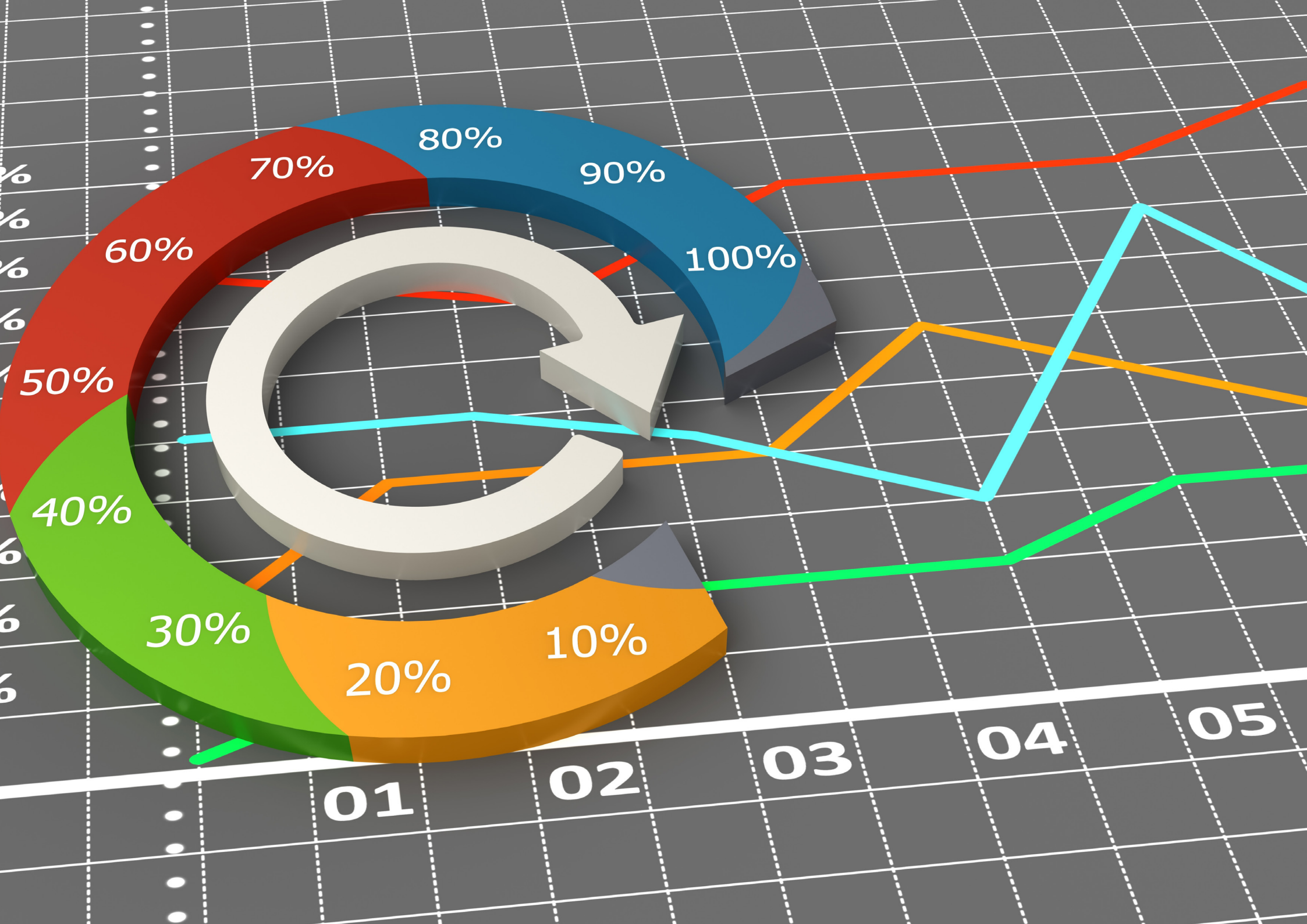


THE ENERGY OF OUR COUNTRY





SUMMARY

More important indicators achieved for 2012, which are a measure of the success of the company, are as follows:

- **Total revenue** in the amount of MKD **16.309.774.525**
- **Total expenses** in amount of **16.166.980.341**
- **Profit before tax** in the amount of MKD **142.794.184**
- **Profit after tax** in the amount of MKD **47.761.521**
- **Due repayment of long-term loans** in the amount of MKD **1.220.272.662**

STATEMENT OF COMPREHENSIVE INCOME

		(000 MKD)	
		Year which ends on	
		31 December	
	Notes	2012	2011
Revenues from sold electricity	23	13,859,090	14,719,661
Other operation revenues	24	918,663	558,809
		14,777,753	15,278,470
Lignite manufacturing costs	25, 26, 27, 28, 29	(5,814,234)	(4,400,758)
Amortization and depreciation	25	(1,514,952)	(1,495,584)
Staff costs	26	(1,577,716)	(1,934,335)
Maintenance and insurance costs	27	(467,811)	(2,021,668)
Raw materials and consumables	28	(3,720,123)	(3,678,002)
Other operating costs	29	(791,096)	(904,450)
Cost from write-off of investments	7	-	(8,135)
Correction of value and write-off of unplayable receivables	30	(578,340)	(601,853)
Operating profit		313,481	233,685
Finance income	31	79,900	153,560
Finance costs	31	(250,586)	(222,984)
		(170,686)	(69,424)
Profit before taxation		142,795	164,261
Tax costs	32	(95,033)	(117,445)
Financial year income		47,762	46,816
Total comprehensive income for the year		-	-
Total comprehensive income for the year		47,762	46,816

STATEMENT OF FINANCIAL CONDITION

	Notes	(000 MKD)	
		On 31 December 2012	2011
Non-current assets			
Property, plant and equipment	6	36,170,775	32,160,795
Intangible assets	6	470,814	361,973
Investments in subsidiaries	7	609,939	440,159
Financial assets available-for-sale	8	9,357	9,389
Long- term receivables	9	2,291,217	2,948,107
Long-term deposits	10	960	-
Other financial assets	11	13,454	13,446
		39,566,516	35,933,869
Current assets			
Inventories	12	2,738,717	2,591,902
Trade and other receivables	13	4,622,932	4,895,552
Prepaid expenses	14	1,434,473	897,700
Short-term bank deposits	15	3,000	107,950
Financial assets which are kept until maturity	16	-	504,768
Cash and cash equivalents	17	654,176	1,300,032
		9,453,298	10,297,904
Total assets		49,019,814	46,231,773
Capital and reserves			
Share capital		31,738,878	31,738,878
Reserves		1,145,378	1,138,356
Other capital		1,429,662	1,429,654
Retained earnings		271,921	268,634
Total capital and reserves	18	34,585,839	34,575,522

Non-current liabilities

Interest loans	19	7,605,732	5,874,996
Reserves	20	589,151	408,756
Deferred grants	21	33,426	14,129
		8,228,309	6,297,881

Current liabilities

Interest loans	19	1,467,918	1,198,738
Trade payables and other liabilities	22	4,737,748	4,159,632
		6,205,666	5,358,370

Total liabilities		14,433,975	11,656,251
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Total capital and reserves and liabilities		49,019,814	46,231,773
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STATEMENT OF CASH FLOWS

	Note	Year which ends on 31 December	
		2012	2011
		000 MKD	000 MKD
Operating activities			
Income before tax		142,795	164,261
Adjustment for:			
Depreciation		2,031,023	1,952,789
Impairment of investments in subsidiaries to objective value		-	8,135
Correction of value and write-off of unpayable receivables		578,340	601,853
Foreign exchange, net		3,128	(24,000)
Interest expenses		227,398	192,595
Shortages		943	9,963
Provisions for reclamation of degraded land		93,047	93,055
Provisions for employee benefits		20,000	301,395
Provisions from potential losses based on court disputes		83,611	-
Non write-off value of alienated and expended property, plants and equipment		5,260	-
Income from transfer of assets from liquidated subsidiary ROIS dooel, Novaci		(229)	-
Income from write-off of liabilities		(15,835)	(4,568)
(Revenue) from amortization of deferred grants		(4,631)	(2,746)
Income from estimation of property, plants and equipment, net		(105,521)	-
Incomes from participation in profit from subsidiary		(26,423)	-
Surplus		-	(1,782)
Operating profit before working capital changes		3,032,906	3,290,950

Changes in working capital

Inventories	(110,221)	(287,898)
Trade and other receivables and long- term receivables	(185,078)	(904,807)
Suppliers liabilities and other liabilities	580,344	1,244,113
	3,317,951	3,342,358
Interest paid	(206,970)	(327,093)
Income tax paid	(135,142)	(428,424)
	2,975,839	2,586,841

Investment activities

Purchase of tangible and intangible assets, net of inflows	(6,225,741)	(4,296,571)
Inflow/(Investments)in short term deposits in banks	103,540	(99,082)
Loans to domestic entities	(8)	(119,056)
Investment in subsidiaries	(7,037)	(16,161)
Flows from participation in subsidiary income	26,423	-
	(6,102,823)	(4,530,870)

Note	Year which ends on 31 December
	2012 2011
	000 MKD 000 MKD

Financial activities

Dividends paid	-	(197,863)
Inflow of loans, net	1,976,360	1,048,131
	1,976,360	850,268

Net-change of cash

	(1,150,624)	(1,093,761)
Cash at the beginning	1,804,800	2,898,561
Cash at the end	654,176	1,804,800

Cash and cash equivalents include:

State entries	16	-	504,768
Cash and cash equivalents	17	654,176	1,300,032
		654,176	1,804,800

REPORT FOR CHANGES IN CAPITAL

	Share capital	Reserves	Other capital	Unallocated income	(000 MKD) Total capital
On 1st January 2012	31,738,878	1,138,356	1,429,654	268,634	34,575,522
Separation for legal reserve	-	7,022	-	(7,022)	-
Dividends	-	-	-	(37,453)	(37,453)
Other	-	-	8	-	8
<i>Owners transactions</i>	-	7,022	8	(44,475)	(37,445)
Annual income	-	-	-	47,762	47,762
Other comprehensive income	-	-	-	-	-
<i>Other comprehensive income</i>	-	-	-	47,762	47,762
On 31 December 2012	31,738,878	1,145,378	1,429,662	271,921	34,585,839
On 1st January 2011	31,738,878	1,101,257	1,429,611	265,423	34,535,169
Separation for legal reserve	-	37,099	-	(37,099)	-
Dividends	-	-	-	(197,863)	(197,863)
Correction of errors from previous years	-	-	-	191,357	191,357
Other	-	-	43	-	43
<i>Owners transactions</i>	-	37,099	43	(43,605)	(6,463)
Annual income	-	-	-	46,816	46,816
Other comprehensive income	-	-	-	-	-
<i>Total comprehensive income</i>	-	-	-	46,816	46,816
On 31 December 2011	31,738,878	1,138,356	1,429,654	268,634	34,575,522

NOTES TO THE FINANCIAL STATEMENTS

ELECTRICITY REVENUE

	2012	2011
Revenue from sale of electricity to EVN Makedonija AD, Skopje	11,692,292	12,867,803
Revenue from sale of night surpluses	1,169,991	607,540
Revenue from sale of electricity to MEPSO AD Skopje	898,495	994,066
Revenue from sale of electricity, steam and hot water to qualified and end users	98,312	250,252
	13,859,090	14,719,661

OTHER INCOME

	2012	2011
Sale of other products and services	468,464	424,706
Damage compensation of insurance	116,059	49,886
Unpaid penalties	106,716	541
Income from estimation of property, plants and equipment (Note 6)	105,624	-
Participation incomes in subsidiary profit	26,423	-
Write-off of short-term liabilities	15,835	4,568
Revenue from amortization of differed grants	4,631	2,746
Rent incomes	1,418	997
Income from transfer of assets of liquidated subsidiary ROIS dooel, Novaci	229	-
Discounts	23	233
Surpluses of materials, spare parts and small inventory	-	1,782
Donations	-	3,096
Other	73,241	70,254
	918,663	558,809

DEPRECIATION

	2012	2011
Depreciation	1,914,499	1,847,508
Amortization	116,524	105,281
Annual cost	2,031,023	1,952,789
Less: costs for lignite production	(516,071)	(457,205)
	1,514,952	1,495,584

STAFF COSTS

	2012	2011
Net salaries, salary tax and salary contributions	2,898,158	2,812,625
Other obligatory contributions for employees	168,095	211,103
Provisions for employee benefits	20,000	301,395
	3,086,253	3,325,123
Less: costs for lignite production	(1,508,537)	(1,390,788)
	1,577,716	1,934,335

MAINTENANCE AND INSURANCE COSTS

	2012	2011
Maintenance costs	2,666,037	3,137,558
Insurance costs	208,304	210,948
	2,874,341	3,348,506
Less: costs for lignite production	(2,406,530)	(1,326,838)
	467,811	2,021,668

RAW MATERIALS AND CONSUMABLES

	2012	2011
Cost of electricity sold	1,908,931	2,541,291
Spare parts	901,105	903,943
Oil	878,187	578,648
Natural gas	285,071	173,009
Liquid fuel	133,116	140,478
Water	111,873	115,942
Raw materials	246,750	125,649
Small inventory costs	30,367	18,105
Steam heating costs	14,969	3,682
Consumed electricity	12,153	10,231
Lubricants and oil	20,900	111
	4,543,422	4,611,089
Less: costs for lignite production	(823,299)	(933,087)
	3,720,123	3,678,002

OTHER OPERATING COSTS

	2012	2011
Electricity transmission costs	230,517	259,889
Mandatory health check	185,087	185,237
Other production services	117,437	40,176
Services for arrangement of electricity surplus sale	102,850	-
Provisions for reclamation of land	93,047	93,055
Provisions for court disputes	83,611	-
Sponsorships and donations	76,699	62,616
Contribution for water	72,897	71,733
Transport services	38,109	28,187

Utilities	31,311	29,820
Bank charges	25,196	23,106
Incorrectly notified value added tax in previous years	16,850	-
Costs for electricity transmission	14,258	13,638
Telecommunication and postal charges	13,044	14,354
Representation	12,692	8,990
Current protection at work costs	10,179	15,137
Memberships	9,998	9,101
Marketing	8,754	28,978
Court fees	8,015	6,636
Non-write-off value of alienated and expended property, plants and equipment	5,260	-
Professional training	1,550	4,874
Shortages	943	9,963
Taxes and contribution not depending on result	324	245
Losses from estimation of property, plants and equipment (Note 6)	103	-
Fees for road construction	-	58,211
Compensation for electricity production from fossil fuels	-	40,006
Other	192,162	193,338
	1,350,893	1,197,290
Less: costs for lignite production	(559,797)	(292,840)
	791,096	904,450

FINANCE INCOME AND COSTS

	2012	2011
Finance incomes		
Interest incomes	59,840	99,171
Exchange rate incomes	20,060	54,389
	79,900	153,560
Financing costs		
Interest costs	(213,961)	(191,425)
Penalties costs	(13,437)	(1,170)
Exchange rate costs	(23,188)	(30,389)
	(250,586)	(222,984)
Financial results, net	(170,686)	(69,424)

CASH AND CASH EQUIVALENTS

	2012	2011
Denar accounts in banks	267,701	565,260
Foreign currencies in banks	186,510	33,534
Special purpose current account	199,846	701,069
Cash office	119	169
	654,176	1,300,032

CAPITAL AND RESERVES

a. Shareholder capital

The shareholders capital of the Entity amounts to Denar 31,738,878 thousand and it is divided on 31,738,878 ordinary shares, with the nominal value of Denar 1,000 per share.

The structure of the shareholder's capital during 2012 и 2011 is as follows:

	Legal reserves	Revaluation reserves	Totally
01. January 2012	115,964	1,022,392	1,138,356
Separation of reserves during year	7,022	-	7,022
31. December 2012	122,986	1,022,392	1,145,378
01. January 2011	78,865	1,022,392	1,101,257
Separation of reserves during year	37,099	-	37,099
31. December 2011	115,964	1,022,392	1,138,356

b. Obligatory reserve

The Entity maintains obligatory reserves, as a common fund, which is established in accordance with Company law. 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, and if there is any excess over this minimum can be used for dividend distribution, if the Shareholders' Assembly issues such decision.

c. 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.

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

	2012	2011
Trade receivables		
Domestic trade receivables	3,350,428	3,594,146
Foreign trade receivable	432,609	338,444
	3,783,037	3,932,590
Less: reserves due to damage	(130,968)	(109,159)
	3,652,069	3,823,431
Receivables from subsidiaries	256,707	177,942
Less: reserves due to damage	-	(24,595)
	256,707	153,347
Interests receivables	1,046,811	1,051,078
Less: reserves due to damage	(557,521)	(557,521)
	489,290	493,557
Other current receivables		
Receivables from the loan of IBRD	137,187	164,760
Receivables from other domestic entities based on loans	8,797	119,056
Receivables from employees	7,767	6,008
Receivables for overpaid Income tax	29,999	135,393
Receivables from value added tax	24,827	-
Receivables from insurance companies	24,845	-
	233,422	425,217
Less: reserves due to damage	(8,556)	-
	224,866	425,217
	4,622,932	4,895,552

TRADE PAYABLES AND OTHER LIABILITIES

	2012	2011
Liabilities to suppliers		
- Domestic	3,117,902	2,748,990
- Foreign	436,329	190,598
	3,554,231	2,939,588
Other liabilities		
Liabilities to subsidiaries	357,883	11,450
Liabilities for salaries	163,480	140,115
Liabilities for VAT	100,076	8,021
Liabilities for taxes and contributions on salaries	90,683	81,962
Other liabilities for employees	42,479	28,683
Interest liabilities	38,826	38,947
Liabilities for dividends	37,453	-
Advances from Customers	3,528	5,451
Liabilities for leasing contracts	1,276	2,358
Liabilities for collective agreement	178	2,230
Other liabilities	62,399	33,191
	898,261	352,408
Accrued expenses:		
Accrued annuities on loans from IBRD	6,610	-
Costs for purchased electricity which have not been invoices	14,021	805,170
Advanced calculated costs for opened accredits for equipment supply	181,701	-
Other accrued expenses	82,924	62,466
	285,256	867,636
	4,737,748	4,159,632

