ANNUAL REPORT

08

ELEM

MACEDONIAN POWER PLANTS

MISSION

The primary mission and goal of AD ELEM is the reinforcement of its position on the market and promotion of the active role in the domain of electricity power production in the region. For accomplishing that goal, we find maintenance of the existing production facilities and continuous development of and investment in new ones to be of fundamental importance.

Our mission clearly mirrors itself into the collective efforts for achievement of professional imperatives – further explorations into the domestic coal resources, improvement in management of the existing and opening of new colliers, modernisation of production capacities, investments in renewable resources and utilisation of the wind power potentials.

OUR VALUES

Professionalism
Dedication
Respect for the environment
Ethics
Responsibility

VISION

We see the future of the Republic of Macedonia as a country that is energetically independent. We work and shall continue to work in the future with an aim to join the modern and technologically advanced countries in the world, to become a part of the European Union – free trade with electricity power, in accordance with the EU regulations. We strive for liberalization, increase of competition and motivation of all the stakeholders in the energy sector. That is the only way that we can provide funds for development and boost investments in the energy sector, which would directly strengthen the domestic economy.

We look towards the future and create bright perspectives. Continuous education and promotion of the employees through various trainings, workshops, and seminars is the key to excellently skilled professional work force. We stimulate new innovative approaches in our work, guiding our people to develop new, alternative ways for a more efficient and economical utilisation of the existing resources.

RESULTS IN 2008

FINANCIAL RESULTS 2008

Financial Result	MKD	EUR
Total Income	12.197.897.517,00	198.339.797,02
Total Expences	12.418.083.532,00	201.920.057,43
Loss	-220.186.015,00	-3.580.260,41

REALIZED SALES IN 2008

BUYER		JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
MEPSO	[kWh]	589.383.184	546.756.813	511.403.655	470.926.741	354.066.142	317.628.939
	[Denars]	766.198.139	710.783.857	664.824.752	612.204.764	460.285.985	412.917.620
MEPSO system services	[Denars]						
EVN (05.09-31.12.2008)	[kWh]	/	/	/	/	/	/
	[Denars]	/	/	/	/	/	/
OVERAGES	[kWh]	/	/	/	/	/	/
	[Denars]	/	/	/	/	/	/
ZTP	[kWh]						
	[Denars]						
TPP NEGOTINO	[kWh]						
	[Denars]						
Incoming invoices for ENERGETIKA	[kWh]	6.367.598	5.574.448	5.854.514	5.031.811	4.936.243	5.216.819
	[Denars]	17.729.382	16.467.700	14.750.454	13.862.715	12.726.675	13.306.923
TOTAL	[kWh]	**595.750.782**	**552.331.261**	**517.258.169**	**475.958.552**	**359.002.385**	**322.845.758**
	[Denars]	**783.927.521**	**727.251.557**	**679.575.206**	**626.067.479**	**473.012.660**	**426.224.543**

PRODUCTION RESULTS 2008 - REALIZED/PLANNED

PRODUCTION RESULTS 2008	Planned Production GWh	Realized Production GWh	Index Realized/Planned
Thermal Power Plants	4781.0	4877.3	102.0%
Bitola 1	1435.0	1,357.0	94.6%
Bitola 2	1441.0	1,530.1	106.2%
Bitola 3	1302.0	1,328.9	102.1%
Oslomey	603.0	661.4	109.7%
Hydro Power Plants	1254.0	738.0	58.9%
Vrutok	376.0	250.0	66.5%
Raven	39.0	28.8	73.9%
Vrben	39.0	34.4	88.1%
Shpilje	300.0	182.0	60.7%
Globochica	185.0	120.2	65.0%
Tikvesh	143.0	55.1	38.6%
Kozjak	172.0	67.4	39.2%
TOTAL	**6035.0**	**5615.4**	**93.0%**

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
373.170.286	376.695.930	68.321.813	32.375.178	12.985.839	27.313.035	3.681.027.555
485.121.372	489.704.709	95.985.145	55.494.292	25.587.297	53.817.605	4.832.925.537
				28.994.977	29.785.749	58.780.726
/	/	380.872.407	481.831.110	563.019.909	659.115.982	2.084.839.408
/	/	763.687.332	984.741.078	1.350.061.046	1.559.217.048	4.657.706.504
/	/	1.585.000	4.860.000	12.718.000	2.772.000	21.935.000
/	/	3.653.329	12.647.089	29.983.864	6.046.815	52.331.097
		1.666.590	2.105.690	1.917.227	1.863.787	7.553.294
		5.998.933	6.240.692	6.309.656	4.691.015	23.240.296
		16.570	216.840	245.160	353.690	832.260
		37.714	477.730	614.584	885.242	2.015.270
5.589.200	5.533.166	5.288.165	4.356.668	3.754.671	4.742.981	62.246.284
13.948.400	13.563.889	13.100.423	12.070.937	12.010.784	14.750.046	168.288.328
378.759.486	**382.229.096**	**457.750.545**	**525.745.486**	**594.640.806**	**696.161.475**	**5.858.433.801**
499.069.772	**503.268.598**	**882.462.876**	**1.071.671.818**	**1.453.562.208**	**1.669.193.520**	**9.795.287.758**

PLANNED AND REALIZED INVESTMENT ACTIVITIES IN 2008

во 000 денари

INVESTMENT ACTIVITIES IN:	TOTAL PLANNED INVESTMENT ACTIVITIES	REALIZATION OF INVESTMENT ACTIVITIES	SIZE OF INVESTMENT ACTIVITIES (%)
Head Offices	505.177	17.397	3,4%
Development & Investments Sector	316.508	10.292	3,3%
Electricity Production Sector	180.382	6.423	3,6%
Finance Sector	600	207	34,5%
Legal & General Affairs Sector	5.826	191	3,3%
Commercial Affairs Sector	1.861	284	15,2%
Total production affiliates	9.144.107	1.586.171	17,3%
Total hydro plants	1.678.901	587.333	35,0%
HPP Mavrovo	239.093	35.503	14,8%
HPP Shpilje	82.110	14.278	17,4%
HPP Globochica	14.326	179	1,2%
HPP Tikvesh	29.421	5.396	18,3%
HPP Treska - HPP Kozjak and HPP St. Petka (under construction)	1.313.951	531.977	40,5%
Total thermal plants	7.465.206	998.837	13,4%
MPC Bitola	5.439.174	934.113	17,2%
MPC Oslomey	225.920	56.245	24,9%
Energetika	1.800.112	8.480	0,5%
TOTAL	**9.649.285**	**1.603.567**	**16,6%**

STRUCTURE OF REALIZED INVESTMENT ACTIVITIES IN 2008

in 000 denars

INVESTMENT ACTIVITIES IN:	REALIZATION OF PLANNED INVESTMENT ACTIVITIES				
	NEW INVESTMENT ACTIVITIES	RECONSTRUCTION AND REVITALIZATION	INVESTMENT - TECHNICAL DOCUMENTATION	EQUIPMENT SUPPLY	TOTAL REALIZATION OF INVESTMENT ACTIVITIES
Head Offices	6.275	0	10.292	829	17.397
Total production affiliates	879.332	17.343	4.957	684.539	1.586.171
Total hydro plants	550.639	16.462	2.676	17.556	587.333
HPP Mavrovo	11.568	11.818	854	11.264	35.503
HPP Shpilje	12.047	18	0	2.213	14.278
HPP Globochica	0	0	0	179	179
HPP Tikvesh	0	4.626	670	100	5.396
HPP Treska - HPP Kozjak and HPP Sveta Petka (under construction)	527.025	0	1.152	3.8	531.977
Total thermal plants	328.692	881	2.281	666.983	998.837
MPC Bitola	276.443	0	1.125	656.545	934.113
MPC Oslomey	45.477	0	1.028	9.770	56.245
Energetika	6.772	881	128	698	8.479
TOTAL	**885.607**	**17.343**	**15.249**	**685.368**	**1.603.567**

MAJOR EVENTS FOR AD ELEM IN 2008

MODERNISATION OF THE TURBO AGGREGATES IN ENERGETIKA

In 2008, AD ELEM completed the tender procedures for selection of a company to implement the reconstruction and the modernisation of the turbo aggregates in the production facility Energetika, in the Skopje municipality of Zelezarnica. An investment of over 2,7 million euros has been planned for the modernisation of the two turbines built in the 1960s, which have been out of function for some time now. They are intended to operate under a co-generative regime and as combined they are going to produce electricity and thermal power.
It is envisaged that these turbines are going to operate on natural gas, which would significantly lower the expenses for production of thermal power and increase efficiency of the aggregates for electricity production.
By the implementation of this project, there will be additional 30 MW of new installed capacity for the needs of the energy system of the Republic of Macedonia. Another intention aims at obtaining an annual production of up to 160 GW/h electricity power for the subsidiary Energetika with an additional opportunity for simultaneous production of up to 200 GW/h thermal power.

RECORD RESULTS IN MPC OSLOMEY

After the dislocation of the river basin of Temnica, the MPC Oslomey mine also worked on the realization of the planned production for the past year. Under difficult circumstances, with a maximum involvement of the employees, the mine not only managed to realize the planned production of coal amounting at 1.020.000 tones but it also managed to outperform the planned quantities for 13.4%, in other words it produced 1.156.439 tones of coal.
During the past year, the thermal plant worked continuously for over 165 days and 16 hours, which is a record in continuous operations since the founding of the Complex. In 2008 , TPP Oslomey worked for 7183 hours and it produced and transferred 667 810 MWh electricity power, outstripping the planned production of 603 000 MWh for 10,7%. Thus, it reached the third biggest production in 28 years of operations of the Complex.

35 KW POWER LEVEL LINE VRUTOK-VRBEN RECONSTRUCTED

Last year, the biggest priority of HPP Mavrovo and one of the bigger investment interventions was the reconstruction of the 35 kW power level line Vrutok – Vrben. By the revitalisation of the power level line its equipment was completely replaced. This included the replacement of the critical, dilapidated parts, as well as part of the rope of the power level line. A great part of

the diagonals and the clamps on the poles were missing, therefore we had to replace them with new ones. The damaged consoles of the poles were also replaced, which marked the ending of the first revitalisation phase of the power level line.
According to the dynamics of the activities, a second phase is planned and it will include a complete replacement of the conductor, i.e. the rope of the power level line, as well as the lightning rod with integrated optical fibres.

IMPLEMENTATION OF THE SYSTEM FOR QUALITY MANAGEMENT ISO 9001:2000

For the implementation of the system for quality management, in accordance with the requirements of the ISO 9001:2000 standard, AD ELEM signed A Contract for Engaging and Using Consulting Services with the company MAKKONTROL from Skopje. The purpose of this Contract is provision of consulting services for implementation of the system for quality management in accordance with the requirements of ISO 9001:2000 and certification of the same by an independent international accredited certification body. For that purpose, working groups were formed to coordinate the activities at an organizational level.
The preparations of the system for quality management have come to its last phase of realization. Final procedures are underway, and we can say that we are entering the closing certification phase. The purpose of the implementation of these procedures is to enable each working activity, which is periodically repeated in all subsidiaries, to be performed in the very same way and, thus, provide constant quality of the final product.

NEW COLLECTIVE AGREEMENT SIGNED

During the last period, many amendments were adopted in regards to the laws that regulate the rights and obligations of the employees and the employers, which resulted in a necessity for approximation of the Collective Agreement with the new legal solutions. The Draft Collective Agreement of AD ELEM was discussed by the Management Board of the company and by the Assembly of the Union Organization and it was adopted and signed by the two parties. This Collective Agreement regulates the rights and duties of the signed parties, states the rules for the signing procedures, the contents and the termination of the employment status and other issues regarding employment or any other aspects related to employment relations. Legal norms in this Contract are directly implemented and they are obligatory for the employer - AD ELEM and for the employees that are working with the Company.

WE INTRODUCE A BUSINESS-INFORMATION SYSTEM

AD ELEM introduces a modern, centralized system in a form of BIS. The implementation process for such a global system incorporates all the aspects of work. We perform a comprehensive analysis of the work in the company and prepare technical specifications that would succeed in substantiating this analysis. Afterwards, a revision of the technical specifications will follow for a more efficient execution of certain business-processes. During 2008, the procedures for selection of a consultant for preparation of the technical documentation and implementation of the business-information system of AD ELEM took place. Five companies participated in the procedure out of which four satisfied all the criteria of the public call. The selection was conducted on the basis of the most favourable financial offer and the criteria for quality determined in accordance with the needs of AD ELEM and the new trends in the world regarding this field. The consultant prepares the technical specifications and the complete tender documentation for procurement of all elements for the introduction of BIS in AD ELEM. Further on, there will be a selection and implementation of the business-information system, which is a long and complex process, in which the potentials of our company will be also involved, as well as the team of the consultant and the implementer of the project - the supplier of the software solution.

MOUNTING OF THE NEW SELF-MOVING TRANSPORTER FINALISED

We have finalised the process of mounting of the new self-moving transporter, bandwagon No 1800/37 + 39x16,5, intended for take-over of waste, coal or other material, as well as transport and discharge of the system transporters with rubber lines. The speed of transport for this mining device is 6 meters per minute, its maximum capacity equals 5500 cubic meters waste per hour, the moving speed of the transport lines being 5,2 meters per second, and its total weight is 670 tones, while the price for its assembly, without the mounting, amounted at 5,4 million euros.
The bandwagon was professionally and timely mounted in a quality manner by a team of experts and employees of MPC Bitola on the mounting plateau in the Suvodol mine, and under the close inspection of the supervisors of the producer of the Tissen-Crupp equipment.
Moreover, an independent external institution - Cargo-Inspect – was engaged in the mounting of the bandwagon as well, and it controlled and inspected all welded junctions, the steel construction and the anticorrosive protection, in accordance with all norms and world standards for quality.
This mining device, as part of the project Brod-Gneotino, will have its own significant contribution to the provision of additional 2 to 2,5 million tones of coal per year, for the needs of the thermal plants Bitola, which will expand the life span of MPC Bitola for the next 20 to 25 years.

INTENSIFICATION OF THE ACTIVITIES FOR THE NEW SURFACE COLLIERY BROD-GNEOTINO

In the new surface colliery Brod-Gneotino, which started operating as part of the mines in MPC Bitola last year, there are intensive operations for the unearthing of the coal and for the construction of the required infrastructure.
So far, only the first BTO (Dredge, Transporter, Dumper) system is functioning in the production area, and with over 6.100.000 cubic meters of excavated solid material, it makes the necessary assumptions for the quantities of the unearthed coal plausible.
Moreover, there is an ongoing mounting of the mining machinery that is going form the second BTO system, which should start operating by the end of the summer in the following year.
Simultaneously, the mine infrastructure is being built, which includes the construction of six miner cottages, storage space, worker's cantina, gas station, ambulance, vast parking-lot and the inevitable horticultural design of the space around the facilities, which would finally give the new mine its complete outward show.
The new surface colliery Brod-Gneotino, with the exploitation of the coal from the underground lines of the mine Suvodol, will extend the operative life span of MPC Bitola for the next 20 to 25 years.

MODERNISATION OF THE AGGREGATES OF TPP BITOLA

We have published an international public call for modernisation of our biggest production facility for electricity power, TPP Bitola, which operates within MPC Bitola, with the purpose of increasing its functionality. This public call includes two phases, i.e. in addition to the prequalification there will be 2 separate LOTS: LOT1 – turbines and generators and LOT 2 – boiling units.
It is estimated that this would result in modernisation of the flowing part of the turbines and the aggregates of TPP Bitola, the separate switches of the generators, the system for vibro-diagnostic monitoring of the turbo aggregates, the system for management of energy blocks, as well as revitalisation and modernisation of the pipe systems of the boilers, spare parts for pressure and circulating pumps with their automation.
This modernisation will allow for increase in the capacity of each aggregate separately and improve the degree of useful exploitation, in other words it will add to the production of huge amounts of electricity power without multiplying the particular consumption of coal.

MESSAGE FROM THE GENERAL MANAGER

Respected,

Another calendar year is behind us, which by many factors can be described as a successful one for the work of AD ELEM. It was a year of important achievements but also full with challenges in various segments of the company. This success in 2008 results from the joint efforts and the hard work of our dedicated team of professionals. All employees and business partners contributed to this, as well as our constant strive for improvement of the quality and the performances of the company.

This year will be written in the corporative history as a year with the highest production in MPC Oslomey, a piece of information that encourages pride, praise but also motivation for further future achievements of this type in all of our facilities. In line with the strengthening of the energy sector, through an international public call, we selected an implementer, which should reconstruct the two turbo aggregates in the branch Energetika by the end of 2009. This very important endeavour will reinforce the Macedonian energy system for 30 MW installed capacity, and the facility Energetika will provide combined production of thermal and electricity power.

Last year, the main priority of HPP Mavrovo and one of the bigger investment interventions was the reconstruction of the 35 kW power level line Vrutok – Vrben. The revitalisation of the power level line completely renewed its equipment.

In order to promote the entire working process in our company, we began to implement the system for quality management in accordance with the requirements of the ISO 9001:2000 standard. The purpose of writing and implementation of the procedures is to enable each working task that is periodically repeated in all subsidiaries to be performed in the same way and, thus, provide constant quality of the final product.

We integrate a modern, centralized system in a form of business-information system. The process of implementation of such a global system incorporates all the aspects of work. We have conducted a comprehensive analysis of the work in the company, and the next to follow is the selection and implementation of the business-information system, which is a long and complex process in which the potentials of our company, the team of the consultant, and the implementer of the project - the supplier of the software solution, will be also involved.

Our operations in 2008 bring about clear and unambiguous conclusions; we worked very well and in accordance with the needs of the energy system of the country as well as with the technical-technological possibilities of the facilities. In 2009, and in the years to come, we shall continue with our long-term corporative efforts and planning. I am truly convinced that this successful year will serve as a drive for even higher production results to all the employees of AD ELEM in the period to come.

CORPORATE MANAGEMENT

AD Elektrani na Makedonija (JSC Power Plants of Macedonia) - state ownership – Skopje, with the Decision of the Government of the Republic of Macedonia No. 19-2626/1, dated 30.6.2005, with the purpose of reconstructing the Elektrostopanstvo (Electricity Power Commerce) of Macedonia, formed a joint stock company for production, distribution of and supply with electricity power, by splitting and founding a new company for electricity power generation.

On 29.8.2005, the Government of the Republic of Macedonia adopted a Statute for the joint stock company "Elektrani na Makedonija "- state ownership – Skopje, which regulates the company, its head offices, its type of operations, the amount of principal assets, the nominal value per share, the rights and duties of the Assembly, the Management and the Supervisory Board, the organization of the Company and other issues of importance for the work of the Company. The Company is registered in the Central Registry of the Republic of Macedonia on 9.9.2005, and the short title of the Company is AD ELEM - Skopje.

The rights and duties of the Company Assembly are regulated by the Government of the Republic of Macedonia, which decides on issues exclusively determined by the law and the Company Statute.

In accordance with the Trade Law, company management is organised according to a two-level system - Management Board and Supervisory Board. The Management Board has seven members that are chosen by the Supervisory Board. According to the Decision for Selection of Members of the Management Board, one of the members is appointed as a Chairman of the Management Board, a the other members are appointed for managing the defined areas of work that become their responsibility. All the members of the Management Board work together and jointly perform all the activities that comprise the Management Board responsibilities, with a prior approval by the Supervisory Board. The Management Board decides on issues which are clearly defined in the Trade Law and the Statute of AD ELEM - Skopje.

The Management Board runs the Company, defines the business policy of the Company, adopts programmes and plans for production of electricity power, investment activities, financial payments, normative acts of the Company and decides upon all other issues which are not under the authorisation of the Assembly or the Supervisory Board.

MEMBERS OF THE MANAGEMENT BOARD ARE:

Vlatko Cingoski, PhD.E.E. Chairman of Management Board, General Manager
Asan Jakupi, BSc.Ecc. Member of Management Board, Deputy General Manager
Vladimir Ognjanovski, B.Sc.Lawyer Member of Management Board, Manager for Personnel and Legal Affairs
Dimitar Tanurkov, BSc.Mech.E. Member of Management Board, Manager for Electricity Generation
Jasna Ivanova - Davidovic BSc.Civ.Eng. Member of Management Board, Manager for Development and Investments
Slavica Besova, BSc.Ecc. Member of Management Board, Manager for Finance
Kosta Papasterevski, BSc.Mech.E. Member of Management Board, Commercial Manager

In 2008, the Management Board made decisions on several issues important for the work of the Company and brought many decisions among which:

- Decision for adoption of the Report on the annual inventory conducted for 2007
- Decision for adoption of the annual balance and the financial report on the Company operations for 2007
- Draft-decision for allocation of the realised profit according to the annual balance for 2007
- Decision for starting negotiation procedures for signing a Contract for lease of the surface colliery Brod-Gneotino;
- Decision for starting negotiation procedures for signing a Contract for lease for revitalisation of the hydro plants - phase II;
- Decision for approving the submission of the application for increase of the thermal power price;
- Decision for adoption of the brand book for AD ELEM - Skopje;
- Decision for adoption of the Annual Report for the achieved business results for 2007 - Draft -decision for amendments and addendums in the Statute;
- Decision for prolongation of the procedure for selling Molika DOOEL – Bitola and Krushino 96 DOOEL – Kicevo, both tourism and catering companies, and Separation DOOEL Oslomey
- Decision for determining the price for technological steam and pressurised water in the branch Energetika – Skopje
- Draft-pricelist tariff for regulation of the thermal power price according to different target groups of users for the branch Energetika – Skopje, for the defined period
- Decision for adoption of a pricelist for services
- Decision for approving the submission of the application for improvement of price and income for the generated electricity power
- Decision for establishing rules for selling overages of electricity capacity and power;
- Decision for establishing rules for selling overages of electricity capacity and power for the period of one or more days
- Decision for increase of the salaries of the employees
- Decision for adoption of the Draft Collective Agreement
- Decision for defining tariff positions for electricity power and capacity supplied to the tariff consumers directly connected to the transmission network and performing activities of public interest
- Draft -decision for selection of an authorised auditor for revision of the annual balance and the financial reports for 2008
- Decision for adoption of a plan for electricity power production for 2009
- Decision for adoption of a financial plan for 2009
- Decision for adoption of an annual investment programme for 2009
- Decision for adoption of a public procurement plan for 2009
- Decision for cancelling an international public call with prequalification for selling of Krushino 96 DOOEL – Kicevo and other decisions related to submitted complaints by the employees and necessary resolutions for the current operations of the Company.

On 25.11.2008, the Management Board and the Workers Union of AD ELEM, as a participant to the collective bargaining, signed the Collective Agreement of the Company and adopted several amendments and addendums to the Rulebook for Internal Organisation of the Company.

COMPANY ORGANIZATION

Major organisational divisions of the Company are: the Head Office and eight subsidiaries, which do not have an independent legal entity status.
Head Office is situated in Skopje, and the subsidiaries are: MPC Bitola - Novaci with a head office in the municipality of Novaci, MPC Oslomey - Oslomey with a head office situated in Oslomey, HPP Mavrovo - Gostivar with a head office situated in Gostivar, HPP Globochica - Struga with a head office situated in Struga, HPP Shpilje - Debar with a head office situated in Debar, HPP Treska - Skopje with a head office situated in Skopje, HPP Tikvesh - Kavadarci with a head office situated in Kavadarci, and Energetika - Skopje with a head office situated in Skopje.
Each branch is operated by a Director, i.e. Directors, appointed by the Management Board, and their responsibilities are determined by the Company Statute.
The Rulebook for Internal Organization defines the internal organization of the Company more precisely by sectors, departments, units, job positions, and job descriptions per each particular post.

PRINCIPAL ASSETS

The principal assets of the company amount at 31.738.878.000 denars or 517.818.006 euros in accordance with the average exchange rate of the National Bank of R. Macedonia. The principal assets of the company are divided into 31.738.878 standard shares with a nominal value of 1.000 denars.

EMPLOYEES AND THEIR EDUCATIONAL STRUCTURE

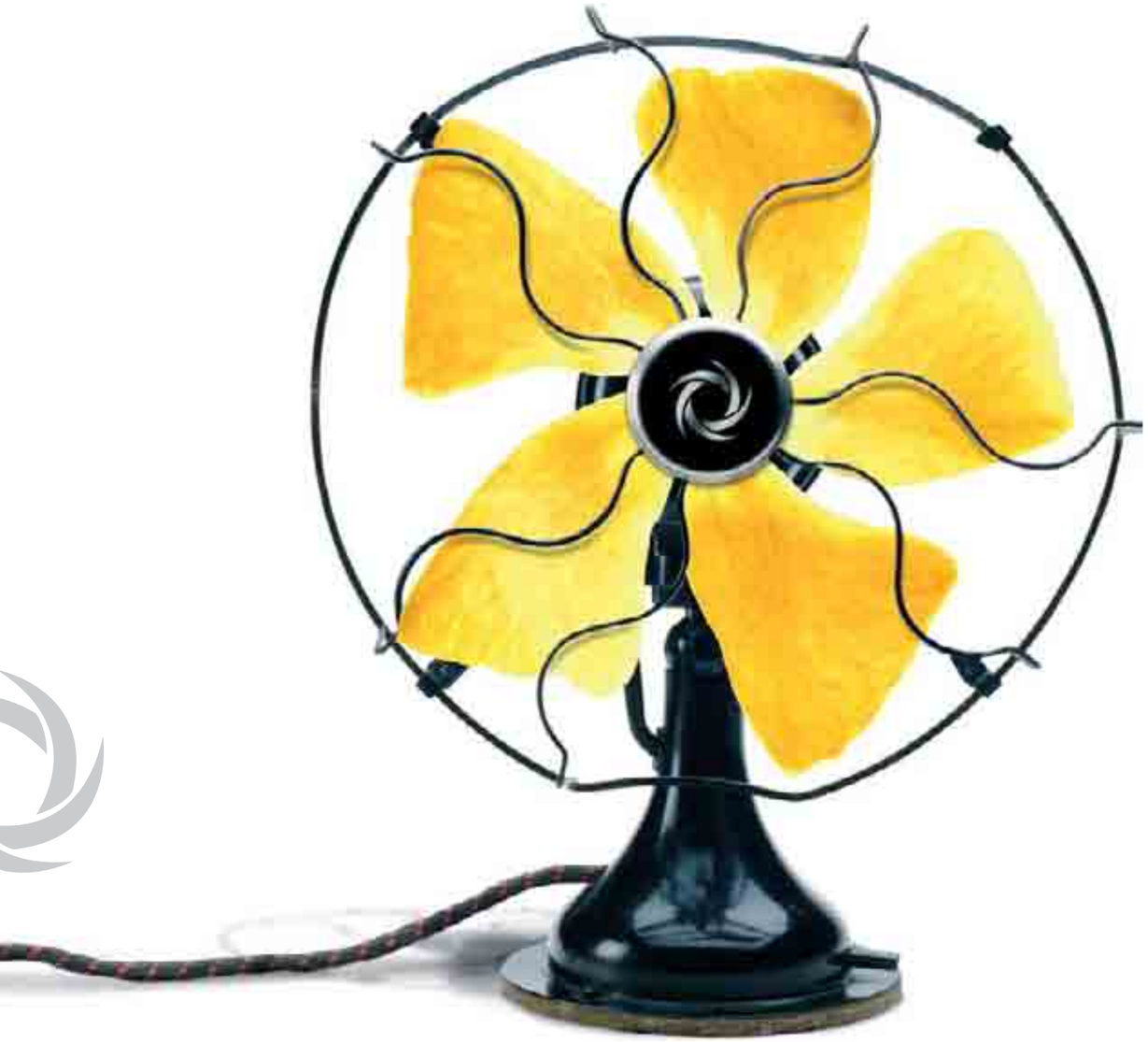
On 31.12.2008, AD ELEM – Skopje had 4.033 employees, out of which 2.340 in the branch MPC Bitola - Novaci, 681 in MPC Oslomey - Oslomey, 365 in HPP Mavrovo - Gostivar, 115 in HPP Globochica - Struga, 74 in HPP Shpilje - Debar, 82 in HPP Tikvesh - Kavadarci, 108 in HPP Treska - Skopje, 149 in Energetika – Skopje, and 119 employees in the Head Office. Out of the total number of employees, 5 employees have VIII degree education, 22 employees - VII/2 degree, 429 - VII/1 degree, 199 - VI degree, 152 - V degree, 1.486 - IV degree, 1.049 - III degree, 389 - II degree, and 302 employees with I degree.

COMPANIES WITH LIMITED LIABILITY FOUNDED BY AD ELEM - SKOPJE

By the division of Elektrostopanstvo (Electricity Power Commerce), AD ELEM - Skopje acquired the nine companies with limited liability (DOOELs) founded by the former AD ESM. The Management Board of AD ELEM - Skopje brought a decision for changing the title of the founder and instead of AD ESM all these companies were preregistered with AD ELEM as a founder. This amendment is written in the Central Registry of the Republic of Macedonia.
AD ELEM - Skopje is a founder of the following DOOELs:

1. Company for Catering and Tourism Molika DOOEL – Bitola, AD ELEM - Skopje;
2. Company for Catering and Tourism Krushino 96 DOOEL – Kicevo, AD ELEM - Skopje;
3. Company for Catering and Tourism Popova Shapka DOOEL – Tetovo, AD ELEM - Skopje;
4. Factory for Production of Quartz, Building Materials and Services Separation DOOEL Oslomey, AD ELEM - Skopje;
5. Company for Dry Transformers Svetlina 2001 DOOEL – Kumanovo, AD ELEM - Skopje;
6. Factory for Equipment and Spare Parts FOD DOOEL – Novaci, AD ELEM - Skopje;
7. Factory for Maintenance, Repair and Transport FORT DOOEL - Oslomey, AD ELEM - Skopje;
8. Restaurant for Community Catering – ROI DOOEL - Oslomey, AD ELEM - Skopje;
9. Restaurant for Community Catering and Accommodation – ROIS DOOEL - Novaci, AD ELEM - Skopje.

Because of the unfavourable financial results of the majority of the DOOEL (one person LTDs) subsidiaries and the long term coverage for the losses of AD ELEM, and based on the recommendation of the Government of the Republic of Macedonia, procedures have started for selling the shares in Molika DOOEL - Bitola, Krushino 96 DOOEL – Kicevo, and Separation DOOEL - Oslomey, and e additional procedures will follow for selling of other subsidiaries of this type.
As for the other two subsidiaries – ROIS (Restaurant for Community Catering and Accommodation – DOOEL, Novaci) and ROI (Restaurant for Community Catering – DOOEL, Oslomey), announcements are going to be published for their rent and lease.



POWER MARKET LIBERALIZATION

ELEM favors full liberalization of the electricity market in Macedonia and it is an active player in the activities for opening the market to all the consumers of electricity power. Until now, Republic of Macedonia has signed the Athens Memorandum in 2002 and the Energy Community Treaty in 2005, in order to achieve Integrated Regional Electricity Market in the South East Europe. As of January 1st 2008, the consumers that use about 30% of the total electricity consumption in Macedonia are free to choose their supplier. The next steps are to provide internal market opening to all the consumers including households until January 2015 (Full Liberalization). At the same time, ELEM is working on the establishing of an electricity power market, and also on attracting foreign and private investors as a necessity for the competitiveness of production.

ENERGY EFFICIENCY IN ELEM

The way energy sector develops in Macedonia has a huge impact on the national economic growth, the protection of the environment and the life standard of the citizens. Because of the social character of the electricity power, which has been considered as a public wealth for years, and is easily accessible (most often with governmental subsidiaries), there is an image created about the access to an endless power as a guaranteed right of the citizen, which leads to inefficiency in the usage of electricity power.

This inefficiency appears in all sectors, including even the very process of production of electricity power. Here, inefficiency locates itself in the process of fuel burning, but also in the power losses in the power plants themselves as a result of the low level of efficiency of some parts of the equipment. In accordance with the worldwide views (World Energy Council), on average 8% of the power outages during the process of its production are due to imperfections of the equipment and the management of the process. This percentage can be significantly lowered by implementation of power efficiency measures.

By taking measures for power efficiency the domestic economy's dependence on the imported power and other energy fuels will be reduced, domestic reserves will last longer, and the necessity for investment in new power infrastructure will be postponed. In addition, there will be lower operational expenses and considerable positive ecological effects.

By definition, power efficiency means that the same service or activity can be performed but with lower consumption of power. Because of that, the implementation of the measures for power efficiency influences and modifies the well known relation that economic growth has to move correspondingly to the increased consumption of power. Energy efficiency enables usage of power resources for a longer period.

AD ELEM continuously invests in projects for improvement of energy efficiency, including reconstruction and revitalisation of the existing facilities for the purpose of technological solutions advancement and rational consumption of power. The invested money returns through the realized accumulation of power.

The improvement of power efficiency contributes to the reduction of the emissions of hazardous gasses as well as the litter in the environment. In 2008, major projects based on the concept of power efficiency technologies are the following:

• MODERNISATION OF TPP BITOLA

The project involves reconstruction of the turbo aggregates in each unit and modernisation of the systems for monitoring and automation in order to increase the total efficiency of the process, this being equivalent to

additional installed capacity of 3x7,2MW. The project realization will result in the following benefits:

- Increased production of electricity power for 147,2 GWh/per year;
- The consumption of coal is not increased on the account of the increased production of electricity power;
- Reduction of the emission of hazardous gases and waste, equivalent to 223.038 CER /per year.

In September 2008, AD ELEM published a public call for selection of the most favourable provider for the modernisation of the aggregates in TPP Bitola, in accordance with the model 'handed key'.

• GAS POWER PLANT WITH INSTALLED CAPACITY OF 300 MW ELECTRICITY POWER AND 150 MW THERMAL POWER

There are plans for construction of a gas power plant with a combined cycle for production of electricity and thermal power within the site of the branch Energetika in the area of Zelezarnica in order to utilise the existing infrastructure. The power plant has an efficiency index of of over 50 %, which the in power efficiency technologies and it is the first of this type in Macedonia. It will use natural gas as a fuel. Benefits:

- Annual production of 2000 GWh electricity power and up to 500 GWh thermal power;
- High efficiency level of the power plant. Just for a comparison, classical power plants have up to 38% efficiency with the same fuel;
- Reduction of the emission of hazardous gases and waste, equivalent of 938.790 CER/per year.

In September 2008, AD ELEM published a public call for selection of a partner for a joint venture with AD ELEM, construction and operational usage of a combined gas power plant Energetika.
Both projects comply with the Clean Development Mechanism (CDM) of the Kyoto Protocol, which contributes to sustainable development in the countries outside Annex I, through investment in ecologically safe technologies and know-how.

• RECONSTRUCTION OF TURBO AGGREGATES 2X15MW IN THE BRANCH ENERGETIKA

In order to exploit all the facilities for production of electricity power and, above all, to reduce the costs for the production of thermal power for heating, we approached the idea for reconstruction of the existing turbo aggregates in a heating regime, as well as their revitalisation and introduction of electronic regulation. The concept of combined production of electricity and thermal power is an energetically efficient technology and it is in accordance with the criteria and the conditions of the CDM projects.

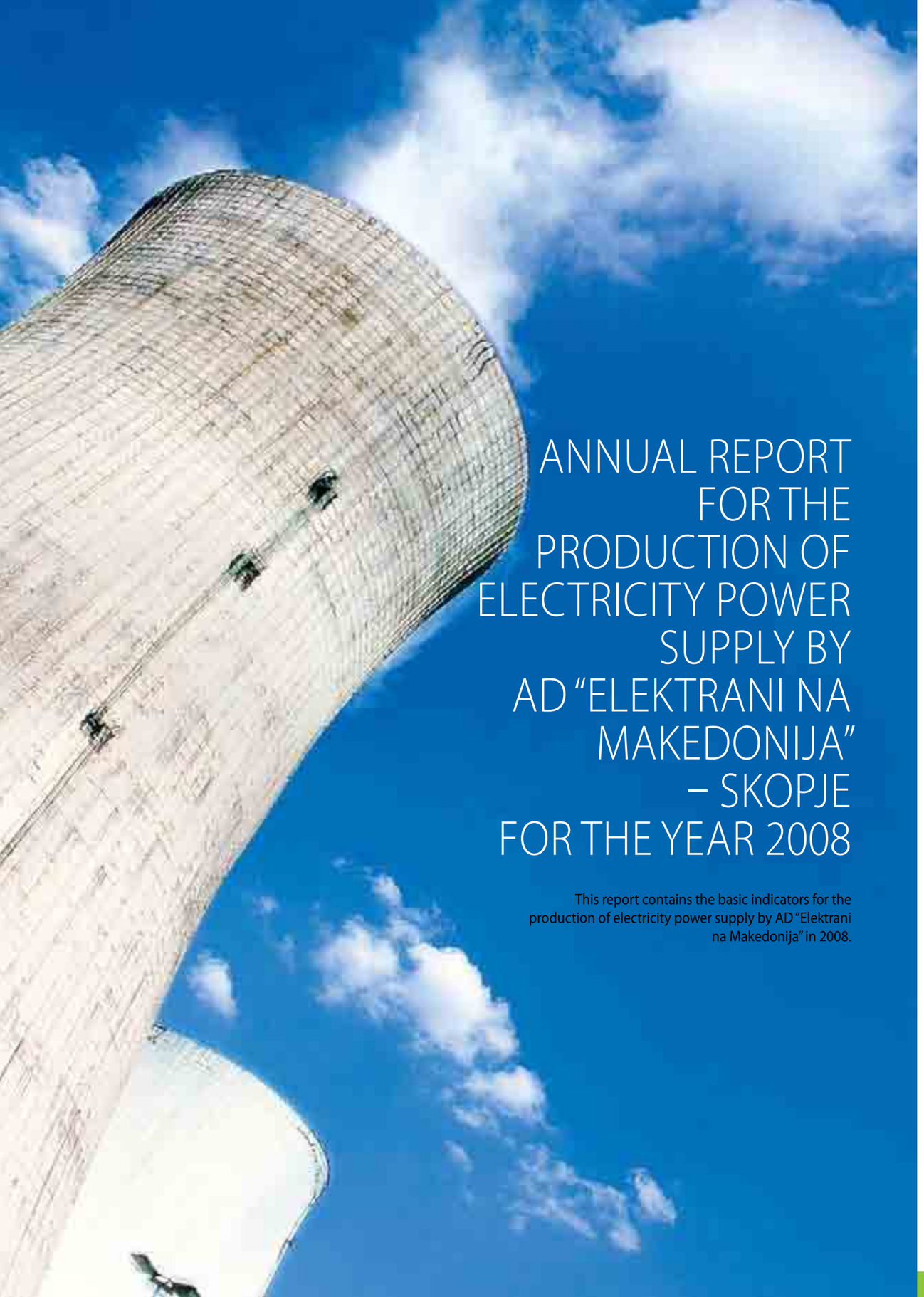
- New production facility of electricity power (160 GWh/per year), wherein it is very important that it will be located in the area of Zelezarnica, where there is a considerate amount of consummation, i.e. the distribution losses will be minimal. The latter is definitely related to the fact that AD ELEM has licences for distribution and supply of electricity power in that area;
- Production of thermal power for heating and technological steam with lower operational expenses, i.e. lower regulated price, will be exceptionally favourable for the end users, i.e. the standard of the citizens. In this way, the complete thermal power needed for the end users, which for now is round 50 GWh per season, could be provided.

In 2008, a Contract was signed with ALSTOM from Croatia for a full execution of actions - including the design, reconstruction, revitalisation and a test functioning.
Parallel to the implementation of the measures for energy efficiency, we encourage investment and research in renewable resources (hydro potentials and wind power), which goes in line with the EU regulations according to which, in 2020, 20% of the total power produced in the member-countries will have to come from renewable resources. Therefore, one of the principles of the National Strategy for Development is to produce practical types of power with a minimal consumption of primary power. Except for continuous research for new renewable resources, AD ELEM also invests in projects for revitalisation of the existing hydro power facilities, and by introducing measures for energy efficiency allows for a more rational production and usage of the resources for a longer period.

• REVITALISATION OF HYDRO POWER PLANTS – II PHASE

Regarding the fact that hydro potential provides 15-20% of the total production of electricity power in AD ELEM, with implementation of a set of measures for energy efficiency a significant financial benefit can be achieved. The first phase of the project for revitalisation, which is completely finalised, brought about an increase in the efficiency of the hydro power plants for 12,1%. As for the second phase, a feasibility study was prepared, and the investment is planned to be realized during the period 2010-2012. This revitalisation includes HPP Globochica, HPP Mavrovo, HPP Shpilje and HPP Tikvesh.
Benefits:

- Increase of the production capacity for renewable electricity power in the Macedonian energy system and reduction of emissions of SO2, NOx and CO2 from the thermal plants, which would have to be in use if it wasn't for the project. This is also beneficial for a better safety in power supply since it increases the opportunity for the revitalised hydro power plants to produce electricity power in a period of maximum consumption, as well as regulation of frequency;
- The project will decrease Macedonia's dependence on the imported fossil fuels and it will have a positive impact on the external trade balance of the country.
- Increase of confidentiality and authorisations in the production of electricity power from the hydro plants;
- Reduction of the expenses for maintenance and exploitation;
- Modernisation of the systems for regulation;
- Efficient usage of the resources.



ANNUAL REPORT FOR THE PRODUCTION OF ELECTRICITY POWER SUPPLY BY AD "ELEKTRANI NA MAKEDONIJA" – SKOPJE FOR THE YEAR 2008

This report contains the basic indicators for the production of electricity power supply by AD "Elektrani na Makedonija" in 2008.

RESULTS

PRODUCTION RESULTS 2008	Planned Production GWh	Realized Production GWh	Index Realized/Planned
Thermal Power Plants	**4.781,0**	**4.877,3**	**102,0%**
Bitola 1	1.435,0	1.357,0	94,6%
Bitola 2	1.441,0	1.530,1	106,2%
Bitola 3	1.302,0	1.328,9	102,1%
Oslomey	603,0	661,4	109,7%
Hydro Power Plants	**1.254,0**	**738,0**	**58,9%**
Vrutok	376,0	250,0	66,5%
Raven	39,0	28,8	73,9%
Vrben	39,0	34,4	88,1%
Shpilje	300,0	182,0	60,7%
Globochica	185,0	120,2	65,0%
Tikves	143,0	55,1	38,6%
Kozjak	172,0	67,4	39,2%
TOTAL	**6.035,0**	**5.615,4**	**93,0%**

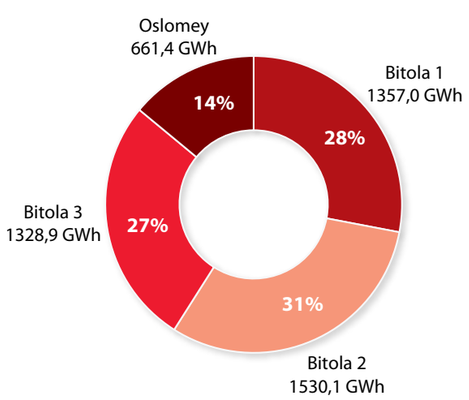
According to the electrical power balance for 2008, AD ELEM realized 5615,4 GWh (93,0 %) out of the planned production, wherein thermal power plants achieved 2 % higher production than planned, and hydro power plants produced 41,1 % less than planned; that is due to the reduced inflows and the bad hydrological condition of the accumulations.

STRUCTURE OF ELEM

THERMAL POWER PLANTS

Thermal power plants are a priority in the electrical power system of the Republic of Macedonia. The biggest thermal capacity is situated in Bitola, with the three units Bitola 1, Bitola 2, and Bitola 3, each with 225 MW. They cover 80% of the electricity power production in the country. MPC Bitola uses coal with an average caloric value of 8.079 kJ/kg as a basic fuel. The other thermal capacity included in the electrical power system is the mining–power complex (MPC) Oslomej in Kicevo with installed capacity of the unit of 125MW and an annual production of about 400 GWh. The basic fuel used in MPC Oslomey is also coal with an average caloric value of 7.600 kJ/kg.

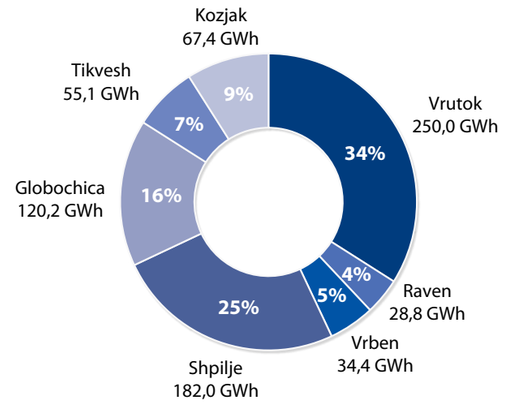
THERMAL PLANTS	Installed capacity	Net production	Year of commissioning	Working hours	Main fuel	Fuel energy value
	MW	GWh		h		kJ/kg
Bitola 1	225	1.357,0	1982	7147:18:00	Јаглен	8.079
Bitola 2	225	1.530,1	1984	7823:45:00	Јаглен	8.079
Bitola 3	225	1.328,9	1988	7298:55:00	Јаглен	8.079
Oslomey	125	661,4	1980	7183:01:00	Јаглен	7.600
TOTAL	**800**	**4.877,3**				



HYDRO POWER PLANTS

The total instalment of the hydro capacities amounts at 528,4 MW, in other words 40% of the total capacities of AD ELEM. In AD ELEM there are seven hydro power plants, two of which are flowing river type - Raven and Vrben and five are accumulation type - Vrutok, Shpilje, Globochica, Tikvesh, Kozjak. Out of the total production of electricity power in AD ELEM, the hydro production supplies around 17 %, and it is primarily used for satisfaction of the daily variations of electricity power consumption and for provision of system services for regulation, which results in higher flexibility and availability of the electricity power system.

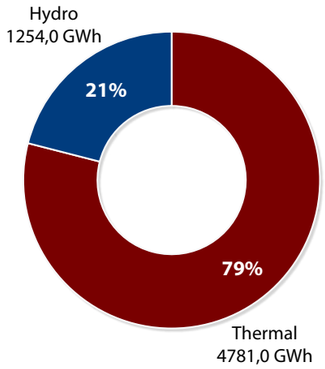
HYDRO PLANTS	Number of units	Installed capacity	Net Production	Year of commissioning пуштање	Plant type
		MW	GWh		
Vrutok	4	172	250.0	1957/1973	Reservoir
Raven	3	21,6	28,8	1959/1973	Running river
Vrben	2	12,8	34,4	1959	Running river
Shpilje	3	84	182,0	1969	Reservoir
Globochica	2	42	120,2	1965	Reservoir
Tikvesh	4	116	55,1	1968/1981	Reservoir
Kozjak	2	80	67,4	2004	Reservoir
TOTAL	**20**	**528,4**	**738,0**		

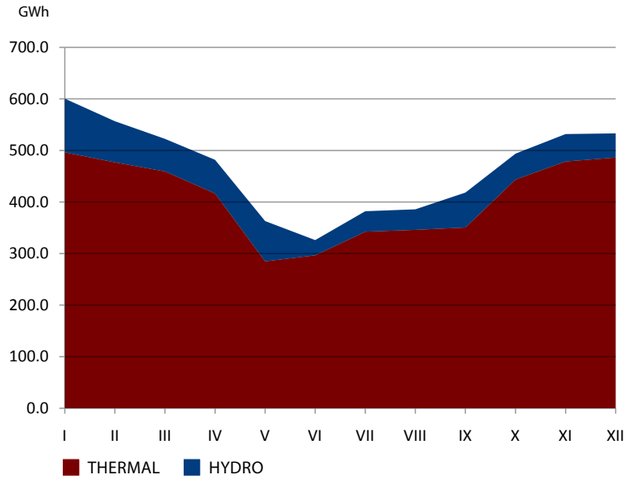


PLANNED PRODUCTION OF ELECTRICITY POWER FOR AD ELEM IN 2008 ACCORDING TO THE ELECTRICAL POWER BALANCE

According to the electrical power balance for 2008, AD ELEM planned production amounted at 6 035,0 GWh, out of which 4 781,0 GWh (79 %) were to be produced by the thermal power plants and 1 254 GWh (21 %) by the hydro power plants.

MONTHLY AVAILABLE ELECTRICITY POWER													GWh
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Вкупно
Thermal	505,0	465,0	470,0	442,0	276,0	266,0	326,0	326,0	326,0	395,0	482,0	502,0	4.781,0
Hydro	126,0	113,0	131,0	71,0	136,0	117,0	54,0	50,0	78,0	79,0	140,0	159,0	1.254,0
TOTAL	**631,0**	**578,0**	**601,0**	**513,0**	**412,0**	**383,0**	**380,0**	**376,0**	**404,0**	**474,0**	**622,0**	**661,0**	**6.035,0**



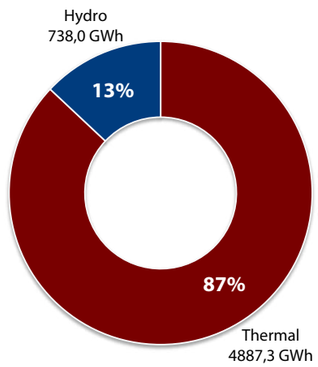


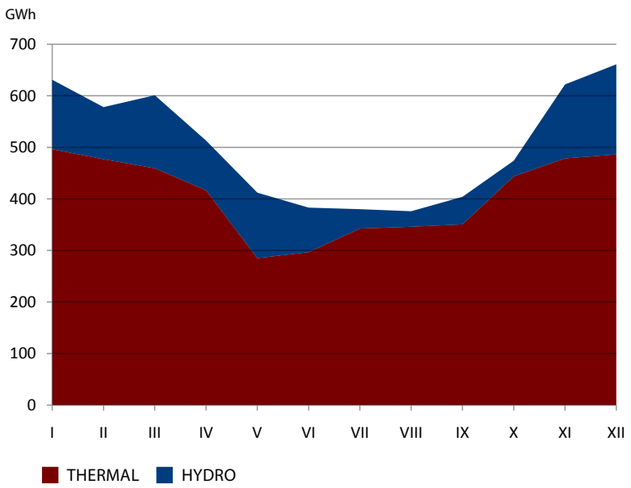
PRODUCTION OF ELECTRICITY POWER

In 2008, AD ELEM produced a total of 5 615,4 GWh electricity power, out of which 4 877 GWh (87 %) from thermal power plants and 738 GWh (13 %) from hydro power plants.

REALIZED MONTHLY PRODUCTION

MONTHLY PRODUCTION OF ELECTRICITY POWER													GWh
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Total
Thermal	496,3	476,9	459,3	416,5	284,8	296,5	342,3	345,9	350,5	443,6	478,5	486,2	4.877,3
Hydro	104,2	79,7	63,2	65,3	78,3	29,6	39,7	39,9	67,8	50,1	53,3	66,9	738,0
TOTAL	**600,5**	**556,7**	**522,5**	**481,8**	**363,0**	**326,1**	**382,1**	**385,8**	**418,3**	**493,8**	**531,8**	**553,1**	**5.615,4**



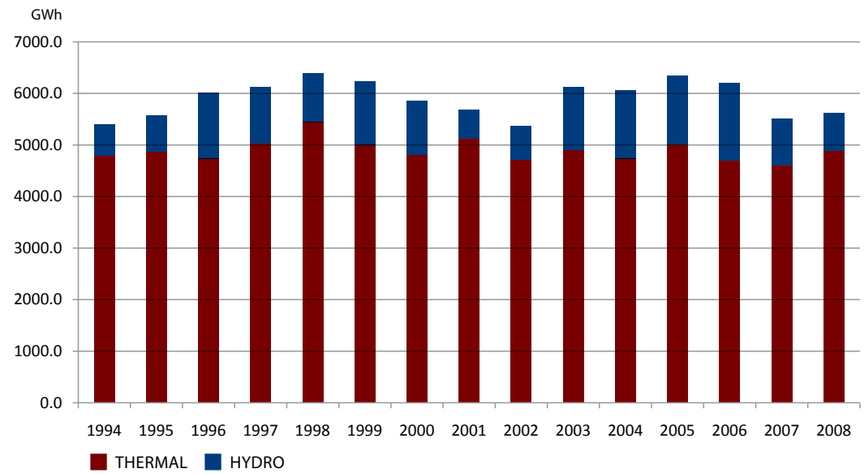


REALIZED PRODUCTION OF ELECTRICITY POWER FOR AD ELEM PRESENTED BY YEARS

The production of AD ELEM for 2008 is 102,2 GWh (1,9 %) bigger than that in 2007.

ANNUAL PRODUCTION OF ELECTRICITY POWER															GWh
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Thermal	4.794,6	4.879,4	4.734,9	5.028,8	5.445,3	5.003,9	4.805,8	5.124,4	4.714,5	4.906,5	4.735,0	5.007,8	4.690,9	4.602,7	4.877,3
Hydro	611,3	695,8	1.283,6	1.090,1	955,6	1.231,3	1.047,8	564,9	652,2	1.218,9	1.328,3	1.334,7	1.504,9	910,5	738,0
TOTAL	**5.405,9**	**5.575,2**	**6.018,5**	**6.118,9**	**6.400,9**	**6.235,2**	**5.853,6**	**5.689,3**	**5.366,7**	**6.125,4**	**6.063,3**	**6.342,5**	**6.195,8**	**5.513,2**	**5.615,4**

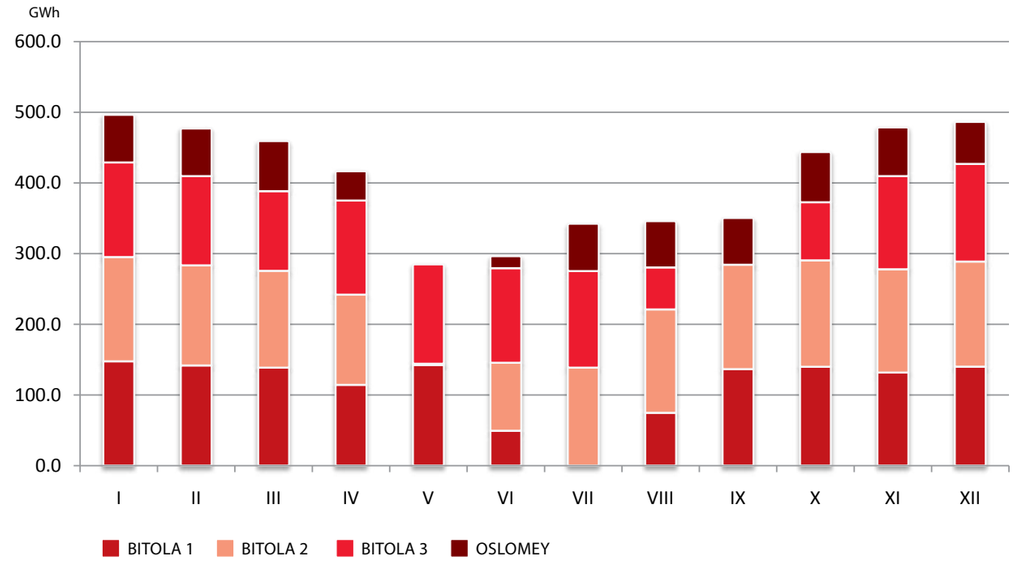
	2008	2007	08/07	08	07
	GWh	GWh	%	%	%
Thermal	4.877,326	4.602,7	6,0	86,9	83,5
Hydro	738,0	910,5	-18,9	13,1	16,5
TOTAL	**5615,354**	**5513,2**	**1,9**	**100**	**100**



THERMAL POWER

In 2008 thermal power plants produced 4 877,3 GWh, wherein Bitola 1 produced 1 357 GWh (27,8 %) out of the total thermal production, Bitola 2 had 1 530,1 GWh (31,4 %), Bitola 3 - 1328,9 GWh (27,2 %) and Oslomey - 661,4 GWh (13,6 %).

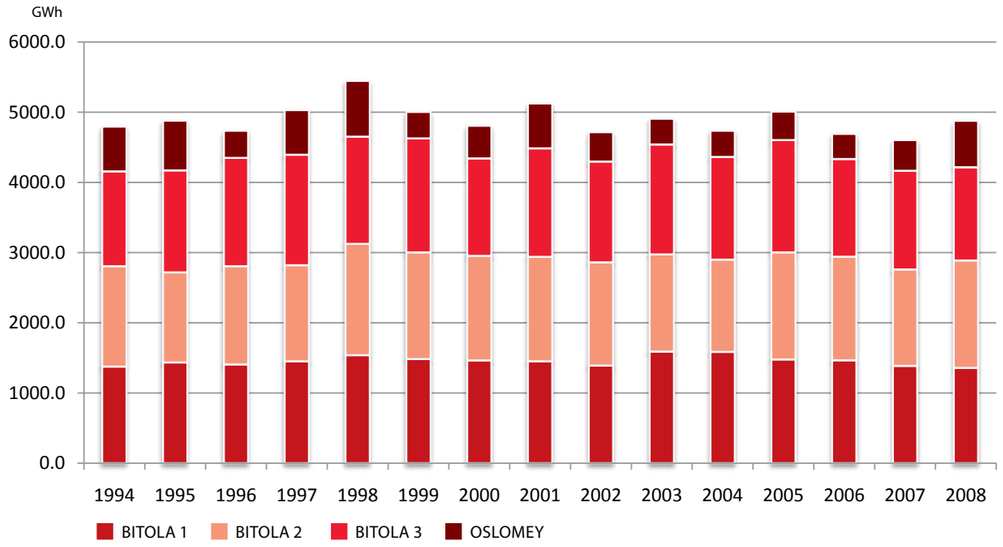
MONTHLY PRODUCTION - THERMAL PLANTS													GWh
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Total
Bitola 1	147,6	141,7	138,6	114,3	142,4	49,4	0,0	74,8	136,5	139,9	131,8	140,0	1.357,0
Bitola 2	147,6	141,7	137,0	127,7	1,8	96,2	138,6	146,3	147,8	150,5	146,0	148,7	1.530,1
Bitola 3	133,8	126,3	112,8	133,1	140,6	133,9	136,7	59,3	0,0	82,3	131,9	138,3	1.328,9
Oslomey	67,3	67,3	70,9	41,4	-0,0	16,9	67,0	65,6	66,1	70,9	68,8	59,3	661,4
TOTAL	**496,3**	**476,9**	**459,3**	**416,5**	**284,8**	**296,5**	**342,3**	**345,9**	**350,5**	**443,6**	**478,5**	**486,2**	**4.877,3**



Electricity power production from the thermal power plants in 2008 is 274,6 GWh (6 %) higher than that in 2007.
The 2008 production in Bitola 1 and Bitola 3 is reduced for 2,1 % and 5,6 %, respectively, which is primarily due to the executed capital reconstructions of the turbines of the two aggregates, and in Bitola 2 there was a realized production that was 11,4 % higher than the production in 2007, which results from the executed reconstruction and the shorter than predicted timeline needed for this activities, despite the executed capital reconstruction of the flowing part of the CNP.
Thermal plant Oslomey achieved 51,6 % higher production than in 2007. Moreover, TPP Oslomey achieved a new record in continuous operations this year and that is 3976:10:00 hours or 165,7 days of continuous functioning.

PRODUCTION BY YEARS - THERMAL PLANTS															GWh
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Bitola 1	1.375,4	1.434,2	1.406,6	1.451,7	1.537,9	1.483,1	1.463,7	1.452,5	1.389,4	1.590,3	1.585,3	1.478,0	1.465,9	1.386,3	1.357,0
Bitola 2	1.431,5	1.284,7	1.399,3	1.369,1	1.586,1	1.519,3	1.489,3	1.487,5	1.472,9	1.383,6	1.313,4	1.524,6	1.475,0	1.372,9	1.530,1
Bitola 3	1.350,5	1.451,3	1.542,4	1.572,1	1.527,6	1.624,6	1.389,1	1.545,8	1.435,4	1.566,6	1.463,5	1.600,9	1.393,1	1.407,3	1.328,9
Oslomey	637,2	709,2	386,6	635,9	793,7	376,9	463,7	638,6	416,8	366,0	372,8	404,3	356,9	436,2	661,4
TOTAL	**4.794,6**	**4.879,4**	**4.734,9**	**5.028,8**	**5.445,3**	**5.003,9**	**4.805,8**	**5.124,4**	**4.714,5**	**4.906,5**	**4.735,0**	**5.007,8**	**4.690,9**	**4.602,7**	**4.877,3**

THERMAL PLANTS	2008 GWh	2007 GWh	08/07 %	08 %	07 %
Bitola 1	1.357,0	1.386,3	-2,1	27,8	30,1
Bitola 2	1.530,1	1.372,9	11,4	31,4	29,8
Bitola 3	1.328,9	1.407,3	-5,6	27,2	30,6
Oslomey	661,4	436,2	51,6	13,6	9,5
TOTAL	**4.877,3**	**4.602,7**	**6,0**	**100**	**100**



RECONSTRUCTION ACTIVITIES AND OUTAGES

This year marked the start and finalization of the planned reconstruction activities in all of the power plants, in accordance with the previously determined dynamics and timelines, with the exception of the aggregates A and B in HPP Vrutok, aggregate B in HPP Raven and the two aggregates in HPP Kozjak.

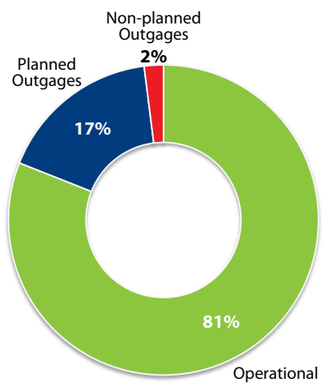
HPP / TPP	Date		Description
	Start	Finalisation	
			MPC Bitola
Unit 1	11.6.2008	13.8.2008	Capital reconstruction of the whole turbine with resource testing; Increased control of the metal in the boiler; necessary works on the boiler and the reinforced construction
Unit 2	1.5.2008	9.6.2008	Capital reconstruction of the flowing aprt of the CNP; Increased control of the metal in the boiler; necessary works on the boiler and the reinforced construction
Unit 3	15.8.2008	12.10.2008	Капитален ремонт на комплетна турбина со испитување на ресурсот; Зголемен обем на контрола на металот во котелот; Неопходни работи на котел и арматура
			MPC Oslomey
Aggregate A	25.4.2008	22.6.2008	Capital reconstruction of the whole turbine with resource testing; Increased control of the metal in the boiler; necessary works on the boiler and the reinforced construction
			HPP Vrutok
Aggregate A Aggregate B			Reconstruction not realized
Aggregate C	1.4.2008	9.5.2008	Testing of the functioning circuit of the turbine, generator; repair of the unit transformer in Rade Konchar
Aggregate D	14.7.2008	24.7.2008	Testing of the functioning circuit of the turbine, generator, unit transformer
			HPP Raven
Aggregate A	1.4.2008	13.5.2008	Testing of the functioning circuit of the turbine, generator, unit transformer
Aggregate B Aggregate C	17.10.2008	10.11.2008	Reconstruction not realized
			HPP Vrben
Aggregate A	1.9.2008	20.9.2008	Testing of the functioning circuit of the turbine, generator, unit transformer
Aggregate B	1.9.2008	20.9.2008	
			HPP Tikvesh
Aggregate A	19.6.2008	27.6.2008	Testing of the functioning circuit of the turbine, generator, unit transformer, equipment for a butterfly circuit valve and for high-pressurised doping; replacement of a contact thermometer on the unit transformer
Aggregate B	23.6.2008	27.6.2008	Testing of the functioning circuit of the turbine, generator, Unit transformer, equipment for a butterfly circuit valve and for high-pressurised doping; replacement of a pipeline part in the cooling system
Aggregate C	2.6.2008	5.6.2008	Testing of the functioning circuit of the turbine, generator, unit transformer, equipment for a butterfly circuit valve and for high-pressurised doping
Aggregate D	5.6.2008	6.6.2008	Testing of the functioning circuit of the turbine, generator, unit transformer, equipment for a butterfly circuit valve and for high-pressurised doping
Drainage pipe	23.6.2008	27.6.2008	Demounting of the old one and mounting of a new drainage pipe, welding of elements on the drainage pipe
			HPP Globochica
Aggregate A	16.9.2008	26.9.2008	Execution of safety measures for the whole aggregate; prophylactic testing by FEIT, control of the pressure system and pressure regulation, control of 10kV bar switch, mounting of an additional concrete weight of 400 kg
Aggregate B	15.9.2008	23.9.2008	Execution of safety measures for the whole aggregate; prophylactic testing by FEIT, control of the pressure system and pressure regulation, control of 10kV bar switch, mounting of oil cooler
	1.10.2008	17.10.2008	Complete reconstruction of the wiring apparatus
			HPP Shpilje
Aggregate A	15.4.2008	18.4.2008	Executed equipment control for the generator, pressurized regulation, air system, turbine regulation, pre-turbine flanges, unit transformer, transformer field and power switch for all the three aggregates
Aggregate B	16.4.2008	18.4.2008	
Aggregate C	17.4.2008	22.4.2008	

OVERVIEW OF THE TIMELINES FOR THE PLANNED AND NON-PLANNED OUTAGES OCCURRING AT THE THERMAL POWER PLANTS IN 2008.

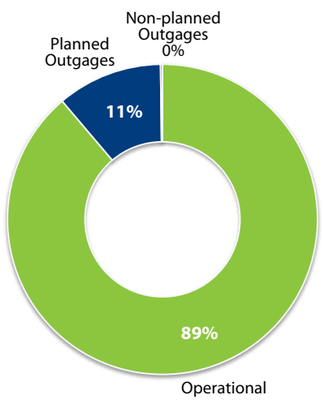
Outages h Thermal Plants	Bitola 1		Bitola 2		Bitola 3		Oslomey	
	P	N	P	N	P	N	P	N
January	0:00:00	0:00:00	0:00:00	0:00:00	0:00:00	0:00:00	0:00:00	0:00:00
February	0:00:00	0:00:00	0:00:00	0:00:00	0:00:00	0:00:00	0:00:00	0:00:00
March	0:00:00	0:00:00	0:00:00	0:00:00	0:00:00	82:16:00	0:00:00	0:00:00
April	0:00:00	117:47:00	0:00:00	0:00:00	0:00:00	0:00:00	141:15:00	73:45:00
May	0:00:00	0:00:00	731:17:00	0:00:00	0:00:00	0:00:00	744:00:00	0:00:00
June	456:38:00	0:00:00	199:53:00	5:41:00	0:00:00	0:00:00	523:55:00	0:00:00
July	744:00:00	0:00:00	0:00:00	22:54:00	0:00:00	0:00:00	0:00:00	0:00:00
August	303:17:00	15:00:00	0:00:00	0:00:00	392:43:00	6:48:00	0:00:00	0:00:00
September	0:00:00	0:00:00	0:00:00	0:00:00	720:00:00	0:00:00	0:00:00	0:00:00
October	0:00:00	0:00:00	0:00:00	0:00:00	283:18:00	0:00:00	0:00:00	0:00:00
November	0:00:00	0:00:00	0:00:00	0:30:00	0:00:00	0:00:00	0:00:00	0:00:00
December	0:00:00	0:00:00	0:00:00	0:00:00	0:00:00	0:00:00	0:00:00	118:04:00
TOTAL	**1503:55:00**	**132:47:00**	**931:10:00**	**29:05:00**	**1396:01:00**	**89:04:00**	**1409:10:00**	**191:49:00**
	1636:42:00		**960:15:00**		**1485:05:00**		**1600:59:00**	

PLANNED OUTGAGES NON-PLANNED OUTGAGES

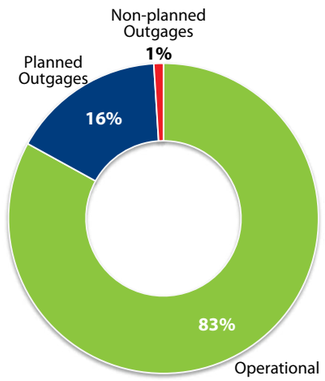
BITOLA 1



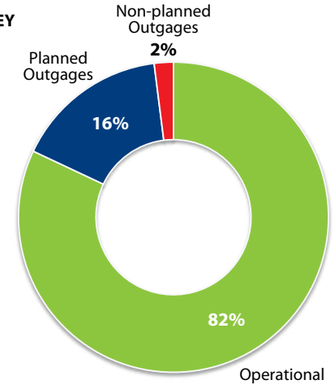
BITOLA 2



BITOLA 3



OSLOMEY



The following charts illustrate a comparison between the outages and the reconstructions and their duration as compared to the previous years.
As compared to 2007, the number of outages is smaller for 4 (17,39 %), whereas if compared to 2006 it is smaller for 7 (26,92 %); compared to 2005 it is smaller for 2 (11,76 %) and compared to 2004 it is bigger for 1 (5,56 %).
The total time duration for the outages and reconstructions in 2008 goes up to 5683:01:00 hours and it is 28,15 % shorter than that in 2007, 26,3 % shorter if compared to 2006, 22,48 % shorter than in 2005 and 23,25 % as compared to 2004, which is due to the shortened non-planned outages as a result of the expeditious actions of the responsible employees for removal of defects.

NUMBER OF OUTAGES AND RECONSTRUCTIONS

		MPC Bitola				MPC Oslomey	Total TTP
		Unit 1	Unit 2	Unit 3	Total	Aggregate 1	
Outgages	2004	4	2	3	9	7	16
	2005	2	1	4	7	7	14
	2006	2	3	7	12	14	26
	2007	5	2	7	14	5	19
	2008	4	5	2	11	4	15
Recon-struction	2004	no reconstructions	1	no reconstructions	1	1	2
	2005	1	1	no reconstructions	2	1	3
	2006	no reconstructions	no reconstructions	no reconstructions	no reconstructions	no reconstructions	no reconstructions
	2007	1	1	1	3	1	4
	2008	1	1	1	3	1	4
Total	2004	4	3	3	10	8	18
	2005	3	2	4	9	8	17
	2006	2	3	7	12	14	26
	2007	6	3	8	17	6	23
	2008	5	6	3	14	5	19
Com-parison of 2008 with previous years [%]	2004	25,00%	100,00%	0,00%	40,00%	-37,50%	5,56%
	2005	66,67%	200,00%	-25,00%	55,56%	-37,50%	11,76%
	2006	150,00%	100,00%	-57,14%	16,67%	-64,29%	-26,92%
	2007	-16,67%	100,00%	-62,50%	-17,65%	-16,67%	-17,39%

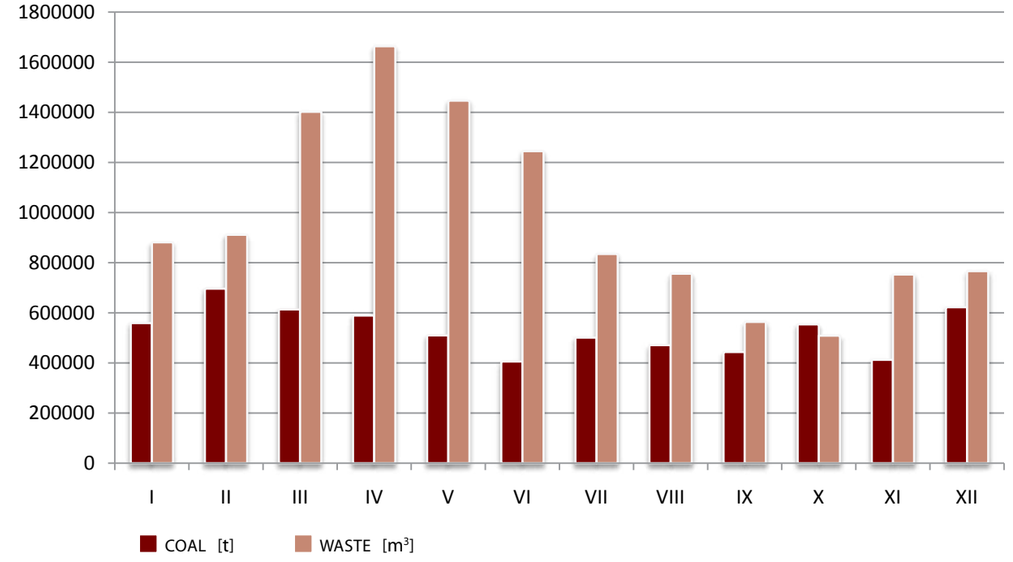
DURATION OF OUTAGES AND RECONSTRUCTIONS

		MPC Bitola				MPC Oslomey	Total TPP
		Unit 1	Unit 2	Unit 3	Total	Aggregate 1	
Outages	2004	594:00:00	813:28:00	1255:00:00	2662:28:00	49:00:00	2711:28:00
	2005	80:21:00	2:48:00	850:00:00	933:09:00	216:00:00	1149:09:00
	2006	1071:00:00	1268:00:00	125:21:00	2464:21:00	762:49:00	3227:10:00
	2007	340:39:00	82:19:00	120:14:00	543:12:00	300:51:00	844:03:00
	2008	132:47:00	29:05:00	89:04:00	250:56:00	191:49:00	442:45:00
Reconstruc-tions	2004	0:00:00	917:32:00	0:00:00	917:32:00	3776:00:00	4693:32:00
	2005	1086:39:00	986:12:00	00:00:00	2072:51:00	4109:00:00	6181:51:00
	2006	0:00:00	0:00:00	1419:09:00	1419:09:00	3064:51:00	4484:00:00
	2007	1061:42:00	1298:39:00	1068:30:00	3428:51:00	3637:12:00	7066:03:00
	2008	1503:55:00	931:10:00	1396:01:00	3831:06:00	1409:10:00	5240:16:00
Total	2004	594:00:00	1731:00:00	1255:00:00	3580:00:00	3825:00:00	7404:00:00
	2005	1167:00:00	989:00:00	850:00:00	3006:00:00	4325:00:00	7331:00:00
	2006	1071:00:00	1268:00:00	1544:30:00	3883:30:00	3827:40:00	7711:10:00
	2007	1402:21:00	1380:58:00	1188:44:00	3972:03:00	3938:03:00	7910:06:00
	2008	1636:42:00	960:15:00	1485:05:00	4082:02:00	1600:59:00	5683:01:00
Comparison of 2008 with previous years [%]	2004	175,54%	-44,53%	18,33%	14,02%	-58,14%	-23,25%
	2005	40,25%	-2,91%	74,72%	35,80%	-62,98%	-22,48%
	2006	52,82%	-24,27%	-3,85%	5,11%	-58,17%	-26,30%
	2007	16,71%	-30,47%	24,93%	2,77%	-59,35%	-28,15%

MINES

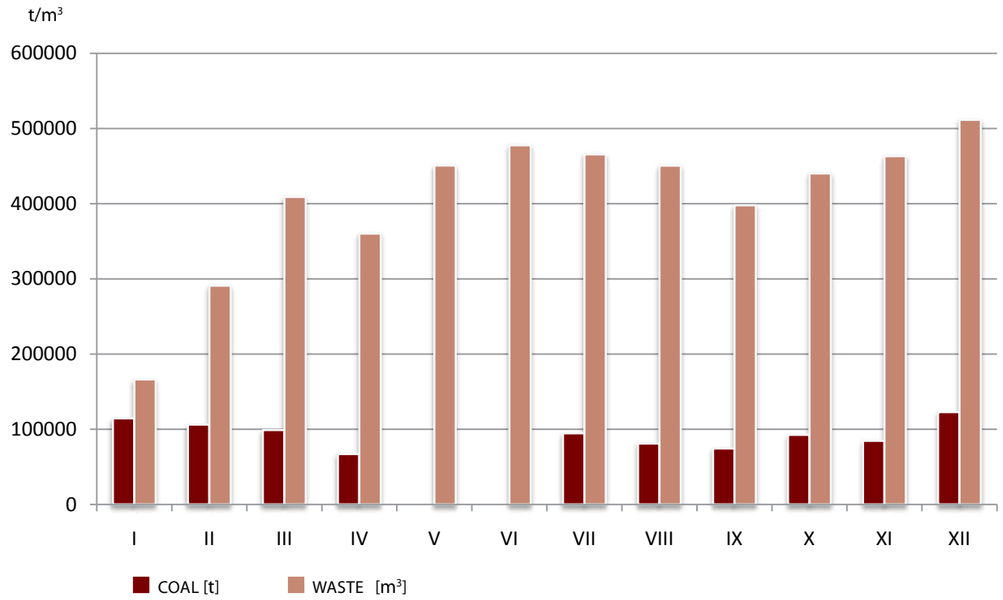
In 2008, there were 7 746 170 [t] of coal extracted in our mines. For the needs of TPP Bitola, 6 376 643 [t] were extracted from the Suvodol Mine, and the first amounts of coal totalling 127 536 [t] were extracted from the Brod-Gneotino Mine. It is expected that this mine will yield an annual amount of 2 000 000 [t] of coal from this year on, or around one third of the needs of TPP Bitola. For the needs of TPP Oslomey, 936 278 [t] coal were extracted from the Oslomey – Zapad Mine, and by the last year's opening of the surface in the local Star Rudnik Mine (Old Mine), which is part of the former Oslomey – Istok Mine, a delivery of 305 713 [t] has been facilitated for this year, through the method of discontinuous mechanisation.

SUVODOL MINE 2008 MINING OF COAL AND WASTE													
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Total
Coal [t]	559.041	696.220	613.515	589.153	509.924	405.625	500.980	470.740	443.487	553.637	412.317	622.004	6.376.643
Waste [m3]	881.075	911.102	1.401.923	1.663.678	1.446.809	1.245.002	834.835	756.087	563.865	508.761	752.616	766.005	11.731.758



BROD - GNEOTINO MINE 2008 MINING OF COAL AND WASTE													
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Total
Coal [t]								93.183			30.185	4.168	127.536
Waste [m3]	225.923	229.349	239.992	457.198	452.799	513.875	573.072	596.635	488.040	360.804	357.616	399.190	4.894.493

OSLOMEY - ZAPAD MINE 2008 MINING OF COAL AND WASTE													
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Total
Coal [t]	114.405	106.119	98.897	66.951			94.598	81.011	74.397	92.448	84.631	122.821	936.278
Waste [m3]	166.201	291.013	409.035	360.297	450.790	477.732	465.705	450.576	397.839	440.276	463.280	511.559	4.884.303



STAR RUDNIK MINE2008 MINING OF COAL AND WASTE													
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Waste
Coal [t]	1.032	1.461	21.429	16.485	10.826	45.124	48.177	53.652	39.366	36.937	31.224		305.713
Waste [m3]													0

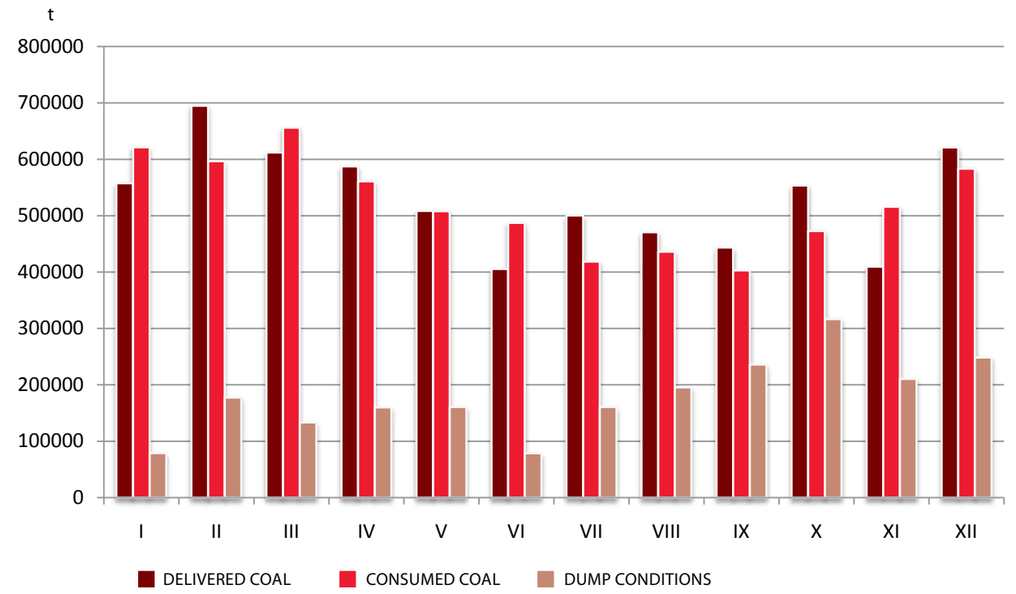
CONSUMPTION OF COAL AND FUEL FOR PRODUCTION OF ELECTRICITY POWER

For the production of 4 877,3 GWh the thermal power plants consumed the following amounts:

Coal ..... 7.415.901,00 [t] or 1,52 kg/kWh
Fuel ..... 13.294,00 [t] or 2,73 gr/kWh

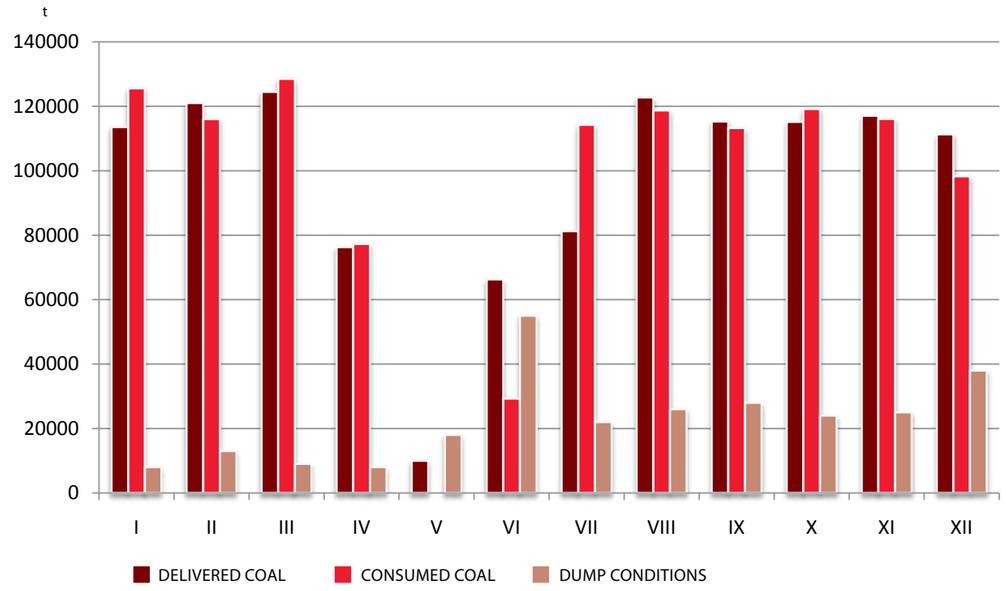
Thermal plants production has been realized with 815 215 [t] of additional coal [12,35 %] and 6 432 [t] extra fuel [93,73 %] as compared to 2007. The increased consumption of fuel results from the lowered coal quality, which can easily be seen from the caloric value of the coal expressed in kJ/kg.

Coal Consumption - TPP BITOLA													t
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Total
Delivered coal	557.445	695.100	612.037	587.534	508.465	405.450	500.460	470.740	443.487	553.470	409.662	621.138	6.364.988
Consumed coal	621.270	596.668	656.088	560.836	507.924	487.316	418.552	436.037	402.906	472.804	515.804	583.250	6.259.455
Dump conditions	79.000	177.432	133.381	160.079	160.620	78.754	160.662	195.365	235.946	316.612	210.470	248.358	
Caloric value kJ/kg	7.883,7	7.657,7	6.636,1	7.553,0	7.368,8	6.971,0	7.381,3	7.523,7	8.210,3	8.830,0	8.700,2	7.511,1	7.686



FUEL CONSUMPTION - TPP BITOLA													t
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Total
	269	2.280	3.506	629	610	1.143	269	461	28	254	10	217	9.676

COAL CONSUMPTION - TPP OSLOMEY													t
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Total
Delivered coal	113.570	121.004	124.503	76.290	10.000	66.276	81.248	122.741	115.279	115.167	117.070	111.289	1.174.437
Consumed coal	125.570	116.004	128.503	77.290	0	29.276	114.248	118.741	113.279	119.167	116.070	98.289	1.156.437
Dump conditions	8.000	13.000	9.000	8.000	18.000	55.000	22.000	26.000	28.000	24.000	25.000	38.000	
Caloric value kJ/kg	6.254	6.686	6.402	6.366		7.033	6.832	6.386	6.745	6.885	6.796	7.049	6.676

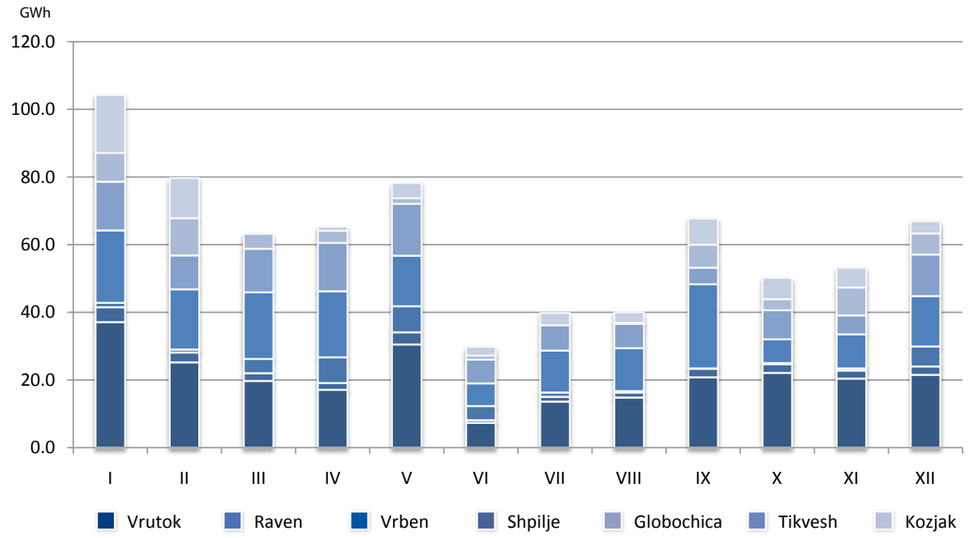


COAL CONSUMPTION - TPP OSLOMEY												t
I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Total
881	300	480	715	0	43	158	318	167	119	105	332	3.618

HYDRO POWER

In 2008 hydro power plants produced 738 GWh electricity power, wherein Vrutok produced 250 GWh (34 %) of the total hydro production, Raven 28,8 GWh (4 %), Vrben 34,4 GWh (5 %), Shpilje 182 GWh (25 %), Globochica 120,2 GWh (16 %), Tikvesh 55,1 GWh (7 %) and Kozjak 67,4 GWh (9 %).

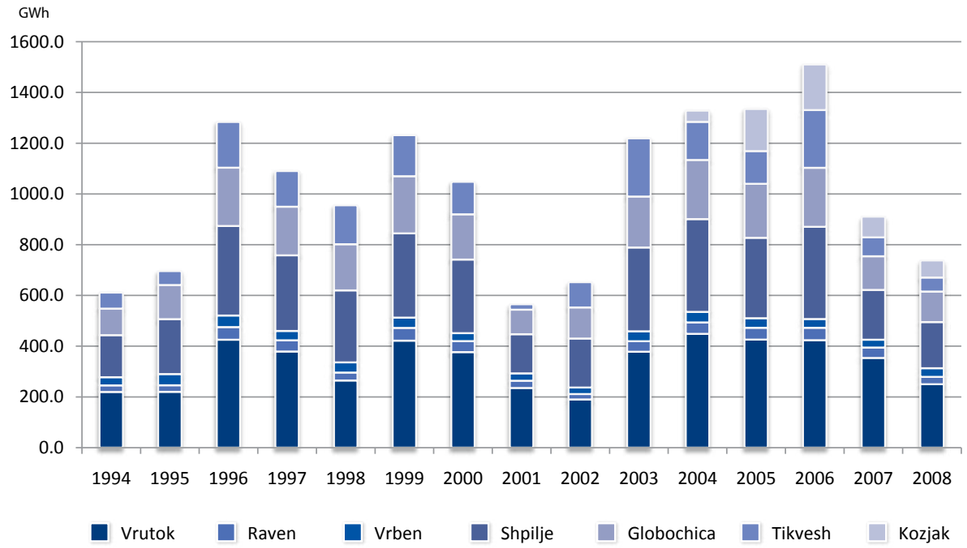
MONTHLY PRODUCTION - HYDRO PLANTS													GWh
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Total
Vrutok	37,1	25,2	19,7	17,1	30,5	7,3	13,6	14,8	20,8	22,1	20,4	21,5	250,0
Raven	4,4	2,9	2,3	2,0	3,6	0,8	1,4	1,5	2,5	2,6	2,4	2,5	28,8
Vrben	1,3	0,9	4,2	7,6	7,7	4,2	1,3	0,4	0,1	0,3	0,6	5,9	34,4
Shpilje	21,4	17,8	19,7	19,5	14,9	6,7	12,4	12,7	24,9	7,0	10,1	14,9	182,0
Globochica	14,4	10,0	12,9	14,3	15,4	7,0	7,5	7,2	4,9	8,6	5,6	12,3	120,2
Tikvesh	8,5	11,0	4,4	3,6	1,6	1,2	-0,0	0,3	6,8	3,3	8,2	6,2	55,1
Kozjak	17,1	11,9	0,0	1,2	4,5	2,6	3,6	3,1	7,7	6,3	5,9	3,6	67,4
TOTAL	**104,2**	**79,7**	**63,2**	**65,3**	**78,3**	**29,6**	**39,7**	**39,9**	**67,8**	**50,1**	**53,3**	**66,9**	**738,0**

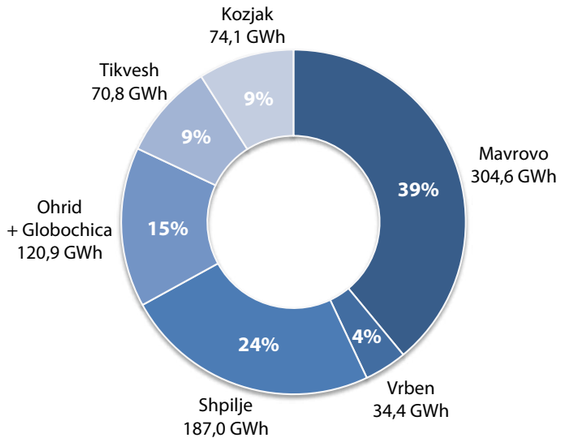


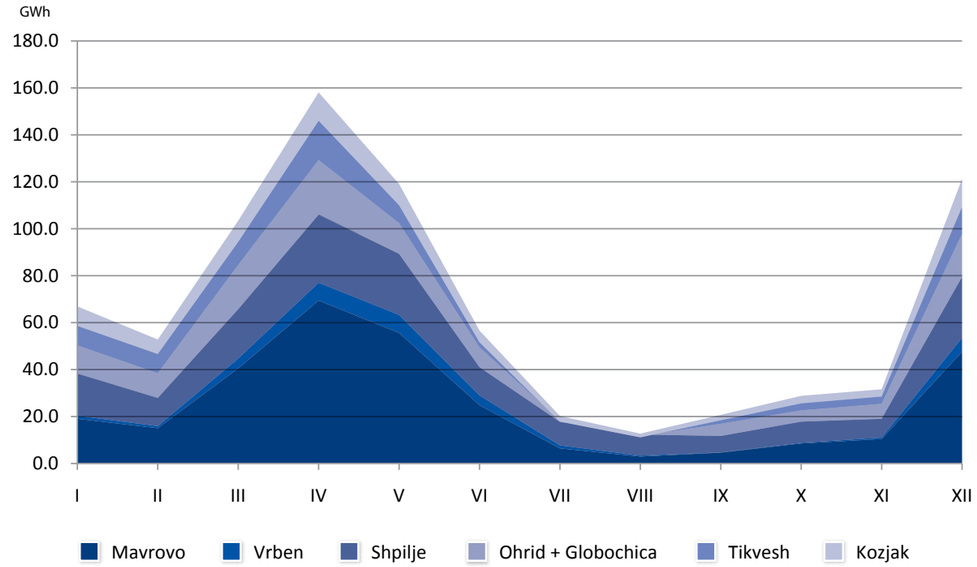
Electricity power production in the hydro capacities marks a decrease for 172,4 GWh (18,95 %) as compared to the same period in 2007. Reduced production is primarily due to the reduced inflows in accumulations, both in 2008 and in 2007.

PRODUCTION BY YEARS - HYDRO PLANTS															GWh
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Vrutok	219,7	220,1	425,4	378,8	264,9	421,7	376,8	235,4	190,1	378,1	448,4	425,9	423,5	353,5	250,0
Raven	25,7	25,8	49,9	44,3	31,1	50,3	43,2	28,5	21,2	41,3	45,4	46,5	48,9	41,2	28,8
Vrben	32,0	44,1	45,5	37,1	40,0	40,3	31,4	28,7	25,6	39,0	41,2	38,0	34,7	30,8	34,4
Shpilje	165,8	216,4	352,9	297,6	283,9	332,4	289,9	154,3	193,2	330,4	365,6	316,7	363,4	196,0	182,0
Globochica	104,8	134,6	229,6	191,6	182,0	225,0	178,2	96,8	122,7	201,1	233,5	212,9	232,6	132,6	120,2
Tikvesh	63,3	54,8	180,3	140,7	153,3	161,6	128,3	21,2	99,4	229,0	149,9	128,8	227,4	74,8	55,1
Kozjak	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	44,3	165,9	179,6	81,7	67,4
TOTAL	**611,3**	**695,8**	**1.283,6**	**1.090,1**	**955,2**	**1.231,3**	**1.047,8**	**564,9**	**652,2**	**1.218,9**	**1.328,3**	**1.334,7**	**1.510,1**	**910,6**	**738,0**

HYDRO PLANTS	2008 GWh	2007 GWh	08/07 %	08 %	07 %
Vrutok	250,0	353,5	-29,27	33,9	38,8
Raven	28,8	41,2	-30,02	3,9	4,5
Vrben	34,4	30,8	11,53	4,7	3,4
Shpilje	182,0	196,0	-7,13	24,7	21,5
Globochica	120,2	132,6	-9,32	16,3	14,6
Tikvesh	55,1	74,8	-26,29	7,5	8,2
Kozjak	67,4	81,7	-17,50	9,1	9,0
TOTAL	**738,0**	**910,6**	**-18,95**	**100,0**	**100,0**





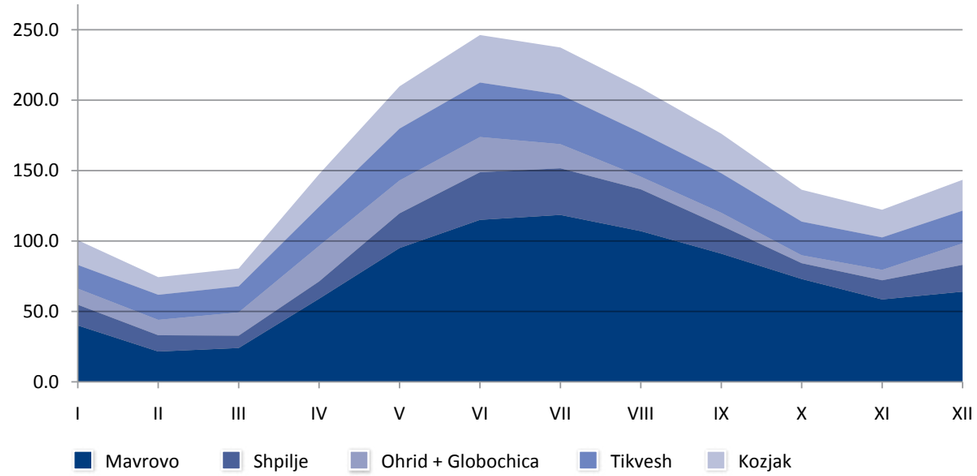


OVERVIEW OF THE MONTHLY INFLOW IN THE ACCUMULATIONS FOR 2008

ACCUMULATIONS INFLOW													GWh
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Total
Mavrovo	19,0	15,0	40,5	69,4	55,6	24,8	6,4	2,9	4,6	8,5	10,4	47,6	304,6
Vrben	1,3	0,9	4,2	7,6	7,7	4,2	1,3	0,4	0,1	0,3	0,6	5,9	34,4
Shpilje	18,0	12,0	21,0	29,0	26,0	12,0	10,0	9,0	7,0	9,0	8,0	26,0	187,0
Ohrid + Globochica	12,0	10,5	18,9	23,3	13,1	8,5	0,6	-0,7	5,2	4,8	6,4	18,3	120,9
Tikvesh	8,3	8,2	9,8	16,7	7,6	2,1	-0,5	-0,5	1,5	3,0	3,1	11,5	70,8
Kozjak	8,3	6,2	9,0	12,1	9,1	5,0	2,4	1,6	2,3	3,2	3,1	11,9	74,1
TOTAL	**66,9**	**52,8**	**103,4**	**158,1**	**119,2**	**56,5**	**20,1**	**12,6**	**20,7**	**28,9**	**31,6**	**121,2**	**791,9**

OVERVIEW OF THE AVERAGE MONTHLY CONDITION OF THE ACCUMULATIONS FOR 2008

AVERAGE MONTHLY CONDITION OF THE ACCUMULATIONS													GWh
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	
Mavrovo	40,00	21,50	24,00	59,00	95,00	115,00	118,50	107,00	91,00	73,00	58,50	64,00	
Shpilje	14,73	11,56	8,76	12,26	24,61	33,80	33,10	29,67	19,90	11,22	13,58	19,05	
Ohrid + Globochica	11,46	10,94	16,55	25,28	23,36	25,04	17,17	8,98	9,18	5,64	7,42	15,28	
Tikvesh	16,79	17,79	18,49	27,81	36,83	38,67	35,15	31,22	28,05	23,89	23,03	23,18	
Kozjak	17,58	12,53	12,68	23,09	30,01	33,74	33,48	31,77	28,07	22,62	19,66	21,91	
TOTAL	**100,56**	**74,32**	**80,48**	**147,44**	**209,81**	**246,24**	**237,40**	**208,64**	**176,19**	**136,37**	**122,19**	**143,42**	



CONCLUSIONS

This year's reduced hydro production of AD ELEM (18,95 %), as compared to the previous year, is primarily due to:

• Unfavourable hydrologic conditions
Throughout the whole 2008 hydrologic conditions were unfavourable, which resulted in a drastic reduction of the production in the hydro plants. The status of accumulations for this period amounts at 161 000 MWh.
Hydro power plants production for the period marks a decrease of 18,94 %, if compared to 2007, and if compared to 2006 this decrease makes 50,96 %, while it is 45,1 % less than the production in 2005 and 44,43 % than that in 2004.

The increased thermal production of AD ELEM for this year (6 %), as compared to the previous one, could have been even higher if the following did not occur:

• Impediments in the functioning of MPC Bitola
Due to the legal issues that AD ELEM had to deal with until the adoption of the new Law for Power Supply and the inability to sell the overages that occur during the night hours, under the orders by the system operator, MPC Bitola has been forced to reduce its delivery for up to 30 MW per aggregate, which has an unfavourable influence on the completion of the balance and definitely escalates higher risks from eventual outages. Provided that there were possibilities for sales of the night overages, thermal power plants in Bitola would have the capacity to produce additional 126,2 GWh electricity power.

• Reconstructions that were not executed
Capital reconstructions were executed on the turbines in Bitola 1 and Bitola 3. Generally speaking, we can infer that the lack of execution of all the planned reconstructions on yearly basis, during the last couple of years, has brought about an increased number of activities in the thermal aggregates involving the entire equipment of the units, particularly the coal dust system, and hence, by the execution of these reconstructions, the greater part of the equipment was partly replaced.

The thermal plant Oslomey managed to produce 58, 4 GWh (9,7 %) more electricity power than it was planned by the electrical power balance for 2008 and achieved a new record of continuous operations of the unit - 165,7 days.

SALES OF ELECTRICITY POWER

BUYER		JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
MEPSO	[kWh]	589.383.184	546.756.813	511.403.655	470.926.741	354.066.142	317.628.939	373.170.286	376.695.930	68.321.813	32.375.178	12.985.839	27.313.035	3.681.027.555
	[Denars]	766.198.139	710.783.857	664.824.752	612.204.764	460.285.985	412.917.620	485.121.372	489.704.709	95.985.145	55.494.292	25.587.297	53.817.605	4.832.925.537
MEPSO system service	[Denars]											28.994.977	29.785.749	58.780.726
EVN (05.09-31.12.2008)	[kWh]	/	/	/	/	/	/	/	/	380.872.407	481.831.110	563.019.909	659.115.982	2.084.839.408
	[Denars]	/	/	/	/	/	/	/	/	763.687.332	984.741.078	1.350.061.046	1.559.217.048	4.657.706.504
OVERAGES	[kWh]	/	/	/	/	/	/	/	/	1.585.000	4.860.000	12.718.000	2.772.000	21.935.000
	[Denars]	/	/	/	/	/	/	/	/	3.653.329	12.647.089	29.983.864	6.046.815	52.331.097
ZTP	[kWh]									1.666.590	2.105.690	1.917.227	1.863.787	7.553.294
	[Denars]									5.998.933	6.240.692	6.309.656	4.691.015	23.240.296
TPP NEGOTINO	[kWh]									16.570	216.840	245.160	353.690	832.260
	[Denars]									37.714	477.730	614.584	885.242	2.015.270
Incoming invoices for ENERGETIKA	[kWh]	6.367.598	5.574.448	5.854.514	5.031.811	4.936.243	5.216.819	5.589.200	5.533.166	5.288.165	4.356.668	3.754.671	4.742.981	62.246.284
	[Denars]	17.729.382	16.467.700	14.750.454	13.862.715	12.726.675	13.306.923	13.948.400	13.563.889	13.100.423	12.070.937	12.010.784	14.750.046	168.288.328
TOTAL	**[kWh]**	**595.750.782**	**552.331.261**	**517.258.169**	**475.958.552**	**359.002.385**	**322.845.758**	**378.759.486**	**382.229.096**	**457.750.545**	**525.745.486**	**594.640.806**	**696.161.475**	**5.858.433.801**
	[Denars]	**783.927.521**	**727.251.557**	**679.575.206**	**626.067.479**	**473.012.660**	**426.224.543**	**499.069.772**	**503.268.598**	**882.462.876**	**1.071.671.818**	**1.453.562.208**	**1.669.193.520**	**9.795.287.758**

REGULATED MARKET

BUYER		JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
MEPSO - Tarrif Customers	[kWh]	589.383.184	546.756.813	511.403.655	470.926.741	354.066.142	317.628.939	373.170.286	376.695.930	51.014.911				3.591.046.601
	[Denars]	766.198.139	710.783.857	664.824.752	612.204.764	460.285.985	412.917.620	485.121.372	489.704.709	66.319.384				4.668.360.582
MEPSO System Services	[kWh]													0
	[Denars]											28.994.977	29.785.749	58.780.726
MEPSO Technical Losses (up to 3 %)	[kWh]									13.100.000	12.469.350	12.848.073	18.091.066	56.508.489
	[Denars]									22.454.710	21.373.713	25.315.843	35.646.636	104.790.902
MEPSO Own Conspumption	[kWh]											137.766	143.546	281.312
	[Denars]											271.454	282.843	554.297
EVN Tarrif Customers	[kWh]									321.790.748	398.829.942	469.059.603	548.657.411	1.738.337.704
	[Denars]									585.015.580	725.072.835	1.026.771.471	1.201.011.073	3.537.870.959
EVN - Technical Losses (up to 11 %)	[kWh]									42.347.370	53.465.999	62.366.671	76.311.094	234.491.134
	[Denars]									76.987.519	97.201.186	136.520.643	167.044.985	477.754.333
ZTP	[kWh]									1.666.590	2.105.690	1.917.227	1.863.787	7.553.294
	[Denars]									5.998.933	6.240.692	6.309.656	4.691.015	23.240.296
TPP NEGOTINO	[kWh]									16.570	216.840	245.160	353.690	832.260
	[Denars]									37.714	477.730	614.584	885.242	2.015.270
ENERGETIKA EK-11	[kWh]	6.367.598	5.574.448	5.854.514	5.031.811	4.936.243	5.216.819	5.589.200	5.533.166	5.288.165	4.356.668	3.754.671	4.742.981	62.246.284
	[Denars]	17.729.382	16.467.700	14.750.454	13.862.715	12.726.675	13.306.923	13.948.400	13.563.889	13.100.423	12.070.937	12.010.784	14.750.046	168.288.328
TOTAL	**[kWh]**	**595.750.782**	**552.331.261**	**517.258.169**	**475.958.552**	**359.002.385**	**322.845.758**	**378.759.486**	**382.229.096**	**435.224.354**	**471.444.489**	**550.329.171**	**650.163.575**	**5.691.297.078**
	[Denars]	**783.927.521**	**727.251.557**	**679.575.206**	**626.067.479**	**473.012.660**	**426.224.543**	**499.069.772**	**503.268.598**	**769.914.263**	**862.437.093**	**1.236.809.412**	**1.454.097.589**	**9.041.655.693**

NON - REGULATED MARKET

BUYER		JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
OVERAGES	[kWh]									1.585.000	4.860.000	12.718.000	2.772.000	21.935.000
	[Denars]									3.653.329	12.647.089	29.983.864	6.046.815	52.331.097
EVN - Technical Losses (over 11 %)	[kWh]									16.734.289	29.535.169	31.593.635	34.147.477	112.010.570
	[Denars]									101.684.234	162.467.058	186.768.933	191.160.991	642.081.216
MEPSO - Other Needs	[kWh]									4.206.902	19.905.828		9.078.423	33.191.153
	[Denars]									7.211.051	34.120.580		17.888.125	59.219.756
TOTAL	**[kWh]**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**22.526.191**	**54.300.997**	**44.311.635**	**45.997.900**	**167.136.723**
	[Denars]	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**112.548.614**	**209.234.727**	**216.752.797**	**215.095.931**	**753.632.069**

SUSTAINABLE DEVELOPMENT AND INVESTMENTS

TThe term "sustainable development" actually presents a phrase that denotes synergy in the economic, social, and ecological development of the society. This development satisfies the needs of the today's world and simultaneously excludes any room for endangering the possibilities for satisfaction of the needs of the future generations. Sustainable development is not an aim in itself – it is an aspiration towards which one has to strive constantly.

One of the basic principles in the work of AD ELEM, which ads to the purpose of sustainable development and strategy, is the constant care for the natural environment. As a consequence of the limited power production resources as well as the limited financial assets for investment in development projects, AD ELEM puts a special emphasis on determining the optimal development.

Natural environment protection is an important priority in the energy policies of our company.

Company's goals, adopted by the Management Board, are transparent to the public and they are based on the concepts of the highest European standards in this field.

Our company strives to achieve and prove its contribution to the protection of the natural environment. Through implementation of natural environment policies, our company takes measures for minimizing the harmful impact that the production capacities can have on the natural environment.

We are the first company on the Balkans that has come to a phase of registering the stored emissions of greenhouse gas within the framework of the Mechanism for Clean Development. The process of revitalization of the hydro plants of AD ELEM annually saves around 200.000 tones of CO_2 emissions. We take care for the already exploited coal mines by regularly re-cultivating and revitalizing the damaged space. We are also concerned about controlling and neutralizing the waste waters. When planning new hydro accumulations, as well as when analyzing and exploiting the exiting ones, we prepare appropriate studies and elaborates about the impact that this hydro accumulations can have on the micro and macro climate, about the protection of the flora and fauna, as well as the global protection of people and properties from floods. As a modern company for production of electricity power, we are dedicated to the

business of renewable sources and we are persistent in our research of the possibilities for contribution to the sustainable energy development. In that direction, we continuously try to approximate our activities with the relevant laws and regulations, we improve our efforts in the field of natural environment protection, adopting efficient programmes and providing material and other means for realization of these programmes.

RENEWABLE SOURCES OF ELECTRICITY POWER

In line with the efforts to reduce climate changes, AD ELEM follows the positive trend of construction of production facilities for electricity power based on renewable sources.

Recognizing all challenges, and as a part of our efforts for successful development and growth in this sector, since 2006, AD ELEM continuously conducts a campaign for measuring the wind energy utilization at four locations. According to the results we have obtained so far, company's development plans will go in line with starting a construction of a wind power plant.

Preliminary insights into the possibilities for utilization of the wind potential for production of electricity power lead to conclusions that, in principle, chosen locations show good to excellent results, so far, and are very suitable for commercial utilization of the wind energy.

There are many benefits from the Project and among them we would like to point out the following:
• **Energy Sector** – Forecasts for new 100 GWh annual production of clean and sustainable electricity power;
• **Protection of the natural environment** – In line with the regulations of Republic of Macedonia and EU, this project will be implemented after we receive an approval for the Environmental Impact Assessment. We have calculated an annual net-storage of greenhouse gases amounting at 37tco2. ;
• **Business sector** – This project will allow for investments in expertise, equipment supply, "hand-in key" offers, etc. To this point, international finance institutions have shown great interest in financing this project;
• **Social sector** – This project will have a clear and direct impact on the population inhabiting the municipalities where it will be implemented.

Relying on the preliminary results, we continued with the preparation of the feasibility study that would include all four locations. Results from this Assessment should go in line with identifying the advantages/disadvantages of each location separately. Consequently to this, and for the purpose of starting with the preparation of this feasibility study, AD ELEM applied for this project and it was accepted by the European Commission – under the Technical Assistance for Infrastructural Projects. This technical assistance includes drafting of a feasibility study and tender documentation.
In the meantime, legal framework is being established for construction of wind power plants in The Republic of Macedonia, an initiative that AD ELEM supports and actively participates to. A decision has been reached – **Decision for determining a favourable tariff** – for trading electricity power that has been produced and delivered by wind power plants, and it is valued at 8,9 euro-cents for 1KWh of electricity power (€cents/kWh) delivered. In that respect, gradually but certainly, a system for sustainable energy development in the country is being established for the next generations; this system is expected to raise public awareness about increased utilization of renewable energy sources as opposed to the fossil fuels.

ANALYSIS OF THE CONDITIONS IN THE EXISTING POWER PLANTS REGARDING EMISSIONS IN THE AIR AND WATER AND ADOPTION OF A PRIORITY PLAN FOR THEIR REDUCTION

THERMAL POWER PLANTS

In TPP Bitola, TPP Oslomey, and the branch Energetika, there are continuous measurements of the emissions in the air and the amounts of waste waters.

The land exploitation in both mines degrades the soil and the flora. For that purpose, various activities are being performed: foresting, expansion of green areas, planting agricultural husbandry, founding of recreational centres.

In MPC Bitola, in 2008, additional 5000 one-year-old acacia seedlings were planted, on the Plant a Tree Day, which have been produced in the hotbed that is located within the Complex's facilities.

Annual concentration of harmful substances is presented in the chart below:

		MPC Bitola	MPC Oslomey	Energetika
SO2	T	49.094	16.014	
CO	T	647	818	0,09158
NOx	T	14.140	2.677	0,09158
CO2	T	7.057.135	1.273.947	0,0059
Dust	T	6.673	1.170	
Ash	T	1.031.161	215.102	
Slug	T	71.614		

In MPC Bitola, the amounts of waste water coming from the chemical technological department amounted at 23.835 m3 in 2008. Analyses of the waste waters are conducted three times a year within the TPP premises. These analyses include well-known standard titration methods, spectral-photometric, photometric, graphometric and suitable chemical analysers for specific conductivity and measuring of pH values.

In MPC Oslomey, the amounts of the waste waters were 718.300t in 2008.

MINES

Within the framework of the assessment "Investment Opportunities in the Energy Sector", prepared with the support of the PHARE Programme, there was an estimation of the impact on the natural environment from the surface pit Suvodol, further extractions and the exploitation of the location and the future openings of the two collieries Brod-Gneotino and Zivojno. The proposed action plan for the preservation of the natural environment includes the following:
• Draft-plan for facilitation through general procedures for minimisation of the ecological impact throughout all the phases, from research to utilization of the land. Implementation of an ecological management system is recommended;
• Ecological Management Plan for managing and implementing the ecological action plan, through establishing an administrative expert structure that would monitor the ecological side of the project, as well as coordinate the authorities and the implementers thus providing adequate safety and training. What is important here is the regular planning, examination, and evaluation of the ecological action plan;
• Monitoring Plan that includes a description of the ecological measures for facilitation and provision of assets and plans for controlling and monitoring activities for keeping evidence of the residual impact and evaluation of the preliminary and final effects of the ecological action plan, as well as adaptation of this plan.

Within the framework of the implementation of the project Brod-Gneotino Colliery, an Assessment of the Natural Environment Impact has been prepared, which includes proposed measures for avoiding and minimising the mentioned impact.

Both mining and power complexes (MPCs) have a prepared Draft-programme for implementing the natural environment protection activities, for the period until 2014, which includes the following activities:

• Prevention from dispersion of ash deposits by using liquid materials;
• Re-cultivation of PK and ash and waste dumps;
• Building a separate dump for hazardous substances;
• Forming a separate sanitary safety zone with a high forest;
• Discharging the recycling waste;
• Building a safety pool for barrels containing dilapidated motor oil;
• Reduction of the self-firings of the coal dumps;
• Decrease in the fugitive emission of coal dust in the coal dump;
• Spraying of additives at overflowing spots in the above-bunker parts;
• Reduction of the dust emissions by conditioning exhaustive gases from the boiler;
• De-sulphurization;
• Reconstruction of an electro-filter.

HYDRO POWER PLANTS

In the branch HPP Globochica, there is a Service Department for Technical Watch and Maintenance of Dams and Other Construction Facilities within AD ELEM that aims at providing rational and efficient control of the safety and stability as well as timely interventions. This Department prepares annual elaborates based on the annual plan for technical watch and in accordance with the international recommendations of ICOLD (International Commission for Large Dams) for technical watch of the large dams.

AD ELEM prepared an Elaborate for assessment of the impact on the natural environment and, within the framework of the Project, for revitalisation of the six large hydro plants: HPP Vrutok, HPP Raven and HPP Vrben, HPP Globochica, HPP Shpilje and HPP Tikvesh.

There is no air pollution, the equipment meets the international noise standards, and there is no noise outside the power plants from the work of the turbines. There is no water and soil pollution. No new facilities have been constructed nor any new infrastructure.

A contract has been signed for the transfer of the entire old equipment – non-toxic and non-radioactive metals (mostly steel and copper) - and it has been disposed off to the waste site, where it was recycled later on.

There have been multiple inspections of the rimstone in the accumulations during the utilization of the facilities by the RHMZ (State Hydro Meteorological Bureau) - Skopje.

According to the annual plan of the subsidiaries, there are regular visual inspections all the way around the accumulations, as well as round trips by boat for inspection of the shores of the accumulations, the conditions of the rimstone and occasional cleanings of the shores from litter.

In the accumulations of Mavrovo, Tikvesh, Shpilje, Globochica, and Kozjak there are regular measurements of the levels, inflows and outflows of water.
Average monthly outflow in the accumulation in m3/sec – 2008

HPP	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Annual average
Mavrovo	3,974	3,456	10,361	20,067	16,257	7,884	1,761	1,041	0,859	1,902	2,216	13,211	**6,916**
Tikvesh	10,79	13,12	15,37	16,34	10,50	12,25	0,87	1,47	2,18	7,10	23,83	21,69	**11,29**
Shpilje	37,42	26,57	43,69	60,73	49,29	22,99	18,17	16,36	14,96	19,2	16,25	51,15	**31,40**
Globochica	22,42	17,45	20,43	22,06	26,53	10,95	10,97	11,27	6,88	14,19	9,27	18,83	**15,94**
Kozjak	12,91	10,53	14,20	18,75	13,26	7,46	3,51	2,30	3,58	4,92	4,95	18,01	**9,53**

Average monthly inflow in the accumulation in m3/sec - 2008

HPP	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Annual average
Mavrovo	10,818	8,107	5,796	5,137	8,902	2,194	15,627	4,244	6,525	16,951	6,875	6,637	**8,236**
Tikvesh	13,16	5,48	17,43	8,95	0,22	6,24	1,94	0,44	16,42	11,72	31,55	26,52	**11,67**
Shpilje	43,75	39,48	41,55	41,97	29,00	12,62	22,83	23,84	51,33	14,60	21,68	29,55	**31,02**
Globochica	22,58	16,95	20,68	24,03	24,32	11,19	11,55	11,13	7,85	13,15	9,10	19,68	**16,01**
Kozjak	29,22	22,58	0,08	2,11	7,39	4,27	5,76	5,00	13,18	10,57	10,53	6,07	**9,73**

Average monthly level of the accumulation in meters above sea level – 2008

HPP	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Mavrovo	1.211,9	1.209,9	1.208,5	1.210,3	1.214,7	1.216,4	1.217,7	1.217,1	1.216,0	1.214,5	1.213,1	1.212,0
Tikvesh	254,24	254,80	255,40	256,75	257,19	258,30	257,50	256,02	253,62	250,94	249,24	247,50
Shpilje	570,56	569,02	566,02	566,60	571,02	575,78	578,04	577,00	575,26	566,86	567,98	566,70
Globochica	686,28	685,82	685,96	685,61	686,44	686,73	686,61	686,48	686,16	686,56	686,23	686,40
Kozjak	447,54	443,04	439,64	443,86	448,23	449,73	450,50	449,96	449,28	446,86	445,36	443,82

CORPORATE SOCIAL RESPONSIBILITY OF THE COMPANY

AN OPPORTUNITY FOR A WILLING LEAVE FOR RETIREMENT

Being aware about the human resources and the importance of the quality work force for the company's success, we are in line with the development of new modern concepts of organization in the companies. Our efforts for introduction of a new organizational structure in AD ELEM, rejuvenation of the work force, as well as improvement of the financial situation in the Company came to a stage where the Management Board of our company brought a Decision for a willing termination of the working status of the employees who are willing to leave into retirement. This Decision defines the criteria for terminating the contracts, by signing a written agreement between the employee and the Company. The main criterion for termination of the employment contracts is the employee's working life both in the Company and outside. Those employers who are willing to terminate the employment contracts by signing a written agreement receive a payment equaling the amount of their last salary for each of the years they have spent working outside of the Company, which cannot exceed the amount of 500 euros calculated in denars, and another payment of one and a half salary from the last salary of the employee for each year of their working life in the Company, which cannot be higher than 750 euros calculated in denars. In order to implement this decision we published an Advertisement for applications of all the interested employees who are willing to terminate their employment status by signing a written agreement.

MPC BITOLA APPLIED FOR ISSUING AN A–INTEGRATED ECOLOGICAL LICENCE

MPC Bitola submitted an application for issuing an A-integrated ecological licence, which practically means that by 2014 it has to approximate its operational programme with the regulations in the country and with the EU regulations as well. In the next seven years, the Complex has to make preparations for a commendable application of the EU ecological standards in the production of electricity power in order to reduce the negative impact of this process on the natural environment.
This application, together with the elaborate, was submitted to the Ministry for Environment, which after looking at this application has to give certain suggestions and follow the implementation of the programme in accordance with the submitted time-plan during the following period.
All the results received by the measurement stations in MPC Bitola regularly indicate that the pollution of the environment caused by this facility is lower than the maximum allowed, in accordance with the laws of the Republic of Macedonia.

OHRID LAKE ENRICHED WITH YOUNG EELS

By the construction of the hydro plants Globochica and Shpilje on the Crn (Black) Drim River, the natural path of the eels, which breed in the Sagarian Sea, was broken. Being a socially responsible company, AD ELEM regularly donates funds for enriching the Ohrid Lake with fish. This enrichment with eels happens every year. Sometime around the midsummer double quantities were released in the lake amounting at 750 kilos of young eels. For that purpose AD ELEM published an international public call for supplies of young eels in May. After the procedures have been finalized, around 33 thousands of young eels were bought from a closed fish basin in Greece. After the 1-month quarantine in the fish basin "Shum" near Struga, 33000 young eels started swimming in the Ohrid Lake waters.

FROM US TO THE CHILDREN

With the purpose of making the children with disabilities happy, every year just before the New Year's Eve AD ELEM donates 150.000 denars for Christmas presents for the Special Institution in Demir Hisar. This is a small but symbolic gesture that our company practices and it makes the children happy and awakes smiles and content on their little faces. We are certain that such charity actions will continue in future and they will become a tradition of mutual pleasure for all of us, particularly the children.
AD ELEM has always been a friend to everybody, and most of all it has been a corporately and socially responsible partner in all the spheres of living. This confirms and approves of the device "A successful company is most successful when it shares its success with the others."

FINANCIAL REPORT

FOR THE PERFORMANCE OF AD ELEKTRANI NA MAKEDONIJA STATE OWNERSHIP SKOPJE FOR THE PERIOD BETWEEN I–XII YEAR 2008

AD Elektrani na Makedonija – Skopje (Power Plants of Macedonia - Skopje) has achieved the following financial results for the period between I-XII 2008:

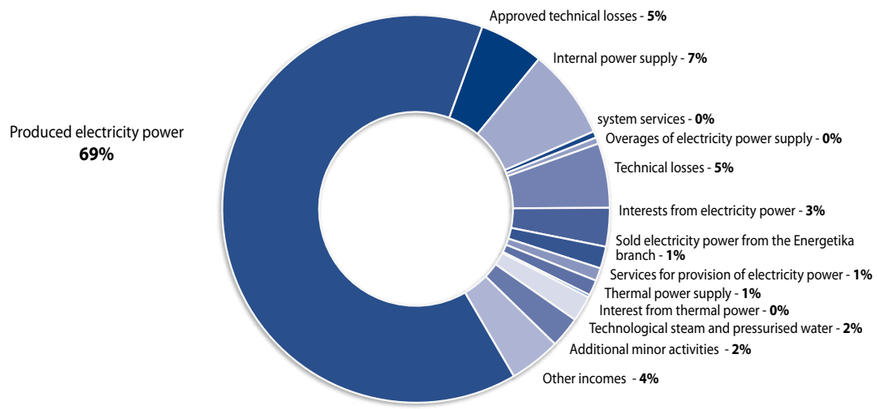
I. ACHIEVED ECONOMIC- FINANCIAL RESULTS

A) TOTAL INCOME ACHIEVED

The total income achieved for AD Elektrani na Makedonija according to all grounds amounts up to 12.197.897.517 denars for the period between I-XII 2008, which compared to the planned income for the same period in 2008 marks an increase of 35 %, and compared to the same period in 2007 it marks an increase of 20 % (Annex Chart number 1/4K).

The total income achieved comprises of:

- Produced electricity power	8.289.732.583 denars
- Income from approved technical losses	589.933.210 denars
- Produced electricity power for internal needs	816.312.520 denars
- Income from system needs	58.780.726 denars
- Income from sold overages of electricity power	52.330.719 denars
- Income from technical losses that surpass approved ones for AD EVN	644.918.548 denars
- Interest for electricity power supply	403.129.582 denars
- Sold electricity power from the Energetika branch	162.431.788 denars
- Services for provision of electricity power	67.627.075 denars
- Thermal power supply (the Energetika branch)	79.060.405 denars
- Interest for thermal power supply	1.816.986 denars
- Technological steam and pressurised water	229.631.883 denars
- Additional minor activities (Annex Chart number 2/4K)	276.104.746 denars
- Other incomes (Annex Chart number 2/4K)	526.086.746 denars

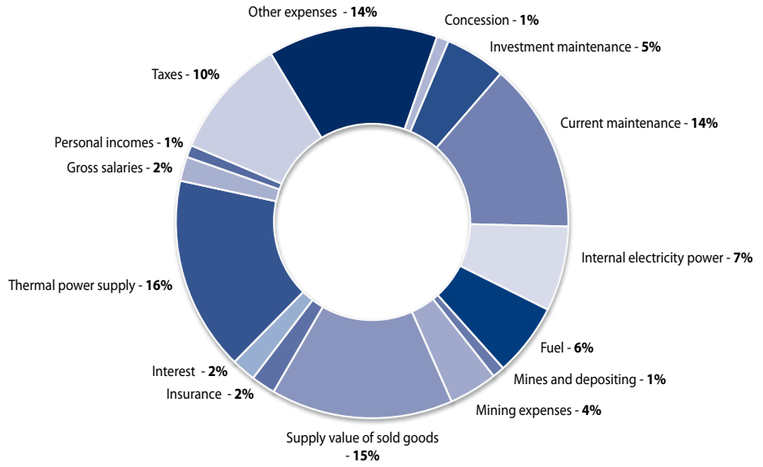


Out of the overall group of incomes we present the following:
- Produced electricity power, invoiced to AD MEPSO and achieved income of 4.668.360.581 denars by 5.9.2008.
- In accordance with the changes to the Law for Power Supply, Official Gazette 106 dated 27.8.2008, an income of 3.621.372.002 denars was achieved from the produced electricity power delivered to AD EVN from 5.9.2008 to 31.12.2008.
- An income of approved technical losses amounting at 589.933.210 denars.
- Internal electricity power supply, 583.999.594 кWh are used for internal needs, comprises an income of 816.312.520 denars.
- An income from system needs of 58.780.726 denars.
- An income from sales of overages of electricity power supply on the domestic market of 41.339.873 denars and an income of sales of overages of electricity power supply to foreign markets of 10.990.846 denars, or 52.330.719 denars in total.
- An income of technical losses that surpass approved ones from 644.918.548 denars.
- Interest for delivered electricity power supply amounting at 401.989.976 denars and interest for delivered electricity power supply from the branch Energetika of 1.139.606 denars, or in total 403.129.582 denars.
- Sold electricity power from the branch Energetika - 162.431.788 denars.
- Provision of electricity power supply from the branch Energetika to Makstil, Mittal Steel CRM, Mittal Steel HRM and Skopje Alloys as services for using the power level lines and transformer substations amounting at 67.627.075 denars.
- Thermal power supply delivered from Energetika - 79.060.405 denars.
- Interest from thermal power supply from the branch Energetika from 1.816.986 denars.
- Delivered technological steam and pressurised water from the branch Energetika - 229.631.883 denars.
- Minor activities related to the branches dealing with sales of ash, offering services, incomes from advertisements, holiday resort services, technical watch of dams, and other activities achieved an income of 276.104.746 denars.
- Other incomes such as positive currency rate differences, paid indemnities, income from previous years, income from property lease, and other amount at 526.086.746 denars. Other incomes are very high due to the positive currency rate differences in the case of HPP Treska and the related loan from the Chinese bank, which amounted at 180.011.140 denars because of the dollar exchange rate differences.

B) TOTAL EXPENSES ACHIEVED

During the period I-XII 2008 the expenses of AD Elektrani na Makedonija amounted at 12.418.083.532 denars, which if compared to the planned expenses for 2008 marks an increase of 18 %, and if compared to the same period in 2007 this increase is 24 % (Annex Chart number 1/4K).

The total expenses achieved comprise of:	
- Amortisation and depreciation	1.704.005.156 denars
- Concession	76.919.402 denars
- Investment maintenance	578.671.519 denars
- Current maintenance	1.712.233.271 denars
- Expenses from internal needs for electricity power	816.312.520 denars
- Fuel	738.634.883 denars
- Mines ash depositing	131.993.581 denars
- Mining expenses	508.728.404 denars
- Supply value of sold goods	1.854.568.832 denars
- Indemnity insurance	234.099.670 denars
- Interests for loans and suppliers	271.076.494 denars
- Gross salaries	2.130.534.493 denars
- Other personal incomes (transport, meals, jubilee awards, retirement funds, etc)	
- Other personal incomes (transport, meals, jubilee awards, retirement funds, etc)	264.037.740 denars
- Taxes, other contributions not related to performance	159.492.675 denars
- Other expenses (Annex Chart number 3/4K)	1.194.132.316 denars



Out of the overall group of expenses, we present the biggest ones:

- Amortisation is calculated in accordance with the nomenclature of assets for amortisation in the Republic of Macedonia and it amounts 1.704.005.156 denars, and if compared to the same period last year, it marks a decrease of 5%. This decrease is due to the aged equipment, since part of the assets, although completely depreciated, are still in use.

- Concession for this period amounts at 76.919.402 denars and if compared to the same period last year it marks an increase of 186% that is due to the amendments in the Law for Concessions. An initiative has been started for terminating the Contract for concession.

- Investment maintenance expenses for 2008 amount at 578.671.519 denars, which if compared to the planned ones marks an increase of 60%, and if compared to the same period in 2007 this increase is 50 %.

- Current maintenance expenses for 2008 amount at 1.712.233.271 denars and if compared to the planned expenses they mark an increase of 21%, and if compared to the same period last year they mark an increase of 34%.

- The internally spent electricity power amounting at 816.312.520 denars is presented as an operational cost and it marks an increase of 11 % if compared to the same period in 2007, and an increase of 9% if compared to the planned period in 2008.

- Fuel spent for the needs of the production process marks an increase of 21 %, if compared to the planned amounts, and if compared to the achieved values in 2007 it marks an increase of 42 %, primarily because of the increase in prices for the power fuels and the low quality of mined coal. (Annex Chart number 10/4K).

- Mines ash depositing expense marks a decrease of 29% if compared to 2007, and if compared to the planned expense it marks a decrease of 31%.

- Expenses made due to discontinuity in coal mining and mechanisation services for mining mark a minimal increase of 1% if compared to the planning, and if compared to the results in 2007 it marks an increase of 15 %.

- Expenses for the supply value of sold goods amount at 1.854.568.832 denars and if compared to the same period in 2007 they mark an increase of 275%. This increase is primarily due to the expense made for import of electricity power supply that amounts at 1.656.416.701 denars, in accordance with the amendments of the Law for Power Supply. The expense for electricity power supply for Energetika amounts at 133.449.544 denars and if compared to the same period last year it has decreased for 71% since there is no provision of electricity power supply for Makstil, Mital Steel CRM, Mital Steel HRM and Skopje Alloys since May 2007. For these companies, there is a calculation of services for provision of electricity power that is presented in the income balance.

- The indemnity insurance expenses amount at 234.099.670 denars, which in comparison to the achieved ones in 2007 have decreased for 30%.

- The expenses for interests for loans and suppliers amount at 271.076.494 denars, which if compared to the planned ones have decreased for 28 %, and if compared to 2007 they have decreased for 42 %. This decrease is due to the introduction of the international accounting standards.

- Interests for loan requisitions to the Chinese Bank and CWE, amounting at 100.853.255 denars, have been calculated as an expense in accordance with MCC in 2007, and they were paid at the beginning of January 2008.

- Gross salaries for the period I-XII 2008 amount at 2.130.534.493 denars and if compared to the same period in 2007 they mark an increase of 6%.

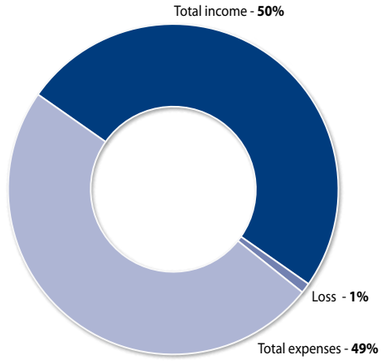
- Other expenses amount at 1.236.774.892 denars, which marks an increase of 1 % if compared to the planned period, and if compared to the achieved period in 2007 they mark an increase of 29 %. This increase results from the expense for transferred electricity power supply, amounting at 368.339.682 denars, in accordance with the amendments in the Law for Power Supply and the negative currency rate differences of 295.770.548 denars. Other important expenses in this group are: water spent for the needs of the thermal plants, provided by Strezevo and Studencica, production services from FOD and FORT, advertising, promotions, authorship fees and expenses for the employees paid through Employment agencies (Chart number 3/4K, Chart number 14/4K and Chart number 15/4K).

C) ACHIEVED FINANCIAL RESULT

AD Elektrani na Makedonija achieved a negative financial result amounting at -220.186.015 denars for the period I-XII 2008 (Annex Chart number 1/4K).

In accordance with amended article 484 paragraph 2 from the Trade Law, dated 23 July 2008, operational loss will be covered by the accumulated profit.

Total income	**12.197.897.517,00**	**denars**
Total expenses	**12.418.083.532,00**	**denars**

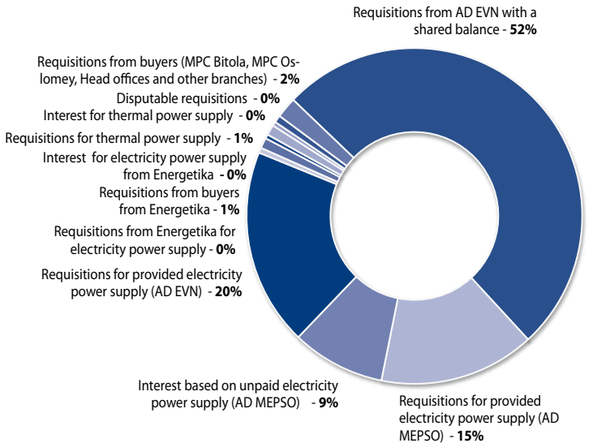


II. RESERVES

On 31.12.2008, reserves amount at 2.887.350.409 denars, of which:
- 258.295.574 denars comprise reserves of raw materials and other similar materials;
- 2.595.397.497 denars comprise reserves of spare parts;
- 33.657.338 denars for reserves of small inventory.

If compared to the same period from the previous year, these reserves mark an increase of 39 % .
Reserves for unfinished production (exhumed coal) amounted at 90.845.058 denars on 31.12.2007, whereas these same reserves amounted at 178.019.764 denars on 31.12.2008, which marks an increase of 87.174.706 denars or 96 %.

III. REQUISITIONS FROM CUSTOMERS



Short-term requisitions from customers amount at 11.097.869.036 denars and theya re as follows:

1. Requisitions for provided electricity power supply (AD MEPSO)	1.632.663.142 denars
2. Interest based on unpaid electricity power supply (AD MEPSO)	1.041.709.405 denars
3. Requisitions for provided electricity power supply (AD EVN)	2.196.035.271 denars
4. Requisitions from Energetika for electricity power supply	21.661.902 denars
5. Requisitions from buyers from Energetika for electric energy	64.809.764 denars
6. Interest for electricity power supply from Energetika	6.939.674 denars
7. Requisitions from Energetika for thermal power supply	56.866.575 denars
8. Interest for thermal power supply from Energetika	4.205.250 denars
9. Disputable requisitions from Energetika	30.748.652 denars
10. Requisitions from buyers (MPC Bitola, MPC Oslomey, Head offices and other branches)	218.692.391 denars
11. Requisitions from AD EVN with a shared balance, from 31.08.2005	5.823.537.010 denars

Requisitions from AD EVN with a shared balance, from 31.08.2005, are under court proceedings.

As compared to 31.12.2007 these requisitions mark an increase of 7%.

Unpaid requisitions create problems in the company operations, primarily in:
- Inability to regularly pay requisitions towards suppliers.
- Exposal to risks from interests based on irregular payments.
- Inability to accomplish the planned investment activities stated in the development strategies of the company.
- Difficulties in servicing the responsibilities from foreign loans

IV. LIABILITIES

1. LONG-TERM LIABILITIES

The total long-term liabilities of AD ELEM based on received loans, until 31.12.2008, amount at a basic rate of 7.041.533.639 denars, interest 1.730.322.336 denars, or in total 8.771.855.975 denars and they are as follows:

		(Last annuity)
HPP KOZJAK	2.447.403.655 denars	
- Chinese Bank	2.351.905.371 denars	07. 07. 2013
- CWE China	95.498.284 denars	15. 07. 2013
HPP SVETA PETKA		
- Depfa Bank	2.520.214.692 denars	14. 10. 2021
HEAD OFFICE	2.073.915.292 denars	
- World Bank (EBRD) No 4284	1.205.732.979 денари	15. 02. 2017
- Stopanska Bank (Tissen Crup) (Loan for Brod Negotino)	212.137.642 denars	01. 01. 2013
- KFW Bank - Germany (Man Takraf)	656.044.671 denars	01. 12. 2018

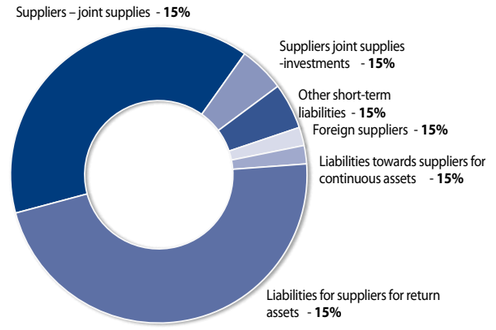
Liabilities that are paid towards foreign entities, until 31.12.2008, amount at 963.140.159 denars.

- World Bank	197.110.530 denars
- Chinese Bank	576.966.848 denars
- CWE China	24.996.396 denars
- Stopanska Bank (Tissen Crup)	69.109.878 denars
- Depfa Bank	94.956.507 denars

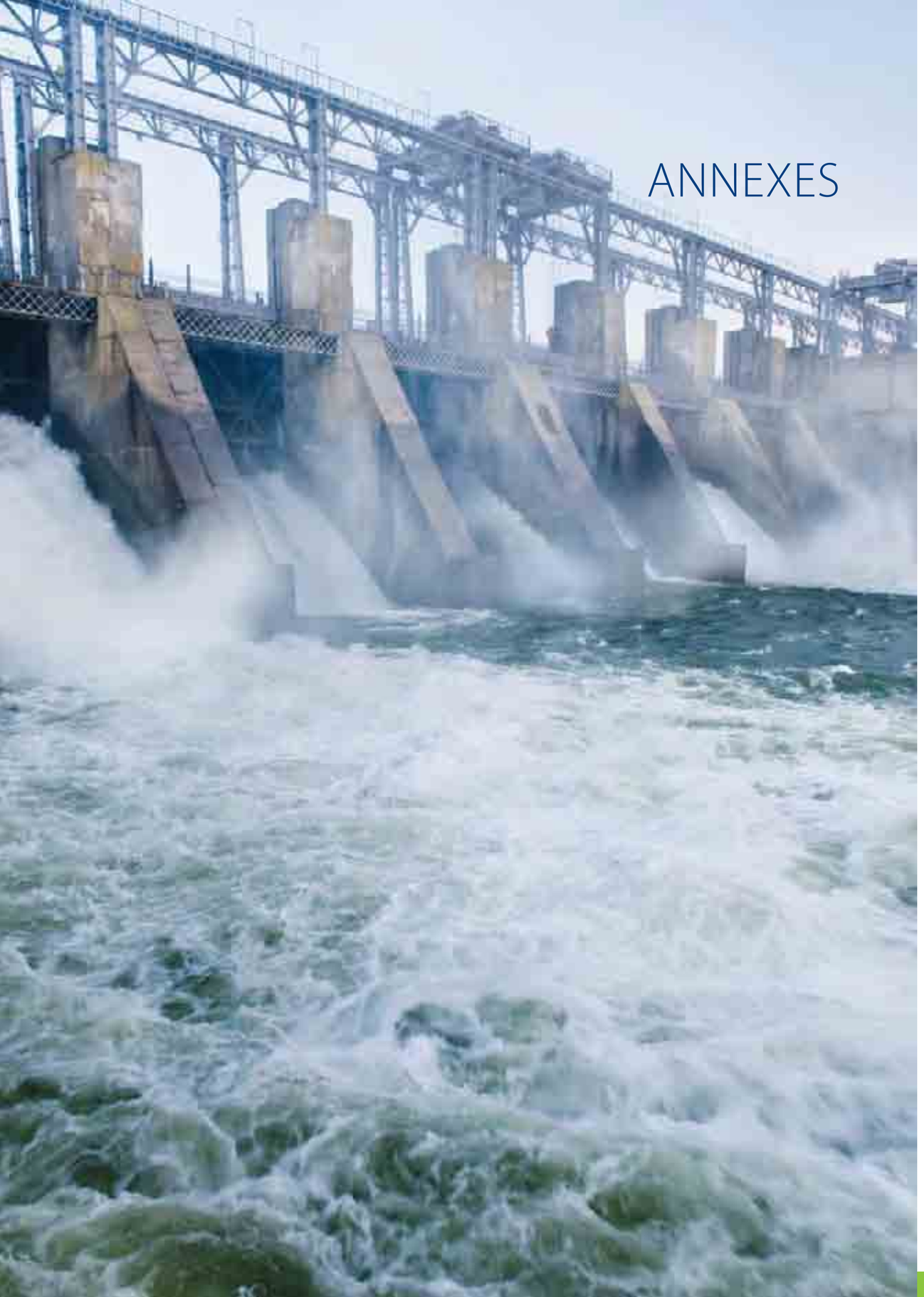
2. SHORT-TERM LIABILITIES

Short-term liabilities amount at 2.272.672.716 denars:

a) Liabilities towards domestic suppliers	2.233.278.146 denars
- Liabilities towards suppliers for continuous assets	43.126.826 denars
- Liabilities for suppliers for return assets	1.082.266.145 denars
- Suppliers – joint supplies	875.549.312 denars
- Suppliers joint supplies -investments	110.852.256 denars
- Other short-term liabilities	121.483.607 denars
b)) Liabilities towards foreign suppliers	39.394.570 denars



Short-term liabilities from 2008 as compared to 31.12.2007, when they amounted at 2.270.407.065 denars, remain the same.
In order to improve the liquidity issues, the management of AD ELEM performs various activities for resolving the company's state of affairs.
By solving the liquidity issues, there would be more space for demonstration of better financial results in the operations and a possibility for further development of the company.



ANNEXES

CHART 1/4K

INCOMES AND EXPENSES OF AD ELEM
Period 01.01.2008- 31.12.2008

in denars

No	ELEMENTS	Realized I-XII.2007	Planned I-XII.2008	Realized I-XII.2008	Ind 6/4	Ind 6/5	Partici-pation
1	2	3	4	5	6	7	8
	INCOMES						
1	Incomes from regulated activities	7.640.273.033	7.800.000.000	9.754.759.039	128	125	0,00
-	Income from produced electricity power	6.902.341.610	7.049.276.220	8.289.732.583	120	118	67,96
-	Income from approved technical losses	0	0	589.933.210	0	0	4,84
-	Income from company's own electricity power supply	737.931.423	750.723.780	816.312.520	111	109	6,69
-	Income from system services	0	0	58.780.726	0	0	0,48
2	Incomes from non-regulated activities	0	0	697.249.267	0	0	0,00
-	Income from sold overages of electricity power	0	0	52.330.719	0	0	0,43
-	Income from technical losses that surpass approved ones	0	0	644.918.548	0	0	5,29
3	Income from interests for electricity power supply	581.033.936	49.890.780	403.129.582	69	808	3,30
4	Income from sold electricity power (Energetika)	466.339.872	160.000.000	162.431.788	35	102	1,33
5	Income from services for provision of electricity power	45.084.626	67.500.000	67.627.075	150	100	0,55
6	Income from thermal power (Energetika)	55.837.477	68.000.000	79.060.405	142	116	0,65
7	Income from interests for thermal power	4.095.128	1.000.000	1.816.986	44	182	0,01
8	Income from technological steam and pressurised water	273.529.266	226.500.000	229.631.883	84	101	1,88
9	Income from additional activities (Chart 2/4K)	377.138.583	205.095.711	276.104.746	73	135	2,26
10	Income on other basis (Chart 2/4K)	694.971.180	424.371.693	526.086.746	76	124	4,31
	I TOTAL INCOMES	10.138.303.101	9.002.358.184	12.197.897.517	120	135	100
	EXPENSES						
1	Depreciation	1.791.874.026	1.875.935.960	1.704.005.156	95	91	13,72
2	Concession	26.882.425	59.045.677	76.919.402	286	130	0,62
3	Investment maintenance	384.662.943	362.022.558	578.671.519	150	160	4,66
4	Current maintenance	1.276.182.713	1.418.456.159	1.712.233.271	134	121	13,79
5	Expenses from company's own electricity power expendi-tures	737.931.423	750.723.780	816.312.520	111	109	6,57
6	Fuel (Chart 10/4K)	521.335.513	608.783.864	738.634.883	142	121	5,95
7	Mine ash depositing	185.365.174	192.641.072	131.993.581	71	69	1,06
8	Mining expenses	441.224.143	505.800.000	508.728.404	115	101	4,10
9	Supply value of sold goods (electricity power supply)	494.233.466	159.634.614	1.854.568.832	375	1.162	14,93
10	Indemnity Insurance	335.226.490	281.334.728	234.099.670	70	83	1,89
11	Interest for loans and suppliers	463.568.288	378.291.270	271.076.494	58	72	2,18
12	Gross salaries	2.006.190.842	2.213.002.846	2.130.534.493	106	96	17,16
13	Other personal incomes (transportation, meals, jubilee awards, retirement funds, etc.)	287.718.064	427.521.977	264.037.740	92	62	2,13
14	Taxes not related to performance	129.823.607	106.867.946	159.492.675	123	149	1,28
15	Other expenses (Chart 3/4K)	959.071.931	1.223.433.032	1.236.774.892	129	101	9,96
	II TOTAL EXPENSES	10.041.291.048	10.563.495.483	12.418.083.532	124	118	100
	(I - II) PROFIT/LOSS	97.012.053	-1.561.137.299	-220.186.015			
	TAXES AND CONTRIBUTIONS	70.859.272					
	NET PROFIT AFTER TAXES	26.152.781		-220.186.015			

CHART 2/4K

OVERVIEW
OTHER INCOMES FOR AD ELEM
PERIOD 01.01.2008-31.12.2008

in denars

Incomes on other basis (No 10) include:	Realized I-XII.2007	Planned I-XII.2008	Realized I-XII.2008	Ind 4/2	Ind 4/3	Participa-tion
1	2	3	4	5	6	7
Incomes from sales of products and services	2.780.776	1.230.266	6.551.300	236	533	1,25
Incomes from rent	4.032.798	4.600.120	3.481.491	86	76	0,66
Incomes from usage of internal goods, services and materials	489.242	35.573	77.932.545	15.929	219.078	14,81
Incomes from sales of materials, spare parts, car tyres etc.	0	0	0	0	0	0,00
Incomes based on interests from dealing with unfavourable subjects	6.593.024	13.000.844	15.183.882	230	117	2,89
Positive currency differences	340.474.638	256.035.381	185.369.993	54	72	35,24
Incomes from subventions and other allowances	0	0	0	0	0	0,00
Incomes from taxes	94.075	0	0	0	0	0,00
Incomes from sales of permanent assets	96.879	480.000	4.506	5	1	0,00
Incomes from description of tasks and from overages	50.731.681	0	54.505.796	107	0	10,36
Incomes from paid penalties, awards and similar	177.420	26.750	393.851	222	1.472	0,07
Incomes from paid damages	120.439.762	147.282.754	116.689.751	97	79	22,18
Paid and signed-off demands	120.446.844	0	0	0	0	0,00
Incomes from previous years	46.349.062	1.239.395	4.318.644	9	348	0,82
Other business incomes	2.264.979	440.610	61.654.987	2.722	13.993	11,72
TOTAL	694.971.180	424.371.693	526.086.746	76	124	100

Income from additional (minor) activities (No 9) :	Realized I-XII.2007	Planned I-XII.2008	Realized I-XII.2008	Ind 4/2	Ind 4/3	Participa-tion
1	2	3	4	5	6	7
Other incomes from selling products from minor activities (ash, tenders, and other)	40.097.371	99.444.152	34.473.463	86	35	12,49
Other incomes from provision of services-additional activities (holiday resort services, mechanization, worker's fees, technical watch of dams, etc	205.871.101	101.620.559	205.129.857	100	202	74,29
Other incomes from sales of goods, services, etc	131.170.111	4.031.000	36.501.426	28	906	13,22
TOTAL	377.138.583	205.095.711	276.104.746	73	135	100

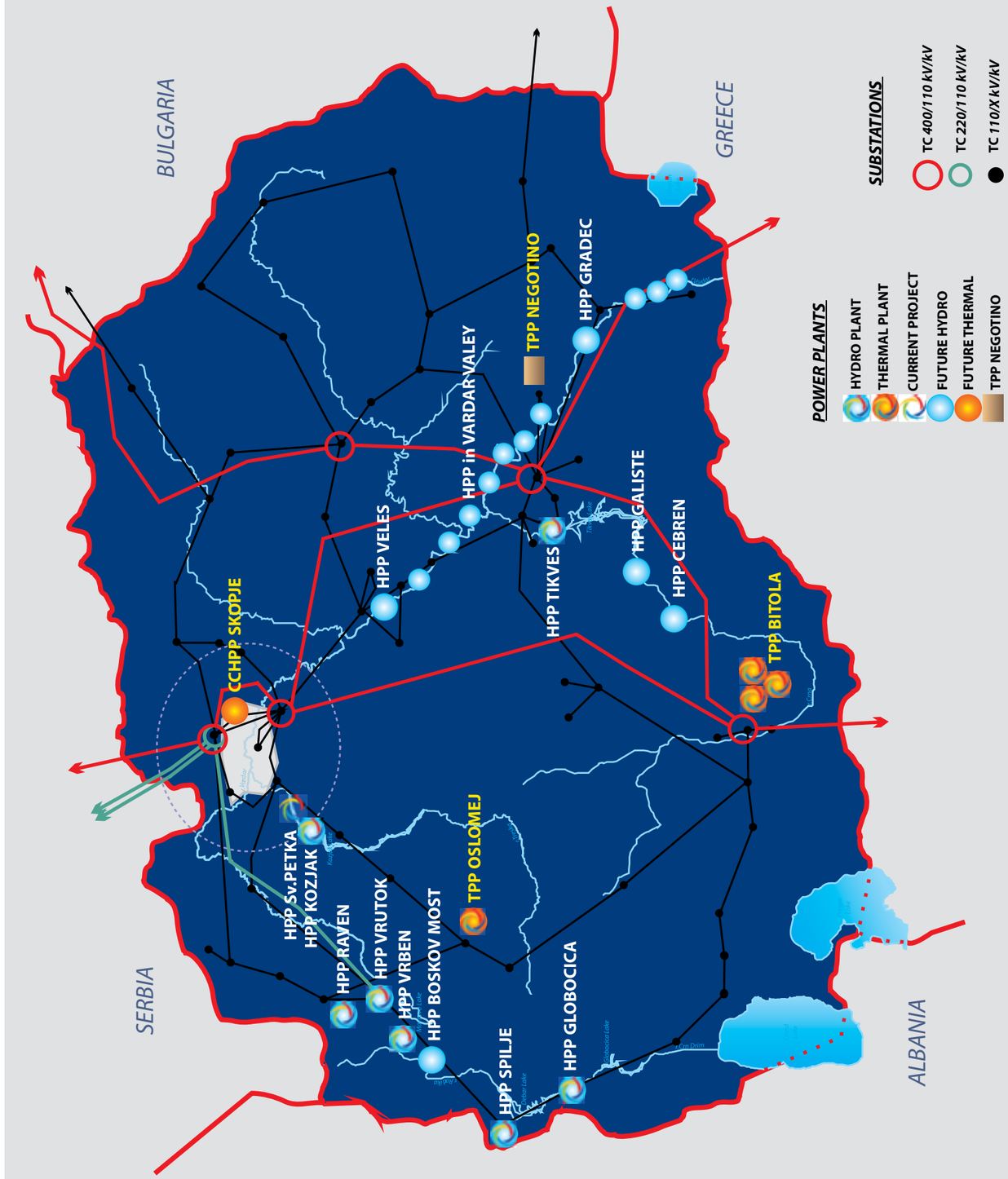
CHART 3/4K

OVERWIEW
OTHER EXPENSES FOR AD ELEM
PERIOD 01.01.2008 – 31.12.2008

Other expenses (No 15) include:	Realized I-XII.2007	Planned I-XII.2008	Realized I-XII.2008	Ind 6/4	Ind 6/5	% Participa-tion
1	3	4	5	6	7	8
Power spent	9.886.520	10.646.314	9.465.157	96	89	0,77
Water spent for production of electricity power	112.716.938	114.933.209	131.996.303	117	115	10,67
Expenses for transferred electricity power	0	0	368.339.682	0	0	29,78
Transport services (telephones, mail, inter-net, etc.)	64.752.656	65.363.795	63.552.230	98	97	5,14
External services for preparation and addi-tional processing of products	115.586.631	141.274.032	31.339.788	27	22	2,53
Expenses for fairs	5.360	0	0	0	0	0,00
Rental costs - leasing	2.323.193	3.755.620	4.135.105	178	110	0,33
Other services (community, scientific research, occupational safety, public ware-houses, vehicle registration, health checks, and other)	48.956.527	48.735.110	57.721.410	118	118	4,67
Correction of demands	287.005.390	700.000.000	42.642.576	15	6	3,45
Value revision of stacks	91.411	0	0	0	0	0,00
Travel journals and travel expenses	12.377.670	10.678.291	11.306.461	91	106	0,91
Expenses for advertising, promotion, spon-sorship, and support (Chart 14/4K)	110.515.278	50.889.993	43.381.797	39	85	3,51
Banking services	9.220.518	21.742.877	12.952.360	140	60	1,05
Other non-material expenses (Chart 15/4K)	118.764.939	94.200.336	161.193.698	136	171	13,03
Unsigned value of main assets sold	227.605	215.486	0	0	0	0,00
Shortages	36.657	65.000	52.004.765	141.869	80.007	4,20
Fines, penalties, damage expenses, time loss	4.152.025	6.298.607	1.660.443	40	26	0,13
Additional expenses from previous years	18.713.257	2.157.123	33.489.493	179	1.553	2,71
Other not previously mentioned opera-tional expenses	168.601	20.000	2.997.782	1.778	14.989	0,24
Currency rate differences from operating with unfavourable subjects	10.245.526	10.110.057	295.770.548	2.887	2.926	23,91
Stack divergence for unfinished production	33.325.229	-57.652.818	-87.174.706	-262	151	-7,05
TOTAL	959.071.931	1.223.433.032	1.236.774.892	129	101	100

OVERWIEW
MATERIALS AND SPARE PARTS FOR AD ELEM
PERIOD 01.01.2008 – 31.12.2008

Ac-count	DESCRIPTION	realized I-XII-2007	planned I-XII-2008	realized I-XII-2008	Ind 5/3	Ind 5/4	% Participa-tion
1	2	3	4	5	6	7	8
4000	Raw materials and half-fabricates spent	6.106	6.470	834.800	13.672	12.903	0,09
4001	Additional materials spent for prepara-tion	31.924.704	23.503.903	19.013.989	60	81	2,16
4002	Material spent for current maintenance of existing assets	104.790.244	103.245.071	106.235.634	101	103	12,05
4003	Other material spent for cleaning and maintenance	3.991.764	4.811.597	4.763.857	119	99	0,54
4004	Office material spent	8.486.841	7.399.549	8.086.107	95	109	0,92
4005	Material spent for company's own investments	3.415.182	2.650.000	2.694.285	79	102	0,31
4006	Material spent for approved technical losses	85.479	120.088	24.189	28	20	0,00
4007	Material spent for meal preparation	318	0	31.706	9.970	0	0,00
4008	OSH Equipment	15.897.849	12.868.068	18.069.900	114	140	2,05
4040	Spare parts spent for company's own production	15.033	0	0	0	0	0,00
4041	Spare parts spent for current mainte-nance	592.033.736	531.786.086	657.921.658	111	124	74,64
4042	Spare parts spent for investment main-tenance	54.789	102.752	200.895	367	196	0,02
4043	Spare parts spent for maintenance of the vehicles	81.852.981	108.932.058	63.547.354	78	58	7,21
4049	Spare parts spent for other needs	4.834	0	10.462	216	0	0,00
	TOTAL	842.559.860	795.425.642	881.434.836	105	111	100



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