

S U M M A R Y

Financial results that JSC Macedonian Power Plant has achieved in 2011 show that this company is continuing the positive trend in the work, despite all the problems that have emerged with liquidity and unfavorable meteorological condition.

Some of the financial indicators achieved for this period, which are a measure of the success of the company, are as follows:

- ❖ Total revenue in the amount of MKD **16,763,810,809**.
- ❖ **Income from sale** of produced electricity is increased 6% compared with 2010.
- ❖ **Reduced total cost** of 5% in compared with 2010.
- ❖ **Repayment** of long-term loans in the amount of **MKD 921,900,660**.
- ❖ **Profit before tax in the amount of MKD 164,260,408**.
- ❖ **Profit after tax in the amount of MKD 46,815,264**.

STATEMENT OF COMPREHENSIVE INCOME
Year Ended December 31, 2011
(In thousands of Denars)

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
Revenues			
Electricity revenue	5	14,719,661	14,839,535
Other income	6	558,809	406,110
		<u>15,278,470</u>	<u>15,245,645</u>
Expenses			
Lignite manufacturing costs	7, 8, 9, 10, 11	(4,400,758)	(5,348,507)
Amortization and depreciation	7	(1,495,584)	(1,432,312)
Staff costs	8	(1,934,335)	(1,748,147)
Maintenance and insurance costs	9	(2,021,668)	(977,308)
Raw materials and consumables	10	(3,678,002)	(1,791,880)
Other operating costs	11	(904,450)	(658,436)
Impairment of inventory	21	-	(350,184)
Impairment of investments in subsidiaries	17	(8,135)	(522,975)
Impairment of trade and other receivables, net	12	(601,853)	(1,450,354)
		<u>(15,044,785)</u>	<u>(14,280,103)</u>
Operating profit		233,685	965,542
Finance income	13	153,560	102,418
Finance costs	14	(222,984)	(539,804)
Profit before taxation		164,261	528,156
Income tax	15	(117,445)	(280,828)
Net profit for the year		<u>46,816</u>	<u>247,328</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>46,816</u>	<u>247,328</u>

STATEMENT OF FINANCIAL POSITION
As at December 31, 2011
(In thousands of Denars)

	<u>Notes</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
ASSETS			
Non-current assets			
Intangible assets	16	361,973	109,076
Property, plant and equipment	16	32,160,795	30,063,925
Investments in subsidiaries	17	440,159	432,133
Financial assets available-for-sale	18	9,389	9,389
Long-term receivables	19	2,948,107	-
Other financial assets	20	13,446	12,793
		<u>35,933,869</u>	<u>30,627,316</u>
Current assets			
Inventories	21	2,591,902	2,312,185
Trade and other receivables	22	4,895,552	7,132,893
Prepaid expenses	23	897,700	1,051,716
Short-term bank deposits	24	107,950	8,868
Government bonds	25	504,768	-
Cash and cash equivalents	26	1,300,032	2,898,561
		<u>10,297,904</u>	<u>13,404,223</u>
TOTAL ASSETS		<u>46,231,773</u>	<u>44,031,539</u>
EQUITY AND LIABILITIES			
Capital and reserves			
	27		
Share capital		31,738,878	31,738,878
Reserves		1,138,356	1,101,257
Other capital		1,429,654	1,429,611
Retained earnings		268,634	265,423
		<u>34,575,522</u>	<u>34,535,169</u>
Long-term liabilities			
Long-term borrowings	28	5,874,996	5,035,972
Provisions	29	107,361	14,306
Provisions for employee benefits	30	301,395	-
Differed grant income	31	14,129	10,890
		<u>6,297,881</u>	<u>5,061,168</u>
Current liabilities			
Trade payables and other liabilities	32	4,159,632	3,421,571
Short-term borrowings	28	1,198,738	1,013,631
		<u>5,358,370</u>	<u>4,435,202</u>
TOTAL EQUITY AND LIABILITIES		<u>46,231,773</u>	<u>44,031,539</u>

STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2011
(In thousands of Denars)

	<u>Share Capital</u>	<u>Reserves</u>	<u>Other Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at January 1, 2010	31,738,878	1,046,658	1,429,567	209,996	34,425,099
Reconciliation with the Central Registry	-	25,814	-	-	25,814
Distribution of profit for 2009	-	28,785	-	(28,785)	-
Dividends paid	-	-	-	(163,114)	(163,114)
Profit for the year	-	-	-	247,328	247,328
Other	-	-	44	(2)	42
Balance at January 1, 2011	<u>31,738,878</u>	<u>1,101,257</u>	<u>1,429,611</u>	<u>265,423</u>	<u>34,535,169</u>
Distribution of profit for 2010	-	37,099	-	(37,099)	-
Dividends paid	-	-	-	(197,863)	(197,863)
Correction of previous years misstatement (Note 32)	-	-	-	191,357	191,357
Profit for the year	-	-	-	46,816	46,816
Other	-	-	43	-	43
Balance at December 31, 2011	<u>31,738,878</u>	<u>1,138,356</u>	<u>1,429,654</u>	<u>268,634</u>	<u>34,575,522</u>

STATEMENT OF CASH FLOWS
Year Ended December 31, 2011
(In Thousands of Denars)

	<u>2011</u>	<u>2010</u>
Operating activities		
Income before tax	164,261	528,156
Adjustment for:		
Depreciation	1,952,789	1,754,791
Impairment of inventories	-	350,184
Impairment of investments in subsidiaries	8,135	522,975
Impairment of trade receivables and other receivables	601,853	1,450,354
Foreign exchange, net	(24,000)	179,369
Interest expenses	192,595	258,017
Shortages	9,963	-
Provisions for reclamation of degraded land	93,055	14,306
Income from write-off of liabilities	(4,568)	(5,481)
Revenue from amortization of deferred grants	(2,746)	(3,548)
Surpluses of materials, spare parts and small inventory	(1,782)	(76)
Provisions for employee benefits	301,395	-
<i>Operating profit before working capital changes</i>	<u>3,290,950</u>	<u>5,049,047</u>
<i>Changes in working capital</i>		
Decrease of inventory	(287,898)	47,775
Decrease of trade and other receivables and long- term receivables	(904,807)	635,088
Increase of trade and other payables	<u>1,244,113</u>	<u>(822,961)</u>
	<u>3,342,358</u>	<u>4,908,949</u>
Interest paid	(327,093)	(258,017)
Income tax paid	<u>(428,424)</u>	<u>(211,992)</u>
Net cash flows generated from operating activities	<u>2,586,841</u>	<u>4,438,940</u>
Cash flows from investing activities		
Purchase of tangible and intangible assets, net of inflows	(4,296,571)	(2,998,222)
Inflow/(Investments) in short term deposits in banks	(99,082)	82,832
Loans to domestic entities	(119,056)	-
Investment in subsidiaries	<u>(16,161)</u>	<u>(89,183)</u>
Net cash flows used in investing activities	<u>(4,530,870)</u>	<u>(3,004,573)</u>
Cash flows from financing activities		
Dividends paid	(197,863)	(163,114)
Inflow/(repayment) of loans, net	<u>1,048,131</u>	<u>(358,026)</u>
Net cash used in financing activities	<u>850,268</u>	<u>(521,140)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(1,093,761)</u>	<u>913,227</u>
Cash and cash equivalents at the beginning of the year	<u>2,898,561</u>	<u>1,985,334</u>
Cash and cash equivalents at the end of the year	<u>1,804,800</u>	<u>2,898,561</u>
Cash and cash equivalents include:		
Government bonds	504,768	-
Cash and cash equivalents	<u>1,300,032</u>	<u>2,898,561</u>
	<u>1,804,800</u>	<u>2,898,561</u>

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

ELECTRICITY REVENUE

	In thousands of Denars	
	Year Ended December 31,	
	2011	2010
Revenue from sale of electricity to EVN Makedonija AD, Skopje	12,867,803	12,089,338
Revenue from sale of electricity to MEPSO AD Skopje	994,066	778,579
Revenue from sale of night surpluses	607,540	1,529,195
Revenue from sale of electricity, steam and hot water to qualified and end users	<u>250,252</u>	<u>442,423</u>
	<u>14,719,661</u>	<u>14,839,535</u>

OTHER INCOME

	In thousands of Denars	
	Year Ended December 31,	
	2011	2010
Reimbursement of insurance claims	49,886	116,297
Sale of other products and services	424,706	141,425
Collected loans and interest on loans	-	24,493
Transport of workers in REK Bitola (deductions from wages)	-	19,761
Penalties	541	20,819
Write-off of liabilities	4,568	5,481
Rents	997	1,533
Revenue from amortization of differed grants (Note 31)	2,746	3,548
Discounts	233	13
Surpluses of materials, spare parts and small inventory	1,782	76
Donations	3,096	20,670
Other	<u>70,254</u>	<u>51,994</u>
	<u>558,809</u>	<u>406,110</u>

AMORTIZATION AND DEPRECIATION

	In thousands of Denars	
	Year Ended December 31	
	2011	2010
Amortization and depreciation	1,952,789	1,754,791
Less: costs for lignite production	<u>(457,205)</u>	<u>(322,479)</u>
	<u>1,495,584</u>	<u>1,432,312</u>

STAFF COSTS

	In thousands of Denars	
	Year Ended December 31,	
	2011	2010
Net salaries, salary tax and salary contributions	2,812,625	2,693,592
Other contributions	211,103	418,968
Provisions for employee benefits	301,395	-
	<u>3,325,123</u>	<u>3,112,560</u>
Less: costs for lignite production	<u>(1,390,788)</u>	<u>(1,364,413)</u>
	<u>1,934,335</u>	<u>1,748,147</u>

MAINTENANCE AND INSURANCE COSTS

	In thousands of Denars	
	Year Ended December 31,	
	2011	2010
Maintenance costs	3,137,558	3,015,597
Insurance costs	210,948	230,713
	<u>3,348,506</u>	<u>3,246,310</u>
Less: costs for lignite production	<u>(1,326,838)</u>	<u>(2,269,002)</u>
	<u>2,021,668</u>	<u>977,308</u>

RAW MATERIALS AND CONSUMABLES

	In thousands of Denars	
	Year Ended December 31,	
	2011	2010
Cost of electricity sold	2,541,291	813,111
Spare parts	903,943	818,730
Oil	578,648	422,651
Natural gas	173,009	314,066
Liquid fuel	140,478	121,591
Water	115,942	122,556
Raw materials	125,649	229,860
Small inventory costs	18,105	18,115
Consumed electricity	10,231	8,758
Steam heating costs	3,682	4,209
Lubricants and oil	111	225
	<u>4,611,089</u>	<u>2,873,872</u>
Less: costs for lignite production	<u>(933,087)</u>	<u>(1,081,992)</u>
	<u>3,678,002</u>	<u>1,791,880</u>

OTHER OPERATING COSTS

	In thousands of Denars	
	Year Ended December 31,	
	2011	2010
Electricity transmission costs	13,638	12,959
Expenses for part time employees	259,889	309,362
Mandatory health check	185,237	183,131
Other production services	40,176	43,095
Correction of the 2008 inventory count	-	7,032
Water fees	71,733	65,252
Compensation for electricity production from fossil fuels	40,006	31,712
Sponsorships	62,616	51,636
Transport services	28,187	26,644
Utilities	29,820	26,127
Fees for road construction	58,211	12,982
Telecommunication and postal charges	14,354	19,932
Current protection at work costs	15,137	14,863
Court fees	6,636	7,661
Representation	8,990	9,853
Bank charges	23,106	16,068
Memberships	9,101	8,128
Professional training	4,874	10,694
Marketing	28,978	30,809
Indirect taxes and contributions	245	238
Shortages	9,963	-
Provisions for reclamation of degraded land (Note 29)	93,055	14,306
Other	193,338	66,573
	<u>1,197,290</u>	<u>969,057</u>
Less: costs for lignite production	<u>(292,840)</u>	<u>(310,621)</u>
	<u>904,450</u>	<u>658,436</u>

ALLOWANCE AND WRITE-OFFS OF TRADE AND OTHER RECEIVABLES, NET

	In thousands of Denars	
	Year Ended December 31,	
	2011	2010
<i>Allowance for receivables:</i>		
- Domestic trade receivables	21,997	719,238
- Foreign trade receivables	-	51,308
- Interest receivables	36,666	520,855
- Receivables from subsidiaries	5,125	146,618
- Long term receivables	476,809	-
	<u>540,597</u>	<u>1,438,019</u>
<i>Write-off of receivables:</i>		
- Domestic trade receivables	53,609	-
- Interest receivables	3,867	-
- Other receivables	3,780	12,335
	<u>61,256</u>	<u>12,335</u>
	<u>601,853</u>	<u>1,450,354</u>

FINANCE INCOME

	In thousands of Denars	
	Year Ended December 31,	Year Ended December 31,
	2011	2010
Interest income	99,171	31,810
Foreign exchange gain	54,389	70,608
	<u>153,560</u>	<u>102,418</u>

FINANCE COSTS

	In thousands of Denars	
	Year Ended December 31,	Year Ended December 31,
	2011	2010
Interest expenses	(191,425)	(286,706)
Penalty interest	(1,170)	(3,121)
Foreign exchange loss	(30,389)	(249,977)
	<u>(222,984)</u>	<u>(539,804)</u>

CASH AND CASH EQUIVALENTS

	In thousands of Denars	
	December 31	December 31
	2011	2010
Cash in banks:		
- In Denars	565,260	1,512,108
- In foreign currencies	33,534	223,803
- Special purpose current account	701,069	1,162,493
Cash on hand	169	157
	<u>1,300,032</u>	<u>2,898,561</u>

CAPITAL AND RESERVES

a. Shareholder's Capital

The shareholders capital of the Entity amounts to Denar 31,738,878 thousand, and is divided into 31,738,878 ordinary shares, with the nominal value of Denar 1,000 per share. The structure of the shareholder's capital as of December 31, 2011 and 2010, according to the Central Securities Depository, is as follows:

	% Ownership		In thousands of Denars	
	2011	2010	2011	2010
Government of the Republic of Macedonia	100%	100%	31,738,878	31,738,878
	100%	100%	31,738,878	31,738,878

b. Revaluation Reserves

According to the accounting regulations previously effective in the Republic of Macedonia, property, plant and equipment have been revalued by applying the officially published revaluation coefficients based on the general price index for industrial products. The carrying amount of property, plant and equipment had increased by applying these revaluation coefficients and the effect of the revaluation had an influence in creating the revaluation reserves.

c. Obligatory Reserves

The Entity maintains obligatory reserves, as a common fund, by allocation of 15% from the net profit for the year. The allocation is required until the balance of the reserve reaches 1/5 of the Entity's share capital. Up to this minimum, the obligatory reserve can be used only for covering losses. Any excess over this minimum can be used for dividend distribution, if the Shareholders' Assembly issues such decision.

d. Other Capital

The Entity maintains special reserves, which can be used for covering losses and other purposes, such as: employees insurance, retirement benefits over the statutory limits, charities in case of death of an employee or member of his family; natural disasters, extended sick-leaves, disability or incurable diseases; funeral expenses, professional trainings and sponsorship. The manner of creating, investment, organization and utilization, the amount of funds and the plan and program for utilization of the special reserves is determined by the Shareholders' Assembly special acts.

TRADE AND OTHER RECEIVABLES

	In thousands of Denars	
	December 31 2011	December 31 2010
Trade receivables		
Domestic trade receivables	3,594,146	8,078,078
Allowance for impairment of bad and doubtful receivables	<u>(109,159)</u>	<u>(1,854,099)</u>
	3,484,987	6,223,979
Foreign trade receivable	338,444	51,451
Allowance for impairment of bad and doubtful receivables	<u>-</u>	<u>(51,308)</u>
	338,444	143
	<u>3,823,431</u>	<u>6,224,122</u>
Other receivables		
Receivables from subsidiaries	177,942	303,746
Allowance for impairment of bad and doubtful receivables	<u>(24,595)</u>	<u>(146,618)</u>
	153,347	157,128
Interest receivables	1,051,078	1,052,608
Allowance for impairment of bad and doubtful receivables	<u>(557,521)</u>	<u>(520,855)</u>
	493,557	531,753
Receivables from the loan of IBRD	164,760	191,357
Receivables from other domestic entities based on loans	119,056	-
Receivables from employees	6,008	17,314
Claims from insurance companies	-	11,219
Receivables for overpaid Income tax	<u>135,393</u>	<u>-</u>
	1,072,121	908,771
	<u>4,895,552</u>	<u>7,132,893</u>

Trade receivables in the amount of Denar 3,823,431 thousand (2010: Denar 6,224,122 thousand) include amount of Denar 149,928 thousand (2010: Denar 3,911,548 thousand) which refers to short term receivables from public institutions in the amount of Denar 143,087 thousand and short term receivables from EVN Makedonija AD Skopje in the amount of Denar 6,841 thousand. According to the contractual terms of payment, the portion of receivables from EVN Makedonija AD Skopje is classified as long term receivables (Note 19).

Interest receivables in the amount of Denar 1,051,078 thousand (2010: Denar 1,052,608 thousand), net of allowance for impairment for bad and doubtful receivables in the amount of Denar 557,521 thousand (2010: Denar 520,855 thousand), mostly relate to interest receivables from MEPSO AD, Skopje in the amount of Denar 1,045,498 thousand (2010: Denar 1,041,709 thousand), for which allowance for impairment in the amount of Denar 487,977 thousand (2010: Denar 520,854 thousand) was set.

Receivables from the loan of IBRD in the amount of Denar 164,760 thousand (2010: Denar 191,357 thousand) relating to the portion of receivables of the long-term loan granted by IBRD (Note 28), which according to the agreements governing the obligation for repayment of the loan from IBRD, concluded on December 13, 2005, are repayable by EVN Makedonija AD, Skopje and MEPSO AD, Skopje. According to the agreements abovementioned, the portion amounting to 9.24% and 10.78% of the loan approved by IBRD, are repayable by EVN Makedonija AD, Skopje and MEPSO AD, Skopje, respectively.

TRADE PAYABLES AND OTHER LIABILITIES

	In thousands of Denars	
	December 31 2011	December 31 2010
Suppliers:		
Domestic	2,748,990	2,201,360
Foreign	190,598	110,382
	<u>2,939,588</u>	<u>2,311,742</u>
Other Liabilities:		
Liabilities to subsidiaries	11,450	89,235
Advances from Customers	5,451	38,529
Liabilities for salaries	140,115	42,455
Liabilities for taxes and contributions on salaries	81,962	202,824
Other employee liabilities	28,683	-
Liabilities for collective agreement	2,230	-
Liabilities for income tax	-	175,586
VAT payable	8,021	66,230
Water fees payable	-	7,908
Interest payables	38,947	-
Other	35,549	530
	<u>352,408</u>	<u>623,297</u>
Accrued expenses:		
Accrued interest payable	5,235	178,680
Accrued annuities on loans from IBRD	-	191,357
Costs for purchased electricity which have not been invoices	805,170	-
Other accrued expenses	57,231	116,495
	<u>867,636</u>	<u>486,532</u>
	<u>4,159,632</u>	<u>3,421,571</u>