

S U M M A R Y

Financial results that JSC Macedonian Power Plant has achieved in 2010 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:

- ❖ **Profit before tax in the amount of MKD 528.156.038**
- ❖ **Profit after tax in the amount of MKD 247.328.476**
- ❖ **Repayment** of long-term loans in the amount of **MKD 1.522.834.618**

STATEMENT OF COMPREHENSIVE INCOME
Year Ended December 31, 2010
(In Thousands of Denars)

*The audit was
performed by
other auditor*

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
Revenues			
Electricity revenue	5	14,839,535	13,584,362
Other operating income	6	406,110	536,766
		<u>15,245,645</u>	<u>14,121,128</u>
Expenses			
Lignite manufacturing costs	7, 8, 9, 10, 11	(5,348,507)	(4,455,893)
Amortization and depreciation	7	(1,432,312)	(1,429,589)
Staff costs	8	(1,748,147)	(1,658,112)
Maintenance and insurance costs	9	(977,308)	(999,116)
Raw materials and consumables	10	(1,791,880)	(3,046,500)
Other operating costs	11	(658,436)	(1,093,412)
Adjustments of inventory value	20	(350,184)	-
Impairment of investments in subsidiaries	17	(522,975)	(8,104)
Impairment of trade receivables, and other receivables, net	12	(1,450,354)	(840,200)
		<u>(14,280,103)</u>	<u>(13,530,926)</u>
Operating profit		965,542	590,202
Finance income	13	102,418	119,004
Finance costs	14	(539,804)	(394,803)
Profit before taxation		528,156	314,403
Income taxes	15	(280,828)	(122,502)
Net profit for the year		<u>247,328</u>	<u>191,901</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>247,328</u>	<u>191,901</u>

STATEMENT OF FINANCIAL POSITION
As at December 31, 2010
(In Thousands of Denars)

	Notes	December 31, 2010	<i>The audit was performed by other auditor</i> December 31, 2009
ASSETS			
Non-current assets			
Intangible assets	16	109,076	9,945
Property, plant and equipment	16	30,063,925	28,893,767
Investments in subsidiaries	17	432,133	865,925
Non-current assets held for sale	18	9,389	9,389
Other financial assets	19	12,793	12,793
		<u>30,627,316</u>	<u>29,791,819</u>
Current assets			
Inventories	20	2,312,185	2,710,068
Trade and other receivables	21	7,132,893	9,398,673
Prepaid expenses	22	1,051,716	1,050,749
Short-term bank deposits	23	8,868	91,700
Cash and cash equivalents	24	2,898,561	1,985,334
		<u>13,404,223</u>	<u>15,236,524</u>
Total assets		<u>44,031,539</u>	<u>45,028,343</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	25	31,738,878	31,738,878
Revaluation reserves		1,101,257	1,046,658
Other capital		1,429,611	1,429,567
Retained earnings		265,423	209,996
		<u>34,535,169</u>	<u>34,425,099</u>
Long-term liabilities			
Long-term borrowings	26	5,035,972	5,377,896
Provisions		14,306	-
Differed grant income	27	10,890	14,438
		<u>5,061,168</u>	<u>5,392,334</u>
Current liabilities			
Trade payables and other liabilities	28	3,421,571	4,181,177
Short-term borrowings	29	1,013,631	1,029,733
		<u>4,435,202</u>	<u>5,210,910</u>
TOTAL EQUITY AND LIABILITIES		<u>44,031,539</u>	<u>45,028,343</u>

STATEMENT OF CASH FLOWS
Year Ended December 31, 2006
(In Thousands of Denars)

*The audit was
performed by
other
auditor***2009**

	2010	2009
Operating activities		
Income before tax	528,156	314,403
Adjustment for:		
Depreciation	1,754,791	1,684,082
Allowance of inventories	350,184	-
Impairment of investments in subsidiaries	522,975	8,104
Impairment of trade receivables and other receivables	1,450,354	840,200
Foreign exchange, net	179,369	(49,451)
Interest expenses	258,017	312,704
Capitalized interest on loans	-	(169,480)
Correction of capitalized foreign exchange differences from previous years	-	(3,277)
Provisions for claims	14,306	-
Income from write-off of liabilities	(5,481)	(13,806)
Revenue from amortization of differed grants	(3,548)	(3,525)
	<u>5,049,123</u>	<u>2,919,954</u>
Operating profit before working capital changes	5,049,123	2,919,954
Changes in working capital		
Write-off of inventory	47,699	392,644
Decrease of trade receivables and other receivables	635,088	465,607
Increase in trade and other payables	(822,961)	(514,294)
	<u>4,908,949</u>	<u>3,263,911</u>
Interest paid	(258,017)	(312,704)
Income tax paid	(211,992)	(16,755)
Net cash flows generated from operating activities	4,438,940	2,934,452
Cash flows from investing activities		
Purchase of fixed assets	(2,998,222)	(2,687,606)
Inflow/(Investments)in short term deposits in bank	82,832	(41,245)
Investment in subsidiaries	(89,183)	(306)
Net cash flows used in investing activities	(3,004,573)	(2,729,157)
Cash flows from financing activities		
Dividends paid	(163,114)	-
Inflow/(payment) of loans, net	(358,026)	(769,455)
Net cash used in financing activities	(521,140)	(769,455)
Net increase/(decrease) in cash and cash equivalents	913,227	(564,160)
Cash and cash equivalents at the beginning of the year	1,985,334	2,549,494
Cash and cash equivalents at the end of the year	2,898,561	1,985,334

STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2010
(Expressed in thousands of Denars)

	<u>Share Capital</u>	<u>Reserves</u>	<u>Other Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
<i>The audit was performed by other auditor</i>					
Balance at January 1, 2009	31,738,878	1,046,653	1,430,355	18,095	34,233,981
Profit for the year	-	-	-	191,901	191,901
Other	-	5	(788)	-	(783)
Balance at January 1, 2010	<u>31,738,878</u>	<u>1,046,658</u>	<u>1,429,567</u>	<u>209,996</u>	<u>34,425,099</u>
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	247,326
Other	-	-	44	(2)	42
Balance at December 31, 2010	<u>31,738,878</u>	<u>1,101,257</u>	<u>1,429,611</u>	<u>265,423</u>	<u>34,535,169</u>

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

REVENUE FROM SALE OF ELECTRICITY

	In thousands of Denars	
	Year ended December 31,	
	2010	2009
Revenue from sale of electricity to EVN Makedonija AD, Skopje	12,089,338	11,808,071
Revenue from sale of electricity to Mepso AD Skopje	778,579	673,386
Revenue from sale of night surplus	1,529,195	586,602
Revenue from steam and hot water	184,755	245,873
Revenue from sale of electricity to end-users	211,474	197,508
Revenue from sale of electricity to other qualified users	46,194	72,922
	<u>14,839,535</u>	<u>13,584,362</u>

OTHER INCOME

	In thousands of Denars	
	Year ended December 31	
	2010	2009
Reimbursement of insurance claims	116,297	148,163
Income from correction of invoices issued to EVN, complied by protocol	-	110,396
Sale of other products and services	141,425	97,275
Adjustments of the inventory count year 2008	-	52,296
Collected interest on loans	24,493	33,805
Transport of workers in REK Bitola (deductions from wages)	19,761	18,892
Penalties	20,819	16,181
Write-off of liabilities	5,481	13,806
Collected bank guaranties	-	12,844
Rents	1,533	4,672
Revenue from amortization of differed grants (Note 27)	3,548	3,525
Sale of tender documentation	-	3,138
Previously written-off receivables	-	609
Discounts	13	147
Surplus of inventory	76	46
Donations	20,670	-
Other	51,994	20,971
	<u>406,110</u>	<u>536,766</u>

AMORTIZATION AND DEPRETIATION

	In Thousands of Denars	
	Year ended	December 31,
	2010	2009
Amortization and depreciation	1,754,791	1,684,082
Less: costs for lignite production	<u>(322,479)</u>	<u>(254,493)</u>
	<u>1,432,312</u>	<u>1,429,589</u>

STAFF COSTS

	In Thousands of Denars	
	Year ended	December 31,
	2010	2009
Net salaries, salary tax and salary contributions	2,693,592	2,692,847
Other contributions	418,968	448,259
	<u>3,112,560</u>	<u>3,141,106</u>
Less: costs for lignite production	<u>(1,364,413)</u>	<u>(1,482,994)</u>
	<u>1,748,147</u>	<u>1,658,112</u>

MAINTENANCE AND INSURANCE COSTS

	In Thousands of Denars	
	Year ended	December 31,
	2010	2009
Maintenance costs	3,015,597	2,448,621
Insurance costs	230,713	231,814
	<u>3,246,310</u>	<u>2,680,435</u>
Less: costs for lignite production	<u>(2,269,002)</u>	<u>(1,681,319)</u>
	<u>977,308</u>	<u>999,116</u>

RAW MATERIALS AND CONSUMABLES

	In Thousands of Denars	
	Year ended	
	December 31,	
	2010	2009
Cost of electricity sold	813,111	2,135,110
Spare parts	818,730	842,584
Oil	422,651	352,784
Natural gas	314,066	138,354
Liquid fuel	121,591	119,242
Water	122,556	119,272
Raw materials	229,860	162,295
Small inventory costs	18,115	13,013
Consumed electricity	8,758	8,861
Steam heating costs	4,209	3,956
Lubricants and oil	225	-
Other	-	-
	<u>2,873,872</u>	<u>3,895,471</u>
Less: costs for lignite production	<u>(1,081,992)</u>	<u>(848,971)</u>
	<u>1,791,880</u>	<u>3,046,500</u>

OTHER OPERATING EXPENSES

	In Thousands of Denars	
	Year ended	
	December 31,	
	2010	2009
Electricity transmission costs	12,959	346,052
Expenses for part time employees	309,362	233,452
Mandatory health check	183,131	169,854
Other production services	43,095	117,905
Correction of the 2008 inventory count	7,032	73,748
Water fees	65,252	57,679
Compensation for electricity production from fossil fuels	31,712	37,235
Sponsorships	51,636	34,313
Transport services	26,644	29,759
Utilities	26,127	23,663
Fees for road construction	12,982	22,205
Telecommunication and postal charges	19,932	21,338
Current protection at work costs	14,863	18,597
Court fees	7,661	14,348
Representation	9,853	10,271
Bank charges	16,068	9,844
Memberships	8,128	8,097
Professional training	10,694	5,013
Marketing	30,809	565
Indirect taxes and contributions	238	538
Shortages	-	11
Provisions for claims compensations	14,306	-
Other	66,573	47,041
	<u>969,057</u>	<u>1,281,528</u>
Less: costs for lignite production	<u>(310,621)</u>	<u>(188,116)</u>
	<u>658,436</u>	<u>1,093,412</u>

FINANCE INCOME

	In Thousands of Denars	
	Year ended	December 31,
	2010	2009
Interest income	31,810	33,651
Foreign exchange gain	70,608	85,353
	<u>102,418</u>	<u>119,004</u>

FINANCE COSTS

	In Thousands of Denars	
	Year ended	December 31,
	2010	2009
Interest expenses	(286,706)	(300,717)
Penalty interest	(3,121)	(11,987)
Foreign exchange loss	(249,977)	(82,099)
	<u>(539,804)</u>	<u>(394,803)</u>

CASH AND CASH EQUIVALENTS

	In Thousands of Denars	
	December 31,	December 31,
	2010	2009
Cash in banks:		
- in Denars	1,512,108	485,819
- in Foreign Currencies	223,803	61,781
- special purpose gyro account	1,162,493	1,437,333
Cash in hand	157	401
	<u>2,898,561</u>	<u>1,985,334</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, 2010 and 2009, according to the Central Securities Depository, is as follows:

	% Ownership		In Thousands of Denars	
	2010	2009	2010	2009
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 loses 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, 2010	December 31, 2009
Trade receivables		
Domestic trade receivables	8,078,078	9,050,963
Allowance for impairment of bad and doubtful receivables	<u>(1,854,099)</u>	<u>(1,195,449)</u>
	6,223,979	7,855,514
Foreign trade receivable	51,451	51,629
Allowance for impairment of bad and doubtful receivables	<u>(51,308)</u>	<u>-</u>
	143	51,629
	<u>6,224,122</u>	<u>7,907,143</u>
Other receivables		
Receivables from subsidiaries	303,746	178,759
Allowance for impairment of bad and doubtful receivables	<u>(146,618)</u>	<u>-</u>
	157,128	178,759
Interest receivables	1,052,608	1,053,479
Allowance for impairment of bad and doubtful receivables	<u>(520,855)</u>	<u>-</u>
	531,753	1,053,479
Receivables from the loan of IBRD	191,357	215,850
Receivables from employees	17,314	17,708
Claims from insurance companies	11,219	20,814
Other receivables	<u>-</u>	<u>4,920</u>
	908,771	1,491,530
	<u>7,132,893</u>	<u>9,398,673</u>

Trade receivables in the amount of Denar 6,224,122 thousand (2009: Denar 7,907,143 thousand) include:

- an amount of Denar 3,848,362 (2009: Denar 4,507,012 thousand) thousand related to outstanding trade receivables inherited and transferred to the Company with the split-off balance of ESM AD, Skopje as of August 31, 2005. In accordance with the Annex to the Agreement defining the mutual relationship between the Company and EVN Makedonija AD, Skopje on December 5, 2005, the Company will settle the receivables in the amount of Denar 6,499,400 thousand through refunding of 50% of the amount of the current collection of receivables by EVN Makedonija AD, Skopje from third parties. Until December 31, 2010, on that basis the Company collected Denar 908,008 thousand from EVN Makedonija AD, Skopje. From September 27, 2007 until the date of issuance of these financial statements, there was no recovery of these receivables. The impairment of these receivables on December 31, 2010 amounted to Denar 1,743,030 thousand (2009: Denar 1,084,381 thousand). In 2008 the Company initiated proceedings through the Basic Court Skopje for recovery of these receivables. As disclosed in Note 34 after the end of the reporting period, that is March 29, 2011, the Company entered into a court settlement agreement with EVN Makedonija AD, Skopje. According to this agreement was established that EVN Makedonija AD, Skopje has recovered a total amount of 2,121,770 thousand, in which is included the amount of Denar 908,008 thousand, already paid. With this agreement the amount of Denar 1,213,762 thousand should be paid to the Company, through processes with other state and governmental institutions, as well as directly from EVN Makedonija AD, Skopje by the end of 2011. The rest of the receivables will be paid to the Company depending on the recovery of these receivables of EVN Makedonija AD, Skopje by the end users.

TRADE PAYABLES AND OTHER LIABILITIES

	In Thousands of Denars	
	December 31, 2010	December 31, 2009
Trade payables		
Domestic	2,201,360	2,553,923
Foreign	<u>110,382</u>	<u>178,733</u>
	<u>2,311,742</u>	<u>2,732,656</u>
Other liabilities:		
Liabilities to subsidiaries	89,235	96,126
Advances from Customers	38,529	254,800
Liabilities for salaries	42,455	36,767
Liabilities for taxes and contributions on salaries	202,824	190,731
Liabilities for income tax	175,586	106,750
VAT payable	66,230	35,642
Water fees payable	7,908	12,243
Other	<u>530</u>	<u>313</u>
	<u>623,297</u>	<u>733,372</u>
Accrued expenses:		
Accrued interest payable	178,680	227,605
Accrued annuities on loans from IBRD	191,357	215,850
Other accrued expenses	<u>116,495</u>	<u>271,694</u>
	<u>486,532</u>	<u>715,149</u>
	<u>3,421,571</u>	<u>4,181,177</u>

Accrued annuities on loans from IBRD in the amount of Denar 191,357 thousand (2009: Denar 215,850 thousand) relate to liabilities accruals of the portion of the long-term loan granted by IBRD (Note 26), which under the agreements governing the obligations for repayment of the loan of IBRD, signed on December 13, 2005, are repayable by EVN Makedonija AD and MEPSO AD. According to the agreements abovementioned, the portion amounting to 9.24% and 10.78% of the loan approved by the IBRD, are repayable by EVN Makedonija AD and MEPSO AD, respectively. In the financial statements of the Company, liabilities are calculated and recorded, except for the receivables from EVN Makedonija AD Skopje and MEPSO AD, Skopje. Based on the substance of the agreements, the Company has no obligations to these two subjects.