 GWh
(Kosovo and Metohija included)

AVAILABLE ENERGY

36,579 GWh
(Kosovo and Metohija not included)

42,025 GWh
(Kosovo and Metohija included)

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

DISTRIBUTION COMPANIES
(Kosovo and Metohija not included)

Number of customers

3,426,271

4,023
- at high and middle voltage

3,422,248
- at low voltage

27,639 GWh
Distribution companies
(PE Elektrokosmet not included)
delivered to the customers

TOTAL SUPPLIES OF ELECTRICITY IN SERBIA

32,473 GWh

NUMBER OF EMPLOYEES

30,193
(without Kosovo and Metohija)

35,800
(with Kosovo and Metohija)

AVERAGE ELECTRICITY PRICE REALIZED IN THE CONSUMER AREA OF SERBIA

4,322 RSD/kWh

FINANCIAL INDICATORS

Business assets
528,820,421,000 RSD

Capital value
460,415,024,000 RSD

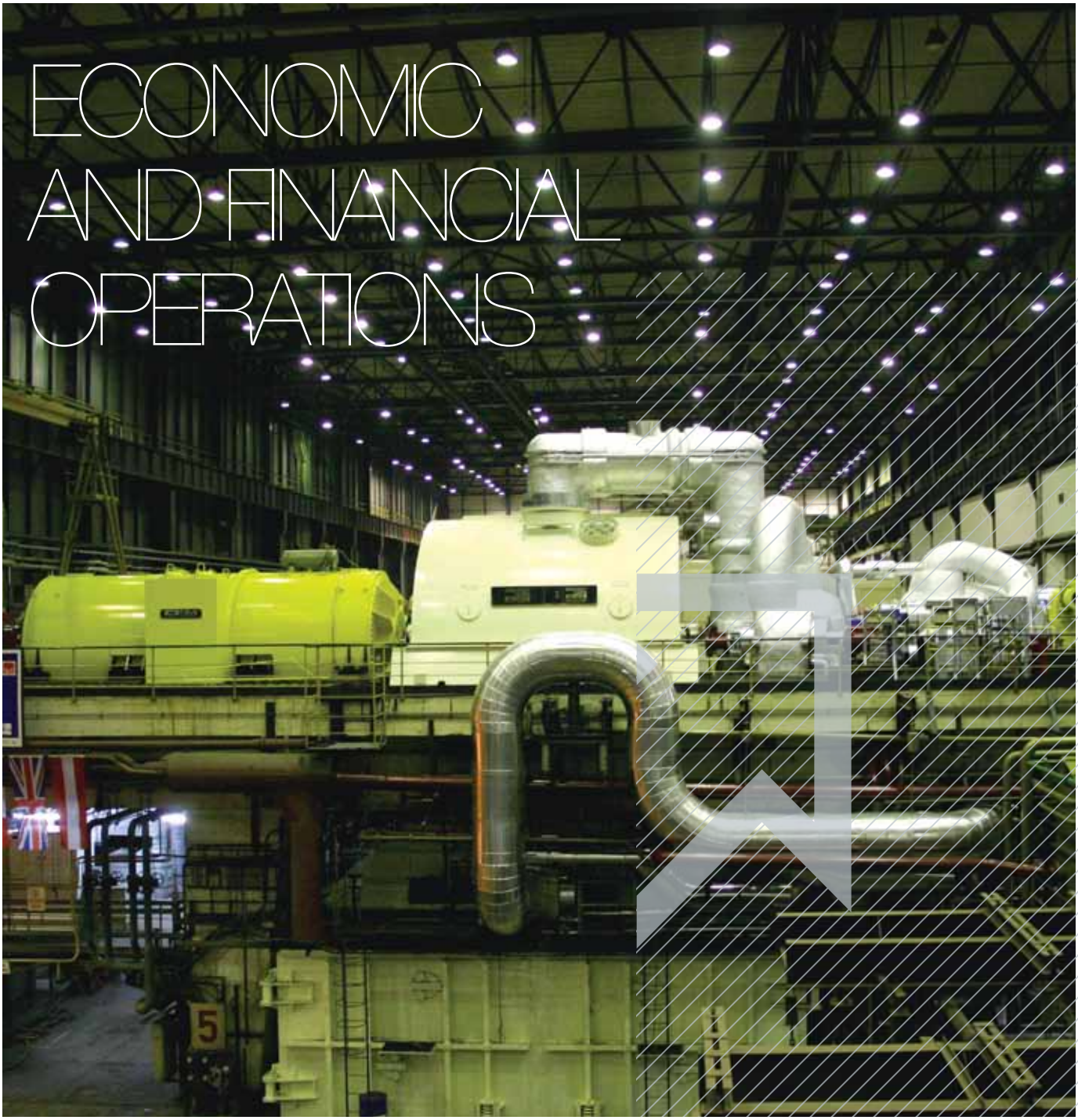
Total revenue
156,482,823,000 RSD

Total expenditure
184,028,641,000 RSD

Total gross loss
27,545,818,000 RSD

Total net loss
25,698,137,000 RSD

ECONOMIC AND FINANCIAL OPERATIONS



BUSINESS ENVIRONMENT AND ECONOMIC AND FINANCIAL STATUS

Decelerating economic activities and income in real terms, total inflation below the projected framework, high foreign trade deficit and slightly faster growth of import over export, high fiscal deficit were the main characteristics of the macroeconomic movements in 2008; the decelerating trend of the GDP growth continued. The economic activities slowed down as a result of the global economic crises.

Physical volume of the total industrial production in 2008 compared to 2007 showed moderate growth of 1.1%. In December 2008 physical volume of the

industrial production was lower by 8.3% than in December 2007.

In 2008 labor productivity increased by 7% in the total industry and by 8% in the processing industry. This increase in labor productivity was mainly due to decline in the rate of employment in the total and processing industry (5.5% and 6.8% respectively).

At the macro level, there was a tendency for consumer demand to go down as can be seen from data on movements in retail trade, wages and salaries and credits placed in the retail sector. Retail trade in goods was characterized by the slowdown of growth. In 2008 the growth of average real wages and salaries showed a slight slowdown which had began in 2007. In 2008 the average net income was RSD 32,575 and was higher by 18% in nominal terms over 2007. The growth of earnings was primarily due to a considerable increase in earnings before the end of the year, as employers paid out the 13th salary, incentives, bonuses and similar remuneration included in the computation of average income. In 2008 the total number of employees (the annual average) fell by 0.1% compared with the figures for 2007.

Movements in prices and the macroeconomic stability achieved in 2008 show that the total inflation was below the projected level due to a slower rise in the food and electricity prices.

In 2008 inflation in Serbia, measured by the increase in retail prices, was 6.8% and at the annual level it averaged 10.9%.

In 2008 the monetary policy continued to be restrictive. In December 2008 the movements of the basic monetary aggregates was marked by a high annual rate of growth of primary money. The money supply coverage ratio was reduced due to a fall in foreign currency reserves. The credit activity of banks was growing at a slow pace. Also, the rate of growth of the total retail savings was slowing down. In 2008 pubic revenue deficit amounted to RSD 54.7 million.

Cross-border economic relations: A decline in foreign trade exchange was caused by turbulence on the global financial market. There was high foreign trade deficit of USD 12 billion, and export-coverage of import was 47.7%. In 2008 the EU countries accounted for 53.4% of the total trade of Serbia with foreign countries.

Movements in indicators of business climate in Serbia are identical to the trends in the EU, so that changes in Serbia depend on the impulses from the EU market to a great extent. Business entities are likely to face liquidity problems as a result of reduced liquidity in the foreign market; consequently, loans obtained by our banks in the foreign market will be more expensive.

KEY INDICATORS OF THE ECONOMIC ACTIVITIES IN THE REPUBLIC OF SERBIA

		indices
	I-XII 2008	XII 2008
	I-XII 2007	XII 2007
PHYSICAL VOLUME OF INDUSTRIAL PRODUCTION	101.1	91.1
PRICES OF INDUSTRIAL PRODUCTS MANUFACTURERS	112.4	109.8
RETAIL PRICES	110.9	106.8
COST OF LIVING	113.5	107.9

The financial status of PE EPS in terms of liquidity and profitability is improving, but it is still unfavorable under the conditions of heavy indebtedness from the previous years. The debt balance as of December 31, 2008 amounted to RSD 119.5 billion, while receivables amounted to approximately RSD 97 billion (about 60% is estimated to be irrecoverable).

The financial statement for 2008 in the consolidated income statement of EPS shows a gross operating loss of RSD 27.5 billion, whereas the plan projected the loss of RSD 27.9 billion, with a negative result from business operations of RSD 10 billion, RSD 2.7 billion from financial operations and RSD 14.8 billion from other operations.

PRICES OF ELECTRICITY SUPPLIED BY EPS

In 2008 the average selling price of electricity supplied by EPS was 4.322 RSD/kWh.

AVERAGE PRICES OF ELECTRICITY SUPPLED BY EPS

RSD/kWh

Consumption category	Achieved 2008	Achieved 2007	Index 2/3
1	2	3	4
High voltage (110 kV)	3.169	2.866	111
Middle voltage - total	3.982	3.205	124
Total high and middle voltage	**3.718**	**3.094**	**120**
Low voltage (0.4 kV I level)	5.805	4.626	125
Consumption - total	4.327	3.814	113
- 0.4 kV II level	5.651	4.871	116
- households	4.148	3.674	113
Public lighting	4.192	3.522	119
Total low voltage	**4.562**	**3.935**	**116**
TOTAL	**4.322**	**3.694**	**117**

On March 1, 2008 electricity prices increased by 7.6% and on August 1, 2008 they rose by 8.4%, so the average annual prices was 4.53 RSD/kWh.

CONSOLIDATED BALANCE SHEET OF PE EPS AND CORPORATE ENTERPRISES

000 RSD

ITEM	AOP	Balance as of 31.12.2008.	01.01.2008.
ASSETS			
A. FIXED ASSETS (002+003+004+005+009)	**001**	**528,820,421**	**551,717,976**
I. SUBSCRIBED BUT UNPAID CAPITAL	002	0	0
II. GOODWILL	003	0	0
III. INTANGIBLE ASSETS	004	2,455,368	2,372,928
IV. PROPERTY, PLANTS, EQUIPMENT AND BIOLOGICAL ASSETS (006+007+008)	005	523,790,217	542,632,153
1. Property, plants and equipment	006	523,745,809	542,587,796
2. Investment property	007	44,408	44,357
3. Biological assets	008	0	0
V. LONG-TERM FINANCIAL PLACEMENTS (010+011)	009	2,574,836	6,712,895
1. Equity investments	010	1,098,230	3,849,904
2. Other long-term financial placements	011	1,476,606	2,862,991
B. CURRENT ASSETS (013+014+015)	**012**	**76,019,530**	**68,649,079**
I. INVENTORIES	013	24,899,607	22,518,458
II. FIXED ASSETS HELD FOR SALE AND OPERATING ASSETS TO BE CLOSED DOWN	014	0	0
III. SHORT-TERM RECEIVABLES, PLACINGS AND CASH (016+017+018+019+020)	015	51,119,923	46,130,621
1. Receivables	016	40,989,102	36,857,947
2. Receivables from prepaid income tax	017	460,944	534,241
3. Short-term financial placements	018	2,085,598	2,068,706
4. Cash and cash equivalent	019	6,225,306	5,399,170
5. Value added tax and prepaid expenses	020	1,358,973	1,270,557
IV. DEFERRED TAX	021	0	0
C. OPERATING ASSETS (001+012+021)	**022**	**604,839,951**	**620,367,055**
D. LOSS EXCEEDING THE AMOUNT OF CAPITAL	**023**	**0**	**0**
E. TOTAL ASSETS (022+023)	**024**	**604,839,951**	**620,367,055**
F. OFF-BALANCE ASSETS	**025**	**47,362,993**	**42,456,221**

CONSOLIDATED INCOME STATEMENT OF PE EPS AND CORPORATE ENTERPRISES

000 RSD

item	AOP	Balance as of 31.12.2008.	Balance as of 01.01.2008.
LIABILITIES			
A. CAPITAL (102+103+104+105+106-107+108-109-110)	**101**	**460,415,024**	**489,339,146**
I. EQUITY	102	359,949,263	359,948,425
II. SUBSCRIBED BUT UNPAID CAPITAL	103	0	0
III. RESERVES	104	0	0
IV. REVALUATION RESERVES	105	248,188,896	248,637,171
V. UNREALIZED GAINS FROM SECURITIES	106	116,981	2,589,245
VI. UNREALIZED LOSSES FROM SECURITIES	107	369,719	0
VII. UNDISTRIBUTED PROFIT	108	0	0
VIII. LOSS	109	147,470,397	121,835,695
IX. REDEEMED OWN SHARES	110	0	0
B. LONG-TERM PROVISIONS AND LIABILITIES (112+113+116)	**111**	**119,501,021**	**103,775,197**
I. LONG-TERM PROVISIONS	112	7,515,191	3,621,828
II. LONG-TERM LIABILITIES (114+115)	113	45,560,575	40,170,767
1. Long-term credits (borrowings)	114	41,550,014	35,096,675
2. Other long-term liabilities	115	4,010,561	5,074,092
III. SHORT-TERM LIABILITIES (117+118+119+120+121+122)	116	66,425,255	59,982,602
1. Short-term financial liabilities	117	9,584,354	9,386,915
2. Liabilities arising from assets held for sale and operating assets to be closed down	118	0	0
3. Accounts payable	119	33,898,252	26,340,920
4. Other short-term liabilities	120	2,996,188	4,754,214
5. Liabilities from VAT and other public revenues, accrued charges	121	19,786,096	19,304,904
6. Income tax payable	122	160,365	195,649
C. DEFERRED TAX LIABILITIES	123	24,923,906	27,252,712
D. TOTAL LIABILITIES (101+111+123)	**124**	**604,839,951**	**620,367,055**
E. OFF-BALANCE LIABILITIES	**125**	**47,362,993**	**42,456,221**

CONSOLIDATED INCOME STATEMENT OF PE EPS AND CORPORATE ENTERPRISES

000 RSD

		ACHIEVEMENT	PLAN	ACHIEVEMENT	INDEX	
	ELEMENTS	2008.	2008.	2007.	(3/4)	(3/5)
1	2	3	4	5	6	7
I	OPERATING REVENUE	145,859,328	137.491,539	120,657,358	106	121
II	OPERATING EXPENDITURE	155,849,713	153,589,185	137,185,005	101	114
II.1.	Procurement of electricity	15,318,678	17,793,283	10,990,966	86	139
II.2.	Costs of material and fuel	12,402,265	13,481,329	10,789,526	92	115
II.3.	Maintenance	17,949,966	18,838,864	16,234,581	95	111
II.4.	Depreciation	46,458,563	46,563,422	46,259,451	100	100
II.5.	Staff costs	36,395,561	36,087,018	31,621,336	101	115
II.6.	Insurance	2,204,629	2,628,695	1,864,147	84	118
II.7.	Statutory obligations	6,246,798	6,043,117	5,294,300	103	118
II.8.	Other operating expenditure	18,873,253	12,153,457	14,130,698	155	134
I-II	Result from operations	-9,990,385	-16,097,646	-16,527,647	62	60
III	INCOME FROM FINANCING	8,079,547	5,272,209	8,662,202	153	93
IV	FINANCING EXPENDITURE	10,823,545	5,567,334	3,205,892	194	338
III-IV	Results from financing operations	-2,743,998	-295,125	5,456,310	930	-50
V	OTHER REVENUE	2,543,948	1,725,335	2,359,346	147	108
VI	OTHER EXPENDITURE	17,355,383	13,233,551	99,170,047	131	18
V-VI	Result from other operations	-14,811,435	-11,508,216	-96,810,701	129	15
VII	GAIN FROM OPERATIONS TO BE CLOSED DOWN	0	0	2,351,422	0	0
VIII	LOSS FROM OPERATIONS TO BE CLOSED DOWN	0	0	3,701,991	0	0
VII-VIII	Net gain/loss from operations to be closed down	0	0	-1,350,569	0	0
A	TOTAL REVENUE (I+III+V+VII)	156,482,823	144,489,083	134,030,328	108	117
B	TOTAL EXPENDITURE (II+IV+VI+VIII)	184,028,641	172,390,070	243,262,935	107	76
A-B	Total financial result	-27,545,818	-27,900,987	-109,232,607	99	25
	INCOME TAX	1,847,681	0	9,618,629	0	0
	NET TOTAL FINANCIAL RESULT	-25,698,137	-27,900,987	-99,613,978	92	28

Thermal and hydro power plants

GENERATION AND CONSUMPTION

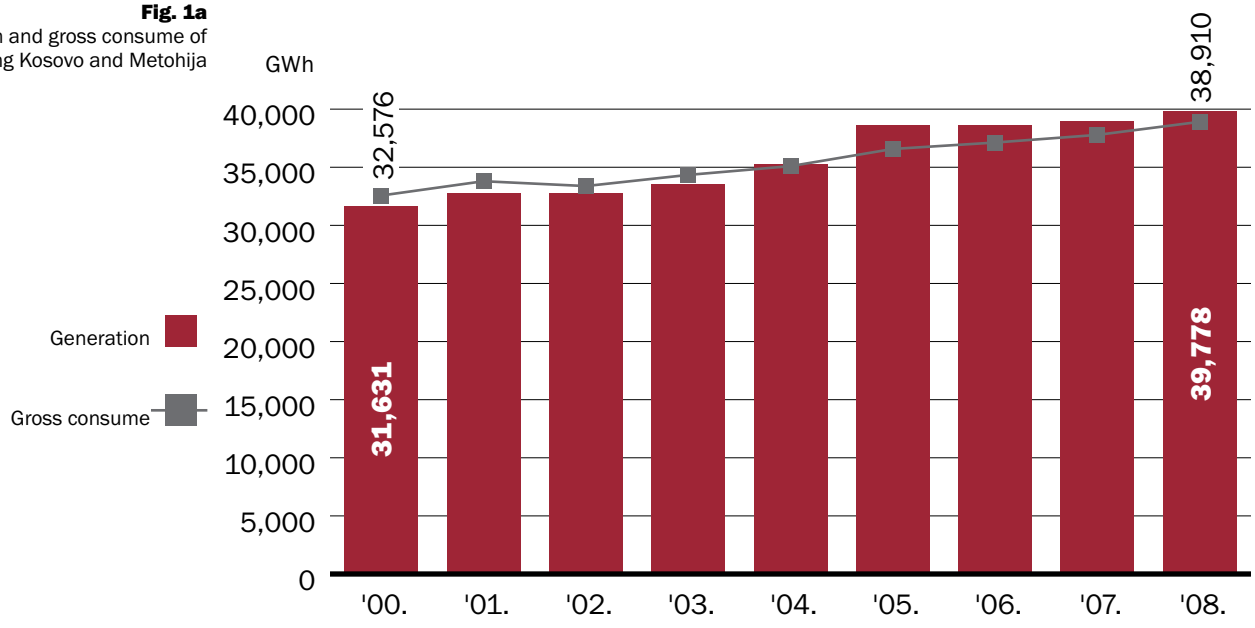
In the 2008 have been recorded the greatest annual generation and the maximum consumption up to now. At the territory of Serbia generation in thermal power plants (with Kosovo and Metohija) for the first time was near the figure of 40,000 GWh, and electricity consumption in the Republic was somewhat lower than 39,000 GWh. At thermal power plants managed by EPS, generation was 35,039 GWh, and electricity consumption at the territory supplied by Electric Power Industry of Serbia was 33,697 GWh.

Since the year 2005, fourth in a line, generation capacities have achieved substandard high productions, between 3,000 and 5,000 GWh what is more than previous maximums.

Remaining is very small area for further improvements at existing thermal capacities. Extreme contribution to generation in the years 2005 and 2006 has been provided by hydro power plants, while generation at Corporate Enterprise TPP Nikola Tesla (CE TENT) and Corporate Enterprise TPPs-OCMs Kostolac (CE TPPs-OCMs Kostolac), has been increasing from the year 2005 reaching its maximum in the year 2008.

Gross consume and generation supplied by the EPS at the area of Kosovo and Metohija from the year 2000 up to 2008 has been increasing faster than at the territory of Serbia (Fig. 1a and 1b), but reason for such trends at which EPS has not had influences, are not to be analyzed.

Fig. 1a
Generation and gross consume of EPS including Kosovo and Metohija



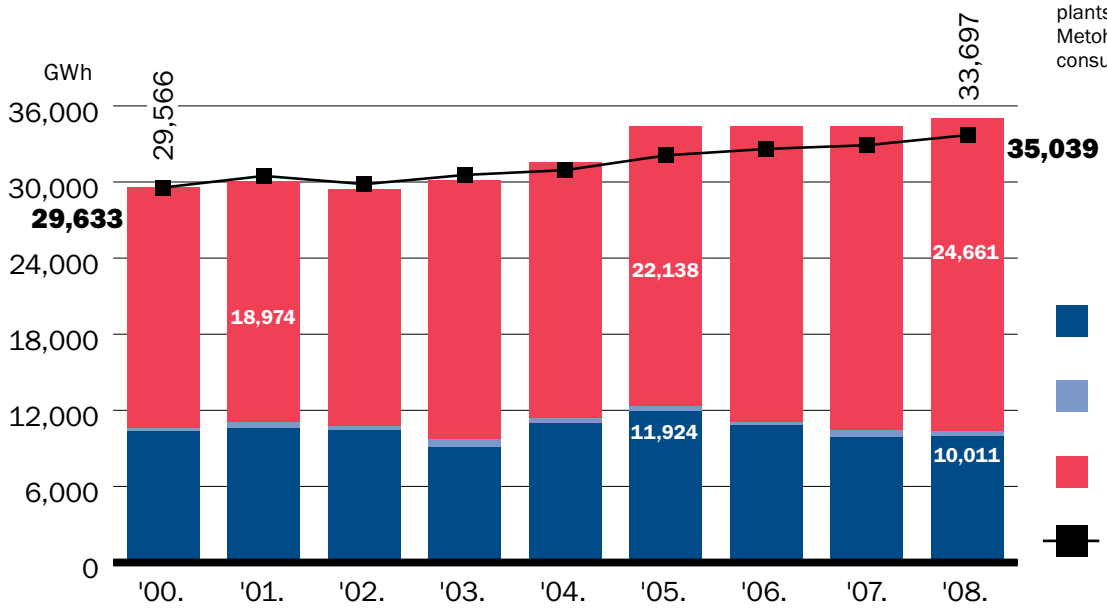


Fig. 1b
Generation structure and gross consume of EPS without Kosovo and Metohija
(Since the year 1999 EPS has no influence to mining or power plants maintenance at Kosovo and Metohija, and has not managed consume reductions)

Considerably greater consumption and load increasing is to be followed by equivalent changes of generation capacities by which have to be provided safe functioning of electric power system within a new operational conditions.
However, these generation results have been realized by the same operation units engaged in the year 1990, too. EPS has achieved such record generation results without a new capacities, because from that 1990 year at the territory of Serbia, including Kosovo and Metohija, has not been installed not even one new megawatt.

EPS compensates annual domestic needs for electricity of 96% by own generation. Nevertheless, due to unequal demands it is not in a position to settle customers' needs at consume area during entire year. Different operation regimes in 2008 due to season impropriate consumption, is shown at the daily generation and consumption chart (Fig. 2).

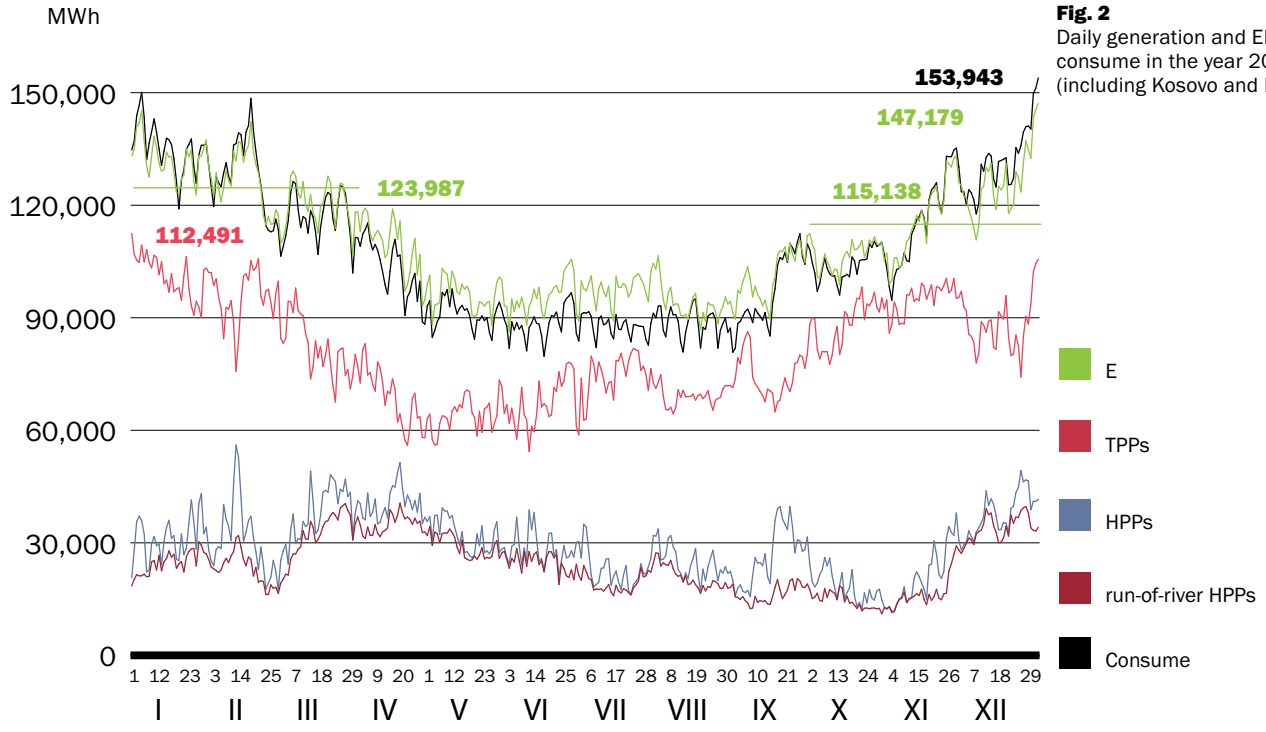


Fig. 2
Daily generation and EPS's consume in the year 2008 (including Kosovo and Metohija)

Daily consumption requirements at the territory of the entire Republic have reached its maximum on December 31st, 2008 – 153.9 GWh/day, and at eighteenth hour at the same day has been achieved the greatest middle hourly gross consume, up to now, because during these 60 minutes has been consumed 7,504 MWh.

In January 2008 has been achieved the greatest monthly generation in lignite-fired thermal power plants of 2,602 GWh, and maximal daily generation, too. At the 1st January it amounts 112.5 GWh/day. CE TENT units for the first time at the monthly base has provided more than 2,000 GWh, and thanks to maximal generation at TPP Kostolac A, all generation units in CE TPPs-OCMs Kostolac has realized the largest generation monthly level of 556 GWh. In this month eight thermal units (TENT A 3, 4 and 6; TENT B 1 and 2 and TPP Kostolac A 1 and 2), making 58% of installed thermal power plants power, have achieved the greatest monthly generation since 1990, due to what TENT A, TENT B and TPP Kostolac B have reached its monthly maximums.

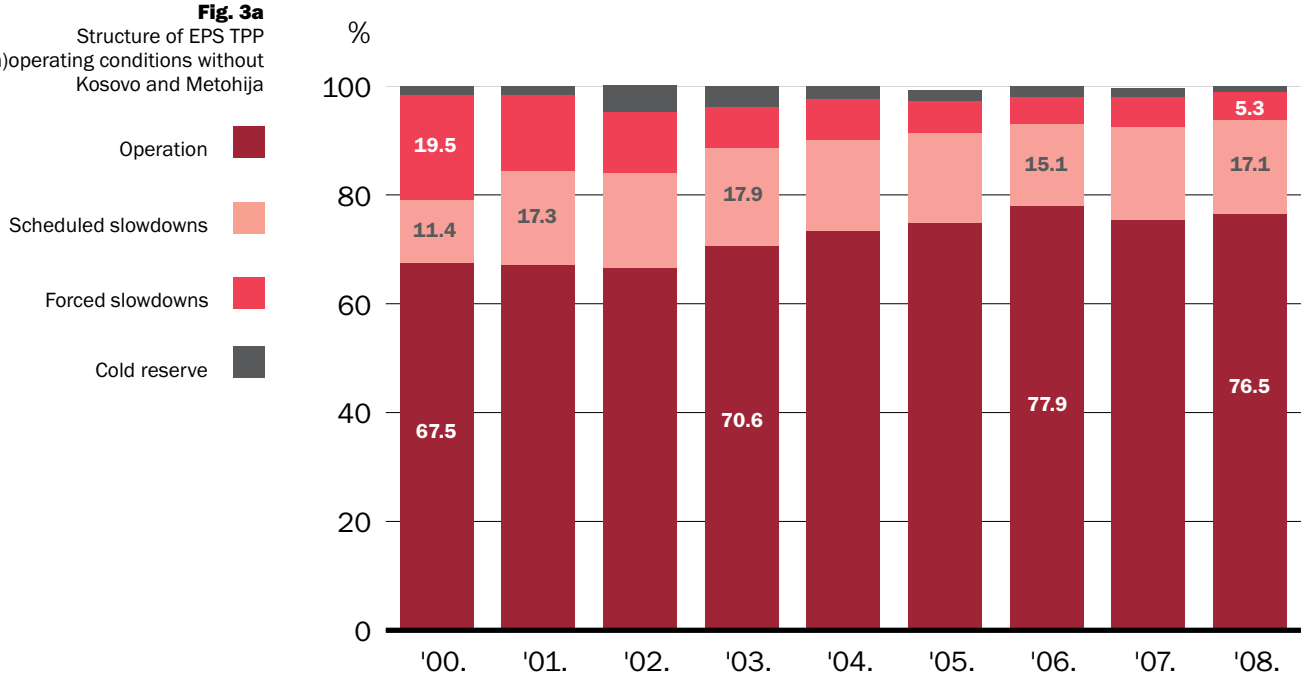
TOWARD MORE RELIABLE, EFFECTIVE AND ECONOMICAL GENERATION BY OVERHAULS

EPS strategic determination due to lack of money for new capacities construction has been directed toward existing capacities, its exchange and repair has been fully justified according to generation records by capacities older than 30 years.

After increasing of generation scope with a selling price for kilowatt/hour, still not economically realistic and lessons from the realized jobs during the last years, EPS has been, constantly revising its position and possibilities addressing new aims and needs. It has been necessary for the further company improvements. During overhaul period have been done without significant investments repair and upgrading of units in TENT B with a task to increase its operational power. By realized scope of generation has been confirmed feasibility of such works and these results have been quantified through achieved technical efficiency parameters.

At the Fig. 3a and 3b have been illustrated structure of (non)operating conditions where can be noticed constant increasing of scheduled thermal power plants slowdowns, and from the other side hydro power plants only for the last two years (capital aggregate overhaul PSHPP Bajina Bašta) have had increased scheduled slowdown time.

Fig. 3a
Structure of EPS TPP (non)operating conditions without Kosovo and Metohija



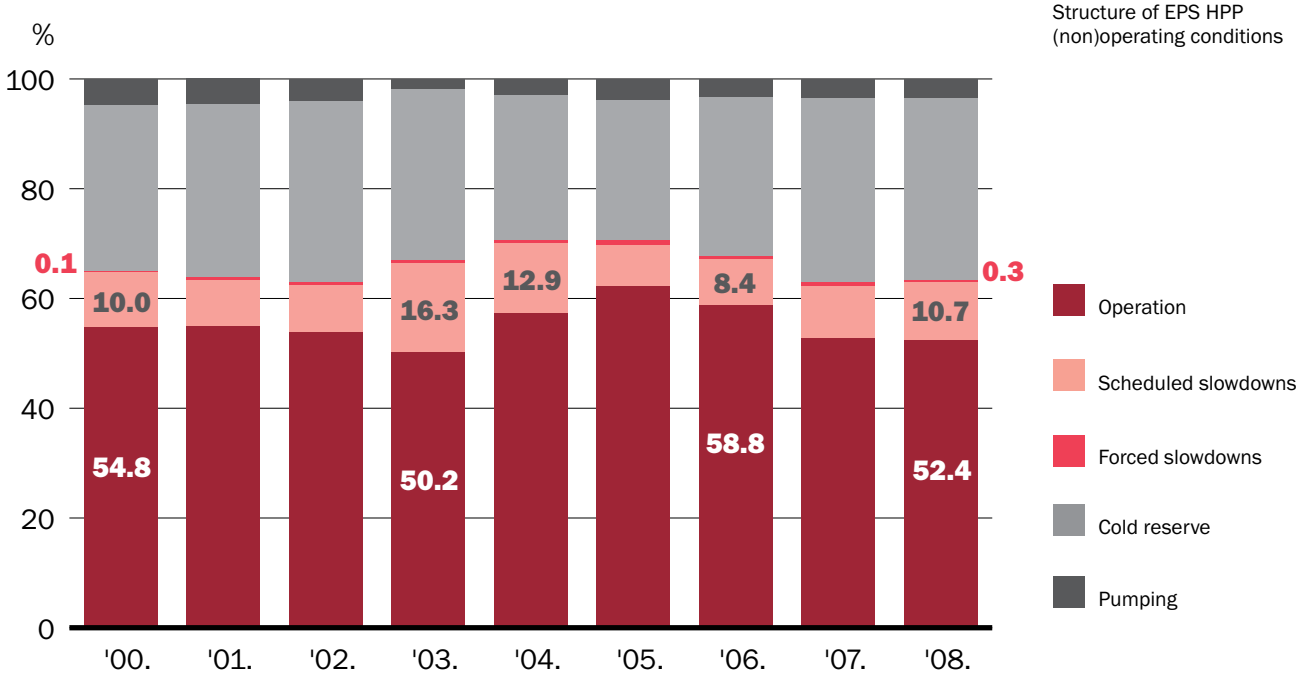


Fig. 3b
Structure of EPS HPP (non)operating conditions

Not before 2009 is to be manifested improvements after this year-scheduled slowdowns:

TENT A6 – During capital overhaul have been changed pipeline system parts (approx. 1,200 t) and generator with rotor disassembly review has been performed. Complete system for control and units regulation (except turbine regulation) according to the design by Institute "Mihailo Pupin" has been changed.

TPP Kostolac B1 – Overhaul of boiler pipeline system parts (PS), control system upgrading (Institute "Mihailo Pupin"), HV facility modernization and generator impulse reconstruction. Cracks have been fixed at both for low-pressure rotor turbine blades, which have been cut and unit operates with reduced power. For the following years has been foreseen capital overhaul for that unit.

HPP Djerdap 2 – In January 2007 at the aggregate shaft 6 a crack has been found out. Main reason for unusually long scheduled slowdown (up to the middle December) was due to impossibility for a new shaft delivery from Romania. At the beginning of aggregate No. 7, capital repair a crack has been found out at shaft radius of 1,300mm, causing a shaft changing. Estimated deadline for works is October 2009.

HPP Ovčar Banja A2 – At the end of August 2008, aggregate revitalization has been started, comprising installation of a new turbine with increased power 5 MW, trafo unit change, 80% of generator equipment, distribution plant, control and protection system and safe supply system. Domestic equipment contractors: "Sever", "Minel", "Goša – Montaža", institutes "Mihailo Pupin" and "Nikola Tesla" and turbine equipment supplier "Andino", have successfully realized works and beginning of trial operation has been scheduled for January 2009.

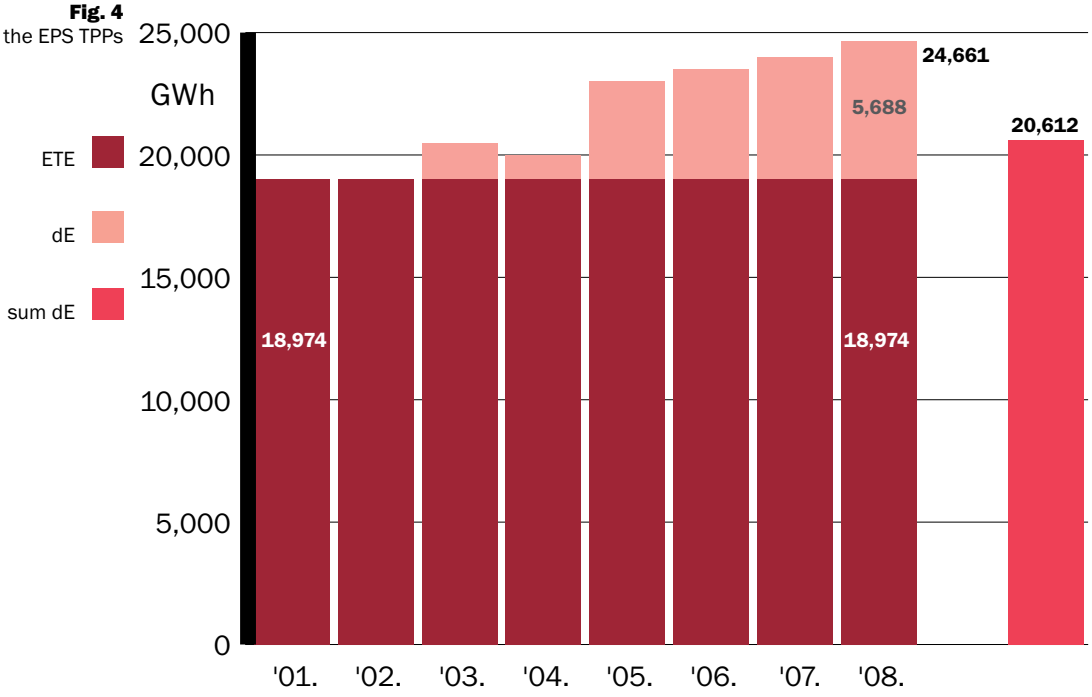
In a total realized EPS generation thermal power plants have been participated with 74%! At the achieved 53 of corporate enterprises maximum within the EPS, that is power plants and units, during different time horizons, dominate are records by units CE TENT and CE TPP Kostolac. Beside above mentioned, distinguished are as follow:

- Annual generation at CE TENT; TENT A and TPP Kostolac A; units: TENT A1 and A4, TPP Kostolac A1 and A2;
- Daily power plants generation records in TENT A, TENT B and TPP Kostolac B;
- The longest annual operation at the grid – 8,404 hours of unit TENT A4.

From the all achievements, only one has to be commented: by the growth of generated electricity of units CE TENT and TPP Kostolac during seven years (since 2001) has been provided 20,612 GWh, or more than it has been annually generation for all thermal power plants in the year 2001. Cumulative generation growth (Fig. 4) for the seven years, measured financially as per market prices amounts more than one billion Euro. It has been calculated kilowatt/hour price as five eurocents. This generation growth at the best way illustrates justification of investments by which has been repaired thermal power plant's facilities.

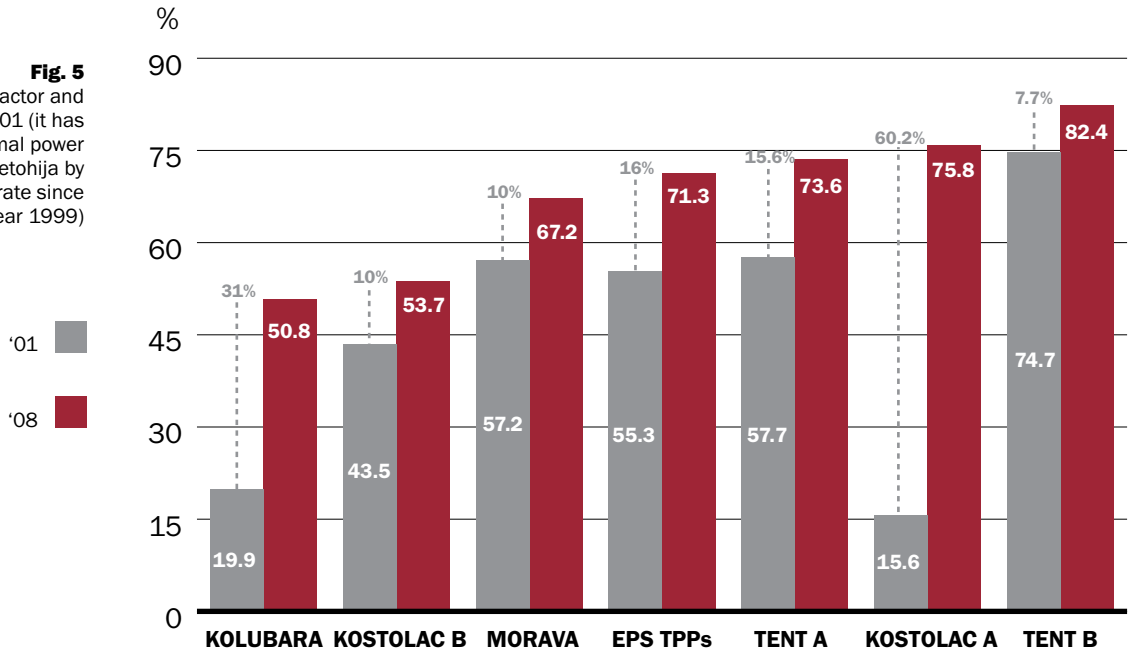
From the 1990 up to 2008 has not been never ever achieved better operational parameters by which is estimated efficiency during engagement time of thermal units. The greatest average power during operation at the annual level amounts 93% of installed power, equivalent outage coefficient containing all limitations and unavailability (both during operation and unscheduled slowdowns) has been the lowest and its value is 11.1%, and the greatest utilization factor has been reached.

Fig. 4
Generation growth at the EPS TPPs



Maximal capacity utilisation has been recorded in the year 2008 depending on hourly engagement and achieved power and as result has been noticed increasing of both factors and the largest improvement level. In such circumstances have been all our units at power plants and how improvements have been made through processes, is illustrated the best at Figure 5.

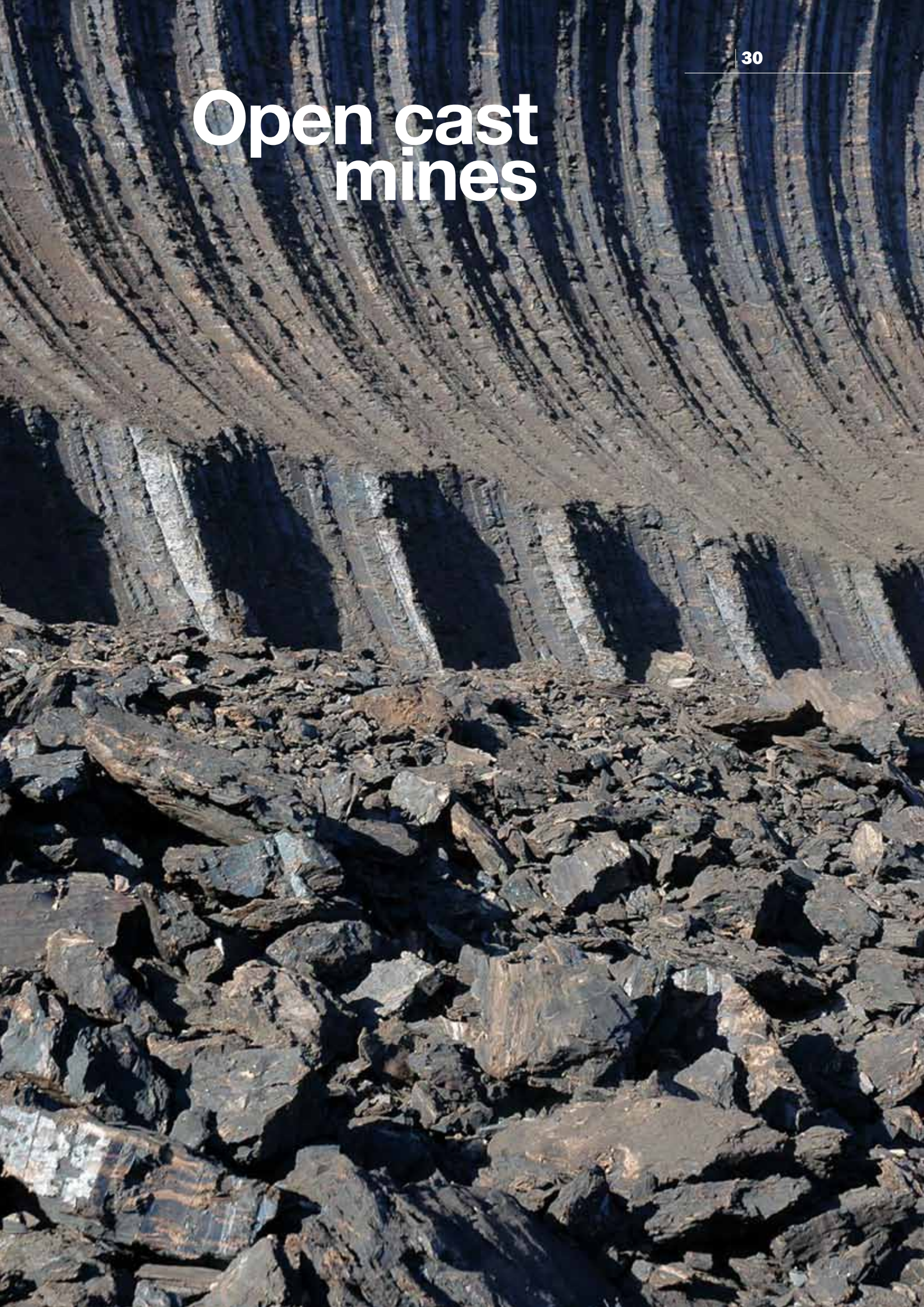
Fig. 5
Achieved TPPs utilisation factor and changes in relation to 2001 (it has not been shown EPS thermal power plants at Kosovo and Metohija by which EPS does not operate since the year 1999)



Hydro power plants have processed all available water potential without technical loads. After large investments to thermal power plants, EPS turns toward hydro power plants. In front of as is a period of considerable investments for these capacities. Within a period from the year 2009 up to 2013 upgrading projects for hydro power plants Djerdap 1, Bajina Bašta, Ovčar Banja, Medjuvršje and Zvornik have to be realized.

Increasing consumption and achieved generation levels confirm necessity for beginning of a new generation units' construction as earliest as it is possible. During the 2009 is expected beginning of activities at discovering of strategic partners for construction of new generation capacities in Serbia.

Open cast mines

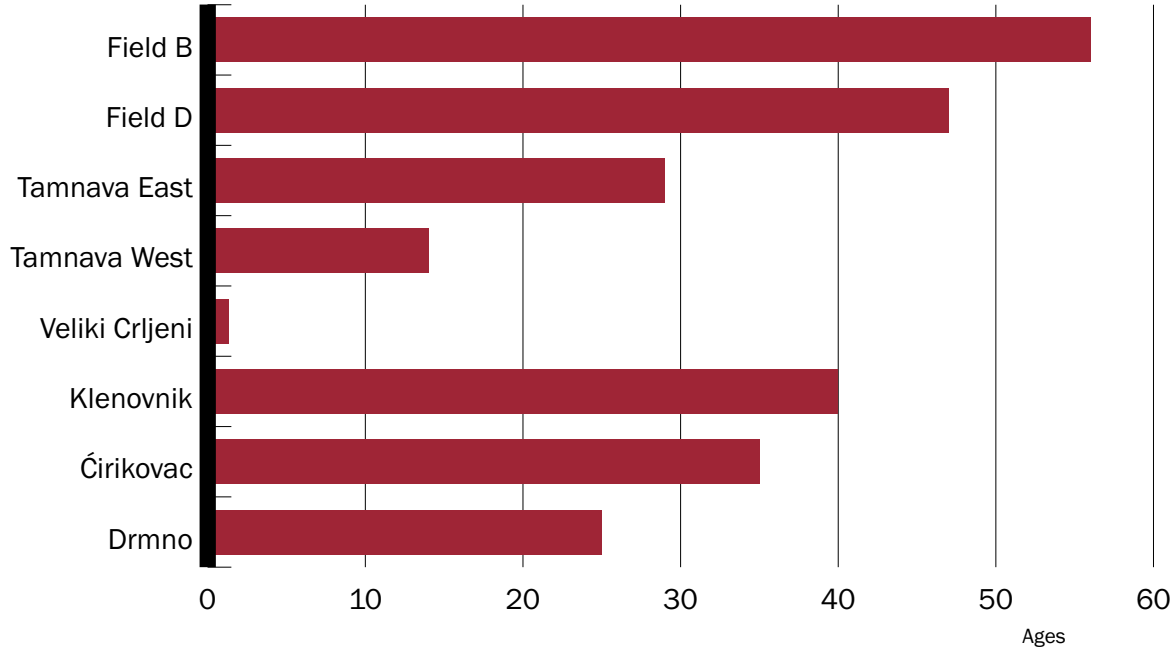


Within the long-term development plans of EPS lignite obtained from mines with surface mining remains one of the main supports for power generation during following years.

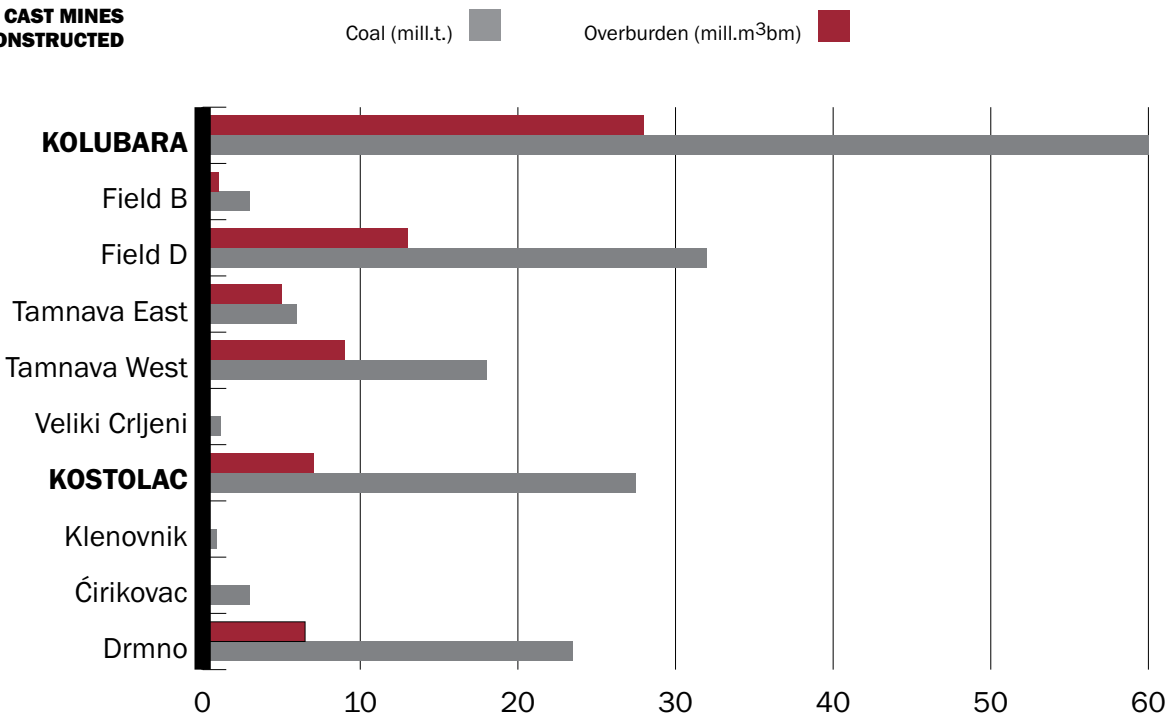
Energy development strategy of the Republic of Serbia anticipates considerable investments for mining sector in order to increase output at corporate enterprises Mining Basin Kolubara (MB Kolubara), Thermal Power Plants and Open Cast Mines Kostolac (TPPs-OCMs Kostolac). The largest lignite deposits are at Kosovo and Metohija, and three coal basins (Kosovo, Metohija and Drenica), but since the year 1999, EPS has not managed operation of its mines capacities at this part of the Republic and due to it data on coal mining at Kosovo and Metohija have not been presented at the PE EPS' Annual Report.

The main precondition for increasing of power generation from the existing and new thermal capacities planed to be constructed by Electric Power Industry of Serbia are in investments for Kolubara and Kostolac basins.

OPEN CAST MINES AGE



OPEN CAST MINES CONSTRUCTED



CORPORATE ENTERPRISE MB KOLUBARA

In the year 2008 for the firs time in history of this mining basin more than thirty million tons of coal (30.58 million tons) has been produced.

Within the CE MB Kolubara, Field D is into expanding phase in the area of Vreoci settlement. At the mine Tamnava West, investments are to be finished providing achievements of designed overburden removal and coal mining.

In October 2008 has been started overburden removal at a new open cast mine Veliki Crljeni. Beginning of coal mining is expected during the second half of 2009. This deposit has good coal quality, providing high quality homogenization of this energy source for thermal power plants during a next period.

With the beginning of April 2008 by mining of outside dumping site of Field D mine have been provided considerable new coal reserves. By it has been made conditions for easier and safer opening of open cast mine Field E. Currently in progress are exploration works and documents development necessary for opening phase and deposits exploitation at Fields C, E and Radljevo.

Within the MB Kolubara, additional development is impossible without resettlements of area, which are obstacle for further development of the mine advance directions. Land acquisition at the area of Vreoci settlement is condition for expanding of the existing and opening of a new open cast mines. With a support of authorized government bodies Electric Power Industry of Serbia resolves it issue and provides funds for resettlement of Vreoci village. By it has been acquired conditions for the expansion of Field D and mining of the entire coal reserves that are under it settlement. In the year 2008 within the MB Kolubara, for the needs of mining advance direction development, have been acquired 120 hectares of agriculture land and relationships with 56 households have been regulated.

At the mine Tamnava - West Field, erection works at the new large ECS system are in the final phase.

At the Field B successfully is performed sliding reclamation at the inside dumping site, according to the project by German designers, method which has been implemented in the Serbia for the first time. At this open cast mine by it has to be provided increasing of coal mining and better conditions for further exploitation in area of Field C, too.

CORPORATE ENTERPRISE TPPs–OCMs KOSTOLAC

In the CE TPPs-OCMs Kostolac is scheduled development and capacity extension at the mine Drmno overtaking entire coal production, after the end of operations at mines Ćirikovac and Klenovnik. Expert Council by EPS has accepted Long-Term Development Strategy for Kostolac coal basin by preparing mine Drmno for output of 12 million tons annually. The first step is in the increasing of the production to nine million tons of coal annually and already started erection of a new overburden system, providing preconditions for larger coal production.

Beside procurement of new equipment, it has been foreseen upgrading and rehabilitation of the existing mine equipment. Part of the main mechanization from mines Ćirikovac and Klenovnik, where production is in ceasing, has been transferred to mine Drmno. After performed rehabilitation, part of that equipment has been included to operation of OCM Drmno. Beside other, scheduled is one ECS system made available only for top soil removal, further used for dumping site reclamation. Such way of reclamation is for the first time applied in Serbia and as the result, it has to provide return of reclaimed areas to previous conditions.

In front of the mine advance direction at Drmno mine is part of archeological findings “Viminacijum” which has to be relocated. Between competent Ministries, EPS and TPPs-OCMs Kostolac have been achieved agreement on providing appropriate location and funds for this activity. In the year 2008 within the CE TPPs-OCMs Kostolac for the needs of mining advance direction development, have been acquired 122 hectares of agriculture land.

COAL AND OVERBURDEN OUTPUT

At coal mining and removal of overburden trend of growth have been continued. Coal production for the needs of EPS’ thermal power plants is performed at open pit mines of the MB Kolubara and TPPs-OCMs Kostolac, because from the year 1999 EPS has not have possibility to produce coal at its mines in Kosovo and Metohija. During 2008, both basins have achieved more than one record at the coal and overburden removal. It is particularly important if considered are mining equipment age, which has not been sufficiently revitalized during the previous years.

COAL PRODUCTION

(t)

YEAR	KOLUBARA	KOSTOLAC	PE KOSOVO	KOVIN	PE PEU	TOTAL
2000	26,585,700	5,350,688			623,567	32,559,955
2001	25,334,450	5,164,648			554,841	31,053,939
2002	25,731,730	5,518,093			540,741	31,790,564
2003	26,443,997	6,371,229			539,967	33,355,193
2004	27,155,471	6,497,712		211,454		33,864,637
2005	27,604,940	6,855,073		109,835		34,569,848
2006	29,177,494	6,896,352				36,073,846
2007	29,255,650	7,251,096				36,506,746
2008	30,583,976	7,367,518				37,951,494

OVERBURDEN REMOVAL

(m^3bm)

YEAR	KOLUBARA	KOSTOLAC	PE KOSOVO	TOTAL
2000	36,370,049	14,685,947		51,055,996
2001	38,171,678	11,863,619		50,035,297
2002	58,473,740	20,306,732		78,780,472
2003	72,448,843	21,250,349		93,699,192
2004	67,733,932	22,727,481		90,461,413
2005	65,818,080	26,699,227		92,517,307
2006	69,300,804	27,847,239		97,148,043
2007	79,760,724	28,283,705		108,044,429
2008	77,167,612	30,079,629		107,247,241

PRODUCED COAL DELIVERY STRUCTURE DURING THE YEAR 2008

(t)

CORPORATE ENTERPRISE	FOR TPP	FOR DRYING	FOR INDUSTRY	FOR HEATING PLANTS	TOTAL
MB KOLUBARA	28,515,984	1,127,043	743,303	197,646	30,583,976
TPPs - OCMs KOSTOLAC	6,956,490		411,028		7,367,518
TOTAL EPS	**35,472,474**	**1,127,043**	**1,154,331**	**197,646**	**37,951,494**

AT OPEN CAST MINES OF EPS HAS BEEN PRODUCED IN TOTAL **37.95** MILLION TONS OF COAL. IN THE MINING BASIN OF KOLUBARA HAS BEEN PRODUCED **30.58** MILLION TONS OF COAL, AND IN THE CORPORATE ENTERPRISE TPPs-OCMs KOSTOLAC **7.37** MILLION TONS OF COAL (THE MOST AT OCM DRMNO - **6.83** MILLION TONS OF COAL).

ACHIEVED COAL PRODUCTION DURING 2008

(t)

CORPORATE ENTERPRISE	PLAN	ACHIEVED	achiev./pl. (%)
MB KOLUBARA	29,347,000	30,583,976	104
TPPs - OCMs KOSTOLAC	7,583,000	7,367,518	97
TOTAL EPS	**36,930,000**	**37,951,494**	**103**

IN ADDITION, IT HAS BEEN ACHIEVED EXCELLENT RESULTS FOR OVERBURDEN REMOVAL: 77.17 MILLION CUBIC METERS IN THE MB KOLUBARA AND 30.08 MILLION CUBIC METERS AT KOSTOLAC MINES, REPRESENTING RECORD OUTPUT FOR THIS CORPORATE ENTERPRISE.
TOTAL OVERBURDEN REMOVAL AT EPS IS THE SECOND BEST RESULT OF ALL TIMES (107.25 MILLION m³bm). COMPARED WITH THE YEAR 2000 WHEN HAS BEEN REMOVED 51.06 MILLION CUBIC METERS OF OVERBURDEN, ALREADY IN THE YEAR 2002 HAS BEEN STARTED OUTPUT TREND GROWTH WHEN 78.6 MILLION CUBIC METERS OF OVERBURDEN HAS BEEN REMOVED.

ACHIEVED OVERBURDEN REMOVAL DURING 2008

(m^3bm)

CORPORATE ENTERPRISE	PLAN	ACHIEVED	achiev./pl. (%)
MB KOLUBARA	59,300,000	77,167,612	130
TPPs - OCMs KOSTOLAC	27,000,000	30,079,629	111
TOTAL EPS	**86,300,000**	**107,247,241**	**124**

DURING THE LAST YEARS, CAPACITY AND TIME UTILIZATION OF MINING MECHANIZATION HAVE BEEN SIGNIFICANTLY IMPROVED, AND AT SOME MINES HAVE ACHIEVED EUROPEAN STANDARDS.
FOR MAINTENANCE OF THE EQUIPMENT DURING THE 2008 HAS BEEN INVESTED: 3.869 BILLION RSD AND 1.601 BILLION RSD FOR CURRENT AND SERVICE MAINTENANCE.

Distribution companies

INVESTMENT ACTIVITIES

The annual budget plan of PE EPS for 2008 set an amount of 5.09 billion RSD for investment in distribution companies. In the period from January to December, a total of 4,758,152.00 RSD were employed in investment.

In financial terms, the investment plan was fulfilled 93.3 per cent. It should be noted that projected foreign credits in the amount of 1.71 billion RSD were not realized, and that the customer's funds exceeded the plan by 60 per cent.

The annual budget plan of PE EPS for 2008 provided 5.3 billion RSD to distribution companies for maintenance, while 4.2 billion RSD were realized, that is, 79.2 per cent. The emphasis was on maintenance of 110 kV power facilities, and the plan was fulfilled 103%.

After completion of old projects, a large number of power facilities were put into operation in 2008. Reliability of operation and quality of electricity has been considerably improved as new facilities have been built and high voltage equipment, protection and control have been fully replaced. Priority was given to facilities of higher voltage level, such as:

110 kV transformer substations

- TS Šid – equipment for the second stage installed;
- complete reconstruction of TS Ruma 1 – a new building was built and new equipment installed at 110 and 20 kV, protection and control;
- TS Beograd 1 – increase in power from 2 x 20 to 2 x 40 MVA;
- TS Beograd 40 – second stage, new transformer 40 MVA and 22 pcs of 10 kV cells installed;
- TS Beograd 27 – second stage, 12 pcs 10 kV cells installed;
- TS Arilje – increase in voltage level from 35 to 110 kV.

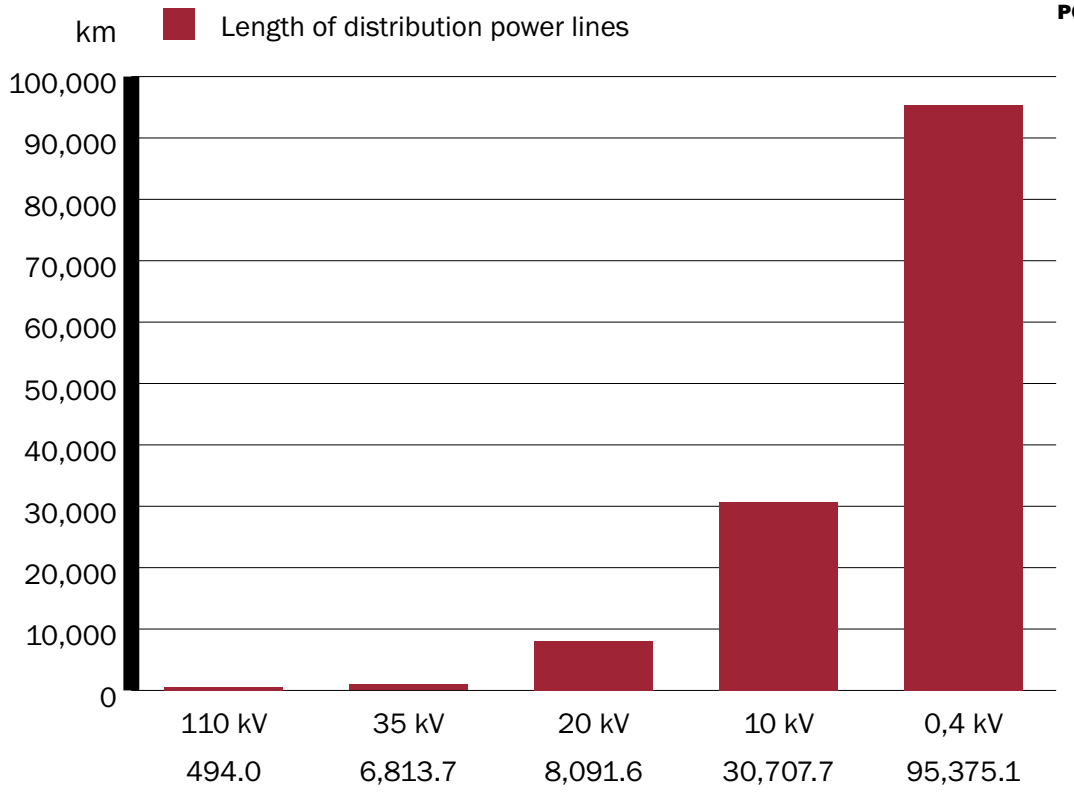
35 kV transformer substations

- reconstruction of TS Kostolac 2 – vacuum switches and microprocessor protection installed;
- complete reconstruction of TS Zeleni Venac – new equipment 35 kV and 10 kV installed in the old building;
- TS Jajinci – second stage, second transformer, 10 distribution and line Beograd 11 – Jajinci;
- complete construction of a new transformer substation 1 x 8 MVA TS Stubline;
- TS Modrica, Kruševac;
- TS Centar 1, Niš;
- complete reconstruction of TS Mlekara, Kragujevac – new equipment 35 kV and 10 kV installed in the reconstructed building;
- new transformer substation Mali Zvečan.

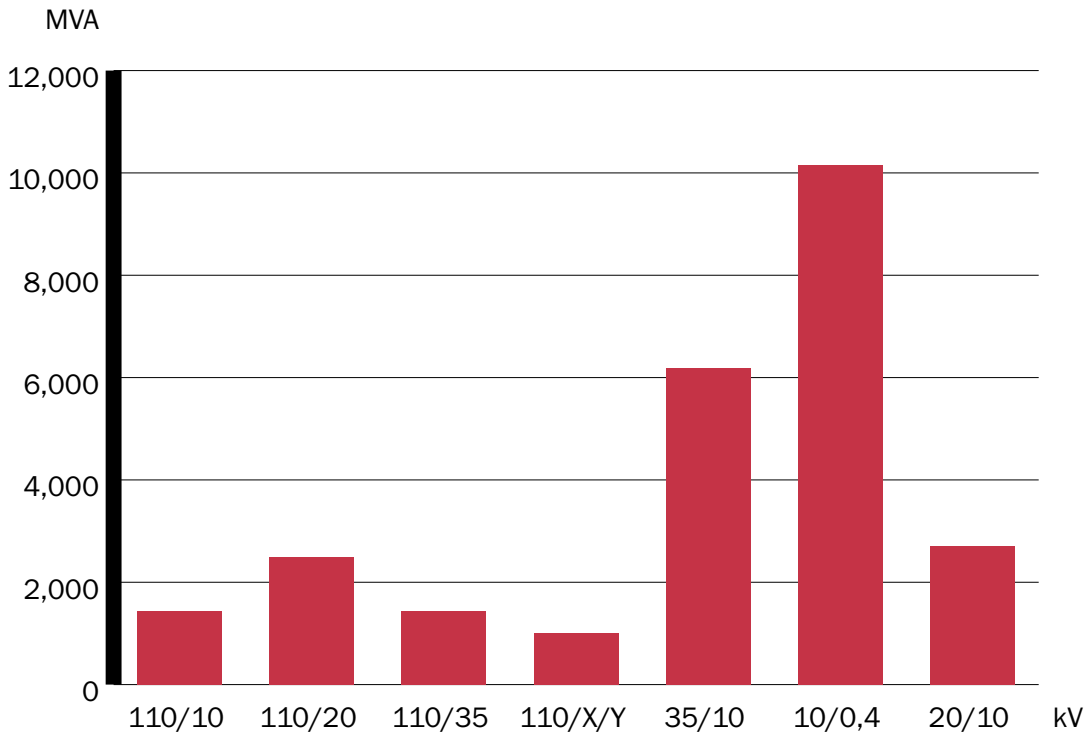
35 kV lines

- Zvečka–Ratari
- Dobrić–Joševa
- Zlatibor–Ribnica
- Ub–Banjani
- Valač – Mali Zvečan

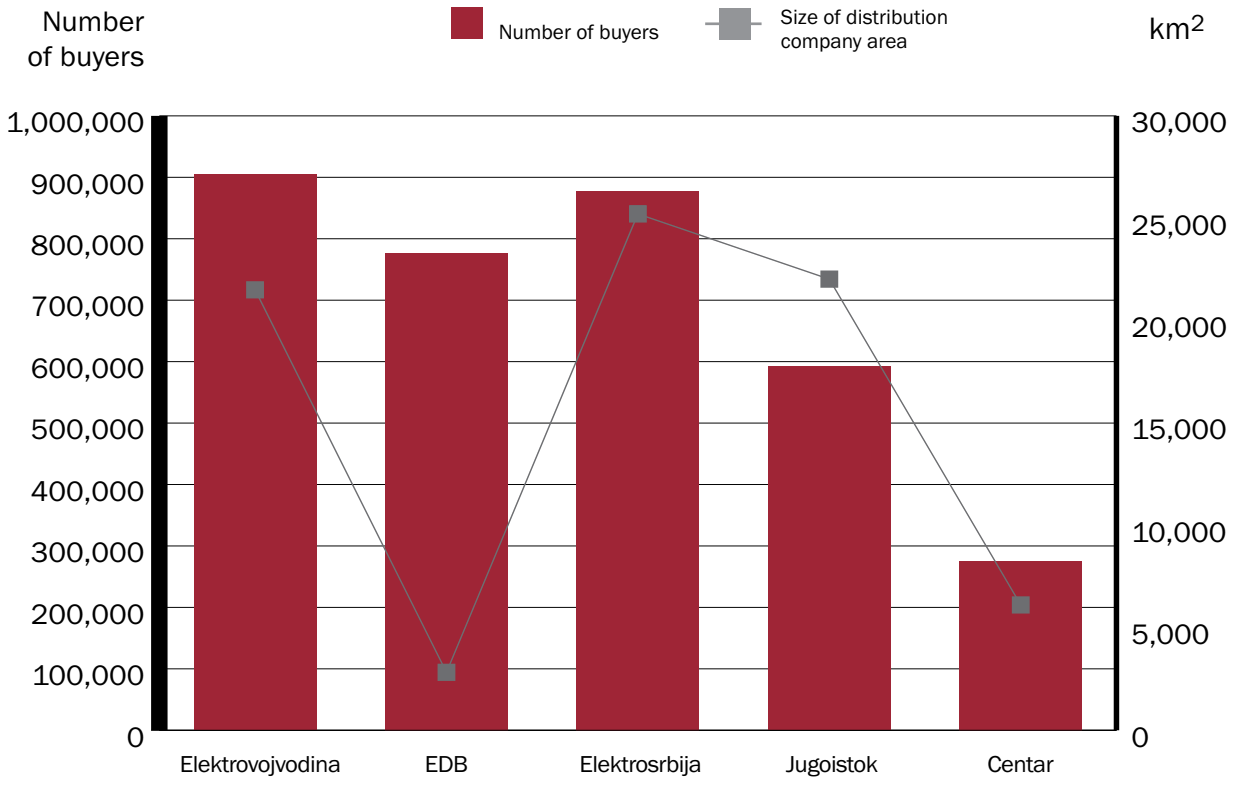
LENGTH OF DISTRIBUTION POWER LINES



INSTALLED CAPACITY OF DISTRIBUTION TRANSFORMER SUBSTATIONS



NUMBER OF BUYERS AND SIZE OF DISTRIBUTION COMPANY AREA



COOPERATION WITH THE AERS

Within the scope of their responsibilities, the Head Department for Electricity Distribution maintains close cooperation with the Energy Agency of the Republic of Serbia (AERS). As a result of their cooperation, the methodology for computation of the costs of connection to the transmission and distribution system was prepared by the Energy Agency, the effects of which are as follows:

- the principle of computation of costs is to cover only the justified costs;
- the computation of costs is clear, simple and non-discriminatory;
- all corporate enterprises charge the same price for connection;
- a distributor is the only person to whom a buyer has to apply in order to obtain connection to the distribution network. The obligation and responsibility of the distributor is to build, make and maintain the connection (in compliance with the above principles);
- part of the costs for the development of the distribution system is linked to the price of electricity; it will be eliminated when the electricity price could cover the operating costs and allow own development of the network.

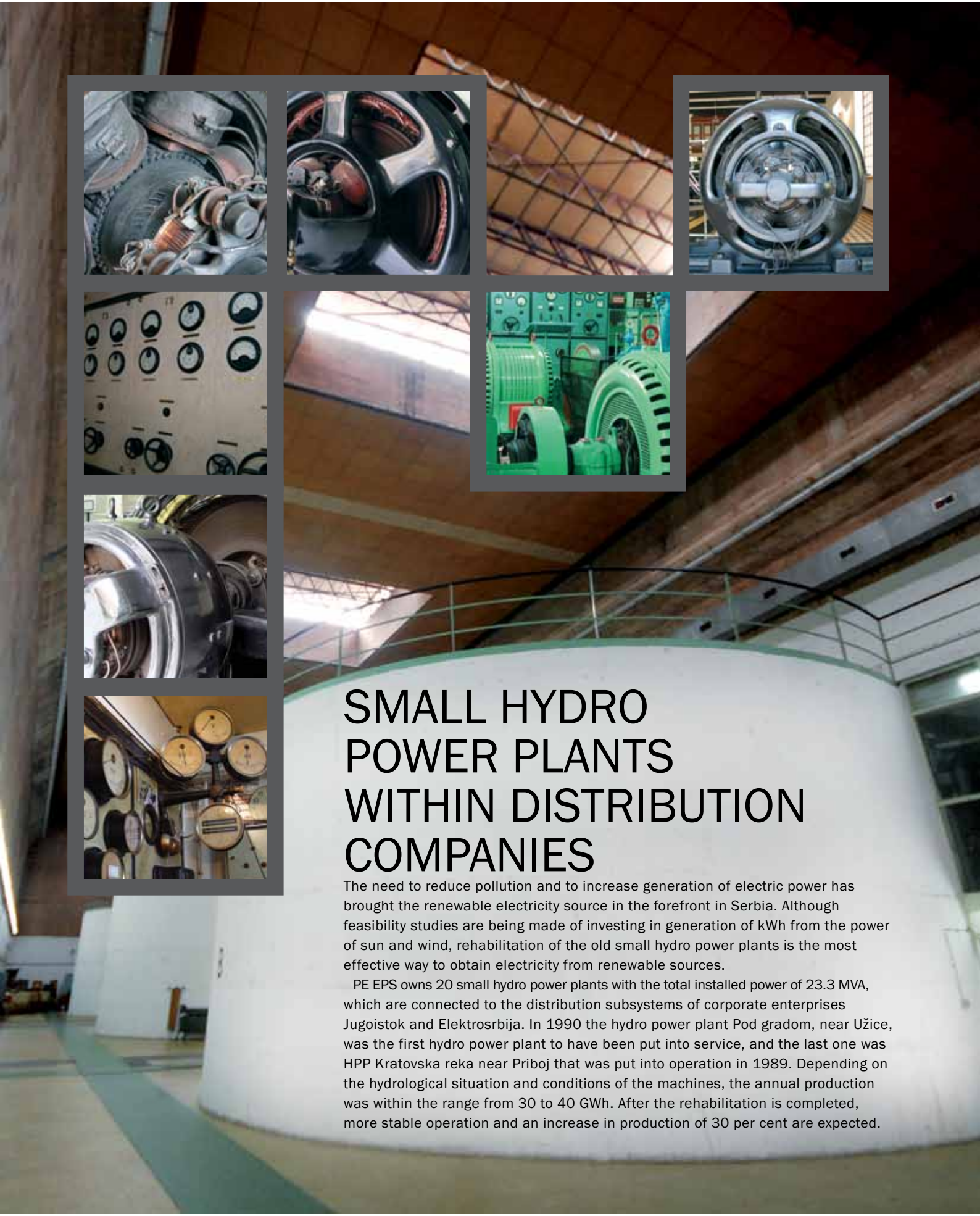
It is expected that the rules on the operation of the distribution system, to be adopted by the Energy Agency, will be completed in 2009. This document is very important for the entire distribution sector as it defines how distributors should plan and develop the distribution system, how to control it, how to connect new consumers, including manufacturers, and how and what to measure in order to obtain all necessary data for continuous and safe functioning of the distribution system as a whole

RELATIONS WITH CUSTOMERS

With the aim of improving relations with customers and in order to set up a retail company, unification of bills was made in 2008. After many months of work the work group composed of representatives of all five distribution companies, EPS Head Department for Electricity Distribution and the Public Relations sector has drawn up a single form and contents of the electricity bill for households and non-residentials.

These solutions were considered and discussed by the management of Electric Power Industry of Serbia and on 14 November 2008 the proposal made by the work group was adopted. In the second half of 2009 the printing and enveloping equipment for new bills will be purchased.

The unified bill is expected to secure efficient and simple distribution operation, the same manner of collection in all distribution companies; the operating costs of distribution companies will be reduced, and each buyer in the territory of Serbia will get the same form and contents of the bill and will receive the same explanation of the items in the bill.



SMALL HYDRO POWER PLANTS WITHIN DISTRIBUTION COMPANIES

The need to reduce pollution and to increase generation of electric power has brought the renewable electricity source in the forefront in Serbia. Although feasibility studies are being made of investing in generation of kWh from the power of sun and wind, rehabilitation of the old small hydro power plants is the most effective way to obtain electricity from renewable sources.

PE EPS owns 20 small hydro power plants with the total installed power of 23.3 MVA, which are connected to the distribution subsystems of corporate enterprises Jugoistok and Elektrosrbija. In 1990 the hydro power plant Pod gradom, near Užice, was the first hydro power plant to have been put into service, and the last one was HPP Kratovska reka near Priboj that was put into operation in 1989. Depending on the hydrological situation and conditions of the machines, the annual production was within the range from 30 to 40 GWh. After the rehabilitation is completed, more stable operation and an increase in production of 30 per cent are expected.

ELECTRICITY AVAILABLE IN 2008

DISTRIBUTION COMPANY	TAKEN OVER FROM TRANSMISSION (MWh)	GENERATION OF DISTRIBUTION HPP AND OTHER PURCHASES (MWh)	TOTAL ELECTRICITY AVAILABLE (MWh)
Elektrovojvodina ltd, Novi Sad	8,964,066	1,817	8,965,883
Elektrodistribucija Beograd ltd, Beograd	7,808,973	4,354	7,813,327
Elektrosrbija ltd, Kraljevo	7,488,311	18,311	7,506,622
Jugoistok ltd, Niš	4,877,180	23,990	4,901,170
Centar ltd, Kragujevac	3,130,819		3,130,819
TOTAL	**32,269,349**	**48,472**	**32,317,821**

ELECTRICITY SUPPLIED IN 2008

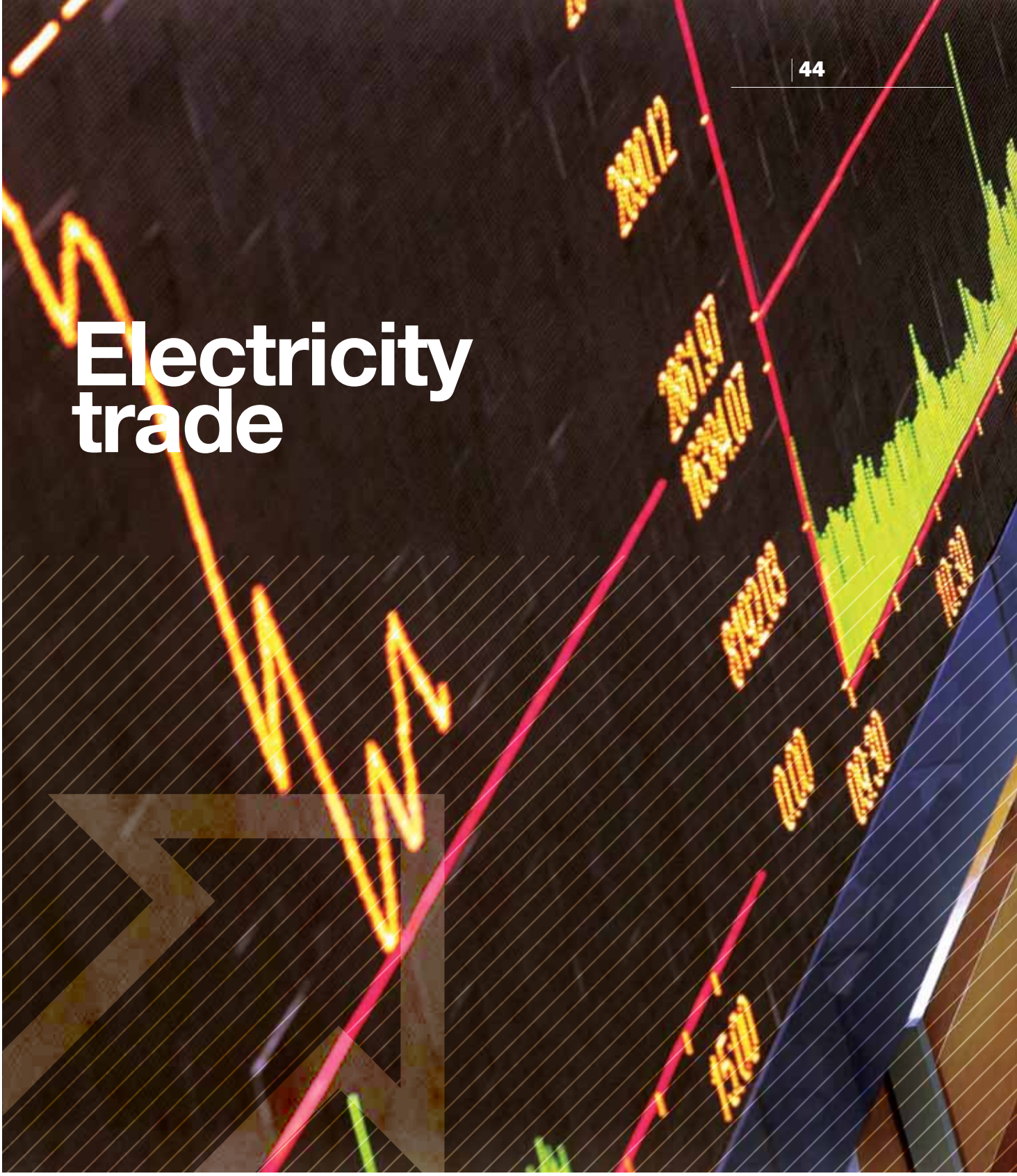
VOLTAGE LEVEL / CATEGORY OF CONSUMPTION	ELECTRICITY SUPPLIED		NUMBER OF BUYERS / MEASURING POINTS
	GWh	%	
HIGH VOLTAGE - 110 kV	2,367	8.56	29
MIDDLE VOLTAGE - 35 kV	732	2.65	139
MIDDLE VOLTAGE - 10 (20) kV	4,613	16.69	3,855
LOW VOLTAGE (0.4 kV I LEVEL)	3,216	11.64	45,801
CONSUMER SPENDING (0.4 kV II LEVEL)	1,937	7.01	296,808
CONSUMER SPENDING - HOUSEHOLDS	14,313	51.79	3,056,972
PUBLIC LIGHTING	461	1.67	22,667
TOTAL	**27,639**	**100**	**3,426,271**

STRUCTURE OF ELECTRICITY SALES IN 2008

MWh

Distribution company	HIGH AND MIDDLE VOLTAGE				LOW VOLTAGE, CONSUMER SPENDING, PUBLIC LIGHTING					
	HV	MV		TOTAL	Low voltage (0.4 kV I level)	Consumer spending		Public lighting	TOTAL	GRAND TOTAL
	110 kV	35 kV	10(20) kV			(0.4 kV II level)	Households			
Elektrovojvodina ltd, Novi Sad	402,483	93,025	1,936,531	2,432,039	735,791	557,033	3,977,868	131,727	5,402,419	7,834,458
Elektrodistribucija Beograd ltd, Beograd	54,213	153,252	1,049,803	1,257,268	1,118,931	501,062	3,689,310	98,989	5,408,292	6,665,560
Elektrosrbija ltd, Kraljevo	721,843	156,918	902,795	1,781,556	779,454	451,607	3,302,713	117,206	4,650,980	6,432,536
Jugoistok ltd, Niš	187,984	321,302	560,547	1,069,833	377,648	279,915	2,175,201	70,511	2,903,275	3,973,108
Centar ltd, Kragujevac	1,000,372	7,299	163,120	1,170,791	204,591	147,355	1,167,743	42,784	1,562,473	2,733,264
TOTAL	**2,366,895**	**731,796**	**4,612,796**	**7,711,487**	**3,216,415**	**1,936,972**	**14,312,835**	**461,217**	**19,927,439**	**27,638,926**

Electricity trade



ELECTRICITY PURCHASE AND SALES

Head Department for Electricity Trade has in 2008 sold electricity within the internal market and cooperated with nine companies, while on the regional market it has cooperated with one company. PE EPS has qualified 29 companies for participation in tenders for the procurement of missing electricity under the Public Procurement Act.

The purchase of missing electricity amounts has been executed in accordance with this law. PE EPS has pursuant to the Public Procurement Act purchased electricity from nine companies, four foreign ones and five companies from Serbia.

Cooperation with Electric Power Industries of the Republic of Srpska and Montenegro in the field of electricity sales, based on annual contracts, was on the satisfactory level, as well as with the Public Enterprise Serbian Power Grid.

Based on annual contracts, there was excellent cooperation with corporate enterprises for electricity generation and distribution within EPS.

ACHIEVED ELECTRIC POWER BALANCE (without Kosovo and Metohija)	(GWh)
TPP generation at the outlet	25,028
HPP generation at the outlet	10,011
Total EPS generation at the outlet	35,039
Procurements	1,540
Available energy	**36,579**
Pumping (PSHPP Bajina Bašta and PSP Lisina needs)	878
HPP and TPP needs	431
Net demand	32,473
Deliveries	2,797

ACHIEVED ELECTRIC POWER BALANCE (with Kosovo and Metohija)	(GWh)
TPP generation at the outlet	29,704
HPP generation at the outlet	10,011
Total EPS generation at the outlet	39,715
Procurements	2,310
Available energy	**42,025**
Pumping (PSHPP Bajina Bašta and PSP Lisina needs)	878
HPP and TPP needs	431
Gross demand	38,910
Deliveries	1,806
Reductions	*

*There have been electricity consumption reductions in 2008 at the territory of Kosovo and Metohija, but there are no data on the scope of these reductions

IMPLEMENTATION OF ELECTRIC POWER BALANCE AND OPERATION PLANNING OF EPS GENERATION CAPACITIES

Implementation of Electric Power Balance during 2008 partly or considerably deviated from balance assumptions, depending on the aspect of balance elements consideration. From the aspect of achieved temperatures in Belgrade and electricity consumption, it may be said that 2008 was warmer for the full 2.1°C compared to the annual average, while electricity consumption (without Kosovo and Metohija) was lower than the balance one for about 400 GWh. Deviation of electricity consumption during the year was caused by several factors. Winter months (the first and the fourth quarter) have been warmer, causing gross demand in winter months lower for 700 GWh, i.e. 3.5% than the balance one. In the second quarter, although it was warmer, gross demand was on the balance level.

As opposed to previous quarters, in which every month within the quarter has been warmer than the multi-annual average, in the third quarter, especially in September, the highest deviation occurred in temperature and gross demand.

September was the only month colder than the multi-annual average, whereas, there was high difference in temperature in the first, warmer and the second colder half of the month, causing gross demand higher for about 190 GWh i.e. 8.1% than the balance one. Due to thus high imbalance of gross demand and reduced generation owing to overhauls of thermal power units, engagement of reservoir hydropower plants in September has been maximal, whereby, reservoir hydropower plants (with HPP Piva) generated about 320 GWh, which was for about 120 GWh more than in January, when the monthly gross demand was the highest in 2008.

From the aspect of achieved inflows on hydropower plant sections, it may be said that 2008 was a partially dry year, in which run-of-river hydropower plants generated about 550 GWh less than the balance, i.e. about 6% less. Based on achieved generation of run-of-river hydropower plants, it may be said that the first half of the year was dry, while the other half was slightly better than the balance in hydrological terms, but with a high number of oscillations (starting with average inflows during the third quarter to very small inflows in the middle of the fourth quarter – in November and extremely high inflows in the end of the fourth quarter – in December).

Coal fired thermal power plants operated exceptionally well and generated about 1,000 GWh above the balance, i.e. 4.3% more. With the lower gross demand and good operation of thermal power plants, smaller electricity amounts have been purchased in the first quarter. At the same time, lack of energy was compensated from run-of-river hydropower plants, while generation of expensive kWh was lower at Panonske CHPs. In the period April – December, in addition to considerable contribution to the successful implementation of electric power balance, coal fired thermal power plants enabled the sale of 172 GWh on the free electricity market, although sale has not been planned in the electric power balance.

INVESTMENTS

Investment activities of EPS in 2008 could be characterized as continuation of projects initiated in the previous period and anticipations regarding the publishing of tender documents, as well as initiation of activities on the construction of generation capacities through strategic partnership.

Implementation of investments in 2008 was mainly related to projects financed by own funds- RSD 15.8 billion, and the smaller part included the loans- RSD 4 billion, and donation- RSD 355 billion. Part of the funds amounting to RSD-2.2 billion, was provided from customer's funds, loan from the Government of Serbia, and environmental fee, and it was invested in the projects of this purpose.

THERMAL POWER PLANTS

The most significant project in the thermal sector was rehabilitation and modernization of the boiler part of the Unit A6 at CE Thermal Power Plants Nikola Tesla.

Preparatory activities for continuation of the second part of revitalization of Unit 6 at TPP Nikola Tesla A in 2010, concerning turbine-generator part of the facility, have been started, as well as further improvement of environmental conditions through reconstruction and modernization of electrostatic precipitators aimed at atmospheric ash emission reduction, with observance of EU standards.

Implementation of the new ash and slag handling project was initiated at TPP Nikola Tesla B, from the donation of the European Agency for Reconstruction (EAR), amounting EUR 28.5 million.

New ash and slag handling system is also implemented at TPP Kostolac B, through EBRD (European Bank for Reconstruction and Development) loan amounting EUR 21.7 million.

HYDROPOWER PLANTS

The most important investment in the hydro sector in 2008 was the contracting of HPP Bajina Bašta revitalization and modernization and consideration of funding possibilities of HPP Zvornik revitalization, based on developed study for the evaluation of investments and preliminary design concerning revitalization and modernization of this project.

Expectations that revitalization of generator sets at HPP Djerdap I will be started in 2008 were not realized, but, in the end of the same year, negotiations with the Russian partner were started and it is planned for that project to start in 2009. Revitalization of HPP Ovčar Banja and HPP Medjuvršje, fully financed from own funds, is near the end, and its commissioning is planned for the beginning of 2009.

Activities regarding the update of existing and development of new investment-technical documents for new hydropower plants were also initiated. This is primarily related to the preparation of investment-technical documents for hydropower plants on Gornja Drina, which is implementing in cooperation with Electric Power Industry of Republic of Srpska, as well as the cooperation with Electric Power Industry of Montenegro on creation of conditions for finalization of preliminary activities for HPP Komarnica on River Piva.

COAL MINES

The need for further capacity increase and objective related to the increase of annual production at OCM Kostolac for 2.5 million tons of coal, are implemented through the initiated investment into the new ECS system which should with the continuation of investments into equipment revitalization and modernization of this open cast mine, provide additional capacity for overburden removal (over 10,000,000 m3 annually). The biggest part of activities related to the construction of new ECS system is realized during 2008, and commissioning of this system is expecting in the beginning of 2009.

Continuation of activities on OCM Tamnava-West Field (MB Kolubara) for which the procurement of the new ECS system was contracted, financed from KfW and EBRD loan amounting to EUR 80 million, together with the revitalization of SchRs 1760 excavator and transport and erection of SRs 1300 excavator represent the most significant investment activity of this Corporate Enterprise.

Further continuous coal mining from Kolubara Mining Basin will be provided by activities started on the resettlement of the village of Vreoci (construction of the new urban settlement, cemetery relocation, etc).

In 2009, erection activities of the above specified equipment will be continued. In this matter, conditions are created for the commissioning of these systems in the beginning of 2009, whereby open cast mines Drmno at Kostolac and, by the end of the same year Tamnava-West Field will reach the design capacity on overburden removal.

JOINT VENTURES WITH STRATEGIC PARTNERS

In order to satisfy increased electricity needs at the territory of the Republic of Serbia, and to implement priority development objectives within the energy sector in accordance with the planning documents of the Republic of Serbia, during 2008, earlier started activities, for necessary funds for new capacities construction to provide through participation of strategic partners by the form of joint ventures with foundation of project companies, were continued.

Priority investments, which would be implemented through joint ventures with strategic partners include:

- Construction of thermal capacities based on coal from Kolubara mines (construction of TPP Kolubara B - 2x350 MW and the new unit with the capacity of 700 MW at TPP Nikola Tesla B3);
- Reconstruction and/or construction of the new gas-steam unit on the existing location of CHP Novi Sad (capacity of 450MW);
- Construction Project of HPP Gornja Drina, as strategic partnership with Electric Power Industry of Republic of Srpska.

Strategic partners to be selected in the tendering procedure would invest funds, assets, rights and services, while PE EPS would primarily invest assets, whereby founded corporate enterprises would acquire the necessary financial credibility for the provision of funds for the financing of construction of new thermal power plants.

Republic of Serbia Government concluded on the session from 11.12.2008 that accepts the Information of PE EPS about the strategic partner attraction concept for joint investment into the construction project of units at TPP Kolubara B and TPP Nikola Tesla B3, by which conditions are met for PE EPS to continue activities on implementation for the selection of strategic partner procedure for these two projects, and in accordance with this, it is expected that selection for the most eligible tenderers would be finalized by the end of 2009.

During 2008, activities which will enable more successful and more efficient implementation of tenders' procedure for the selection of strategic partner for CHP Novi Sad were continued. It is expected that by the end of 2009 tenders' procedure would be finalized, and strategic partner for realization of this project would be selected.

Republic of Serbia and Republic of Srpska have established a joint interest for cooperation improvement within the power sector, whereas one of the essential natural resources is the utilization of hydropower potential of River Drina. As an investment venture, joint participation of PE EPS, Mixed Holding 'Elektroprivreda' of the Republic of Srpska and HPP 'Hidroelektrana na Drini', a.d. Višegrad was anticipated for the construction of hydropower plant Gornja Drina on River Drina. Governments of the Republic of Serbia and Republic of Srpska have provided, during 2008, their compliance for the foundation of a joint corporate enterprise. This project will represent the first project to be implemented by PE EPS outside the territory of the Republic of Serbia, whereby PE EPS provides active capital placement of PE EPS in accordance with its development policy on foreign markets, knowing that the future position of PE EPS on the regional market, will depend on the way of utilization energy potentials in the region.

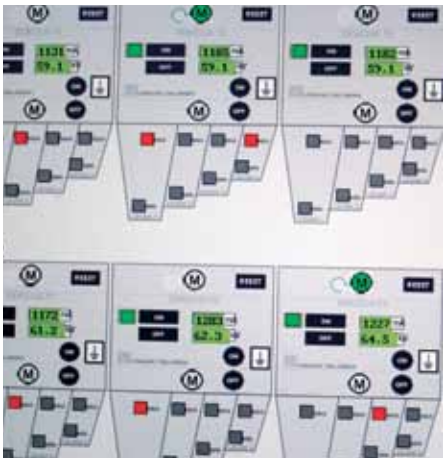
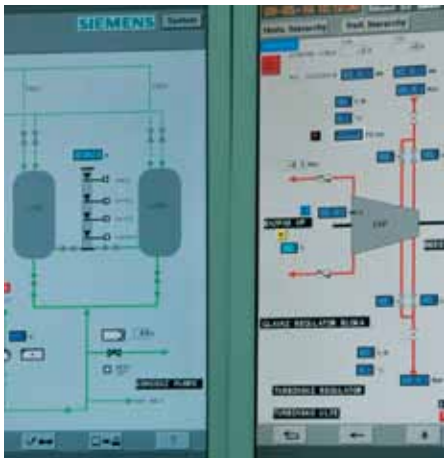
During 2008 activities for preparation of investment-technical documentation for the construction of new hydro capacities were implemented (HPP Buk Bijela, HPP Foča, HPP Paunci and HPP Sutjeska), and in 2009 is expected the foundation of a joint enterprise and implementation of intensive activities for realization of these projects.

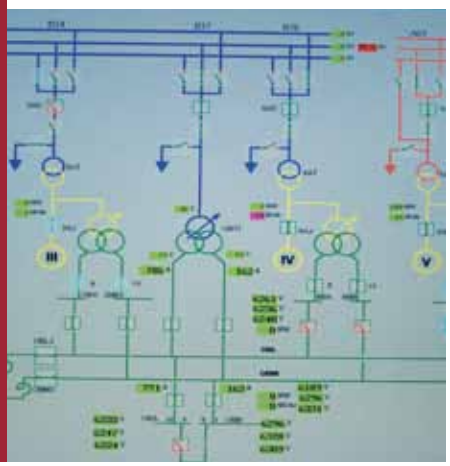
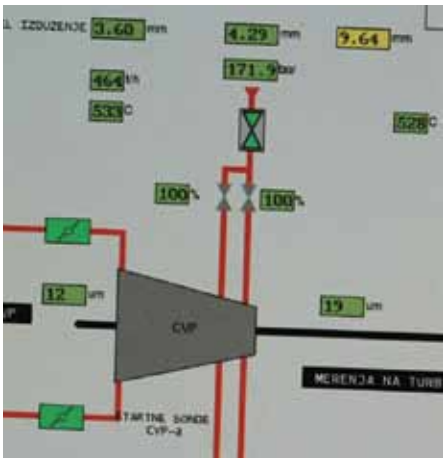
Informational technologies

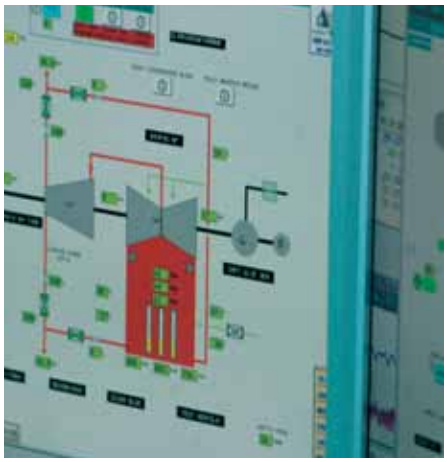
Within the field of information system improvement, the project of integrated computerized accounting system, introducing SAP application solution is still in progress at five pilot enterprises of EPS. During 2008, project implementation was in the testing and adjusting phase at: EPS Headquarters, Elektrovojvodina, TPP Nikola Tesla, and Mining Basin Kolubara, as well as in the Public Enterprise Serbian Power Grid. Preparations for simultaneous operation in these enterprises are in progress. After successfully executed implementation in these enterprises, it will be implemented in other corporate enterprises of EPS, according to the same system design.

In order to improve the application of informational system for human resources for entire system of EPS, and its maintenance, it has been developed new application server for reports. This enabled fulfillment of legal request for reports on employees to print in Cyrillic. Statistics reports were made, which based on entered data in the base, are possible to be formed for desired time interval. Parameter masks were developed which would allow to the consumers to have more reports, using the combination of input parameters. In this manner is possible to make analyses related to employees' expert skill level, years of service and work experience, as well as comparison of organization structure and working places of certain parts of EPS.

Business informational system has been improved in the section of business functions for inventory support in barcode technology. Integration of this subsystem with analytic register of capital assets is also finalized. Printing technology of barcode labels for capital assets is became automatic, also as printing technology of small inventory and locations on EPS facilities; making and printing of inventory lists, automatic transfer of read data from barcode readers to data base and printing of inventory state in real time-just after reading. This enabled faster and more efficient functioning of inventory committee activities.



Data from human resources data base, capital assets accounting and material accounting for small inventory marked with barcode technology and data for inventory monitoring on the field, have been integrated. Applications for inventory management, data transfer in data base, as well as applications for printing, are located on the application server which could be reached from any computer in head department facilities with authorization given to the users in charge for printing, as well as to the members of the inventory committee during the inventory itself.

For the purpose of realization of the project introduction of DMS system (Documents Management System), implementation project of Share Point service was defined in three phases. The fist phase- implementation of Windows Share Point Server-electronic records office is initiated.

Realization of advanced informational services within home computer network is continued. Windows Deployment service (WDS) is completely implemented whereas installation process of clients' configurations is significantly improved. This service has upgraded version which enables a lot of additional functionalities, named System Centre Configuration Manager, so, its implementation is initiated. At the same time, implementation of System Center Operation Manager service is started, which enables more efficient central managing of services within home computer network. By construction of the management centre for telecommunication network of EPS, connection of corporate enterprise with the Headquarters by optical infrastructure (SDH-Synchronous Digital Hierarchy), got its first useful value. Now it is possible to have monitoring and management of existing paths and capacities in the process of exploitation in real time. In the period when telecommunication network of EPS would have realization of IP, this system will provide an additional value.

Implementation of the latest Microsoft technology and services was initiated at almost each corporate enterprise. Implementation of AD infrastructure and installation of Exchange Server for e-mail management and utilization, and also installation of Internet Security Acceleration Server, as software firewall, are solutions adopted as the standard of the future EPS-WAN network.

Within the development project of e-management in the Republic of Serbia, PE EPS has already constructed the infrastructure of public cryptographic keys which represents the precondition for the successful implementation of different methods of e-business protection. As the result, PE EPS is ready for realization of practical application of qualified e-certificates.

CONSTRUCTION OF TECHNOLOGICAL-BUSINESS COMPLEX

Based on the decision of PE EPS Management Board, activities were continued on construction preparation of joint business-energy complex with the corporate enterprise 'Elektrodistribucija Beograd' (EDB) containing substation 110/10kV (2x 40 mVA), with technical premises of EDB and joint office spaces in building A (total surface approximately 8,000 m^2), business building B (total surface approximately 22,000 m^2) and buildings C and D (garage and emergency shelter).

Business complex, which will represent the Headquarters of PE EPS, is situated in New Belgrade. Building is partly constructed within energy part (substation in building A).

Preliminary designs of this complex are finalized and adopted by the Expert councils of EPS and EDB, and the documents reviewing by the Republic Auditing Committee and issuing of construction permit issued by the Ministry for Environment Protection and Spatial Planning, are in progress.

Development of the main projects is in the procedure, and the beginning of construction should be by the end of 2009.

CONSTRUCTION OF TECHNICAL MANAGEMENT SYSTEM IN GENERATION FACILITIES OF EPS

Project initiated in the period of unique PE EPS is continued in segment related to generation facilities of energy system, in close cooperation with PE EMS.

CHP Zrenjanin is preparing for the connection to the system, and construction works on TPP Kostolac A are in progress, adjusting with reconstruction dynamics of the plant switchyard.

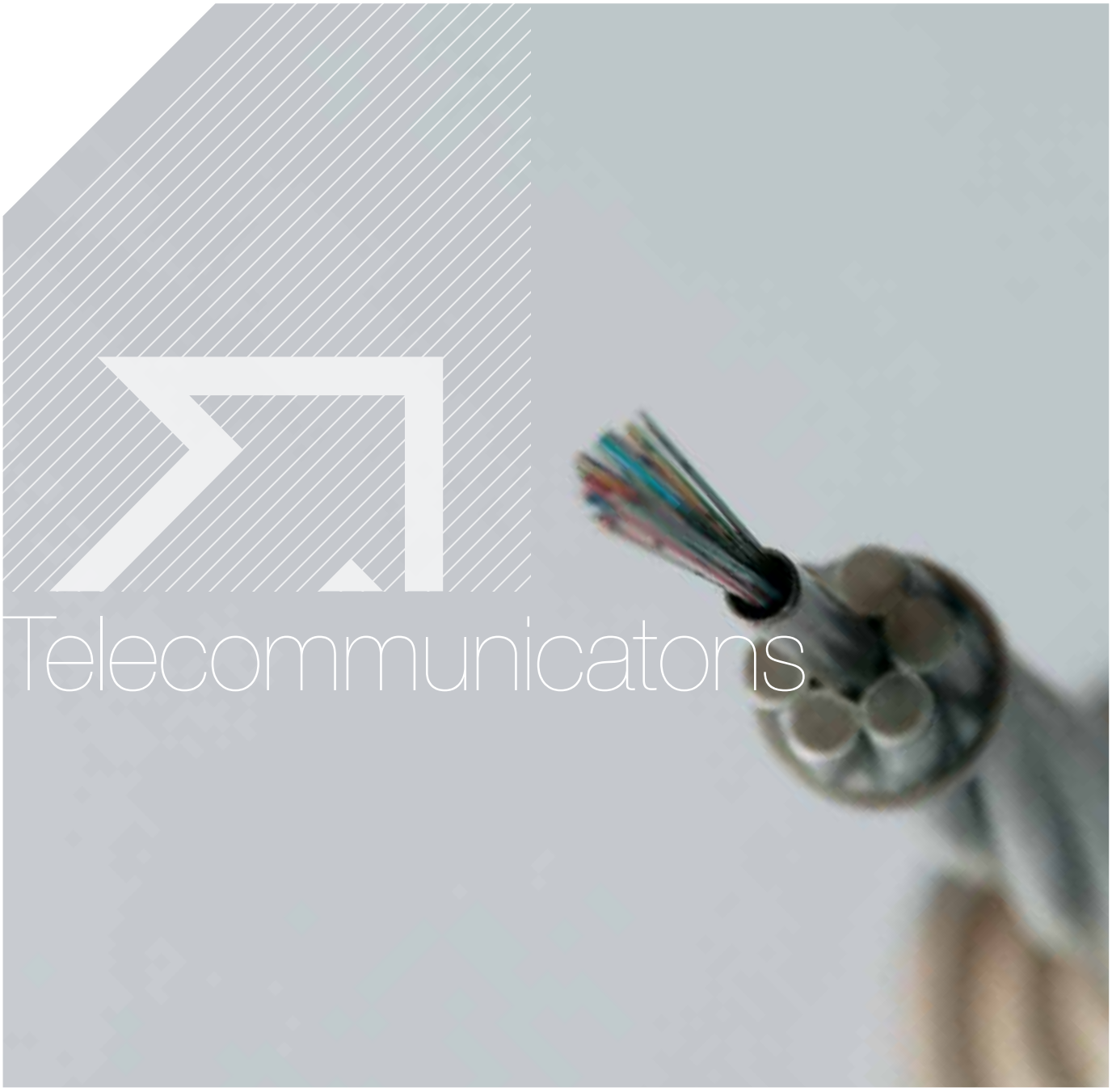
Preparatory activities on TPP Kolubara A remained, and they will start in 2009, also in accordance with switchyard reconstruction.

ECDL PROGRAM

In the course of 2008, ECDL Program (Start, Core) was implemented in PE EPS and corporate enterprises, having 640 employed participants.

ECDL Start program (certificate containing 4 exams) was attended by 576, while ECDL Core program (certificate containing 7 exams) was attended by 64 visitors.

Telecommunicatons



By the end of 2008 on the transmission lines of electric energy system of Serbia, was routed about 3800 km optical cable within a ground wire- OPGW cable. Cable procurement and its routing are financed from EIB loan. They were placed along transmission lines voltage level 400 kV and 220 kV, transmission lines 110 kV and along some more significant transmission lines, voltage level 35 kV.

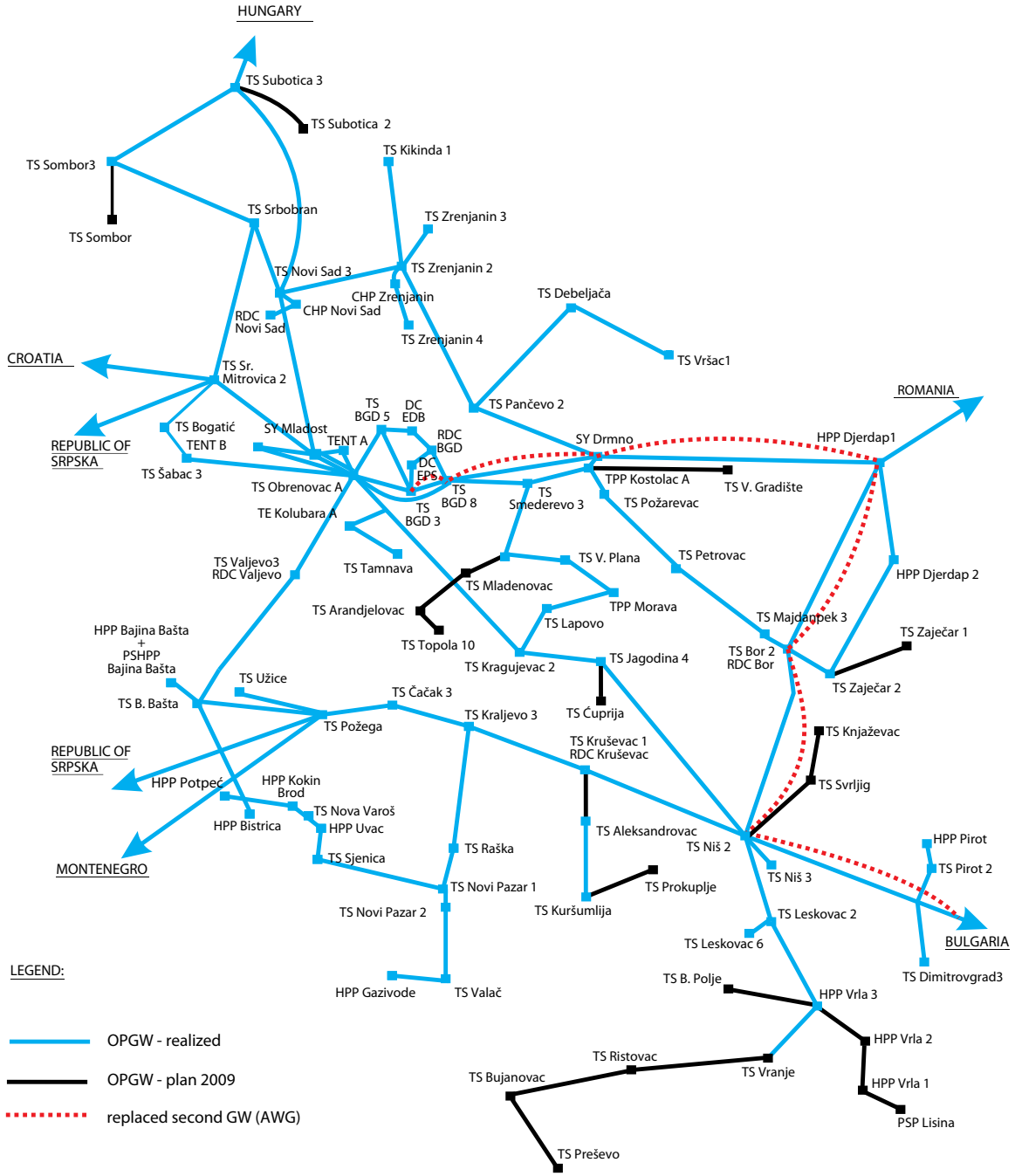
Electric Power Industry of Serbia with its own funds equipped with optical cable interconnection sections towards Hungary and Croatia.

Telecommunications network is also extended by connection between business building of Elektrovojvodina and CHP Novi Sad, business building of Elektrosrbija and TS Kraljevo 2, business building of Elektrodistribucija Niš and TS Niš 3, business building Elektrodistribucija Zrenjanin and Elektrodistribucija Leskovac with ADSS and CHP Zrenjanin and TS Leskovac with nonmetal bundle assembled optical cable with CHP Zrenjanin, that is TS Leskovac 6.

Delivery and assembly of terminal high trafficability equipment of synchronous digital hierarchy were contracted from EBRD loan.

During 2008, assembly and functional examination of terminal equipment in the following capacities were finalized:

- National control centre of EMS;
- Control centre of Elektrodistribucija Beograd;
- Substations-Novi Sad 3, Kragujevac 2, Niš 2, Beograd 8, Sremska Mitrovica 2, Obrenovac A, Beograd 3, Bajina Bašta, Požega, Pančevo 2, Zrenjanin 2, Čačak 3, Kraljevo 3, Leskovac 2, Jagodina 4, Beograd 17, Šabac 3, Raška, Pirot 2, Srbobran, Beograd 5, Zaječar 2, Kikinda 1, Novi Pazar, Nova Varoš, Sjenica, Vranje, Smederevo 3, Beograd 2



- Regional control centers- Beograd, Novi Sad, Valjevo, Kruševac, Bor;
- Hydro power plants- Djerdap 1, Vrla 3, Bajina Bašta, Bistrica, Pirot, Potpeć, Djerdap 2, Kokin Brod, Uvac;
- Thermal power plants- Nikola Tesla A, Nikola Tesla B, Kolubara A, Morava, Kostolac;
- CHPs- Novi Sad, Zrenjanin;
- Switchyards- Mladost, Drmno;
- Pumped-storage hydropower plant Bajina Bašta

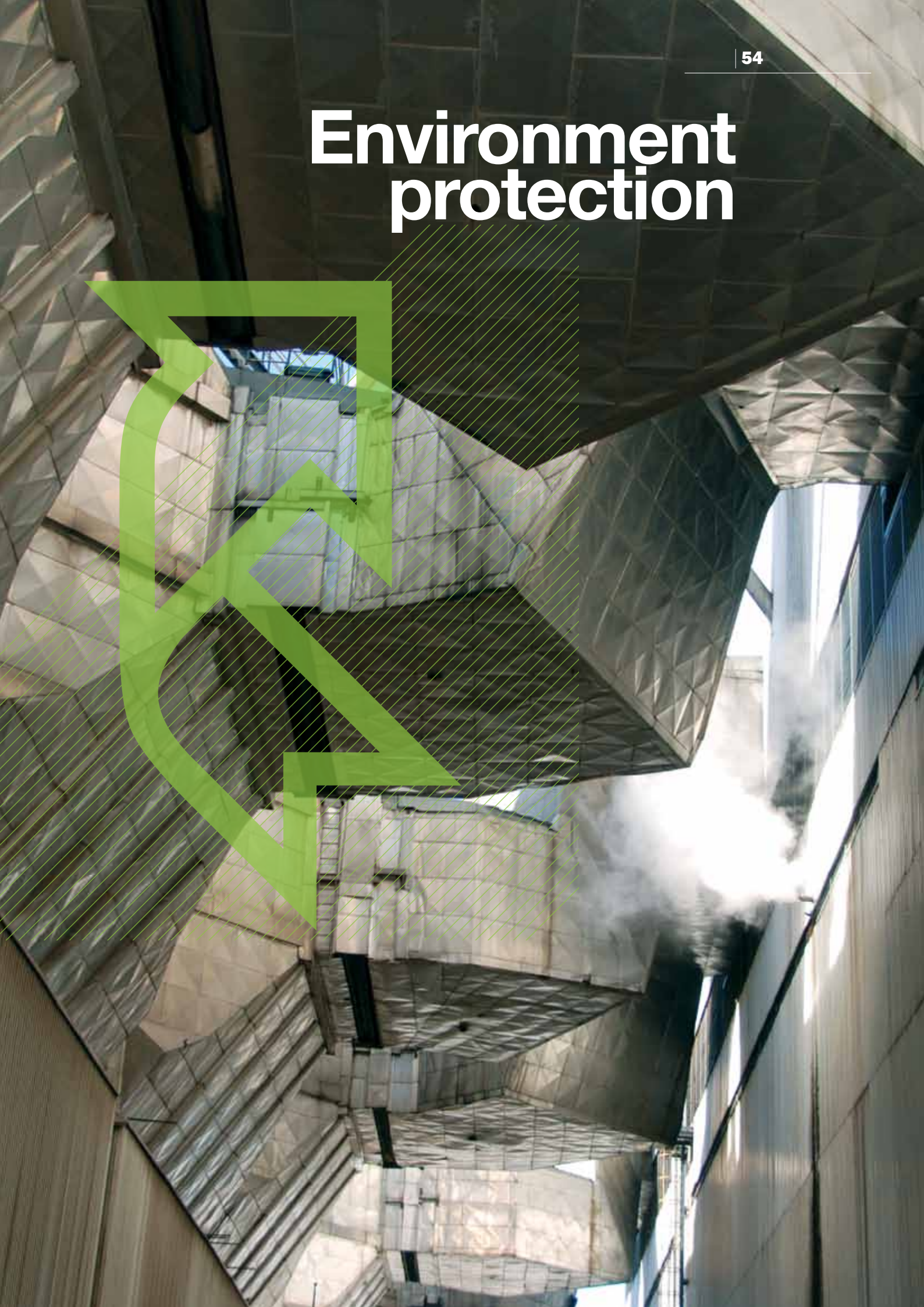
Contract for the procurement of IP telephone exchange and network elements for speech and business data transfer, was signed during 2008. This equipment and its assembly will be financed from EBRD loan. Assembly termination is planned for the end of 2009.

Following facilities will be equipped with modern high capacity IP telephone exchange:

- National control centre of PE EMS
- Regional control centre Novi Sad
- Thermal power plant Nikola Tesla A
- Thermal power plant Nikola Tesla B
- Thermal power plant Morava
- Thermal power plant Kolubara A

while, another 13 facilities of Electric Power system of Serbia will be equipped with low capacity IP telephone exchanges.

Environment protection



IN THE COURSE OF **2008** ACTIVITIES HAVE BEEN CONTINUED IN ACCORDANCE WITH THE REQUIREMENTS OF THE SET OF ENVIRONMENTAL LAWS, WHICH BECAME EFFECTIVE IN THE END OF DECEMBER 2004. ALL PROJECTS UNDER EXECUTION WILL ENABLE OPERATION HARMONIZATION OF ALL PE ELECTRIC POWER INDUSTRY OF SERBIA FACILITIES WITH THESE REGULATIONS **BY 2015**. TOTAL PLANNED FUNDS FOR **2008** AMOUNTED TO **5.54** BILLION RSD. **51**% WAS OBTAINED FROM DONATIONS AND LOANS FOR THE FINANCING OF ASH HANDLING TECHNOLOGY REPLACEMENT AT TPP NIKOLA TESLA B AND TPP KOSTOLAC B.

THE MOST IMPORTANT EXECUTED ACTIVITIES REPRESENT THE CONTINUATION OF ALREADY STARTED ACTIVITIES ON THERMAL POWER PLANTS AIMED AT ENVIRONMENTAL MODERNISATION, AS WELL AS INTRODUCTION OF NEW PROTECTION MEASURES ON ALL FACILITIES, FOR THE PURPOSE OF ALIGNMENT OF THEIR OPERATION WITH EU REGULATIONS.

IN ALL ITS ACTIVITIES PE EPS HAS EXCELLENT COOPERATION WITH THE MINISTRY OF MINING AND ENERGY, MINISTRY OF ENVIRONMENT PROTECTION AND SPATIAL PLANNING, ENVIRONMENT PROTECTION AGENCY, ENVIRONMENT PROTECTION FUND, RECYCLING AGENCY, AS WELL AS EBRD AND KfW REPRESENTATIVES WHO PROVIDED LOANS FOR IMPLEMENTATION OF PROTECTION MEASURES.

AIR PROTECTION

HARMONIZATION OF ELECTROSTATIC PRECIPITATOR OPERATION WITH THE REQUIREMENTS OF EU REGULATIONS

During 2008, electrostatic precipitators of six thermal units with the total capacity 1,030 MW, firing Kolubara and Kostolac lignite, operated in accordance with ELV requirements of domestic and EU regulations. Between 2004 and 2007, electrostatic precipitators have either been reconstructed or replaced on these units.

Compared to 2003 emission, total dust emission, after harmonization of electrostatic precipitator operation with emission limit values for dust, at TPP Nikola Tesla A an B has been reduced for about 80%, with about 54% at TPP Kostolac A and B.

HARMONIZATION OF SULPHUR OXIDE EMISSION WITH THE REQUIREMENTS OF DOMESTIC AND EU REGULATIONS

In order to consider technologically reliable technical solution for flue gas desulphurisation for TPP Kostolac B, development of investment–technical documents for flue gas desulphurisation was initiated in the end of 2006 and finalized in July 2008. The project was done under the contract between PE Electric Power Industry of Serbia and the consortium consisting of Faculty of Mechanical Engineering, Faculty of Mining and Geology from Belgrade and an American company Worley–Parsons.

Technological–technical solution for flue gas desulphurisation considered in the project was based on the state-of-the-art achievements from the field of wet FDG systems implying limestone usage as the sorbent and gypsum production as the by-product.

In accordance with the provisions of EU Directive 2001/80/EC, FGD plant has been designed to meet the requirements in terms of emission limit values of sulphur dioxide amounting to 400 mg/m^3, requiring process efficiency of 94%.

These design documents provided the necessary and sufficient data level needed for tender documents whose development was planned under the Summary Environmental Protection Plan of EPS for 2009, which will provide adequate selection of tenderers for the construction of flue gas desulphurisation plant under all necessary technical–technological and economic parameters.

INTRODUCTION OF INTEGRAL SYSTEM FOR CONTINUOUS MONITORING OF TPP NIKOLA TESLA OPERATION IMPACT ON AIR QUALITY AT OBRENOVAC AND SURROUNDING SETTLEMENTS

Integral system for continuous monitoring of TPP Nikola Tesla operation impact on air quality at Obrenovac and surrounding settlements – Phase I solid particle pollution monitoring was put in trial operation, together with the training in system use.

This project will enable the application of Gauss Distribution Model for the purpose of monitoring of solid particle transport in space and time. This Integral System will also enable systematic monitoring of TPP Nikola Tesla operation impact on air quality (dust pollution), objective and timely notification of the public on air quality at Obrenovac and surrounding settlements, which is one of the pre-conditions for corresponding protection measures.

CONTINUOUS HARMFUL SUBSTANCE EMISSION MEASUREMENTS

In accordance with the requirements of the Rules on Emission Limit Values, Manner and Deadlines for Data Collection ('Official Gazette RS', No 30/97), measuring equipment was installed on TPP Nikola Tesla A on: Unit 6 (SO_2, NO_x, CO, O_2 measurements), which was together with the equipment on Units A3 and A4 (SO_2, NO_x, CO, O_2 measurements), as well as A1 and A2 (dust emission measurement) and A5 (dust and SO_2, NO_x, CO, O_2 measurements) planned for emission measurement of the indicated harmful substances in flue gases.

Development of preliminary solution for installation of equipment for continuous air emission measurement of harmful and hazardous substances has been initiated together with the analysis of variant solutions for the selection of measuring points at TPP Nikola Tesla B, TPP Kolubara A5 and TPP Morava.

WATER PROTECTION

REPLACEMENT OF EXISTING AND INTRODUCTION OF NEW ASH HANDLING TECHNOLOGY

In the course of 2008, introduction of new technology has been continued, which will enable the mitigation of ground water contamination and fully eliminate surface water contamination, in addition to the mitigation of the problem of ash dispersion by wind.

- In compliance with the developed investment–technical documents for implementation of the project at TPP Nikola Tesla B, procurement and installation of equipment was contracted with the contractor and equipment supplier for the reconstruction of existing equipment, Energoinvest – Sarajevo. In the course of 2008, construction of silos for dry ash disposal and erection of pipes for thick slurry transport has started. Transfer to the new technology – thick slurry transport is planned by the end of 2009.
- Based on the developed investment–technical documents, construction works have been initiated at TPP Kostolac (silo construction), as well as field works on OCM Ćirikovac, future ash and slag disposal site. The project is implemented under the contract between EPS and German Consortium DOBERŠEK–MÖLLER, with the value of EUR 21 million, financed from EBRD loan.
- Tender documents for ash and slag handling system replacement project were developed for TPP Kostolac A;
- Development of the feasibility study with the preliminary design related to ash and slag collection, preparation, transport and disposal system reconstruction at TPP Nikola Tesla A is in its final phase, together with the environmental impact assessment study.
- Development of the feasibility study with the preliminary design for ash and slag collection, transport and disposal system at the new facility TPP Kolubara B has been initiated.

STUDIES AND PROJECTS AIMED AT WATER PROTECTION WITHIN THE CATCHMENT AREAS AND GROUND WATERS WITHIN THE RIPARIAN AREA OF HYDROPOWER PLANTS, AS WELL AS WATER PROTECTION AROUND THERMAL POWER PLANTS

- Development of the study Balancing of EPS TPP and CHP Waste Waters is in progress. In 2008, the study for TPP Nikola Tesla B was finalized containing the definition of all waste water flows to the discharge into recipient, as well as conceptual solution for waste water handling. Completion of the second part of this study for TPP Nikola Tesla A is expected by June 2009. The study should serve as the basis for the development of investment–technical documents for the consideration of technical solution for waste water treatment plant, to be built in the forthcoming period at TPP Nikola Tesla B.
- Prefeasibility Study with the General Design of Waste Water Treatment for TPP Kostolac A and B was completed. The cause of waste water creation was established as well as the point of their creation, amounts and quality, together with the technical–technological solution of oily water treatment based on technical–economic analysis of considered variants for waste water treatment. Selected solution will meet legal requirements in terms of water protection against contamination.
- The Study Investigation of Processes and Changes in Water Quality at the Zavoj Reservoir was finalized aimed at water quality management in energy reservoirs – Phase III. The study objective, in addition to energy purposes, is multi-purpose utilisation of Zavoj Reservoir water, as well as setting up of mathematical model for the monitoring and prediction of water and sediment quality in the reservoir, i.e. pilot model for other reservoirs.

SOIL PROTECTION

- Development of Phase I of the Study Multidisciplinary Impact Analysis of Existing Ash and Slag Pits on Soil according to Depth and Width, with the Proposal of Remediation Measures. This Study for the first time considers the entire problem of ash and slag pits based on multiple criteria, together with the prediction of adequate protection measures, which will be confirmed by setting up of the selected pilot area.
- Terms of Reference have been adopted for the development of Phase I of the Study Integral Consideration of Previously Implemented Solution with the Proposal of Modern Solutions for Reclamation of Open Cast Mines of Kolubara and Kostolac Mining Basins. Development objective of the subject study is consideration of optimal interaction between reclamation and coal mining, i.e. creation of conditions for uninterrupted overburden removal and coal mining within the subject period, in order to apply reclamation procedures in a rational, technically improved and economic manner. In addition to this, an action plan should be developed meeting the requirements of legal regulations in the part of interaction between design i.e. operational open cast mine development plan and reclamation projects. The final objective is establishment of elements for sustainable reclamation concept in realistic transition conditions.

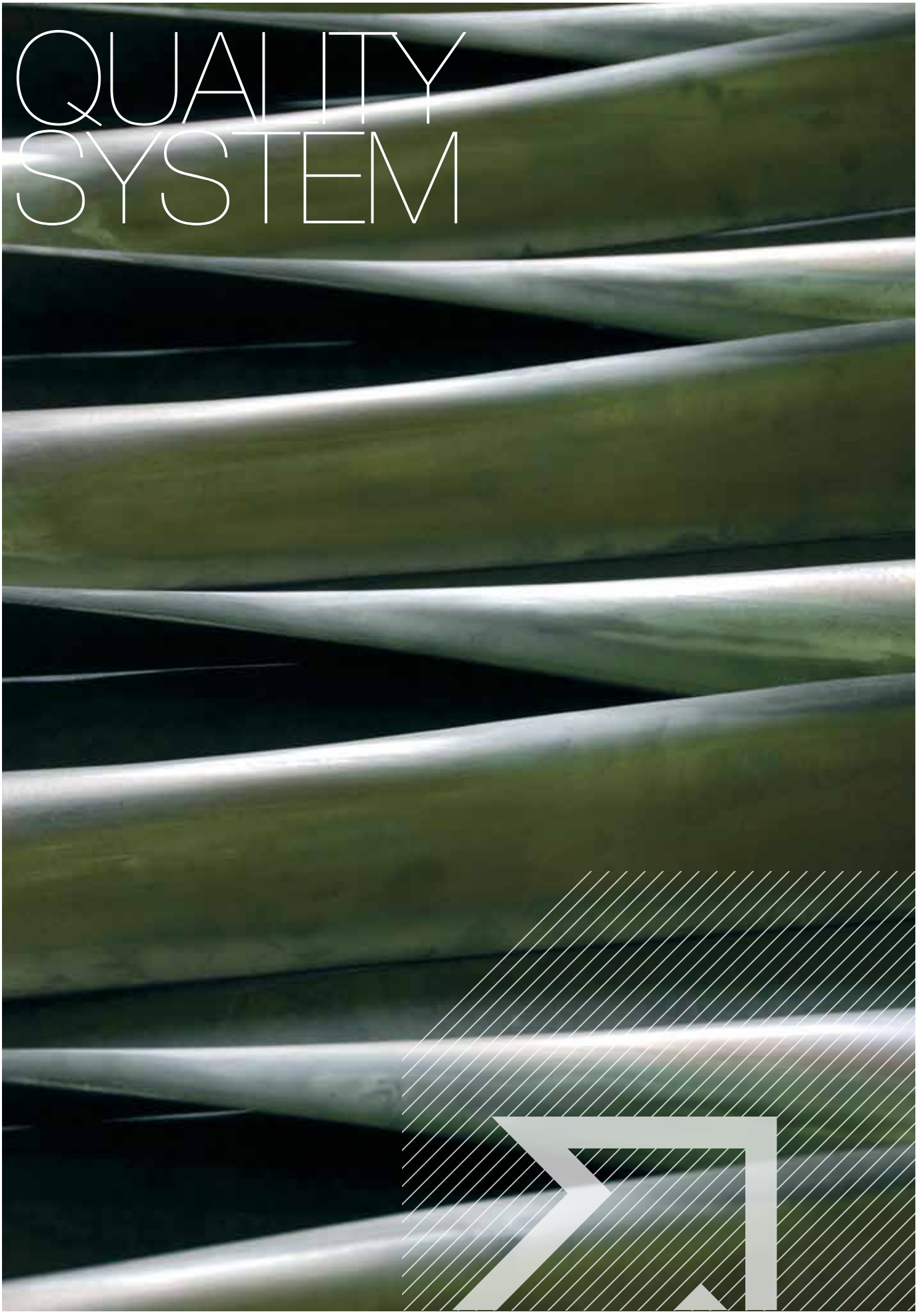
WASTE MANAGEMENT

- The study Waste Management – Phase II Waste Cadastre (TPP Nikola Tesla) and Phase III Information System has been finished. Implementation according to individual corporate enterprises is still to come, based on adopted terms of reference.
- Implementation of the study Environmental Impact of Electrical and Magnetic Fields (Industrial Frequency) of PE EPS Facilities.
- The Study Waste Management – Waste Valorization at PE EPS, Phase VIb – Development of New Types of Hydraulic Binders based on Electrostatic Precipitator Ash from Thermal Power Plants was completed.
- Terms of Reference for the study – Waste Management – Phase VIv – Valorization of 'Energy' Waste at PE EPS into Secondary Energy Raw Materials, Additional or Alternative Fuels were adopted.
- Development of investment–technical documents according to individual distribution enterprises has been initiated for the development of the plateau and temporary handling of hazardous and other waste.

GHG EMISSION MANAGEMENT

- Development of the Terms of Reference was finalized for the Feasibility Study with the Preliminary Design of HPP Zvornik Rehabilitation. Based on feasibility study results, tenders will be invited for the selection of expert consultant who will develop and register the project of HPP Zvornik Rehabilitation as CDM project.
- Environment Protection Sector of EPS contributed to the raising of awareness and capacity development on the national level with regard to GHG emission. This covered training through workshops organized by the Ministry of Mining and Energy, as well as assistance in the development of national strategies for CDM utilisation in the fields of agriculture, waste management in forestry organized by the Ministry of Environment Protection and Spatial Planning. Furthermore, activities have been initiated on the invitation of tenders for the development of Application Analysis of Kyoto Protocol Clean Development Mechanism on Projects to be implemented in Cooperation with Strategic Partner. The decision on the start of implementation of three strategic projects within EPS in 2009 (Kolubara B, TPP Nikola Tesla B3 and CHP Novi Sad) has imposed the need for engagement of the expert consultant who will consider possibilities of CO_2 emission reduction valorization, created through the implementation of these projects.

QUALITY SYSTEM



INTEGRATED MANAGEMENT SYSTEM INTRODUCING AND ITS APPLICATION AT THE PE EPS

Main aim for the Integrated Management System introducing is in improving of services quality and total activities of the Public Enterprise Electric Power Industry of Serbia and its corporate enterprises. By integration of quality management, environment protection and occupational health and safe operation systems, PE EPS promotes and courage progressive and reliable management attitudes referring to quality.

At the end of July 2008, after one intensive year of work at documenting and implementation, the first and key component of the Integrated Management System (IMS) – Quality Management System (QMS) has been successfully certified. Coordination testing of established QMS with requirements of ISO 9001 standard has been performed by well-known firm TÜV SÜD Sava, which has awarded to PE EPS international approved Certificate.

Within the report of the Certification Firm has been noted that there are only some uncritical discoordinations within the established QMS with the ISO 9001 standard. In addition, it has been identified certain number of improvement possibilities, considering size and organisation complexity and activities performed by PE EPS.

Started has been implementation of corrective and preventive measures and review of existing documents, as the result of employees' awareness increasing on necessity for the Quality Management System. In front of us are documenting of the Quality Management System lower level (development of operational guides) as well introducing of EMS and OHSAS.

Arranging and process formalisation has to provide a base for coordination of all integrated management systems within the EPS and corporate enterprises on the best practice application, unification and standardisation of processes, documentation and communication regarding energetic activities as follow: power and heating generation, electric energy distribution and distribution system control, production activities, processing and coal transportation, as well as electric energy trading, in order to provide its performance at effective manner.

At a table below has been shown project review for establishing and integration of management system in the PE EPS and corporate enterprises. Intensively are realised projects for IMS introducing in all corporate enterprises. In the near future, after IMS introducing, activities toward vertical management system integration to PE EPS and corporate enterprises are to be intensified.

REPORT ON IMS INTRODUCING AT PE EPS AND CORPORATE ENTERPRISES

PE EPS	INTRODUCED SYSTEM	ONGOING PROJECT*	PROJECT PHASE**	CONSULTANT
PE EPS HEAD DEPARTMENTS AND SECTORS	QMS (July 2008 / TÜV SÜD Group)	IMS	DO	CIM College

CORPORATE ENTERPRISES FOR COAL AND POWER GENERATION

CE	CE DEPARTMENT	INTRODUCED SYSTEM* (DATE/ CERT. BODY)	ONGOING PROJECT*	PROJECT PHASE**	CONSULTANT
HPP Djerdap		QMS (Dec. 2005/SGS resert. Dec. 2008) EMS (March 2008/SGS)	OHSAS	SD	Q-EXPERT INTERNATIONAL
Drinsko--Limske HPPs			IMS	SD	CIM College
TPPs Nikola Tesla		QMS (July 2005/SGS resert. July 2008) EMS (July 2008/SGS)	OHSAS	SD	Q-EXPERT INTERNATIONAL
MB Kolubara			QMS EMS OHSAS	SD SD SD	TEKON-Tehnokonsalting
	Laboratory for coal and waste water research	ISO/IEC 17025 (Jun 2008/ATC)			
TPPs-OCMs Kostolac		QMS (Nov. 2007/SGS)	OHSAS EMS	CS SD	
	Termoelektrane	QMS (Nov. 2006/SGS)			Q-EXPERT INTERNATIONAL
Panonske CHPs		QMS (Dec. 2006/Ins. for standards. from Serbia Nov. 2008/TÜV SÜD Group) EMS (Nov. 2008/TÜV SÜD Group)	OHSAS	SD	CIM College

CORPORATE ENTERPRISES FOR ELECTRICITY DISTRIBUTION

CE	CE Department	Introduced system* (date/ cert. body)	Ongoing Project*	Project Phase**	Consultant
Elektrovojvodina		QMS (July 2007/ Ins. for standards from Serbija)	IMS	SC	TEKON-Tehnokonsalting
Elektrodistribucija Beograd			EMS	SD	TEKON-Tehnokonsalting
Elektrosrbija		QMS (June 2006/TÜV SÜD Group)	OHSAS	SD	Qualitass education Kragujevac
		EMS (Dec. 2007/TÜV SÜD Group)			
	ED Užice		QMS	SD	
Jugoistok	Zaječar	QMS (April 2007/ TÜV SÜD Group)			
	Leskovac	QMS (April 2007/ TÜV SÜD Group)			
	Vranje	QMS (June 2007/TÜV SÜD Group)			
Centar		IMS (June 2008/ TÜV SÜD Group)			CIM College

*
ESTABLISHED SYSTEM/ONGOING PROJECT:

IMS – Integrated Management System (QMS+EMS+OHSAS)

QMS – Quality Management System (JUS ISO 9001:2001)

EMS – Environment Management System (ISO 14001:2004)

OHSAS – Occupational Health and Safe Employees Operation Management System (OHSAS 18001:1999)

ISO/IEC 17025 – General requirements for the research and certificated laboratories competitiveness

**
PROJECT PHASES FOR THE MANAGEMENT SYSTEM ESTABLISHING:

CC – Climate creation

OE – Organizational entirety Establishing

CS – Consultant selection

SD – System documenting

SC – System certification

Human resources

If you make plans for a year from now – grow rice.
If you make plans for 20 years from now – plant trees.
If you make plans for a lifetime – develop people.
(Chinese proverb)

PEOPLE ARE OUR CAPITAL

The difference between the bookkeeping and market value of a company is in its greatest wealth – the people. Today, the intellectual capital of an organization, based on its social capital, is undeniably the strongest weapon of each company striving to be the leader in its field. For this reason, one of the priority objectives of EPS is to improve knowledge and to develop organizational behavior necessary to achieve proclaimed goals and objectives.

A survey conducted at the end of 2008 revealed that in Serbia EPS was recognized as a socially responsible firm taking care of its staff of 35,800 employees and as the most preferred employer among job seekers.

THE LEARNING ORGANIZATION

The knowledge and skills of the employees is one of the factors that make the most direct contribution to the remarkable performance of the system of Electric Power Industry of Serbia. One of the primary strategic goals of the company is to develop the potential of its employees. The exact periodic performance indicators and commitment to ever more demanding objectives always make a fresh demand for higher standards of required knowledge and skills.

In pursuit of more efficient methods of the development of people, specialists in human resources management attended professional training courses in 2008. After several days' training involving all corporate enterprises, methods were adopted for creating a better organizational climate and enhancing the essential factors of organizational behavior. The training was organized in line with the existing contents and operating methods in the field of human resources, as the company restructuring has yet to be done; however, jobs that will be created in the future have been taken into account.

In 2008 well-designed professional training programs were conducted both within corporate enterprises and the Headquarters of PE EPS. These programs were organized in order to improve the quality of work in the company and took different forms – compulsory periodic training and tests, tutorial system, initiation, training of interns, pupils and student. However, continuing education, retraining of employees, continuing learning of foreign languages and permanent improvement of computer skills has not been neglected. Also, programs concerning safety and protection at work, fire protection and quality control were organized for all company employees. At the same time, establishing procedures in work processes, clearly defined roles, responsibilities and documents were part of the practical training of all the people involved in the process.

In 2008, 18 experts assessed to have the potential to be successful line managers in the near future received training. In a joint training in how modern business systems work, trainees learnt about the downside and upside of certain organizational forms and the experience of similar systems in the neighborhood. The training was organized as the commencement of activities in analyzing the needs and making plans for replacement/substitution of managers in order to set a standardized selection method for managerial posts to be applied in the public sector in the future. Training of the existing and future line managers is expected to be one of the key activities in the forthcoming period – both in planning their selection and in endorsing the organizational behavior that contributes to a better performance of the company as a whole.

LOOKING AFTER THE PEOPLE

Over the years, the system securing the achievement of common goals and objectives and high performance standards, has created its system of values, its language, behavior, tradition and has recorded it all; in a word – its organizational culture. In 2008, socializing and friendships made over the years and decades of working together continued in the form of trade union meetings and sporting events of the employees. Travel arrangements were made and social events were organized again. Professionals do not dispute the positive social impact of such contacts on the work process and the results achieved.

Safety at work and health protection programs are equally provided and conducted in all corporate enterprises. The fact that there are fewer and fewer accidents at work best illustrates that tasks are performed in a professional and responsible way. Although periodic health screening and medical checkups are organized every year, it is obvious that health awareness has increased in recent years owing to the commitment of the experts for safety and protection at work. Healthcare continues to be provided through organized health screening and specialists' examinations. In 2008, 12,346 employees in the corporate enterprises, i.e. 44% of the total number of employees at EPS (without the companies in Kosovo and Metohija) were involved in the campaign. At MB Kolubara and Panonske CHPs more than 70% of staff took part in health screening and medical checkups. At some corporate enterprises, compulsory health screening and medical checkups for employees working under specific working conditions are organized twice a year in compliance with the rule books. The indicators of preventive specialists' checkups of women are getting better - both in terms of attendance and in terms of ever better indicators of health conditions.

As a socially responsible company, EPS has launched organized campaigns to protect the environment, applying the highest standards of business ethics. To take care of the environment is to take care of ourselves, our children and our future. There is more to it. After a joint campaign of EPS and the Serbian Chamber of Commerce, a project intended to analyze whether the people who had been made redundant were ready to start new and paying jobs with the organized aid and support, was successfully completed in 2008. The project included concrete jobs, and a large portion of these jobs was in the field of environmental protection and completely new activities on re-cultivated land.

Electric Power Industry of Serbia has always been able to identify the problems and priorities in the areas in which it was present and operated. PE EPS has always been committed to providing professional assistance, making donations and playing an active role in identifying and solving the problems of local communities and economies, and this practice will continue in the years to come.

Public relations

Public relations have an important role in the promotion of mission and vision of the largest company in Serbia.

The Public Relations sector at EPS has paid considerable attention to the communication with the external public, especially with the media, as the most important creators of company reputation. As a result of daily communication, there have been 8,000 articles printed in the media and 850 reports on TV lasting about 40 hours in total. The most prominent topics covered by the media were collection and price of electricity, shares in public companies and investment. The issues such as the supply of electricity, especially in times of crises when there were problems in supplying the state with other power products implied continuous communication with the media. The quantitative and qualitative analyses, made on a monthly basis, show that a very small number of negative articles, that is TV coverage with negative connotation, have been published or aired about EPS – about two per cent! Such communication with the media and transparent operation of the company contributed to the good media image of EPS.

The company magazine „kWh“, with the monthly circulation of 10,000 copies, has the most important role in internal communication, and it has significantly enhanced the communication between EPS and the external media. The magazine addresses topics that are important for the operation of the company and publishes the official views and positions of the company management on important issues. The Public Relations sector of EPS is responsible for placing such topics in the external media. In successive issues of „kWh“, local experts have aired their views on the policy of depreciated price of electricity, privatization, restructuring and further development of EPS.

The Internet presentation of Electric Power Industry of Serbia and the electronic format of „E-info” that is mailed to over 700 important e-mail addresses within the company and outside the company, have allowed all the people whose opinion is important for our company to obtain information in due time. The information system within EPS is regulated by legal documents on information. In 2008, all corporate enterprises adopted relevant documents in compliance with the Decision on Information of PE EPS. In this way the principles, basic contents, means and forms of internal and external communication and the mode of coordinating activities within PE EPS, corporate enterprises and public companies founded by PE EPS have been established; consequently, the internal and/or external public can be informed in a true, complete and professional way regarding both the common issues and the most important issues concerning the operations of PE EPS and its corporate enterprises.

Beginning last year, Electric Power Industry of Serbia, through its distribution companies and with the media support of the Public Relations sector, distributed 120,000 energy saving (efficient) bulbs to 60,000 householders who pay their electricity bills on time and are therefore entitled to a five per cent discount.In order to improve relations with the buyers the Public Relations sector took part in preparation of a uniform electricity bill to be used in the whole territory of Serbia in 2009.

As a socially responsible company Electric Power Industry of Serbia has helped many educational, scientific and cultural institutions and organizations, religious organizations, healthcare system, sport... as sponsor and donor... We are proud to mention that the company helped the swimmer Milorad Čavić to get ready for the Olympic Games in Beijing, where he won a silver medal in a legendary race. When Mr Čavić returned from the Olympic Games, he was the guest of Electric Power Industry of Serbia that provided him with the funds for the preparation for competitions to be held in 2009.

EPS has become and remained the largest corporate donor to the UNICEF program „Schools without Violence“. As many as 11 schools in Serbia were involved in the program owing to Electric Power Industry of Serbia. With the financial aid of Electric Power Industry of Serbia, 10,000 copies of the brochure “Guide for Parents“ were distributed to families across Serbia.

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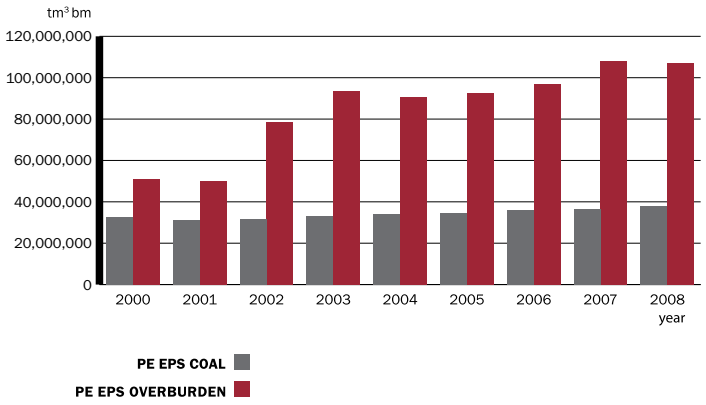
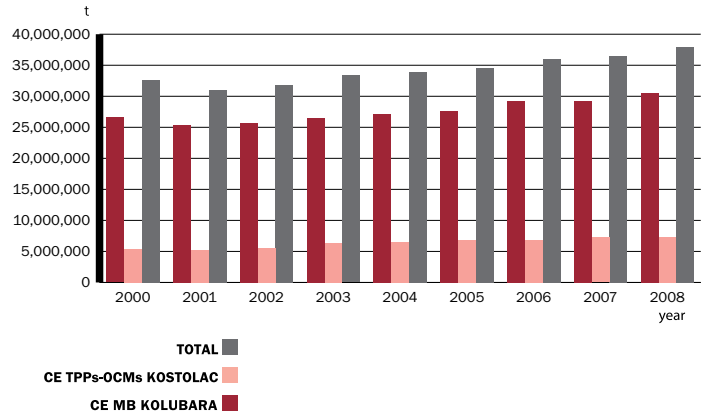
EPS 2008

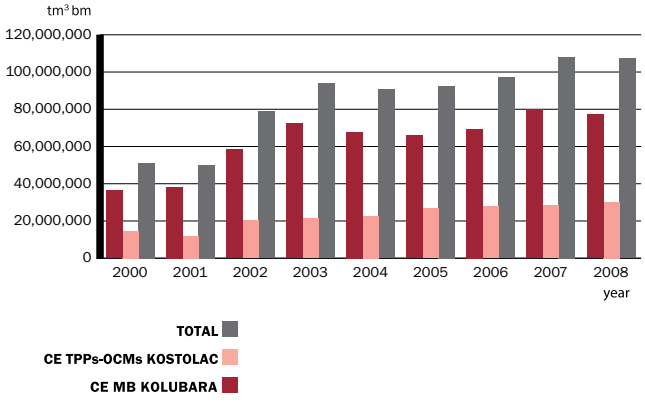
TOTAL COAL AND OVERBURDEN OUTPUT



COAL PRODUCTION BY CORPORATE ENTERPRISES



OVERBURDEN REMOVAL BY CORPORATE ENTERPRISES



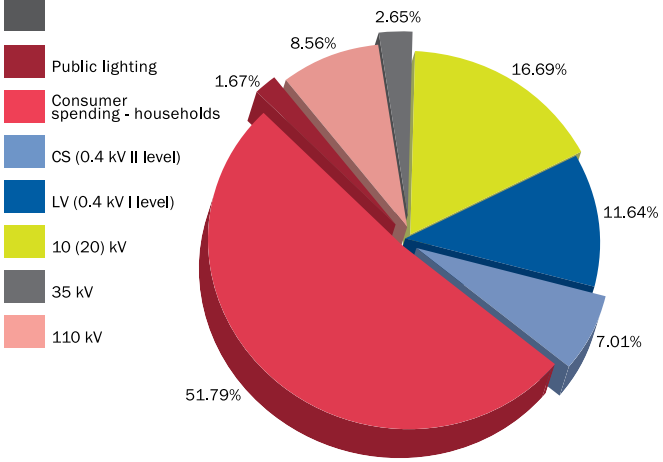
ELECTRICITY AVAILABLE IN 2008

DISTRIBUTION COMPANY	Taken over from transmission (MWh)	Generation of distribution HPP and other purchases (MWh)	Total electricity available (MWh)
Elektrovojvodina ltd, Novi Sad	8,964,066	1,817	8,965,883
Elektrodistribucija Beograd ltd, Beograd	7,808,973	4,354	7,813,327
Elektrosrbija ltd, Kraljevo	7,488,311	18,311	7,506,622
Jugoistok ltd, Niš	4,877,180	23,990	4,901,170
Centar ltd, Kragujevac	3,130,819		3,130,819
TOTAL	**32,269,349**	**48,472**	**32,317,821**

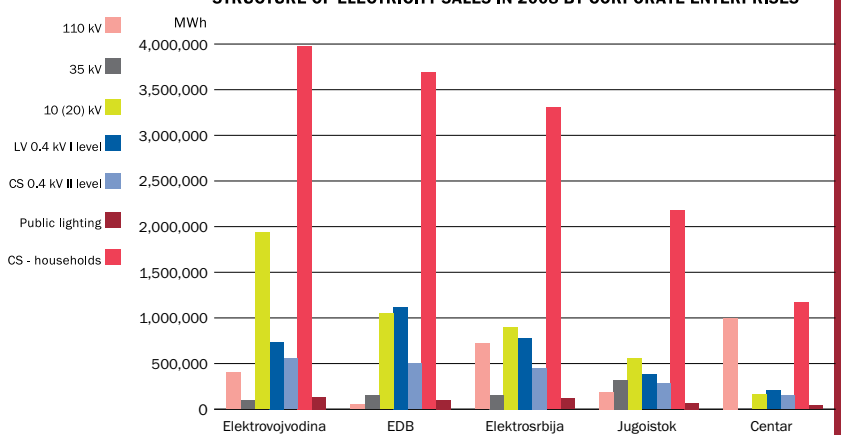
ELECTRICITY SUPPLIED IN 2008

VOLTAGE LEVEL / CATEGORY OF CONSUMPTION	ELECTRICITY SUPPLIED GWh	%	Number of buyers/ measuring points
HIGH VOLTAGE - 110 kV	2,367	8.56	29
MIDDLE VOLTAGE - 35 kV	732	2.65	139
MIDDLE VOLTAGE - 10 (20) kV	4,613	16.69	3,855
LOW VOLTAGE (0.4 kV I LEVEL)	3,216	11.64	45,801
CONSUMER SPENDING (0.4 kV II LEVEL)	1,937	7.01	296,808
CONSUMER SPENDING - HOUSEHOLDS	14,313	51.79	3,056,972
PUBLIC LIGHTING	461	1.67	22,667
TOTAL	**27,639**	**100**	**3,426,271**

STRUCTURE OF ELECTRICITY SALES IN 2008



STRUCTURE OF ELECTRICITY SALES IN 2008 BY CORPORATE ENTERPRISES



EPS 2008

GENERATION CAPACITIES

POWER PLANT	Net output capacity MW
TPP Nikola Tesla A	1,502
TPP Nikola Tesla B	1,160
TPP Kolubara	245
TPP Morava	108
TPP Kostolac A	281
TPP Kostolac B	640
TPP Kosovo A*	617
TPP Kosovo B*	618
THERMAL POWER PLANTS	**5,171**
CHP Novi Sad	208
CHP Zrenjanin	100
CHP Sremska Mitrovica	45
COMBINED HEAT AND POWER PLANTS	**353**
HPP Djerdap 1	1,058
HPP Djerdap 2	270
Vlasinske HPPs	129
HPP Pirot	80
HPP Bajina Bašta	364
PSHPP Bajina Bašta	614
HPP Zvornik	96
HPP Elektromorava	13
Limske HPPs	211
HYDRO POWER PLANTS	**2,835**
EPS POWER PLANTS	**8,359**

EPS ELECTRICITY GENERATION

POWER PLANT	GWh
TPP Nikola Tesla A	9,680
TPP Nikola Tesla B	8,377
TPP Kolubara	1,091
TPP Morava	636
TPP Kostolac A	1,865
TPP Kostolac B	3,012
TPP Kosovo A*	1,372
TPP Kosovo B*	3,304
THERMAL POWER PLANTS	**29,337**
CHP Novi Sad	262
CHP Zrenjanin	101
CHP Sremska Mitrovica	4
COMBINED HEAT AND POWER PLANTS	**367**
HPP Djerdap 1	5,398
HPP Djerdap 2	1,510
Vlasinske HPPs	168
HPP Pirot	111
HPP Bajina Bašta	1,293
PSHPP Bajina Bašta	544
HPP Zvornik	405
HPP Elektromorava	47
HPP Potpeć	149
HPP Bistrica and Kokin Brod	341
HPP Uvac	45
HYDRO POWER PLANTS	**10,011**
TOTAL	**39,715**

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

INSTALLED CAPACITIES (NET OUTPUT CAPACITY)
8,359 MW*

ELECTRICITY GENERATION
35,039 GWh
(Kosovo and Metohija not included)
39,715 GWh
(Kosovo and Metohija included)

COAL PRODUCTION
(Kosovo and Metohija not included)
37,951,494 t

OVERBURDEN REMOVAL
(Kosovo and Metohija not included)
107,247,241 m3/bm

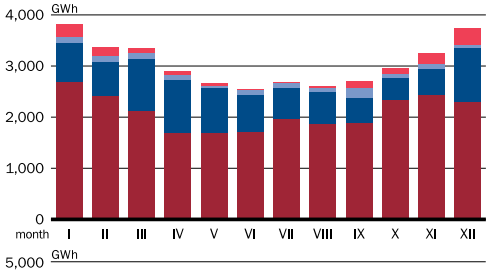
EPS GROSS CONSUME
33,697 GWh
(Kosovo and Metohija not included)
38,910 GWh
(Kosovo and Metohija included)

AVAILABLE ENERGY
36,579 GWh
(Kosovo and Metohija not included)
42,025 GWh
(Kosovo and Metohija included)

DISTRIBUTION COMPANIES
(Kosovo and Metohija not included)
NUMBER OF CUSTOMERS **3,426,271**
4,023
- at high and middle voltage
3,422,248
- at low voltage

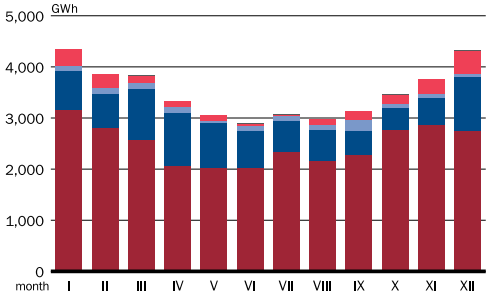
DISTRIBUTION COMPANIES (PE ELEKTROKOSMET NOT INCLUDED) DELIVERED TO THE CUSTOMERS
27,639 GWh

TOTAL SUPPLIES OF ELECTRICITY IN SERBIA
32,473 GWh



AVAILABLE ENERGY
Monthly generation and procurements without Kosovo and Metohija

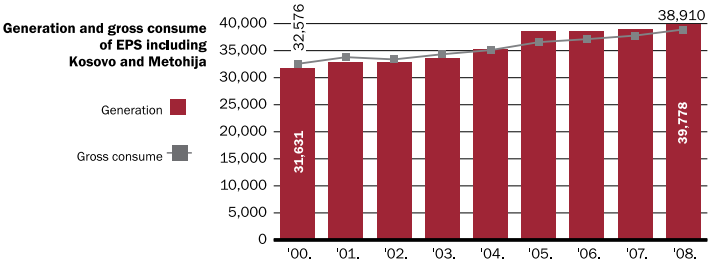
- Total TPPs
- Run-of-river HPPs
- Reservoir HPPs
- Procurements



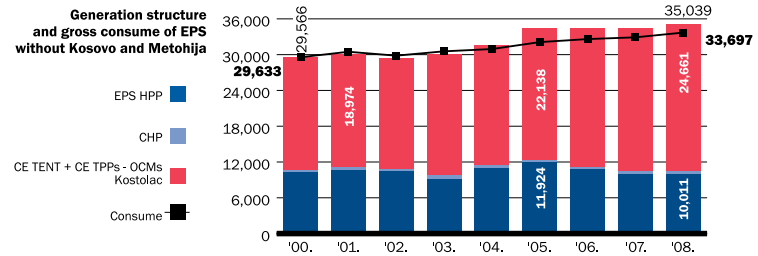
AVAILABLE ENERGY
Monthly generation and procurements with Kosovo and Metohija

- Total TPPs
- Run-of-river HPPs
- Reservoir HPPs
- Procurements
- From other power plants

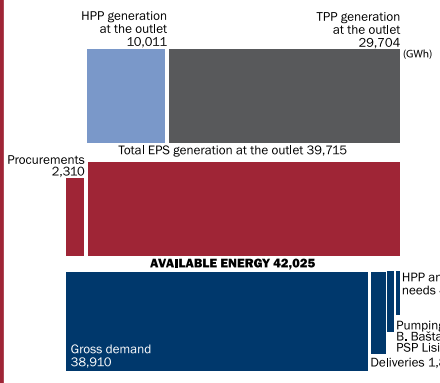
Generation and gross consume of EPS including Kosovo and Metohija



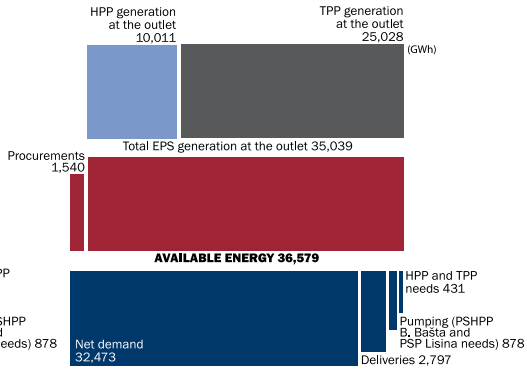
Generation structure and gross consume of EPS without Kosovo and Metohija



ACHIEVED ELECTRIC POWER BALANCE (with Kosovo and Metohija)

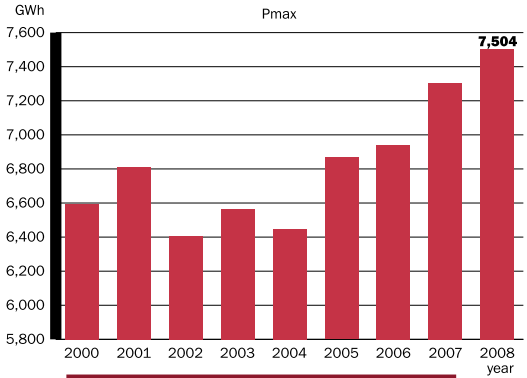


ACHIEVED ELECTRIC POWER BALANCE (without Kosovo and Metohija)



*There have been electricity consumption reductions in 2008 at the territory of Kosovo and Metohija, but there are no data on the scope of these reductions

MAXIMUM PEAKLOAD with Kosovo and Metohija



MAXIMUM PEAKLOAD without Kosovo and Metohija			
year	day	hour	MW
2008	**December 31st**	**18**	**6,596**