

**ELECTRIC POWER INDUSTRY OF MONTENEGRO
(EPCG) - Joint Stock Company (J.S.C.) NIKSIC**

**REPORT
ON BUSINESS OPERATIONS OF ELECTRIC POWER INDUSTRY OF
MONTENEGRO - Joint Stock Company NIKSIC
FOR YEAR 2007**

NIKSIC, May 2008

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1. JOINT STOCK COMPANY IN GENERAL

The Electric Power Industry of Montenegro (EPCG), Joint Stock Company (J.S.C.) – Niksic, is the only company in Montenegro dealing with electric power generation, transmission, distribution and supply and it manages the facilities for electric power generation with the total installed capacity of 867 MW, out of which 657 MW (76%) is in Hydro Power Plants (HPPs) and 210 MW (24%) is in Thermal Power Plant (TPP) “Pljevlja”.

The EPCG has transformed into the “Joint Stock Company” on February 12th, 1999. The latest registration of the EPCG as the “Joint Stock Company” was performed at the Central Register of the Commercial Court in Podgorica on 30.07.2007 under registration number 4 – 0000330/015.

The equity capital of the Company is 991.884,418.74 EUR and it has been divided into 113.887,961 shares. Nominal value of each share is 8.7093 EUR. All shares of the Company are common shares (class C) in dematerialized form.

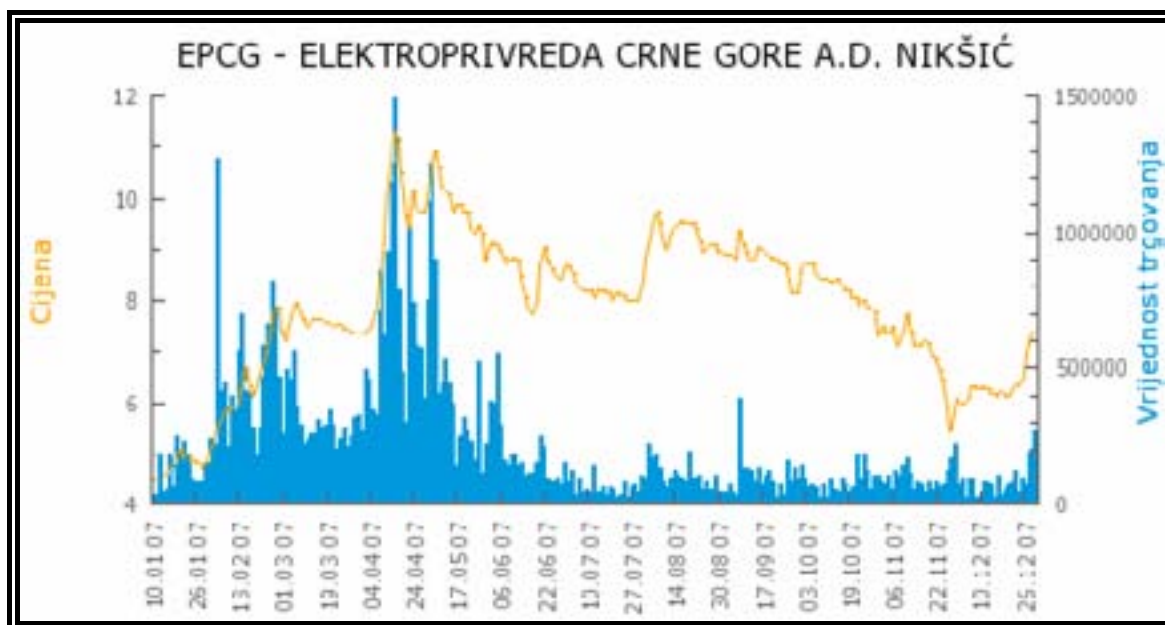
Head office of the Joint Stock Company is in Niksic, 2, Vuka Karadzica Street.

The ownership structure is given in the below Table:

Shareholders	Number of shares	Share in capital
Akcija DOO	200,000	0.18%
In depositary	8.901,414	7.82%
State	80.397,282	70.59%
PIF Atlas Mont	3.824,508	3.36%
PIF Eurofond	5.945,000	5.22%
PIF Mig	2.237,470	1.96%
PIF Moneta	3.184,199	2.80%
PIF Trend	3.400,242	2.99%
Legal entities – Other	296,347	0.26%
Natural persons	5.501,499	4.83%
TOTAL	113.887,961	100.00%

Source: Central Depositary Agency

Since mid-2005 the Electric Power Industry of Montenegro (EPCG) - Joint Stock Company (J.S.C.) Niksic is on NEX »B« List at Montenegro Stock. In the period January - December 2007, the total realized turnover of the shares of the Electric Power Industry of Montenegro amounted to EUR 53.030,805. The minimum price of the share was realized on January 10th, 2007 and it amounted to EUR 4.3502, whereas the maximum price was achieved on April 16th, 2007 and it amounted to EUR 11.7996. At the end of the observed period the average price of a share amounted to EUR 7.3929.



Source: NEX Montenegro Stock

2. ORGANIZATIONAL STRUCTURE OF THE COMPANY

Organizational structure of the Company consists of the following functional and organizational entities:

- o FE Electric Power Generation;
- o FE Electric Power Transmission;
- o FE Electric Power Distribution;
- o FE Electric Power Supply;
- o OE Head Office of EPCG;
- o OE Elektrogradnja;

The Functional Entity “Electric Power Generation” is organized as follows:

- o Head Office of Electric Power Generation;
- o HPP “Perucica”;
- o HPP “Piva”;
- o TPP “Pljevlja”.

The Functional Entity “Electric Power Transmission” is organized as follows:

- o Head Office of Electric Power Transmission;
- o National Dispatcher Centre;
- o Electric Power Transmission;
- o Market Operator.

The Functional Entity “Distribution” is organized as follows:

- o Head Office of Electric Power Distribution;
- o 16 Electric Power Distribution Companies with the Head Offices in Bar, Budva, Bijelo Polje, Berane, Kolasin, Kotor, Mojkovac, Niksic, Pljevlja, Rozaje, Tivat, Podgorica, Ulcinj, Herceg Novi, Zabljak and Cetinje.

The Functional Entity “Electric Power Supply” is organized as follows:

- o Sector of Electric Power Trade;
- o Sector of Payment Collections;
- o Sector of Economic Issues;
- o Sector of Legal, Personnel and Common Issues;
- o Department of ICT;
- o Centre for Contacts with Customers;
- o 16 Electric Power Supply Companies with the Head Offices in Bar, Budva, Bijelo Polje, Berane, Kolasin, Kotor, Mojkovac, Niksic, Pljevlja, Rozaje, Tivat, Podgorica, Ulcinj, Herceg Novi, Zabljak and Cetinje

The Organizational Entity “Head Office of Joint Stock Company” is organized as follows:

- o Sector of Economic Issues;
- o Sector of Legal, Personnel and Common Issues;
- o Sector of Corporate Planning;
- o Sector of Development and Engineering;
- o Centre for Information-Communication Technologies;
- o Centre for Quality System and Environment Protection;
- o Centre for Public Relations;
- o Social Standard;
- o Department of Commercial Issues.

The Organizational Entity “Elektrogradnja” is organized as follows:

- o Head Office of Elektrogradnja;
- o Sector of Technical Issues.

3. MISSION AND STRATEGY OF JOINT STOCK COMPANY

3.1. Mission

Mission of the Electric Power Industry of Montenegro, Joint Stock Company Niksic is: continuous generation in the existing capacities, safe and reliable supply of high-quality electric power to the buyers, non-discriminatory approach to transmission and distributive system and transit in compliance with the rules of cross-border turnover of electric power.

3.2. Vision

The Company's vision is to become a profitable company with modern conception, which provides a high level of safety of supplying electric power to the consumers and development of electric power market in the Republic of Montenegro.

3.3. Objectives

The basic objectives of the Electric Power Industry of Montenegro for 2007 were:

- Consistent realization of Electric Power Balance of the Republic of Montenegro, with maximum utilization of available generating resources,

- Better Income Statement of the Joint Stock Company in comparison with the Income statement for 2006
- Implementation of the process of functional separation of the Electric Power Industry of Montenegro and beginning of the process of legal separation,
- Improvement of energy efficiency and efficiency of business operations (reduction of all types of consumption, rationalization of labour force, etc.),
- Integration into regional electric power market,
- Providing material and social security to the employees, in accordance with Individual Collective Agreement and the Basic of Social Programme.

3.4. Strategies

For the purpose of efficient implementation of the mission and vision of the Electric Power Industry, clear objectives were set for four key-areas, as follows:

- Engineering,
- Finances,
- Human Resources and
- Consumers.

An overview of specific objectives is given in the below Table:

Area of operation	Objectives
Engineering	Undertaking activities related to reconstruction and development of generating, transmission and distributive capacities
	Upgrading the maintenance services (by introducing a planned maintenance and preventive maintenance)
	Undertaking activities related to introduction of remote control of electric power facilities.
	Undertaking activities related to introduction of modern IT systems, as well as state-of-the-art telecommunication system
	Introducing new technologies in order to improve system parameters (safety, availability, reduction of losses)
Finances	Gaining the financial independence
	Realization of realistic prices of the services (tariffs)
	Maintaining the continuity of investments
	Implementing of new business information system
	Performing business activities as an efficient and profitable enterprise.
Human resources	Positive selection and optimization of the number of employees
	Enabling permanent education and training
	Mastering of skills and knowledge necessary for new activities related to the new role of the Company
	Introducing the contemporary system for employees remuneration
Consumers	No discrimination
	Transparency of operation
	Confidentiality of sensitive commercial information
	Providing efficient reactions to consumers requests

4. LEGAL FRAMEWORK

Basic legal document for power & energy sector in the Republic of Montenegro is Law on Sources of Energy (“Official Gazette of the Republic of Montenegro” No. 39/03). The Law on Sources of Energy was harmonized to a great extent with the Directives of European Union 2003/54/EC. In October 2003 the Republic of Montenegro signed an Agreement on Forming the Energy Community, which came into force in the mid-2006 and thereby undertook an obligation to harmonize laws, regulations and administrative rules with the Directives of European Union.

4.1. Law on Sources of Energy

Within the programme of economic reforms, the Parliament of the Republic of Montenegro on June 26th, 2003 adopted a new Law on Sources of Energy, which defines the leading principles, roles and responsibilities of the main participants in the energy sector.

Main innovations brought by the new Law are :

- o Separation of vertically integrated electric-power entity,
- o Regulated access of third persons to the transmission network and
- o Establishing of independent Regulatory Agency.

Separation of vertically integrated electric-power entity

The process of separation of uniform electric-power entity was not treated in details by the Law on Sources of Energy of the Republic of Montenegro, it was treated only in the Article 22, which envisages:

- o Separation of accounts, meaning that the vertically integrated electric-power entity has to separate accounts in its internal accounting, for the activities which refer to the functions of electric power generation, electric power transmission, electric power distribution and electric power supply. If the entity also performs other non-energy related activities, these activities have to be accounted separately, as if separate subjects are in question. Vertically integrated electric-power entity has to announce separate Balance Sheet, Income Statement, Cash Flow Report and all other Reports, for each function within the power sector, in accordance with the Law on Accounting and Auditing;
- o Separation of management, meaning that daily management of one energy activity (function) is independent of commercial interests of vertically integrated electric-power subject, at any moment, until the subject function is legally separated from the other function. This means that the managers from one function can not be in the Board of Directors of vertically integrated electric-power entity and that all employees should be assigned to only one function in the energy entity;
- o Separation of information, commercially sensitive information related to business activities of third persons, which are accessible in one activity are not to be exchanged with other parts of vertically integrated energy entity. Such separation of is achieved by application of internal code of conduct, which has to be obeyed by all employees in one entity.

Also, the process of legal separation of the Electric Power Industry of Montenegro - Joint Stock Company Nikšić is not limited by clear final framework and it was regulated that it can happen at any time after this Law comes into force.

Establishing of independent Regulatory Agency

After adopting the Law on Sources of Energy in January 2004, the Regulatory Agency for Energy of the Republic of Montenegro started its operation as an independent body with primarily task of regulating the electric-power sector in the Republic of Montenegro. The bodies of this Agency are:

- o Board of Agency
- o Agency Director.

Business operations of the Agency are defined by the Article 12 of the Law and in the previous period the below regulations were enacted:

- o Rulebook on licenses in energy sector of the Republic of Montenegro
- o Rules for separation of integrated electric-power entity - the Electric Power Industry of Montenegro - Joint Stock Company Nikšić
- o Rulebook on procedure of issuing permissions for sale or for ceding of operative control over property of the license holders (licensees)
- o Rules on methodology and method of determining the amount of compensations for the licenses
- o Rulebook on tariffs for electric power
- o Rules on method of establishing the coal price for electric power generation
- o Rules on notification of tariff buyers in case of stoppage of coal delivery
- o Rulebook on procedure and criteria for issuing authorizations in electric-power sector of the Republic of Montenegro
- o Rules on methodology of determining the amount of compensations for the licenses with the Decision
- o Rulebook on awarding scholarships to the students
- o Rulebook on amendments of the Rulebook on tariffs
- o Guide book for accessing the information in possession of the Regulatory Agency for Energy
- o Rules on accessing of third persons to the transmission and distributive network

4.2. Agreement on forming the Energy Community

The subject Agreement came into force at mid-2006, after being ratified by 2/3 of the signatory countries.

Objectives of forming the Energy Community

The main objectives of forming the Energy Community are:

- o creating the stable regulatory and market framework, capable of attracting investments into gas network, electric power generation, transmission and distributive network, in order to enable a free access to stable and continuous supply of energy to all Parties, which is essential for economic development and social stability,
- o creating the uniform regulatory area for trading of network energy which would correspond to the geographic area of the subject markets for these products,

- o increasing safety of power supply of uniform regulatory area by providing stable ambient for the investments, in which the connections with Caspian, North-African and Middle-East gas reserves can be developed, and the domestic energy resources, such as natural gas, oil and hydro power can be extracted and utilized,
- o improvement of situation concerning the environment, with regard to network energy and energy efficiency related to it, increasing of utilization of renewable energy resources and establishing the conditions for trading of energy within one uniform regulatory area,
- o development of market competition of network energy at wider geographic level and utilization of economics of scale.

Activities of Energy Community

The Agreement envisages following activities of the Energy Community:

- o implementation by the Contracting parties of *acquis communautaire* (legislation of European Community) on energy, environment, competition and renewable energy, adjusted to the institutional framework of Energy Community and specific situation of each Contracting Party,
- o establishing of specific regulatory framework which enables efficient functioning of the network energy market on the entire territory of the Contracting Parties and also on the part of territory of European Community and including of creation of uniform mechanism for cross-border transmission and/or transport of network energy and supervision of unilateral protection measures (mechanisms of action of network energy market),
- o creating of network energy market without internal borders, with coordination of mutual assistance in case of serious disruption in energy network or in case of external interruptions, which can also include establishing of joint energy foreign trade policy (creating of uniform energy market).

Time schedule for implementation of obligations from the Agreement

In accordance with the subject Agreement, the Republic of Montenegro has undertaken the following obligations:

After this Agreement comes into force:

- o Implementation of Directive EEC 85/337/EEC concerning evaluation of projects from the point of view of environmental impact,
- o compliance with *Acquis communautaire* concerning environmental protection during construction and operation of new energy facilities
- o implementation of Article 4(2) of the Directive 79/409/EEC concerning preserving of wild birds.

Within one year after this Agreement comes into force:

- o implementation of Directive of European Community 2003/54/EC concerning general rules of electric power internal market,
- o implementation of Directive of European Community 2003/55/EC concerning general rules of natural gas internal market,
- o Implementation of Enactment of European Community 1228/2003/EC concerning conditions for accessing the network for cross-border exchange of electric power,

- o submission of schedule of implementation of Directive 2001/77/EC concerning renewable energy resources, as well as the Directive 2003/30/EC concerning promotion of utilization of bio-fuel or other renewable fuels for transport,
- o The Secretariat of Energy Community shall prepare a List of generally applicable Standards of European Community and within one year from adopting of this List, the Contractual Parties shall adopt their own developing plans for harmonization with these Standards,
- o adopting of statements concerning safety of supply in which shall be particularly described the variety of supplying, technological safety and geographic origin of imported fuels.

By December 31st, 2011:

- o implementation of Directive 1999/32/EC concerning reduction of sulphur content in some liquid fuels,

By December 31st, 2017:

- o implementation of Directive 2001/80/EC concerning limitation of emission of certain air pollutants from large combustion plants.

From January 1st, 2008:

- o ensuring that all buyers, apart from households, will be qualified.

From January 1st, 2015:

- o ensuring that all the buyers will be qualified

5. RESTRUCTURING OF ELECTRIC POWER INDUSTRY OF MONTENEGRO – JOINT STOCK COMPANY NIKŠIĆ

After adopting the Law on Sources of Energy in mid-2003, the process of restructuring of electric-power sector in the Republic of Montenegro started. It can be surely noticed that during the previous period the Electric Power Industry realized good internal progress in the process of restructuring and summary of achieved level in the process of functional and legal separation is given below.

5.1. Functional separation

Accounts separation

The following activities in the area of accounting separation were finalized in 2007:

- o Organizational and personnel training within FEs and OEs was performed,
- o Distribution of property between functional and organizational entities was performed,
- o Distribution of costs between functional and organizational entities was performed,
- o Distribution of obligations between functional and organizational entities was performed,

- o FE Electric Power Supply took over from FE Electric Power Distribution and from the Head Office of the Joint Stock Company, the entire outstanding receivables from the buyers,
- o The investments which were in progress, were taken over by subject FEs,
- o Separate accounts were opened at the level of all functional and organizational entities, etc.

Separation of management

Separation of management was realized within the functional entities, i.e. in compliance with the Law on Sources of Energy the managers of functional entities are not members of Board of Directors of the Electric Power Industry of Montenegro and all employees were assigned to only one function within the Joint Stock Company.

Also, within the Electric Power Industry the additional measures were undertaken in order to provide independence in daily business operations of the Functional Entities, which reflect in:

- o Preparation of business plans at the level of functional and organizational entities,
- o Preparation of investment plans at the level of functional and organizational entities,
- o Gradual decentralization of financial function,
- o Decentralization of purchasing function, etc.

Separation of information

Functional entities are obliged to keep confidentiality of commercially sensitive information which they acquire in the process of performing of their activities. Announcing of the information which concern their activities and which can bring commercial advantage or benefit, has to be performed in non-discriminating manner. Although the market opening process has not started in the Republic of Montenegro yet, the Electric Power Industry in 2007 performed the following activities:

- o Held seminars on separation of information,
- o Identified employees (managers for coordination) at the level of functional entities who deal with separation of information
- o Prepared Codes of conduct,
- o Prepared Plan of action.

5.2. Legal separation

The Government of Montenegro on its session held on November 29th, 2007 adopted the model of legal separation of the Electric Power Industry of Montenegro - Joint Stock Company Nikšić. In compliance with the adopted model, legal separation is envisaged to be performed in three stages, as follows:

- During the first stage, in compliance with the Article 64 of the Law on Business Companies, the Electric Power Industry of Montenegro, as Joint Stock Company, will form five single-member Limited Liability Companies: Electric Power Generation, Electric Power Transmission, Electric Power Distribution, Electric Power Supply and Elektrogradnja, to which, as independent entities, a pertaining part of property will be transferred in a form of share in the property. The parent company will retain the strategic operations and will perform a moderate coordination of newly-formed companies (Deadline March 31st, 2008)

- During the second stage separation of the Electric Power Transmission (which will be formed as the Joint Stock Company, pursuant to the Article 22 of the Law on Business Companies), will be performed (Deadline December 31st, 2008)
- During the third stage, pursuant to the Article 22 of the Law on Business Companies, the other Limited Liability Companies will be transformed into Joint Stock Companies (Electric Power Generation, Electric Power Distribution, Electric Power Supply and Elektrogradnja). Tempo of these activities will depend on results of business operations, privatization, the experience gained during the process of separation of the Electric Power Transmission, as well as on the best experiences from the systems in the neighbouring regions. In case of defining a new conception of organization of the Coal Mine - Joint Stock Company Pljevlja and the Thermal Power Plant Pljevlja, these processes can be accelerated. (Deadline December 31st, 2009)

6. REALIZATION OF POWER BALANCE

6.1. Introductory Notes

Electric power balance in 2007 was realized in very complex conditions, which characterize the state of Montenegrin electric power system for a longer period.

The most important such conditions are as follows:

- Growing electric power deficit;
- Difficult conditions of procurement and provision of funds for electric power import, the prices of which are constantly rising;
- The Regulatory Agency adopted Decisions concerning the tariffs, which did not cover in full the costs of EPCG business operations
- Lack of funds for necessary capital investment maintenance and regular maintenance of electric power facilities;
- Inadequate coal supply by the Coal Mine, both in terms of quantity and rate, which put TPP Pljevlja out of operation five times in the course of 2007;
- Losses in distributive network are still significantly higher than optimum, even though the measures for their reduction give good results;
- Extremely unfavourable hydrological conditions throughout the year, which resulted in increased import in comparison with the planned one, additionally burdened the electric power industry due to high market prices of electric power.
- Because of unfavourable conditions the electricity generation at “Piva” HPP was significantly lower than the planned one (for 239 GWh), which resulted in negative effects for the EPCG on that basis, in the order of magnitude of 5 million EUR.
- High taxes which the municipalities determine as the lump sum significantly jeopardize the current business operations and solvency of EPCG

However, having in mind all the above-mentioned circumstances, it can be concluded that during the year 2007, a high degree of safety of operation of the electric power system in Montenegro was accomplished, i.e. electricity supply to consumers was at satisfying level.

Due to the change of scheduled term for the “Pljevlja” TPP overhauling in 2007, the adopted power balance was revised at the end of March and the new schedule. i.e. rebalance for the period IV - XII 2007, was adopted accordingly. The customary comparison of the realized

figures with the planned ones, which is given in the present Report, refers to the Rebalance of the Power Balance for 2007.

6.2. Power Balance Realization Indicators

6.2.1. Generation

Total net electric power generation of the power plants, realized in Montenegro in the year 2007 amounted to 2044.7 GWh, which is 318,3 GWh or 13.5% less than the planned, i.e. 773.7 GWh or 27,5% less than the realization in the previous year.

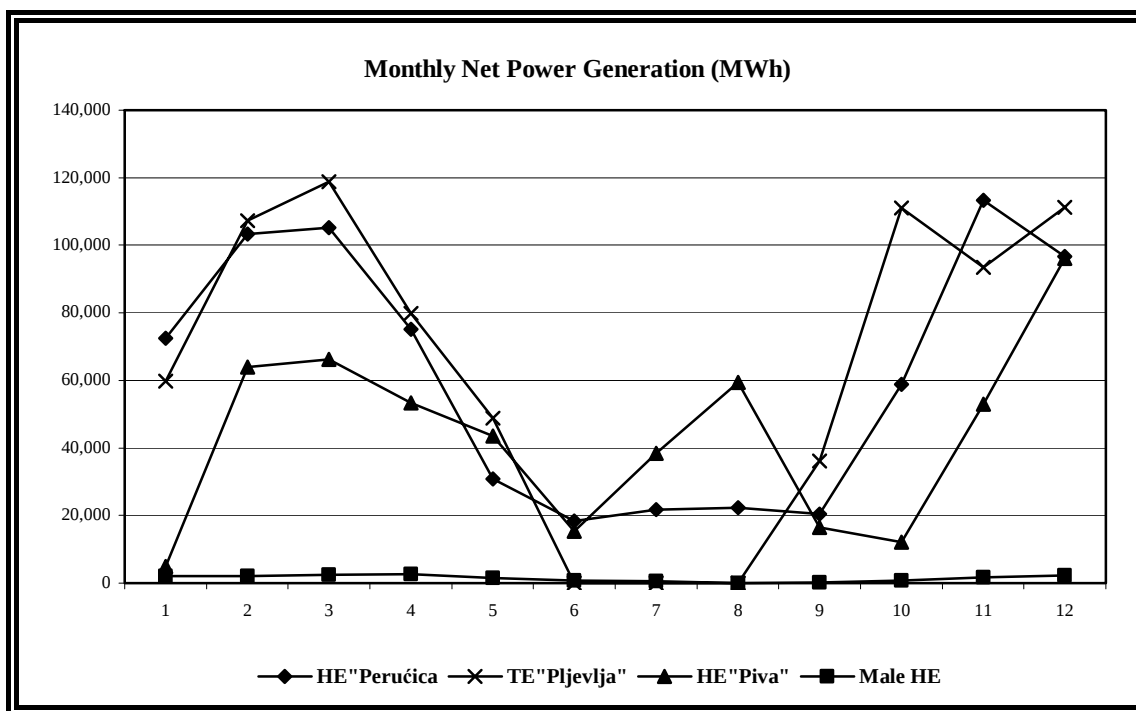
HPP “Perucica” generated 738.6 GWh which is 137.4 GWh or 15.7% less than the planned, i.e. 97.2 GWh or 11.6 less than the generation in the year 2006. Generation below the plan is a result of unfavorable hydrologic conditions throughout the year.

HPP “Piva” generated 523GWh, which is 239 GWh or 31.4 % less than the planned and 365.5 GWh or 41.1 % less than the generation realized in previous year. There were no overflows at the HPP “Piva” in 2007.

Small-scale Hydro Power Plants generated 16.7 GWh, which is 3.3 GWh or 16.5%, less in relation to the plan, and in relation to the realization from the previous year, it is less by 2.0 GWh or 10.7%.

TPP “Pljevlja” generated 766.4 GWh which is 92.6 GWh or 10.8% less in relation to the plan and 309 GWh, i.e. 28.7% less in relation to the realization from the previous year. The generation would have been higher if the Coal Mine, by its coal supplies, had well followed-up the level of readiness of the plant for operation. Due to shortage in coal supply, the TPP was turned-off on five occasions (in the first, second, fourth, eleventh and the twelfth month). In addition to the shortage in coal supply, the low generation at TPP also was a result of the main overhaul of the boiler plant (from May 18th - September 10th, 2007), as well as the failures in the boiler after the performed overhaul. Because of failures in the boiler, the TPP was turned-off several times.

The highest monthly generation was accomplished in December (306.2 GWh), and the lowest in June (34.6 GWh).



6.2.2. Consumption

Gross electricity consumption in Montenegro, in the year 2007, amounted to 4646.7 GWh, which in relation to the plan is 52.7 GWh or 1.1% more and in relation to the realization from the previous year it is less for 38.1 GWh or 0.8%.

The characteristics of realized consumption are as follows:

- o The highest monthly consumption on the transmission network was achieved in December (470.7 GWh), and the lowest in May (346.6 GWh);
- o The highest daily consumption was achieved on December 17th (15935 MWh) and the lowest was achieved on May 21st, (10872 MWh)
- o The highest average peak load was registered on December 23rd, in the 19th hour (766 MW), and the lowest load was registered on June 4th, in the 5th hour (357 MW), excluding the days when lower loads were realized due to disruptions in the EPS.

Consumption structure:

- The Aluminum Plant realized a consumption of 1950.2 GWh, which is 7.2 GWh or 0.4% more than the planned, i.e. 23.5 GWh or 1.2% more than realization in the previous year;
- Iron Works realized a consumption of 182.1 GWh, which is 3.9 GWh or 2.1% less than it was planned and also 9.1 GWh or 4.8% less than the previous year.
- Railways of Montenegro realized a consumption of 23.4 GWh, which is 1.6 GWh or 6.4% less than the planned, and 1 GWh or 4.2 % less than the consumption realized in previous year.
- Gross distributive consumption amounted to 2333.8 GWh, which is 63.8 GWh or 2.8% more than the planned and it is 52 GWh or 2.2% less than the consumption realized in previous year.

- Net distributive consumption amounted to 1802.6 GWh, which is 11.6 GWh or 0.6 %, more than the planned consumption and it is 109.7 GWh or 6.5% higher than the consumption realized in previous year.

In the structure of the consumption, gross consumption and net consumption, the participation of individual consumers was as follows:

	Participation in Gross Consumption;	Participation in Net Consumption
Aluminium Plant ("KAP")	42.0%	43.4%
Iron and Steel Works	3.9%	4.1%
Railways of Montenegro	0.5%	0.5%
Direct consumers	46.4%	48.0%
Gross distribution	50.2%	52.0%
Transmission losses	3.4%	

6.2.3. Purchase and Delivery of Electric Power

In 2007 the total amount of 3361.2 GWh was procured from other electric power systems, which is 342.1 GWh or around 11.3% higher than the plan and in relation to the previous year it is 428.9 GWh or 14.6% more.

For the purpose of covering the shortage in the balance, the EPCG, in accordance with the determined measures for realization of the Balance, after inviting an annual tender, concluded the relevant contracts.

In order to cover the balance deficiencies that could not be anticipated in the annual balance, additional quantities of electric power were contracted and imported in certain periods of the year.

The total of 1235.1 GWh was procured from the Electric Power of Serbia based on the Agreement on LTBTC - Long-Term Business-Technical Cooperation (out of this amount, 1075.5 GWh in accordance with the Article 4 and 159.6 GWh in compliance with the Article 18, out of which 59 GWh were purchased).

Deviations from the electricity exchange program (compensation) and island supplying of the areas which are connected with 110 kV interconnective long distance power lines, which are not in parallel operation (in the purchasing direction), amounted to 18.02 GWh in 2007.

From the electric power systems abroad, as well as from the independent dealers, i.e. from the import, the EPCG and the Aluminum Plant Podgorica purchased the total amount of 2167 GWh, which is 312 GWh or 16.8% more than the import planned by the Rebalance. The import in the year 2007 was higher than the import in the previous year by 460.8 GWh, i.e. 27%.

The EPCG imported 1455.1 GWh, out of which 1399.9 GWh was purchased and 55.2 GWh was procured on the basis of the exchange.

Contracts:

- o EFT – 831 GWh (653.5 GWh on the basis of the Annual Contract and 177.5 GWh on the basis of additional contracts);
- o OstElektra - 28.1 GWh (on the basis of Annual Contract);
- o EZPADA - Czech Republic - 107.3 GWh
- o HSE - Slovenia - 177.7 GWh (on the basis of Annual Contract);
- o ATEL Energy - Germany - 31.3 GWh;
- o PCC - Germany - 24.2 GWh;
- o Istrabenz Gorenje - Slovenia - 12.4 GWh;
- o ERS - purchase - 77.2 GWh;
- o RUDNAP - 34.4 GWh;
- o KORLEA - 3.5 GWh;
- o EGL - 7.6 GWh;
- o HSE Adrija - 1.7 GWh;
- o HEP - 3.4 GWh;
- o RE Trading - 0.2 GWh;
- o E.O.N. - 0.8 GWh;
- o EPS - 59.1 GWh.

Exchange:

- o KESH - Albania - 4.6 GWh;
- o EFT - 18.4 GWh;
- o EPS - Serbia – 24.9 GWh;
- o Unmik -KEK - 3.2 GWh;
- o Exchange - dealers - 4.1 GWh.

In 2007 “KAP” imported 711,9 GWh.

6.2.4. Delivery of Electric Power

During the year 2007 the electric power system of Montenegro delivered to other systems the total amount of 759.1 GWh, which is 28.9 GWh or 3.7 % less than the planned, i.e. 306.7 GWh or 28.8% less in comparison to the previous year.

The Electric Power Industry of Serbia (“EPS”), based on the Agreement on LTBTC - Long-Term Business-Technical Cooperation, received 647.6 GWh which is 343.5 GWh or 34.7% less in comparison with the previous year. Out of this quantity:

- o On the basis of the Article 3 of the Contract on LTBTC (generation of the HPP “Piva”) 523 GWh and
- o On the basis of the Article 18 of the same Contract 124,6 GWh.

Total power debt of the EPCG towards the Electric Power Industry of Serbia (EPS) at the end of the year 2007 it amounted to:

- o on the basis of emergency deliveries 8.15 GWh,
- o on the basis of exchange 3.1 GWh.

Deviations from the electricity exchange programs, compensations and island operation (Bileca and Cajnice) in direction of supplying to the Electric Power System (EPS), were realized with 3.8 GWh.

The EPCG delivered to the systems abroad the total amount of 107.7 GWh, out of which the following quantities were delivered to:

- o EFT - 11.1 GWh;
- o ERS - The Republic of Srpska - 21.2 GWh;
- o UNMIK - KEK 1.2 GWh;
- o KESH - Albania - 9.1 GWh;
- o Stock-exchange 49.1 GWh
- o EZPADA - 9.2 GWh
- o Exchange – dealers - 0.8 GWh;
- o EPS - 6 GWh;

At the end of the year, the remaining debt of the EPCG towards abroad amounted to 23.8 GWh, out of which the debt to KESH (Albania) was 0,4 GWh, to ESM (Macedonia) was 4.3 GWh, to EFT was 0.8 GWh, to UNMIK-KEK was 12.9 GWh, to HEP was 1.5 GWh and to other systems was 3.9 GWh, whereas the receivables of the EPCG from abroad amounted to 5.1 GWh, out of which: from ERS (the Republic of Srpska) was 5.0 GWh and from Bosnia and Herzegovina was 0.1 GWh.

6.2.5. Transit

In the year 2007 a transit in the amount of 1280.9 GWh was registered.

6.2.6. Losses

a) Transmission Network:

Electric power losses in the transmission network of the EPCG in the year 2007 amounted to 157.2 GWh, which is 12.8 GWh or 7.5%, less than the planned and 0.6 GWh, i.e. 0.4% more than the realization in the previous year.

According to the established methodology, the losses in transmission are presented in relation to the total electricity in the transmission network, which amounted to 5927.6 GWh. The electric power losses in the transmission network have a downward tendency, i.e. in 2004 they amounted to 3.6%, in 2005 they amounted to 3.2%, in 2006 they amounted to 2.7% and in 2007 they amounted to 2.65%. This is mainly the result of reconnecting into the I and the II UCTE zones, construction of the 110 kV long distance power line Podgorica – Cetinje, which influenced on better voltage circumstances in the system, reduced power generation of HPP “Perucica” in 2007 and a larger scope of power transmission by 400 kV long distance power lines.

b) Distributive Network

Total losses realized in the distributive network in 2007 amounted to 531.1 GWh, which is 52.1 GWh or 10.9% more than the plan, i.e. 161.8 GWh or 23.4 % less than the realization in the previous year. In relation to the total consumption of the distributive consumers, the losses make 22.8 %. It is estimated that the technical losses in the distributive network amount to 12%, i.e. that the commercial losses were realized at the level of 10.8 %.

6.2.5.1. Activities Carried out for the Purpose of Reducing Distribution Losses

At the end of 2005 losses realized in the EPCG distributive network amounted to around 1/3 of procured electric power (around 33%), which is a very large amount in comparison with the losses of electric power distribution companies in the surrounding developed countries. It is an undeniable fact that electric power losses, i.e. non-technical – commercial losses are one of the greatest problems of the entire EPCG system.

Having faced enormous losses of electric power, the Board of Directors and the Management of the EPCG started significant activities for their reduction. An ambitious, but accomplishable objective – reducing losses to the acceptable level, i.e. to the level of 12% in the period of 5 years, was set.

Tendency of reducing the losses in 2007, is a result of realization of the activities originating from the long-term Strategy for reducing electricity losses, the decisions and the program of measures adopted by the Board of Directors and the Management of the EPCG, out of which the most significant are:

- o Registering of 15,730 consumers illegally connected to the distributive network, into the data base of FE Electric Power Supply
- o Introduction of continuous reading and increasing of degree of readings of the electricity meters and measuring devices,
- o Replacement of 11,920 defective electricity meters,
- o Implementation of AMR system (remote reading of electricity meters) in 21 pilot region (3,649 Landis+Gyr electricity meters type LENNT has been installed) at the Electric Power Distribution Companies: Podgorica, Nikšić, Herceg Novi and Bijelo Polje,
- o Visual control of consumers measuring points and logic control of consumption,
- o Target control of 66,501 consumers measuring points, out of which at 972 points the illegal consumption was discovered and at 238 points the mechanical damages of the electricity meters and of the measuring devices were discovered,
- o Calculation of illegal consumption (19,948 MWh)
- o 1,181 criminal charges were brought to the competent courts for stealing of the electricity or for removing or damaging of the official seal or the sign, as well as institution of delictual proceedings at the Ministry for Economic Development, for mechanical damaging of the electricity counters, as well as against illegal connecting of 984 consumers,
- o Interpolation of 10/0.4 kV TS into MV network
- o Maintenance and reconstruction of power facilities,
- o Calibration and certifying of the consumers measuring devices which are in operation,
- o Introduction of the procedures and instructions, etc.

In addition to the above mentioned activities, the activities related to stimulating of the employees for detecting the illegal electricity consumption, were undertaken. The criteria for the individual and for the group stimulation were adopted. Stimulation of some Electric Power Distribution Companies is in a direct connection with the achieved level of losses of electricity, in relation to the planned losses.

6.2.7. Water Storages

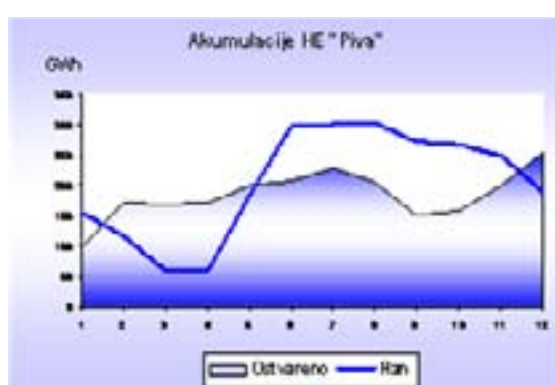
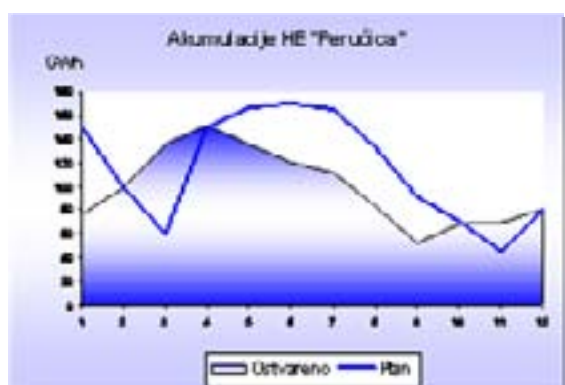
A detailed overview of water storage situation, on the first day of the month, is given in the below Table:

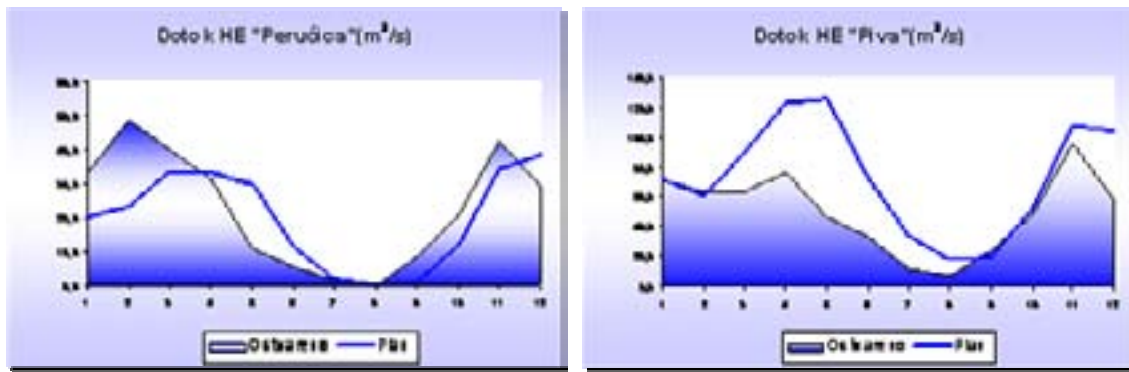
Month	HPP PERUĆICA		HPP PIVA	
	Realized (GWh)	Planned (GWh)	Realized (GWh)	Planned (GWh)
January	76	150	100	156
February	100	100	173	117
March	136	60	169	60
April	152	150	171	59
May	136	166	199	185
June	121	171	207	299
July	112	165	228	300
August	84	133	205	303
September	53	92	151	273
October	69	71	160	268
November	70	46	201	248
December	80	80	253	188

In the course of the previous year, hydrological circumstances in Montenegro were extremely unfavorable. At the beginning of the year in the water storages of HPP “Perucica” were 76 GWh, which is 74 GWh less than the planned. At the end of the year the water storages were reduced to the level of 64 GWh, which is 57.3% below than the planned quantity. The average annual water inflow amounted to 22.78 m³/s.

The HPP “Piva” operated at the average monthly elevations, ranging from 643.4 m asl in January up to 668.6 m asl in December and achieved an average annual elevation of 655.9 m asl. The average annual water inflow was 49.9 m³/s. At the end of the year the water storage was brought to 225.1 GWh, which is 69.1 GWh or 44.3% above the plan.

Tabular presentation of the achieved water inflows and the water storages, per months, is given in the Attachment.





6.2.8. Coal and Fuel Oil

In order to achieve the generation of 766.4 GWh, which is 10.8% less than the planned, TPP Pljevlja consumed totally 1.065,132 tons of coal, which means that an average specific consumption of 1,389 kg/kWh was achieved and in the year 2006 it was 1,285 kg/kWh.

The coal consumption in the year 2007 in comparison with the year 2006 was 22.9% lower and the power generation was 28.7% lower.

Coal deposit at the beginning of the year was 6 kilotons and at the end of the year it was 50 kilotons or 83.3% of the planned quantity.

Supply of the TPP with the coal was not in accordance with the plan, neither in respect of the quantity, nor according to the schedule of supplies and the quality, therefore the TPP had to be outaged due to lack of coal and in some periods of the year the TPP had to operate with variable power output, which did not allow optimizing the system operation, both in respect of the power generation and in economic respect.

In 2007 the Thermal Power Plant was in operation for 4678 h and was in overhaul for 2762 h (main overhaul of the boiler plant), because of lack of coal it was out of operation for 811 h (on five occasions during the year), due to the failure at 220 kV switchyard it was out of operation for 74 h and due to the failures in the boiler, it was out of operation for 435 h. Total outage of the TPP in 2007 amounted to 4082 hours.

Because of irregular coal supplies, the unplanned outages of the TPP amounted to 811 h, which is equivalent to the lost power generation in the amount of 150 million kWh. The TPP service factor was 0.534, the factor of utilization of the capacities was 0.459, the operational readiness factor was 0.627 (overhaul coefficient was 0.315) and the coefficient of reliability was 0.902.

Caloric value of the coal per months ranged from 1701 kcal/kg to 2227 kcal/kg and the average annual caloric value amounted to 1989 kcal/kg.

The fuel oil consumption in the last year amounted to 3172 tons, which was 40.8% more than the planned. Such fuel oil consumption is a result of a higher number of stoppages and outages of the TPP.

7. OPERATIONAL READINESS AND MAINTENANCE OF FACILITIES

Besides very exerted operation of the EPS of Montenegro and with the fact that certain areas in the Republic are supplied from single 110 kV long distance power line (Ulcinj, Andrijevisa with Plav and Gusinje and Vilusi) and the coastal area with the capacities which do not fulfill the N-1 criteria; it can be concluded that there were no longer disruptions in supply of the consumers with the electricity at the point of transmission. In 2006, Niksic-Bileca long distance power line of 110 kV was put in parallel operation, resulting in increased security of power supply to Vilusi.

As a whole, the operational readiness of the electric power facilities and plants in the year 2007, with regard to the insufficient capacities and unilateral supply of some areas, was favorable.

7.1. Power Generation Facilities

Individually, the power plants realized the following availability coefficients:

- o HPP Perucica **78.8%,**
- o HPP Piva **65.7%,**
- o TPP Pljevlja **62.6%.**

7.1.1. HPP "Perućica"

In 2007 HPP "Perucica" generated **738,580 MWh** of electric power, which is **84.3%** of the planned amount (876.000 MWh). The scope of power generation lower than the planned was realized predominantly because of hydrological situation worse than expected and insignificantly because of outage of the units No. 4 and 5, because of reconstruction of the unit No. 3, as well as because of stoppage of the unit No. 7, caused by failure of the generator bearing "A".

Operational readiness of all generating units at HPP „Perućica“ and at Small-scale Power Plants was maintained at very high level, except for the unit No. 7 at HPP „Perućica“ (because of failure of the generator bearing "A"), at one shorter period of time.

Overhaul of the devices and plants was performed mainly in compliance with the plan and mostly thanks to that fact, a high level of operational readiness was maintained.

Within the overhaul, the following works were performed:

- o Overhaul of civil structures which implied:
 - a) Geodetic survey of civil structures,
 - b) Works related to remedy of damages on civil structures (dams, canals, machine hall, storage area, machinery, workshops, guard houses, small hydro power plant, etc.)
 - c) Removal of vegetation along the dams, from the areas along the canals, from the balancing reservoir, from the area alongside the penstock, from the switchyards,

from the yard of the power plant, from the areas besides the structures of Small Hydro Power Plants, etc.

- o Overhaul of valve chambers of the water conveyance system, which implies the works on electrical and mechanical equipment of the auxiliary and the main valves, cleaning device, Diesel generating unit, etc.
- o Overhaul of the penstock which included: anti-corrosive protection of part of the penstock, overhaul of expansion joints, inspection fittings, air valves, penstock supports, dynamic tests for the purpose of establishing stress condition at certain critical points of the penstock, etc.
- o overhaul of the equipment in the machine hall, which implied:
 - a) Overhaul of mechanical equipment (turbine equipment, turbine guard valves equipment, regulating equipment, auxiliary units' equipment, etc.)
 - b) Overhaul of electrical equipment (auxiliary power supply equipment, generators equipment, turbines equipment, auxiliary units equipment, protection, equipment in the central control room, telecommunication equipment, etc.). Also, the main overhaul of the generators No. 3 and 4 was performed.
- o Overhaul of the equipment in 110 kV switchyard, which included overhaul of power transformers and instrument transformers, overhaul of surge arresters, overhaul of circuit breakers in generator bays and circuit breakers in overhead transmission line bays, overhaul of sections A and B, etc.
- o Overhaul of auxiliary devices which implied overhaul of: cooling water system, compressed air system, drainage system, stable fire-fighting systems, cranes and hoisting devices, equipment in the workshops, etc.
- o Overhaul of Small Power Plants, which comprised overhaul of the entire electrical and mechanical equipment.

A smaller part of overhaul works, for which the necessary conditions could not be made, remained unfinished. The most important among these works is **overhaul of 220 kV switchyard** – because it was not possible to obtain permission for shutdown of the facilities in the period when it was possible to perform the works. The overhaul works at 220 kV switchyard are necessary to be performed during this year. According to electric power balance of the Republic of Montenegro, overhaul of 220 kV switchyard should be performed in May 2008.

Capital investment projects

Within capital investment projects the following envisaged activities were performed:

- o Reconstruction and modernization of the unit No. 3 and the auxiliary units. Currently the unit No. 3 and the auxiliary units are in the trial run regime.
- o Significant activities concerning researching and finding out possibilities for improved utilization of waters from Nikšićko polje were implemented. After implementation of these projects significant increase of electric power generation at HPP „Perućica“ is expected.
- o Significant activities concerning implementation of installing of the unit No. 8 at HPP „Perućica“ were completed. „Energoprojekt“ technical documentation from the previous years was innovated, the Feasibility Study for installing of the unit was prepared, as well as the Tender Documentation for fabrication, delivery and installing of the unit. The procedure of Tender Documentation revision is currently in progress. This activity was performed by IBE Company from Ljubljana.

- o Certain activities related to implementation of the Project which will be financed from the credit of the World Bank were completed (replacement of the cleaning machine and the thrash rack at Vrtac valve chamber, as well as fabrication and delivery of one runner for the needs of the units No. 6 and 7). Within these activities, the Tender Documentation was prepared and after adoption of this documentation, implementation of the above mentioned projects will start during this and the following year.

7.1.2. HPP "Piva"

During 2007 HPP "Piva" generated **522.972 MWh** of electric power. Its units were in operation for 1910 hours on the average, with the average number of start-ups of 252 for each of the units. In the course of the year, the regular annual overhaul was carried out on all three units.

The HPP "Piva" operated at the average monthly elevations, ranging from 643.35 m asl in January up to 668.59 m asl in December and achieved an average annual elevation of 655.93 m asl. The average annual water inflow was 49.87 m³/s.

An overview of unit stoppages is given in the table below.

- o Planned stoppage (overhaul and minor overhaul of plants) and
- o Unplanned stoppages (caused by equipment failures).

Stoppage Duration [h.min]	Failure	Overhaul and total outage	Minor Overhaul	Total
Unit A1	10.00	1026.07	6.00	1042.07
Unit A2	9.40	1020.50	6.00	1036.30
Unit A3	9.14	910.07	3.30	922.51
Total	28.54	2957.04	15.30	3001.28

Unplanned stoppages were caused by the following:

- o failure in the cooling water system (increasing of combined bearing temperature),
- o outage of the unit because of the electric shock in the network (outage of 400 kV long-distance power line
- o Podgorica-Kosovo),
- o breaking of guide vane plug,
- o voltage drop at DC voltage battery.

In the period envisaged for the minor overhaul of the plant, in addition to regular controls, testing of the insulation was also carried out.

Annual overhaul started on August 7th, 2007 by overhaul of the unit A3 and it lasted till September 4th, 2007. Overhaul of the unit A1 started on September 5th, 2007 and lasted till October 8th, 2007. Overhaul of the third unit – A2 lasted from October 9th, 2007 to November 20th, 2007.

In the course of overhaul of the last unit (A2) permission for total outage of the Hydro Power Plant was obtained and it lasted from October 22nd, 2007 to October 31st, 2007.

7.1.3. TPP “Pljevlja”

Electric power generation at the TPP “Pljevlja” in 2007 amounted to **766.400 MWh**, which is **89.2%** in relation to the plan (859.000 MWh).

A larger scope of overhaul works on the boiler (finalization of reconstruction) was performed at TPP in the period from May 18th, 2007 to September 14th, 2007. The period before starting of the overhaul was characterized by good operational readiness and by stoppages caused by the problems in coal supply. The period after the overhaul was characterized by larger number of stoppages, because of unreliable boiler operation.

Overview of summary indicators in relation to the previous period of operation is given in the Table below:

Year	Service factor	Capacities utilization factor	Operational readiness (availability) factor	Reliability factor	Power generation factor	Planned stoppage factor	Forced outage factor
Average in 2007	0.534	0.468	0.626	0.876	0.877	0.391	0.075
Average in 2006	0.784	0.623	0.866	1.000	0.888	0.134	0.000
Average in 2005	0.653	0.549	0.800	0.996	0.841	0.196	0.004
Average in 2004	0.659	0.581	0.72	0.994	0.880	0.274	0.006
Average in 2003	0.742	0.661	0.77	0.981	0.892	0.22	0.02
Average in 2002	0.750	0.670	0.78	0.99	0.89	0.25	0.01

The following conclusions can be made from the table:

- o **Service factor** (duration of operation in relation to the total hours during the year) of the TPP is lower in comparison with the year 2006, from 78.5 % it decreased to 53.4 %, due to performing of overhaul works;
- o **Capacities utilization factor** (ratio between potential and realized power generation with the installed capacity in the observed year), from the value of 62 % in 2006, decreased to 46.8 % in 2007;
- o **Operational readiness (availability) factor** (ratio between the time of HPP availability for operation and the total calendar time), decreased from 86.6 % in 2006, to 62.6 % in 2007;
- o **Reliability factor** (duration of operation in relation to the total sum of operation and outage time duration) decreased from the value of 100 % in 2006 to 87.6 % in 2007;
- o **Power generation factor** (capacity utilization in the realized operation time) remained the same value as in the previous year;
- o **Overhaul factor** (ratio between the time spent in overhaul and the total calendar time) is higher than the values in the previous years, due to the volume of overhaul works for reconstruction of the boiler. In 2007 this factor amounted to 0.315 and in the above Table the forced outage factor because of lack of coal, is comprised with the value of 0.391.
- o **Forced outage factor** (ratio between the time in outage and the total calendar time) increased because of unreliability of the boiler plant after the overhaul. During September and October the average value of this factor amounted to 0.248, whereas

during November and December, after stabilization of the problems with the boiler, this value decreased to 0.051.

7.2. Transmission Facilities

Plan of overhaul works, survey and examination of the electric transmission facilities, the works related to regular and capital investment maintenance, as well as purchasing of the stand-by equipment and spare parts for these purposes, in the period January 1st, 2007-December 31st, 2007 was realized in the planned volume.

7.2.1. Long-Distance Power Lines

Implementation of the plan of examinations, surveys and overhauls during 2007 is presented in the below Table:

	EXAMINATIONS planned/realized	SURVEYS planned/realized	OVERHAULS planned/realized
400 kV	6/6	0/0	2/2
220 kV	13/13	0/0	1/1
2X110 kV	4/4	0/0	0/0
110 kV	45/45	0/0	5/4
110(35) kV	10/10	0/0	0/1
Total	78/78	0/0	8/8

- o Overhaul of 110 kV long-distance power line Perućica-Danilovgrad, which includes replacement of suspension equipment and repairing of the conductor damaged at support terminals, was not performed because AlFe strand 150/25 mm² planned to be used for these works, was used for reparation of emergency accident on 110 kV long-distance power line Nikšić-Bileća, at end of March this year. Since purchasing of new quantities of this strand is under procedure, this overhaul is postponed for 2008.
- o 110 (35) kV long-distance power line Pljevlja-Žabljak was overhauled, even though it was not planned, because a large number of damages was detected during the first regular inspection,
- o 110 kV long-distance power line Trebinje-Herceg Novi was overhauled, although it was planned to be performed in 2008, because of providing of no-load condition, on request of the Electric Power Industry of the Republic of Srpska.
- o After inspection of all long-distance power lines, all the failures for which it was estimated that can influence on the operational safety of the long-distance power lines were eliminated.
- o Felling of trees on routes of long-distance power lines was performed within the planned scope.

7.2.2. Transformer Stations

Implementation of the plan of overhauls and surveys in 2007 is presented in the Table below.

	OVERHAULS planned/realized	SURVEYS planned/realized
400 kV	2/2	0/0
220 kV	3/1	9/12
110 kV	10/9	19/20
35 kV	8/11	11/8

In the year 2007 the following equipment was installed:

- o 400 kV circuit breaker pc 1
- o 220 kV circuit breaker pc 3
- o 110 kV circuit breaker pc 5
- o 35 kV circuit breaker pc 19
- o 400 kV instrument transformer pc 3
- o 220 kV instrument transformer pc 7
- o 110 kV instrument transformer pc 10
- o 35 kV instrument transformer pc 4
- o 220 kV surge arrester pc 6
- o 110 kV surge arrester pc 36
- o 35 kV surge arrester pc 33

7.2.3. Interventions

During this period the Department for maintenance of transformer stations (TS) performed 75 urgent interventions on pertaining equipment. Interventions that demanded engagement of large number of staff included the following:

- o Replacement of post-type insulator and reparation of SF₆ leakage on 110 kV circuit breaker, in transformer field T2 at TS 400/110 kV Podgorica 2.
- o Dismantling of damaged equipment in transformer field T2 at TS 400/110 kV Podgorica 2.
- o Replacement of insulated bushings at 35 kV long-distance power line Petrovac 2, at TS 110/35 kV Budva.
- o Replacement of insulated bushings at 35 kV long-distance power line Budva 2, at TS 110/35 kV Budva.
- o Reparation of SF₆-gas leakage on 220 kV circuit breaker, in transformer field T2 at TS 220/110/35 kV Podgorica 1.

7.3. Distributive Facilities

Most of the investments in 2007 referred to new facilities in secondary network, because the facilities in the primary network require far larger funds. Rehabilitation of the facilities was minimal.

The maintenance plan was realized in the part which refers to regular overhaul of transformer stations and long-distance power lines, particularly within the preparation for the summer season. The other activities planned to be performed on the network, were limited by purchases of the equipment and the material.

These investment did not significantly improve the operational readiness, but they enabled preserving of electric power supplies to the distributive consumers.

After analyzing types and scopes of the executed works, it can be concluded that proportionally larger share was of the interventions than of the planned activities, which is logical in a situation of limited investments.

An outline of the executed works, on the basis of the reports of certain distribution companies would be as follows:

- o Rehabilitation of the long distance power lines of 35 and 10 kV after the injuries, the interventions such as replacement of particular poles or parts of the poles, replacement of the damaged strands, insulators, felling of trees for the route of long distance power lines;
- o Regular periodical testing and adjustment of the protection devices at the transformer station 35/10 kV;
- o Repairs of the equipment (circuit breakers and disconnectors) 35 and 10 kV;
- o Replacements of the power transformers (they were planned in order to increase the capacity) and emergency replacements;
- o Repairs of all transformers after injuries;
- o Reconstruction of the overhead low voltage network – mainly replacement of worn-out poles and conductors in the low voltage networks;
- o Interventions on the cable network – installation of shorter lengths, repairing of the faults, installation of cable joint boxes and terminals.

To enable implementation of maintenance of the distributive network facilities in conditions of limited financial possibilities, it is necessary:

- o to provide material necessary for maintenance of the distributive network: wooden and concrete poles of different dimensions, strands and self-supporting cable bundles of different cross-sections, high-voltage and low-voltage cable of different sizes, cable accessories, DTS 10/0.4 kV, in accordance with the technical recommendation TP 1b, STS 10/0.4 kV, power 50 to 160 kVA.
- o to provide testing devices and equipment, cross-country and special-purpose vehicles, in order to upgrade the level of technical equipment and to improve the efficiency of maintenance teams.

The characteristics which continually illustrate the situation related to the distributive network for many years already and which even deteriorate in the situation of limited investments are:

- o Operation under severe exploitation conditions, during a period which exceeds operating lifetime of the equipment installed in the plants;
- o Obsolete technical solutions and old equipment which do not meet up-to-date requirements;
- o Disproportional growth of the secondary distributive network, without adequate expansion of the primary network, which results in overloading of the 35 kV long distance power line and 35/10 kV transformer station;
- o Increase of electricity consumption, intensive building in certain areas without planning, which has not been accompanied with adequate development of the network;
- o Insufficiently equipped teams having insufficient number of workers to be engaged on the regular maintenance, which was reinforced because of the condition in which these facilities are;
- o Slow establishing of on-load conditions, after failures, because a system for remote monitoring and control does not exist;
- o Technical losses (the growth of which is an indicator of the rest of the above mentioned characteristics).

To reduce these characteristics up to a certain degree, considerable investments are necessary, not only in the maintenance, but also in the new structures.

For the purpose of satisfying the needs of the most vulnerable areas from the aspect of electric power supply, a list of priorities was prepared, based on the set criteria. The most urgent projects were nominated for donations/loans; financing of implementation of a part of the Projects has been provided by signing of the Contract with the *Schneider Electric* in July of the current year, for the commodity loan of French Government to the amount of EUR 8.479,000.

8. RELATIONS WITH BUYERS

Improvement of the entire service and improvement of collection of outstanding receivables from the buyers of electric power were among the priority activities in 2007.

In the Republic of Montenegro as of December 31st, 2007 there were 27,665 consumers in the category of other consumption and 288,985 consumers in the category of households.

“Electric Power Supply” reached agreements related to collection of outstanding receivables based on the consumed energy, with the Post of the Republic of Montenegro and with the commercial banks, according to which the buyers are enabled to pay their commitments without charging the commission by these entities. In addition to the counters at the Post of the Republic of Montenegro and at the commercial banks, the consumers are enabled to pay their commitments based on consumed energy also at the counters of the OE “Electric Power Supply”, which are available in all towns in the Republic of Montenegro.

For the purpose of improving the quality of service, the consumers are enabled to pay their commitments through several various models:

- possibility of payment by MAESTRO, MASTER and VISA cards, at all collection points of the OE “Electric Power Supply” – Contract with CKB bank,
- possibility of payment by means of permanent order – Contract with the “First bank of Montenegro” and the CKB bank,
- possibility of payment by co-brand card, which offers to the consumers the possibility to pay their commitments based on the old debt even up to 20 instalments - Contract with the “First bank of Montenegro”
- possibility of payment of the old debt in up to 10 monthly instalments, by signing the protocol related to time schedule of payment of debt,
- possibility of payment of the commitments based on consumed electric power by means of e-banking.

The level of resolving the consumers requests based on the submitted claims, has also been raised.

The activities related to implementation of new services for the electric power consumers have been prepared and they will be implemented in 2008:

- establishing of call-center,
- access to the consumer's analytic card by means of interactive voice response,
- access to the consumer's analytic card by internet.

9. HEAD OFFICE OF THE JOINT-STOCK COMPANY – JOINT FUNCTIONS

9.1. Development Researches

The following main activities were carried out within the Sector of Development and Engineering – Department of Development Research in the period January-December 2007:

- o Hydrological investigations for the purpose of SHPP construction in Montenegro (Project 1). The project is implemented based on Norwegian Government donations (from 2005) and it includes selection of locations, construction of hydrological stations, hydrological measurements at 15 locations and processing of measurement results. Field investigations were completed in September 2007. The Contractor for these works is Hydrometeorological Institute of the Republic of Montenegro and control of the works is performed by the experts of this department.
- o Hydrological investigations for the purpose of SHPPs construction in Montenegro (Project 2). This Project is implemented on the basis of the donation of the Government of Norway from 2006 and it comprises: selection of the locations, construction of the hydrological stations, hydrological measurements at 15 new locations and processing of measurement results. During this period the locations were selected and construction of hydrological stations has begun. Finalization of field works is scheduled for autumn 2008. The hydrological measurement works also have started. The Contractor for these works is Hydrometeorological Institute of the Republic of Montenegro and control of the works is performed by the experts of this department.
- o Preparation of a Joint EPCG-Statkraft (Norway) Study. Based on the Memorandum of Understanding signed between EPCG and Statkraft, the activities from the previous year related to preparation of the Joint Study were completed. Within this Department, the documentation sent by Statkraft was analyzed, supplemented and translated and also some parts of the subject document were prepared. The experts from this Department participated in organization and holding of the meetings with the Statkraft representatives.
- o Participation in the work of the Montenegrin Government Committee related to the division of hydropower potential of the Trebisnjica hydropower system, as well as participation in the preparation of the Report for requirements of the Ministry for Economic Development. Also, the possible Basic Design for utilization of waters from the Bilećko lake on the territory of Montenegro, was analyzed within these activities.

- o Utilization of hydropower potential of the waters from the Bilećko lake on the territory of Montenegro. Based on the Decision of the Government of Montenegro, the Terms of Reference were prepared, as well as the Tender Documents for elaboration of the Basic Design, after which the procedure for public awarding (adjudication) of the project designing works was performed. The Tender procedure was implemented by the Ministry for Economic Development.

9.2. Project Design Department

During 2007 the Project Design Department worked for the requirements of certain parts of the Enterprise on the preparation of the following investment-technical documentation: detail designs, studies, technical solutions, tender documentation and provided other services within Department's scope of activities.

9.3. Center for Information-Communication Technologies (Integral Information System)

The following activities were realized in the Center for Information-Communication Technologies in the period January-December 2007:

- o Implementation of the World Bank Project – FMIS and Pilot Project;
- o Development of a global network – reconfiguration of LANs and their connection into an integral computer network infrastructure by implementing MIPNET;
- o Introduction of new network services - Active Directorium and VSUS;
- o Active applicative support to the “Electric Power Distribution” Co. Ltd., in monitoring of:
 - a. losses - system and applicative support,
 - b. illegal electricity consumption and
 - c. issuing of the electric power consents.
- o Active computer support to committees and work teams formed for special purposes and to all users at the Joint-Stock Company level;
- o Maintenance of the entire hardware, system and applicative software of the business-information system at the Joint-Stock Company level.

9.4. Introduction and Improvement of the Quality System and Environment Protection

The Center for Quality System and Environment Protection performed its activities in accordance with Business Policy of EPCG and the Work Programme of the Quality Committee of the Government of the Republic of Montenegro, using all positive experiences from the neighbouring regions and the necessity of accepting the requirements of EU for improvement of the business systems through application of the International Quality Standards - ISO.

The basic activities of the Center for Quality System were the following:

- o Continuation of permanent education of the Head Office, Functional Entities and “Elektrogradnja” staff, in accordance with the requirements of the Standard ISO 9001 – improvement of the quality of the processes of individual functions and the Standard ISO 14001 – environment protection;

- o Preparation of professional quality documents in the Head Office, Functional Entities and “Elektrogradnja”, at their request and according to their priorities and regular rendering of services related to the quality documents preparation;
- o Preparation of the Programme for training of the employees for the Standard ISO 18001 - Safety and Health Protection of the Employees;
- o Monitoring of the data related to potential polluters within EPCG and identification of parameters of the potential environment polluters;
- o Monitoring of requirements of the new ISO standards, evaluation of the conditions and necessities for their application - ISO 27001 - electronic business operations, ISO 17025 - laboratory accreditation, etc.

10. »ELEKTROGRADNJA«

“Elektrogradnja”, being a part of the Company “Electric Power Industry of Montenegro (EPCG), Joint-Stock Company Niksic”, represents a highly specialized service of the EPCG and is engaged in construction of all kinds of capital investment projects, in the capital investment maintenance and regular maintenance of the electric power facilities, as well as in the other specific works (reparation of injuries, reconstructions, etc), for the requirements of the Company, as well as of the third persons.

In 2006 OE “Elektrogradnja” was primarily engaged in the following works:

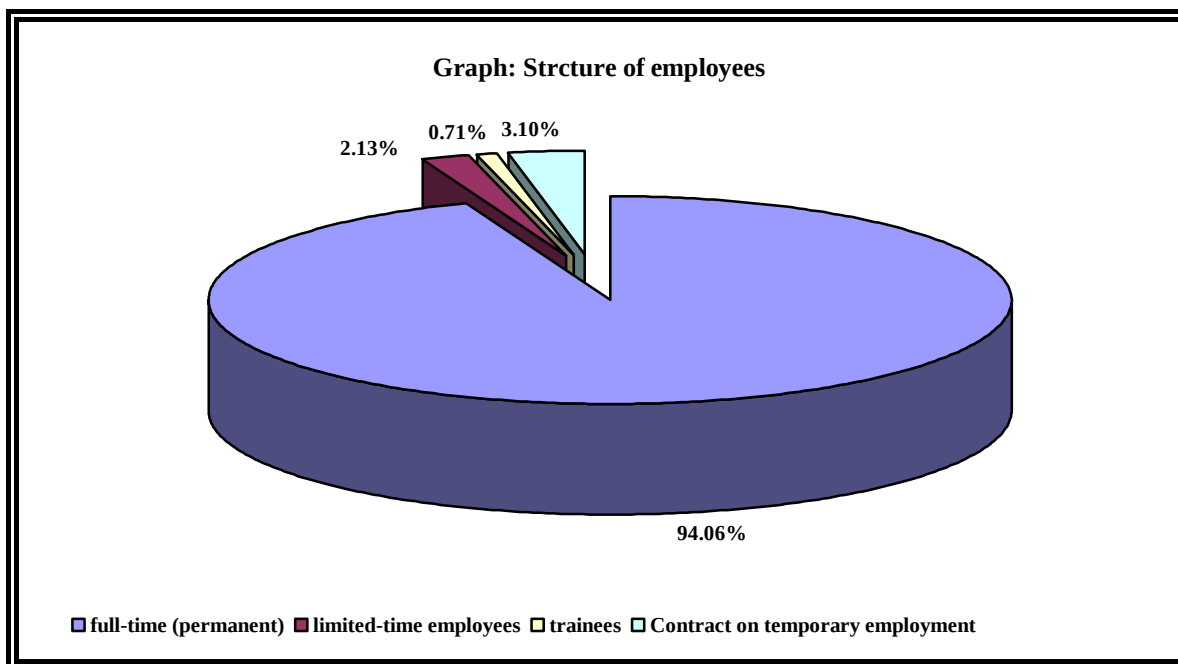
- o Rehabilitation (overhauling) of the facilities,
- o Rural electrification,
- o Capital investment and regular maintenance and installation of steel structures,
- o Manufacture of metal mesh structure;
- o Manufacture of reinforcing concrete anchors with the clamping rings, etc.

11. HUMAN RESOURCES POLICY

In the part of the human resources policy, as envisaged by the provisions of the Business Policy for 2007, the main point was put on rationalization of the manpower and its reduction to the optimum limits, in the context of total activities for as easy as possible transition from the phase of functional into the phase of legal separation of the integral and vertically integrated EPCG.

The present state of EPCG is as follows:

The total number of employees as of 31.12.2007 the was 3382, out of which 3181 were full-time (permanent) employees, 72 were limited-time employees, 24 were trainees and 105 employees working under the Contract of Temporary and Occasional Employment.



In 2007, as well as in previous years, the **qualification structure of the employees was extremely favorable and above the average in the Republic of Montenegro**, taking into account that employees with university qualifications, skilled and highly-skilled workers of professions related to electric power prevailed.

Reduction of the number of employees in EPCG to the present level was achieved first of all through the following measures:

- Natural drain of workers,
- Employment of new staff only when necessary and then, as a rule, they were employed as the limited-time, according to the decision of the Executive Manager,
- Filling of the vacant positions by horizontal moving of the employees within certain organizational part and from one part to another,
- Through buying-up of the positions,
- Termination of employment because of not possessing the valid diplomas.

According to the decision of the Board of Directors which defined the buying-up of the positions in the amount of 9,850.00 EUR each, in the cases when there was no special need for these positions in the working process, in the period January 1st, 2007 to December 31st, 2007, the employment was terminated with 5 employees, whereas in accordance with the decision of the Board of Directors, which defined payment of the severance (redundancy) payments to the employed disabled persons in the amount of EUR 15,500 the employment was terminated with 4 employees and through payment of the severance (redundancy) payments to the employed disabled persons in the amount of EUR 17,500 the employment was terminated with 3 employees.

This measure seems to be particularly appropriate and necessary in the interim period before the final implementation of the social program and in order to continue with its implementation in the forthcoming period the Board of Director needs to reach a decision defining a new buying-up amount.

35 employees realized their right to retire during 2007.

In the period from January 1st, 2007 to December 31st, 2007, 23 employees died, 5 employees were discharged and 3 employees left the Company by mutual consent. Also, employment of two employees was terminated due to a complete loss of work abilities.

In line with the law, employment of 36 employees was terminated due to possession of invalid, i.e. non-credible diploma of qualifications.

12. FINANCIAL OPERATIONS

12.1. Introductory Remarks

At the beginning of this overview of indicators related to the financial operation of EPCG J.S.C. Niksic for the year 2007, conditions and specific circumstances in the subject operation period should be outlined:

- Methodology of financial statements for 2007 was coordinated with the “Rulebook on Tariffs for Electric Power” enacted by the Regulatory Agency for Energy. Also, for the purpose of adequate comparative analysis, in compliance with the above mentioned methodology, adjustment of the data from 2006 was performed.
- The revenues from the Aluminium Plant Podgorica (KAP), due to implementation of annual and middle-term agreement, are significantly higher than the realization from 2006. The average price for this consumer in 2007 amounted to 3.97 c€/kWh and it was by 93.50% higher than the average price realized in 2006.
- The Regulatory Agency for Energy enacted the Decision on Regulatory Permitted Revenue and the Decision on Establishing the Schedules of Prices, which came into force in July 2007. These Decisions were the subject of litigations before the Administrative Court and these litigations finalized by canceling of the above mentioned Decisions. After the judgement of the Administrative Court the Agency enacted new Decisions related to revenue and the schedules of prices, which came into force in October 2007. It should be underlined that the activities of the Agency in this field did not bring to improvement of financial business operations of the Electric Power Industry, which best can be seen in the fact that the average price realized at the distributive level for the first half-year 2007 (the period of application of old tariffs) was higher than the price realized in second half-year 2007 (the period of application of new tariffs).
- Based on the Decision of the Regulatory Agency, the coal price was determined at the level of 20.77 € per ton. Also, the new price was determined by the Agency in October 2007 and it amounted to 21.90 € per ton.
- On the basis of the imported electric power the highest expenses were realized up to now and in 2007 they amounted to 91.559,830 EUR.

- The liabilities towards the local self-governments significantly burdened the business operations of the Electric Power Industry of Montenegro.

12.2. Financial Statements

In period from January - December 2006, the Electric Power Industry of Montenegro (EPCG) - Joint Stock Company Nikšić realized the **total revenue** in the amount of **EUR 261.629,910** and the **total expenses** in the amount of **EUR 269.506,385**. With regard to the plan for 2007, the realized total revenue is higher by 11.81 % and expenses by 5.23 % Compared with realization in 2006, the total revenue is higher by 19.11% and expenses by 10.39%.

During the observed period the EPCG realized **loss** in the amount of **EUR 7.876,475**, which is **EUR 16.601,360 lower** than the loss in the previous year, i.e. **EUR 14.238,925 lower** than the planned loss.

Analytic study of the trends and impacts of the individual revenues and expenses on the operating result for the period January-December 2007 and their comparison with the data from the Plan and the achieved results in 2006 is given in the review of the Income Statement.

Description	2007 Realized	2007 Planned	2006 Realized	Structure 2007	Degree Realiz./planned	Degree Realiz. 2007/ Realiz. 2006
REVENUES						
1. Revenues from sale of electricity	229.381,843	218.296,211	170.629,857	87.67%	105.08%	134.43%
2. Other operating revenues	13.798,550	4.263,356	11.728,408	5.27%	323.65%	117.65%
3. Financial revenues	1.127,759	10,630	27.465,421	0.43%	10609.21%	4.11%
4. Other revenues	14.153,799	8.370,000	6.454,625	5.41%	169.10%	219.28%
5. Revenue from sale of services ("Elektrogradnja")	3.167,959	3.049,618	3.384,742	1.21%	103.88%	93.60%
Total Revenues	261.629,910	233.989,815	219.663,054	100.00%	111.81%	119.11%
EXPENSES						
1. Costs of electricity purchase from import	91.559,830	77.217,263	43.170,246	33.97%	118.57%	212.09%
2. Costs of fuel for electricity generation	21.814,767	25.888,280	24.304,888	8.09%	84.27%	89.75%
3. Annual costs of salaries and other personal earnings	48.508,345	47.966,452	49.946,386	18.00%	101.13%	97.12%
4. Costs of spare parts and material	7.324,446	7.038,867	6.649,835	2.72%	104.06%	110.14%
5. Costs of third persons services	12.742,241	12.210,315	12.997,736	4.73%	104.36%	98.03%
6. Costs of bank current accounts, telecommunication, post, insurance costs ...	4.285,279	5.237,312	4.930,639	1.59%	81.82%	86.91%
7. Costs of property tax and costs of compulsory contributions (compensations)	17.676,922	17.879,368	11.048,093	6.56%	98.87%	160.00%
8. Other costs	12.538,759	10.735,315	9.925,166	4.65%	116.80%	126.33%
9. Other costs (Provisions from previous years)	8.300,570	10.500,000	18.474,697	3.08%	79.05%	44.93%
10. Depreciation costs	36.331,144	36.968,066	36.756,382	13.48%	98.28%	98.84%
11. Financial expenses	2.325,909	2.091,670	19.008,239	0.86%	111.20%	12.24%
12. Extraordinary expenses	1.108,532	283,471	7.574,005	0.41%	391.06%	14.64%
13. Electricity purchase from EPS (consolidated balance)	4.989,643	0	-645,423	1.85%	#DIV/0!	-773.08%
14. Costs of performing unlicensed activities	0	2.088,836	0	0.00%	0.00%	#DIV/0!
Total Expenses	269.506,385	256.105,215	244.140,889	100.00%	105.23%	110.39%
I. NET PROFIT (LOSS)	-7.876,475	-22.115,400	-24.477,835		35.62%	32.18%

12.3. Revenues

The total revenue of the "Electric Power Industry of Montenegro" for the period January-December 2006 was realized in the amount of **EUR 261.629,910**

The structure of total revenue consists of revenues from sale of electricity, other operating revenues, financial revenues and other revenues.

12.3.1. Revenues from Sale of Electricity

Revenues from the sale of electricity in the subject period amounted to EUR 229.381,843. Revenues from the sale of electricity to direct and distributive consumers amounted to EUR 224.187,232 and the additional revenues from electricity export amounted to EUR 5.194,610.

Analytic presentation of revenues from electricity sale to direct and distributive consumers is given in the table below.

CONSUMER	January - June 2007			July - December 2007			Total 2007		
	Consumption (kWh)	Invoiced in Euros	€/kWh	Consumption (kWh)	Invoiced in Euros	€/kWh	Consumption (kWh)	Invoiced in Euros	€/kWh
KAP	612.033,608	26.071,773	0.0426	626.260,491	23.049,102	0.0368	1,238.294,099	49.120,875	0.0397
Iron Works Niksic	89.765,645	4.991,742	0.0556	92.340,899	5.547,207	0.0601	182.106,544	10.538,949	0.0579
Railways of Montenegro	11.537,392	718,972	0.0623	11.839,029	707,707	0.0598	23.376,421	1.426,680	0.0610
TOTAL DIRECT CONSUMERS	713.336,645	31.782,488	0.0446	730.440,419	29.304,016	0.0401	1,443.777,064	61.086,503	0.0423
35Kv	42.772,947	3.026,876	0.0708	42.672,720	2.605,547	0.0611	85.445,667	5.632,423	0.0659
10Kv	86.343,269	8.752,010	0.1014	110.747,436	8.119,716	0.0733	197.090,705	16.871,726	0.0856
Total 0,4kV	736.467,651	67.306,806	0.0914	756.796,941	71.144,859	0.0940	1,493.264,592	138.451,665	0.0927
0,4 kV 1 st level	51.554,956	9.254,670	0.1795	58.710,013	9.683,737	0.1649	110.264,969	18.938,408	0.1718
0,4 kV 2 nd level	102.689,510	21.908,941	0.2134	116.631,916	21.882,553	0.1876	219.321,426	43.791,493	0.1997
0,4 kV households	565.497,650	33.821,932	0.0598	562.727,236	37.052,014	0.0658	1,128.224,886	70.873,946	0.0628
0,4 kV public lighting	16.725,536	2.321,263	0.1388	18.727,776	2.526,555	0.1349	35.453,312	4.847,818	0.1367
Correction	7.413,145	-74,083	-0.0100	19.371,943	2.088,287	0.1078	26.785,088	2.144,913	0.0801
TOTAL DISTRIBUTIVE CONSUMERS	872.997,012	79.011,610	0.0905	929.589,040	83.958,409	0.0903	1,802.586,052	163.100,728	0.0905
OVERALL	1,586.333,657	110.794,098	0.0698	1,660.029,459	113.262,425	0.0682	3,246.363,116	224.187,232	0.0691

The realized average selling price of electricity in the period January - December 2007 amounted to 6.91 c€/kWh. The realized selling price for the direct consumers amounted to 4.23 c€/kWh, whereas for the distributive consumers it amounted to 9.05 c€/kWh.

It is important to emphasize that the decisions of the Regulatory Agency for Energy regarding the permitted revenue and the price tables, from July and October 2007, did not have positive effects on the business operations of the Electric Power industry of Montenegro.

12.3.2. Other Operating Revenues

In the period January – December 2007, other realized operating revenues amounted to 13.798,550 € and they were higher by 2.070,142 € or 17.65 % in comparison with the revenues realized in 2006, i.e. they were higher by 9.535,194 € or 223.65 % in comparison with the planned revenues. The structure of other operating revenues is presented in the table below.

Revenues	2007 Realization
Other operating revenues	4.074,190
Revenues from housing construction contributions	2.195,644
Revenues from sale of services	1.837,770
Revenues from premiums, subsidies, endowments, compensations etc.	1.359,564
Revenues from consents	1.268,061
Revenues based on illegal consumption	1.066,997
Revenues from activation or costs of goods and services for joint stock company needs	1.017,001
Revenues from new connections	413,414
Revenues from previous contracts for housing credits	318,009
Revenues from cash buying-up of flats	154,514
Revenues from activation or costs of goods for joint stock company needs	84,053
Revenues from rents	9,333
Total	13.798,550

12.3.3. Financial Revenues

Financial revenues were realized in this period in the amount of 1.127,759 €. The dominant part of this category of revenues comprises the exchange gains, which were realized in the observed period at the level of 637,792 €.

12.3.4. Other Revenues

They were realized in the amount of 14.153,799 € and they make 5.41 % of the total revenues. In relation to the plan, the other revenues are higher by 5.783,799 € or 69.10 %, whereas in relation to the realization for the same period of the previous year, they are higher by 7.699,174 € or 119.28 %.

12.3.5. Revenues from Sale of Services (“Elektrogradnja”)

These revenues were realized in the total amount of 3.167,959 € and they make 1.21% of the operating revenues. These revenues were 6.40 % lower than the comparative revenues from the previous year and 3.88 % higher in relation to the plan.

12.4. Expenses

In the period January-December 2007, the total expenses were realized in the amount of **269.506,385 €** and they were 13.401,171 € or 5.23 % higher than the planned expenditures, i.e. 25.365,496 € or 10.39 % higher than the expenditures realized in 2006.

12.4.1. Costs of Electricity Purchase from Import

Costs of electricity purchase from import for the period January - December 2007, amounted to 91.559,830 €, out of which the contracted import amounted to 91.537,165.96 €, while the amount of 22,663.67 € represents the electricity taken-over from the Republic of Srpska for feeding of the transformer area at the Power Distribution Company Nikšić at the Golija mountain. This category of expenditures made 33.97% of total expenses and it is 14.342,567 € or 18.57 % higher than the plan, whereas in relation to the realization for the same period of the previous year it is higher by 48,389,584 € or 112.09 %.

In order to present import and calculation of average import price in realistic manner, data related to the quantities and the values of imported electricity are given per month in the Table below.

Month	Quantity MWh	Value €	€/MWh
January	158,280	11.700,966.00	73.93
February	83,493	5.856,228.60	70.14
March	57,228	3.858,881.56	67.43
April	52,830	3.342,390.60	63.27

May	84,084	4.908,665.12	58.38
June	108,630	7.007,388.60	64.51
July	205,344	12.976,896.36	63.20
August	200,413	13.231,128.00	66.02
September	150,959	9.598,446.38	63.58
October	66,119	4.232,943.00	64.02
November	93,681	6.206,448.75	66.25
December	138,795	8.616,782.99	62.08
T O T A L	1.399,856	91,537,165.96	65.39

Average price of electricity from import in relation to 2006 is higher by 46.65%.

12.4.2. Costs of fuel for electricity generation

These costs were realized in the amount of 21.814,767 € and they were by 4.073,513 € or 15.73 % lower than the plan, i.e. by 2.490,1214 € or 10.25 % lower than the realization for the same period of 2006.

Costs of coal were realized in the amount of 20.538,580 € and they were lower by 4.136,180 € or 16.76 % in relation to the plan, while in relation to the realization from the previous year they were lower by 3.204,609 € or 13.50 %. The coal price in 2007, in the period January - September amounted to 20.77 € per ton, while in the period October - December it amounted to 21.90 € per ton.

Costs of fuel oil were realized in the amount of 1.155,998 € and in relation to the plan they are higher by 22.33 % and in relation to the realization from the previous year they are higher by 161.97 %.

Costs of chemicals were realized in the amount of 120,188 € and they are lower by 55.24 % in relation to the plan and are by 0.20 % lower in relation to the realization from the previous year.

12.4.3. Annual costs of salaries and other personal earnings

Annual costs of salaries and other personal earnings were realized in the amount of 48.508,345 € and it is by 541,893 € or 1.13 % higher than the plan, i.e. by 1.438,042 € or 2.88 % lower than the realization for the same period 2006 and these costs comprise:

- o Gross salaries,
- o Other personal earnings.

The salaries and other personal earnings participate with 18.00 % in the total expenses.

Gross Salaries (Net Salaries, Taxes and Contributions)

For gross salaries in the subject period the amount of 41.491,171 € was earmarked. In relation to the plan, the gross salaries were higher by 0.07 % or 29,527 €, and in relation to gross salaries realization in the previous year they were lower by 1.62 % or 681,570 €. During 2007 regular control of salaries was implemented through monitoring of the overtime work hours.

Net salaries amounted to 22.516,231 € and the contributions and taxes to the salaries amounted to 18.974,940 €. The average realized monthly net salary per employee, for the period January – December 2007 amounted to 544.24 €. The average monthly net salaries per Functional and Organizational Entities are given in the Table below:

Part of Joint Stock Company	Average Net Salary
FE Electric Power Generation	569.78
FE Electric Power Transmission	557.89
FE Electric Power Distribution	521.46
FE Procurements	538.77
OE Head Office of Joint Stock Company	592.00
OE "Elektrogradnja"	535.35

Structure of the gross salaries is made of: net salaries in the amount of 20.650,293 €, compensations for net salaries in the amount of 1.865,937 €, costs of taxes and compensations in the amount of 4.943,753 €, contributions and compensations for the salaries in the amount of 7.027,816 €, costs of contributions that are charged to the employer 5.853,596 €, super-tax in the amount of 669,754 €, contributions to the Chamber of Commerce in the amount of 117,208 €, contributions to the trade union of the Republic of Montenegro in the amount of 147,695 €, contributions to solidarity fund in the amount of 38,032 €, contributions to the trade union of the Electric Power Industry of Montenegro in the amount of 79,252 € and other contribution expenses 97,836 €.

Calculation and payment of salaries and other personal earnings and compensations in the Joint Stock Company was performed monthly, during the current month for the previous month and in accordance with the provisions of the Individual Collective Agreement and Rulebook of Job Classification of the Electric Power Industry of Montenegro.

Costs of Other Personal Earnings and Compensations

Costs of other personal earnings and compensations amounted to 7.017,173.85 € and they are 7.88% or 512,366 € higher than the planned amount and 9.73% or 756,471 € lower than the costs realized in 2006.

12.4.4. Costs of spare parts and material

Costs of spare parts and material were realized in the amount of 7.324,446 € and they comprise:

- o costs of spare parts and maintenance material and
- o other spare parts and material.

These expenses were higher in relation to the plan by 285,579 € or 4.06% and in relation to the realization from the previous year it is higher by 674,611 € or 10.14%.

Costs of spare parts and maintenance material

In the period January - December 2007, according to the bookkeeping data, the amount of 6.526,922 € was earmarked for the costs of spare parts and maintenance material. These costs were higher by 472,186 € or 7.80 % in relation to the plan and in comparison with the same period of the previous year, these costs are higher by 717,026 € or 12.34 %.

An overview of the costs of spare parts and maintenance material, per organizational entities of the Joint Stock Company is presented in the Table below.

No.	Part of Joint Stock Company	Spare Parts and Maintenance Material	Structure %
1	2	3	4
1	FE Electric Power Generation	1.307,998	20.04%
2	FE Electric Power Transmission	579,842	8.88%
3	FE Electric Power Distribution	4.213,976	64.56%
4	FE Power Supply	33,530	0.51%
5	OE Head Office of Joint Stock Company	36,946	0.57%
6	OE Elektrogradnja	354,629	5.43%
	OVERALL	6.526,922	100.00%

Costs of other spare parts and materials

In the period January - December 2007, these costs were realized in the amount of 797,524 € and they were lower by 42,415 € or 5.05 % in relation to the realization from the same period of 2006, i.e. they were lower by 186,607 € or 18.96% in relation to the plan. The dominant part of these costs was the costs of office material which were realized during the observed period in the amount of 334,129 €.

12.4.5. Costs of third persons services

Costs of third persons services were realized in the amount of 12.742,241 € and they comprise:

- o Costs of maintenance services and
- o Costs of other services.

These costs were higher by 531,926 € or 4.36% in relation to the plan and in comparison with the realization from the previous year, they were lower by 255,495 € or 1.97% .

Costs of maintenance services

These costs were realized in the amount of 7.902,544 € and they were higher by 757,385 € or 10.60% from the realization of these costs in 2006, i.e. they were higher by 1.382,544 € or 21.20% in relation to the plan.

Detailed overview of these costs is given in the below Table.

No.	Part of Joint Stock Company	Costs of maintenance services	Structure %
1	2	3	4
1	FE Electric Power Generation	3.558,129	45.03%
2	FE Electric Power Transmission	1.074,722	13.60%
3	FE Electric Power Distribution	2.876,466	36.40%
4	FE Power Supply	18,980	0.24%
5	OE Head Office of Joint Stock Company	28,246	0.36%
6	OE Elektrogradnja	346,001	4.38%
	OVERALL	7.902,544	100.00%

Costs of other services

These costs were realized during the observed period in the amount of 4.839,697 € and they were lower by 1.012,880 € or 17.31% in relation to the realization of these costs for the same period of 2006, i.e. they were lower by 850,618 € or 14.95% in relation to the plan.

12.4.6. Costs of current bank services, telecommunication services, post services, insurance services and services of the licenses holders (licensees)

These costs were realized in the amount of 4.285,279 € and they were lower by 952,033 € or 18.18% in relation to the plan, i.e. they were lower by 645,360 € or 13.09% in relation to the realization of these costs from 2006. The most important item within these costs are the costs of insurance premium, which amounted to 1,765,705 € in 2007.

12.4.7. Costs of property taxes and compulsory contributions (compensations)

In the period January - December 2007 these costs were realized in the amount of 17.676,922 € and they were higher by 6.628,829 € or 60.00% in relation to the realization for the same period of 2006, i.e. they were lower by 202,445 € or 1.13% in relation to the plan. These costs comprise: local public utilities dues, compensations for the water utilization, costs of licenses issuing, taxes for the construction land and facilities, customs duties, property taxes, etc. It should be pointed out that the increase of these costs in comparison with the year 2006 resulted from the increase of the liabilities of the Electric Power Industry towards the local self-governments.

12.4.8. Other costs

The other costs in 2007 amounted to 12.538,759 and they were higher by 1.803,445 € or 16.80% in relation to the plan, i.e. they were higher by 2.613,594 € or 26.33% in relation to the same period of 2006.

Within this category of expenses, the costs of HPP Perućica were realized in the amount of 2.4 million € (they were booked on the account for the costs from the previous years), and they represent commitments towards Nikšić municipality for 2006. The commitments for 2007 were booked within the costs of property tax and compulsory contributions.

12.4.9. Other costs (Provisions from previous years)

These costs were realized in the amount of 8.300,570 € and they were lower by 2.199,430 € or 20.95% in relation to the plan, i.e. they were lower by 10.174,127 € or 55.07% in comparison with the realization from 2006.

In accordance with the accounting policies of the Electric Power Industry of Montenegro, FE Power Supply prepared correction of value of receivables (outstandings) from the buyers for supplied electricity, not older than 6 months. Also, correction of value of receivables (outstandings) based on illegal consumption was prepared at FE Electric Power Distribution.

12.4.10. Depreciation Costs

The depreciation costs in this period were calculated on the basis of the value and the defined lifetime of the fixed assets in the amount of 36.331,144 €.

The depreciation costs made 13.48% of the total expenses and they were 1.72%.lower in comparison with the plan.

12.4.11. Financial Expenses

In the period January - December 2007 the financial expenses were realized in the amount of 2.325,909 €. The dominant part of these expenses comprises the costs of interests which were realized in the amount of 2,322,667 € in the observed period.

12.4.12. Extraordinary expenses

These expenses were realized in the amount of 1.108,532 € and they were higher by 825,060 € in relation to the plan, i.e. they were lower by -6.465,474 € in relation to the realization from 2006.

12.4.13. Purchases of electricity - Electric Power Industry of Serbia - EPS (Consolidated Balance)

In the period January-December 2007 the Electric Power Industry of Montenegro on the basis of exchange of electric power generated in HPP Piva with the Electric Power Industry of Serbia (EPS), realized revenues amounting to 32.511,511 € and realized expenses amounting to 37.501,154 € and therefore the consolidated balance is negative and amounts to 4.989,643 €.

12.5. Debtor-Creditor Relations and Credit Indebtedness

12.5.1. Long-Term Liabilities

Total long-term liabilities amounted to **58.572,604 €** and besides the long-term domestic and foreign credits, they also comprise the liabilities for the deferred taxes in the amount of 34.360,724 € and the deferred revenue in the amount of 3.900,255 €.

Total debt against the domestic and foreign financial and commodity credits, as of 31.12.2007 amounted to 20.311,625 €, out of this amount the domestic debt amounted to 284,289 € and the foreign debt amounted to 20.027,336 €.

After signing in 2006 of the Agreement with the Government of the Republic of Montenegro for the debts related to Paris and London Club of Creditors, in 2007 these debts were converted into the share capital, at the nominal price of a share amounting to 8,7093 €.

in 000 Euro

	2007 State as of 31.12.2007	2006 State as of 31.12.2006
Foreign Debt		
HPP »Piva« - London club		
TPP »Pljevlja« - London club		
TPP »Pljevlja« - Russian credit included in Paris club		
Electric Power Transmission - London club		
Electric Power Transmission - Paris club *		
Electric Power Transmission – EIB*		
Electric Power Transmission – IBRD*(NBY)		
Head Office – IBRD*		
TPP »Pljevlja« - Russian credit not included in Paris club	5,104	6,643
- HPP »Piva« - EIB	1,042	1,042
- Electric Power Transmission –EIB	6,031	6,031
- HPP »Perucica« - EIB	950	950
Electric power facilities – IBRD credit	4,418	2,849
- HPP »Perucica« Electric power facilities -KfW credit	2,483	5,045
Total foreign debt:	20,028	22,560
Domestic debt		
Government of Montenegro – reprogram A		
Government of Montenegro – other (Head Office)		6,929
Government of Montenegro - TPP »Pljevlja« - Russian credit included in Paris club*		3,154
Government of Montenegro – Head Office – IBRD*		4,332
Government of Montenegro – Electric Power Transmission – Paris club*,IBRD*,EIB*		16,663
Government of Montenegro HPP »Piva« - London club		18,476
Government of Montenegro TPP »Pljevlja« – London club		34,577
Government of Montenegro Electric Power Transmission - London club		7,647
Jugobanka Belgrade (TPP Pljevlja)	104	126
Nikšićka banka (Head Office)	180	216
Total domestic debt:	284	92,120
Total:	20,312	114,680

12.5.2. Short-Term Liabilities

The total short-term liabilities as of 31.12.2007 amounted to **57.256,424 €** and they comprised the following:

- o Liabilities resulting from business operations,
- o Short-term credits,
- o Other short-term liabilities.

Liabilities resulting from business operations amounted to 55.993,704 €.

	<i>in 000 Euro</i>	
	State as of 31.12.2007	State as of 31.12.2006
Suppliers	22,372	33,461
Liabilities for salaries	3,827	4,684
Received advance payments	2,261	4,240
Liabilities for taxes	20,624	
Deferred revenues	3,900	3,467
Other	1,756	3,193
Total:	54,740	49,045

Short-term credits as of 31.12.2007 amounted to 1.250,000 € and they included short-term liabilities towards:

- o Niksic Bank (The First Bank of Montenegro) – 0.625 million €;
- o Montenegrin Commercial Bank – 0.625 million €;

Other short-term liabilities amounted to 12,721 €.

12.5.3. Long-Term Financial Investments

Long-term financial investments amounted to 5.917,486 € and they primarily comprised shares in the capital of other legal entities.

12.5.4. Working Assets

Working assets as of 31.12.2007 amounted to 84,772,842 € and they comprised the following:

- o Principal and accounts with banks;
- o Short-term financial investments;
- o Outstandings and effected advance payments;
- o Stocks.

The principal and accounts with banks as of 31.12.2007 amounted to 7.026,261 €, which is higher by 5.12 million € than the state as of 31.12.2006. Short-term financial investments amounted to 2,570,000 €.

The total value of receivables (outstandings) and effected advance payments at the end of 2007 amounted to 57.937,021 €. A detailed structure is given in the Table below.

	State as of 31.12.2007	State as of 31.12.2006
Distributive consumers:		
-Electric power buyers-other consumption	40,281	38,442
-Electric power buyers-households	60,932	47,431
-Electric power buyers-questionable and disputed	792	8,379
Direct consumers:	6,240	20,517
- KAP	4,508	2,538
- EPS	0	3,366
-other direct consumers	1,732	14,613
Other (services, joint operations etc.)	13,380	16,341
Total:	121,625	131,110
Minus: correction of value of questionable outstandings (receivables)	(62,319)	(68,342)
Minus: correction of value of effected advance payments	(1,369)	(1,339)
Total:	57,937	61,429

In 2007 in the category of distributive consumers, the debt of other consumption increased by 1.84 million €, while the debt of households increased by 13.50 million €. In the category of direct consumers, the debt decreased for 14.28 million €.

Stock value as of 31.12.2007 amounted to 17.239,560 € and it showed the following structure: parts and material 15.752,241 €, coal 1.099,629 € and other stocks 387,690 €. It should be pointed out that the stock value as of 31.12.2007. is higher by 5.79 million € in relation to the stock value reported as of 31.12.2006. A detailed analysis of stocks is given in the below Table.

Number	Part of Joint Stock Company	Stock Value
1	FE Electric Power Generation	9.095,494
2	FE Electric Power Transmission	1.958,248
3	FE Electric Power Distribution	5.809,426
4	FE Power Supply	0
5	OE Head Office of Joint Stock Company	3,129
6	OE Elektrogradnja	373,263
I	TOTAL	17.239,560

A N N E X

FE ELECTRIC POWER GENERATION

The total expenses of the FE Electric Power Generation were realized in the amount of 69.189,482 € as follows:

	Dir. of el. power generation	HPP Perucica	HPP Piva	TPP Pljevlja	Overall
Realized	132,937	20.905,758	9.212,913	38.937,874	69.189,482
Planned	526,840	17.496,003	9.967,004	40.815,967	68.805,814
Level	25.23%	119.49%	92.43%	95.40%	100.56%

In relation to the plan the expenses are higher by 0.56% or 383,668 €, whereas in relation to the realization from the previous year the expenses are higher by 0.63% or 430,746 €.

It should be underlined that the Head Office of FE Electric Power Generation has not completely finalized the process of establishing their own accounting, thus a part of their expenses is still within the Head Office of the Joint Stock Company.

Table: Comparative Analysis of Expenses

Costs	2007 Realized	2007 Planned	2006 Realized	Realized/Planned Level	Realiz.2007/Realiz.2006 Level
1. Costs of electric power purchase from import	0	0	0	#DIV/0!	#DIV/0!
2. Costs of fuel for electric power generation	21.814,767	25.888,280	24.304,888	84.27%	89.75%
3. Annual costs of salaries and other personal earnings	13.169,790	12.581,355	13.725,299	104.68%	95.95%
4. Costs of spare parts and material	1.485,398	1.210,000	1.259,540	122.76%	117.93%
5. Costs of third persons services	4.183,472	2.290,000	2.757,880	182.68%	151.69%
6. Costs of current bank, telecommunication, post, insurance services ...	785,722	1.154,200	1.106,427	68.08%	71.01%
7. Costs of property taxes and compulsory contributions (compensations)	7.795,470	8.226,075	2.266,350	94.77%	343.97%
8. Other costs	3.862,479	2.228,404	2.167,051	173.33%	178.24%
9. Other costs (Provisions from previous years)	13,239	0	0	#DIV/0!	#DIV/0!
10. Depreciation costs	14.397,977	14.677,500	14.677,587	98.10%	98.09%
11. Financial expenses	1.106,040	445,000	5.958,188	248.55%	18.56%
12. Extraordinary expenses	575,129	105,000	535,527	547.74%	107.39%
13. Purchase of el. power - EPS (consolidated balance)	0	0	0	#DIV/0!	#DIV/0!
14. Costs of performing unlicensed activities	0	0	0	#DIV/0!	#DIV/0!
Total	69.189,482	68.805,814	68.758,736	100.56%	100.63%

FE ELECTRIC POWER TRANSMISSION

The total expenses of the FE Electric Power Transmission were realized in the amount of 16.062,879 € and they were by 3.73% or 621,912 € lower in relation to the planned amount, i.e. they were by 30.47% or 7.037,561 € lower than the expenses realized in the previous year.

Table: Comparative Analysis of Expenses

Costs	2007 Realized	2007 Planned	2006 Realized	Realized/Planned Level	Realiz.2007/Realiz.2006 Level
1. Costs of electric power purchase from import	0	0	0	#DIV/0!	#DIV/0!
2. Costs of fuel for electric power generation	0	0	0	#DIV/0!	#DIV/0!
3. Annual costs of salaries and other personal earnings	4.598,655	4.543,904	4.863,580	101.20%	94.55%
4. Costs of spare parts and material	611,163	1.208,625	1.096,752	50.57%	55.72%
5. Costs of third persons services	2.080,440	2.720,500	2.674,842	76.47%	77.78%
6. Costs of current bank, telecommunication, post, insurance services ...	600,579	699,446	664,927	85.86%	90.32%
7. Costs of property taxes and compulsory contributions (compensations)	794,651	862,680	556,627	92.11%	142.76%
8. Other costs	1.084,810	459,776	448,606	235.94%	241.82%
9. Other costs (Provisions from previous years)	33,517	0	0	#DIV/0!	#DIV/0!
10. Depreciation costs	5.587,423	5.604,870	5.498,696	99.69%	101.61%
11. Financial expenses	607,962	558,490	6.721,436	108.86%	9.05%
12. Extraordinary expenses	63,678	26,500	574,973	240.30%	11.08%
13. Purchase of el. power - EPS (consolidated balance)	0	0	0	#DIV/0!	#DIV/0!
14. Costs of performing unlicensed activities	0	0	0	#DIV/0!	#DIV/0!
Total	16.062,879	16.684,791	23.100,440	96.27%	69.53%

FE ELECTRIC POWER DISTRIBUTION

In the period January-December 2007 the total expenses realized at the level of FE Electric Power Distribution amounted to 59.025,495 €.

They were by 5.22% or 3.252,491 € lower in comparison with the planned expenses and by 6.94% or 4.402,349 € lower in comparison with the expenses realized in the previous year.

Table: Comparative Analysis of Expenses

Costs	2007 Realized	2007 Planned	2006 Realized	Realized/Planned Level	Realiz.2007/Realiz.2006 Level
1. Costs of electric power purchase from import	0	0	27,179	#DIV/0!	0.00%
2. Costs of fuel for electric power generation	0	0	0	#DIV/0!	#DIV/0!
3. Annual costs of salaries and other personal earnings	21.613,363	22.511,076	21.980,031	96.01%	98.33%
4. Costs of spare parts and material	4.514,717	4.002,314	3.750,074	112.80%	120.39%
5. Costs of third persons services	4.530,815	5.215,222	5.307,439	86.88%	85.37%
6. Costs of current bank, telecommunication, post, insurance services ...	1.130,480	1.232,436	1.223,057	91.73%	92.43%
7. Costs of property taxes and compulsory contributions (compensations)	7.727,797	7.806,037	6.809,871	99.00%	113.48%
8. Other costs	3.142,728	3.148,190	3.547,519	99.83%	88.59%
9. Other costs (Provisions from previous years)	147,517	0	4.382,444	#DIV/0!	3.37%
10. Depreciation costs	15.756,768	16.051,523	15.968,425	98.16%	98.67%
11. Financial expenses	46,484	70,380	40,139	66.05%	115.81%
12. Extraordinary expenses	414,825	151,971	391,665	272.96%	105.91%
13. Purchase of el. power - EPS (consolidated balance)	0	0	0	#DIV/0!	#DIV/0!
14. Costs of performing unlicensed activities	0	2.088,836	0	0.00%	#DIV/0!
Total	59.025,495	62.277,985	63.427,843	94.78%	93.06%

FE POWER SUPPLY

The total expenses of FE Power Supply in the period January - December 2007 amounted to 106.467,749 € and they were by 9.40% or 9.147,832 € higher than the planned expenses, i.e. they were by 68.18% or 43.162,058 € higher in relation to the realization from 2006.

In 2007 import of electric power was significantly higher than the planned, thus the planned expenses were exceeded on that basis.

Table: Comparative Analysis of Expenses

Costs	2007 Realized	2007 Planned	2006 Realized	Realized/Planned Level	Realiz.2007/Realiz.2006 Level
1. Costs of electric power purchase from import	91.559,830	77.217,263	43.143,066	118.57%	212.22%
2. Costs of fuel for electric power generation	0	0	0	#DIV/0!	#DIV/0!
3. Annual costs of salaries and other personal earnings	2.947,253	2.937,597	2.636,470	100.33%	111.79%
4. Costs of spare parts and material	98,608	179,464	76,380	54.95%	129.10%
5. Costs of third persons services	507,224	729,341	211,882	69.55%	239.39%
6. Costs of current bank, telecommunication, post, insurance services ...	1.315,193	1.520,984	1.082,986	86.47%	121.44%
7. Costs of property taxes and compulsory contributions (compensations)	1.253,585	909,776	1.205,818	137.79%	103.96%
8. Other costs	561,542	2.722,636	190,696	20.62%	294.47%
9. Other costs (Provisions from previous years)	8.108,489	10.500,000	14.092,253	77.22%	57.54%
10. Depreciation costs	109,505	102,857	80,357	106.46%	136.27%
11. Financial expenses	5,263	500,000	305,946	1.05%	1.72%
12. Extraordinary expenses	1,259	0	279,838	#DIV/0!	0.45%
13. Purchase of el. power - EPS (consolidated balance)	0	0	0	#DIV/0!	#DIV/0!
14. Costs of performing unlicensed activities	0	0	0	#DIV/0!	#DIV/0!
Total	106.467,749	97.319,917	63.305,691	109.40%	168.18%

OE HEAD OFFICE OF JOINT STOCK COMPANY

In the period January-December 2007 the total expenses of OE Head Office of Joint Stock Company amounted to 15.353,754 €. They were by 30.52% or 6.745,355 € lower than the expenses realized in the previous year, i.e. they were by 92.71% or 7.386,664 € higher than the planned expenses.

It should be pointed out that the planned expenses were exceeded in the subject period first of all because of negative consolidated balance with the Electric Power Industry of Serbia (EPS), which was booked within this Entity, as well as because of the costs of the Head Office of FE Electric Power Generation, which are still booked within the Head Office of the Joint Stock Company.

Table: Comparative Analysis of Expenses

Costs	2007 Realized	2007 Planned	2006 Realized	Realized/Planned Level	Realiz.2007/Realiz.2006 Level
1. Costs of electric power purchase from import	0	0	0	#DIV/0!	#DIV/0!
2. Costs of fuel for electric power generation	0	0	0	#DIV/0!	#DIV/0!
3. Annual costs of salaries and other personal earnings	4.167,227	3.505,207	4.664,348	118.89%	89.34%
4. Costs of spare parts and material	230,295	104,400	194,106	220.59%	118.64%
5. Costs of third persons services	892,558	842,561	1.418,628	105.93%	62.92%
6. Costs of current bank, telecommunication, post, insurance services ...	412,529	608,280	819,328	67.82%	50.35%
7. Costs of property taxes and compulsory contributions (compensations)	102,349	71,600	204,951	142.95%	49.94%
8. Other costs	3.632,878	1.967,149	3.334,897	184.68%	108.94%
9. Other costs (Provisions from previous years)	-2,193	0	0	#DIV/0!	#DIV/0!
10. Depreciation costs	328,009	350,092	350,092	93.69%	93.69%
11. Financial expenses	560,161	517,800	5.982,490	108.18%	9.36%
12. Extraordinary expenses	40,297	0	5.775,691	#DIV/0!	0.70%
13. Purchase of el. power - EPS (consolidated balance)	4.989,643	0	-645,423	#DIV/0!	-773.08%
14. Costs of performing unlicensed activities	0	0	0	#DIV/0!	#DIV/0!
Total	15.353,754	7.967,089	22.099,108	192.71%	69.48%

OE ELEKTROGRADNJA

The total expenses of OE Elektrogradnja amounted to 3.407,027 € and they were by 11.72% or 357,409 € higher than the planned amount, i.e. they were by 1.22% or 42,043 € higher than the expenses realization in the previous year.

Table: Comparative Analysis of Expenses

Costs	2007 Realized	2007 Planned	2006 Realized	Realized/Planned Level	Realiz.2007/Realiz.2006 Level
1. Costs of electric power purchase from import	0	0	0	#DIV/0!	#DIV/0!
2. Costs of fuel for electric power generation	0	0	0	#DIV/0!	#DIV/0!
3. Annual costs of salaries and other personal earnings	2.012,057	1.887,313	2.076,658	106.61%	96.89%
4. Costs of spare parts and material	384,265	334,064	272,984	115.03%	140.76%
5. Costs of third persons services	547,732	412,691	627,065	132.72%	87.35%
6. Costs of current bank, telecommunication, post, insurance services ...	40,776	21,966	33,913	185.63%	120.24%
7. Costs of property taxes and compulsory contributions (compensations)	3,071	3,200	4,477	95.97%	68.60%
8. Other costs	254,321	209,159	236,397	121.59%	107.58%
9. Other costs (Provisions from previous years)	0	0	0	#DIV/0!	#DIV/0!
10. Depreciation costs	151,461	181,225	181,225	83.58%	83.58%
11. Financial expenses	0	0	40	#DIV/0!	0.00%
12. Extraordinary expenses	13,344	0	16,311	#DIV/0!	81.81%
13. Purchase of el. power - EPS (consolidated balance)	0	0	0	#DIV/0!	#DIV/0!
14. Costs of performing unlicensed activities	0	0	0	#DIV/0!	#DIV/0!
Total	3.407,027	3.049,618	3.449,071	111.72%	98.78%